

PetroNeft Resources plc

Exploration, Development & Production in Russia



Annual General Meeting

September 2013

Shareholder Presentation





Forward-Looking Statements



This presentation contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business.

Whilst PetroNeft believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy.

PetroNeft undertakes no obligation to revise any such forward-looking statements to reflect any changes in the Company's expectations or any change in circumstances, events or the Company's plans and strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements.



Company Overview & Strategy





Company Overview & Strategy



Overview

- **Established in 2005 to build a diversified E&P business in Russia**
- Motivated management team with proven experience of exploration, production and corporate development in Russia and abroad
- Company's Licence Areas (Licences 61 & 67) cover 7,438 km² in Tomsk Oblast, Western Siberia
- Debt facilities with Macquarie Bank and Arawak Energy

Production

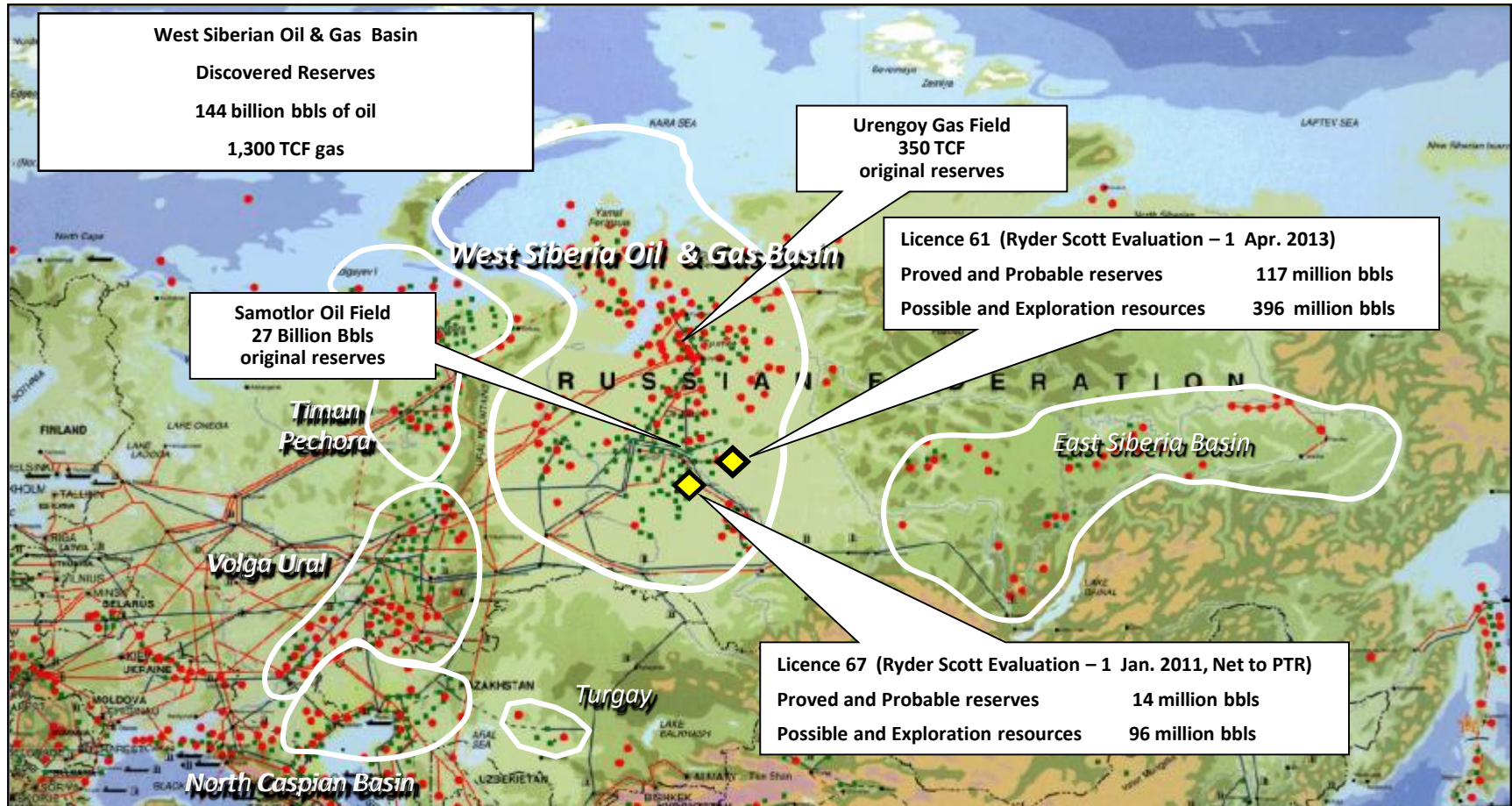
- **Production commenced on schedule in 2010, current production ≈ 2,500 bopd**
- Central Processing Facility at Licence 61 with ±14,800 bpd capacity
- Development to continue in 2013/14 with Arbuzovskoye field (L-61)
- Current focus is production growth

Exploration

- **Strong Reserve Base with material P3/P4 to 2P upgrades possible from future exploration programme**
- 2P reserves of 131.1 mmbo and 3P/P4 reserves of > 600 mmbo (Unrisked) [Apr 1, 2013]
- Reserve upgrade achieved in 2010 and 2011
- Significant new oil discoveries at Sibkrayevskaya, North Varyakhskaya and Cheremshanskaya (L-67) in 2011

Corporate Development

- **Seeking to develop a diverse portfolio of exploration and production assets**
- Focusing on smaller producing oil fields with significant reserves upside
- Significant opportunities for participation in expected licence auctions and corporate / asset acquisitions
- Evaluating a number of potential strategic partnerships and debt refinancing – **discussions advancing well**



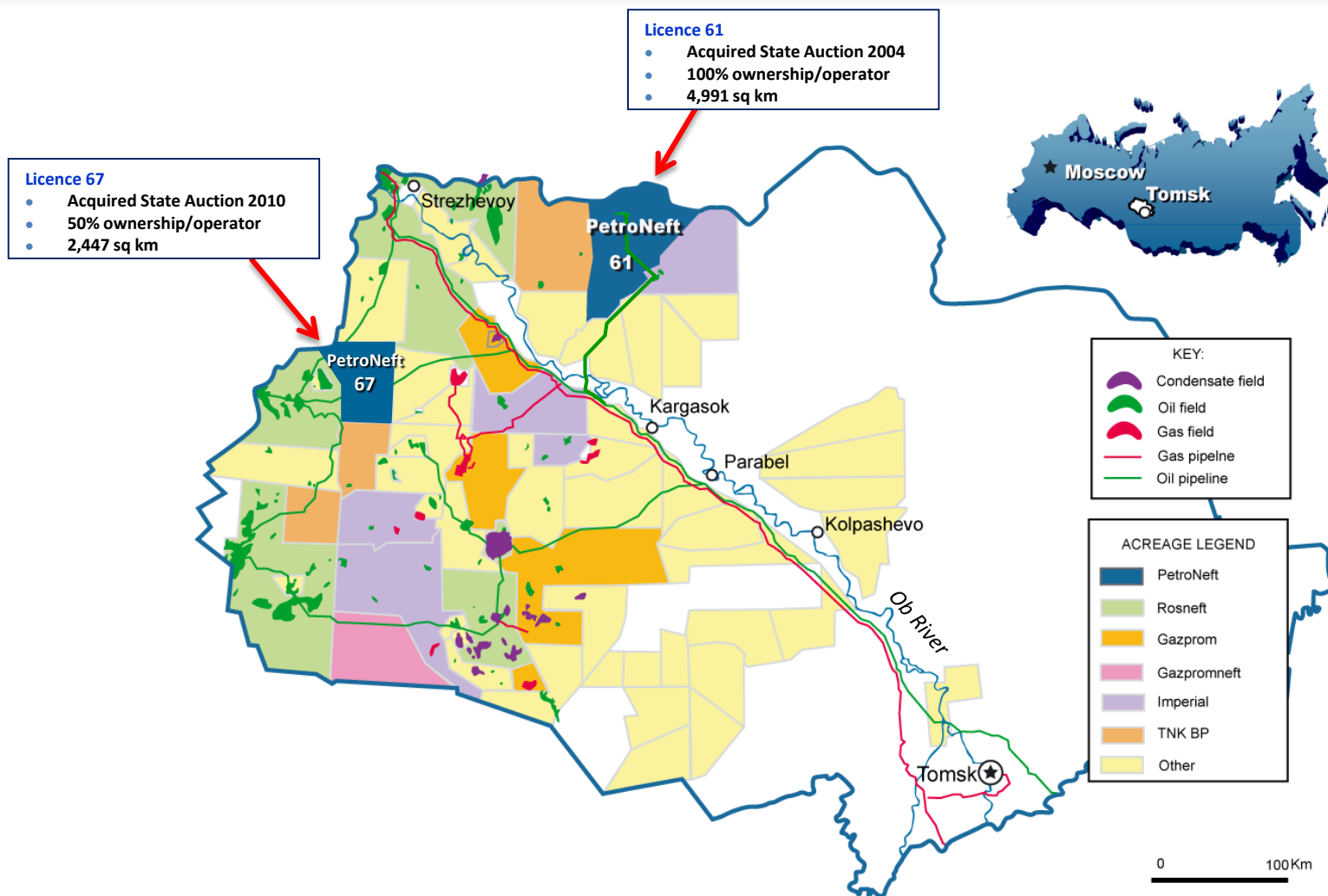
0 1,000
Kilometers

— Gas Pipeline
— Oil Pipeline

● Gas Fields
● Oil Fields

◆ PN Licences

Source – USGS



Tomsk Oblast: Very active region with significant exploration upside

Rosneft, ONGC/Imperial Energy, TNK-BP, Gazprom, Gazpromneft, local companies



Licence 61



Licence 61 Development Plans

➤ 2010/11: Lineynoye

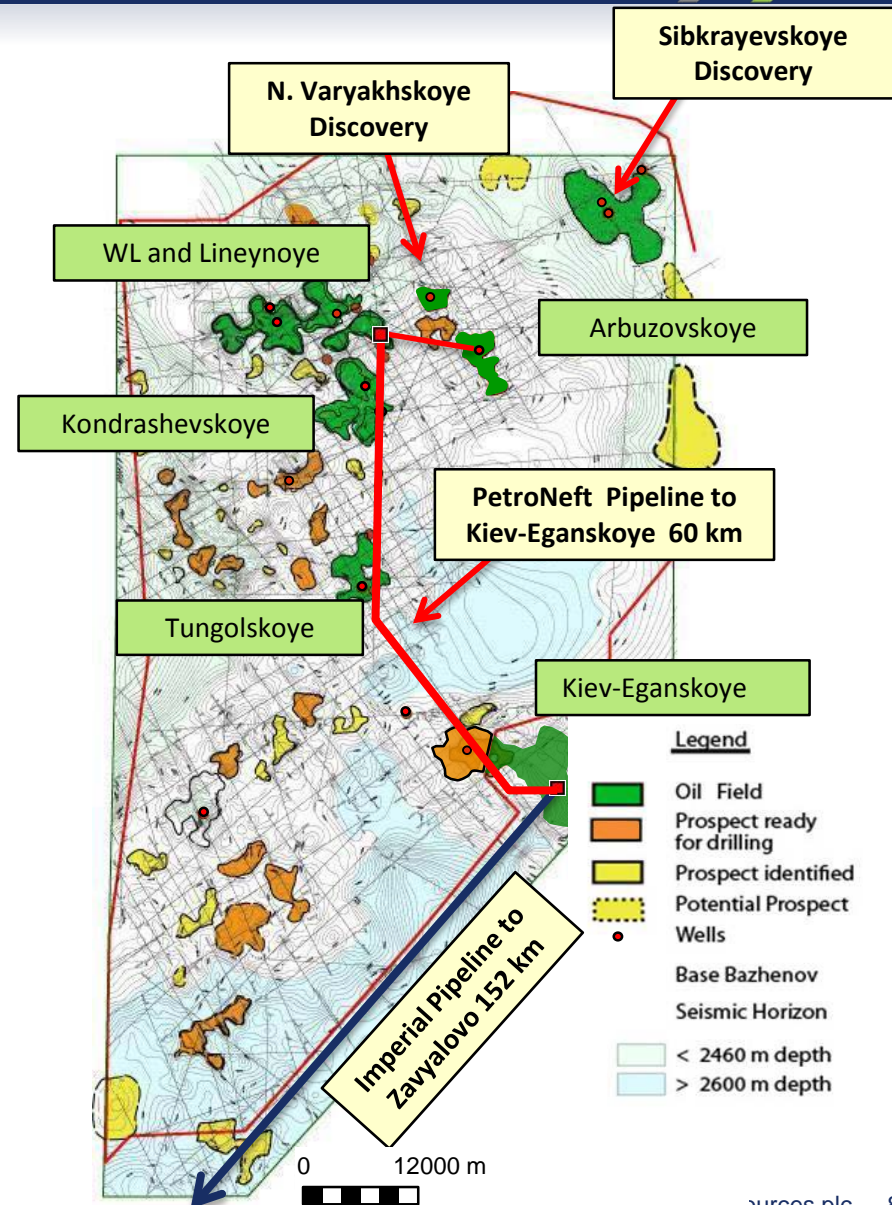
- Construction of 60 km oil pipeline
- Processing/storage facilities completed and expanded to $\pm 14,800$ bpd
- Drilled 9 oil wells Pad 1, 12 wells Pad 2
- Hydraulic fraced wells on both pads
- Commenced production in August, 2010

