

PetroNeft Resources plc

Final Results

for the year ended 31 December 2012

PetroNeft Resources plc

Chairman's Statement

A challenging year

2012 was a difficult year for the Group. Exploration discoveries and operational successes like the pressure maintenance programme at Pad 1 in the Lineynoye oil field and the development of our second producing field at Arbuzovskoye were unable to fully compensate for the poor results from the previous year's drilling on Pad 2 at Lineynoye. As a result production and cash flows were lower than expected which restricted availability under our Macquarie debt facility and thus impeded our ability to carry out the investment programmes necessary to realise the full potential of our portfolio.

Operations

The Pad 1 wells which were drilled in 2010 have responded well to the pressure maintenance programme that we initiated in June 2011 and production here is stable with minimal decline. In the first quarter of 2012 we constructed a ten kilometre pipeline and utility line to connect the Arbuzovskoye oil field to the central processing facilities at Lineynoye. The Arbuzovskoye No. 1 exploration well was brought into production through the pipeline in May 2012 and production drilling commenced in August 2012 with good results achieved in the wells drilled to date.

The annual report details much of the innovative work that has been done to move forward with the development at Arbuzovskoye and understand the problem at Pad 2 so that it could be remedied and avoided in the future. It has been determined that there was a deterioration in rock quality and oil saturation as we got lower structurally in the Pad 2 area, which cannot be effectively remediated. In our other discovered fields we should be able to avoid this issue as most of our reserves are located higher structurally than the existing wells that have been tested successfully.

Reserves

In early 2012 the Company successfully completed the last exploration well on Licence 67 from the 2011 programme at the Ledovoye oil field where two oil pools were encountered. At Licence 61 we carried out a project to reinterpret the seismic data in the central to northern end of the licence area using the most up to date well information and more modern software since the last remapping in 2007. It shows that the southern end of Arbuzovskoye appears to be slightly smaller than previously interpreted and that both Tungolskoye and Sibkrayevskoye appear to be larger than previously interpreted.

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 stand at 117 million barrels, essentially unchanged from the previous assessment. This, combined with the portfolio of undrilled but seismically-defined structures in the north and south of Licence 61, confirms the Group's strong reserve base.

Ryder Scott did not update the reserves in Licence 67 as further work is required to establish the full potential of this Licence. Studies are now underway to better define the three new oil pools discovered at Cheremshanskoye and two oil pools at Ledovoye.

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	8.9	30.9	39.6
Tungolskoye	2.7	19.7	24.7
Kondrashevskoye	1.8	5.0	6.2
Arbuzovskoye	2.3	6.5	8.2
Sibkrayevskoye	3.7	53.0	67.3
North Varyakhskoye	0.8	1.9	2.4
	20.2	117.0	148.4
Licence 67			
Ledovoye	1.5	14.0	17.4
Total net to PetroNeft	21.7	131.0	165.8

PetroNeft Resources plc

Chairman's Statement (*continued*)

Key Financial Metrics

	2012 US\$	2011 US\$
Revenue	34,581,257	29,031,693
Cost of sales	(30,134,453)	(25,598,616)
Gross profit	4,446,804	3,433,077
Gross margin	13%	12%
<i>Administrative expenses</i>		
Overheads	(6,313,028)	(5,848,021)
Share-based payment expense	(977,030)	(1,108,446)
Other foreign exchange (gain)/loss	(90,533)	159,244
	<u>(7,380,591)</u>	<u>(6,797,223)</u>
Foreign exchange gain/(loss) on intra-Group loans	4,538,236	(5,114,345)
Impairment of oil and gas properties	-	(5,000,000)
Finance costs	(4,216,548)	(2,501,070)
Loss for the year attributable to equity holders of the Parent	(4,566,143)	(17,913,356)
Capital expenditure in the year	14,270,220	52,136,170
Net proceeds of equity share issues	16,256,115	-
Bank and cash balance at year end (including restricted cash)	7,939,422	6,030,005
Total debt at year end (undiscounted)	36,500,000	35,000,000

Net Loss

The net loss for the year decreased to US\$4,566,143 from US\$17,913,356 in 2011. The decrease in the net loss can be attributed to an improvement in gross margin as a result of increased production and oil price, an impairment of oil and gas properties of US\$5,000,000 in 2011 and a foreign exchange gain of US\$4,538,236 (2011: loss of US\$5,114,345) on US Dollar denominated loans from PetroNeft to its wholly owned subsidiary, Stimul-T whose functional currency is the Russian Rouble. This gain arises due to the strengthening of the Russian Rouble against the US Dollar in the last year. Administrative expenses were largely consistent with 2011.

