



PetroNeft Resources plc

Exploration, Development & Production in Russia

Company AGM Presentation

September 2012



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.

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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
- US\$30 million debt facility with Macquarie Bank, US\$15 million debt facility with Arawak Energy

Production

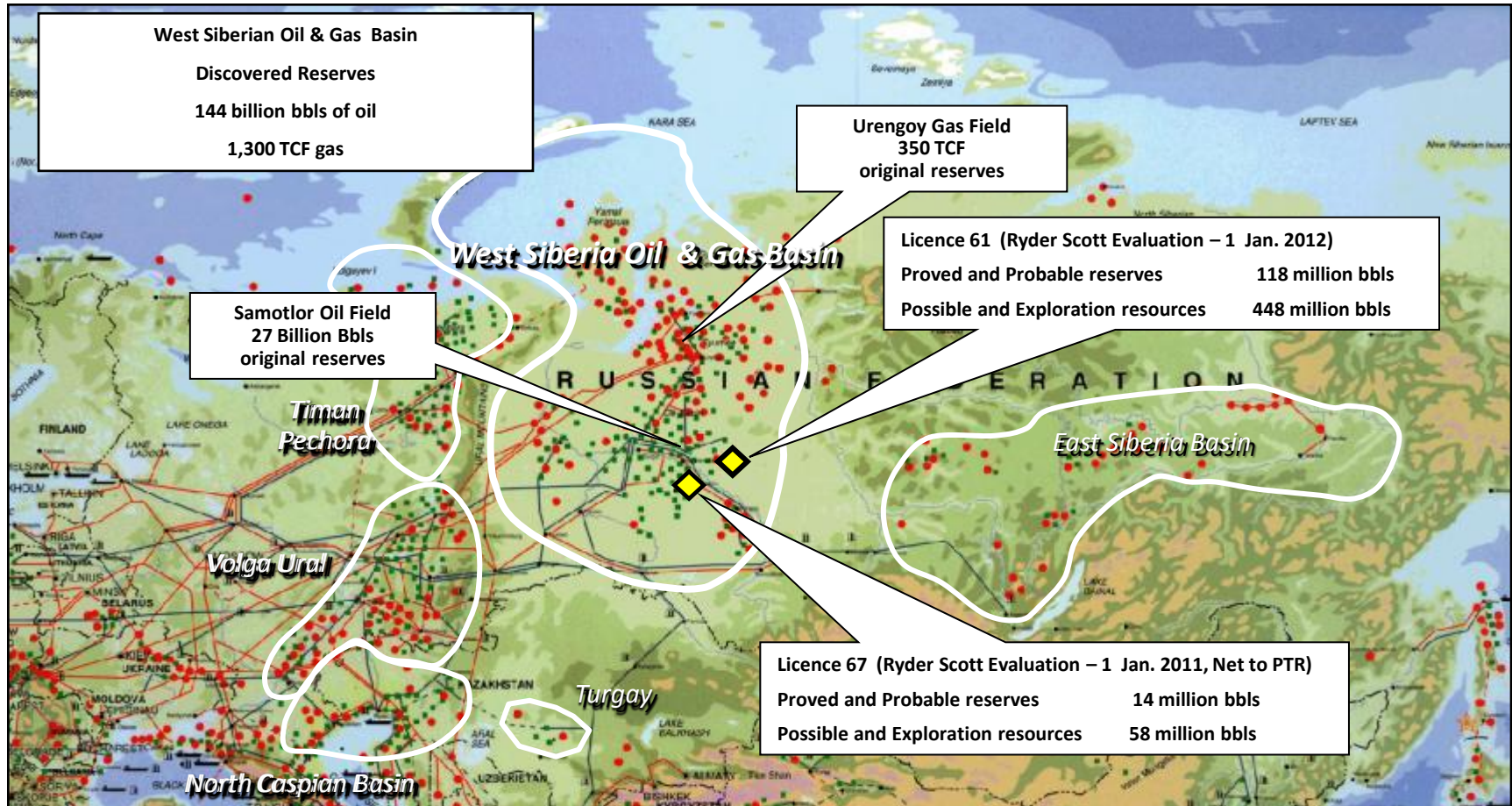
- **Production commenced on schedule in 2010, current production ≈ 2,000 bopd**
- Central Processing Facility at Lineynoye with ±14,800 bpd capacity
- Development to continue in 2012/2013 with Arbuzovskoye field to be brought into production
- Arbuzovskoye No.1 well now producing at ≈ 300 bopd

Exploration

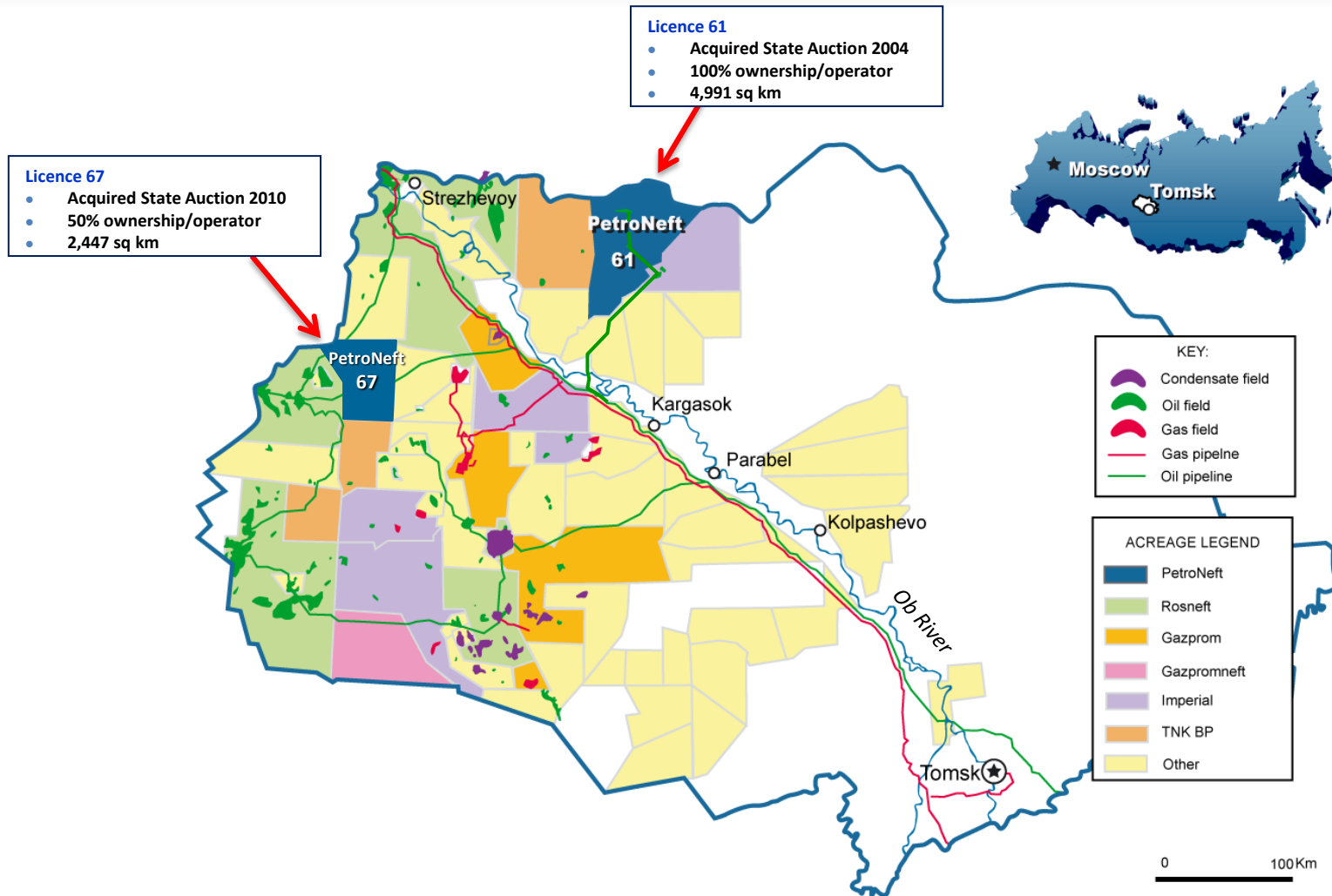
- **Strong Reserve Base with material P3/P4 to 2P upgrades possible from planned exploration programme**
- 2P reserves of 131.7 mmbo and 3P/P4 reserves of > 600 mmbo (Unrisked) [Jan 1, 2012]
- New Oil Discoveries at Sibkrayevskaya, North Varyakhskaya and Cheremshanskaya (Licence 67)
- Reserve upgrade achieved at end of 2010 and 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 opportunities
- Finance with Debt, Equity and/or share swap



Source – USGS



Tomsk Oblast Very Active Region

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



Licence 61 Field Development Programme 2012



Licence 61 Development Plan

➤ 2010 programme:

- Construction of 60 km pipeline, oil processing/storage facilities completed
- 9 oil production wells drilled in 2010, commenced pipeline production in August

➤ 2011 programme:

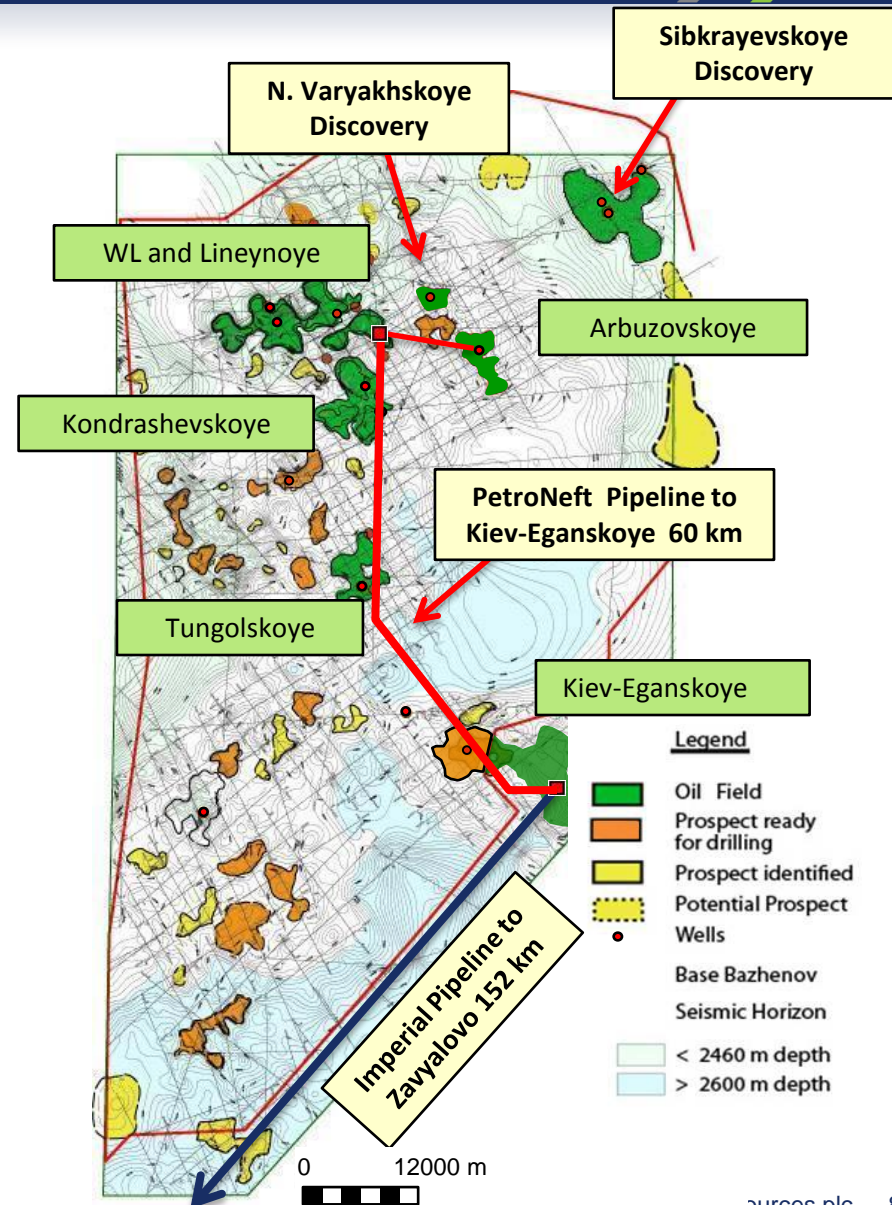
- Hydraulic Fracturing programme on 9 wells on Pad 1, 10 wells on Pad 2
- 12 new production wells drilled on Pad 2
- Process facilities expanded to $\pm 14,800$ bpd

