

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser (being in the case of persons resident in Ireland, an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act 1995 or the Stock Exchange Act 1995 and, in the case of persons resident in the United Kingdom, an organisation or firm authorised pursuant to the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA") immediately.

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document, together with the enclosed EGM Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The Existing Issued Share Capital is admitted to trading on AIM and IEX. Application has been made to the London Stock Exchange and to the Irish Stock Exchange for the First Tranche Shares to be admitted to trading on AIM and IEX and it is expected that such admission will occur on 22 July 2008. Conditional on the passing of the Resolution at the Extraordinary General Meeting, application will be made to the London Stock Exchange and the Irish Stock Exchange for the Second Tranche Shares to be admitted to trading on AIM and IEX and it is expected that such admission will occur on or around 15 August 2008.

AIM and IEX are markets designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM and IEX securities are not admitted to the Official Lists of the UK Listing Authority and Irish Stock Exchange.

PetroNeft Resources plc

*(Incorporated in Ireland with limited liability under the Companies Acts, 1963 to 2005
with registration number 408101)*

Placing of 34,527,141 Ordinary Shares at Stg£0.25 (€0.32) and Notice of Extraordinary General Meeting

SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>
€6,000,000	600,000,000	€2,265,495.36	226,549,536

Davy, which is regulated in Ireland by the Financial Regulator, is acting as IEX adviser and nominated adviser (pursuant to the IEX Rules and AIM Rules respectively) and Joint-broker to the Company. Davy is acting exclusively for the Company in connection with arrangements described in this document and is not acting for any other person and will not be responsible to any person for providing the protections afforded to customers of Davy or for advising any other person in connection with the arrangements described in this document.

KBC Peel Hunt, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as Joint-broker to the Company. KBC Peel Hunt is acting exclusively for the Company in connection with arrangements described in this document and is not acting for any other person and will not be responsible to any person for providing the protections afforded to customers of KBC Peel Hunt or for advising any other person in connection with the arrangements described in this document.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company, which is set out on pages 4 to 6 of this document and which recommends that you vote in favour of the Resolution. Notice of an extraordinary general meeting of PetroNeft Resources plc, to be held at Herbert Park Hotel, Ballsbridge, Dublin 4, Ireland at 2.30 p.m. on 14 August 2008 (or as soon thereafter as the Annual General Meeting, convened for the same date and place, has been concluded or been adjourned), is set out at the end of this document. To be valid, the EGM Form of Proxy must be completed in accordance with the instructions printed thereon and should be returned as soon as possible and, in any event, so as to be received by Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland no later than 2.30 p.m. on 12 August 2008, being 48 hours before the time appointed for the holding of the meeting.

This document does not contain an offer of securities to the public within the meaning of the Prospectus (Directive 2003/71/EC) Regulations, 2005 (Ireland) or the Prospectus Regulations, 2005 of the United Kingdom. This document has not been approved by the UK Listing Authority or the Financial Regulator. This document does not constitute a prospectus and a copy of it has not and will not be delivered to the Registrar of Companies in Ireland or in England and Wales.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Placing	18 July 2008
Publication of Circular	21 July 2008
Latest time and date for receipt of the AGM Form of Proxy	2.00 p.m. on 12 August 2008
Latest time and date for receipt of the EGM Form of Proxy	2.30 p.m. on 12 August 2008
Annual General Meeting	2.00 p.m. on 14 August 2008
Extraordinary General Meeting	2.30 p.m. on 14 August 2008
Admission and commencement of dealings in the Second Tranche Shares	15 August 2008
CREST accounts credited with the Second Tranche Shares	by 15 August 2008
Despatch of definitive share certificates for Second Tranche Shares	by 15 August 2008

Each of the times in the above timetable are Dublin times and each of the times and dates are subject to change at the absolute discretion of the Company.

PLACING STATISTICS

Placing Price	Stg£0.25 (€0.32)
Number of Ordinary Shares being placed on behalf of the Company	34,527,141
Gross proceeds of the Placing receivable by the Company	US\$17.3 million
Number of Ordinary Shares in issue following Admission	226,549,536
Number of Placing Shares as a percentage of the Existing Issued Share Capital	15 per cent

FORWARD LOOKING STATEMENTS

This document contains forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical fact contained in this document, including without limitation those regarding the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets, and future developments in the market or markets in which the Group participates or is seeking to participate.