➤ 2012/13: Arbuzovskoye

- Construction of 10 km pipeline completed
- Commenced drilling new production wells at Pad 1 – 6 wells drilled to date

Future Plans

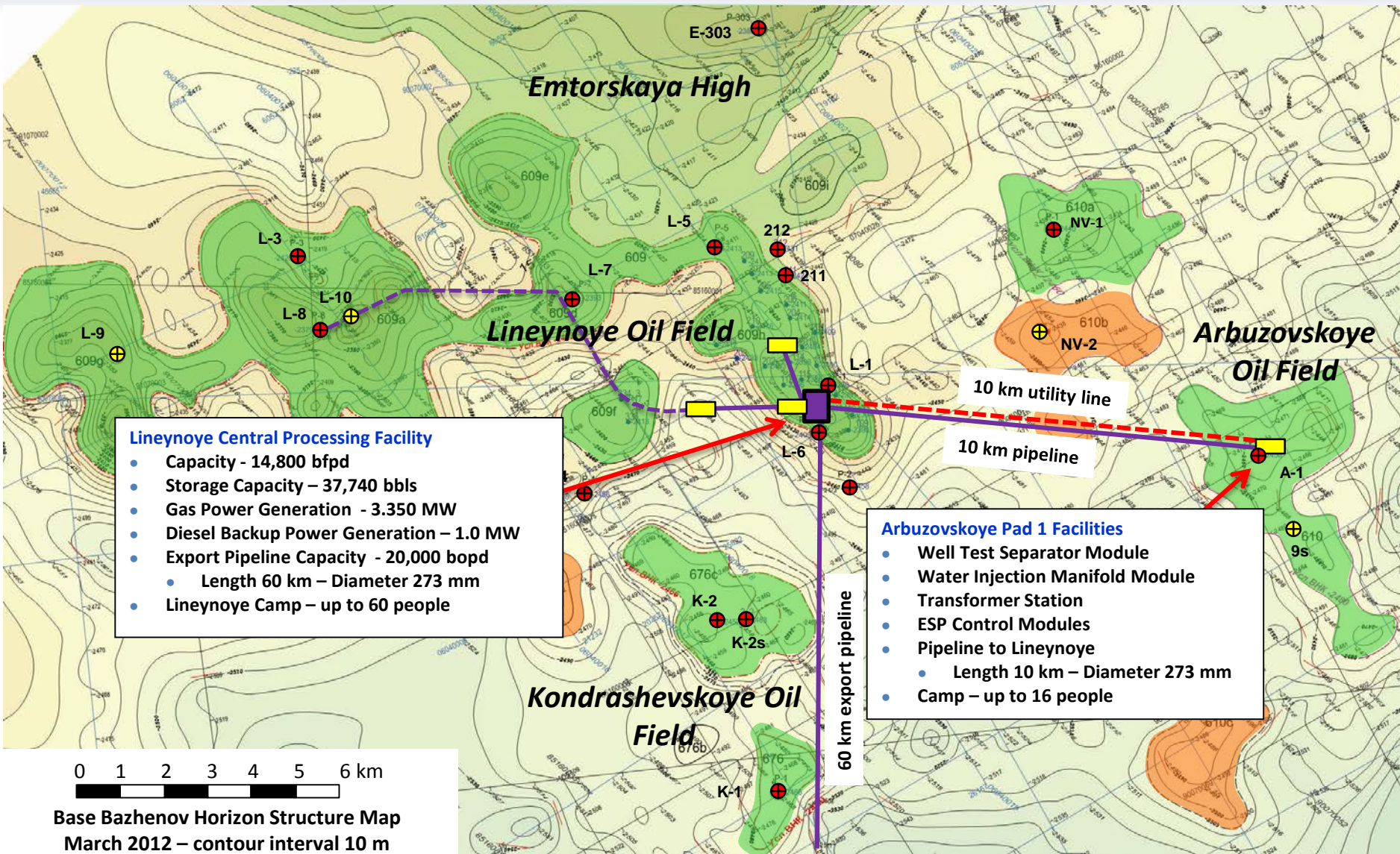
- Continued development drilling at Arbuzovskoye
- Exploration/Delineation Drilling
 - West Lineynoye (L-9), Tungolskoye (T-5)
 - Sibkrayevskoye (S-373)
- Future Development of West Lineynoye, Tungolskoye, Sibkrayevskoye and other discoveries





Process Facilities July 2012









Arbuzovskoye Pad 1 – “The Kit”

