PetroNeft Resources Plc

Unaudited interim condensed consolidated financial statements

For the 6 months ended 30 June 2010

PetroNeft Resources Plc

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PetroNeft Resources Plc

Group information

Directors [1]	David Golder (U.S. citizen) *(Non-Executive Chairman)* Dennis Francis (U.S. citizen) *(Chief Executive Officer)* Paul Dowling *(Chief Financial Officer)* David Sanders (U.S. citizen) *(Executive Director and General Legal Counsel)* Gerry Fagan *(Non-Executive Director)* (Appointed 8 September 2010) Thomas Hickey *(Non-Executive Director)* Vakha Sobraliev (Russian citizen) *(Non-Executive Director)*
Registered Office	One Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland
Secretary	David Sanders
Auditors	Ernst & Young Chartered Accountants Harcourt Centre Harcourt Street Dublin 2 Ireland
Business Address	1 Wainsfort Drive Terenure Dublin 6W Ireland
Nominated Advisor	Davy 49 Dawson Street Dublin 2 Ireland

[1] *Irish Citizens unless otherwise stated*

PetroNeft Resources Plc

Group information (continued)

Bankers	Macquarie Bank Limited Citypoint 1 Ropemaker Street London EC2Y 9HD
	AIB Bank 1 Lower Baggot Street Dublin 2 Ireland
	KBC Bank Ireland plc Sandwith Street Dublin 2 Ireland
	JP Morgan Chase Bank Texas Market Baton Rouge Louisiana USA
Solicitors	Eversheds O'Donnell Sweeney One Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland
	White & Case 5 Old Broad Street London EC2N 1DW United Kingdom
	White & Case 4 Romanov Pereulok 125009 Moscow Russia
Registered Number	408101
Registrar	Computershare Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland

Chairman's Statement

Dear Shareholder,

2010 – a transformational year
To date, 2010 has seen major progress for PetroNeft. On Licence 61 in Russia's Tomsk Oblast we have completed construction of a 60km pipeline and of the oil storage and processing facilities and we are in the process of drilling our ninth development well at the Lineynoye oil field. In late August 2010 all of this work led to the commencement of year-round production from Lineynoye. This is a critical milestone for the Company. Work is also well advanced on our new licence, Licence 67, to reprocess and reanalyse over 4,000 km of 2D seismic and the logs for 21 wells.

Construction of pipeline and field facilities
The 60km pipeline from the Lineynoye oil field to Kiev-Eganskoye was constructed and commissioned during the first half of 2010. Completion of the main pipe-laying phase of this project needed to be concluded in the key winter months in order to achieve our goal of commencing year-round production in the third quarter of 2010 and this goal was comfortably achieved.

The second major construction project was the building of the oil storage and processing facilities at the Lineynoye oil field. This project was larger and more complex than the pipeline construction as there were over 80 separate contracts for the supply and construction of these facilities. The final cost of this facility was approximately US$2 million more than originally budgeted. This was the only cost over run in the entire development project to date. The facility has been constructed as a central processing facility for the northern half of Licence 61 and is capable of being expanded in the coming years to meet the production from both existing oil fields and any future discoveries in the northern half of the Licence block.

Development drilling programme
A programme to drill nine production wells on Pad #1 at the Lineynoye Oil field commenced in March 2010. Drilling has progressed ahead of schedule and the ninth well is expected to reach target depth in the coming days. This is approximately two months ahead of the drilling schedule we outlined to shareholders when we raised US$27.5 million in September 2009 through a placing of new shares.

Well results have been within expectations and are encouraging in the context of the further development drilling at the Lineynoye oil field scheduled for 2011.

The most recent well drilled was no. 117. The top of the reservoir interval was intersected 8 metres higher than prognosis.

Well No.	**Top of reservoir vertical depth subsea *metres***	**Gross hydrocarbon interval *metres***	**Net oil pay *metres***	**Comments**
117	2,392	21.7	10.8	Interval is completely saturated with oil.

Production casing has been run in the well and cemented. The drilling rig has been moved along its rails and drilling of the ninth well, No. 111, has commenced.

Chairman's Statement *(continued)*

Development drilling programme (continued)
It has been decided to drill a tenth well on Pad #1 to act as a water source well for water flood operations that will be necessary to enhance recovery of oil in the future. Drilling of this well now, while the rig is still on site will save the future expense of bringing in a separate rig to drill this well and potential down-time on production from Pad #1. The well will be drilled to a depth of approximately 1,850 metres to intersect water sands in the Cenomanian horizon which is the common water source reservoir for water flood projects in the region. This well will cost approximately US$600,000 to drill which is about half the normal drilling costs as we do not have any mobilisation costs and we have the necessary drilling materials remaining from the contingency stock from the main drilling programme.

