

PetroNeft Resources plc
Final Results
for the year ended 31 December 2015

PetroNeft Resources plc

Final Results

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Forward Looking Statements

This report contains forward-looking statements. These statements relate to the Group's future prospects, developments and business strategies. Forward-looking statements are identified by their use of terms and phrases such as 'believe', 'could', 'envisage', 'potential', 'estimate', 'expect', 'may', 'will' or the negative of those, variations or comparable expressions, including references to assumptions.

The forward-looking statements in this report are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. These forward-looking statements speak only as at the date of these financial statements.

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Chairman's Statement

2015 was a busy year for our Company particularly with our partner, Oil India, at Licence 61 where we drilled wells at Tungolskoye, Arbuzovskoye, Sibkrayevskoye and Lineynoye and completed a major 2D seismic acquisition programme. The work programme saw a mix of successes, challenges and disappointments. 2015 also saw further challenges for the industry as a whole with further significant weakness in the oil price internationally.

Operations

The existing production wells at Lineynoye and Arbuzovskoye performed well during 2015 but continued to decline naturally as expected. The main development programme in the year was bringing the Tungolskoye oil field into production. Unfortunately, the J1-2 horizon was unexpectedly absent from some wells and the oil-water contact on the eastern side of the field is shallower than expected based on previous drilling and seismic data. As a result, the number of wells in the programme was reduced which meant we could not achieve the anticipated production, however, we did gain considerable additional experience in drilling horizontal wells particularly being able to keep the well within a narrow zone over the 1,000 metre horizontal segment.

In late May 2015 we announced the results of a delineation well at Sibkrayevskoye. The S-373 well found net pay of 11.5 metres and achieved a stabilised natural flow of 100 bopd from a cased hole test. This along with the newly acquired 2D seismic has provided further evidence of the quality and size of the Sibkrayevskoye oil field and we are now actively planning for development activities.

2016-17 work programme

Following up on the drilling results at Arbuzovskoye and Sibkrayevskoye in 2014 and 2015 as well as the new seismic data, we will be developing the southern part of the Arbuzovskoye oil field in 2016. We will also drill another delineation well at Sibkrayevskoye in 2016 with a view to commencing development of Sibkrayevskoye in 2017. Oil India have agreed to provide all the funding for these two projects by way of a shareholder loan to the joint venture company. We have already seen some excellent results from the first two wells at South Arbuzovskoye and gross production at Licence 61 is currently about 3,000 bopd (1,500 bopd net to PetroNeft).

Reserves

Ryder Scott have prepared a report as at 1 January 2016 on the reserves of Licence 61. While the reserves have fallen, primarily at Tungolskoye, the report demonstrates the large potential of the Sibkrayevskoye oil field which we expect to start developing in 2017. While the increase in 2P reserves at Sibkrayevskoye as a result of the S-373 well was modest, this was due to its proximity to previous wells. However, the seismic data has shown that the field is likely to be significantly larger and we hope that a successful result from the S-374 well will lead to a more significant increase in 2P reserves.

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Chairman's Statement (*continued*)

Ryder Scott Estimated Reserves in Oil Fields (net to PetroNeft)

Oil Field Name	Proved	Proved & Probable	Proved, Probable & Possible
Licence 61	1P mmbo	2P mmbo	3P mmbo
Lineynoye	7.1	13.0	16.0
Tungolskoye	0.4	2.9	3.7
Kondrashevskoye	0.7	1.3	1.6
Arbuzovskoye	2.0	4.5	5.7
Sibkrayevskoye	5.8	29.4	52.8
North Varyakhskoye	0.2	0.4	0.5
	16.2	51.5	80.3
Licence 67			
Ledovoye	1.5	14.0	17.4
Total net to PetroNeft	17.7	65.5	97.7

- Licence 61 as at 31 December 2015 (Ryder Scott report as at 1 January 2016).
- Reserves reflect just PetroNeft's 50% share of reserves for each licence.
- All oil in discovered fields is in the Upper Jurassic section.
- Reserves were determined in accordance with the Society of Petroleum Engineers ("SPE") Petroleum Resources Management System ("PRMS") rules.
- Licence 67 will be co-developed with Arawak Energy and the reserves above reflect PetroNeft's 50% share as per the most recent Ryder Scott report as at 1 January 2011.

Engagement with Natlata

Following extensive engagement with our largest shareholder, Natlata Partners Limited ("Natlata"), during 2015 and in connection with their requisitioned EGM, in April 2016 we announced that we reached an agreement on a new Board composition and structure. This involved the appointment Maxim Korobov as non-executive Director and Anthony Sacca and David Sturt as independent non-executive Directors. David Sanders, Gerry Fagan and Paul Dowling left the Board. Mr. Dowling remains CFO of the Company. The agreement includes a commitment from Natlata that it will support the newly constituted Board for a period of two years.

Also, Pavel Tetyakov of Natlata has joined the Company and will be responsible for new business development in Russia.

I would like to thank David Sanders, who was a founder of the Company, and Gerry Fagan for their many years of service to the Company. I would also like to thank Vakha Sobraliev, who resigned from the Board in September 2015 for his contribution to the Company over the previous ten years.

Review of PetroNeft loss for the year

The loss after taxation for the year was US\$8,474,383 (2014: US\$8,784,385). The loss included a foreign exchange loss on intra-group loans of US\$0.3 million (2014: US\$2.4 million) the share of joint venture's net loss in WorldAce Investments of US\$8,765,055 which was after an impairment loss within WorldAce of US\$4.55 million (US\$9.1 million gross). The loss on the disposal of a subsidiary of US\$5.6 million in 2014 relates to the farmout of Licence 61 and more details can be found at Note 4 to the financial statements. Finance costs in 2014 of US\$1.6 million relate to interest on the loans from Macquarie and Arawak for the period to 3 July 2014 when the loans were repaid in full.

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Chairman's Statement (*continued*)

As mentioned above, the Licence 61 Farmout was completed on 3 July 2014. For accounting purposes the results of the WorldAce Group are fully consolidated in the PetroNeft Income statement up to that date. After that date PetroNeft must account for its share of the results of the WorldAce Group using the equity method of accounting. Furthermore, interest receivable on loans to the WorldAce Group, which up to 3 July 2014 would have been eliminated on consolidation, is included as income in the PetroNeft consolidated income statement after that date. The 2015 numbers reflect the new arrangements in full.