Revenue, Cost of Sales and Gross Margin

Revenue from oil sales was US\$34,581,257 for the year (2011: US\$29,031,693). Cost of sales includes depreciation of US\$4,219,955 (2011: US\$3,968,704). 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 806,761 barrels of oil (2011: 748,079 barrels) in the year or an average of 2,204 bopd (2011: 2,050 bopd) and sold 812,006 barrels of oil (2011: 719,422 barrels) achieving an average oil price of US\$42.86 per barrel (2011: US\$40.35 per barrel). The increase in production and barrels sold is a result of more wells producing in 2012. All of our oil was sold on the domestic market in Russia.

PetroNeft Resources plc

Chairman's Statement (*continued*)

Finance Costs

Finance costs of US\$4,216,548 (2011: US\$2,501,070) 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 increase is the addition of the new loan from Arawak during the year along with a higher average outstanding balance on the Macquarie loan.

Finance Revenue

Finance revenue of US\$77,233 (2011: US\$59,854) primarily arises from interest earned on bank deposits.

Taxation

The current tax charge arises on interest earned from bank deposits. The deferred tax charge arises on interest earned by PetroNeft on loans to its wholly owned subsidiary Stimul-T.

Cost management

A number of initiatives during the year were undertaken to reduce and manage costs. While the average number of employees in the Group for the year was 188 this had reduced to 170 by year end. This has been achieved through a hiring embargo whereby department managers must first try to reallocate duties of a departing employee to other employees and can only replace a departing employee having demonstrated that this is not possible. Also, when the Arbuzovskoye oil field was brought into operation we reallocated existing employees from Lineynoye to operate the Arbuzovskoye oil field. With very few exceptions no pay rises have been awarded since January 2011.

Also during 2012 we renegotiated the contract with our supplier of electric submersible pumps ("ESP"). The cost of renting, maintaining and repairing ESPs is the largest operating cost in the field after wages and salaries. We agreed a contract to essentially fix the cost of rental, maintenance and repair of ESPs. This ensures that these costs are predictable based on the number of wells in operation.

Capital Investment

During 2012 the capital expenditure was lower than 2011 as the Group concentrated on bringing the Arbuzovskoye field into year round production including:

- Stocking Arbuzovskoye for drilling up to 10 wells.
- Construction of a ten kilometre pipeline and utility line from Lineynoye to Arbuzovskoye.
- Drilling four new wells at Arbuzovskoye.
- Mobilising two exploration rigs and stocking for same at Licence 61.

In early 2013 an additional two oil production wells and one water source well were drilled at the Arbuzovskoye oil field and, funding permitting, the Group intends to drill at least three further production wells at Arbuzovskoye as well as two exploration/delineation wells at Sibkrayevskoye and West Lineynoye and commence a programme of seismic acquisition at Sibkrayevskoye later in 2013.

Current and Future Funding of PetroNeft

In October 2012 a revised borrowing base was agreed with Macquarie Bank Limited whereby US\$7.5 million was repaid from the proceeds of an equity issue completed in November 2012 and US\$1 million was converted to shares of PetroNeft at 5 pence per share. It was also agreed to commence monthly repayments of US\$650,000 on 31 March 2013. These repayments have now commenced and the Company is meeting them from its own resources. In addition, the revised borrowing base is subject to certain financial covenants and lender approvals for the application of certain funds typical of a facility of this nature.

The Macquarie loan matures in May 2014 at which time a final payment of US\$8.4 million, net of US\$4 million in restricted cash held by Macquarie, will be required. The Group is evaluating a number of alternatives to refinance or repay its debt facilities and strengthen its financial position well in advance of that date.