➤ 2012 programme:

- Construction of 10 km pipeline to Arbuzovskoye and commence drilling of 10 to 15 new production wells at Pad 1
- Possible Sibkrayevskoye delineation well

Future Plans

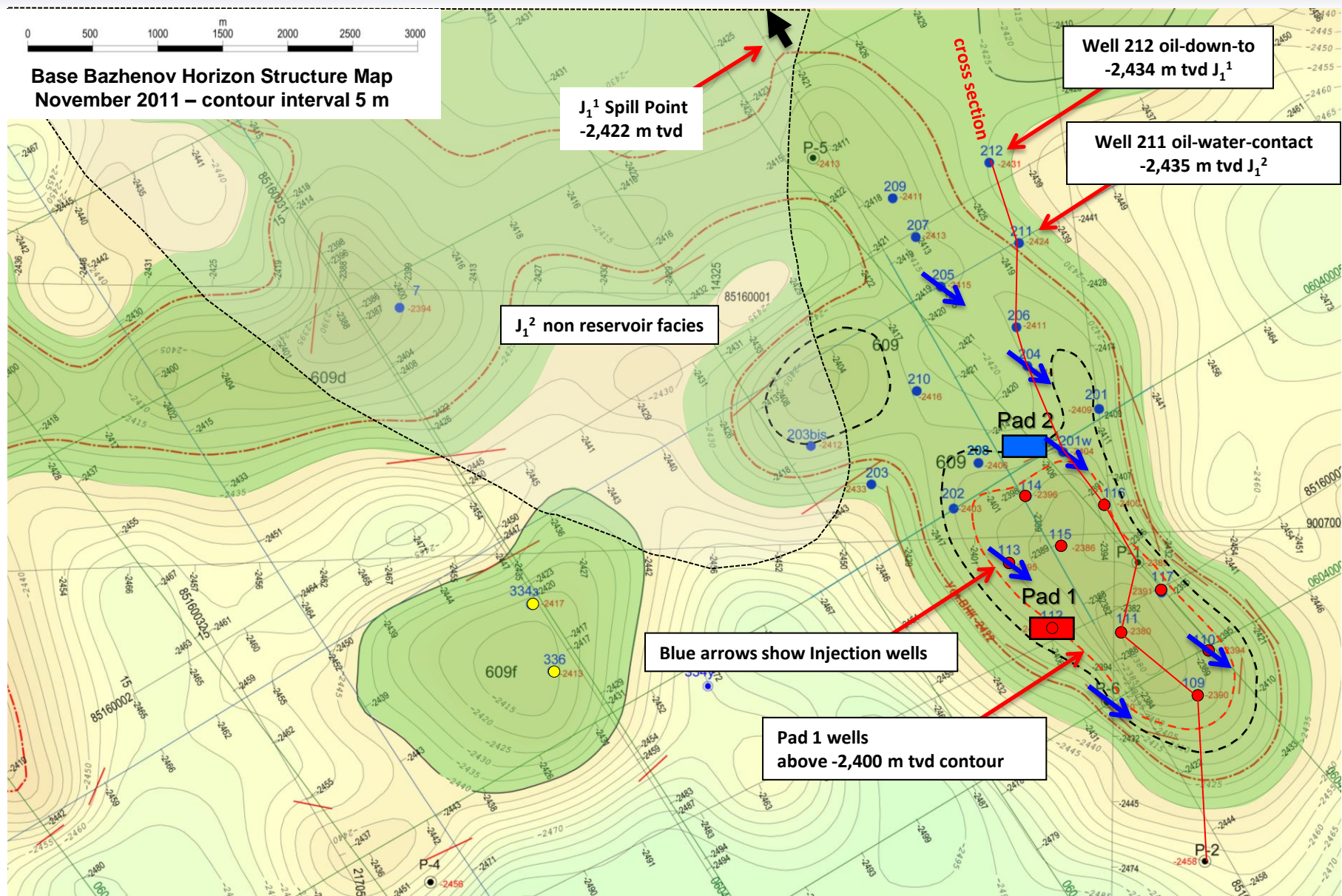
- Incremental addition based on NPV analysis of Sibkrayevskoye, Kondrashevskoye, Tungolskoye, N. Varyakhskoye and other discoveries