First oil
In late August 2010, following the completion of the oil processing facilities, we commenced producing oil from the Lineynoye oil field.

Production has reached 1,500 barrels of oil per day ("bopd") from eight wells. These wells will gradually clean up in the coming weeks and months. The best well is now producing around 400 bopd where other similar wells have not yet cleaned up significantly. We expect to have a total of 11 wells producing by the end of October and continue to target year end production of 4,000 bopd.

Initial production is being used to carry out final commissioning of the oil processing facilities. The full automation of these facilities will be completed in September 2010. We have commenced filling the 60km pipeline to Kiev-Eganskoye and expect to deliver our first batch of oil to market in late September 2010. We are also now using the gas associated with the oil production to generate electricity in the field which reduces our field operating costs and keeps flaring of gas to a minimum.

Once winter roads are in place we will mobilise a crew and equipment to carry out a programme of hydraulic fracturing on at least nine of the wells which will remove any damage caused by the drilling and completion process and significantly increase production.

Exploration to recommence at Licence 61
As announced in March 2010 we will recommence exploration activities at Licence 61 in October 2010 at the following locations:

- Arbuzovskaya
- Kondrashevskoye
- Sibkrayevskaya

The first well will be the Arbuzovskaya No. 1 well at the Arbuzovskaya (formerly Varyakhskaya) prospect located 10 kilometres east of the Lineynoye oil field.

There are three identified structures at Arbuzovskaya which contain approximately 30 million barrels of P3 potential reserves based on Ryder Scott's best estimate (P50). The No. 1 well will be located at the largest of the three structures. The Arbuzovskaya prospects have been selected as a priority due to their close proximity to the Lineynoye oil field where the best quality oil reservoirs have been discovered to date and where the pipeline and field facilities are located allowing for a low cost and efficient tie in of wells at Arbuzovskaya.

Following a competitive tender process, a contract for the drilling of the well has been entered into with Tomskburneftegaz ("TBNG") whose drilling rig was already on location at the West Korchegskaya prospect. The rig has been mobilised and erected at the Arbuzovskaya location and the necessary tubulars and materials have been sourced and mobilised to site. Drilling will commence, utilising the same drilling crew, once the development drilling at Lineynoye has been completed in October.

Chairman's Statement *(continued)*

Exploration to recommence at Licence 61 (continued)
In the first half of 2011 two more rigs will be mobilised in order to drill a high impact exploration well at the Sibkrayevskaya prospect and a delineation well at the Kondrashevskoye oil field. Potential by-passed pay has been identified at Sibkrayevskaya whereas Kondrashevskoye has the potential for further upside above the 8 million barrels of 2P reserves currently identified at this field.

Licence 67 update
Licence 67 in the Tomsk region was acquired at auction in December 2009 for US$1.42 million. In January 2010 Arawak Energy exercised their option under the August 2008 Area of Mutual Interest agreement to acquire 50% of this licence. PetroNeft will remain as operator of the Licence.

The work programme for 2010 is to reprocess and reanalyse 4,300 km of 2D seismic and the electric logs from 21 wells within and around the licence area. This work is well advanced and early results are very encouraging. We expect to update shareholders with the results of this programme and details of the 2011 work programme in October or November 2010.

Successful debt financing
In May 2010 PetroNeft agreed a debt facility of up to US$30 million with Macquarie Bank. This was primarily required to fund the drilling programme which was progressing ahead of schedule and to fund the Arbuzovskaya exploration well. It replaced an earlier short-term facility agreed in March 2010.

As part of the facility PetroNeft granted warrants over ordinary shares to Macquarie, details of which are disclosed at note 6.

Business Development
We continue to actively examine a number of acquisition opportunities in the Tomsk region and Russia in general.

Financial results for the period
The net loss for the period was US$5,287,356 (June 2009: US$2,390,656). The increase in losses is primarily related to a foreign exchange loss of US$1,393,741 on loans denominated in US Dollars, Russian Roubles and Euro from PetroNeft to its Russian subsidiaries Stimul-T and Lineynoye whose functional currency is the Russian Rouble. The Company also incurred a charge of US$1,154,779 in respect of warrants granted to Macquarie which is explained in more detail in note 6.

