

PetroNeft Resources plc

Final Results

for the year ended 31 December 2013

PetroNeft Resources plc

Chairman's Statement

A Turn-around Year

2013 was a turn-around year for our Company. The overriding strategy of the Board was to solve both the short-term funding constraints and to secure the long-term investment requirements necessary to develop the full potential of Licence 61. In December 2013, we signed a Memorandum of Understanding with Oil India Limited ("OIL" or "Oil India") which defined the terms for a farmout deal that would accomplish both our short-term and long-term goals. The final documentation for this deal was then finalised on 17 April 2014 and the deal is expected to close imminently. The total investment by OIL will be up to US\$85 million

The Licence 61 Farmout materially strengthens PetroNeft both financially and strategically. We believe the transformation we will undergo as a result of the Licence 61 Farmout will be for the benefit of the shareholders in the Company as a whole. The Company will be debt-free and the jointly controlled entity will have a fully funded US\$45 million work programme. The Licence 61 Farmout gives us a strong industry partner seeking to build a strategic position in Russia as well as the financial resources to develop the significant potential of Licence 61.

The Licence 61 Farmout and strategy of the Board were supported overwhelmingly by shareholders at two Extraordinary General Meetings of the Company held in Dublin on 9 May 2014.

Operations

The Pad 1 wells at Lineynoye have performed well during 2013 and early 2014. They have responded positively to the pressure maintenance programme we initiated in June 2011 as well as efforts from our Tomsk team to keep wells on line and to intervene where necessary to optimise production. The Arbuzovskoye field was brought into production through the pipeline to Lineynoye in May 2012. We have also had good success in maintaining production and slowing the production decline here by the timely workover of wells to replace pumps and re-perforate where possible despite the last production well being drilled in February 2013.

The specific geological and operations expertise we gained from Lineynoye and Arbuzovskoye will serve the Company well in the future developments at Tungolskoye and Sibkrayevskoye. This programme builds on the innovative work that has been done both to move forward with the development at Arbuzovskoye as well as understanding the production issues at Lineynoye Pad 2 and how to avoid similar issues in the future. The first well drilled in the 2014 programme will be Tungolskoye No. 5 which will be the first horizontal well drilled by the Company. This is an exciting well with significant production potential and we look forward to the results, which we expect to be available in the third quarter of 2014.

Licence 61 Farmout to Oil India

In April 2014 the Licence 61 Farmout was agreed with Oil India Limited. The basic terms of this agreement are summarised as follows:

- 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.
- PetroNeft to remain operator of Licence 61, but OIL will have the right to second certain technical experts into PetroNeft's Tomsk team

Under the terms of the agreement, OIL will subscribe 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 will both hold 50% of the voting shares of WorldAce. In addition, through the shareholders agreement, both parties will have joint control of WorldAce with PetroNeft continuing as operator (the "Licence 61 Farmout").

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Chairman's Statement

Licence 61 Farmout to Oil India (continued)

The Licence 61 Farmout will fully address PetroNeft's capital structure and long-term investment requirements with all existing debt repaid in full and additional funds for working capital and significant investment directly in Licence 61. The Licence 61 Farmout gives PetroNeft a strong industry partner seeking to build a strategic position in Russia. It will also give us the financial resources to develop the significant potential of Licence 61 in the short term. The deal is subject to shareholder approval which was granted at EGMs in May 2014 and to Russian Regulatory approval which is expected to be received imminently.

An aggressive drilling and appraisal campaign has been agreed following the Licence 61 Farmout as follows:

- Drill a delineation well at Tungolskoye (T-5).
- Drill up to five additional production wells at Arbuzovskoye Pad 1.
- Drill a delineation well at Sibkrayevskoye (S-373) where significant upside potential and near-term developments are possible.
- Acquire high resolution 2D seismic data across Sibkrayevskoye, Emtorskaya, West Lineynoye and other leads and prospects in the northern part of Licence 61.

Reserves

Independent reserve auditor Ryder Scott has completed an assessment of PetroNeft's petroleum reserves and resources on Licence 61 as at 1 April 2013. Total Proved and Probable ("2P") reserves were estimated at 117 million barrels, essentially unchanged from the previous assessment. Ryder Scott has not prepared a new report for the Licence this year as the only new well drilled since the last report was Lineynoye No. 9 and we still need to conduct a cased hole test on this well; however, we do not see a significant reserve adjustment associated with this well. If we adjust these reserves for production to the end of 2013 the Licence 61 2P reserves are estimated at 116.4 million barrels.

While the Licence 61 Farmout results in a reduction of the 2P reserves net to PetroNeft, the Company has had good exploration success in the past and I am confident that we can bring the Company's reserves back towards pre-farmout levels in the medium term with further appraisal and exploration wells on key fields and prospects, especially Sibkrayevskoye, Emtorskaya and Traverskaya.

At Licence 67 we acquired 156 km² of 3D seismic data this past winter to better define the three oil pools discovered at Cheremshanskoye and the two oil pools at Ledovoye. This data is currently being processed and interpreted with results expected later in 2014.

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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	8.4	30.4	39.1
Tungolskoye	2.7	19.7	24.7
Kondrashevskoye	1.8	5.0	6.2
Arbuzovskoye	2.1	6.4	8.0
Sibkrayevskoye	3.7	53.0	67.3
North Varyakhskoye	0.8	1.9	2.4
	19.5	116.4	147.7
Licence 67			
Ledovoye	1.5	14.0	17.4
Total net to PetroNeft	21.0	130.4	165.1

- Licence 61 as at 31 December 2013 (Ryder Scott report as at 1 April 2013 adjusted for production to 31 December 2013). As a result of the Licence 61 Farmout 2P reserves will be reduced by 58.2 mmbbls to 72.2 mmbbls.
- 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.