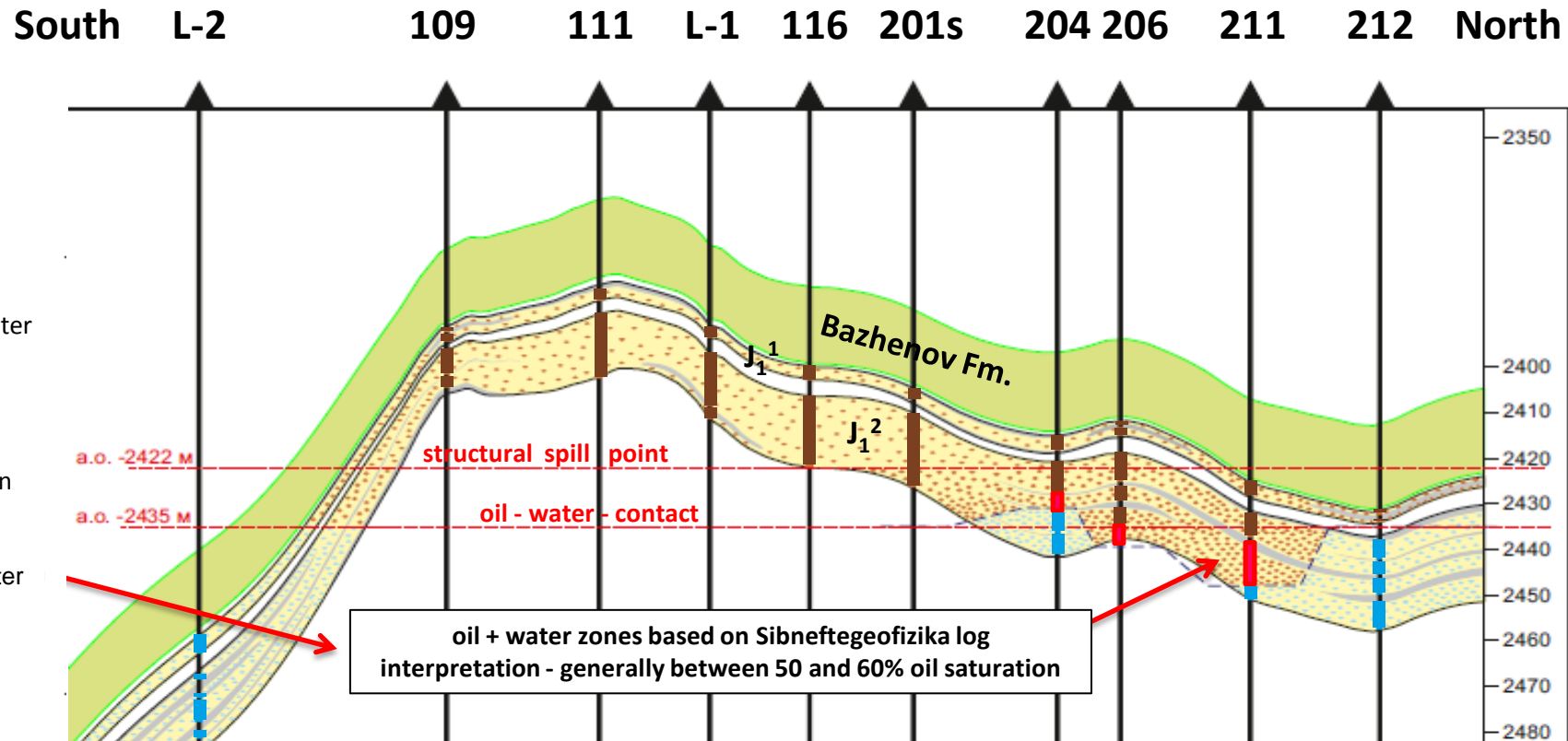




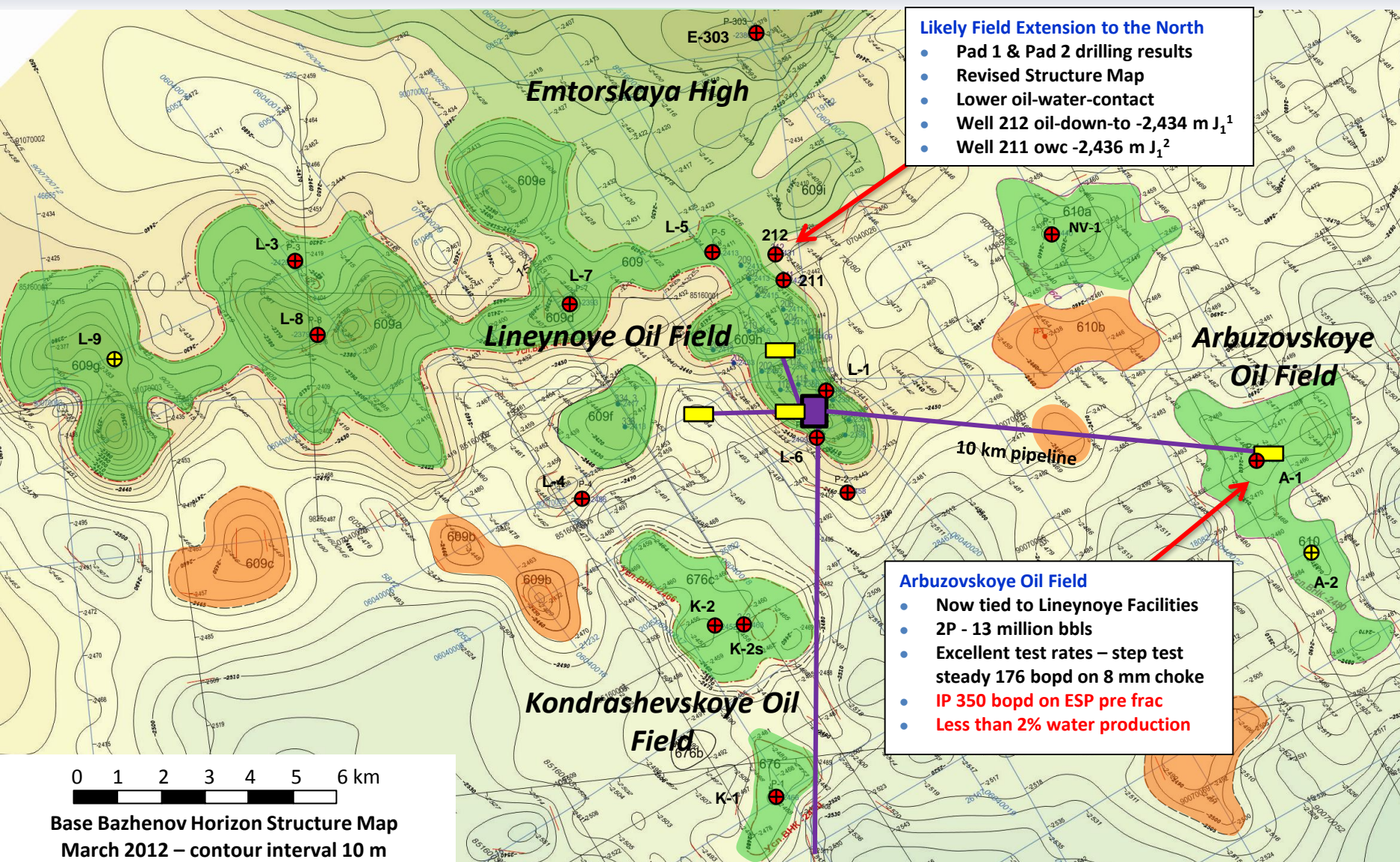
0 500 1000 1500 2000 2500 3000
m

Base Bazhenov Horizon Structure Map
November 2011 – contour interval 5 m





- The Pad 2 wells were all lower on the structure than the Pad 1 wells, the reservoir section was closer to the oil-water-contact and the water saturation in the wells was higher.
- The reservoirs on Pad 2 also appear to be tighter than Pad 1. The combination of relative permeability and fractional flow effects in the reservoir contributed to lower flow rates and higher initial water cut in the wells than expected.
- In the future, additional core, pressure data and flow data will be acquired on development wells as they are drilled and completed.
- We will also target wells higher on the structure to avoid producing from oil-water transition zones.



Likely Field Extension to the North

- Pad 1 & Pad 2 drilling results
- Revised Structure Map
- Lower oil-water-contact
- Well 212 oil-down-to -2,434 m J₁¹
- Well 211 owc -2,436 m J₁²

Arbuzovskoye Oil Field

- Now tied to Lineynoye Facilities
- 2P - 13 million bbls
- Excellent test rates – step test steady 176 bopd on 8 mm choke
- **IP 350 bopd on ESP pre frac**
- **Less than 2% water production**

0 1 2 3 4 5 6 km
 Base Bazhenov Horizon Structure Map
 March 2012 – contour interval 10 m



Arbuzovskoye Development

➤ 2010 programme:

- Arbuzovskoye No. 1 Discovery – Nov.
- Stabilised natural flow 176 bopd

➤ 2011 programme:

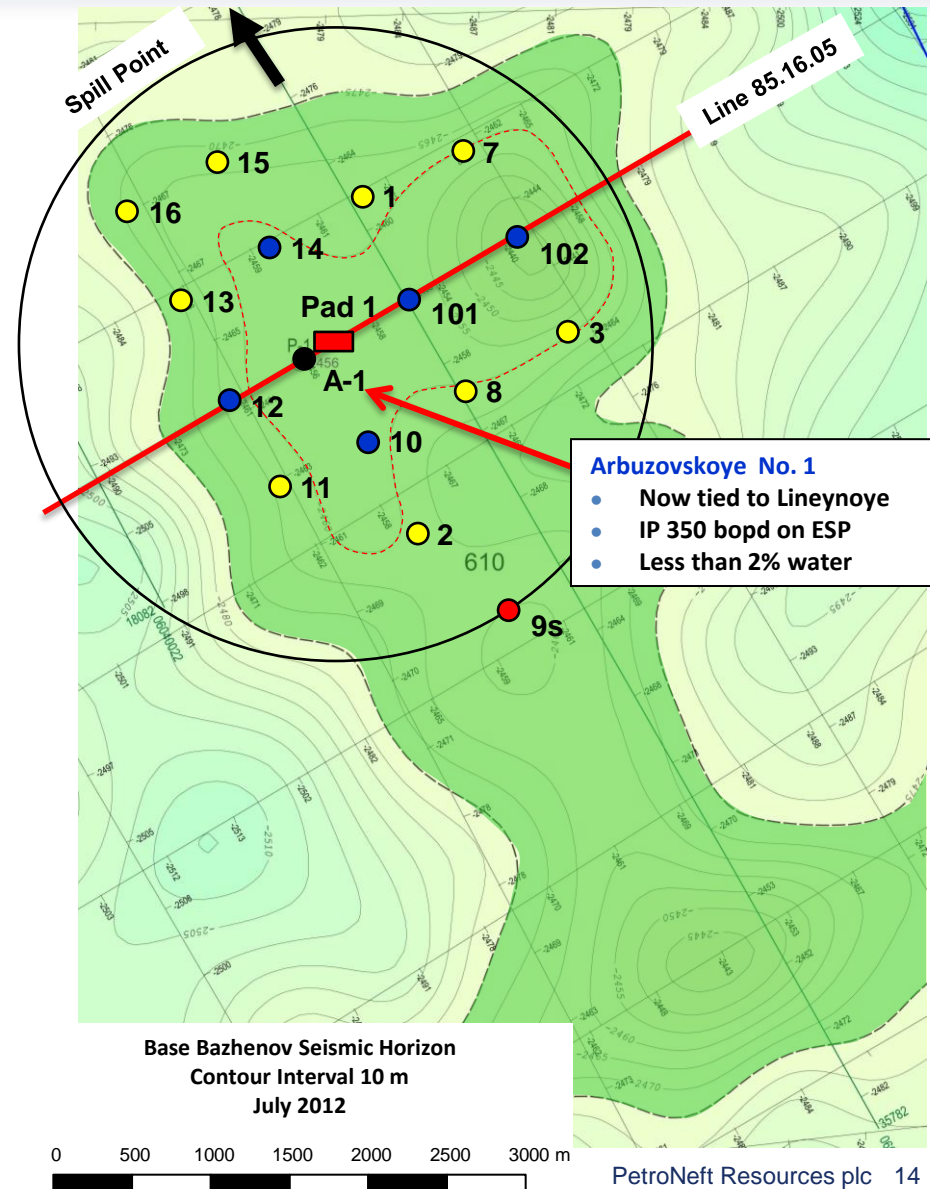
- Russian state Reserve (GKZ) approval
- Pilot Production Project Approval – Nov.

➤ 2012 programme:

- Construction of 10 km pipeline from Lineynoye Central Processing Facility – Q1
- Construction of Pad 1 and mobilisation of development drilling rig and supplies – Q1
- Commence drilling of up to 15 new development wells from Pad 1 – August

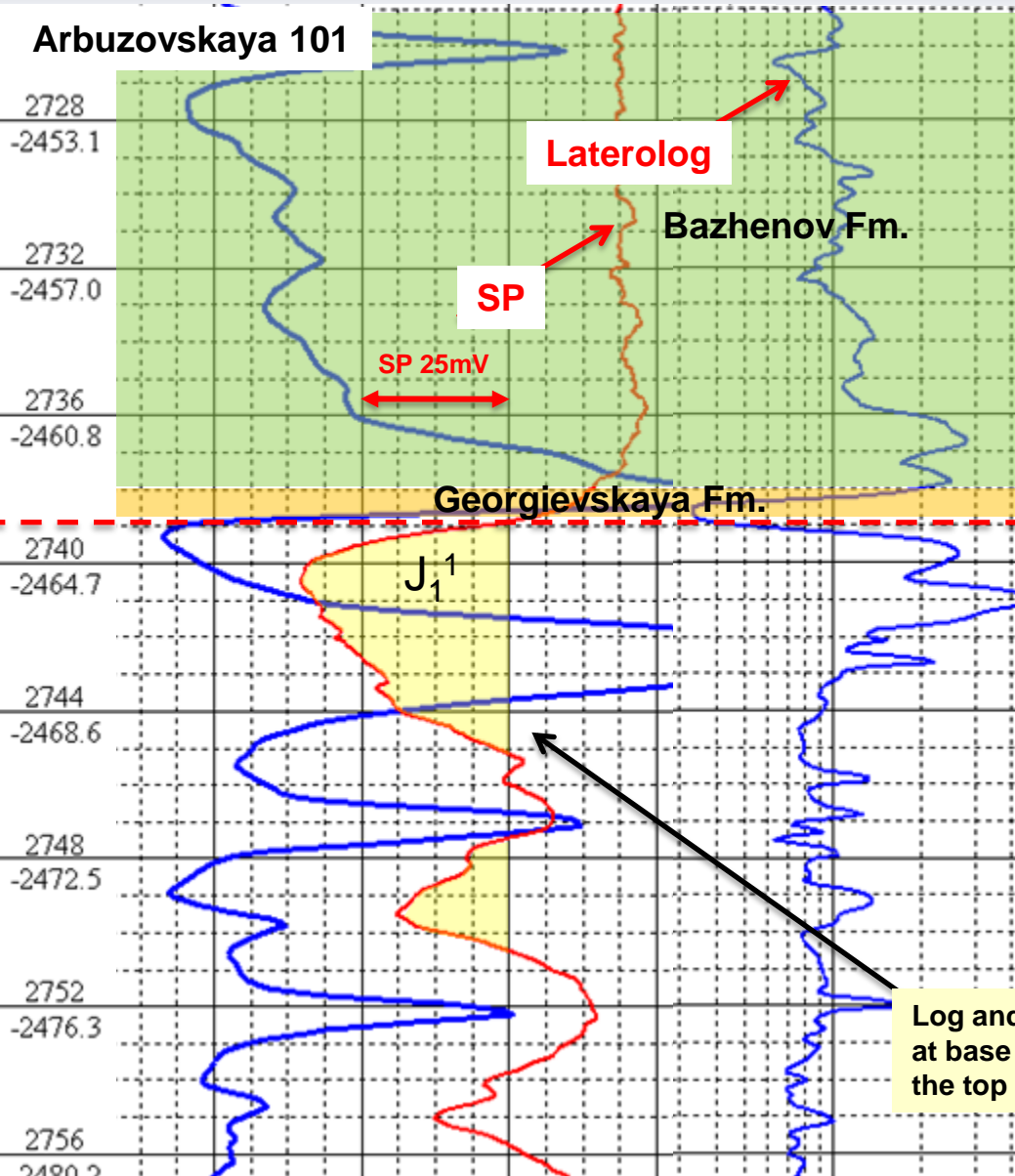
Risk Mitigation

- Initial 5 wells, highlighted in blue, are low risk and located to better define stratigraphy and structure of the field prior to drilling additional infill/step-out wells.
- Extended pressure test will be taken in all wells and three of the wells will be cored. Locations of subsequent wells adjusted as necessary depending upon results.
- Well 9s located to the southeast, maximum distance from Pad 1, will provide information for Pad 2





Arbuzovskaya 101



Core No. 1

Note – Arbuzovskaya No. 101 core tied to Arbuzovskaya No. 1 log data based on lithology difference between Bazhenov/Georgievskaya Fms and J1-1 Sandstone as seen in Core No. 3. The measured depth of the core was 1.3 m deep to the log correlation depth at top of the J1-1.