PetroNeft Resources plc

Chairman's Statement (*continued*)

In order to continue the development and exploration of our assets we need to strengthen the Group's financial position. In consultation with major shareholders and finance providers we have concluded that a farmout of up to 50% of Licence 61 while remaining as operator could represent the best way to achieve this goal. In that regard we have contracted Evercore Partners, a London based financial adviser and M&A specialist with proven experience in Russia and the FSU, to conduct a formal process to seek an industry partner to join in the development and exploration of the licence. We have set up an extensive electronic data room and are in detailed discussions with a number of potential partners and hope these discussions will come to fruition in the coming months. We are also in discussions with a number of Russian and international banks with a view to re-financing the existing debt facilities. While the board will evaluate both these alternatives, we remain convinced that a farmout of Licence 61 represents the best strategic option for generating shareholder value by supporting the Group's ambitious investment plans for Licence 61 and optimising the use of our existing infrastructure in the region.

These circumstances represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern which is described in more detail in Note 2.

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 170 employees.

I would like to thank all of our employees for their dedication and their hard work in 2012.

Summary

With the Arbuzovskoye, Sibkroyevskoye and Tungolskoye oil fields the Group 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. This is an attractive proposition for a new partner or financier with a long-term view and 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.

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 2012 was a challenging year operationally and in the overall market, shareholders should not lose sight of the 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 once the necessary funding is available.

Annual report and AGM

The annual report will be mailed to shareholders and published on the Company's website on 28 June 2013. The annual general meeting will be held in Dublin on 11 September 2013.

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 through the past year.

David Golder
Non-Executive Chairman

PetroNeft Resources plc

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 US\$	2011 US\$
<i>Continuing operations</i>			
Revenue		34,581,257	29,031,693
Cost of sales		<u>(30,134,453)</u>	<u>(25,598,616)</u>
Gross profit		4,446,804	3,433,077
Administrative expenses		(7,380,591)	(6,797,223)
Impairment of oil and gas properties	5	-	(5,000,000)
Exchange gain/(loss) on intra-Group loans		<u>4,538,236</u>	<u>(5,114,345)</u>
Operating profit/(loss)		1,604,449	(13,478,491)
Profit on disposal of subsidiary undertaking		-	223,222
Loss on disposal of oil and gas properties	5	(19,231)	(391,188)
Share of joint venture's net loss	8	(223,472)	(334,363)
Finance revenue		77,233	59,854
Finance costs		<u>(4,216,548)</u>	<u>(2,501,070)</u>
Loss for the year for continuing operations before taxation		(2,777,569)	(16,422,036)
Income tax expense		(1,788,574)	(1,491,320)
Loss for the year attributable to equity holders of the Parent		<u>(4,566,143)</u>	<u>(17,913,356)</u>
Loss per share attributable to equity holders of the Parent			
Basic and diluted - <i>US Dollar cent</i>	4	(1.03)	(4.30)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 US\$	2011 US\$
Loss for the year attributable to equity holders of the Parent	(4,566,143)	(17,913,356)
Currency translation adjustments	2,406,068	(1,802,179)
Total comprehensive loss for the year attributable to equity holders of the Parent	<u>(2,160,075)</u>	<u>(19,715,535)</u>

PetroNeft Resources plc

Consolidated Balance Sheet

As at 31 December 2012

	<i>Note</i>	2012 US\$	2011 US\$
Assets			
Non-current Assets			
Oil and gas properties	<i>5</i>	105,097,756	92,697,976
Property, plant and equipment	<i>6</i>	1,696,626	1,925,938
Exploration and evaluation assets	<i>7</i>	28,294,677	24,552,717
Equity-accounted investment in joint venture	<i>8</i>	3,819,142	3,851,880
		<u>138,908,201</u>	<u>123,028,511</u>
Current Assets			
Inventories		1,711,417	1,856,813
Trade and other receivables		1,320,032	2,810,459
Cash and cash equivalents	<i>9</i>	3,939,422	1,030,005
Restricted cash	<i>9</i>	4,000,000	5,000,000
		<u>10,970,871</u>	<u>10,697,277</u>
Total Assets		<u><u>149,879,072</u></u>	<u><u>133,725,788</u></u>
Equity and Liabilities			
Capital and Reserves			
Called up share capital		8,561,499	5,636,142
Share premium account		136,762,387	122,431,629
Share-based payments reserve		6,266,045	4,894,985
Retained loss		(48,357,296)	(43,791,153)
Currency translation reserve		(5,224,443)	(7,630,511)
Other reserves		336,000	336,000
Equity attributable to equity holders of the Parent		<u>98,344,192</u>	<u>81,877,092</u>
Non-current Liabilities			
Provisions		1,843,790	1,147,988
Interest-bearing loans and borrowings	<i>10</i>	14,559,722	-
Deferred tax liability		4,871,227	3,157,557
		<u>21,274,739</u>	<u>4,305,545</u>
Current Liabilities			
Trade and other payables		8,909,830	12,938,593
Interest-bearing loans and borrowings	<i>10</i>	21,350,311	34,604,558
		<u>30,260,141</u>	<u>47,543,151</u>
Total Liabilities		<u>51,534,880</u>	<u>51,848,696</u>
Total Equity and Liabilities		<u><u>149,879,072</u></u>	<u><u>133,725,788</u></u>