Forward-looking statements can be identified by the use of terms and phrases such as "anticipate", "believe", "continue", "could", "envisage", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should" or "will" or the negative of such terms or other comparable terminology.

The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements, expressed or implied by those forward-looking statements.

These forward-looking statements speak only as at the date of this document. Neither the Directors nor the Group undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM Rules and the IEX Rules or by the rules of any other securities regulatory authority, whether as a result of new information, future events or otherwise.

PART I
LETTER FROM THE CHAIRMAN OF PETRONEFT

PetroNeft Resources plc

*(Incorporated in Ireland with limited liability under the Companies Acts, 1963 to 2005
with registration number 408101)*

Directors:

George David Golder* (USA)
Dennis Carl Francis (USA)
David Edward Sanders (USA)
Paul Dowling
Desmond Joseph Burke
Thomas Gerard Hickey*
Vakha Alvieievich Sobraliev* (Russia)

** denotes non executive director*

Registered Office:

c/o O'Donnell Sweeney Eversheds
One Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

21 July 2008

To the holders of Ordinary Shares and for information only, to holders of Options

Dear Shareholder,

**Placing of 34,527,141 New Ordinary Shares at Stg£0.25 (€0.32)
and
Notice of Extraordinary General Meeting**

1. INTRODUCTION

The Company announced on 18 July 2008 that it proposes to raise approximately US\$17.3 million (€10.9 million) (before expenses) by way of a conditional placing of 34,527,141 new Ordinary Shares at a price of Stg£0.25 (€0.32) per share. The Placing is being executed in two tranches. The First Tranche of the Placing consists of a placing of 19,202,239 First Tranche Shares for cash at a price of Stg£0.25 (€0.32) each, conditional only on admission of such Ordinary Shares to trading on AIM and IEX, which is expected to occur on 22 July 2008.

The Second Tranche of the Placing consists of a conditional placing of 15,324,902 Second Tranche Shares for cash at a price of Stg£0.25 (€0.32) each, conditional upon receiving shareholder approval of the Resolution at the Extraordinary General Meeting of the Company and on admission of such Ordinary Shares to trading on AIM and IEX.

The proceeds of the Placing will be used in conjunction with a US\$80 million Standard Bank debt facility to develop PetroNeft's portfolio of 4 proven oil fields and exploration assets contained within Licence 61. A portion of the proceeds will be used immediately to procure steel pipes which will be employed in the construction of a 60 km pipeline over the winter 2008/2009. This pipeline will allow PetroNeft to monetise its 4 proven oil fields, by moving into production during the second half of 2009. In addition, the proceeds of the Placing provide for ongoing business development and general corporate overheads.

2. OPERATIONAL UPDATE

Licence 61 Oil Field Development Programme

Following completion of a plan of development in June 2008, your Board sanctioned a field development programme for Licence 61, with commercial oil production targeted for the second half of 2009. Based on the plan of development, oil production will be developed in phases from the north of License 61, with the first phase consisting of the development of the Lineynoye and West Lineynoye oil fields. This will involve the construction of a 60 km pipeline to tie-in the fields into a third party pipeline. Additional phases will consist of existing and new fields discovered to the south, which will be developed incrementally in order to optimise the overall economics of Licence 61. Development of the adjacent Korchevskaya and Tungolskoye oil fields will form part of the second phase.

The first phase of the field development programme will initially focus on the development of the Lineynoye oil field, with 18 production wells planned for the winter 2008/2009. The economics of the project are robust, using conservative oil price and recovery assumptions. Oil production is planned to be in the region of 4,000 barrels of oil per day (“bopd”) at the end of 2009, with peak production from first phase of 14,000 bopd in 2012.