2

1.95 m Argillite, dark brown

Core No. 3

3.2 m Argillite, dark gray

No. 4

2.8 m Sandstone, medium to coarse grained, **marine bivalves**, oil shows

1.0 m Sandstone, fine to medium grained, oil shows

3.6 m missing core location unknown will need to see logs to determine

0.4 m Sandstone, fine grained, broken core fragments

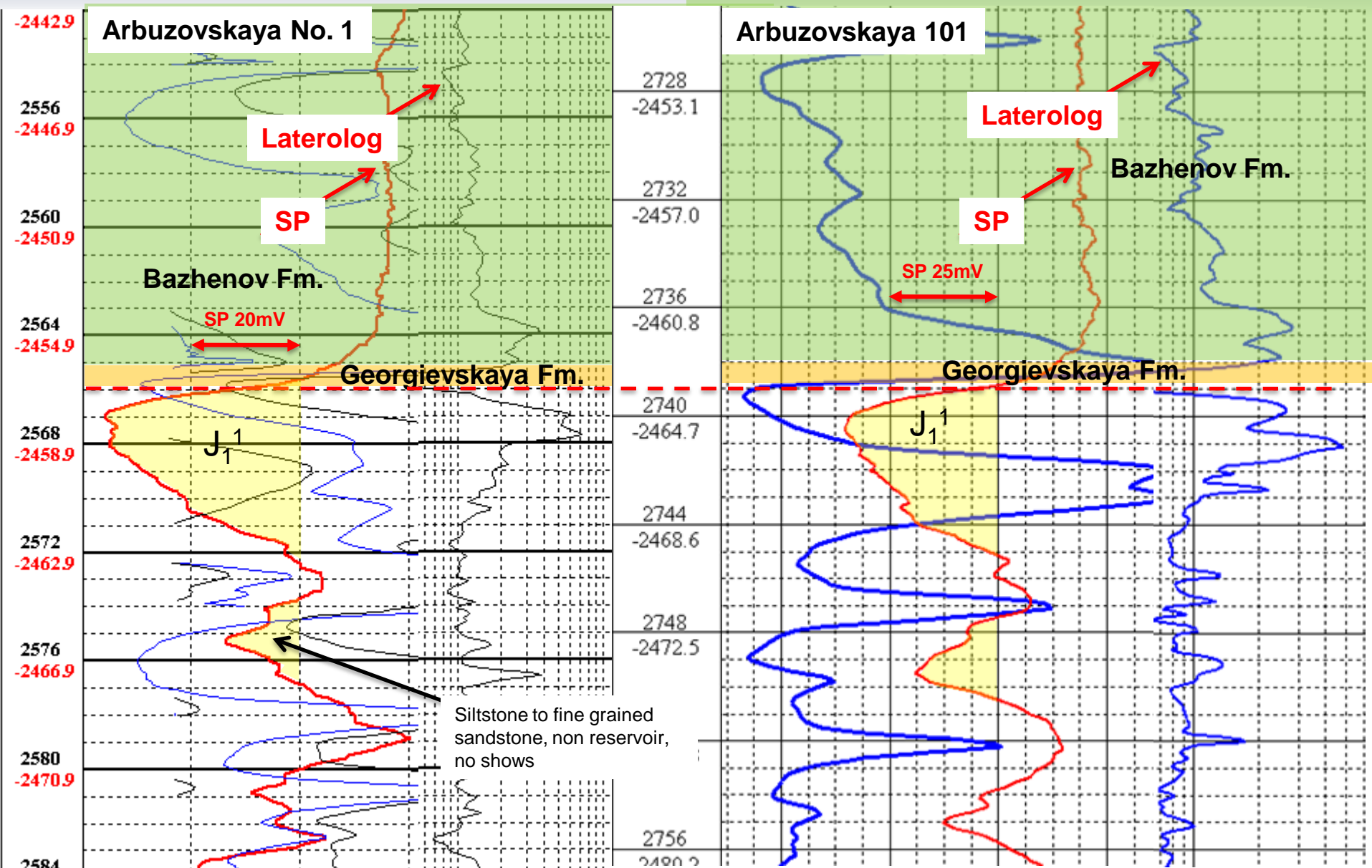
No. 5

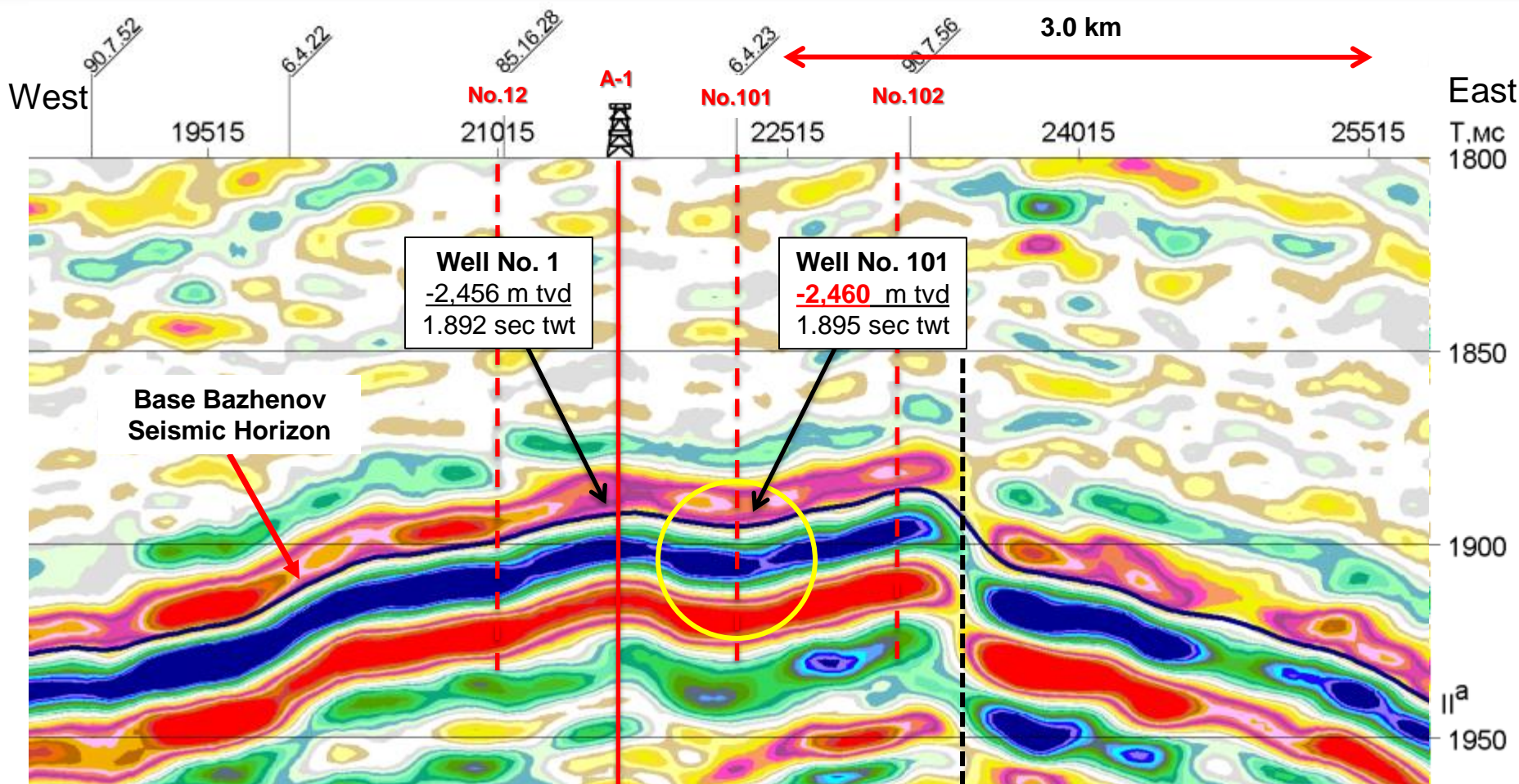
1.0 m Argillite, gray with thinly laminated **coal**

2.2 m Sandstone, fine to medium grained, no shows

Log and Core data indicates much poorer quality reservoir at base of J1-1. Medium to coarses grained sandstone at the top and fine grained sandstone to siltstone at bottom

Arbuzovskaya No. 1 and No. 101





Based on the depth/time relationship between Arbuzovskoye well No. 1 and well No. 101 above – the base Bazhenov was expected at about -2,460 m tvd in well 101 or about 4 m low to well No. 1. The well intersected the base Bazhenov at -2,462.1 m which is 6.1 m low to well Arbuzovskoye No. 1 and 2.1 m below the above estimate.