Strengthening the board
We are delighted to announce the appointment of Mr. Gerry Fagan as an independent Non-Executive Director to the Board of PetroNeft with effect from 8 September 2010. Mr. Fagan has vast experience in the areas of mergers and acquisitions, corporate finance, accounting, taxation, insurance and corporate governance having previously been Group Financial Controller of Smurfit Kappa Group plc a company with a turnover of €7 billion and operations in 30 countries.

Conclusion
The first half of 2010 was one of immense significance in the Company's history as was the commencement of year-round production in August 2010. I would like to thank the management and staff for their tremendous efforts in this period to bring the project in on time and I look forward to updating shareholders on further progress later in the year.

David Golder
Non-Executive Chairman

PetroNeft Resources Plc

Interim Consolidated Income Statement
For the 6 months ended 30 June 2010

	Note	*Unaudited* 6 months ended 30 June 2010 US$	*Unaudited* 6 months ended 30 June 2009 US$	*Audited* Year ended 31 December 2009 US$
Revenue		-	518,058	509,710
Cost of sales		-	(390,761)	(420,566)
Gross profit		**-**	**127,297**	**89,144**
Administrative expenses		(2,364,731)	(1,626,148)	(4,304,843)
Loss on oil and gas properties		-	-	(1,552,350)
Exchange loss on intra-Group loans		(1,393,741)	(771,814)	(537,683)
Operating loss		**(3,758,472)**	**(2,270,665)**	**(6,305,732)**
Finance revenue		94,406	12,593	173,296
Finance costs	*4*	(154,095)	-	(20,644)
Share-based payment in relation to Macquarie loan	*6*	(1,154,779)	-	-
Loss for the period for continuing operations before taxation		**(4,972,940)**	**(2,258,072)**	**(6,153,080)**
Income tax expense	*5*	(314,416)	(132,584)	(318,472)
Loss for the period attributable to equity holders of the Parent		**(5,287,356)**	**(2,390,656)**	**(6,471,552)**
Loss per share attributable to ordinary equity holders of the Parent:				
Basic and diluted - *US dollar cent*		**(1.51)**	**(1.04)**	**(2.53)**

Interim Consolidated Statement of Comprehensive Income
For the 6 months ended 30 June 2010

	Unaudited 6 months ended 30 June 2010 US$	*Unaudited* 6 months ended 30 June 2009 US$	*Audited* Year ended 31 December 2009 US$
Loss for the period attributable to equity holders of the Parent	**(5,287,356)**	**(2,390,656)**	**(6,471,552)**
Currency translation adjustments	(3,040,984)	(1,800,719)	(770,566)
Total comprehensive income for the period attributable to equity holders of the Parent	**(8,328,340)**	**(4,191,375)**	**(7,242,118)**

PetroNeft Resources Plc

Interim Consolidated Balance Sheet
as at 30 June 2010

	Note	*Unaudited* 30 June 2010 US$	30 June 2009 US$	*Audited* 31 December 2009 US$
Assets				
Non-current Assets				
Oil and gas properties		41,367,597	22,533,643	27,165,261
Property, plant and equipment		1,568,566	2,011,819	1,776,108
Exploration and evaluation assets		19,943,958	17,646,274	18,217,242
Leasehold land payments		174,733	185,813	176,825
		63,054,854	**42,377,549**	**47,335,436**
Current Assets				
Inventories		4,199,251	-	-
Trade and other receivables	*7*	3,503,438	1,060,361	4,909,915
Cash and cash equivalents	*8*	600,098	1,287,677	15,726,479
		8,302,787	**2,348,038**	**20,636,394**
Total Assets		**71,357,641**	**44,725,587**	**67,971,830**
Equity and Liabilities				
Capital and Reserves				
Called up share capital		4,726,705	2,919,041	4,724,013
Share premium account		81,404,891	57,193,950	81,328,170
Share-based payment reserve		4,011,115	2,115,911	2,368,929
Retained loss		(24,039,759)	(14,671,507)	(18,752,403)
Currency translation reserve		(8,835,620)	(6,824,789)	(5,794,636)
Other reserves		336,000	336,000	336,000
Equity attributable to equity holders of the Parent		**57,603,332**	**41,068,606**	**64,210,073**
Non-current Liabilities				
Provisions		467,685	239,793	269,654
Deferred tax liability		1,122,570	679,568	826,129
		1,590,255	**919,361**	**1,095,783**
Current Liabilities				
Current loans	*9*	8,197,793	-	-
Trade and other payables	*10*	3,966,261	2,737,620	2,665,974
		12,164,054	**2,737,620**	**2,665,974**
Total Liabilities		**13,754,309**	**3,656,981**	**3,761,757**
Total Equity and Liabilities		**71,357,641**	**44,725,587**	**67,971,830**

