Dear Shareholder

I am pleased to enclose the 2010 Annual Report which includes on pages 61 and 62 the notice of the Annual General Meeting (the “AGM”) which will be held at the Herbert Park Hotel, Ballsbridge, Dublin 4 at 11.00 am on Wednesday 22 June 2011. Also enclosed is the form of proxy in relation to the AGM.

I am writing to you to explain the resolutions to be considered as special business at the AGM, all of which the Board is recommending for your approval. I draw your particular attention to resolutions 6, 9 and 10 as detailed below.

In addition to the ordinary business to be transacted at the AGM, there are various items of special business which are described further below.

SPECIAL BUSINESS AT AGM

Increase in authorised share capital of the Company – Resolution 6
Shareholders are being asked to increase the authorised share capital of the Company from €6,000,000 divided into 600,000,000 Ordinary Shares of €0.01 each to €8,000,000 by the creation of 200,000,000 new Ordinary Shares of €0.01 ranking equally in all respects with the other existing issued and unissued Ordinary Shares of €0.01 each. This will allow for more flexibility for the Company in the future.

Authority to allot relevant securities – Resolution 7
Shareholders are being asked to renew the Directors’ authority to allot relevant securities, within the meaning of Section 20 of the Companies (Amendment) Act, 1983, up to an amount equal to the nominal amount of the authorised but unissued share capital as at the date and time of the AGM. A similar resolution has been passed at all previous AGMs.

Disapplication of pre-emption rights – Resolution 8
Shareholders are being asked to renew the authority to disapply the strict statutory pre-emption provisions in the event of a rights issue or in any other issue up to an aggregate amount equal to 10% of the nominal value of the Company’s issued ordinary share capital as at 22 June 2011. This authority will expire on the earlier of the date of the next annual general meeting of the Company held after the date of passing of this Resolution and the close of business on 22 September 2012. A similar resolution has been passed at all previous AGMs.

Obligation on shareholders to notify the Company of their interests – Resolution 9
Shareholders are being asked to amend the Articles of Association (“Articles”) of the Company to insert a new Article No. 140 which requires shareholders who hold 3% or more of the issued share capital (“Significant Shareholders”) to notify the Company if they engage in a transaction involving their shares which causes that Significant Shareholder’s total shareholding to increase or decrease through a single percentage point. The new Article also carries an obligation on any person to notify the Company if that person either becomes or ceases to be a Significant Shareholder.

Resolution 9 is being proposed to ensure that the Company has full knowledge of transactions involving Significant Shareholders so as to ensure it is in compliance with AIM Rule 17 which requires the Company to make a Regulatory Information Service announcement listing certain specified details of any transactions involving Significant Shareholders.

Resolution 9 also contains changes to the Articles concerning such matters as the Company’s power to issue redeemable shares, its power to purchase its own shares, its borrowing powers, procedure for proxy voting and the appointment of proxies, the ability of the Company to notify shareholders electronically with the shareholders’ consent and certain other changes which the Company believes will bring its Articles in line with best practice.
Insertion of object permitting entry by the Company into certain financial transactions – Resolution 10
Shareholders are being asked to alter the Memorandum of Association of the Company by inserting a new object which would give the Company flexibility to enter into financial transactions including hedging arrangements and certain arrangements as are set out in the new object.

A copy of the Memorandum and Articles of Association showing the changes that would be made if Resolutions 9 and 10 are passed are available at http://petroneft.com and may also be inspected at the registered office of the Company. A copy showing these amendments may also be inspected at the AGM.

FURTHER ACTION
A form of proxy for use at the AGM is enclosed. To be valid, the form of proxy must be completed and returned to the Company’s Registrars, Computershare Investor Services (Ireland) Limited, R.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland no later than 11:00am on Monday, 20 June 2011. Alternatively, you may appoint a proxy electronically, by visiting the website of Computershare Investor Services (Ireland) Limited at www.eproxyappointment.com using the control number 910871. You will need your shareholder identification number and your PIN number, which can be found on your form of proxy. The completion and lodging of a form of proxy will not prevent you from attending and voting in person at the meeting should you so wish.

Recommendation
Your Board considers that the proposals set out above are in the best interests of shareholders as a whole and, accordingly, your Board recommends that you vote in favour of the resolutions at the AGM.

Yours sincerely,

G. David Golder
Chairman
20 May 2011