PetroNeft Key Financial Metrics	2015	2014
<i>Continuing operations</i>	US\$'000	US\$'000
Revenue	2,398	19,165
Cost of sales	(2,371)	(15,233)
Gross profit	27	3,932
Administrative expenses	(1,380)	(3,678)
Exchange loss on intra-Group loans	(284)	(2,402)
Operating loss	(1,637)	(2,148)
Loss on disposal of subsidiary undertaking	-	(5,569)
Share of joint venture's net loss – WorldAce Investments Limited	(8,765)	(304)
Share of joint venture's net loss – Russian BD Holdings B.V.	(315)	(294)
Finance revenue	3,042	1,551
Finance costs	-	(1,612)
Loss for the year for continuing operations before taxation	(7,675)	(8,376)
Income tax expense	(799)	(408)
Loss for the year	(8,474)	(8,784)

Revenue

Revenue in 2015 includes income as operator of both licences and the revenue of PetroNeft's wholly owned subsidiary, Granite Construction in respect of construction services provided in relation to both joint ventures. Revenue in 2014 includes revenues from oil sales for the period to 3 July 2014 of US\$17.5m and income as operator of both licences of US\$1.7 million.

Income of PetroNeft Group as Operator of Licence 61 and Licence 67

In the joint venture agreements related to both Licence 61 and Licence 67, PetroNeft is designated as the operator of each Licence. This means that PetroNeft employees and management are responsible for the day to day running of both Licences. Major strategic and financial decisions relating to the Licences require unanimous approval by both shareholders in the respective joint venture agreements.

As PetroNeft management and employees are responsible for day to day matters in both Licences, PetroNeft is entitled to recover a portion of its expenses from the joint ventures. In that regard we established a management group of key Russian employees who are employed by the PetroNeft subsidiary Dolomite. Both PetroNeft and Dolomite invoice for their services to the joint ventures based on rates pre-agreed with our respective joint venture partners. The costs associated with this revenue are included in cost of sales.

In 2015 PetroNeft Group charged a total of US\$1.6 million (2014: US\$1.2 million) to the joint ventures in respect of management services. PetroNeft also owns a small construction company, Granite Construction, which carries out small ad hoc construction projects such as well pads and on-site accommodation on both Licences. In 2015 Granite Construction charged the WorldAce Group US\$0.8 million (2014: US\$0.5 million) in respect of these services.

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Chairman's Statement (continued)

Finance Revenue

Most of the finance revenue relates to Interest receivable on loans to joint ventures. During 2015 PetroNeft had interest receivable of US\$2,826,303 (2014: US\$1,415,202) on its loans to WorldAce Group and US\$205,189 (2014: US\$117,120) on its loans to Russian BD Holdings B.V.

Key Financial Metrics – WorldAce Group

Because of the above accounting implications it is difficult to extract meaningful metrics from the PetroNeft consolidated income statement. Therefore the metrics below are an extraction from the audited financial statements of the WorldAce Group and give an indication as to the performance of Licence 61:

	PetroNeft's 50% share 2015 US\$'000	PetroNeft's 50% share 3 July - 31 December 2014 US\$'000	100% of WorldAce 2015 US\$'000	2014 US\$'000
Continuing operations				
Revenue	10,300	5,846	20,600	29,289
Cost of sales	(10,436)	(5,451)	(20,871)	(26,379)
Gross profit	(136)	395	(271)	2,910
Gross margin %	(1.3%)	6.8%	(1.3%)	10.0%
Administrative expenses	(1,519)	(1,027)	(3,038)	(5,129)
Impairment of oil and gas properties	(4,550)	-	(9,100)	-
Operating loss	(6,205)	(632)	(12,409)	(2,219)
Finance revenue	12	5	23	16
Finance costs	(2,572)	(877)	(5,144)	(1,818)
Loss for the period for continuing operations before taxation	(8,765)	(1,504)	(17,530)	(4,021)
Income tax credit	-	1,200	-	2,400
Loss for the period for continuing operations before taxation	(8,765)	(304)	(17,530)	(1,621)

Net Loss – WorldAce Group

The net loss of WorldAce Group for the full year increased to US\$17,530,110 from US\$1,621,345 in 2014. The increase in the loss for the year before taxation can be attributed to higher interest payable on loans from shareholders in 2015 as a result of additional loans provided by Oil India Limited to WorldAce as part of the Licence 61 Farmout. Of the US\$5.1 million in interest payable by WorldAce, US\$2.8 million is payable to PetroNeft. Due to the lower oil price environment and a reduction in reserves at the Lineynoye oil field an impairment of oil and gas properties in the amount of US\$9.1 million was required.

Revenue, Cost of Sales and Gross Margin – WorldAce Group

Revenue from oil sales was US\$20,600,188 for the year (2014: US\$29,288,078). Cost of sales includes depreciation of US\$2,856,469 (2014: US\$3,547,979), which was lower mainly because of the weaker Rouble. The gross margin fell during the year primarily due to an increase in Mineral Extraction Tax in 2015 but also due to lower oil prices. Operating costs per barrel produced (Cost of Sales excluding depreciation and Mineral Extraction Tax) was steady at US\$11.68 (2014: US\$11.67 per barrel). We would expect the gross margin to improve in future periods as our facilities and field operations are fully staffed and can handle additional production from the South Arbuzovskoye oil field under the current cost structure and do not expect to add significant additional costs once Sibkrayevskoye comes online. We produced 737,655 barrels of oil (2014: 728,826 barrels) in the year and sold 761,123 barrels of oil (2014: 704,189 barrels) achieving an average oil price of US\$27.00 per barrel (2014: US\$41.59 per barrel). All oil was sold on the domestic market in Russia.

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Chairman's Statement (*continued*)

Finance Costs – WorldAce Group

Finance costs of US\$5,144,634 (2014: US\$1,818,438) relate to interest on loans from PetroNeft and Oil India.

Taxation – WorldAce Group

The tax credit in 2014 arose on the reversal of a deferred tax charge of US\$2,400,000 in relation to temporary differences in Russia. There is no tax payable in 2015.