PetroNeft Resources plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital US\$	Share premium US\$	Share-based payment and other reserves US\$	Currency translation reserve US\$	Retained loss US\$	Total US\$
At 1 January 2011	5,624,840	122,082,388	3,977,064	(5,828,332)	(25,877,797)	99,978,163
Loss for the year	-	-	-	-	(17,913,356)	(17,913,356)
Currency translation adjustments	-	-	-	(1,802,179)	-	(1,802,179)
Total comprehensive loss for the year	-	-	-	(1,802,179)	(17,913,356)	(19,715,535)
Share options exercised in year	11,302	349,241	-	-	-	360,543
Share-based payment expense	-	-	1,108,446	-	-	1,108,446
Share-based payment expense - Macquarie warrants	-	-	145,475	-	-	145,475
At 31 December 2011	5,636,142	122,431,629	5,230,985	(7,630,511)	(43,791,153)	81,877,092
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	-	-	-	2,406,068	-	2,406,068
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 (Note 10)	-	-	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

PetroNeft Resources plc

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	<i>Note</i>	2012 US\$	2011 US\$
Operating activities			
Loss before taxation		(2,777,569)	(16,422,036)
Adjustments to reconcile loss before tax to net cash flows			
Non-cash			
Depreciation		4,637,596	4,293,949
Impairment of oil and gas properties		-	5,000,000
Loss on disposal of oil and gas properties		19,231	391,188
Profit on disposal of subsidiary undertaking		-	(223,222)
Share of loss in joint venture		223,472	334,363
Share-based payment expense		977,030	1,108,446
Finance revenue		(77,233)	(59,854)
Finance costs		4,216,548	2,501,070
Working capital adjustments			
Decrease in trade and other receivables		1,603,422	3,372,948
Decrease/(increase) in inventories		383,541	(646,118)
(Decrease)/increase in trade and other payables		(1,837,731)	6,285,719
Income tax paid		(186,675)	(68,029)
Net cash flows received from operating activities		7,181,632	5,868,424
Investing activities			
Purchase of oil and gas properties		(18,479,654)	(32,967,288)
Advance payments to contractors		(119,159)	(199,568)
Purchase of property, plant and equipment		(15,529)	(570,396)
Proceeds from disposal of property, plant and equipment		3,549	-
Exploration and evaluation payments		(1,787,260)	(6,629,469)
Investment in joint venture undertaking		-	(3,850,000)
Decrease/(increase) in restricted cash		1,000,000	(2,500,000)
Interest received		52,714	55,861
Net cash used in investing activities		(19,345,339)	(46,660,860)
Financing activities			
Proceeds from issue of share capital		17,210,475	-
Transaction costs of issue of shares		(954,360)	-
Proceeds from exercise of options		-	360,543
Proceeds from loan facilities		15,000,000	37,000,000
Transaction costs on loans and borrowings		(350,811)	(472,696)
Repayment of loan facilities		(12,500,000)	(16,212,000)
Interest paid		(3,340,504)	(1,729,447)
Net cash received from financing activities		15,064,800	18,946,400
Net increase/(decrease) in cash and cash equivalents		2,901,093	(21,846,036)
Translation adjustment		8,324	94,160
Cash and cash equivalents at the beginning of the year		1,030,005	22,781,881
Cash and cash equivalents at the end of the year	9	3,939,422	1,030,005