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Chairman's Statement (continued)

Key Financial Metrics

	2013 US\$	2012 US\$
Revenue	38,687,123	34,581,257
Cost of sales	<u>(33,551,965)</u>	<u>(30,134,453)</u>
Gross profit	5,135,158	4,446,804
Gross margin %	13.3%	12.9%
Administrative expenses		
Overheads	(6,587,732)	(6,313,028)
Share-based payment expense	(418,775)	(977,030)
Other foreign exchange gain/(loss)	<u>166,537</u>	<u>(90,533)</u>
	<u>(6,839,970)</u>	<u>(7,380,591)</u>
Foreign exchange (loss)/gain on intra-Group loans	(6,189,735)	4,538,236
Finance costs	(3,437,088)	(4,216,548)
Loss for the year before taxation	(11,495,885)	(2,777,569)
Income tax credit/(expense)	2,337,159	(1,788,574)
Loss for the year attributable to equity holders of the Parent	(9,158,726)	(4,566,143)
Capital expenditure in the year	5,263,823	14,270,220
Net proceeds of equity share issues	-	16,256,115
Bank and cash balance at year end (including restricted cash)	2,171,778	7,939,422
Total debt at year end (undiscounted)	30,000,000	36,500,000

Net Loss

The net loss for the year increased to US\$9,158,726 from US\$4,566,143 in 2012. The increase in the loss for the year before taxation can be attributed to a foreign exchange loss of US\$6,189,735 (2012: gain of US\$4,538,236) on US Dollar-denominated loans from PetroNeft to its wholly owned subsidiary, Stimul-T, whose functional currency is the Russian Rouble. This loss arises due to the weakening of the Russian Rouble against the US Dollar in the year. Gross margin improved slightly during the year as a result of increased production and better oil prices. As a result of an impairment of interest on intra-Group loans during the year, there was a reversal of a deferred tax liability which led to a net credit to the Consolidated Income Statement of US\$2,337,159. Total administrative expenses fell by US\$540,621 as compared with 2012.

Revenue, Cost of Sales and Gross Margin

Revenue from oil sales was US\$38,687,123 for the year (2012: US\$34,581,257). Cost of sales includes depreciation of US\$5,133,256 (2012: US\$4,219,955). 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 Arbuzovskoye oil field under the current cost structure. We produced 870,965 barrels of oil (2012: 806,761 barrels) in the year and sold 879,826 barrels of oil (2012: 812,006 barrels) achieving an average oil price of US\$43.97 per barrel (2012: US\$42.86 per barrel). The increase in production and barrels sold is a result of more wells producing in 2013. All of our oil was sold on the domestic market in Russia.

Finance Costs

Finance costs of US\$3,437,088 (2012: US\$4,216,548) relate to interest on loans, arrangement fees in relation to the loan facilities, interest paid for late payment to suppliers and unwinding of discount on the decommissioning provision. The primary reason for the decrease is the commencement of principal repayments on the Macquarie loan during the year.

Finance Revenue

Finance revenue of US\$70,810 (2012: US\$77,233) arises from interest earned on bank deposits and on shareholder loans to the Licence 67 joint venture.

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Chairman's Statement (*continued*)

Taxation

The current tax charge arises on interest earned from bank deposits. The deferred tax charge in prior years primarily arose on interest earned by PetroNeft on loans to its wholly owned subsidiary Stimul-T. As part of the Licence 61 Farmout, the unpaid interest owed by Stimul-T to PetroNeft was impaired on 31 December 2013. This gave rise to the reversal of the accrued deferred tax liability of US\$6,469,864 in 2013. A deferred tax charge of US\$2,400,000 arose in relation to temporary differences in Russia.

Cost Management

A number of initiatives were undertaken in 2012 to reduce and manage costs including reducing the number of employees in the Group from 188 to 170 by the end of 2012. This was achieved through a hiring embargo whereby department managers must first try to re-allocate duties of a departing employee to other employees and can only replace a departing employee having demonstrated that this is not possible. These policies were continued in 2013 and employee numbers were held at the same levels during the year. With very few exceptions, no pay rises have been awarded since January 2011.

Capital Investment

During 2013 the capital expenditure was lower than 2012 as the funding available was limited due to the commencement of repayments to Macquarie in March 2013. In early 2013 two oil production wells and one water source well were drilled at the Arbuzovskoye oil field. In November/December 2013 a delineation well was drilled at Lineynoye 9 location. The contractor, TBNG, agreed to delay payment for this work until the loan to Macquarie is repaid. The Group intends to drill up to five further production wells at Arbuzovskoye as well as two exploration/delineation wells at Tungolskoye and Sibkrayevskoye and commence a programme of seismic acquisition at Sibkrayevskoye later in 2014.

Current and Future Funding of PetroNeft

The total debt outstanding as at 31 December 2013 was US\$30 million down from US\$36.5 million at the start of the year. In March 2014 the Company raised US\$6.7 million through an equity funding of US\$5.2 million at 5 pence per share and additional debt of US\$1.5 million in order to fund the purchase of certain drilling supplies and to make a US\$2.5 million payment to Macquarie. The additional debt of US\$1.5 million came from Arawak through an increase of the existing loan facility to US\$16.5 million on similar terms. As discussed in Note 2 of the final results on page 12, the Licence 61 Farmout deal with Oil India will lead to the repayment of all debt owed to Macquarie and Arawak totalling almost US\$25 million. As part of Licence 61 Farmout, Oil India will be providing exploration and development funding of US\$45 million in the coming years through the jointly operated entity WorldAce. With this funding we expect to bring both the Tungolskoye and Sibkrayevskoye oil fields into production in 2015 and 2016 which will result in much increased cash generation from Licence 61 providing sufficient funding to develop the Licence further. Following the Licence 61 Farmout, PetroNeft will be debt-free and well capitalised to further develop its assets.