Future Funding of PetroNeft Group

PetroNeft is currently debt free. As part of Licence 61 Farmout, Oil India provided exploration and development funding of US\$45 million through the jointly controlled entity WorldAce. Oil India has also agreed to provide funding for the development of South Arbuzovskoye and Sibkrayevskoye by way of an unsecured shareholder loan to WorldAce Group, thereby removing the funding requirement from PetroNeft for this work. The first tranche of this funding was agreed by way of an unsecured US\$10 million shareholder loan from Oil India to WorldAce in March 2016. Principal repayments on the loan will not commence until October 2019. However, should there be a significant change in the management of PetroNeft while the loan is outstanding then Oil India may seek early repayment in full. In such circumstances PetroNeft would need to provide its 50% share of the amount outstanding. It is expected that PetroNeft will commence collection of interest receivable on its loans to WorldAce in the second half of 2017.

Summary

We learned a lot in 2015 particularly in the experience gained in horizontal drilling and the additional upside identified at Sibkrayevskoye and South Arbuzovskoye. After 3 weeks of production the A-214 horizontal well at South Arbuzovskoye is still producing over 850 bopd and the pressure decline is very slow. We also now have enough production data at A-213 to register the reserves in the new J1-2 oil pool and will add production from the primary J1-1 interval in this well shortly. Both of these are excellent results. In the near term we look forward to the A-215 horizontal well results at South Arbuzovskoye and the commencement of drilling on the S-374 delineation well at Sibkrayevskoye. The Company is fortunate in that we have quality assets that are economic in a low oil price environment. With an excellent partner in Oil India we are well placed to exploit these opportunities despite the challenging times for our industry.

Annual Report and AGM

The annual report will be mailed to shareholders and published on the Company's website (www.petroneft.com) by 30 June 2016. The AGM will be held in Dublin on 16 September 2016.

Finally, I know that I speak for all the Directors, management and staff of the Group in giving sincere thanks to our shareholders, both old and new, for your continued support throughout the past year.

David Golder
Non-Executive Chairman

PetroNeft Resources plc
Consolidated Income Statement
For the year ended 31 December 2015

	Note	2015 US\$	2014 US\$
<i>Continuing operations</i>			
Revenue		2,398,314	19,165,456
Cost of sales		<u>(2,370,949)</u>	<u>(15,233,532)</u>
Gross profit		27,365	3,931,924
Administrative expenses		(1,379,506)	(3,677,947)
Exchange loss on intra-Group loans		<u>(284,449)</u>	<u>(2,401,138)</u>
Operating loss		(1,636,590)	(2,147,161)
Loss on disposal of subsidiary undertaking	4	-	(5,569,164)
Share of joint venture's net loss - WorldAce Investments Limited		(8,765,055)	(304,439)
Share of joint venture's net loss - Russian BD Holdings B.V.		(314,859)	(294,103)
Finance revenue		3,041,587	1,550,754
Finance costs		<u>-</u>	<u>(1,612,312)</u>
Loss for the year for continuing operations before taxation		(7,674,917)	(8,376,425)
Income tax expense		(799,466)	(407,960)
Loss for the year attributable to equity holders of the Parent		<u>(8,474,383)</u>	<u>(8,784,385)</u>
Loss per share attributable to ordinary equity holders of the Parent			
Basic and diluted - <i>US dollar cent</i>	3	(1.20)	(1.27)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

		2015 US\$	2014 US\$
Loss for the year attributable to equity holders of the Parent		(8,474,383)	(8,784,385)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>			
Currency translation adjustments - subsidiaries		265,640	(764,277)
Share of joint ventures' other comprehensive income - foreign exchange translation differences		(12,474,502)	(26,480,234)
Recycling of currency translation reserve on disposal of subsidiary	4	<u>-</u>	<u>9,337,907</u>
Total comprehensive loss for the year attributable to equity holders of the Parent		<u>(20,683,245)</u>	<u>(26,690,989)</u>

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Consolidated Balance Sheet

As at 31 December 2015

	<i>Note</i>	2015 US\$	2014 US\$
Assets			
Non-current Assets			
Property, plant and equipment	5	181,703	321,802
Equity-accounted investment in joint ventures - WorldAce Investments Limited	6	-	10,865,156
Equity-accounted investment in joint ventures - Russian BD Holdings B.V.	7	-	365,178
Financial assets - loans and receivables	8	42,883,861	46,398,502
		<u>43,065,564</u>	<u>57,950,638</u>
Current Assets			
Inventories	9	54,302	15,179
Trade and other receivables	10	1,842,128	5,069,944
Cash and cash equivalents	11	1,284,212	3,392,769
		<u>3,180,642</u>	<u>8,477,892</u>
Total Assets		<u>46,246,206</u>	<u>66,428,530</u>
Equity and Liabilities			
Capital and Reserves			
Called up share capital presented as equity	13	9,429,182	9,429,182
Share premium account		140,912,898	140,912,898
Share-based payments reserve		6,796,540	6,763,745
Retained loss		(74,774,790)	(66,300,407)
Currency translation reserve		(38,885,148)	(26,676,286)
Other reserves		336,000	336,000
Equity attributable to equity holders of the Parent		<u>43,814,682</u>	<u>64,465,132</u>
Non-current Liabilities			
Deferred tax liability		1,286,378	511,775
		<u>1,286,378</u>	<u>511,775</u>
Current Liabilities			
Trade and other payables	12	1,145,146	1,451,623
		<u>1,145,146</u>	<u>1,451,623</u>
Total Liabilities		<u>2,431,524</u>	<u>1,963,398</u>
Total Equity and Liabilities		<u>46,246,206</u>	<u>66,428,530</u>