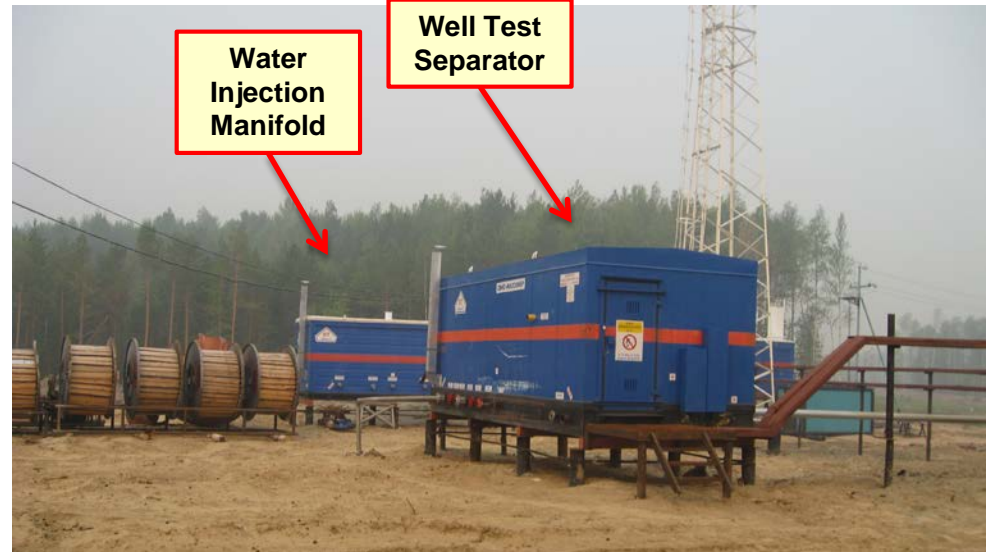


Living Quarters
& Canteen



Drilling
Camp

Test Separator
W.Inj. Manifold
Transformers

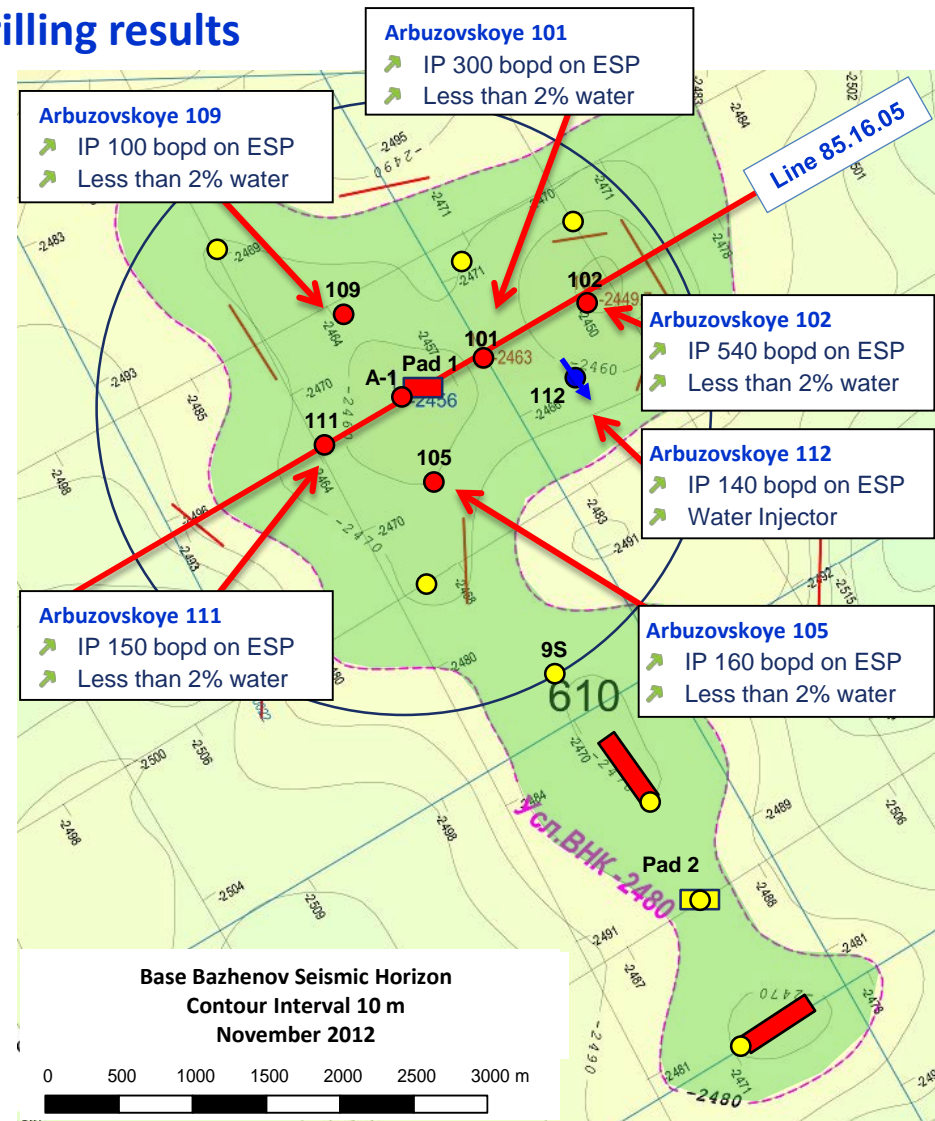


Water
Injection
Manifold

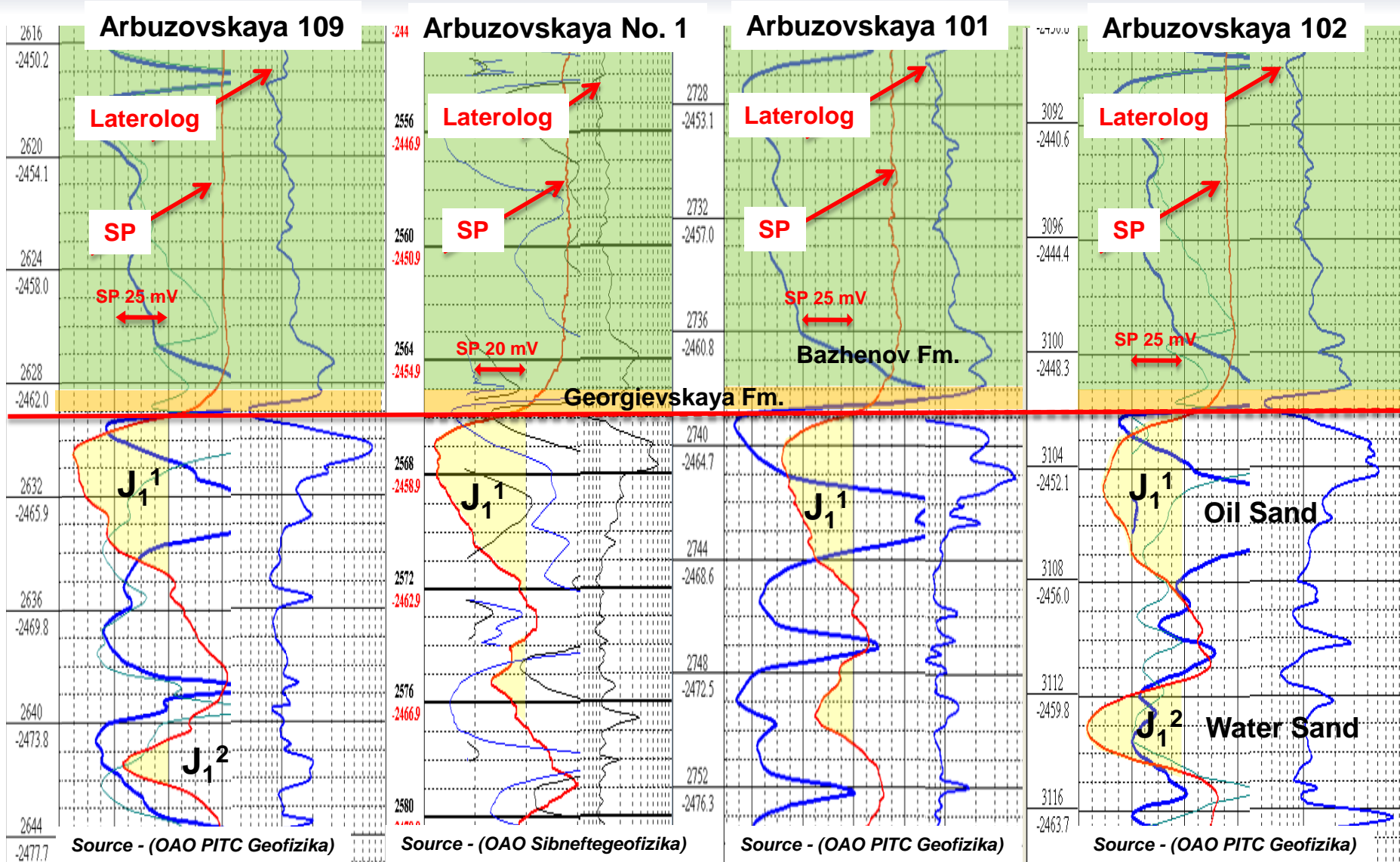
Well Test
Separator

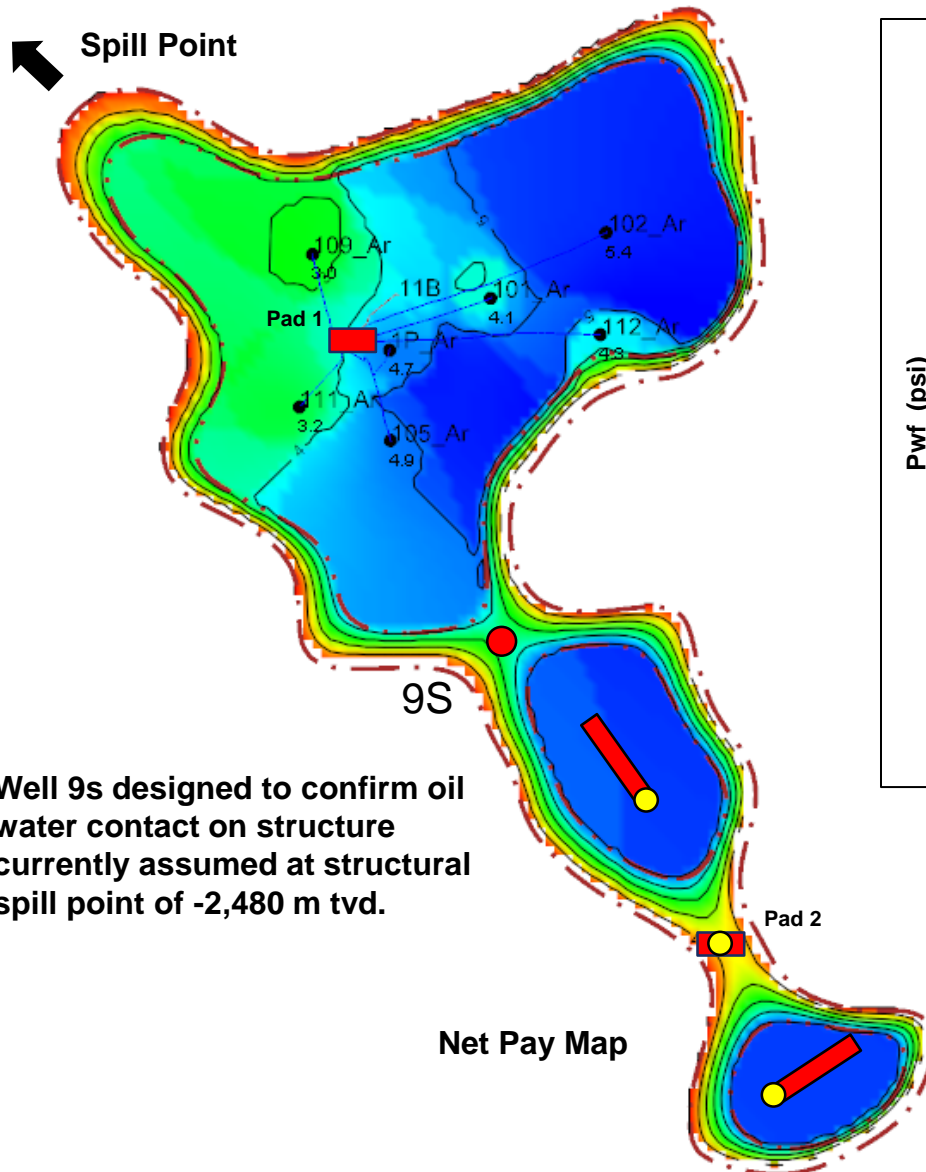
Development has been revised based on drilling results

- Pilot production commenced in Jan 2012 with Well A-1 brought online at >300 bopd
- Six wells drilled and brought onstream winter 2012/13. All wells were completed with ESP's and had Initial production of ≥ 100 bopd
- Water cut less than 2%
- Water injection started with conversion of A-112 well in late April – now seeing start of production response in well 102
- Plans for up to 5 additional wells to be drilled on Pad 1 during 2013/2014
- Future Well 9s strategically located to maximise information gathering for Pad 2 well locations
- Horizontal wells will be considered for the development of the southern portion of the field based on reservoir geometry and shape of the structure

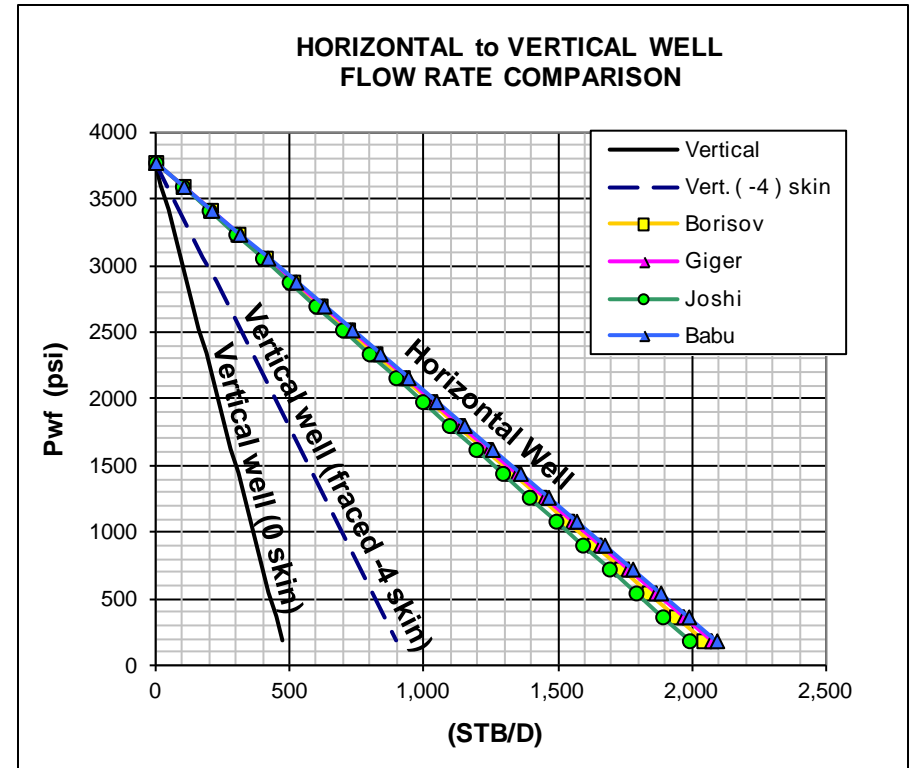


Arbuzovskaya 109, No.1, 101 & 102





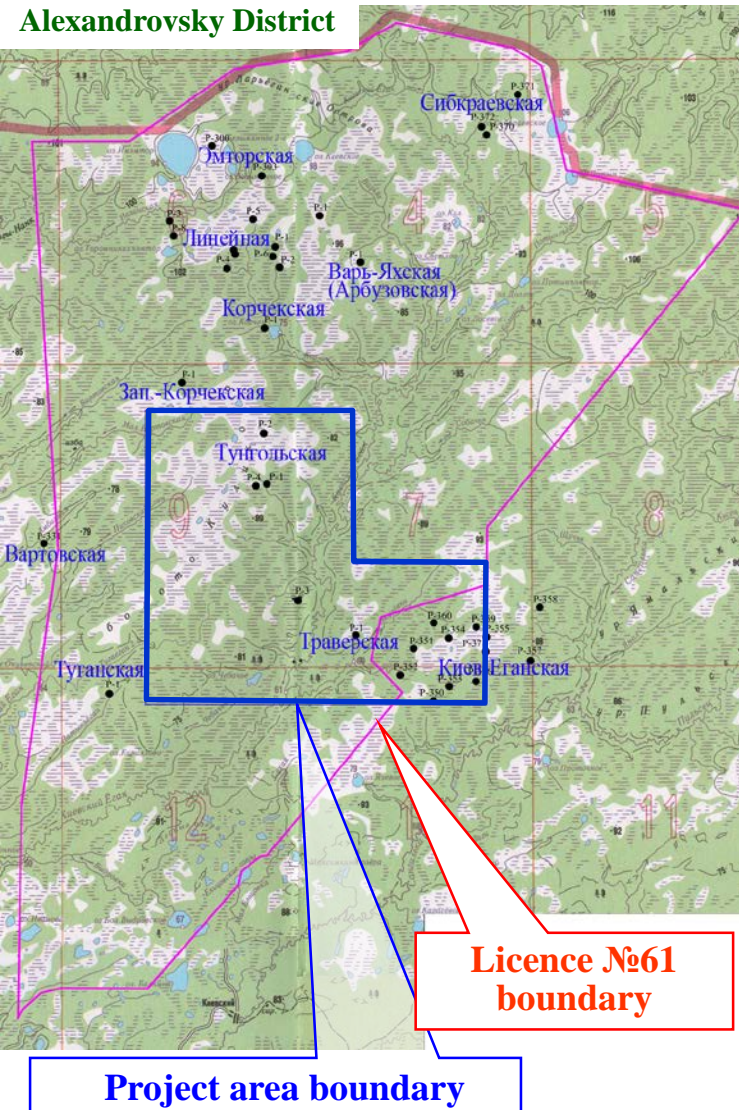
Well 9s designed to confirm oil water contact on structure currently assumed at structural spill point of -2,480 m tvd.