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

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 28 June 2013.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts. Both reports were unmodified, but the 2012 report 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 2012 financial year-end:

	Effective date
<i>IAS 12 Income Taxes (Amendment)</i>	1 January 2012
<i>IFRS 7 Financial Instruments – Disclosures (Amendment)</i>	1 July 2011

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

2. Going concern

In October 2012 a revised borrowing base was agreed with Macquarie Bank Limited ("Macquarie") whereby US\$7.5 million was repaid from the proceeds of an equity issue completed in November 2012 and US\$1 million was converted into shares of PetroNeft at 5 pence per share. It was also agreed to commence monthly repayments of US\$650,000 on 31 March 2013. The revised borrowing base is subject to certain financial covenants and lender approvals for the application of funds typical of a facility of this nature and are subject to periodic review. The Company has received waivers from Macquarie in respect of breaches at year-end and for any subsequent breaches to the latest review date. The Macquarie loan matures in May 2014 at which time a final payment of US\$8.4 million (in addition to the US\$4 million restricted cash held by Macquarie) will be required.

In May 2012 PetroNeft entered into a new loan facility for US\$15 million with our partner Arawak Energy Russia B.V. ("Arawak"). This loan carries an interest rate of LIBOR plus 6%. 4,000,000 warrants were granted to Arawak as part of this loan facility. The Arawak loan facility is a three year loan repayable in one lump sum in May 2015. Refer to note 22 for further details.

The Group has analysed its cash flow requirements through to 31 December 2014 in detail. The monthly repayments from operating cash flows of US\$650,000 to Macquarie commenced in March 2013, however, based on our current cash flow forecasts the Group will need to obtain additional funding in order to repay in full the final amount of US\$8.4 million due in May 2014. The cash flow includes estimates for a number of key variables including timing of cash flows of development expenditure, oil price, production rates, and management of working capital. The Directors believe that the Group's cash flow forecasts represent the Group's best estimate of the results over the forecast period as at the date of approval of the financial statements. As part of the Directors' overall consideration of the appropriateness of going concern, the cash flow is stress tested to assess the potential adverse effect arising from reasonable changes in circumstance. It is recognised that the cash flow impact of these changes could result in further funding being required. In addition, under the revised borrowing base the Group has to remain in compliance with certain financial covenants and lender approvals.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

2. Going concern (*continued*)

The Company has entered into discussions with a number of parties and is currently pursuing two independent funding strategies. In consultation with major shareholders and finance providers we have concluded that a farmout of up to 50% of Licence 61, while remaining as operator, represents the best way to provide the necessary finance to strengthen the Group's financial position and allow it to realise the full potential of its substantial asset base. In that regard we have contracted Evercore Partners to run a formal process to seek an industry partner to join in the development and exploration of the licence. We have set up an extensive electronic data room and are in discussions with a number of potential partners. Secondly, we are also in discussions with certain Russian and international banks with a view to re-financing the existing debt facilities, however, the farmout option remains the preference of the Board of Directors. The aim of these discussions is to deliver a long term solution to the Group's finances to enable it to fully exploit its portfolio of reserves and prospects.

While, as at the date of approval of these financial statements, no commitment has been received in respect of either a farmout or re-financing, and there can be no certainty that additional funding will ultimately be received, the Directors remain confident about the outcome of these discussions and the resilience of the Group despite the pressures outlined above.

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, after making enquiries, and considering the uncertainties described above, the Directors are confident that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Accordingly, these 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 2012

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.

Non-current assets

Assets are allocated based on where the assets are located:

	2012 US\$	2011 US\$
Russia	138,899,550	123,019,068
Ireland	8,651	9,443
	<u><u>138,908,201</u></u>	<u><u>123,028,511</u></u>

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

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.