Interim Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 2010

	Share capital US$	Share premium US$	Other reserves US$	Currency translation reserve US$	Retained loss US$	Total US$
At 1 January 2009	**2,919,041**	**57,193,950**	**2,240,829**	**(5,024,070)**	**(12,280,851)**	**45,048,899**
Loss for the year	-	-	-	-	(6,471,552)	(6,471,552)
Currency translation adjustments	-	-	-	(770,566)	-	(770,566)
Total comprehensive income for the year	-	-	-	(770,566)	(6,471,552)	(7,242,118)
New share capital subscribed	1,797,899	25,560,368	-	-	-	27,358,267
Transaction costs on issue of share capital	-	(1,494,385)	-	-	-	(1,494,385)
Remuneration and other emoluments paid in shares	7,073	68,237	-	-	-	75,310
Share-based payment expense	-	-	464,100	-	-	464,100
As at 31 December 2009	**4,724,013**	**81,328,170**	**2,704,929**	**(5,794,636)**	**(18,752,403)**	**64,210,073**
At 1 January 2010	**4,724,013**	**81,328,170**	**2,704,929**	**(5,794,636)**	**(18,752,403)**	**64,210,073**
Loss for the year	-	-	-	-	(5,287,356)	(5,287,356)
Currency translation adjustments	-	-	-	(3,040,984)		(3,040,984)
Total comprehensive income for the year	-	-	-	(3,040,984)	(5,287,356)	(8,328,340)
Share options exercised	2,692	76,721	-	-	-	79,413
Share-based payment expense	-	-	207,749	-	-	207,749
Share-based payment expense - Macquarie warrants	-	-	1,434,437	-	-	1,434,437
At 30 June 2010	**4,726,705**	**81,404,891**	**4,347,115**	**(8,835,620)**	**(24,039,759)**	**57,603,332**

PetroNeft Resources Plc

Interim Consolidated Cash Flow Statement

For 6 months ended 30 June 2010

		Unaudited		Audited
	Note	6 months ended 30 June 2010 US$	6 months ended 30 June 2009 US$	Year ended 31 December 2009 US$
Loss before taxation		**(4,972,940)**	**(2,258,072)**	**(6,153,080)**
Adjustment to reconcile loss before tax to net cash flows				
Non-cash				
Depreciation and amortisation		130,785	79,702	215,693
Share-based payment expense		207,749	211,082	464,100
Warrant costs		1,154,779	-	-
Finance costs		154,219	-	20,644
Loss on disposal of oil and gas properties		-	-	1,552,350
Remuneration and other emoluments paid in shares		-	-	75,310
Deduct finance revenue		(94,406)	(12,593)	(173,296)
Working capital adjustments				
(Increase)/decrease in trade and other receivables		(6,875,364)	2,007,375	1,988,854
Increase/(decrease) in trade and other payables		468,678	734,585	(408,533)
Income tax received		-	-	23,163
Net cash flows used in operating activities		**(9,826,500)**	**762,079**	**(2,394,795)**
Investing activities				
Purchase of oil and gas properties		(15,268,710)	(971,997)	(5,402,567)
Advance payments to contractors		2,285,217	-	(2,635,111)
Advance payment to purchase License 67		1,160,556	-	(1,160,556)
Purchase of property, plant and equipment		(21,260)	(758,971)	(291,838)
Exploration and evaluation payments		(2,329,289)	(11,660)	(812,550)
Finance revenue		94,406	12,593	137,930
Finance costs		(114,167)	-	-
Net cash used in investing activities		**(14,193,247)**	**(1,730,035)**	**(10,164,692)**
Financing activities				
Proceeds from issue of share capital		-	-	27,358,267
Transaction costs of issue of shares		-	-	(1,494,385)
Proceeds from loan facilities		9,000,000	-	-
Proceeds from exercise of options		79,413	-	-
Net cash received from financing activities		**9,079,413**	**-**	**25,863,882**
Net increase/(decrease) in cash and cash equivalents		**(14,940,334)**	**(967,956)**	**13,304,395**
Translation adjustment		(186,047)	87,436	253,887
Cash and cash equivalents at the beginning of the year		15,726,479	2,168,197	2,168,197
Cash and cash equivalents at the end of the year	*8*	**600,098**	**2,187,677**	**15,726,479**

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2010

1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 8 September 2010.