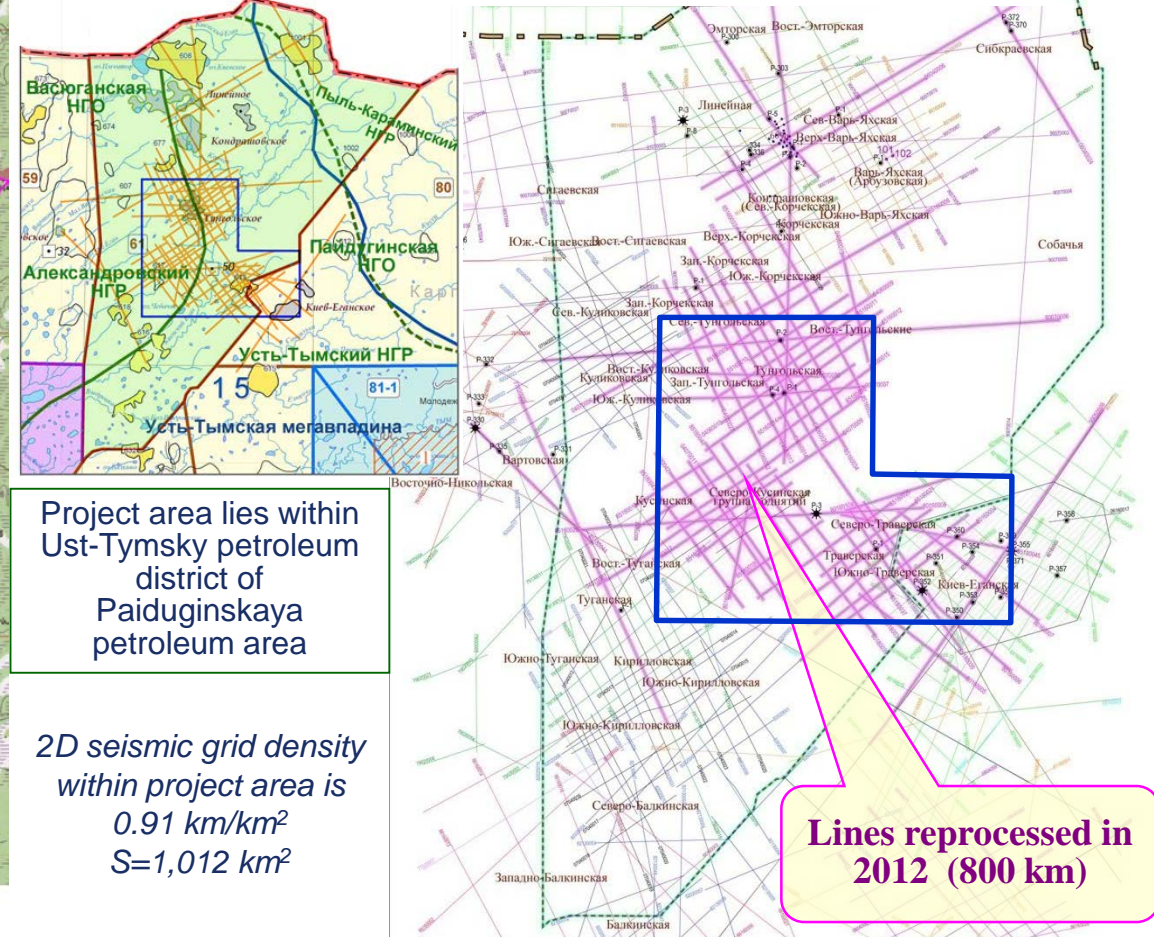
Net pay = 4 m
Permeability = 15 mD
Horizontal Segment = 300 m



Overview map



Layout of geological-and-geophysical coverage Licence Block №61 (Tungolsky)



Seismic data are represented by the materials: s/l 2/77-78, 16/80-81, 16/85-86, 18/85-86, 7/90-91, 5/99-00 TGT and s/l 4/06-07 JSC “Stavropolneftegeofizika” – CDP-2D high resolution seismic survey



Tungolskoye Development

2012/2013 programme:

- TKG re-processing and re-evaluation of well and seismic data
- Significant portion of structure updip from T-1 and T-4 wells which had over 10 m net pay

2014 programme:

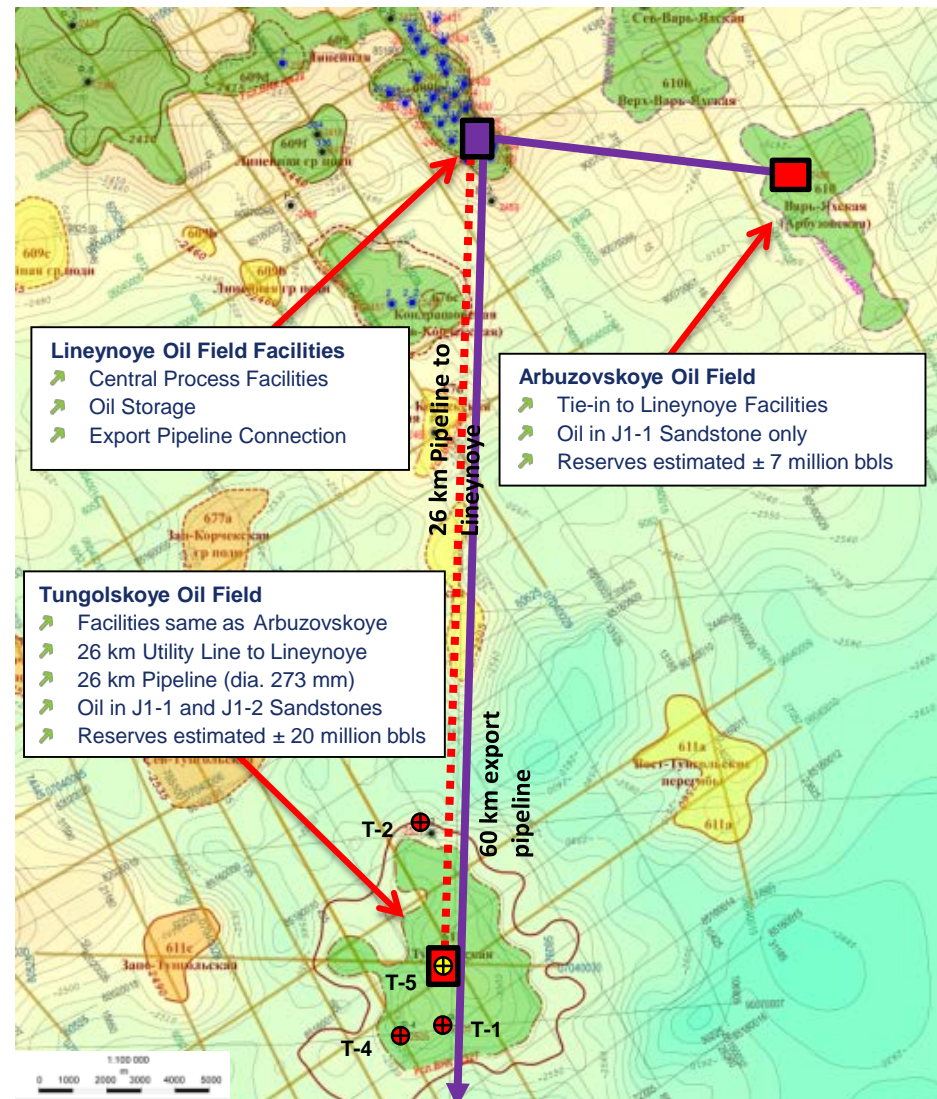
- Q1 mobilize rig for T-5 well
- Drill, core and test T-5 well with horizontal segment
- Russian State Reserve (GKZ) approval
- Pilot Production Project (CDC) approval

Potential 2015 programme:

- Construction of 26 km pipeline from Lineynoye Central Processing Facility – Q1
- Construction of Pad 1 and mobilisation of development drilling rig and supplies – Q1
- Commence drilling from Pad 1 – Q2

Risk Mitigation

- Confirm structure and reservoir with T -5 well
- Potential for horizontal wells to greatly reduce the cost and time required for development





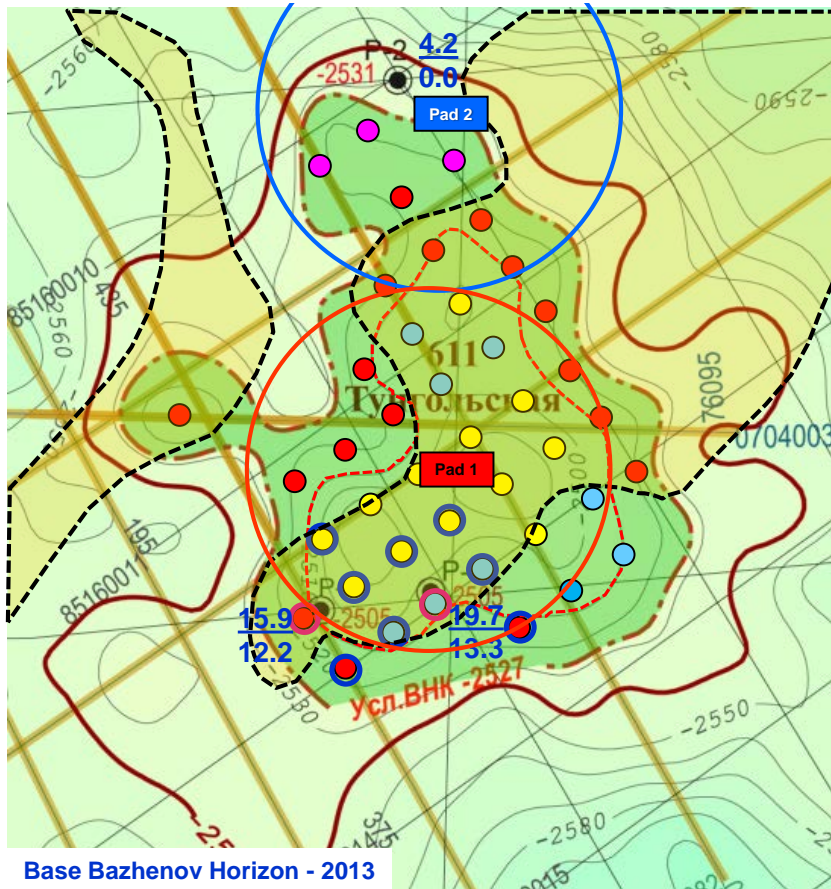
Tungolskoye Development

- 38 wells (37 + T-5)
- 2 drilling pads
- 700 m well spacing

Well Types Net Pay for Pad 1

Yellow circle	≥12.0 meters	12 wells Pad 1
Blue circle	12.0 meters	9 wells Pad 1
Red circle	7.5 meters	9 wells Pad 1

Total 30 wells



Base Bazhenov Horizon - 2013

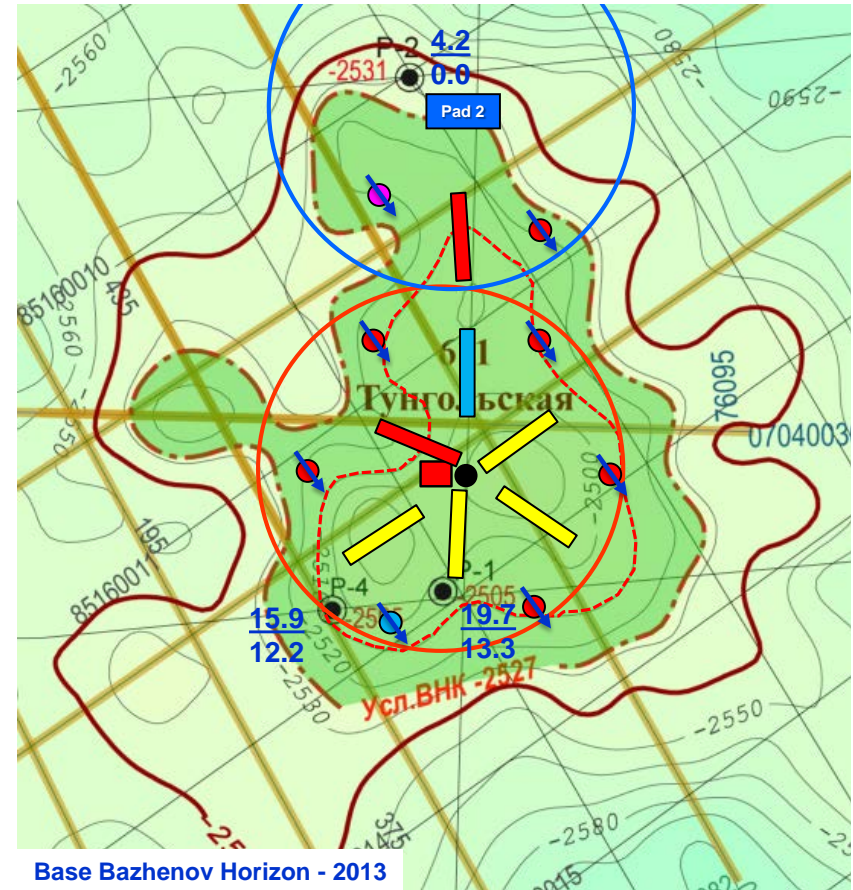
Tungolskoye Development

- 7 Horizontal wells (6 + T-5)
- 8 Vertical wells (convert to injector)
- 2 drilling pads
- 1000 m Horizontal segments