The Company announced in December 2007 that its wholly owned subsidiary, Stimul – T, had signed a protocol of intent which defines the details of an infrastructure sharing agreement with OAO ANK Bashneft, the operator of two licences in the Khanty-Mansiysk Oblast located immediately northwest of Licence 61. This agreement enables PetroNeft to tie-in to the Bashneft pipeline at the Lukpaiskaya pumping station under a simplified custody transfer scheme. The Company intends to commence construction of the 60 km pipeline in winter 2008/2009 which will transport crude oil from the Lineynoye and West Lineynoye fields, over flat terrain with no major river crossing, to tie-in to the Lukpaiskaya pumping station. Bashneft will then transport the crude to the Aleksandrovskoye (Strezhevoi) custody transfer station where it will enter the Transneft pipeline for export outside of Russia or for domestic sales.

Debt Financing

The Company announced on 2 July 2008 that it had entered into a mandate agreement with Standard Bank for a US\$ 80 million debt facility to finance PetroNeft’s development activities within Licence 61. Such funds, in conjunction with the proceeds of the Placing, will be applied to execution of the first phase of the field development plan. Longer term, and subject to appropriate technical and credit approvals, the debt facility may also be used to fund additional phases of the field development plan such as the development of the Tungolskoye oil field and the recently announced Korchegskaya discovery.

The debt facility, which remains subject, *inter alia*, to final documentation and credit approval by Standard Bank, is structured as a development loan that converts into a reserved based lending facility. The drawdown potential under the facility, which is for an initial period of four years, will be based on the value of approved development and producing assets. Upon approval by Standard Bank, the facility may also be applied to undertake suitable acquisitions.

2008 Drilling Programme

The Korchegskaya No. 1 Exploration Well, which commenced drilling on 29 February 2008, encountered an Upper Jurassic J1¹ oil reservoir consisting of approximately 4.6 metres of continuous sandstone. Subsequent detailed analysis indicated that there was 3.25 metres of net pay with good reservoir properties. An open hole test was run and the zone tested at an inflow of 125 bopd. This discovery well adds a fourth oil field to the northern group of fields and will be included in second phase of the development of Licence 61.

The Lineynoye No. 8 Delineation Well commenced drilling on 5 May 2008 and intersected the J1 reservoir horizon at a depth of 2,487.5 metres. Based on initial log and core data, the well encountered approximately 5 metres of oil bearing Upper Jurassic J1¹ reservoir sandstone. An open hole test was run and the well tested at an inflow calculated at 120 bopd. Additional testing and studies are ongoing on the well to fully evaluate maximum production potential.

A low risk exploration well has recently commenced drilling on the West Korchegskaya prospect. This well is targeting the Upper Jurassic oil reservoirs which are expected at a depth of 2,485 metres.

3. DETAILS OF THE PLACING

The First Tranche comprises a placing of 19,202,239 Ordinary Shares with new and existing investors for cash at a price of Stg£0.25 (€0.32) and is conditional, *inter alia*, on Admission. These First Tranche Shares have been allotted pursuant to the existing disapplication of pre-emption rights authority granted to the Directors by shareholders at the Company’s annual general meeting held on 29 June 2007. It is expected that dealings in the First Tranche Shares will commence on AIM and IEX on 22 July 2008.

The allotment and issue of the Second Tranche Shares for cash at a price of Stg£0.25 (€0.32) per share, is conditional, *inter alia*, upon the passing of the Resolution at the EGM and on Admission. Subject to receipt of Shareholder approval for the Resolution, it is expected that dealings in the Second Tranche Shares will commence on AIM and IEX on 15 August 2008. The First Tranche Shares and the Second Tranche Shares will rank *pari passu* in all respects with the Existing Issued

Share Capital with regard to dividend entitlements, interests and all other rights and obligations attaching to the Ordinary Shares.

4. EXTRAORDINARY GENERAL MEETING

An EGM has been convened to be held at Herbert Park Hotel, Ballsbridge, Dublin 4, Ireland at 2.30 p.m. on 14 August 2008 (or as soon thereafter as the Annual General Meeting, convened for the same date and place, has been concluded or been adjourned), at which the Resolution will be proposed. The Resolution will be proposed as a special resolution for the purposes of authorising the Directors to disapply pre-emption rights in respect of the allotment and issue of the Second Tranche Shares.