PetroNeft Resources plc ("the Company", or together with its subsidiaries, "the Group") is a Company incorporated in Ireland under the Companies Acts, 1963 to 2009. The Company is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and the Enterprise Securities Market ("ESM") of the Irish Stock Exchange. The address of the registered office is One Earlsfort Centre, Earlsfort Terrace, Dublin 2. The Company is domiciled in the Republic of Ireland.

The principal activities of the Group are those of oil and gas exploration, development and production.

2. Accounting policies

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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 financial statements as at 31 December 2009 which are available on the Group's website – www.petroneft.com.

The interim condensed consolidated financial statements are presented in US dollars ("US$").

2.2 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 financial statements for the year ended 31 December 2009.

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2010 (continued)

3. Segment information

At present the Group has one reportable operating segment, which is oil exploration and production. As a result, there are no further disclosures required in respect of the Group's reporting segment.

The risk and returns of the Group's operations are primarily determined by the nature of the activities that the Group engages in, rather than the geographical location of these operations. This is reflected by the Group's organisational structure and the Group's internal financial reporting systems.

Management monitors and evaluates the operating results for the purpose of making decisions consistently with operating profit or loss in the consolidated financial statements.

Geographical segments

All of the Group's sales are in Russia. Substantially all of the Group's capital expenditures are in Russia.

Non-Current Assets

Assets are allocated based on where the assets are located:

	Unaudited		*Audited*
	6 months ended 30 June 2010 US$	**6 months ended 30 June 2009 US$**	**Year ended 31 December 2009 US$**
Russia	63,043,883	42,371,850	47,327,592
Ireland	10,972	5,700	7,844
	63,054,854	**42,377,549**	**47,335,436**

4. Financial costs

	Unaudited		*Audited*
	30 June 2010 US$	**30 June 2009 US$**	**31 December 2009 US$**
Interest paid	**114,167**	**-**	-
Effective interest	**40,730**	**-**	-
Unwinding of discount on decommissioning provision	**(802)**	**-**	20,644
	154,095	-	**20,644**

Effective interest relates to the spreading of legal and professional and arrangement fees in respect of the loan being spread over the life of the loan.

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2010 (continued)

5. Income Tax

	Unaudited		Audited
	6 months ended 30 June 2010 US$	6 months ended 30 June 2009 US$	Year ended 31 December 2009 US$
Current income tax			
Current income tax charge	17,977	-	39,327
Deferred tax			
Relating to origination and reversal of temporary differences	296,439	132,584	279,145
Income tax expense reported in the Consolidated Income Statement	314,416	132,584	318,472

6. Share-based payment expense – Macquarie loans

On 30 March 2010, PetroNeft entered into a US$5 million loan facility with Macquarie. As part of this agreement, Macquarie was granted 4.7 million warrants over the ordinary shares of PetroNeft at a strike price of 30p, exercisable any time up to 28 February 2012. The loan was set to mature on 30 June 2011. There were no set-up or arrangement fees associated with this facility and it was the intention of PetroNeft and Macquarie that this would be a temporary facility that would be replaced relatively quickly by a larger, longer-term facility.

On 28 May 2010 the US$5 million facility was re-financed with a new loan facility agreement for up to US$30 million with Macquarie. Under this agreement Macquarie was granted an additional 1 million warrants at a strike price of 37.81p and the possibility to acquire up to an additional 1 million warrants at a strike to be determined based on a 15% premium to the volume weighted average share price up to the date of issue of any additional warrants. There was also a 1% cash arrangement fee associated with this new loan facility.

On the basis that Macquarie committed significant technical, engineering and legal resources to negotiating and agreeing the loan facility and given the fact that the cash arrangement fees were modest PetroNeft has concluded that the warrants granted to Macquarie were in lieu of arrangement fees and therefore fall within the scope of IFRS 2 *Share-based Payment*. This share-based payment expense constitutes a transaction cost under IAS 39 *Financial Instruments: Recognition and Measurement* and should therefore be included in the initial carrying amount of the loan facility and thereby amortised over the duration of the loan.