Well Types Net Pay for Pad 1

Yellow circle	≥12.0 meters	4H + 0V wells
Blue circle	12.0 meters	1H + 1V wells
Red circle	7.5 meters	1H + 5V wells

Total 6H + 6V wells

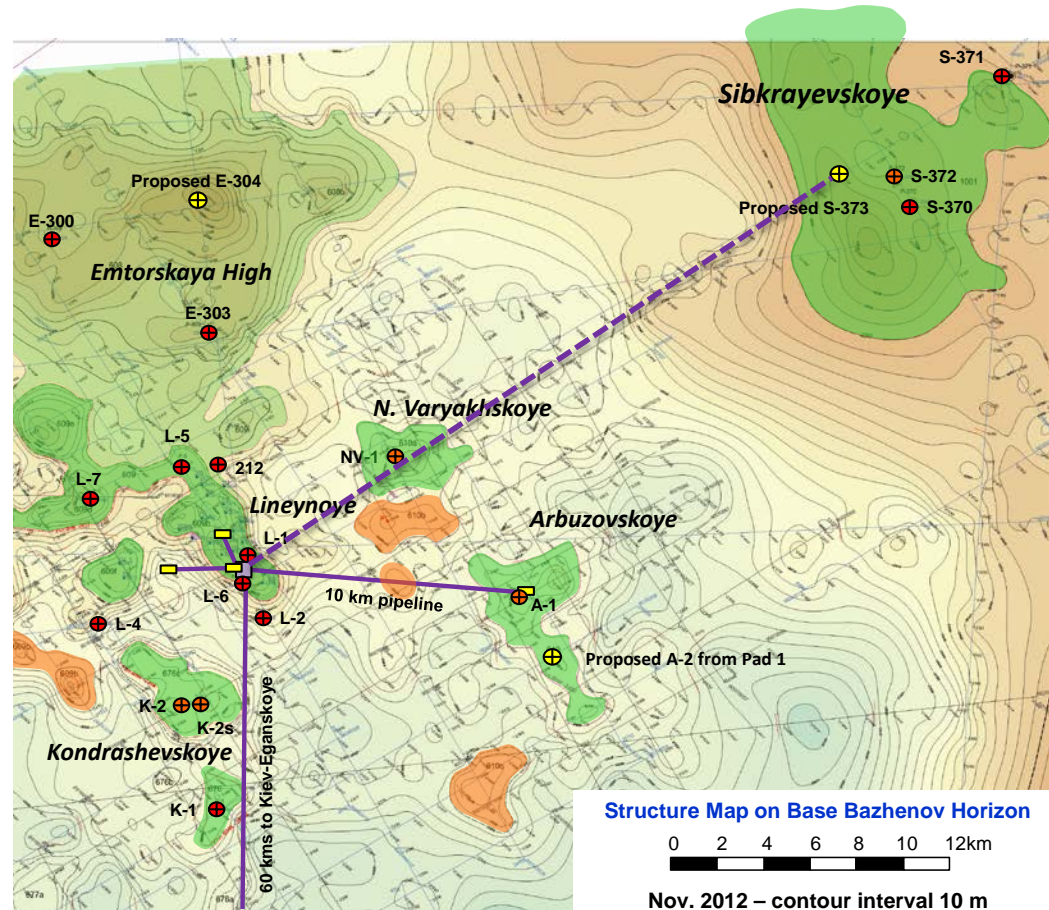


Base Bazhenov Horizon - 2013



Major discovery – expected on-stream 2015/2016

- Three wells were drilled on the field to date
 - Well 372 (2011) twinned well 370 was drilled by PetroNeft
 - Well confirms 12.3 m of “missed pay”
 - Open hole inflow test 170 bopd, 37° API
 - Over 50 sq km of closure above oil-down-to level in well 372
 - RS 2P reserves 53 million bbls
 - Additional seismic and well data will be required to fully assess the discovery and register reserves for development
- PetroNeft is planning:
 - Well 373 with rig currently on location and additional 2D Seismic acquisition for 2014/15
 - Development decision in 2015
 - Will be tied back to Lineynoye CPF
 - Water injection for pressure maintenance

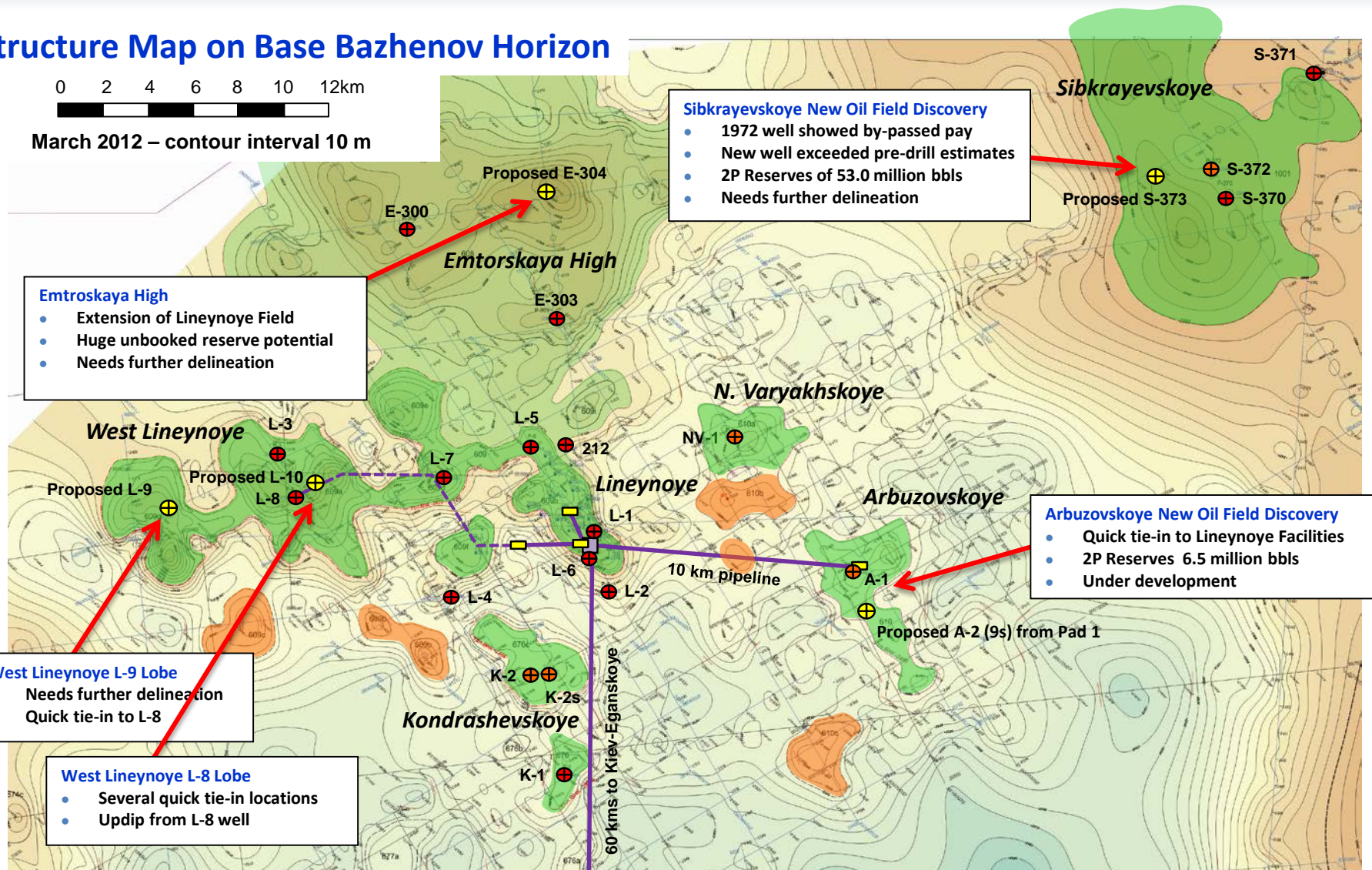


Structure Map on Base Bazhenov Horizon

0 2 4 6 8 10 12km

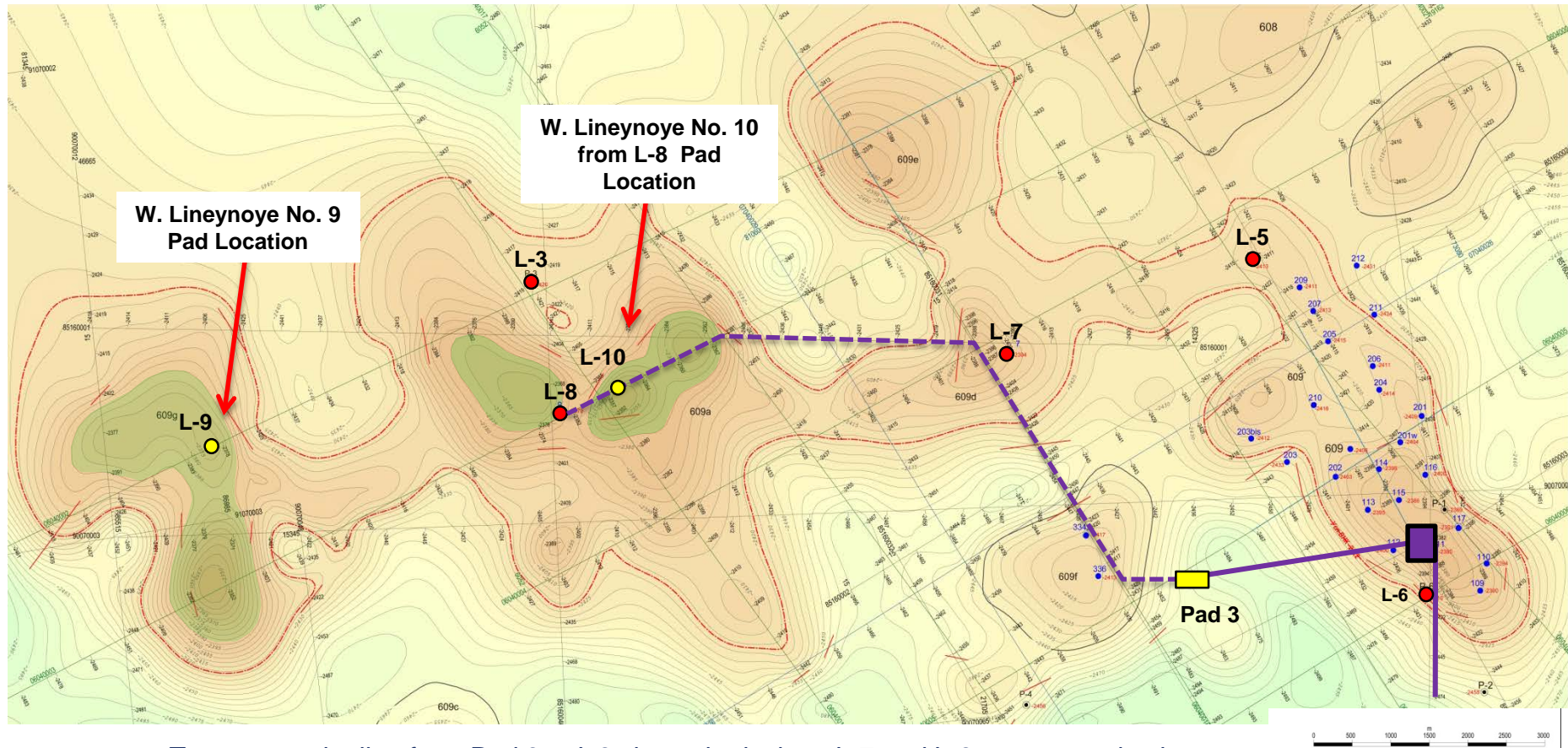


March 2012 – contour interval 10 m





Structure Map on Base Bazhenov Horizon 2012



- Temporary pipeline from Pad 3 to L-8 shown in dashes, L-7 and L-8 on test production
- Areas highlighted in green are structurally high and targeted for crestal horizontal wells
- Quick tie-in to existing temporary pipeline from L-8 to Pad 3.