PetroNeft Resources plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Called up share capital presented as equity US\$	Share premium account US\$	Share- based payment and other reserves US\$	Currency translation reserve US\$	Currency translation reserve relating to assets held for sale US\$	Retained loss US\$	Total US\$
At 1 January 2014	8,561,499	136,762,387	7,020,820	(177,021)	(8,592,661)	(57,516,022)	86,059,002
Loss for the year	-	-	-	-	-	(8,784,385)	(8,784,385)
Currency translation adjustments - subsidiaries	-	-	-	(19,031)	(745,246)	-	(764,277)
Share of joint ventures' other comprehensive income - foreign exchange translation differences	-	-	-	(26,480,234)	-	-	(26,480,234)
Recycling of currency translation reserve on disposal of subsidiary	-	-	-	-	9,337,907	-	9,337,907
Total comprehensive loss for the year	-	-	-	(26,499,265)	8,592,661	(8,784,385)	(26,690,989)
New share capital subscribed	867,683	4,308,865	-	-	-	-	5,176,548
Transaction costs on issue of share capital	-	(158,354)	-	-	-	-	(158,354)
Share-based payment expense	-	-	78,925	-	-	-	78,925
At 31 December 2014	9,429,182	140,912,898	7,099,745	(26,676,286)	-	(66,300,407)	64,465,132
At 1 January 2015	9,429,182	140,912,898	7,099,745	(26,676,286)	-	(66,300,407)	64,465,132
Loss for the year	-	-	-	-	-	(8,474,383)	(8,474,383)
Currency translation adjustments - subsidiaries	-	-	-	265,640	-	-	265,640
Share of joint ventures' other comprehensive income - foreign exchange translation differences	-	-	-	(12,474,502)	-	-	(12,474,502)
Total comprehensive loss for the year	-	-	-	(12,208,862)	-	(8,474,383)	(20,683,245)
Share-based payment expense	-	-	32,795	-	-	-	32,795
At 31 December 2015	9,429,182	140,912,898	7,132,540	(38,885,148)	-	(74,774,790)	43,814,682

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Consolidated Cash Flow Statement

For the year ended 31 December 2015

	2015 US\$	2014 US\$
Operating activities		
Loss before taxation	(7,674,917)	(8,376,425)
Adjustment to reconcile loss before tax to net cash flows		
Non-cash		
Depreciation	97,673	126,250
Share of loss in joint ventures	9,079,914	598,542
Share-based payment expense	32,795	78,925
Loss on disposal of subsidiary undertaking	4	5,569,164
Finance revenue	(3,041,587)	(1,550,754)
Finance costs	-	1,612,312
Working capital adjustments		
Increase in trade and other receivables	(548,351)	(506,502)
(Increase)/decrease in inventories	(39,122)	44,199
Increase/(decrease) in trade and other payables	31,428	(1,028,136)
Income tax paid	(25,832)	(5,354)
Net cash flows used in operating activities	(2,087,999)	(3,437,779)
Investing activities		
Purchase of oil and gas properties	-	(200,669)
Purchase of property, plant and equipment	(19,059)	(144,137)
Exploration and evaluation payments	-	(1,187,432)
Loan facilities advanced to joint venture undertakings	-	(3,500,000)
Repayment of loan facilities by joint venture undertakings	-	36,105,575
Decrease in restricted cash	-	2,054,947
Decrease in cash and cash equivalents held for sale	-	176,857
Interest received	10,095	15,310
Net cash (used in)/received from investing activities	(8,964)	33,320,451
Financing activities		
Proceeds from issue of share capital	-	5,176,548
Transaction costs of issue of shares	-	(158,354)
Proceeds from loan facilities	-	1,500,000
Repayment of loan facilities	-	(31,500,000)
Interest paid	-	(1,601,285)
Net cash used in financing activities	-	(26,583,091)
Net (decrease)/increase in cash and cash equivalents	(2,096,963)	3,299,581
Translation adjustment	(11,594)	(23,643)
Cash and cash equivalents at the beginning of the year	3,392,769	116,831
Cash and cash equivalents at the end of the year	1,284,212	3,392,769

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

1. Basis of Accounting and Presentation of Financial Information

While the financial information included in this announcement has been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRS) as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Company is distributing the full financial statements that comply with IFRS on or before 30 June 2016.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Both reports were unmodified.

Adoption of IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

A number of amendments to existing IFRS (principally related to clarifications and refinements of definitions) became effective for, and have been applied in preparing, these Financial Statements. The application of these amendments did not result in material changes to the results or financial position of the Group or the Company.

Going Concern

As detailed in the Chairman's Statement, a significant work programme will be carried out at Licence 61 in 2016 and 2017. Oil India have agreed to provide funding for 100% of this work programme by way of a shareholder loan to the joint venture company, WorldAce Investments Limited. This loan is unsecured and capital repayments do not commence until October 2019. However, should there be a significant change in PetroNeft management the loan can be called in and PetroNeft would have to provide its share of funding to WorldAce in order that the loan could be repaid. The recent agreement between the Company and its largest shareholder, Natlata, helps to provide stability in terms of the management team at PetroNeft and the agreement, which is subject to certain conditions, is envisaged to last for two years, thereby mitigating the risk of the loan being called in early.

PetroNeft the holding company recovers some of its costs from the joint ventures it operates and expects to fund the unrecovered costs through existing cash resources and also expects to start receiving interest on its US\$45 million loan to WorldAce in 2017.

Management have analysed its cash flow requirements for the Group and the Company for the period to 31 December 2017 in detail. The cash flow includes estimates for a number of key variables including the timing of cash flows of development expenditure, oil price, production rates, exchange rates and management of working capital and is based on the provision of funding by Oil India as described above. The cash flow analysis demonstrates that the Group and Company will be in a position to meet its liabilities as they fall due.

Based on the agreements that are in place with Oil India and Natlata, and after making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

2. Segment information

At present the Group has one reportable operating segment, which is oil exploration and production through its joint venture undertakings. 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 how it determines operating profit or loss in the consolidated financial statements.

Geographical segments

Although the joint venture undertakings WorldAce Investments Limited and Russian BD Holdings B.V. are domiciled in Cyprus and the Netherlands, the underlying businesses and assets are in Russia. Substantially all of the Group's sales and capital expenditures are in Russia.

Assets are allocated based on where the assets are located:

	2015	2014
	US\$	US\$
Non-current assets		
Russia	39,886,410	57,945,126
Ireland	3,480	5,512
	<u>39,889,890</u>	<u>57,950,638</u>

3. Loss per Ordinary Share

Basic loss per Ordinary Share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of Ordinary Shares outstanding during the year. Basic and diluted earnings per Ordinary Share are the same as the potential Ordinary Shares are anti-dilutive.