Accounting Impact of Licence 61 Farmout

When the Group signed the Memorandum of Understanding with Oil India in respect of the Licence 61 Farmout in December 2013, the related assets and liabilities ('the Licence 61 group') were classified as held for sale in the 31 December 2013 balance sheet. Note 5 to the final results sets out the assets and liabilities that were classified as held for sale.

Once the deal has been completed, the accounting for the net investment in the Licence 61 group will change from being fully consolidated to being accounted for using the equity method from the closing date of the Oil India agreement. The effect of this is that the performance of the Licence 61 group will be reported as a single line within the Group Income Statement, being the 50% share of the net profit or loss of the Licence 61 group. On the Group Balance Sheet the net assets will be reported as a single line 'equity-accounted investment in joint venture' being the 50% share of the net assets.

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Chairman's Statement (*continued*)

Corporate Development

In recent years we have transitioned from an exploration company to an exploration and production company. The management structure in Tomsk has been revised over the past couple of years with most new positions being filled by excellent candidates from within our own organisation. We are operating the new Arbuzovskoye oil field without having expanded our workforce. The Group headcount now stands at 163 employees.

I would like to thank all of our employees for their extraordinary dedication and hard work in 2013.

Summary

On 9 May 2014, the shareholders overwhelmingly supported the Board's proposed strategy for the next phase of the Company's development. This gave us a mandate to conclude the Licence 61 Farmout with Oil India and to progress the development of Licence 61, debt-free and with a fully funded US\$45 million work programme. With the Lineynoye, Arbuzovskoye, Tungolskoye and Sibkrayevskoye oil fields we can generate significant cash in the coming years utilising the infrastructure already in place as well as through the addition of yet to be discovered reserves from our portfolio of exploration prospects. Oil India appreciates the potential of the asset and has a long-term view with respect to Licence 61 and business development in Russia. This should enable PetroNeft to expand its oil reserve base both through exploration and delineation in current licence areas and through business development opportunities in Tomsk and further afield in Russia. We look forward to working with Oil India in the future.

PetroNeft is fortunate to have a highly experienced and dedicated team whose knowledge and experience have enabled us to meet the array of challenges facing the Group in recent years. I am confident that this team will enable PetroNeft to provide shareholders with better returns in the future.

While 2013 was a challenging year operationally and in the overall financial markets, shareholders should not lose sight of our strong Proved and Probable reserve base. Many lessons have been learned and, along with the results of new technical studies, we have further improved our knowledge and understanding of our extensive licence acreage. We are producing from less than 15% of our reserve base and the substantial investment in infrastructure made in recent years leaves us well placed to deliver significant and profitable growth now that we have satisfactorily addressed the funding challenges that we have been facing for the last couple of years.

Annual report and AGM

The annual report will be mailed to shareholders and published on the Company's website (www.petronaft.com) on 30 June 2014. The AGM will be held in Dublin on 29 August 2014.

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

26 June 2014

PetroNeft Resources plc

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 US\$	2012 US\$
<i>Continuing operations</i>			
Revenue		38,687,123	34,581,257
Cost of sales		<u>(33,551,965)</u>	<u>(30,134,453)</u>
Gross profit		5,135,158	4,446,804
Administrative expenses		(6,839,970)	(7,380,591)
Exchange (loss)/gain on intra-Group loans		<u>(6,189,735)</u>	<u>4,538,236</u>
Operating (loss)/profit		(7,894,547)	1,604,449
Loss on disposal of oil and gas properties		-	(19,231)
Share of joint venture's net loss	9	(235,060)	(223,472)
Finance revenue		70,810	77,233
Finance costs		<u>(3,437,088)</u>	<u>(4,216,548)</u>
Loss for the year for continuing operations before taxation		(11,495,885)	(2,777,569)
Income tax credit/(expense)		2,337,159	(1,788,574)
Loss for the year attributable to equity holders of the Parent		<u>(9,158,726)</u>	<u>(4,566,143)</u>
Loss per share attributable to ordinary equity holders of the Parent			
Basic and diluted - US Dollar cent	4	(1.42)	(1.03)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 US\$	2012 US\$
Loss for the year attributable to equity holders of the Parent	(9,158,726)	(4,566,143)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Currency translation adjustments – subsidiaries	(3,293,001)	2,215,334
Currency translation adjustments – joint venture	<u>(252,238)</u>	<u>190,734</u>
Total comprehensive loss for the year attributable to equity holders of the Parent	<u>(12,703,965)</u>	<u>(2,160,075)</u>

PetroNeft Resources plc

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 US\$	2012 US\$
Assets			
Non-current Assets			
Oil and gas properties	6	-	105,097,756
Property, plant and equipment	7	467,060	1,696,626
Exploration and evaluation assets	8	-	28,294,677
Equity-accounted investment in joint venture	9	3,331,844	3,819,142
		<u>3,798,904</u>	<u>138,908,201</u>
Current Assets			
Inventories		30,523	1,711,417
Trade and other receivables		790,864	1,320,032
Cash and cash equivalents	10	116,831	3,939,422
Restricted cash	10	2,054,947	4,000,000
		<u>2,993,165</u>	<u>10,970,871</u>
Assets held for sale	5	125,766,570	-
		<u>128,759,735</u>	<u>10,970,871</u>
Total Assets		<u><u>132,558,639</u></u>	<u><u>149,879,072</u></u>
Equity and Liabilities			
Capital and Reserves			
Called-up share capital		8,561,499	8,561,499
Share premium account		136,762,387	136,762,387
Share-based payment reserve		6,684,820	6,266,045
Retained loss		(57,516,022)	(48,357,296)
Currency translation reserve		(177,021)	(5,224,443)
Other reserves		336,000	336,000
Amounts recognised in other comprehensive income and accumulated in equity relating to assets held for sale	5	(8,592,661)	-
Equity attributable to equity holders of the Parent		<u>86,059,002</u>	<u>98,344,192</u>
Non-current Liabilities			
Provisions		-	1,843,790
Interest-bearing loans and borrowings	11	-	14,559,722
Deferred tax liability		106,674	4,871,227
		<u>106,674</u>	<u>21,274,739</u>
Current Liabilities			
Trade and other payables		1,806,732	8,909,830
Interest-bearing loans and borrowings	11	30,000,000	21,350,311
		<u>31,806,732</u>	<u>30,260,141</u>
Liabilities directly associated with assets held for sale	5	14,586,231	-
		<u>46,392,963</u>	<u>30,260,141</u>
Total Liabilities		<u>46,499,637</u>	<u>51,534,880</u>
Total Equity and Liabilities		<u><u>132,558,639</u></u>	<u><u>149,879,072</u></u>