W. Lineynoye No. 9 and No. 10

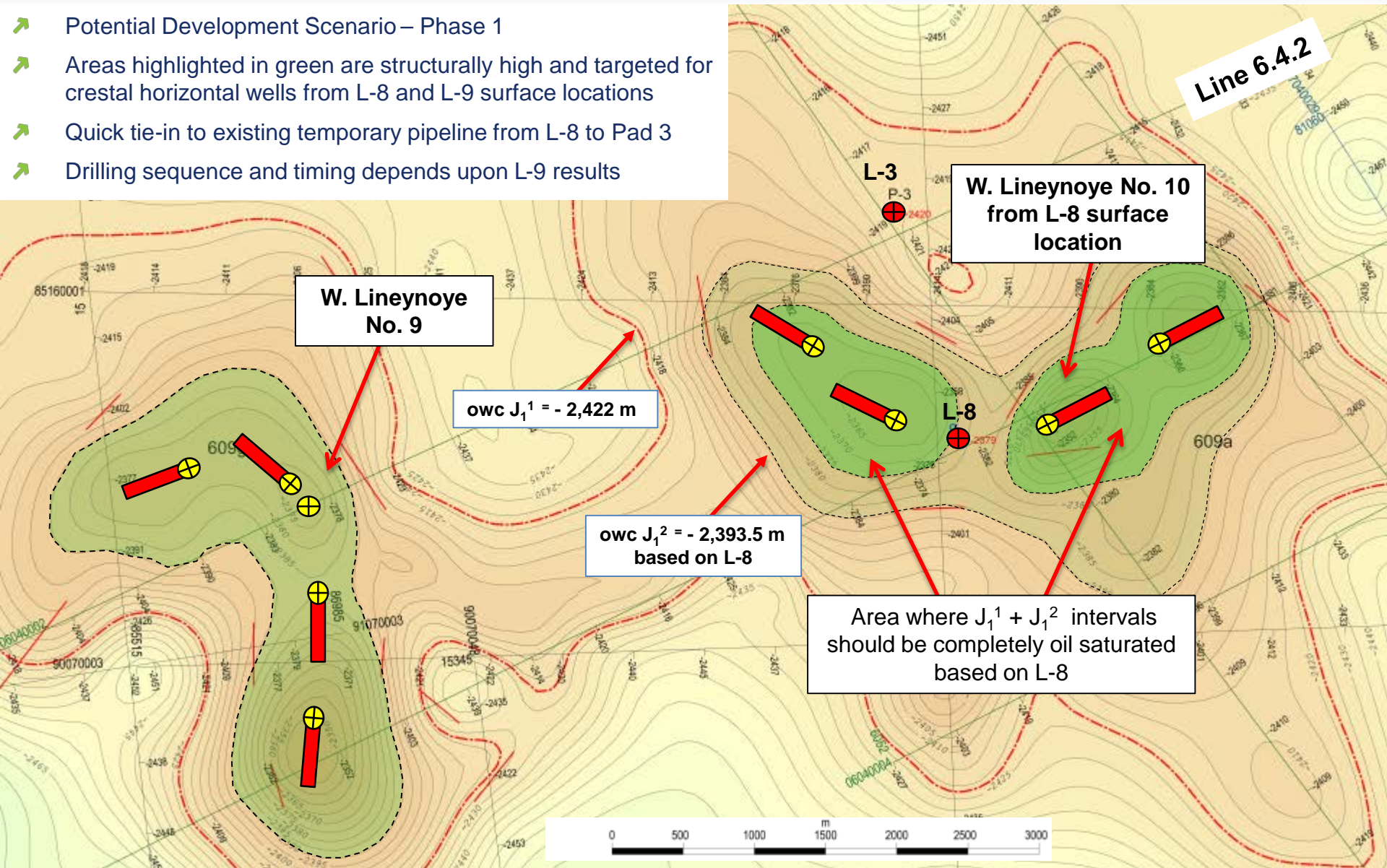


Potential Development Scenario – Phase 1

Areas highlighted in green are structurally high and targeted for crestal horizontal wells from L-8 and L-9 surface locations

Quick tie-in to existing temporary pipeline from L-8 to Pad 3

Drilling sequence and timing depends upon L-9 results

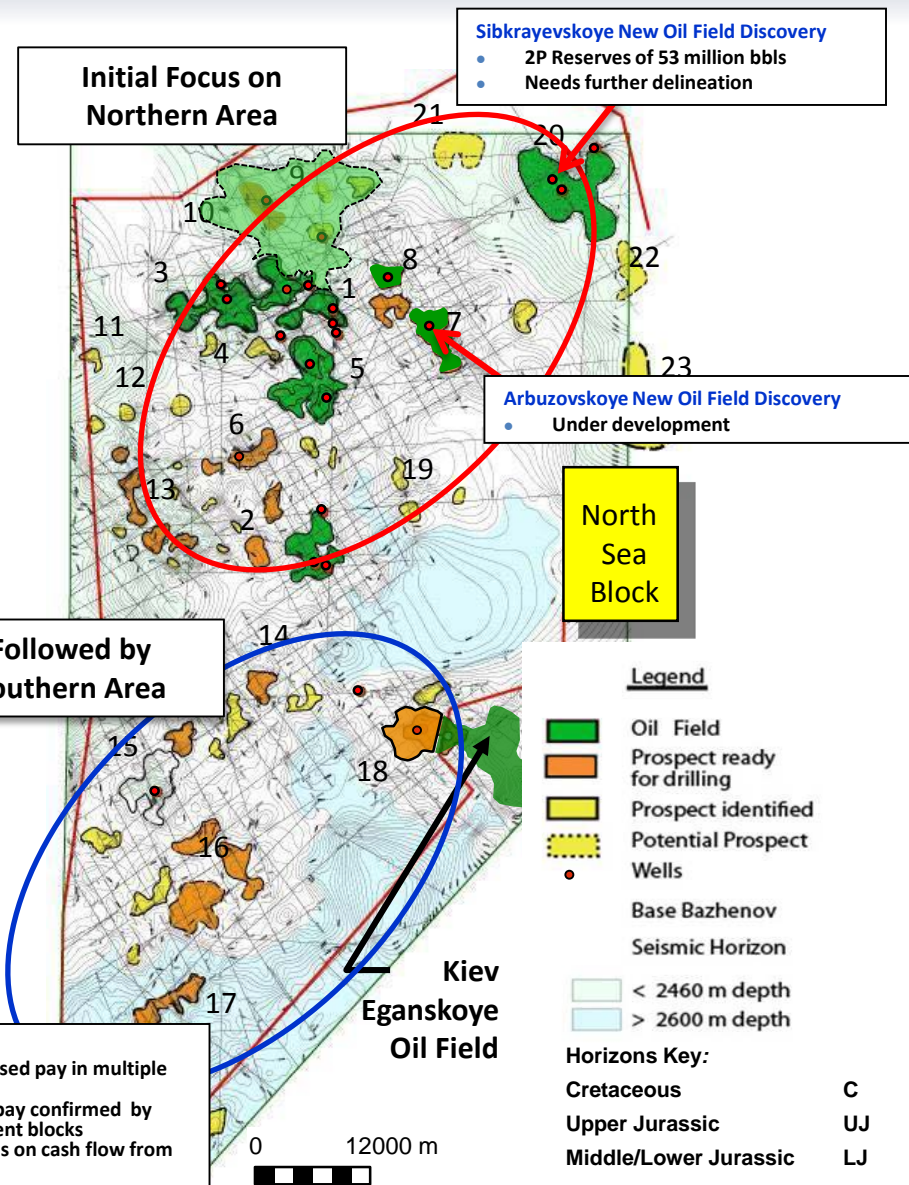


Oil Fields / Prospects / Potential Prospects

	Map ref.	Field/Prospect	Horizon(s)
Oil Fields	1	Lineynoye Oil Field	UJ
	2	Tungolskoye Oil Field	UJ
	3	West Lineynoye Oil Field	UJ
	5	Kondrashevskoye Oil Field	UJ
	7	Arbuzovskoye Oil Field	UJ
	20	Sibkrayevskoye Oil Field	UJ
	8	North Varyakhskoye Oil Field	UJ
Prospects	2	Tungolskoye West Lobe and North (2)	UJ
	4	Lineynoye Lower	UJ
	6	West Korchegskaya	LJ
	8	Upper Varyakhskaya	UJ
	9	Emtorskaya	UJ
	10	Emtorskaya Crown	UJ
	11	Sigayevskaya	UJ
	12	Sigayevskaya East	UJ
	13	Kulikovskaya Group (2)	UJ
	14	Kusinskiy Group (2)	C, UJ, LJ
	15	Tuganskaya Group (3)	C, UJ, LJ
	16	Kirillovskaya (4)	C, UJ, LJ
	17	North Balkinskaya	UJ, LJ
Potential Prospects (Leads)	18	Traverskaya	C, UJ, LJ
	19	Tungolskoye East	LJ
	21	Emtorskaya North	
	22	Sibkrayevskaya East	
	23	Sobachya	
	24	West Balkinskaya	

Southern Prospects

- Log Reinterpretation shows missed pay in multiple horizons – C, UJ, M/LJ
- Cretaceous and Lower Jurassic pay confirmed by well tests in immediately adjacent blocks
- Exploration delayed due to focus on cash flow from Northern Developments





Licence 67





Ledovy Block Structures and Traps

- Oil Fields and Oil Tests
- Prospects
- Drilled Structures - Dry and under review

##	Structure Name	Main Objectives
Drilled Structures		
1	Cheremshanskoye Oil Field	UJ, LJ
2	Ledovoye Oil Field	UJ, C
3	Sklonovaya	UJ
4	North Pionerskaya	UJ
5	Bolotninskaya	UJ
Identified Prospects and Leads		
6	Levo-Ilyakskaya	UJ
7	Syglynigaiskaya	UJ
8	Grushevaya	UJ
9	Grushevaya Stratigraphic Trap	LJ
10	Malostolbovaya	UJ, C
11	Nizhenolomovaya Terrasa Gp.	UJ
12	Baikalskaya	UJ
13	Malocheremshanskaya	UJ
14	East Chermshanskaya	UJ, C
15	East Ledovoye	UJ, C

Base Bazhenov Seismic Horizon

- < 2,600 depth m
- > 2,750 m depth

C=Cretaceous, UJ = Upper Jurassic, MJ = Middle Jurassic,
LJ = lower Jurassic



Excluded areas

Ledovoye Oil Field

Log re-evaluation confirms oil in L-2 and L-5 wells:

- LC = 4.5 – 10.9 metres
- UJ J1 = 4.9 – 11.8 metres
- Just UJ 2P Reserves booked at net 14 million bbls