Licence 61 Exploration/Delineation Programme



Oil Fields / Prospects / Potential Prospects

	Map ref.	Field/Prospect	Horizon(s)
Oil Fields	1	Lineynoye Oil Field	UJ
	2	Tungolskoye Oil Field	
	3	West Lineynoye Oil Field	
	5	Kondrashevskoye Oil Field	
	7	Arbuzovskoye Oil Field	
	20	Sibkrayevskoye Oil Field	
	8	North Varyakhskoye Oil Field	
Prospects	2	Tungolskoye West Lobe and North	
	4	Lineynoye Lower	
	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
	18	Traverskaya	C, UJ, LJ
	19	Tungolskoye East	
Potential Prospects (Leads)	21	Emtorskaya North	
	22	Sibkrayevskaya East	
	23	Sobachya	
	24	West Balkinskaya	UJ

Emtorskaya High

- Extension of Lineynoye Field
- Huge unbooked reserve potential
- Needs further delineation

Tungolskoye Oil Field

- Comprehensive Study underway
- Future tie-in to Lineynoye

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

Initial Focus on Northern Area

Sibkrayevskoye New Oil Field Discovery

- Well 370 (1972) showed by-passed pay
- Well 372 (2011) confirmed 12.43 m net pay
- 2P Reserves of 49.8 million bbls
- Needs further delineation

Arbuzovskoye New Oil Field Discovery

- Quick tie-in to Lineynoye Facilities
- 2P Reserves 13.3 million bbls
- Under development

North Sea Block

Followed by Southern Area

Kiev Eganskoye Oil Field

Legend

- Oil Field
- Prospect ready for drilling
- Prospect identified
- Potential Prospect
- Wells

Base Bazhenov
Seismic Horizon

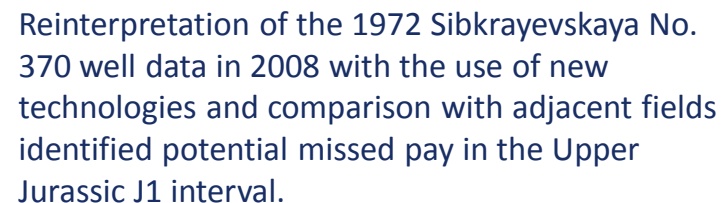
- < 2460 m depth
- > 2600 m depth

Horizons Key:

- Cretaceous C
- Upper Jurassic UJ
- Middle/Lower Jurassic LJ

0 12000 m





- J_1^1 is identified in **2,454.6-2,463.0 m**.
- The formation thickness is 8.4 m.
- SP and resistivity curves are of block shape which is typical of oil bearing zones in Tomsk Region
- No hydrocarbons reported in core; however, core recovery was only 1.08 m of 8.4 m formation thickness.
- The log interpretation of the formation is oil pay. Interval flow tested for only 22 hours which is too short to be definitive. Core data not definitive
- Comparison of Induction log response in J_1^1 sandstone with J_1^3 sandstone strongly supports presence of hydrocarbons in J_1^1 sandstone
- **New Well No. 372 (parallel to 370) drilled by PetroNeft in Jul/Aug 2011 proved that the original well missed the oil pay in the Upper Jurassic J_1^1**



Structure Map on Base Bazhenov Horizon

Sibkrayevskaya No. 373 Proposed Delineation Objectives

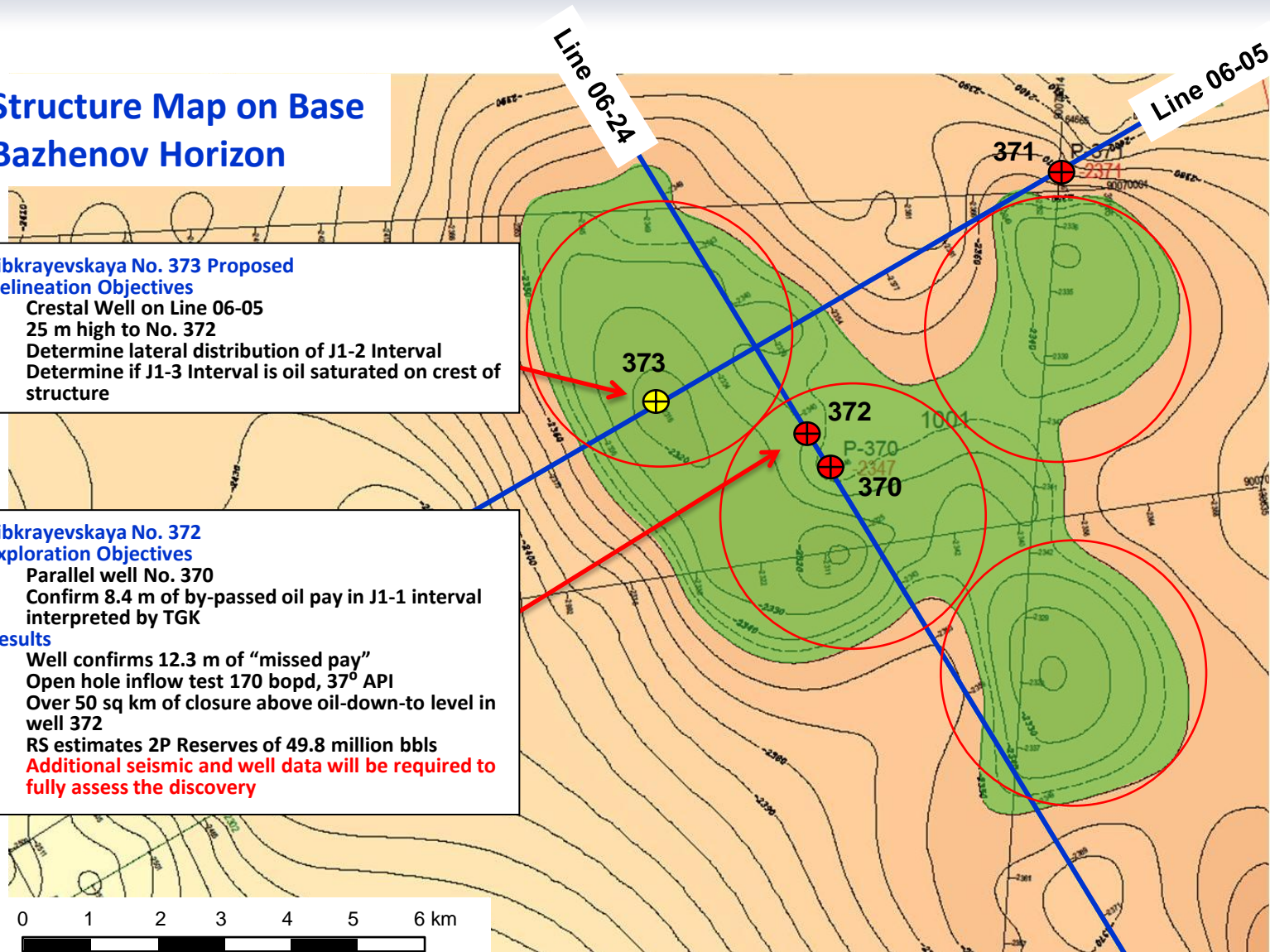
- Crestal Well on Line 06-05
- 25 m high to No. 372
- Determine lateral distribution of J1-2 Interval
- Determine if J1-3 Interval is oil saturated on crest of structure

Sibkrayevskaya No. 372 Exploration Objectives

- Parallel well No. 370
- Confirm 8.4 m of by-passed oil pay in J1-1 interval interpreted by TGK

Results

- 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 estimates 2P Reserves of 49.8 million bbls
- **Additional seismic and well data will be required to fully assess the discovery**





- J_1^1 – 1.0 m oil
- J_1^2 – 5.0 m potential oil

Emtorskaya High

Lineynoye Oil Field

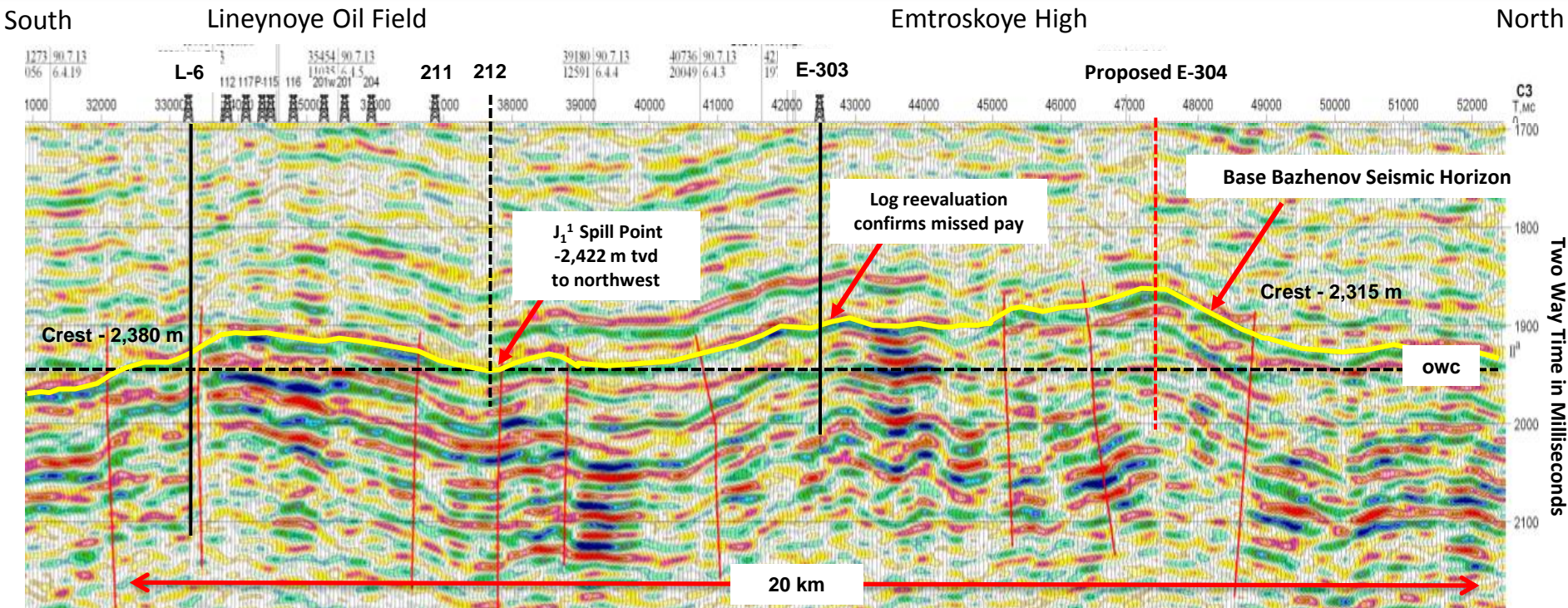
Line 90.07.13

- Crestal high -2,315 m J₁¹
- 65 m high to Lineynoye Crest

- J_1^1 - 1.9 m oil
- J_1^2 - 3.2 m potential oil

- Pad 1 & Pad 2 drilling results
- Revised Structure Map
- Lower oil-water-contact
- Well 212 oil-down-to -2,434 m J₁¹
- Well 211 owc -2,436 m J₁²

