28 September 2016

Volga Gas plc
('Volga Gas' or 'the Company' or 'the Group')
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Volga Gas, the oil and gas exploration and production group operating in the Volga region of Russia, announces its results for the six months ended 30 June 2016.

HIGHLIGHTS

OIL, GAS AND CONDENSATE PRODUCTION

- Group production averaged 5,933 boepd in H1 2016 (H1 2015: 2,642), a 126% increase.
- Production capacity increased with start-up from the VM#4 well in November 2015.
- Commencement of condensate exports in November 2015 enabled uninterrupted production in H1 2016. H1 2015 was impacted by domestic market disruptions which re-occurred in H1 2016.
- Oil production averaged 432 bopd in H1 2016 (H1 2015: 471 bopd) which was above budget estimates. During May and June 2015, oil production averaged 851 bopd after successful workovers.

FINANCIAL RESULTS

- Higher production volumes offset by lower oil price and weaker Ruble exchange rate led to 103% increase in revenues to US$15.9 million (H1 2015: $7.9 million).
- EBITDA recovered to US$3.8 million in H1 2016 (H1 2015: negative EBITDA of US$0.3 million)
- Profit before tax of US$1.5 million (H1 2015: loss of US$1.6 million).
- Cash used in capital expenditure of US$1.7 million in H1 2016 (H1 2015: US$2.1 million)
- Net cash inflow from operations of US$ 7.0 million (H1 2015: outflow of US$1.0 million) after a net positive inflow from working capital of US$3.1 million (H1 2015: outflow of $0.5 million). The net cash inflow from working capital was primarily due to prepayments received from export customers (H1 2015: nil).
- Cash balance of US$12.5 million as at 30 June 2016 (US$6.8 million as at 31 December 2015) and no borrowings (31 December 2015: nil) including prepayments from export customers of US$ 3.5 million as at 30 June 2016 (US$0.9 million as at 31 December 2015).

DEVELOPMENT ACTIVITY

- Tied back the VM#3 well, drilled during 2015. Management estimates the four principal wells in the VM field can deliver the planned plateau rate of 1 million m^3 per day of gas (35.3 mmcf/d) plus 2,000 bpd of condensate: a total of 7,883 boepd.
- Testing production of gas at full rates during July and August 2016 to identify bottlenecks in gas processing.
- Upgrades to storage facility and fine tuning of gas treatment processes under way to enable continuous gas/condensate production at full plateau rates.
- Successful workovers of producing wells on the Uzen field during H1 2016 enabled oil production capacity to rise from 300 bopd to over 800 bopd
- Finalised plans for development of the shallow Albian oil reservoir in the Uzen field using horizontal wells. Drilling of the first horizontal well is to commence during Q4 2016.

Andrey Zozulya, Chief Executive Officer of Volga Gas, said:
"We are very pleased to have delivered these sound financial results given the continuing challenges with weak oil prices and difficult economic conditions. It is very satisfying to see that the work done in completing the drilling on VM and in establishing an export channel for condensate is showing tangible benefits for the Group. Management will now focus on the final steps required to bring the Group's assets up to maximum production and on building opportunities for further growth in shareholder value."

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Editors' notes:

Volga Gas is an independent oil and gas exploration and production company operating in the Volga region of Russia. The company has 100% interests in its four licence areas.

The information contained in this announcement has been reviewed and verified by Mr. Andrey Zozulya, Director and Chief Executive Officer of Volga Gas plc, for the purposes of the Guidance Note for Mining, Oil and Gas companies issued by the London Stock Exchange in June 2009. Mr. Andrey Zozulya has a degree in Geophysics and Engineering from the Groznensky Oil & Gas Institute and is a member of the Society of Petroleum Engineers.

This announcement contains inside information as defined in EU Regulation No. 596/2014 and is in accordance with the Company's obligations under Article 17 of that Regulation.

Glossary

Bopd	Barrels of oil per day
Boepd	Barrels of oil equivalent per day, in which 6,000 cubic feet of natural gas is equated to one barrel of oil
Bpd	Barrels per day
mcf	thousands of standard cubic feet
mcm	thousands of standard cubic metres
mcm/d	thousands of standard cubic metres per day
m^3	standard cubic metre
mmcf/d	millions of standard cubic feet per day
mmcm/d	millions of standard cubic metres per day
RUR	Russian Rouble

Interim Management Report

Volga Gas and its subsidiaries (together, the "Group") are involved in the production of and exploration for oil and gas in four licence areas in the Volga Region of Russia.