	2015	2014
	US\$	US\$
Numerator		
Loss attributable to equity shareholders of the Parent for basic and diluted loss	<u>(8,474,383)</u>	<u>(8,784,385)</u>
	<u>(8,474,383)</u>	<u>(8,784,385)</u>
Denominator		
Weighted average number of Ordinary Shares for basic and diluted earnings per Ordinary Share	<u>707,245,906</u>	<u>694,097,759</u>
Diluted weighted average number of shares	<u>707,245,906</u>	<u>694,097,759</u>
Loss per share:		
Basic and diluted - US dollar cent	(1.20)	(1.27)

The Company has instruments in issue that could potentially dilute basic earnings per Ordinary Share in the future, but are not included in the calculation for the reasons outlined below:

- Employee Share Options – These potential Ordinary Shares are anti-dilutive for the years ended 31 December 2015 and 2014.
- Warrants – At 31 December 2014: 9,900,000 Ordinary Shares were subject to warrants being exercised. These potential Ordinary Shares were anti-dilutive for the year ended 31 December 2014. All warrants expired during 2015.

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

4. Loss on disposal of subsidiary undertaking

In 2014 a legally-binding contract was entered into by the Company to farmout a 50% non-operated interest in Licence 61 to Oil India Limited ("OIL").

Under the terms of the agreement, OIL subscribed for shares in WorldAce, the holding company for Stimul-T, the entity which holds Licence 61 and all related assets and liabilities; following which, PetroNeft and Oil India both hold 50% of the voting shares of WorldAce. In addition, through the shareholder's agreement, both parties have joint control of WorldAce with PetroNeft continuing as operator (the "Licence 61 Farmout"). The basic terms of this agreement provided for a total investment by OIL of up to US\$85 million consisting of:

- US\$35 million upfront cash payment;
- US\$45 million of exploration and development expenditure on Licence 61;
- US\$5 million performance bonus, contingent upon average production from the Sibkrayevskoye Field reaching 7,500 bopd within the next five years.

WorldAce Investments Limited, which was previously a 100% subsidiary of PetroNeft, became a jointly controlled entity, resulting in a loss on disposal of US\$5.6 million (after the recycling of the currency translation reserve of US\$9.3 million). The deal completed on 3 July 2014.

	2014 US\$
Fair value of remaining equity investment in joint venture	35,000,000
Loans and other receivables from joint venture (note 14)*	81,021,362
Value of assets retained by PetroNeft	116,021,362
Assets held for sale	(125,155,128)
Liabilities held for sale	14,723,715
Gain before transaction costs and recycling of currency translation reserve	5,589,949
Recycling of currency translation reserve on disposal of subsidiary†	(9,337,907)
Transaction costs	(1,821,206)
Loss on disposal of subsidiary undertaking	(5,569,164)

*US\$35 million of the loans receivable from the joint venture noted above were repaid to PetroNeft out of the proceeds of the new share issue by WorldAce to Oil India. A further US\$600,000 was repaid from operating cashflows in the second half of 2014.

† The recycling of the currency translation reserve of US\$9.3 million relates primarily to the realisation of the cumulative foreign currency losses relating to the retranslation of Russian Rouble denominated assets and liabilities held by Stimul-T whose functional currency is Russian Rouble. As part of the consolidation process in prior periods up to 3 July 2014, those Russian Rouble carrying amounts were converted to US Dollars, the functional currency of PetroNeft, at each period end and the unrealised gain or loss was then recognised through the statement of other comprehensive income and included in the currency translation reserve rather than the retained loss reserve. With the completion of the Licence 61 Farmout in July 2014 this accumulated loss was realised and therefore transferred to the Income Statement and included in the calculation of loss on disposal arising from the Licence 61 Farmout.

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

5. Property, Plant and Equipment

Group	Plant and machinery US\$
Cost	
At 1 January 2014	1,472,972
Additions	148,917
Disposals	(43,974)
Translation adjustment	(581,327)
At 1 January 2015	996,588
Additions	19,059
Translation adjustment	(215,247)
At 31 December 2015	800,400
Depreciation	
At 1 January 2014	1,005,912
Charge for the year	126,250
Disposals	(43,974)
Translation adjustment	(413,402)
At 1 January 2015	674,786
Charge for the year	97,673
Translation adjustment	(153,762)
At 31 December 2015	618,697
Net book values	
At 31 December 2015	181,703
At 31 December 2014	321,802
Company	
Plant and machinery US\$	
Cost	
At 1 January 2014	27,027
Additions	5,039
At 1 January 2015	32,066
At 31 December 2015	32,066
Depreciation	
At 1 January 2014	22,887
Charge for the year	(3,667)
At 1 January 2015	26,554
Charge for the year	(2,032)
At 31 December 2015	28,586
Net book values	
At 31 December 2015	3,480
At 31 December 2014	5,512

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited

PetroNeft Resources plc has a 50% interest in WorldAce Investments Limited, a jointly controlled entity which holds 100% of LLC Stimul-T, an entity involved in oil and gas exploration and the registered holder of Licence 61. The interest in this joint venture is accounted for using the equity accounting method. WorldAce Investments Limited became a joint venture with effect from 3 July 2014. Full details of the transaction and the accounting implications are discussed in Note 4. WorldAce Investments Limited is incorporated in Cyprus and carries out its activities, through LLC Stimul-T, in Russia.

	Share of net assets US\$
At 1 January 2014	-
Investment in joint venture during the year	35,000,000
Elimination of unrealised profit on intra-Group transactions	(22,734)
Retained loss	(304,439)
Translation adjustment	(23,807,671)
At 1 January 2015	10,865,156
Elimination of unrealised loss on intra-Group transactions	(29,326)
Retained loss	(8,765,055)
Translation adjustment	(11,587,393)
Credited against loans receivable from WorldAce Investments Limited (Note 8)	9,516,618
At 31 December 2015	-

The balance sheet position of WorldAce Investments Limited shows net liabilities of US\$28,770,819 following a loss in the year of US\$17,530,110 together with a negative currency translation adjustment of US\$23,174,786. PetroNeft's 50% share is included above and results in a negative carrying value of US\$9,516,618. Therefore, the share of net assets is reduced to Nil and, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, the amount of US\$9,516,618 is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from WorldAce Investments (see Note 8).