Arbuzovskoye Oil Field



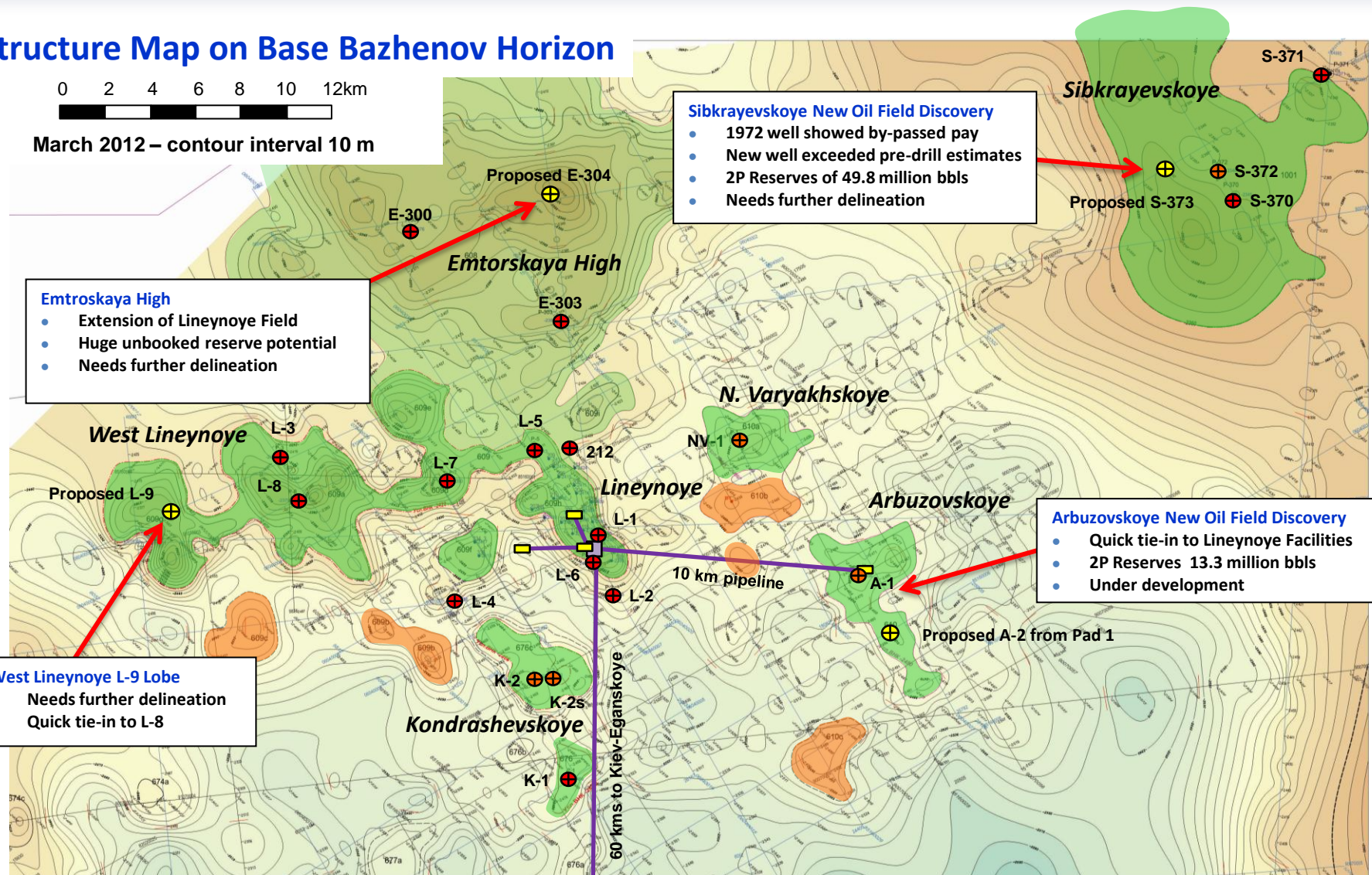
- As a result of the Lineynoye Pad 1 and Pad 2 drilling programmes the oil-water-contact was determined to be about -2,435 m tvd.
- This indicated that the structure was filled with hydrocarbons below the previously interpreted spill point of -2,422 m and that Lineynoye and Emtorskoye are one continuous oil field at the J1-1 interval. Emtorskoye is both larger in area and higher structurally than Lineynoye.
- Emtorskaya wells 300 and 303 were reinterpreted and oil was confirmed in the J1-1 interval and potentially in the J1-2 interval in both wells.
- The reserves associated with this play could be large, > 40 million bbls for just the J1-1; however, the J1-1 is usually only around 2 metres in thickness and it is difficult to develop on its own. Further delineation will be required to confirm those areas where a thicker J1-2 sandstone is present below the J1-1 interval.
- Emtorskaya well 304 located on the crest of the high is proposed. This well is about 65 m higher than the Lineynoye field at the J1-1 level.

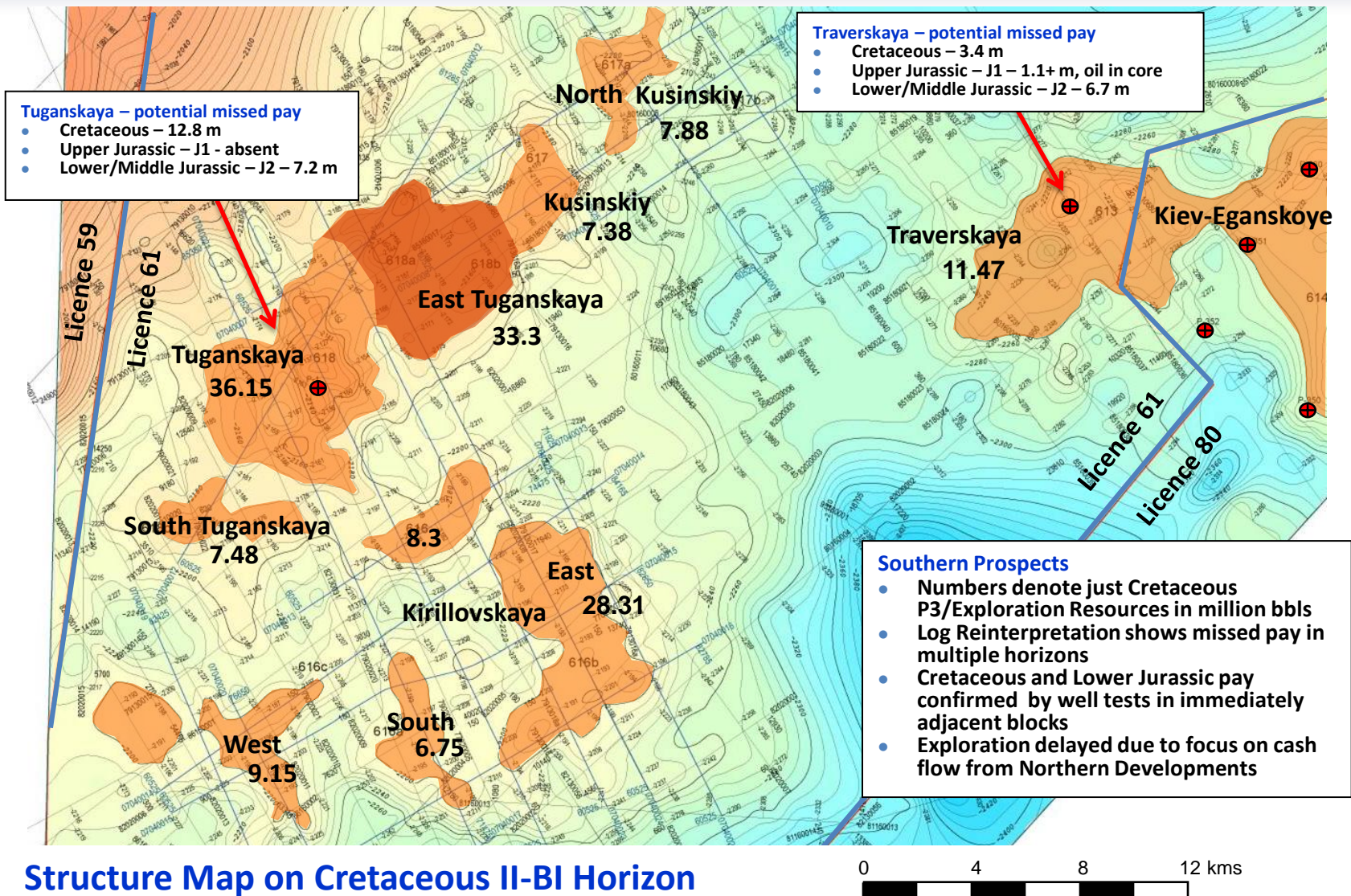
Structure Map on Base Bazhenov Horizon

0 2 4 6 8 10 12km



March 2012 – contour interval 10 m





Structure Map on Cretaceous II-BI Horizon



Licence 67 Exploration/Delineation Programme





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 Cheremshanskaya	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 = 5 metres
- More work required