2011/2012 well L-2a drilled parallel to L-2

- LC = 4.5 + metres
- UJ J1 = 4.4 metres
- More work required

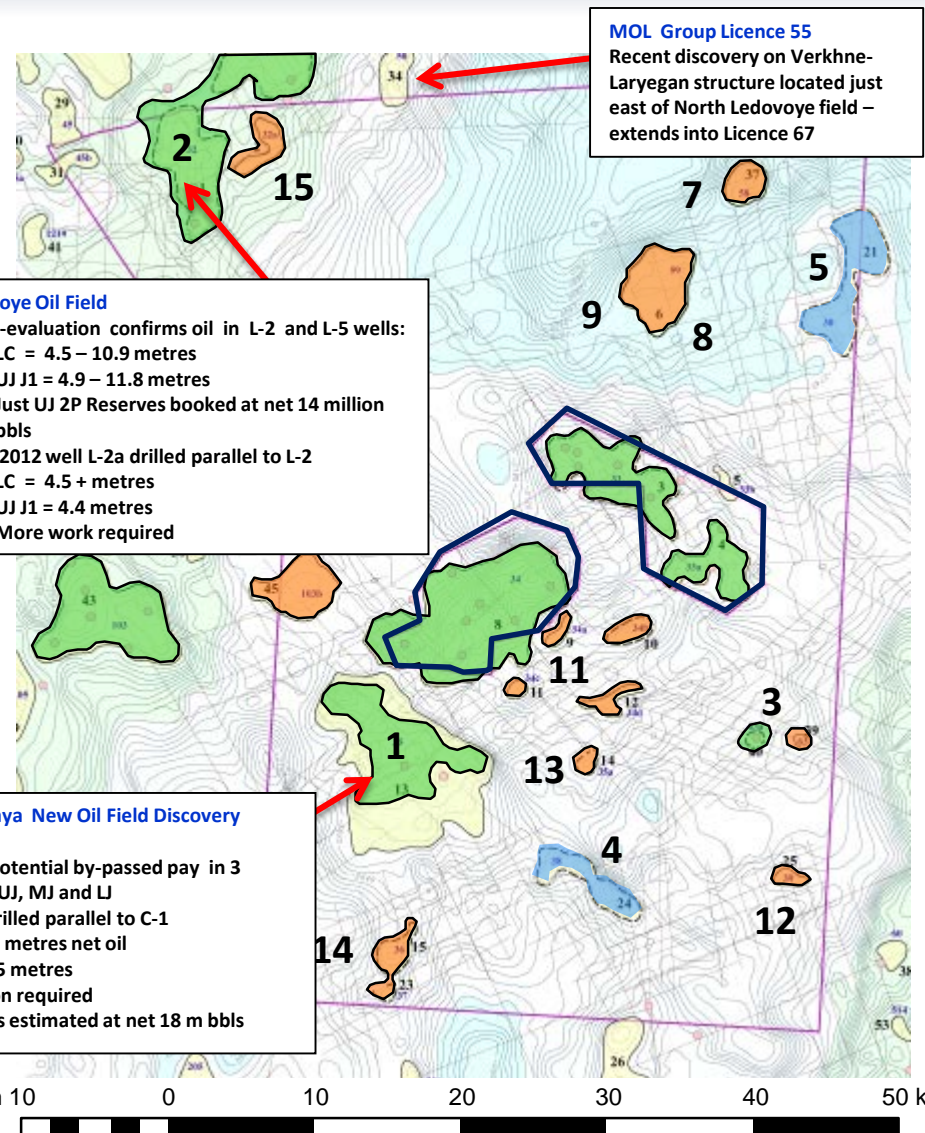
Cheremshanskaya New Oil Field Discovery

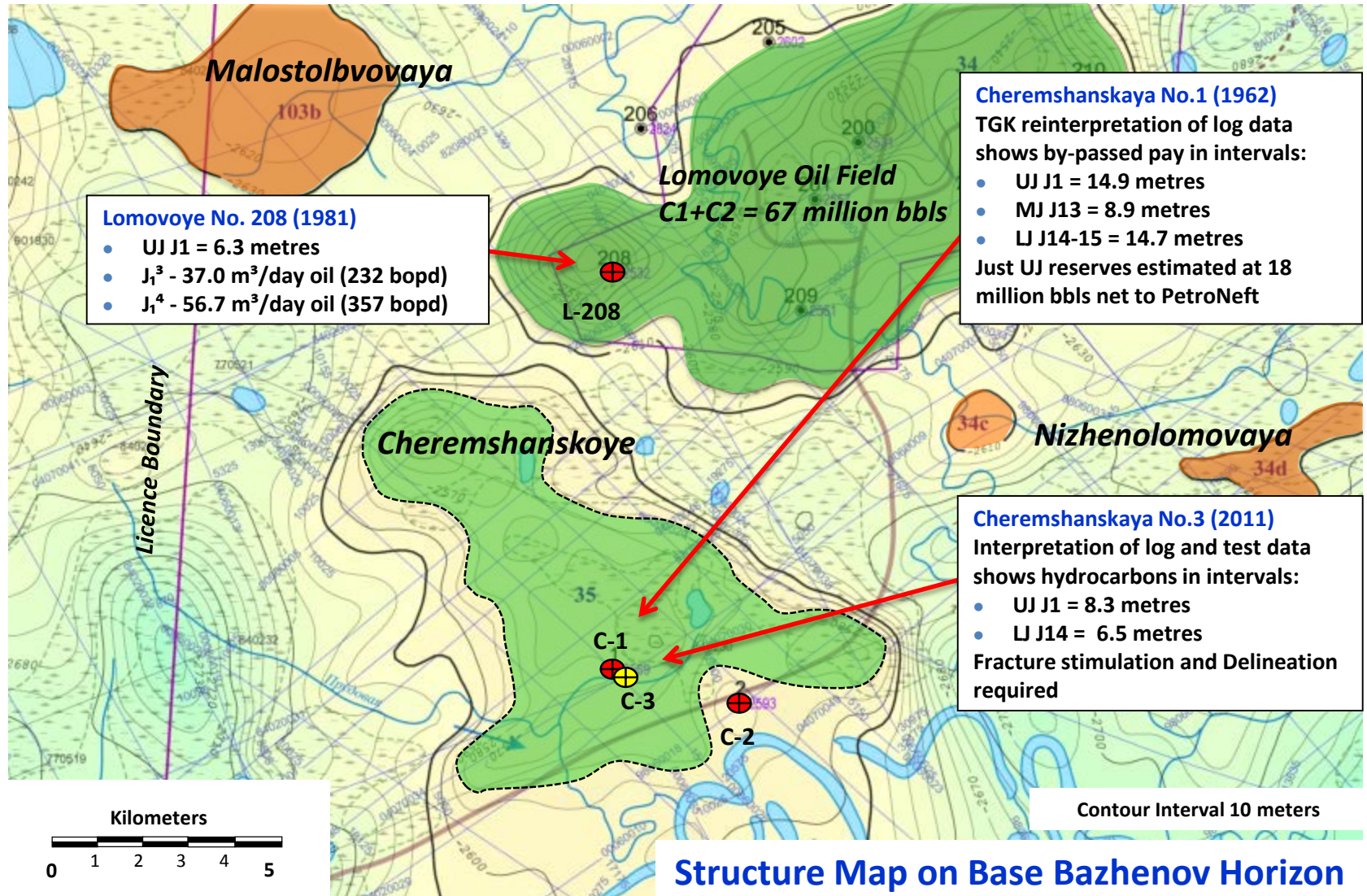
1962 well C-1

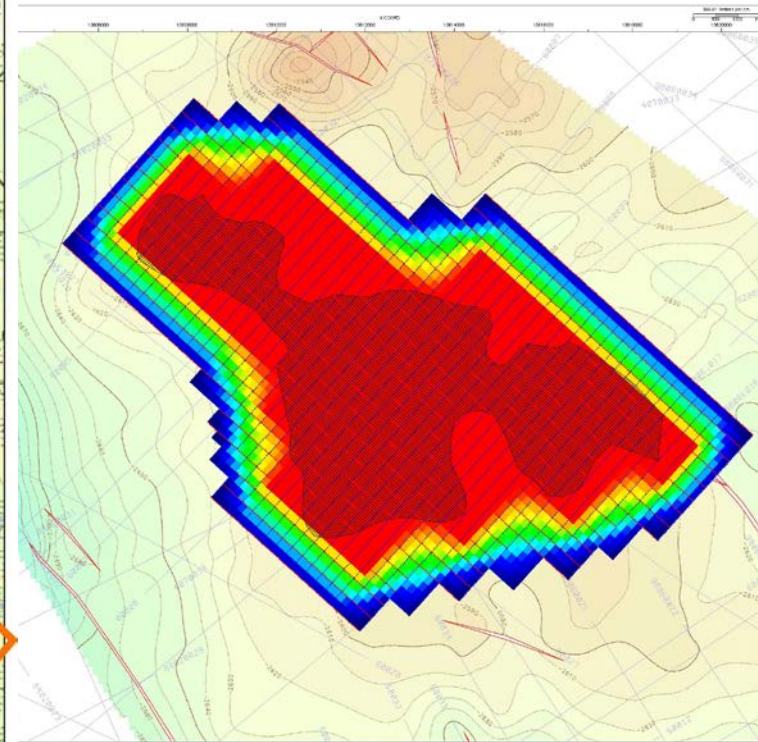
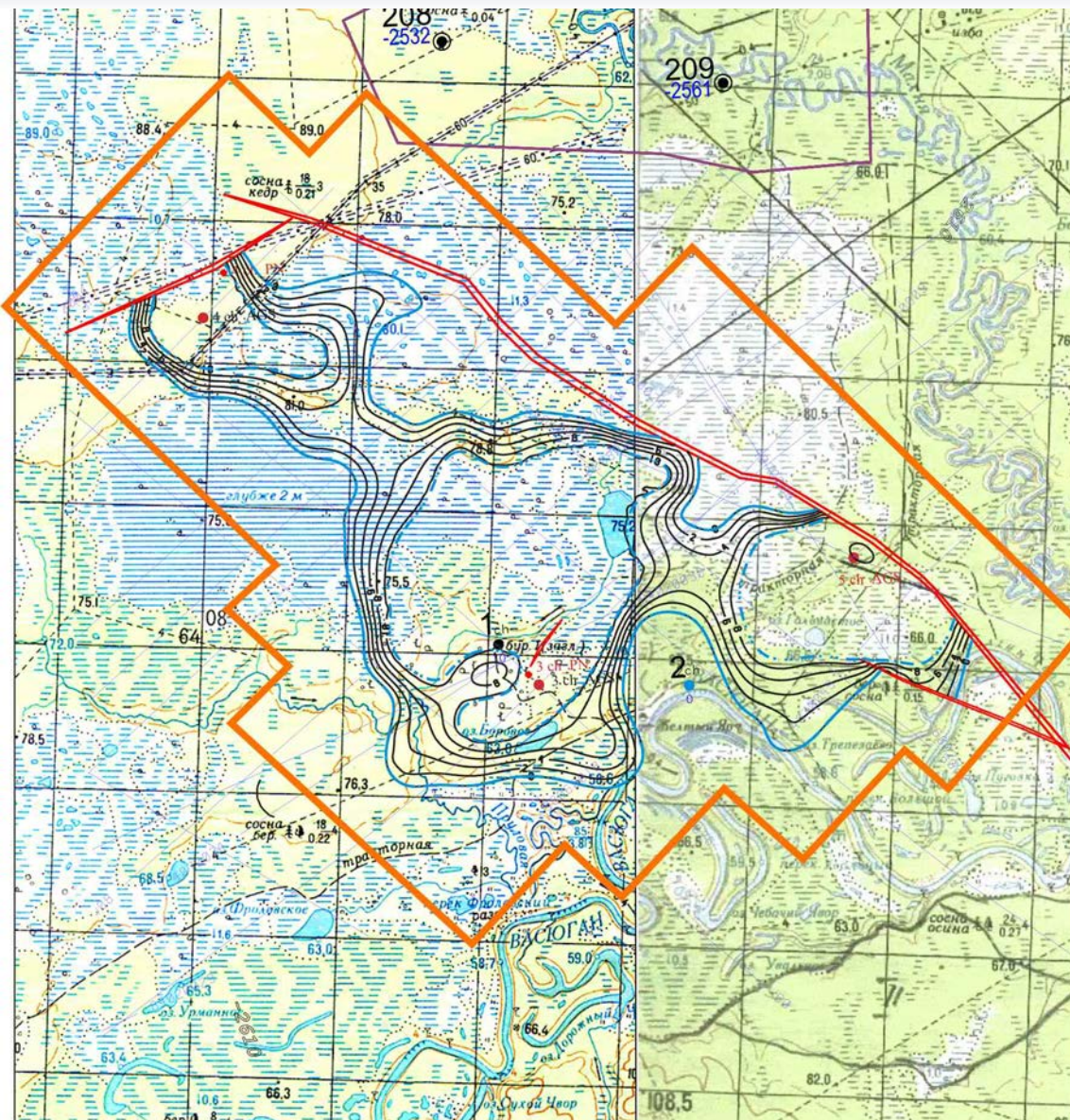
- showed potential by-passed pay in 3 intervals; UJ, MJ and LJ

2011 well C-3 drilled parallel to C-1

- UJ J1 = 8.3 metres net oil
- LJ J14 = 6.5 metres
- Delineation required
- Just UJ Reserves estimated at net 18 m bbls







Planned Activities - 3D Seismic 1Q 2014 on existing discoveries

- **Cheremshanskoye 3D Seismic**
 - Scope of Work ± 95 sq km
- **Ledovoye 3D Seismic**
 - Scope of Work ± 68 sq km



Mineral Extraction Tax (MET) Relief for Tight Oil becomes Law

- On 23 July 2013 an amendment to the Russian Tax code was adopted. Under this amendment, effective from September 2013, a reduced mineral extraction tax (MET) rate will be applicable to tight oil produced.
- Due to the characteristics of the Company's reservoirs we see the most potential for application of the Law in Licence 67 where the J14 Reservoir at Cheremshanskoye would apply for the maximum low perm and Tyumen Formation relief.
- The Bazhenov Formation exists in both Licence 61 and Licence 67

Application of the new law:

Reservoir Characteristics	MET Relief	Grace Period
Permeability < 2 mD, net pay <10m	80%	10 years
Permeability < 2 mD, net pay >10m	60%	10 years
Bazhenov, Abalak, Khadum, Domanic Formations	100%	15 years
Tyumen Formation	20%	15 years