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Consolidated Statement of Changes in Equity

For the year ended 31 December

2013

	Called up share capital 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 2012	5,636,142	122,431,629	5,230,985	(7,630,511)	-	(43,791,153)	81,877,092
Loss for the year	-	-	-	-	-	(4,566,143)	(4,566,143)
Currency translation adjustments – subsidiaries	-	-	-	2,215,334	-	-	2,215,334
Currency translation adjustments – joint venture	-	-	-	190,734	-	-	190,734
Total comprehensive loss for the year	-	-	-	2,406,068	-	(4,566,143)	(2,160,075)
New share capital subscribed	2,762,969	14,447,506	-	-	-	-	17,210,475
Transaction costs on issue of share capital	-	(954,360)	-	-	-	-	(954,360)
Conversion of debt for new shares issued	162,388	837,612	-	-	-	-	1,000,000
Share-based payment expense	-	-	977,030	-	-	-	977,030
Share-based payment expense - Macquarie warrants	-	-	197,230	-	-	-	197,230
Arawak warrants	-	-	196,800	-	-	-	196,800
At 31 December 2012	8,561,499	136,762,387	6,602,045	(5,224,443)	-	(48,357,296)	98,344,192
At 1 January 2013	8,561,499	136,762,387	6,602,045	(5,224,443)	-	(48,357,296)	98,344,192
Loss for the year	-	-	-	-	-	(9,158,726)	(9,158,726)
Currency translation adjustments – subsidiaries	-	-	-	(3,293,001)	-	-	(3,293,001)
Currency translation adjustments – joint venture	-	-	-	(252,238)	-	-	(252,238)
Total comprehensive loss for the year	-	-	-	(3,545,239)	-	(9,158,726)	(12,703,965)
Transfer in relation to assets held for sale	-	-	-	8,592,661	(8,592,661)	-	-
Share-based payment expense	-	-	418,775	-	-	-	418,775
At 31 December 2013	8,561,499	136,762,387	7,020,820	(177,021)	(8,592,661)	(57,516,022)	86,059,002

PetroNeft Resources plc

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 US\$	2012 US\$
Operating activities			
Loss before taxation		(11,495,885)	(2,777,569)
Adjustment to reconcile loss before tax to net cash flows			
Non-cash			
Depreciation		5,632,077	4,637,596
Loss on disposal of oil and gas properties		-	19,231
Share of loss in joint venture		235,060	223,472
Share-based payment expense		418,775	977,030
Finance revenue		(70,810)	(77,233)
Finance costs		3,437,088	4,216,548
Working capital adjustments			
Decrease in trade and other receivables		189,890	1,603,422
Decrease in inventories		661,568	383,541
Increase/(decrease) in trade and other payables		9,703,801	(1,837,731)
Income tax received/(paid)		167,592	(186,675)
Net cash flows received from operating activities		8,879,156	7,181,632
Investing activities			
Purchase of oil and gas properties		(4,789,662)	(18,479,654)
Advance payments to contractors		(76,594)	(119,159)
Purchase of property, plant and equipment		(83,286)	(15,529)
Proceeds from disposal of property, plant and equipment		12,268	3,549
Exploration and evaluation payments		(326,918)	(1,787,260)
Decrease in restricted cash		1,945,053	1,000,000
Interest received		32,819	52,714
Net cash used in investing activities		(3,286,320)	(19,345,339)
Financing activities			
Proceeds from issue of share capital		-	17,210,475
Transaction costs of issue of shares		-	(954,360)
Proceeds from loan facilities		-	15,000,000
Transaction costs on loans and borrowings		-	(350,811)
Repayment of loan facilities		(6,500,000)	(12,500,000)
Interest paid		(2,709,529)	(3,340,504)
Net cash (used in)/received from financing activities		(9,209,529)	15,064,800
Net (decrease)/increase in cash and cash equivalents		(3,616,693)	2,901,093
Translation adjustment		(14,607)	8,324
Cash and cash equivalents held for sale	5	(191,291)	-
Cash and cash equivalents at the beginning of the year		3,939,422	1,030,005
Cash and cash equivalents at the end of the year	10	116,831	3,939,422

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2013

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 30 June 2014.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Both reports were unmodified, but did draw attention to going concern issues as described in note 2 below by way of emphasis of matter.

Adoption of new IFRS's

The Group has adopted the following new and amended IFRS and IFRIC interpretations in respect of the 2013 financial year-end:

- IAS 1 (Amendments) Presentation of Items of Other Comprehensive Income;
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R);
- IFRS 7 (Amendments) Disclosures – Offsetting Financial Assets and Financial Liabilities;
- IFRS 13 Fair Value Measurement;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine; and
- Annual Improvements to IFRS 2009-2011 Cycle.

There were no significant changes necessary arising from the above amendments to the Group during the year.