Numerator	2012 US\$	2011 US\$
Loss attributable to equity shareholders of the Parent for basic and diluted loss	(4,566,143)	(17,913,356)
	<u>(4,566,143)</u>	<u>(17,913,356)</u>
Denominator		
Weighted average number of Ordinary Shares for basic and diluted earnings per Ordinary Share	444,974,000	416,224,994
	<u>444,974,000</u>	<u>416,224,994</u>
Diluted weighted average number of shares		
	<u>444,974,000</u>	<u>416,224,994</u>
Loss per share:		
Basic and diluted - <i>US dollar cent</i>	(1.03)	(4.30)

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 2012 and 2011.
- Warrants – At 31 December 2012, 14,100,000 (2011: 6,700,000) Ordinary Shares are subject to warrants being exercised. These potential Ordinary Shares are anti-dilutive for the years ended 31 December 2012 and 2011.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

5. Oil and gas properties

	Wells US\$	Equipment and facilities US\$	Pipeline US\$	Total US\$
Cost				
At 1 January 2011	35,213,042	13,553,500	14,174,036	62,940,578
Transfer from exploration and evaluation assets	2,803,399	111,368	-	2,914,767
Additions	30,033,170	13,846,905	51,406	43,931,481
Disposals	(19,843)	(127,661)	(249,045)	(396,549)
Translation adjustment	(4,418,308)	(1,826,123)	(660,975)	(6,905,406)
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 31 December 2012	75,359,259	28,168,900	16,403,020	119,931,179
Depreciation				
At 1 January 2011	550,067	216,050	30,660	796,777
Charge for the year	3,476,558	816,099	96,576	4,389,233
Impairment	5,000,000	-	-	5,000,000
Depreciation on disposals	(500)	(4,126)	(735)	(5,361)
Translation adjustment	(314,243)	(69,603)	(9,908)	(393,754)
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 31 December 2012	12,679,952	1,913,201	240,270	14,833,423
Net book values				
At 31 December 2012	62,679,307	26,255,699	16,162,750	105,097,756
At 31 December 2011	54,899,578	24,599,569	13,198,829	92,697,976

The net book value at 31 December 2012 includes US\$8,369,828 (2011: US\$24,395,926) in respect of assets under construction, which are not yet being depreciated.

Expenditure of US\$11,842,430 was incurred mainly in connection with the Arbuzovskoye oil field, primarily relating to production wells and oilfield infrastructure.

In November 2011 the Board sanctioned the development of the Arbuzovskoye oilfield. Exploration and evaluation costs of US\$2,914,767 in relation to the Arbuzovskoye oilfield were transferred to oil and gas properties.

Loss on disposal of oil and gas properties

During 2011, the Group disposed of pipeline and facilities relating to the decommissioning of the Lineynoye No. 1 well and the conversion of the Lineynoye No. 6 well to a water injection well resulting in a loss on disposal of US\$391,188.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

5. Oil and gas properties (continued)

Impairment loss

No impairment was recognised in 2012. In 2011, an impairment of US\$5 million was recognised in respect of the Lineynoye oil field. The trigger for the 2011 impairment test was primarily the effect of lower than expected production from Pads 2 and 3 at the Lineynoye oil field during the year. An impairment test in 2012 was triggered by a reduction in reserves at the Arbuzovskoye oil field as a result of thinner than expected net pays in some new wells drilled there in the year and a narrowing of the southern end of the structure based on a new seismic interpretation carried out. In addition, the reduction in the market capitalisation of the Company below the carrying value of the net assets of the Group was also an indicator of potential impairment of the carrying value of oil and gas properties and exploration and evaluation expenditure as a whole.

In assessing whether impairment is required, the carrying value of an asset or cash-generating unit ("CGU") is compared with its recoverable amount. The recoverable amount is the higher of the asset's/CGU's fair value less costs to sell and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Consequently, the recoverable amount used in assessing the impairment charges described below is value in use. The Group generally estimates value in use using a discounted cash flow model.

Key assumptions used in value-in-use calculations for the Lineynoye and Arbuzovskoye oil fields

The calculations of value-in-use for the Lineynoye and Arbuzovskoye oil field CGU are most sensitive to the following assumptions:

- Production volumes.
- Discount rates.
- Crude oil prices.

Estimated production volumes are based on detailed data for the fields and take into account development plans for the fields agreed by management as part of the long-term planning process and estimated by Ryder Scott Petroleum Consultants in their report on the Group's reserves. It is estimated that, if all production were to be reduced by 15% for the whole of the next 20 years, this would not be sufficient to reduce the excess of recoverable amount over the carrying amounts of the CGU to zero. Consequently, management believes no reasonably possible change in the production assumption would cause the carrying amount of the CGU to exceed the recoverable amount.