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below:

	2015 US\$	Period from 3 July to 31 December 2014 US\$
<i>Continuing operations</i>		
Revenue	10,300,094	5,845,646
Cost of sales	<u>(10,435,521)</u>	<u>(5,450,642)</u>
Gross (loss)/profit	(135,427)	395,004
Administrative expenses	(1,519,005)	(1,027,260)
Impairment of oil and gas properties	<u>(4,550,000)</u>	<u>-</u>
Operating loss	(6,204,432)	(632,256)
Finance revenue	11,694	4,713
Finance costs	<u>(2,572,317)</u>	<u>(876,896)</u>
Loss for the year for continuing operations before taxation	(8,765,055)	(1,504,439)
Income tax expense	<u>-</u>	<u>1,200,000</u>
Loss for the year	<u>(8,765,055)</u>	<u>(304,439)</u>
Loss for the year		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>		
Currency translation adjustments	<u>(8,765,055)</u>	<u>(304,439)</u>
	<u>(11,587,393)</u>	<u>(23,807,671)</u>
Total comprehensive loss for the year	<u>(20,352,448)</u>	<u>(24,112,110)</u>

The currency translation adjustment results from the devaluation of the Russian Rouble during the year. All Russian Rouble carrying values in Stimul-T, the 100% subsidiary of WorldAce are converted to US Dollars at each period end. The resulting gain or loss is recognised through other comprehensive income and transferred to the currency translation reserve. The Russian Rouble depreciated significantly against the US Dollar during the year from RUB56.5:US\$1 at 31 December 2014 to RUB73.3:US\$1 at 31 December 2015.

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

	2015 US\$	2014 US\$
Non-current Assets		
Oil and gas properties	27,646,307	26,378,463
Property, plant and equipment	197,826	285,775
Exploration and evaluation assets	6,044,036	7,856,589
Assets under construction	2,345,358	3,226,280
	<u>36,233,527</u>	<u>37,747,107</u>
Current Assets		
Inventories	257,857	691,950
Trade and other receivables	259,142	1,633,624
Cash and cash equivalents	153,198	514,206
	<u>670,197</u>	<u>2,839,780</u>
Total Assets	<u>36,903,724</u>	<u>40,586,887</u>
Non-current Liabilities		
Provisions	(273,278)	(393,153)
Interest-bearing loans and borrowings	(48,366,752)	(32,593,955)
	<u>(48,640,030)</u>	<u>(32,987,108)</u>
Current Liabilities		
Trade and other payables	(2,649,103)	(1,638,815)
	<u>(2,649,103)</u>	<u>(1,638,815)</u>
Total Liabilities	<u>(51,289,133)</u>	<u>(34,625,923)</u>
Net (Liabilities)/Assets	<u>(14,385,409)</u>	<u>5,960,964</u>
Capital commitments		
	2015 US\$	2014 US\$
Details of capital commitments at the balance sheet date are as follows:		
Contracted for but not provided in the financial statements	1,236,788	12,839,994
Including contracted with related parties	-	3,697,366

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

Future minimum rentals payable under non-cancellable operating leases at the balance sheet date are as follows:

	2015 US\$	2014 US\$
Within one year	39,459	44,624
After one year but not more than five years	150,274	160,711
More than five years	326,079	403,104
	<u>515,812</u>	<u>608,439</u>

The above capital commitments in the joint venture are incurred jointly with Oil India International B.V. The Group has a 50% share of these commitments.

7. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V.

PetroNeft Resources plc has a 50% interest in Russian BD Holdings B.V., a jointly controlled entity which holds 100% of LLC Lineynoye, an entity involved in oil and gas exploration and the registered holder of Licence 67. The interest in this joint venture is accounted for using the equity accounting method. Russian BD Holdings B.V. is incorporated in the Netherlands and carries out its activities in Russia.

	Share of net assets US\$
At 1 January 2014	3,331,844
Retained loss	(294,103)
Translation adjustment	(2,672,563)
At 1 January 2015	365,178
Retained loss	(314,859)
Translation adjustment	(887,109)
Credited against loans receivable from Russian BD Holdings B.V. (Note 8)	836,790
At 31 December 2015	-

The balance sheet position of Russian BD Holdings B.V. shows net liabilities of US\$1,673,580 following a loss in the year of US\$629,718 together with a currency translation adjustment (loss) of US\$1,774,218. PetroNeft's 50% share is included above and results in a negative carrying value of US\$836,790. Therefore, the share of net assets is reduced to Nil and, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, the amount of US\$836,790 is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from Russian BD Holdings B.V. (Note 8).

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

7. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V. (continued)

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below:

	2015 US\$	2014 US\$
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(106,224)	(143,643)
Operating loss	(106,224)	(143,643)
Finance revenue	434	1,743
Finance costs	(209,069)	(152,203)
Loss for the year for continuing operations before taxation	(314,859)	(294,103)
Taxation	-	-
Loss for the year	(314,859)	(294,103)
Loss for the year	(314,859)	(294,103)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>		
Currency translation adjustments	(887,109)	(2,672,563)
Total comprehensive loss for the year	(1,201,968)	(2,966,666)
	2015 US\$	2014 US\$
Non-current assets	3,327,327	4,155,338
Current assets	71,104	165,716
Total assets	3,398,431	4,321,054
Non-current liabilities	(4,034,780)	(22,810)
Current liabilities	(200,441)	(3,933,066)
Total liabilities	(4,235,221)	(3,955,876)
Net (Liabilities)/Assets	(836,790)	365,178

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

7. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V. (continued)

Future minimum rentals payable under non-cancellable operating leases at the balance sheet date are as follows:

	2015 US\$	2014 US\$
Within one year	2,091	2,605
After one year but not more than five years	6,706	8,980
More than five years	22,010	29,377
	<u>30,807</u>	<u>40,962</u>

There were no capital commitments as at 31 December 2014 or 31 December 2015.