During H1 2016 Volga Gas has sustained record production, averaging 5,933 barrels of oil equivalent per day, principally as a result of the successful development drilling on the Vostochny Makarovskoye field completed during 2015. In addition, the development of export routes for condensate sales enabled the Group to continue production at planned rates even though disruption to domestic markets which had a material effect on the results for 2015 re-occurred in early 2016. Volga Gas is delighted to report volume growth of 126% compared to the H1 2015.

International oil prices at the start of 2016 fell to a 10 year low, although they subsequently recovered, as did the Russian Ruble. These factors clearly affected the prices realised by the Group for its oil, gas and condensate sales.

Nevertheless, thanks largely to the growth in production and sales volumes, net revenues for H1 2016 were 75% above those reported in H1 2015, after taking into account transport costs and taxes paid on exports. In addition, thanks to cost saving initiatives and efficiencies, the Group is able to report positive EBITDA, a return to profitability and significant strengthening of net cash balances.

Production Operations

Gas and condensate production – Dobrinskoye and VM fields

The Dobrinskoye and VM fields are managed as a single business unit. Production from the fields is processed at the gas plant located next to the Dobrinskoye field, extracting the condensate and processing the gas to pipeline standards before input into Gazprom's regional pipeline system via an inlet located at the plant. Under the current operating configuration, the plant has been operating consistently at 750 mcm/d (21.2 mmcf/d).

During H1 2016, the combined gas and condensate production derived from both fields averaged 23.6 mmcf/d of gas and 1,569 bpd of condensate (H1 2015: 9.7 mmcf/d of gas and 543 bpd of condensate). The two significant contributing factors to this strong production growth were:

- Contribution to production from the new VM#4 well which was completed during 2015 and brought into production in December 2015; and

- The development of export sales channels for condensate. This enabled the VM field to maintain production rates in line with plan for the entire period of H1 2016 even though the disruption to the domestic market for condensate, which affected H1 2015, occurred again during January and February 2016.

Gas continues to be sold to Trans Nafta at a fixed Ruble price, which was increased by 8% in July 2015. During H1 2016, the average price realised was equivalent to approximately US$1.43 per mcf, net of VAT (H1 2015: US$1.55), the decline in the US dollar equivalent price being due to the weaker Ruble.

During H1 2016, approximately 53% of condensate sales were exports, with the rest being sold in the domestic market at the plant gate. The average domestic condensate sales price was US$23.30 per barrel (H1 2015: US$28.01 per barrel). The average export sale price was $28.61 in H1 2016 (H1 2015: n/a). After paying export taxes and transportation costs, the average net realization for exports was less than for domestic sales. However, the export channels enabled production to be maintained uninterrupted even though further disruptions to the domestic market occurred in early 2016 as they did during H1 2015.

Unit production costs on the gas-condensate fields were approximately US$3.90 per boe (H1 2015: US$6.44). Although the actual expenses incurred were higher, the significantly higher production levels and the non-volume related component of costs had a beneficial impact on the unit production costs. The costs as reported in US dollars also benefited from the lower average exchange rate with the Ruble.

Further increases in the formula rate for Mineral Extraction Tax ("MET") came into effect in January 2016. However as international oil prices are taken into account in the calculation of applicable MET rates, the MET charged on gas and condensate production decreased to 24.6% of revenue during H1 2016 (H1 2015: 33.6%). There were also some savings in MET achieved by more accurate methods for metering unstabilised condensate that were introduced in December 2015.

Oil production – Uzenskoye fields

During H1 2016, oil production averaged 432 bopd (H1 2015: 471 bopd). During both January and March of 2016, the mild winter and the early thaw made the field roads to Uzen impassable to oil trucks for long periods and production was significantly impeded. However in April, workovers carried out on the producing wells and the installation of electrical submersible pumps in the wells enabled a significant recovery in overall oil production. Since May, typical daily production has been in excess of 800 bopd, well above the rates budgeted for 2016 before the start of the year.

Sales prices realised from crude oil decreased, averaging US$25.68/bbl net of VAT in H1 2016 (H1 2015: US$29.84/bbl). Production costs increased to $4.46/bbl (H1 2015: $3.10/bbl) as the costs of workovers on producing wells were incurred. MET formula rates applying to oil production decreased in line with international oil prices. As a result, the MET expense in H1 2016 dropped to 43% of revenues (H1 2015: 54%).