A form of proxy for use by Shareholders at the EGM is enclosed. Whether or not Shareholders intend to be present at the meeting, they are requested to complete and sign the EGM Form of Proxy and return it to the Registrar so as to arrive no later than 48 hours before the fixed time for the EGM. The completion and return of the Form of Proxy will not preclude Shareholders from attending the EGM and voting in person should they subsequently wish to do so.

5. RECOMMENDATION

The Directors consider the Placing to be in the best interests of the Company and its Shareholders as a whole and accordingly, unanimously recommend that all Shareholders vote in favour of the Resolution to be proposed, as they have irrevocably committed to do so in respect of their own beneficial holdings of 59,666,241 Ordinary Shares, representing approximately 28.25 per cent. of the issued share capital of the Company following the issue of the First Tranche Shares.

Yours faithfully,

MR DAVID GOLDER
Chairman

DEFINITIONS

The following definitions apply throughout this document, unless it is otherwise specifically provided:

“Act”	the Companies Act 1963 of Ireland;
“Acts” or the “Irish Companies Acts”	Companies Acts 1963 to 2006 of Ireland;
“Admission”	the admission of the First Tranche Shares or as the context requires the Second Tranche Shares to trading on AIM and IEX, becoming effective in accordance with the AIM Rules and IEX Rules respectively;
“AGM” or “Annual General Meeting”	the annual general meeting of the company to be held on 14 August 2008;
“AGM Form of Proxy”	form of proxy for use at the AGM;
“AIM” or “AIM Market”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange in relation to AIM traded securities;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Board” or the “Directors”	the board of directors of the Company whose names are set out on page 4 of this document;
“Business Day”	a day on which dealings take place on the Irish Stock Exchange and on the London Stock Exchange;
“Company” or “PetroNeft”	PetroNeft Resources plc, an Irish registered company;
“CREST”	the computerised settlement system to facilitate paperless settlement of trades and the holding of shares in uncertificated form, operated by Euroclear UK & Ireland Limited;
“CREST Regulations”	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68 of 1996) of Ireland;
“Davy”	J&E Davy, trading as Davy; including its affiliate Davy Corporate Finance and any other affiliates, or any of its subsidiary undertakings;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 14 August 2008 for the purpose of passing the Resolution;
“EGM Form of Proxy”	form of proxy for use at the EGM;
“Enlarged Issued Share Capital”	the Existing Issued Share Capital and the Placing Shares;
“Existing Issued Share Capital”	the issued ordinary share capital of the Company at the date of this Document;
“Financial Regulator”	the Irish Financial Services Regulatory Authority;
“First Tranche” or “First Tranche Shares”	19,202,239 new Ordinary Shares issued by the Company as part of the Placing, at a subscription price of Stg£0.25 (€0.32) each;
“FSMA”	Financial Services and Markets Act 2000 (UK);
“Group”	PetroNeft and each of its Subsidiaries;
“IEX” or “IEX Market”	the Irish Enterprise Exchange, a market regulated by the Irish Stock Exchange;
“IEX Rules”	the rules for IEX companies and their IEX advisers issued by the Irish Stock Exchange in relation to IEX traded securities;
“Ireland” or the “Republic of Ireland”	the island of Ireland excluding Northern Ireland, and the word “Irish” shall be construed accordingly;
“Irish Stock Exchange”	The Irish Stock Exchange Limited;