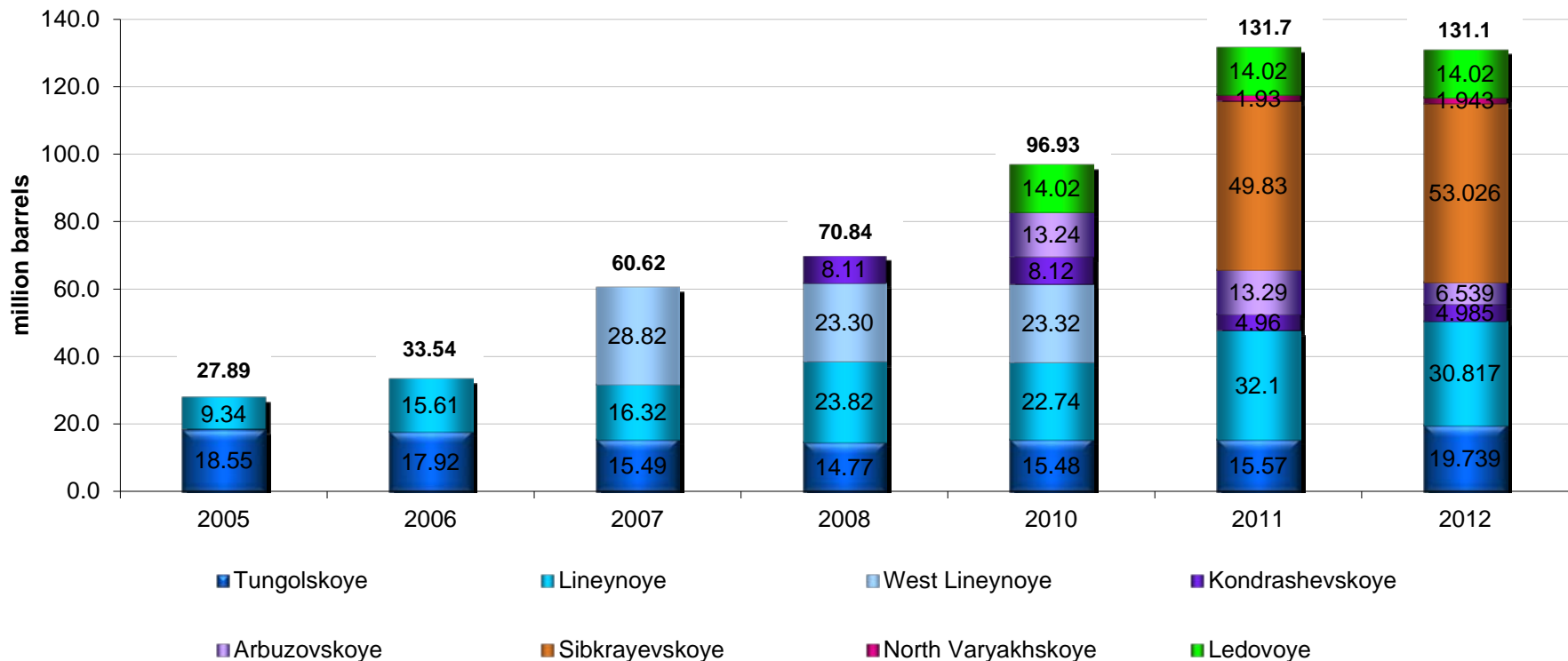
Investment Highlights





Track record of Reserve Growth:

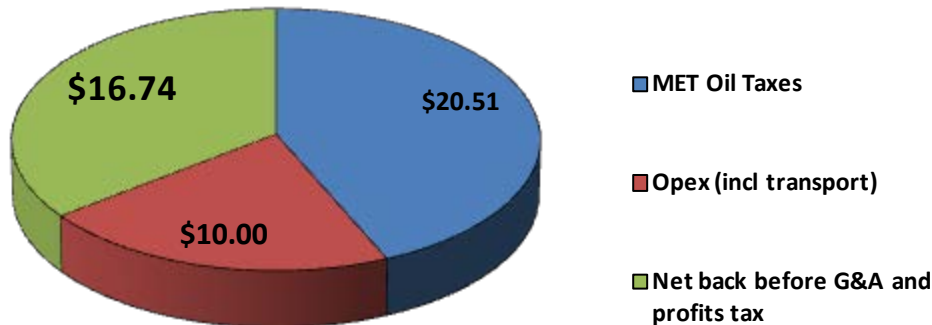
Licence 61 & 67 2P Reserve Growth



- Source: Ryder Scott – Petroleum Consultants report as at 1 April 2013 for L-61, 1 Jan 2011 for L-67
- Lineynoye and West Lineynoye confirmed as one field in 2011
- PetroNeft has drilled a total of 12 exploration/delineation wells to date – 11 have been successfully tested oil
- Huge 3P/P4 reserve/resource base of 641 million bbls indicates significant 2P reserve additions still to come

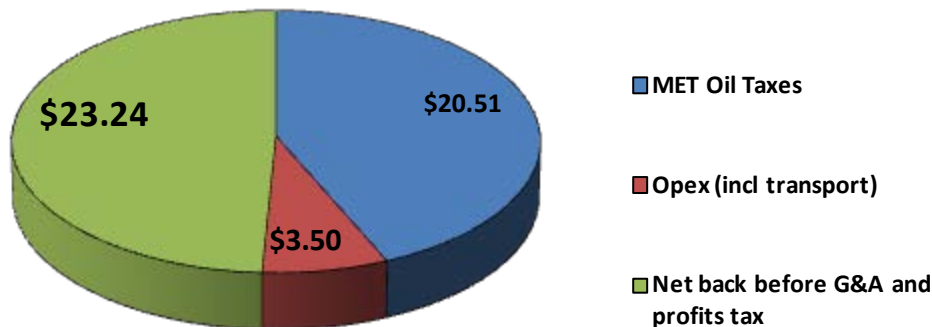


First 2,000 bopd



Export Price = \$105 per barrel, Domestic Price = 45% Export Price

Additional Barrels above 2,000 bopd



Export Price = \$105 per barrel, Domestic Price = 45% Export Price

- At current production Opex is about \$10 per bbl.
- Incremental production above this level will only add Opex of about \$3.50 per bbl (including transport).
- Major Production Infrastructure already in-place for Licence 61.
- Incremental economics on wells are very attractive with an Initial Production rate of 150 bopd.
- Every additional 1,000 bopd generates \$8.5 million free cash per annum
 - A new 250 bopd well generates an additional \$175k per month free cash flow



Macquarie Facility

- Current balance of US\$17.6m, down from US\$30m, 12 months ago
- Current balance US\$13.6 million net of US\$4 million held in a Debt Service Reserve Account
- Matures in May 2014
- Monthly instalments commenced end March 2013 (\$650k per month)
- US\$12.4 million bullet repayment in May 2014 (US\$ 8.4 million net of DSRA)
- Secured on Licence 61

Arawak Facility

- US\$15 million facility
- Repayable in one lump sum
- Matures in May 2015, at same time as AMI expiry
- Secured on PetroNeft's 50% interest in Licence 67

- **Currently in discussions to Farmout 50% of Licence 61 or re-finance existing debt facilities**
- **Discussions advancing well, particularly on re-finance front**



Summary

- Now a producing company with all necessary infrastructure in place at L-61
- Future projects incremental with robust economics
- Only producing from less than 20% of our current reserve base, Production has stabilised at about 2,500 bopd
 - Fields still to bring to production:

➤ Sibkrayevskoye	53 mmbbls of 2P reserves
➤ Tungolskoye	20 mmbbls of 2P reserves
➤ Emtorskaya?	Potentially 20-40 mmbbls
- Focus on near term production growth and cash flow
- Strong Reserve Growth; Very significant reserve additions from 2011 exploration programme – particularly Sibkrayevskoye, more potential still to explore
- **Evaluating a number of potential strategic partnerships including refinancing**
 - **Discussions advancing well**
- Experienced and motivated management with strong local relationships



Share Capital *

➤ Ordinary Shares in issue:	644,920,275
➤ Share options outstanding:	20,426,000
➤ Warrants outstanding:	9,400,000
➤ Fully diluted share capital:	674,746,275
➤ Market Capitalisation:	£20 million

*As at 31 August 2013

Major Shareholders*

Directors	5.01%
Ali Sobraliev	3.57%
Henderson Global Investors	9.15%
Macquarie Bank†	6.65%
Credit Suisse	5.93%
Ivion Fund	4.05%
Arawak Energy Limited**	3.17%

*As at 31 August 2013 or latest shareholder declarations

† Also Holds 5.4m warrants

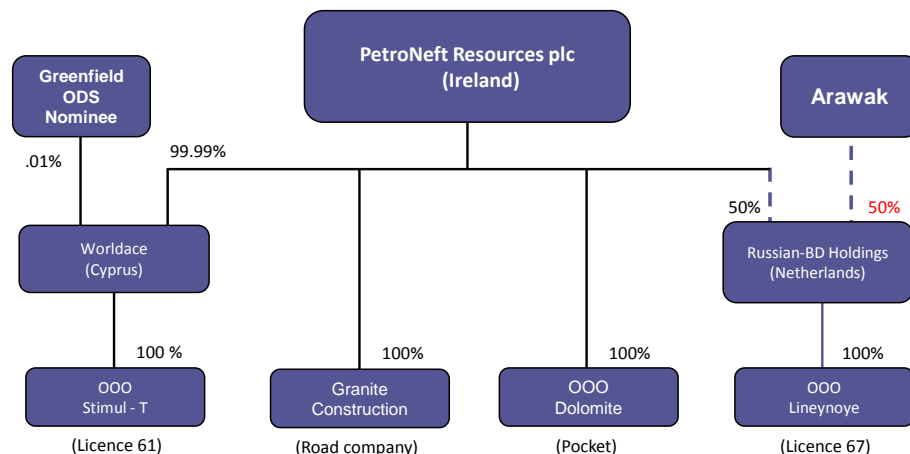
**Also Holds 4m warrants

Sources: Irish Stock Exchange, AR 2011

Trading details

- Exchanges:
 - AIM Market (London Stock Exchange)
 - ESM Market (Irish Stock Exchange)
- Free float: 91.41%
- Tickers: PTR (AIM) & P8ET (ESM)
- SEDOL:BOQ82B2
- ISIN:IE00BQ82B24

Group Structure





Board of Directors



G. David Golder

- Non-Executive Chairman
- 34 years' industry experience with Marathon Oil Company, Sakhalin Energy and others

Dennis C. Francis

- Chief Executive Officer and co-founder
- Headed Marathon's Business Development Activities in Russia from 1989 to 2003

Paul Dowling

- Chief Financial Officer
- Former partner accounting firm LHM Casey McGrath, 17 years experience in Financial arena

David E. Sanders

- Executive Director, Secretary and General Counsel and cofounder
- 15 years' experience doing business in Russia, Sakhalin II Project, Priobskoye, KMOC

Thomas G. Hickey

- Non-Executive Director
- Chief Financial Officer Petroceltic International, formerly CFO of Tullow Oil plc

Vakha A. Sobraliev

- Non-Executive Director
- 30 years' experience in West Siberian Petroleum Industry– GD Tomskburneftegaz, LLC

Gerry Fagan

- Non-Executive Director
- Former Group Financial Controller of Smurfit Kappa Group plc



Experienced Management Team



Karl Johnson (Houston)

- Vice President of Business Development and Operations
- 30 years' experience in oil and gas business internationally including Russia
- Formerly with Marathon Oil

Alexey Balyasnikov (Moscow)

- General Director
- 35 years' experience in Russian oil and gas business
- Former Head of Representation for Marathon Oil in Moscow

Alexander Frenovsky (Tomsk)

- Executive Director
- 37 years' experience in Russian oil and gas industry
- Former General Director and Chief Engineer – JSC Tomskneftegazgeologia
- Directly participated in the development of 15 oil fields in the Tomsk Oblast

Nikolay Karapuzov (Tomsk)

- Chief Geophysicist/Geologist of Stimul-T
- 38 years' experience in Russian oil and gas industry
- Former Chief Geophysicist/Geologist – JSC Tomskneftegazgeologia
- Directly participated in discovery of 17 oil fields in the Tomsk Oblast



Contacts



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AIM Market – London Stock Exchange (PTR)

ESM Market – Irish Stock Exchange (P8ET)