Development

VM Field

During 2015 drilling operations were concluded on the VM#3 and VM#4 wells. Following successful tests on both wells, management concluded that the well stock on the VM field would be sufficient to deliver the planned plateau production level of 1 million m3 per day of gas (35.3 mmcf/d) and would be sufficient to access and efficiently produce the remaining reserves in the field.

The VM#4 well was completed and tied back to the gas plant and commenced production in December 2015.

A final workover and completion of the VM#3 well was conducted during H1 2016 and this well has also been tied back to the gas plant. The well has recently been put on production as the output has been temporarily increased from the field to the 1 million m^3 per day level. While the main purpose of this higher production is to test the ability of the gas plant, under its current configuration, to process gas at the higher flow rate, this process has provided useful data to enable management to optimize the production from the field and maximise extraction of gas and condensate from the reservoir.

Gas plant

During August 2016, the flow rates from the gas fields were increased to test the capability of the plant to process at the planned higher rate of one million m^3/day (35.3 mmcf/d).

As a result of these tests, management is confident that the gas plant is capable of sustained throughput at the rate of 35.3 mmcf/d after some minor modifications that are expected to be completed by the end of 2016.

Uzen oil field

During H1 2016 workovers were conducted on the producing wells to block off water inflow into the well bores and to install electrical submersible pumps to provide artificial lift on the wells. As a result of these activities, the ongoing oil production rate increased from approximately 450 bpd to over 850 bpd.

In addition, further technical studies have been undertaken to enable management to recommend an investment of approximately US$3 million to drill a first horizontal well on the Uzen field to develop reserves in the undeveloped shallower Albian reservoir and to access bypassed oil in the developed Aptian reservoir. Invitations to tender have been issued to drilling contractors with the intention of the drilling commencing later in 2016 or early 2017. Subject to the results of the first horizontal well, a further horizontal well may be drilled subsequently.

Financial Review

Results of Operations

For the six months ended 30 June 2016, Group revenue more than doubled to US$15.9 million (H1 2015: US$7.9 million) reflecting, as previously stated, significantly higher production volumes, more than offsetting lower oil prices. With more modest increases in production costs and Mineral Extraction Taxes, the Group achieved a gross profit of US$5.5 million (H1 2015: US$0.3 million) for the period.

With the commencement of exports, there were Selling Expenses (comprising Export Taxes and transportation costs) of US$1.7 million in H1 2016 (H1 2015: nil). After taking into account Exploration expenses of US$0.2 million (H1 2015: nil) and Administrative expenses of US$1.8 million (H1 2015: US$1.5 million), the Group recorded an operating profit of US$1.8 million (H1 2015: loss of US$1.2 million).

After net interest income of US$41,000 (H1 2015: $0.1 million) and other, primarily foreign exchange, losses of US$0.4 million (H1 2015 net losses of US$0.4m, primarily a provision for fraudulent bank withdrawal), the Group reported a profit before tax of US$1.5 million (H1 2015: loss before tax of US$1.6 million). For the period, there was a tax provision of US$0.6 million (H1 2015: nil), mainly in deferred tax, leading to a net profit after tax of $0.9 million for H1 2016 (H1 2015: loss of $1.6 million).

EBITDA, calculated as operating profit before exploration expenses, depletion and depreciation was US$3.8 million (H1 2015: negative US$0.3 million).

Historically, oil and condensate sales have been made at the field facilities and the gas plant respectively and sold to domestic customers. In November 2015, the Group commenced selling condensate to export customers in Lithuania, and during H1 2016 approximately 53% of total condensate sales volumes were exports (H1 2015: nil).

Average realizations for the six months to 30 June 2016 were US$23.84 per barrel for domestic sales of oil and condensate (H1 2015: US$28.87 per barrel). Condensate export sales were at an average price of US$28.86 per barrel. Gas sales during H1 2016 amounted to US$6.1 million (H1 2015: US$2.7 million) reflecting higher sales volumes and an 8% increase in the Ruble sales price partly offset by further weakening in the average US$:Ruble exchange rate. The US dollar equivalent average gas price was US$1.44/mcf in H1 2016 (H1 2015 US$1.55).

For the six months to 30 June 2016, Mineral Extraction Tax accounted for 27% of revenues (H1 2015: 39%), reflecting a greater proportion of gas in total production.