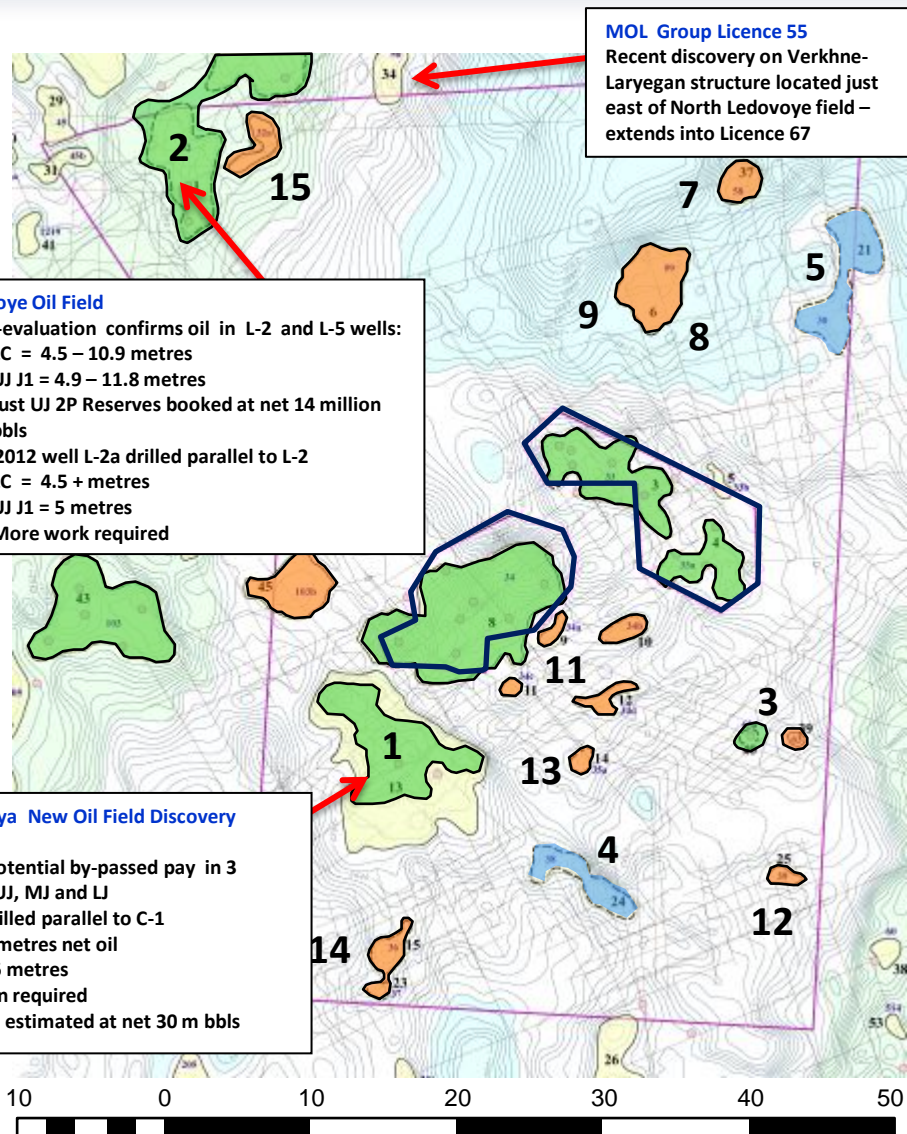
Cheremshanskaya New Oil Field Discovery

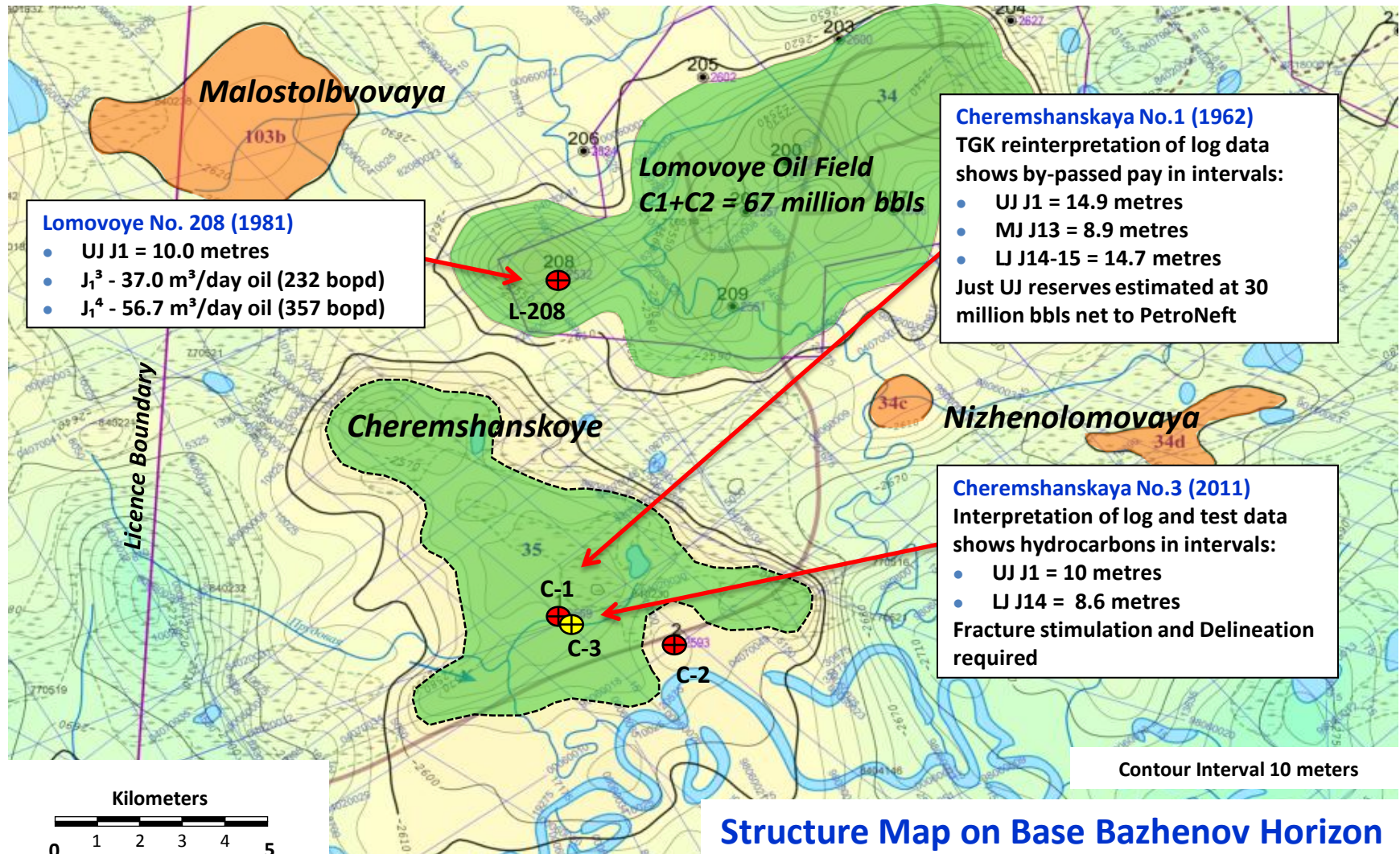
1962 well C-1

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

2011 well C-3 drilled parallel to C-1

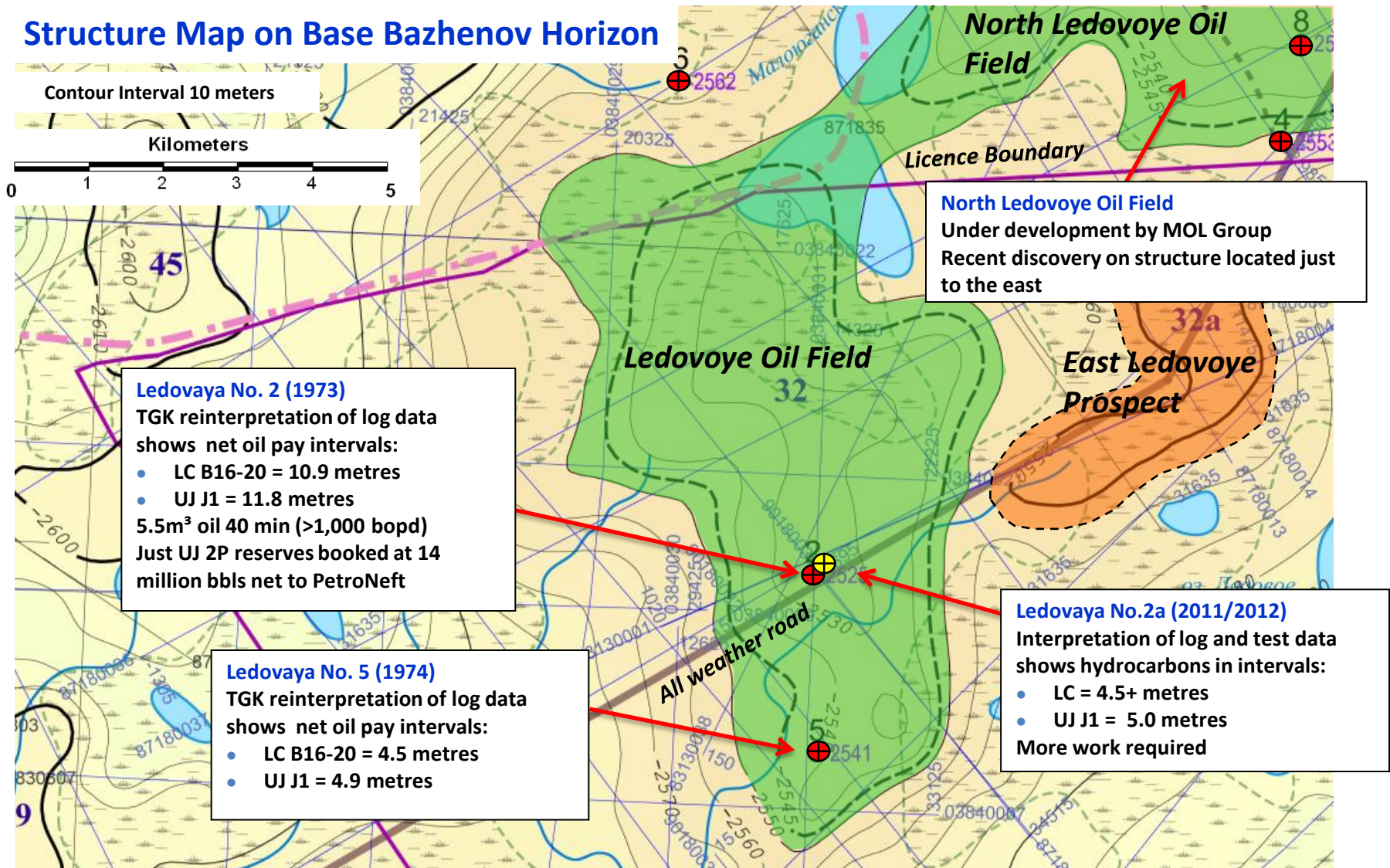
- UJ J1 = 10 metres net oil
- LJ J14 = 8.6 metres
- Delineation required
- Just UJ Reserves estimated at net 30 m bbls





Structure Map on Base Bazhenov Horizon

Structure Map on Base Bazhenov Horizon



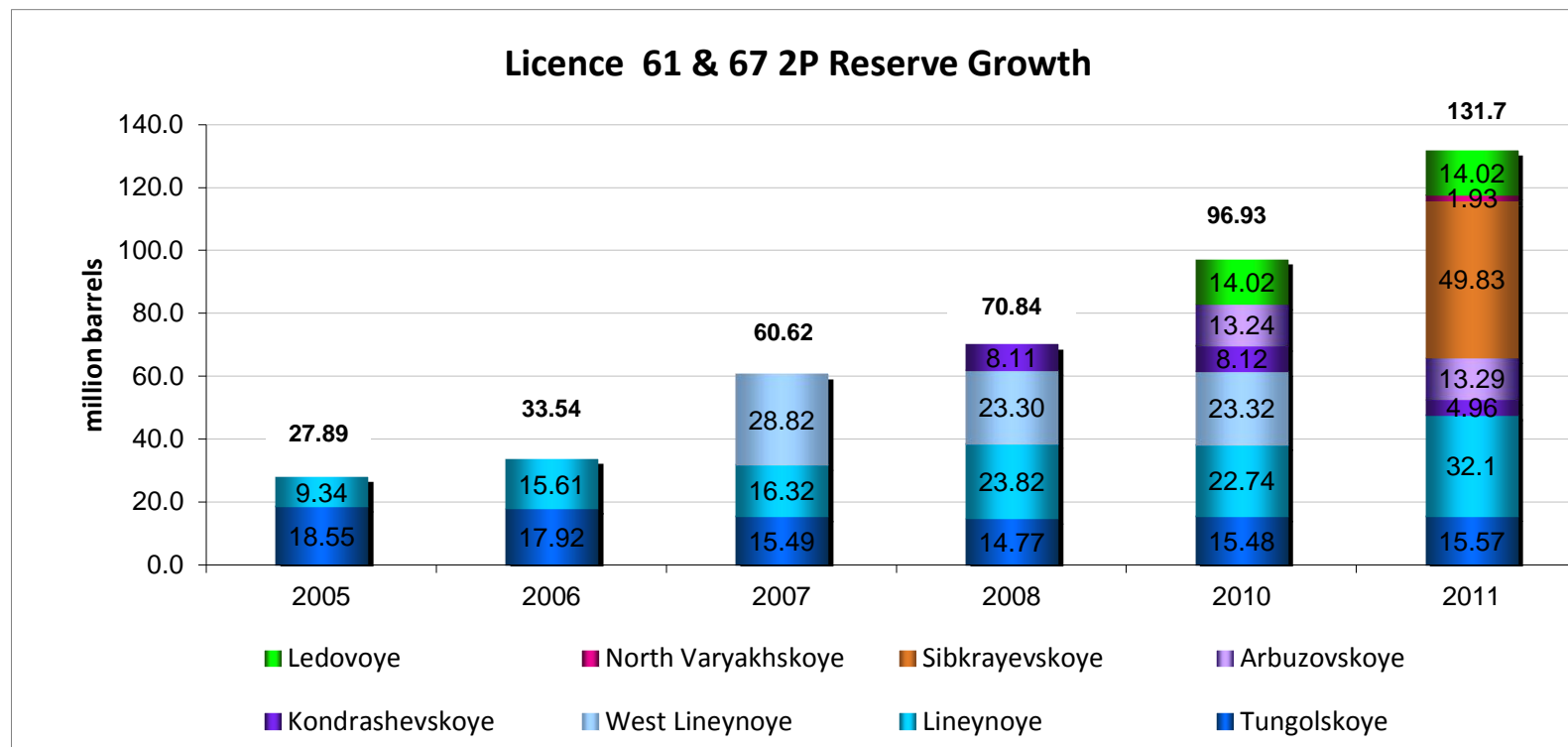


Investment Highlights





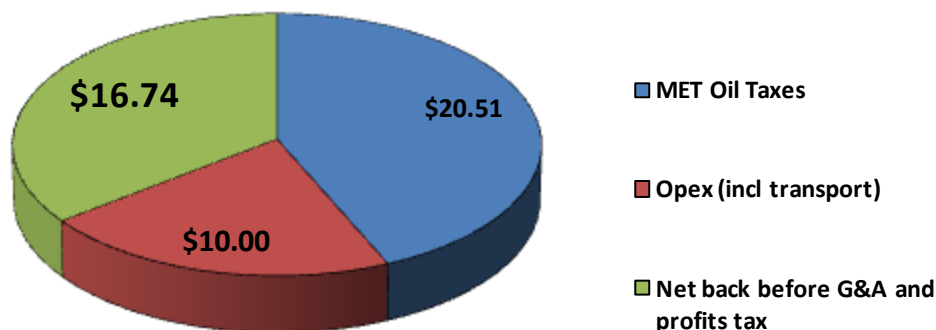
Track record of Reserve Growth:



- Source: Ryder Scott – Petroleum Consultants report as at 1 January 2012
- 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

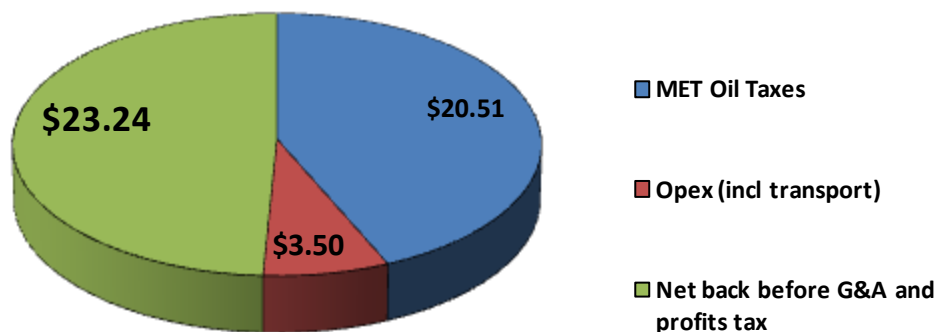


First 2,000 bopd



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

Additional Barrels above Current Level

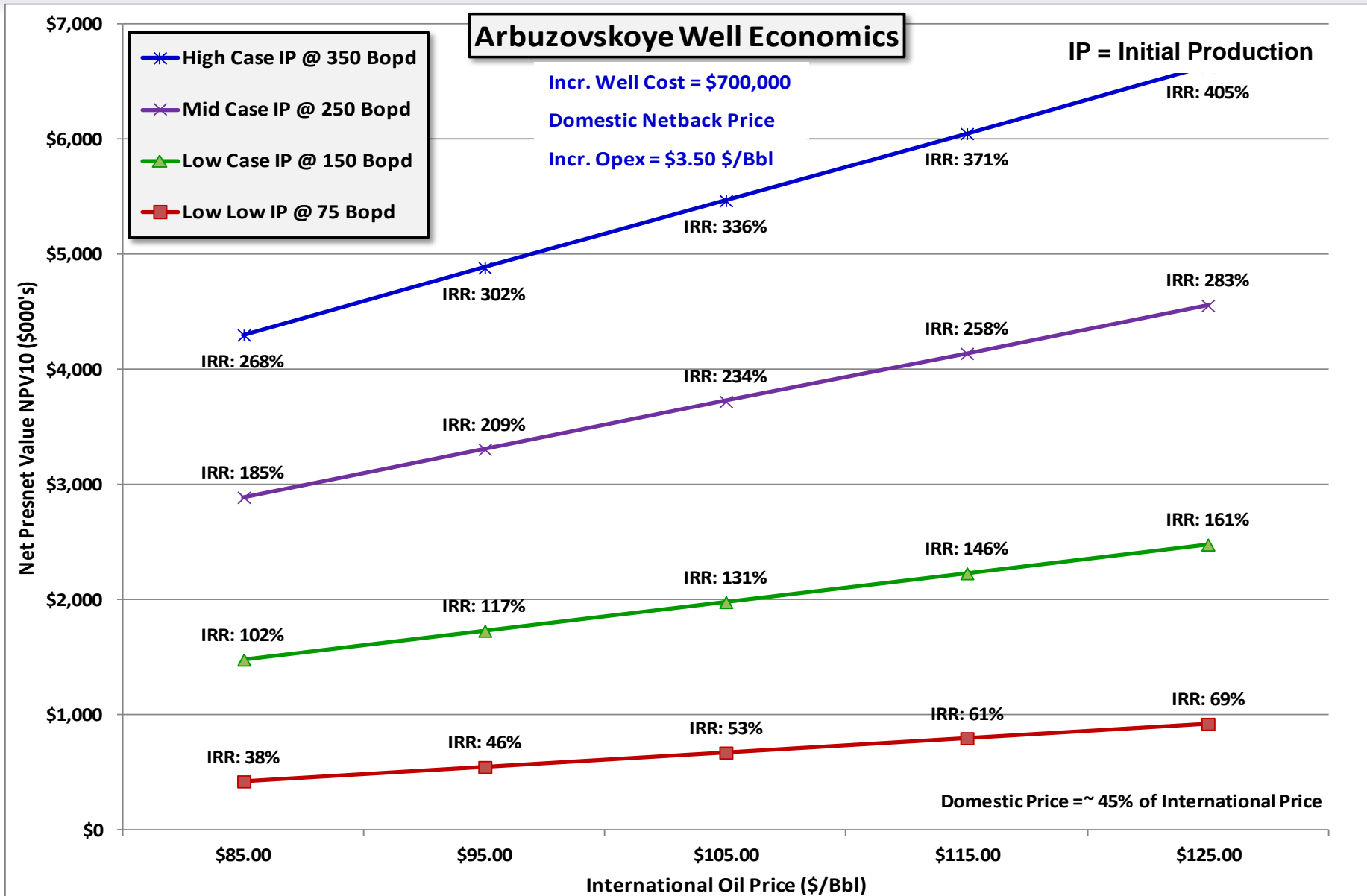


Export Price = \$105 per barrel, Domestic Price = 45% Export Price

- 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 Infrastructure (Production Facilities & Pipeline) currently in-place for Licence 61.
- Stocked drilling supplies for first 10 wells at Arbuzovskoye.
- 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

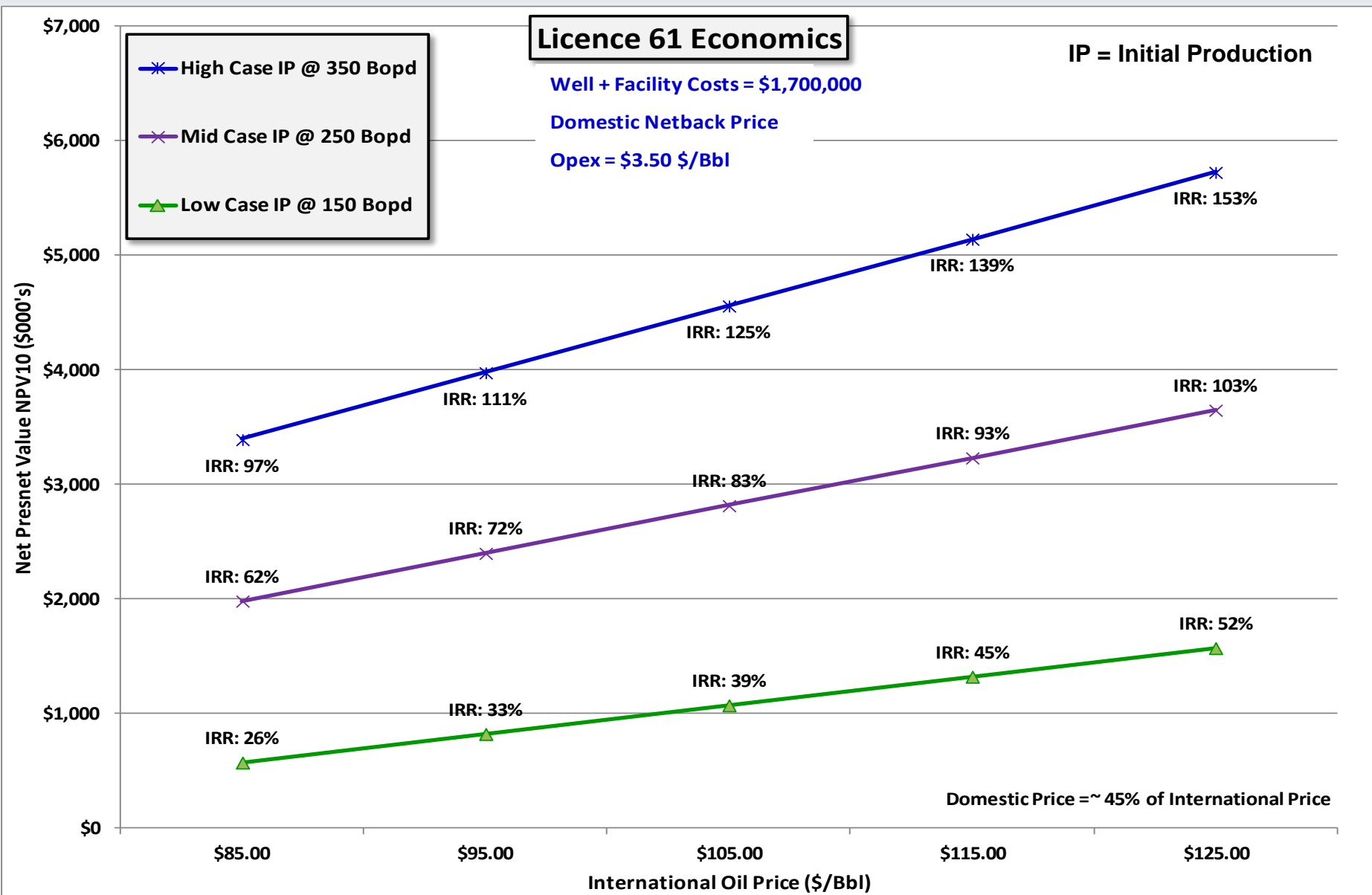


Arbuzovskoye Well Economics





Licence 61 Well Economics





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
- Focus on near term production and cash flow
- We will have surprises during development – both positive and negative
- Very significant reserve additions from 2011 exploration programme – particularly Sibkrayevskoye, more potential still to explore
- Evaluating a number of potential strategic partnerships