As the US$5 million facility was re-financed in May 2010 this is deemed to be a substantial modification and therefore the total share-based payment charge associated with this facility has been expensed in this period. The share-based payment expense associated with the US$30 million facility will be offset against the proceeds of that facility and an effective interest rate applied to the liability to accrete the transaction costs over the period of the loan.

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2010 (continued)

6. Share-based payments – Macquarie loans *(continued)*

The following table lists the inputs to the models used for valuing the warrants and the calculated value:

	Unaudited	
	March 2010	**May 2010**
Dividend yield	0%	0%
Expected volatility	100%	90%
Risk free interest rate	1.3%	2%
Expected life of warrant	To 28 February 2012	To 28 May 2014
Expected early exercise	Financially optimal	Financially optimal
Share price	£0.31	£0.315
Model used	Binomial/Monte Carlo	Binomial/Monte Carlo
Total fair value of warrant	US$1,154,779	US$279,658

7. Trade and other receivables

	Unaudited		*Audited*
	30 June 2010 US$	**30 June 2009 US$**	**31 December 2009 US$**
Russian VAT	2,910,390	29,287	806,392
Other receivables	129,887	419,642	120,531
Advances to and receivables from related parties (Note 11)	1,162	574,820	942,660
Advances to contractors	348,695	-	1,692,451
Prepayments	113,304	36,612	187,325
Prepayment for Licence 67	-	-	1,160,556
	3,503,438	**1,060,361**	**4,909,915**

8. Cash and Cash Equivalents

	Unaudited		*Audited*
	30 June 2010 US$	**30 June 2009 US$**	**31 December 2009 US$**
Cash at Bank and in Hand	**600,098**	1,287,677	15,726,479
	600,098	**1,287,677**	**15,726,479**

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2010 (continued)

9. Current loans

	Unaudited		*Audited*
	30 June 2010 US$	30 June 2009 US$	31 December 2009 US$
Amount owed to Macquarie bank	9,000,000	-	-
Deferral of transaction costs	(802,207)	-	-
	8,197,793	-	-

Under IAS 39 transaction costs related to debt facilities (e.g. legal fees, arrangement fees etc) should be spread over the term of the loan through finance costs in the income statement. The deferral of transaction costs above is part of the accounting for this.

10. Trade and other payables

	Unaudited		*Audited*
	30 June 2010 US$	30 June 2009 US$	31 December 2009 US$
Trade payables	2,862,806	1,039,550	1,924,521
Trade payables to related parties (Note 11)	430,044	1,045,265	6,501
Corporation tax	78,527	6,347	68,836
Other taxes and social welfare costs	64,276	50,921	206,387
Other payables	94,068	337,792	38,819
Accruals and deferred income	436,540	257,745	420,910
	3,966,261	2,737,620	2,665,974

11. Related party disclosures

Transactions between PetroNeft Resources Plc and its subsidiaries, Stimul-T, Lineynoye, Granite Construction and Pervomayka, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

In 2009 Stimul-T entered into a contract with TBNG for the drilling of 9 wells in 2010. The contract is a 'Turnkey' contract under which TBNG assumes substantially all liabilities in relation to the health and safety, environmental and other risks associated with drilling operation. The total value of the contract is approximately US$9.01 million. Payments of US$5,796,989 (2009:US$1,057,032) were made during 6 months 2010 in relation to this contract of which US$1,598,362 (2009:US$942,660) are shown as advance payments as at 30 June 2010. Outstanding payable balance is US$415,747 as at 30 June 2010. Vakha Sobraliev, a Director of PetroNeft, is the principal of TBNG.

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2010 (continued)

11. Related party disclosures (continued)

In 2010 Stimul-T entered into a contract with TBNG for the drilling of Arbuzovskaya well in 2010. The contract is a 'Turnkey' contract under which TBNG assumes substantially all liabilities in relation to the health and safety, environmental and other risks associated with drilling operation. The total value of the contract is approximately US$1.82 million. Payments of US$796,416 were made during 6 months 2010 in relation to this contract of which US$346,928 are shown as advance payments as at 30 June 2010. The outstanding payable balance is US$11,532 as at 30 June 2010.

Stimul-T did not supply crude oil to TBNG during 6 months 2010 (2009: US$15,945). No amounts were outstanding in this regard as at 30 June 2010 or 31 December 2009.

An amount of US$1,604 to Nizhnevartovskservice (NVS) is outstanding as at 30 June 2010 (2009:US$6,501) for provision of various services to Stimul-T and Lineynoye. Vakha Sobraliev, a Director of PetroNeft, is the principal of NVS.