2. Going concern

On 17 April 2014, the Company entered into a legally-binding agreement with Oil India Limited ("OIL"). Under the terms of the agreement, OIL will subscribe for shares in WorldAce, the holding company for Stimul-T, the entity which holds Licence 61 and all related assets and liabilities, and following, the Company and OIL will both hold 50% of the voting shares, and through the shareholders agreement, both parties will have joint control of WorldAce with the Company continuing as operator ("The Licence 61 Farmout"). Under the terms of the Licence 61 Farmout, OIL will be making a total investment of up to US\$85 million consisting of:

- US\$35 million upfront cash payment,
 - This will enable the Company to repay in full its existing debts (the Macquarie Debt Facility and the Arawak Loan) and will provide cash for working capital purposes.
- US\$45 million of exploration and development expenditure on Licence 61.
- US\$5 million performance bonus, contingent upon average production from the Sibkroyevskoye Field reaching 7,500 bopd within the next five years.

The Licence 61 Farmout is conditional on shareholder approval, which was granted on 9 May 2014 and on OIL obtaining Russian Regulatory approval. There has been a short delay in the Russian Regulatory approval due to a routine administrative matter within the relevant Russian Federation governmental department but there are no other significant obstacles and approval is expected to be received imminently. In the unlikely event that the approval is not granted, the decision can be appealed in court.

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Notes to the Final Results

For the year ended 31 December 2013

2. Going concern (continued)

At 25 June 2014, the Company has total net outstanding debt amounting to US\$24.9 million with US\$8.4 million due to Macquarie Bank Limited (“Macquarie”) and US\$16.5 million due to Belgrave Naftogas B.V. (“Arawak loan”). The scheduled repayment date of the Arawak loan is May 2015, however the Macquarie maturity date was 28 May 2014. In anticipation of the completion of the Licence 61 Farmout, Macquarie has granted an extension to the maturity date up to 7 July 2014 to facilitate the completion. Macquarie is supportive of the License 61 Farmout and is expected to work with the Directors, if due to the administrative matter noted above there is a further delay in the timing of the receipt of the Russian Regulatory approval, by extending the maturity date if necessary.

It is expected that shortly after the receipt of the Russian Regulatory approval the Company will complete the Licence 61 Farmout which will result in the immediate repayment of all of its outstanding debt to Macquarie and Arawak. Following the completion of the Licence 61 Farmout the Company will be debt-free.

Although the Directors remain confident about the outcome of the Russian Regulatory approval and the completion of the Licence 61 Farmout, as at the date of approval of the financial statements, the Russian Regulatory approval remains outstanding and the most recent waiver received from Macquarie will expire on 7 July 2014.

These circumstances represent a material uncertainty that may cast significant doubt upon the Group and the Company’s ability to continue as a going concern. Nevertheless, the Directors believe it is appropriate to prepare the financial statements on a going concern basis based on the following assumptions:

- that no material obstacles remain for the completion of the Licence 61 Farmout, other than as noted above; and
- that the cashflows from the investment by Oil India Limited will be sufficient to enable the Group and the Company to repay its net outstanding debt to Macquarie and Arawak, to further develop its assets and to continue in operational existence for the foreseeable future.

Accordingly, the financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group or Company was unable to continue as a going concern.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2013

3. Segment information

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

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

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

Geographical Segments

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

Assets are allocated based on where the assets are located:

	2013	2012
	US\$	US\$
Non-current assets		
Russia	3,794,764	138,899,550
Ireland	4,140	8,651
	<u>3,798,904</u>	<u>138,908,201</u>

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2013

4. 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.

	2013	2012
	US\$	US\$
Numerator		
Loss attributable to equity shareholders of the Parent for basic and diluted loss	(9,158,726)	(4,566,143)
	<u>(9,158,726)</u>	<u>(4,566,143)</u>
Denominator		
Weighted average number of Ordinary Shares for basic and diluted earnings per Ordinary Share	644,920,275	444,974,000
	<u>644,920,275</u>	<u>444,974,000</u>
Diluted weighted average number of shares		
	<u>644,920,275</u>	<u>444,974,000</u>
Loss per share:		
Basic and diluted - <i>US Dollar cent</i>	(1.42)	(1.03)

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 2013 and 2012.
- Warrants – At 31 December 2013, 9,400,000 (2012: 14,100,000) Ordinary Shares are subject to warrants being exercised. These potential Ordinary Shares are anti-dilutive for the years ended 31 December 2013 and 2012.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2013

5. Assets Held for Sale

In 2013 the Company commenced a process with Evercore Partners of London to seek a farmout partner for Licence 61. This process led to the signing of a Memorandum of Understanding with Oil India Limited on 27 December 2013 in respect of the farmout of a 50% non-operated interest in Licence 61.

Consequently it was deemed that the held for sale criteria under IFRS 5 were met and that the related assets and liabilities ('the disposal group') be classified as held for sale in the 31 December 2013 balance sheet. A legally-binding contract was entered into on 17 April 2014.