8. Financial assets - loans and receivables

	2015 US\$	2014 US\$
Loans to WorldAce Investments Limited	49,224,805	46,398,502
Less: share of WorldAce Investments Limited loss (Note 6)	(9,516,618)	-
	<u>39,708,187</u>	<u>46,398,502</u>
Loans to Russian BD Holdings B.V.	4,012,464	-
Less: share of Russian BD Holdings B.V. loss (Note 7)	(836,790)	-
	<u>3,175,674</u>	<u>-</u>
	<u>42,883,861</u>	<u>46,398,502</u>

The Company has granted a loan facility to its joint venture undertaking WorldAce Investments Limited of up to US\$45 million. This loan facility is US\$ denominated and unsecured. Interest currently accrues on the loan at USD LIBOR plus 6.0% but the Company has agreed not to seek payment of interest until 2017 at the earliest. The loan is set to mature on 31 December 2022. As at 31 December 2015 the loan was fully drawn down. The loan from the Company to Russian BD Holdings is repayable on demand. Interest currently accrues on the loan at 6.0% per annum.

9. Inventories

	2015 US\$	2014 US\$
Materials	54,302	15,179
	<u>54,302</u>	<u>15,179</u>

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

10. Trade and other receivables

	2015 US\$	2014 US\$
Other receivables	147,641	112,492
Receivable from jointly controlled entity (Note 14)	1,628,667	4,879,292
Receivable from related parties (Note 14)	-	11,858
Advances to contractors	3,708	1,922
Prepayments	62,112	64,380
	<u>1,842,128</u>	<u>5,069,944</u>

Other receivables are non-interest-bearing and are normally settled on 60-day terms.

11. Cash and Cash Equivalents

	2015 US\$	2014 US\$
Cash at bank and in hand	<u>1,284,212</u>	<u>3,392,769</u>
	<u>1,284,212</u>	<u>3,392,769</u>

Bank deposits earn interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

12. Trade and other payables

	2015 US\$	2014 US\$
Trade payables	238,570	306,857
Trade payables to jointly controlled entity (Note 14)	239,228	53,450
Corporation tax	59,087	60,797
Oil taxes, VAT and employee taxes	78,293	74,497
Other payables	212,141	137,475
Accruals	317,827	818,547
	<u>1,145,146</u>	<u>1,451,623</u>

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Trade and other payables are non-interest-bearing and are normally settled on 60-day terms.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

13. Share capital

	2015 €	2014 €
Authorised		
1,000,000,000 (2014: 1,000,000,000) Ordinary Shares of €0.01 each	<u>10,000,000</u>	<u>10,000,000</u>
	<u>10,000,000</u>	<u>10,000,000</u>
	Number of Ordinary Shares	Called up share capital US\$
Allotted, called up and fully paid equity		
At 1 January 2014	644,920,275	8,561,499
Issued in 2014	62,325,631	867,683
At 1 January 2015	<u>707,245,906</u>	<u>9,429,182</u>
At 31 December 2015	<u>707,245,906</u>	<u>9,429,182</u>

The Company issued 62,325,631 new shares for consideration of US\$5.2 million in March 2014. The net proceeds of this share issue of US\$5.0 million, after transaction costs of US\$0.2 million, were used to finance expenditure on oil and gas properties, exploration and evaluation costs, debt repayment and corporate overhead.

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

14. Related party disclosures

Transactions with joint ventures

PetroNeft Resources plc had the following transactions with its joint ventures during the years ended 31 December 2015 and 2014:

	Russian BD Holdings BV Group US\$	WorldAce Investments Limited Group US\$
Receivable by PetroNeft Group at 1 January 2014	644,531	-
Transferred on subsidiary becoming a joint venture (note 4)	-	81,021,362
Advanced during the year	3,500,000	-
Transactions during the year	330,967	1,574,116
Interest accrued in the year	117,120	1,415,202
Repaid during the year	(475,000)	(35,630,575)
Payments for services made during the year	(206,290)	(968,140)
Translation adjustment	(28,750)	(70,199)
At 1 January 2015	3,882,578	47,341,766
Transactions during the year	183,333	2,670,250
Interest accrued in the year	205,189	2,826,303
Payment for services made during the year	(29,781)	(2,483,727)
Share of joint venture's currency translation adjustment	(836,790)	(9,516,618)
Translation adjustment	(14,821)	45,618
Balance 31 December 2015	3,389,708	40,883,592
Balance at 31 December 2014 comprised of:		
Loan facility advanced	-	46,398,502
Trade and other receivables	3,882,578	996,714
Trade Payables	-	(53,450)
	3,882,578	47,341,766
Balance at 31 December 2015 comprised of:		
Loans facility advanced	3,175,674	39,708,187
Trade and other receivables	214,034	1,414,633
Trade and other payables	-	(239,228)
	3,389,708	40,883,592

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2015

14. Related party disclosures (continued)

Remuneration of key management

Key management comprise the Directors of the Company, the Vice President of Business Development and Operations, the General Director and the Executive Director of the Russian subsidiary LLC Dolomite, along with both the Chief Geologist and Chief Engineer of LLC Dolomite. Their remuneration during the year was as follows:

Remuneration of key management

	2015 US\$	2014 US\$
Compensation of key management	1,715,340	2,068,014
Contributions to defined contribution pension plan	89,917	65,923
Share-based payment expense	15,401	39,981
	<u>1,820,658</u>	<u>2,173,918</u>

The total amount of unpaid fees and expenses due to Directors as at 31 December 2015 was US\$143,536 (2014: US\$561,348).

Details of transactions between the Group and other related parties are disclosed below.

Transactions with TBNG Group

Vakha Sobraliev, a Director of PetroNeft until his resignation on 18 September 2015, is the principal of LLC Tomskburneftegaz ("TBNG"), a company which has drilled production and exploration wells for the Group. Various contracts for drilling have been awarded to TBNG in recent years. All drilling contracts with TBNG are "turnkey" contracts whereby TBNG assumes substantially all liabilities in relation to the health and safety, environmental and other risks associated with drilling operation. As part of this arrangement WorldAce Group companies also occasionally sell sundry goods and services to TBNG. Other companies related to TBNG also provide some services to the Group such as transportation, power management and repairs. The following is a summary of the transactions:

	TBNG Group From 1 January to 18 September 2015 US\$	TBNG Group 2014 US\$
Maximum value of new contracts awarded during the period	1,778,324	4,494,543
Paid during the period for drilling and related services	5,379,260	6,869,038
Paid during the period for other services	2,023	24,523
Amount due to TBNG and related companies at period end	-	351,172
Received during the period for sundry goods and services	98,789	37,271
Amount due from TBNG and related companies at period end	<u>-</u>	<u>400,970</u>

Other PetroNeft Group companies provided various services to TBNG Group during the period from 1 January to 18 September 2015 amounting to US\$536 (2014: US\$15,917). An amount of US\$Nil (2014: US\$11,858) was outstanding from TBNG Group at 18 September 2015.