Production costs in H1 2016 were 27% of revenues (H1 2015: 45%) reflecting the benefits of higher production while the majority of production costs are not directly volume related. In spite of a reduction in the level of fixed costs as a result of the Ruble devaluation, the constrained gas and condensate production impacted the cost ratio significantly. The Depletion and Depreciation charge was 11.0% of revenues (H1 2015: 12.3%).

Cash flow from operating activities before working capital movements in H1 2016 was US$3.9 million (H1 2015: negative US$0.5 million), in line with EBITDA. After positive working capital movements of US$3.1 million (H1 2015: negative US$0.5 million), mainly reflecting prepayments from export customers, net cash inflow from operations was US$7.0 million (H1 2015: outflow of US$1.0 million). As at 30 June 2016, prepayments from customers stood at US$3.5 million (31 December 2015: US$0.9 million).

Capital Expenditure

For the six months ended 30 June 2016, the Group incurred capital expenditures of just US$0.7 million (H1 2015: US$3.9 million) as the major expenditures on drilling were concluded in 2015. However, with settlements of accounts payable for capital expenditure, cash used in the purchase of PP&E during H1 2016 was US$1.7 million (H1 2015: US$2.1 million).

Cash Position and Balance Sheet

The Group had cash balances at 30 June 2016 of US$12.5 million (31 December 2015: US$6.7

million), and no borrowings (31 December 2015: nil). The cash balance for 30 June 2016 includes the above mentioned US$3.5 million of prepayments received from customers, primarily for exports of condensate to be delivered after the balance sheet date (31 December 2015: $0.9 million).

Outlook

While the production testing at higher rates may increase total production and sales volumes, management's present plan is based on gas production at the 750,000 m^3 per day rate. Together with associated condensate and the oil produced from Uzen, management expects production during H2 2016 to be in the region of 6,000 boepd. On completion of the remaining upgrades to the gas processing plant, expected by the end of 2016, production is expected to rise to approximately 8,000 boepd. A successful outcome with the planned horizontal well may add further to this during 2017. Further guidance on this will be given after completion of the drilling operations.

Realised prices for oil and condensate are expected to continue tracking international oil prices as adjusted for export tax and transportation. Condensate exports are expected to remain a significant proportion of total condensate sales, although in periods when the domestic market is functioning normally, exports are expected to be between 25% and 30% of total sales. For the time being netback realisations for exports are slightly lower than for domestic sales.

The contract gas price remains unchanged in Ruble terms.

The levels of committed capital expenditure remain modest with total capital expenditures for the full year 2016 expected to be no more than US$5.0 million, including the required upgrades to the gas plant and the first horizontal well in the Uzen Albian oil reservoir which is estimated to be in the region of US$3.0 million.

The continuing operational focus of management is on managing the existing asset base, seeking further operational and cost efficiencies where possible, to maximize the production and cash generation capabilities so as to lay a foundation for future growth.

Principle Risks and Uncertainties

The risks described on pages 13-14 and in Note 3 - Financial Risk Management on pages 34-36 of the 2015 Annual Report, a copy of which can be obtained from www.volgagas.com, remain extant.

Forward-Looking Statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

VOLGA GAS plc

IFRS CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE SIX MONTHS ENDED 30 JUNE 2016

Group Interim Income Statement (Unaudited)

(presented in US$000, except for profit per ordinary share and number of shares)

Six months ended 30 June	Notes	**2016**	**2015**
Revenue		15,912	7,851
Cost of sales	4	(10,364)	(7,572)
Gross profit		**5,548**	**279**
Selling expenses		(1,725)	-
Exploration and evaluation expense		(243)	-
General and administrative expenses	5	(1,774)	(1,515)
Operating profit/(loss)		**1,806**	**(1,236)**
Interest income		41	109
Other net income/(expenses)	6	(356)	(446)
Profit/(loss) before tax		**1,491**	**(1,573)**
Taxation		(603)	-
Profit/(loss) attributable to equity holders		**888**	**(1,573)**
Basic and diluted profit/(loss) per ordinary share (in US dollars)		0.011	(0.019)
Weighted average number of shares outstanding		*81,017,800*	*81,017,800*

Group Interim Statement of Comprehensive Income (Unaudited)

(presented in US$000)

Six months ended 30 June	Notes	**2016**	**2015**
Profit/(loss) for the Period		**888**	**(1,573)**
Other comprehensive income items that may be reclassified to profit and loss:			
Currency translation differences		6,967	868
Total comprehensive income for the period		**7,855**	**(705)**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Group Balance Sheet (Unaudited)
(presented in US$000)