Immediately before the classification as held for sale, the recoverable amount was estimated and no impairment loss was identified. As at 31 December 2013, there was no write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

The major classes of assets and liabilities reclassified as held for sale as at 31 December 2013 are as follows:

	Note	2013 US\$	2012 US\$
Assets held for sale			
Oil and gas properties	6	96,023,796	-
Property, plant and equipment	7	935,000	-
Exploration and evaluation assets	8	27,235,454	-
Inventories		1,215,210	-
Trade and other receivables		165,819	-
Cash and cash equivalents		191,291	-
		<u>125,766,570</u>	<u>-</u>
Liabilities directly associated with assets held for sale			
Trade and other payables		10,633,142	-
Deferred tax liability		2,400,000	-
Provisions		1,553,089	-
		<u>14,586,231</u>	<u>-</u>
Amounts recognised in other comprehensive income and accumulated in equity relating to assets held for sale			
Currency translation reserve		8,592,661	-
		<u>8,592,661</u>	<u>-</u>

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2013

6. Oil and Gas Properties

	Wells US\$	Equipment and facilities US\$	Pipeline US\$	Total US\$
Cost				
At 1 January 2012	63,611,460	25,557,989	13,315,422	102,484,871
Additions	8,281,792	1,227,254	2,333,384	11,842,430
Disposals	(19,231)	-	-	(19,231)
Translation adjustment	3,485,238	1,383,657	754,214	5,623,109
At 1 January 2013	75,359,259	28,168,900	16,403,020	119,931,179
Additions	4,038,164	1,017,713	55,611	5,111,488
Transferred to property, plant and equipment	-	(155,183)	-	(155,183)
Transferred to exploration and evaluation assets	(864,783)	-	-	(864,783)
Translation adjustment	(5,332,793)	(2,010,516)	(1,159,067)	(8,502,376)
	73,199,847	27,020,914	15,299,564	115,520,325
Transferred to assets held for sale	(73,199,847)	(27,020,914)	(15,299,564)	(115,520,325)
At 31 December 2013	-	-	-	-
Depreciation				
At 1 January 2012	8,711,882	958,420	116,593	9,786,895
Charge for the year	3,706,710	893,632	108,953	4,709,295
Translation adjustment	261,360	61,149	14,724	337,233
At 1 January 2013	12,679,952	1,913,201	240,270	14,833,423
Charge for the year	4,352,641	1,088,078	115,257	5,555,976
Transferred to property, plant and equipment	-	(78,673)	-	(78,673)
Translation adjustment	(654,101)	(139,846)	(20,250)	(814,197)
	16,378,492	2,782,760	335,277	19,496,529
Transferred to assets held for sale	(16,378,492)	(2,782,760)	(335,277)	(19,496,529)
At 31 December 2013	-	-	-	-
Net book values				
At 31 December 2013	-	-	-	-
At 31 December 2012	62,679,307	26,255,699	16,162,750	105,097,756

The net book value of oil and gas properties at 31 December 2013, prior to the transfer to held for sale, includes US\$5,724,639 in respect of assets under construction, which are not yet being depreciated.

Expenditure of US\$5,111,488 was incurred mainly in connection with the Arbuzovskoye oil field, primarily relating to production wells and oilfield infrastructure.

The net book value at 31 December 2012 includes US\$8,369,828 in respect of assets under construction, which are not yet being depreciated.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2013

7. Property, Plant and Equipment

	Buildings & leasehold improvements US\$	Plant and machinery US\$	Motor vehicles US\$	Total US\$
Cost				
At 1 January 2012	1,046,723	1,748,682	117,670	2,913,075
Additions	-	15,529	-	15,529
Disposals	-	(3,549)	-	(3,549)
Translation adjustment	55,961	94,062	6,325	156,348
At 1 January 2013	1,102,684	1,854,724	123,995	3,081,403
Additions	-	14,551	68,335	82,886
Transferred from oil and gas properties	-	108,427	46,756	155,183
Disposals	-	(39,380)	-	(39,380)
Translation adjustment	(77,679)	(129,353)	(12,148)	(219,180)
	1,025,005	1,808,969	226,938	3,060,912
Transferred to assets held for sale	(1,025,005)	(335,997)	(226,938)	(1,587,940)
At 31 December 2013	-	1,472,972	-	1,472,972
Depreciation				
At 1 January 2012	146,251	785,981	54,905	987,137
Charge for the year	63,217	250,421	25,698	339,336
Translation adjustment	8,996	45,896	3,412	58,304
At 1 January 2013	218,464	1,082,298	84,015	1,384,777
Charge for the year	61,563	227,083	40,357	329,003
Transferred from oil and gas properties	-	52,512	26,161	78,673
Disposals	-	(27,112)	-	(27,112)
Translation adjustment	(17,311)	(81,280)	(7,898)	(106,489)
	262,716	1,253,501	142,635	1,658,852
Transferred to assets held for sale	(262,716)	(247,589)	(142,635)	(652,940)
At 31 December 2013	-	1,005,912	-	1,005,912
Net book values				
At 31 December 2013	-	467,060	-	467,060
At 31 December 2012	884,220	772,426	39,980	1,696,626

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Notes to the Final Results

For the year ended 31 December 2013

8. Exploration and Evaluation Assets

	Exploration & evaluation expenditure US\$
Cost	
At 1 January 2012	24,552,717
Additions	2,412,261
Translation adjustment	1,329,699
At 1 January 2013	28,294,677
Additions	69,449
Transferred from oil and gas properties	864,783
Translation adjustment	(1,993,455)
	27,235,454
Transferred to assets held for sale	(27,235,454)
At 31 December 2013	-
Net book values	
At 31 December 2013	-
At 31 December 2012	28,294,677

Exploration and evaluation expenditure represents active exploration projects. These amounts will be written-off to the Consolidated Income Statement as exploration costs unless commercial reserves are established, or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of these assets will ultimately be recovered, is inherently uncertain.

In accordance with IFRS 6, once commercial viability is demonstrated the capitalised exploration and evaluation costs are transferred to oil and gas properties or intangibles, as appropriate after being assessed for impairment.

Additions in 2012 relate mainly to completion of exploration wells in the Sibkrayevskoye and North Varyakhskoye prospects and the Kondrashevskoye oilfield.