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14. Related party disclosures (continued)

The Group has an indirect 50% interest in Lineynoye which in turn is 100% owned by the jointly controlled entity Russian BD Holdings B.V. Lineynoye also entered into some transactions with TBNG and related companies as follows:

	TBNG Group From 1 January to 18 September 2015 US\$	TBNG Group 2014 US\$
Maximum value of new contracts awarded during the period	-	-
Paid during the period for drilling and related services	-	183,874
Paid during the period for other services	-	-
Amount due to TBNG and related companies at period end	-	-
Received during the period for sundry goods and services	4,114	-
Amount due from TBNG and related companies at period end	-	4,625

15. Important Events after the Balance Sheet Date

On 24 April 2016 David Sanders, Gerard Fagan and Paul Dowling resigned from the Board of the Company and Maxim Korobov, Anthony Sacca and David Sturt were appointed to the Board in conjunction with an agreement between the Company and its largest shareholder, Natlata Partners Limited. Mr. Dowling remains as CFO of the Company. The agreement with Natlata, which is for a period of two years, includes a commitment from Natlata only to support shareholder resolutions that have been recommended by the Board of the Company.

In March 2016, Oil India agreed to provide 100% funding for the agreed Licence 61 work programme in 2016 and 2017. A loan of US\$10 million was agreed with the joint venture company, WorldAce Investments Limited, to fund the 2016 programme. The loan is unsecured and capital repayments commence in October 2019. Should there be a significant change in the management of PetroNeft while the loan is outstanding then Oil India may seek early repayment in full. In such circumstances Petroneft would need to provide its 50% share of the amount outstanding.

16. Approval of financial statements

The financial statements were approved, and authorised for issue, by the Board of Directors on 22 June 2016.

17. Board approval

This announcement was approved by the Board of Directors of PetroNeft Resources plc on 22 June 2016.

PetroNeft Resources plc

Glossary

1P	Proved reserves according to SPE standards.
2P	Proved and probable reserves according to SPE standards.
3P	Proved, probable and possible reserves according to SPE standards.
AGM	Annual General Meeting.
AIM	Alternative Investment Market of the London Stock Exchange.
Arawak	Arawak Energy Russia B.V.
bbl	Barrel.
Belgrave Naftogas	Belgrave Naftogas B.V., a member of the Arawak group of companies
bfpd	Barrels of fluid per day.
boe	Barrel of oil equivalent.
bopd	Barrels of oil per day.
Company	PetroNeft Resources plc.
CPF	Central Processing Facility.
Dolomite	LLC Dolomite, a 100% subsidiary of PetroNeft registered in the Russian Federation
ESM	Enterprise Securities Market of the Irish Stock Exchange.
ESP	Electric Submersible Pump
Exploration resources	An undrilled prospect in an area of known hydrocarbons with unequivocal four-way dip closure at the reservoir horizon.
Granite Construction	LLC Granite Construction, a 100% subsidiary of PetroNeft registered in the Russian Federation
Group	The Company and its joint ventures and subsidiary undertakings.
HSE	Health, Safety and Environment.
IAS	International Accounting Standard.
IFRIC	IFRS Interpretations Committee.
IFRS	International Financial Reporting Standard.
km	Kilometres.
km ² / sq km	Square kilometres.
KPI	Key Performance Indicator.
Licence 61	The Exploration and Production Licence in the Tomsk Oblast, Russia owned by the joint venture company WorldAce Investments Limited. It contains seven known oil fields, Lineynoye, Tungolskoye, West Lineynoye, Arbuzovskoye, Kondrashevskoye, Sibkrayevskoye and North Varyakhskoye and 27 Prospects and Leads that are currently being explored.
Licence 61 Farmout	An agreement whereby Oil India Limited subscribed for shares in WorldAce, the holding company for Stimul-T, the entity which holds Licence 61 and all related assets and liabilities, and following, PetroNeft and Oil India Limited both hold 50% of the voting shares, and through the shareholders agreement, both parties have joint control of WorldAce with PetroNeft as operator
Licence 67	The Exploration and Production Licence in the Tomsk Oblast, Russia owned by the joint venture company Russian BD Holdings B.V. It contains two oil fields, Ledovoye and Cheremshanskoye and several potential prospects.

PetroNeft Resources plc

GLOSSARY (continued)

Lineynoye	Limited Liability Company Lineynoye, a wholly owned subsidiary of Russian BD Holdings B.V., registered in the Russian Federation.
Macquarie	Macquarie Bank Limited.
m	Metres.
mmbbls	Million barrels.
mmbo	Million barrels of oil.
Natlata	Natlata Partners Limited, a significant shareholder of PetroNeft.
Oil pay	A formation containing producible hydrocarbons.
P1	Proved reserves according to SPE standards.
P2	Probable reserves according to SPE standards.
P3	Possible reserves according to SPE standards.
PetroNeft	PetroNeft Resources plc.
Russian BD Holdings B.V.	Russian BD Holdings B.V., a company owned 50% by PetroNeft and registered in the Netherlands.
SPE	Society of Petroleum Engineers.
Spud	To commence drilling a well.
Stimul-T	Limited Liability Company Stimul-T, a wholly owned subsidiary of WorldAce, based in the Russian Federation.
TSR	Total Shareholder Return.
VAT	Value Added Tax.
WAEP	Weighted Average Exercise Price.
WorldAce	WorldAce Investments Limited, a company owned 50% by PetroNeft, registered in Cyprus.
WorldAce Group	WorldAce Investments Limited and its 100% subsidiary LLC Stimul-T