As at	Notes	30 June **2016**	31 December **2015**
Assets			
Non-current assets			
Intangible assets	7	3,242	2,867
Property, plant and equipment	7	53,155	48,290
Other non-current assets		48	155
Deferred tax assets		1,396	1,098
Total non-current assets		**57,841**	**52,410**
Current assets			
Cash, cash equivalents and bank deposits		12,492	6,769
Inventories		1,055	1,067
Other receivables	8	2,064	1,449
Total current assets		**15,611**	**9,285**
Total assets		**73,452**	**61,695**
Equity and liabilities			
Equity			
Share capital		1,485	1,485
Currency translation and other reserves		(79,150)	(86,117)
Accumulated profit		140,925	140,037
Total equity		**63,260**	**55,405**
Long term liabilities			
Asset retirement obligation		165	146
Deferred tax liabilities		3,072	1,995
Total long term liabilities		**3,237**	**2,141**
Current liabilities			
Accounts payable	9	6,955	4,149
Total current liabilities		**6,955**	**4,149**
Total equity and liabilities		**73,452**	**61,695**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Group Interim Cash Flow Statement (Unaudited)
(presented in US$000)

	Notes	Six months ended 30 June 2016	2015
Profit/(loss) for the period before tax		**1,491**	**(1,573)**
Less adjustments for:			
Exploration and evaluation expenses		245	-
Depreciation, depletion and amortization		1,744	990
Foreign exchange differences		412	81
Total effect of adjustments		**2,401**	**1,071**
Net cash flow before working capital movements		**3,892**	**(502)**
Working capital changes			
Increase in trade and other receivables		(316)	(1,071)
Increase in payables	9	3,242	501
Decrease in inventory		143	62
Increase/(decrease) in other non-current assets		-	(4)
Net cash from operating activities		**6,961**	**(1,014)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,653)	(2,131)
Net cash used in investing activities		**(1,653)**	**(2,131)**
Cash flows from financing activities			
Dividends paid		-	(1,013)
Net cash provided/(used) by financing activities		**-**	**(1,013)**
Effect of exchange rate changes on cash and cash equivalents		415	(71)
Net increase/(decrease) in cash and cash equivalents		**5,723**	**(4,229)**
Cash and cash equivalents at beginning of the period		6,769	15,767
Cash and cash equivalents at end of the period		**12,492**	**11,538**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Group Interim Statement of Changes in Equity (Unaudited)
(presented in US$000)

	Share Capital	Currency Translation Reserves	Share Grant Reserves	Accumulated Profit	Total Equity
Opening equity at 1 January 2016	**1,485**	**(91,350)**	**5,233**	**140,037**	**55,405**
Profit for the period	-	-	-	888	888
Currency translation differences	-	6,967	-	-	6,967
Closing equity at 30 June 2016	**1,485**	**(84,383)**	**5,233**	**140,925**	**63,260**
Opening equity at 1 January 2015	**1,485**	**(76,049)**	**5,233**	**145,114**	**75,783**
Loss for the period	-	-	-	(1,573)	(1,573)
Currency translation differences	-	868	-	-	868
Closing equity at 30 June 2015	**1,485**	**(75,181)**	**5,233**	**143,541**	**75,078**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Notes to the IFRS Consolidated Interim Financial Statements (Unaudited)
(presented in US$000 unless otherwise stated)

1. General information

Volga Gas plc (hereinafter referred to as "Company" or "Volga") is a public liability company registered in England and Wales with registered number 05886534 and quoted on the AIM market of London Stock Exchange plc. The principal activities of the Company and its subsidiaries (hereinafter jointly referred to as the "Group") are the acquisition, exploration and development of hydrocarbon assets and production of hydrocarbons in the Volga Region of the Russian Federation. The Company's registered office is at 40 Dukes Place, London EC3A 7NH. This condensed consolidated interim financial information was approved for issue on 27 September 2016.

2. Basis of presentation

This condensed consolidated interim financial information for the half-year ended 30 June 2016 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the European Union.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Financial Position and performance of the group since the last annual consolidated financial statements.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the board of directors on 31 March 2016 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Going-concern basis The group meets its day-to-day working capital requirements through its cash resources. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

Exchange rates. The official rate of exchange of the Russian ruble to the US dollar ("USD") at 30 June 2016 and 31 December 2015 was 64.2575 and 72.883 Russian Rubles to USD 1.00, respectively. Any re-measurement of Russian Ruble amounts to US dollars or any other currency should not be construed as a representation that such Russian Ruble amounts have been, could be, or will in the future be converted into other currencies at these exchange rates.