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Notes to the Final Results

For the year ended 31 December 2013

9. Equity-accounted investment in Joint Venture

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 2012	3,851,880
Retained loss	(223,472)
Translation adjustment	190,734
At 1 January 2013	<u>3,819,142</u>
Retained loss	<u>(235,060)</u>
Translation adjustment	<u>(252,238)</u>
At 31 December 2013	<u>3,331,844</u>

Summarised financial statement information prepared in accordance with IFRS of the equity-accounted joint venture entity is disclosed below:

	2013 US\$	2012 US\$
Sales and other operating revenues	-	-
Operating expenses	(114,563)	(196,468)
Exchange (loss)/gain	(65,784)	8,890
Finance revenue	184	1,719
Finance costs	(45,134)	(30,437)
Loss before taxation	<u>(225,297)</u>	<u>(216,296)</u>
Taxation	(9,763)	(7,176)
Loss for the year	<u>(235,060)</u>	<u>(223,472)</u>
	2013 US\$	2012 US\$
Current assets	164,066	61,672
Non-current assets	4,774,180	4,647,923
Total assets	<u>4,938,246</u>	<u>4,709,595</u>
Current liabilities	(376,128)	(29,413)
Non-current liabilities	(1,230,274)	(861,040)
Total liabilities	<u>(1,606,402)</u>	<u>(890,453)</u>

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2013

10. Cash and Cash Equivalents and Restricted Cash

	2013 US\$	2012 US\$
Cash at bank and in hand	116,831	3,939,422
Restricted cash	<u>2,054,947</u>	<u>4,000,000</u>
	<u>2,171,778</u>	<u>7,939,422</u>

At 31 December 2013 restricted cash amounting to US\$2,054,947 is being held in a Macquarie Debt Service Reserve Account ("DSRA"). This account is part of the security package held by Macquarie and may be offset against the loan in the event of a default on the loan or by agreement between the parties.

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.

11. Loans and Borrowings

	Effective interest rate %	Contractual maturity date	2013 US\$	2012 US\$
Interest-bearing				
<i>Current liabilities</i>				
Macquarie Bank Limited - US\$75,000,000 loan facility	9.81%	30-Jun-14	15,000,000	21,350,311
Belgrave Naftogas B.V. - US\$15,000,000 loan	7.38%	30-May-15	<u>15,000,000</u>	-
Total current liabilities			30,000,000	21,350,311
<i>Non-current liabilities</i>				
Arawak Energy Russia B.V. - US\$15,000,000 loan	7.16%	30-May-15	-	<u>14,559,722</u>
Total non-current liabilities			-	14,559,722
Total loans and borrowings			<u>30,000,000</u>	<u>35,910,033</u>
Contractual undiscounted liability			<u>30,000,000</u>	<u>36,500,000</u>

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Notes to the Final Results

For the year ended 31 December 2013

11. Loans and Borrowings (continued)

Macquarie loan facility

On 28 May 2010 the Group agreed a loan facility agreement for up to US\$30 million with Macquarie to re-finance an existing facility of US\$5 million. In April 2011, PetroNeft signed a revised borrowing base loan facility agreement with Macquarie for up to US\$75 million. The initial borrowing base was set at US\$30 million. During 2012, pursuant to a borrowing base review, the Group repaid an amount of US\$7.5 million on its outstanding loan balance and in addition an amount of US\$1 million was converted into equity by way of issuing new shares. Also it was agreed that the Group would commence monthly repayments of US\$650,000 on 31 March 2013. As a result of these repayments, the outstanding loan amount was reduced to US\$15 million as at 31 December 2013. In April 2014, Macquarie agreed to extend the maturity date of their loan to 30 June 2014 in order to allow the completion of the transaction with Oil India Limited. A further extension to 7 July 2014 was granted as a result of a short delay in the Russian Regulatory approval which is expected to be received shortly.

Certain oil and gas properties (wells, central processing facility, pipeline) together with shares in WorldAce Investments Ltd, shares in Stimul-T, certain bank accounts and inventories are pledged as a security for the Macquarie loan facility agreement. All of this security will be released once the loan is repaid.

During the year the Group was in breach of certain financial and non-financial covenants and conditions subject to the loan agreement, relating primarily to receipt of certain amount of cash by sale of oil and certain financial ratios.

Arawak Energy loan facility

On 30 May 2012, the Group signed a three-year loan agreement with Arawak Energy Russia B.V. for US\$15 million. The loan carries an interest rate of LIBOR plus 6%. In addition, 4,000,000 warrants were granted to Arawak as part of the loan agreement. Total transaction costs incurred in 2012 amounted to US\$0.35 million and are applied against the proceeds. The effective interest rate will be applied to the liability to accrete the transaction costs over the period of the loan. Interest is payable monthly and the principal is repayable in one instalment on 30 May 2015. The loan is secured on PetroNeft's 50% interest in Russian BD Holdings B.V. In July 2013, pursuant to an internal re-organisation, Arawak Energy Russia B.V. assigned the loan to its sister company Belgrave Naftogas B.V. The loan will be repaid in full from the proceeds of the Oil India transaction.

The loan arrangement constitutes a compound financial instrument under IAS 32 *Financial Instruments: Presentation* comprising loans and borrowing and an equity component (warrants). These warrants granted to Arawak should be accounted for separately. Using the split accounting method, a value of US\$0.2 million was allocated to the equity component which has been credited to reserves in 2012.

12. Related party disclosures

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

Vakha Sobraliev, a Director of PetroNeft, is the principal of LLC Tomskburneftegaz ("TBNG") 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 relationship PetroNeft 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.