“Licence”	subsoil licence (4060/TOM 13135 NR) for geological survey, exploration and production of hydrocarbons at the Licensed Area, located in the Tomsk Region of the Russian Federation, as registered in the name of “Stimul-T” by the Subsoil Agency acting under the Ministry of Natural Resources of the Russian Federation;
“Licence 61”	the acreage over which the Group has exploration rights pursuant to the Licence;
“London Stock Exchange”	London Stock Exchange plc;
“Official List(s)”	the official list maintained by the UK Listing Authority and/or the Official List maintained by the Irish Stock Exchange, as the context may require;
“Ordinary Shares”	ordinary shares of €0.01 each in the capital of the Company;
“Placing”	the Placing, for cash, of the Placing Shares;
“Placing Agreement”	the conditional agreement dated 18 July 2008 between the Company, Davy and KCB Peel Hunt, relating to the Placing;
“Placing Shares”	the First Tranche Shares together with the Second Tranche Shares, being, in aggregate, 34,527,141 new Ordinary Shares, to be allotted and issued by the Company pursuant to the Placing;
“Registrars”	Computershare Investor Services (Ireland) Limited;
“Regulations”	the Prospectus Regulation 2005 (UK) and the Prospectus (Directive 2003/71/EC) Regulations, 2005;
“Resolution”	the resolution as set out in the Notice of EGM to be proposed at the EGM;
“Second Tranche” or Second Tranche Shares”	15,324,902 Ordinary Shares, to be issued at a subscription price of Stg£0.25 (€0.32) each, conditional, <i>inter alia</i> , on the passing of the Resolution, which, when issued, will rank <i>pari passu</i> with the Ordinary Shares then in issue and may be held in certificated form, represented by definitive share certificates or in uncertificated form, i.e. in CREST;
“Shareholders”	holder(s) of Ordinary Shares from time to time;
“Subsidiary”	has the meaning set out in section 155 of the Act;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA” or “UK Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services and Markets Act, 2000; and
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America.

Notes:

- (i) Unless otherwise stated in this document, all reference to statutes or other forms of legislation shall refer to statutes of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.
- (ii) The symbols “€” and “c” refer to euro and euro cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic & Monetary Unit Act, 1998. The symbols “Stg£” and “p” refer to British pounds and pence respectively, while the symbol “US\$” refers to American dollars.
- (iii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.
- (iv) The exchange rates used in this document are as follows: Stg£1.00: US\$2.001, €1.00: Stg£0.781 and €1.00: US\$1.588.

**NOTICE OF EXTRAORDINARY GENERAL MEETING
OF
PETRONEFT RESOURCES PLC (the “COMPANY”)**

*(Incorporated in Ireland with limited liability under the Companies Acts, 1963 to 2005
with registration number 408101)*



NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of PetroNeft Resources plc (the “**Company**”) will be held at Herbert Park Hotel, Ballsbridge, Dublin 4, Ireland at 2.30 p.m. on 14 August 2008 (or as soon thereafter as the Annual General Meeting, convened for the same date and place, has been concluded or been adjourned) to consider, and if thought fit, pass the following resolution which will be proposed as a Special Resolution:

“THAT, pursuant to the authority conferred by Article 5(a) of the Articles of Association of the Company, the Directors be and are hereby empowered pursuant to Sections 23 and 24(1) of the Companies (Amendment) Act, 1983 to allot equity securities (within the meaning of the said Section 23) for cash, comprising the allotment of the Second Tranche Shares pursuant to the Placing (particulars of which are set out in the circular to shareholders dated 21 July 2008), as if said Section 23 does not apply to such allotment. The authority hereby conferred shall expire on the earlier of the close of business on 9 November 2009 and the date of the next annual general meeting unless previously renewed, varied or revoked by the Company in a general meeting. The Company may before any such expiry make an offer or agreement which would or might require any such securities to be allotted in pursuance of such offer or agreement after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired. This power is in addition to and without prejudice to any existing powers granted pursuant to Sections 23 and 24(1) of the Companies (Amendment) Act, 1983.”

By Order of the Board

David Sanders
Secretary

Dated: 21 July 2008

Registered Office:

c/o O'Donnell Sweeney Eversheds,
One Earlsfort Centre,
Earlsfort Terrace,
Dublin 2,
Ireland.

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a member of the Company.
2. Forms of proxy must reach Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandymount Industrial Estate, Dublin 18, not less than 48 hours before the time appointed for holding of the meeting.
3. The Company, pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996, specifies that only those shareholders registered in the register of members of the Company at close of business on the day which is two days before the date of the meeting (or in the case of an adjournment as at 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at the time. Changes to entries in the register after that time will be disregarded in determining the right of any person to attend and/or vote at the meeting.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. The completing and returning of a Form of Proxy does not preclude a member from attending and voting at the meeting should he/she so wish.