Taxation. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Segmental reporting follows the Group's internal reporting structure. The operations of the Group comprise one class of business, being oil and gas exploration, development and production and the Group operates in only one geographic area – the Russian Federation.

3. Accounting policies

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2015.

4. COST OF SALES

Cost of sales is analysed as follows:

Six months ended 30 June	2016 US$ 000	2015 US$ 000
Production expenses	4,336	3,535
Mineral Extraction Taxes	4,273	3,069
Depletion, Depreciation and Amortization	1,755	968
	10,364	**7,572**

5. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are analysed as follows:

Six months ended 30 June	2016 US$ 000	2015 US$ 000
Salaries	951	845
Taxes other than payroll and MET	19	24
Audit fees	71	49
Legal and Consultancy	120	279
Other	613	319
Total general and administrative expenses	**1,774**	**1,516**

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2016 **US$ 000**	**2015** **US$ 000**
Foreign exchange loss	(412)	(81)
Provision for loss on unauthorised bank transfer	-	(384)
Other Income	56	19
Total other net income/(expenses)	**(356)**	**(446)**

During May 2015 an external cyber-attack on certain bank accounts held by the Group's Russian subsidiaries resulted in fraudulent transfers from these accounts. A provision of US$ 0.384 million was been made in the 2015 Interim accounts, and increased to US$0.727 million in the 2015 Annual accounts, representing the amounts fraudulently transferred net of recoveries. Minor sums totaling approximately US$37,000 were recovered during H1 2016. Volga Gas is co-operating with the authorities' attempts to identify and prosecute the perpetrators.

7. PROPERTY PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	**Intangible assets**
Net book value as at 1 January 2016	**48,290**	**2,867**
Additions	493	235
Depreciation and amortisation	(1,749)	-
Transfers to inventories	(218)	-
Exploration and evaluation expense	-	(243)
Exchange adjustment	6,339	384
At 30 June 2016	**53,155**	**3,242**

	Property, plant and equipment	**Intangible assets**
Net book value as at 1 January 2015	**57,819**	**3,746**
Additions	3,885	-
Depreciation and amortisation	(935)	-
Exchange adjustment	874	49
At 30 June 2015	**61,643**	**3,795**

8. ACCOUNTS RECEIVABLE

As at	30 June 2016 US$ 000	31 December 2015 US$ 000
VAT recoverable	50	80
Prepayments	596	298
Trade receivables	1,342	987
Other	76	84
Total accounts receivable	**2,064**	**1,449**

9. ACCOUNTS PAYABLE

As at	30 June 2016 US$ 000	31 December 2015 US$ 000
Customer advances	3,486	932
Trade payables	1,385	2,467
Mineral Extraction Taxes payable	995	
Other taxes other than profit tax	856	750
Other	233	-
Total accounts payable	**6,955**	**4,149**

A provision of US$0.2 million has been made in Income Statement for the six months to 30 June 2016 (H1 2015: nil) for the cost of disposal of waste material that has been accumulated on the site of the Group's gas processing plant. This has been included as Other Accounts Payable.

10. CONTINGENCIES AND COMMITMENTS

The Group has fulfilled all exploration commitments on existing licences. As at 30 June 2016, the Group had no material commitments to further capital expenditures during the year ending 31 December 2016.

11. RELATED PARTY TRANSACTIONS

The Group is controlled by Baring Vostok Private Equity Fund III and Baring Vostok Private Equity Fund IV, which own 58.66% of the Company's shares as at 30 June 2016. Baring Vostok Private Equity Funds III and IV perform their control through nominee holding companies. The remaining 41.34% of the shares are widely held.

Related party transactions are disclosed in Note 22 to the accounts for the year ended 31 December 2015. There were no material related party transactions in the six months to 30 June 2016 nor in the six months to 30 June 2015.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

Other than Tony Alves, who resigned on 10th June 2016, the directors of Volga Gas plc are as listed in the Volga Gas plc Annual Report for the year ended 31 December 2015.

By order of the Board

Andrey Zozulya Chief Executive Officer	Vadim Son Chief Financial Officer