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Notes to the Final Results

For the year ended 31 December 2013

12. Related party disclosures (continued)

The following is a summary of the transactions:

	2013		2012	
	TBNG	Other companies	TBNG	Other companies
	US\$	US\$	US\$	US\$
Year ended				
Maximum value of new contracts awarded during the year	-	-	441,264	-
Paid during the year for drilling and related services	1,527,850	-	9,834,779	-
Paid during the year for other services	-	128,416	-	491,339
Amount due to TBNG and related companies at year-end	1,962,797	138	1,922,796	24,743
Received during the year for sundry goods and services	49,445	-	15,501	-
Amount due from TBNG and related companies at year-end	6,839	3,283	66,228	3,534

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:

	2013		2012	
	TBNG	Other companies	TBNG	Other companies
	US\$	US\$	US\$	US\$
Year ended				
Maximum value of new contracts awarded during the year	-	-	-	-
Paid during the year for drilling and related services	-	-	1,375,582	-
Amount due to TBNG and related companies at year-end	-	-	-	-
Amount due from TBNG and related companies at year-end	7,968	-	8,578	-

The Group provided various goods and services to the jointly controlled entity Russian BD Holdings B.V. and its wholly-owned subsidiary Lineynoye during 2013 amounting to US\$193,841 (2012: US\$332,424). An amount of US\$731,503 (2012: US\$657,492) is outstanding from these entities at 31 December 2013 while an amount of US\$86,972 (2012: US\$18,241) is payable.

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Notes to the Final Results

For the year ended 31 December 2013

12. Related party disclosures (continued)

The following transactions occurred between Lineynoye, Russian BD Holdings B.V. and the Company:

	Lineynoye US\$	Russian BD Holdings B.V. US\$
At 1 January 2012	230,650	58,326
Advanced during the year	-	631,500
Transactions during the year	-	118,025
Interest accrued in the year	-	17,930
Repaid during the year	(235,734)	(174,350)
Translation adjustment	5,084	-
At 1 January 2013	-	651,431
Advanced during the year	-	15,000
Transactions during the year	-	111,904
Interest accrued in the year	-	32,222
Repaid during the year	-	(96,529)
Translation adjustment	-	3,162
At 31 December 2013	-	717,190

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 Stimul-T, along with both the Chief Geologist and Chief Engineer of LLC Stimul-T. Their remuneration during the year was as follows:

Remuneration of key management

	2013 US\$	2012 US\$
Compensation of key management	1,799,937	1,559,195
Contributions to defined contribution pension plan	40,784	39,382
Share-based payment expense	258,258	484,718
	2,098,979	2,083,295

The total amount of unpaid fees and expenses due to Directors as at 31 December 2013 was US\$400,036 (2012: US\$152,101).

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For the year ended 31 December 2013

12. Related party disclosures (continued)

Transactions with subsidiaries

The Company had the following transactions with its subsidiaries during the years ended 31 December 2013 and 2012:

	LLC Stimul-T US\$	Granite Construction US\$	WorldAce Investments US\$
Loans			
At 1 January 2012	92,673,293	1,447,983	15,902,416
Advanced during the year	2,200,000	-	9,220,360
Technical and management services provided	200,744	-	-
Interest accrued in the year	6,943,637	133,184	-
Translation adjustment	996,533	-	10,362
Repaid during the year	(1,090,000)	-	-
At 1 January 2013	101,924,207	1,581,167	25,133,138
Technical and management services provided	198,750	-	41,627
Interest accrued in the year	6,767,453	105,375	-
Impairment of loans receivable and interest in the year	(46,287,424)	-	-
Repaid during the year	(5,230,000)	(650,000)	-
Translation adjustment	(1,481,277)	-	8,525
Balance 31 December 2013	55,891,709	1,036,542	25,183,290
Capital contributions			
Share-based payment 2012	571,864	24,832	-
Share-based payment 2013	221,744	38,959	-

13. Important Events after the Balance Sheet Date

On 17 March 2014, the Company announced a US\$6.7 million fund raise consisting of US\$5.2 million of new equity and an additional US\$1.5 million loan from Arawak Energy. The purpose of this funding was to fund the purchase of supplies during the winter period in Russia in order that once the funding situation was fully solved the drilling programme could re-commence.

On 17 April 2014, the Company entered into a legally-binding agreement with Oil India Limited for the Licence 61 Farmout, more details of which are included in Note 2.

14. Approval of financial statements

The 2013 consolidated financial statements were approved, and authorised for issue, by the Board of Directors on 26 June 2014.

15. Board approval

This announcement was approved by the Board of Directors of PetroNeft Resources plc on 26 June 2014.

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.
AMI	Area of Mutual Interest.
Arawak	Arawak Energy Russia B.V.
bbbl	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.
CSR	Corporate and Social Responsibility.
Custody Transfer Point	Facility/location at which custody of oil transfers to another operator.
ESM	Enterprise Securities Market of the Irish Stock Exchange.
Exploration resources	An undrilled prospect in an area of known hydrocarbons with unequivocal four-way dip closure at the reservoir horizon.
Group	The Company and its 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 Group's Exploration and Production Licence in the Tomsk Oblast, Russia. It contains seven known oil fields, Lineynoye, Tungolskoye, West Lineynoye, Arbuzovskoye, Kondrashevskoye, Sibkrayevskoye and North Varyakhs koye and 27 Prospects and Leads that are currently being explored.
Licence 61 Farmout	An agreement whereby Oil India Limited will subscribe 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 will both hold 50% of the voting shares, and through the shareholders agreement, both parties will have joint control of WorldAce with PetroNeft continuing as operator
Licence 67	The Group's Exploration and Production Licence in the Tomsk Oblast, Russia. It contains two oil fields, Ledovoye and Cheremshanskoye and several potential prospects.
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.

PetroNeft Resources plc

GLOSSARY (continued)

mmbbls	Million barrels.
mmbo	Million barrels of oil.
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 PetroNeft, based in the Russian Federation.
TSR	Total Shareholder Return.
VAT	Value Added Tax.
WAEP	Weighted Average Exercise Price.
WorldAce	WorldAce Investments Limited, a wholly owned subsidiary of PetroNeft, registered in Cyprus.