The Group generally estimates value in use for the oil exploration and production CGU and total oil and gas properties using a discounted cash flow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 17% that reflects current market assessments of the time value of money and the risks specific to the asset. This discount rate is derived from the Group's post-tax weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the asset/CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest bearing borrowings the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Management also believes that currently there is no reasonably possible change in discount rate which would cause the carrying amount of the oil and gas properties to exceed their recoverable amount.

The long-term forecast Urals blend oil price used of US\$95 per barrel is based on management's estimates and available market data. It is estimated that if the long-term price of Urals blend crude oil fell by 15% for the whole of the next 20 years, this would not be sufficient to reduce the excess of recoverable amount over the carrying amounts of the oil and gas properties to zero. Consequently, management believes no reasonably possible change in the oil price assumption would cause the carrying amount of oil and gas properties to exceed their recoverable amount.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

6. Property, Plant and Equipment

	Buildings & leasehold improvements US\$	Plant and machinery US\$	Motor vehicles US\$	Total US\$
Cost				
At 1 January 2011	1,099,715	1,119,864	123,597	2,343,176
Additions	-	745,073	-	745,073
Translation adjustment	(52,992)	(116,255)	(5,927)	(175,174)
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 31 December 2012	1,102,684	1,854,724	123,995	3,081,403
Depreciation				
At 1 January 2011	89,472	547,893	31,595	668,960
Charge for the year	66,787	288,205	27,149	382,141
Translation adjustment	(10,008)	(50,117)	(3,839)	(63,964)
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 31 December 2012	218,464	1,082,298	84,015	1,384,777
Net book values				
At 31 December 2012	884,220	772,426	39,980	1,696,626
At 31 December 2011	900,472	962,701	62,765	1,925,938

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

7. Exploration and evaluation assets

	Exploration & Evaluation Expenditure US\$
Cost	
At 1 January 2011	21,391,491
Additions	7,459,616
Reclassification to oil and gas properties	(2,914,767)
Translation adjustment	(1,383,623)
At 1 January 2012	24,552,717
Additions	2,412,261
Translation adjustment	1,329,699
At 31 December 2012	28,294,677
Net book values	
At 31 December 2012	28,294,677
At 31 December 2011	24,552,717

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 Sibkrayevskaya and North Varyakhs kaya prospects and the Kondrashevskoye oilfield.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

8. 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 2011	-
Subsidiary undertaking becoming joint venture	445,748
Investment	3,850,000
Retained loss	(334,363)
Translation adjustment	(109,505)
At 1 January 2012	3,851,880
Retained loss	(223,472)
Translation adjustment	190,734
At 31 December 2012	3,819,142

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

Summarised Financial statements of equity-accounted Joint Venture (50% share)

	2012 US\$	2011 US\$
Sales and other operating revenues	-	-
Operating expenses	(196,468)	(176,278)
Exchange loss	8,890	(149,640)
Finance revenue	1,719	1,408
Finance costs	(30,437)	(9,496)
Loss before taxation	(216,296)	(334,006)
Taxation	(7,176)	(357)
Loss for the period	(223,472)	(334,363)

	2012 US\$	2011 US\$
Current assets	61,672	532,830
Non-current assets	4,647,923	3,906,526
Total assets	4,709,595	4,439,356
Current liabilities	(29,413)	(6,136)
Non-current liabilities	(861,040)	(581,340)
Total liabilities	(890,453)	(587,476)

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

9. Cash and Cash Equivalents and Restricted Cash

	2012 US\$	2011 US\$
Cash at bank and in hand	3,939,422	1,030,005
Restricted cash	4,000,000	5,000,000
	<hr/> <u>7,939,422</u>	<hr/> <u>6,030,005</u>

At 31 December 2012 restricted cash amounting to US\$4 million 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.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

10. Loans and borrowings

	Effective interest rate %	Maturity	2012 US\$	2011 US\$
Interest-bearing				
<i>Current liabilities</i>				
Macquarie Bank - US\$75,000,000 loan facility	9.79%	31 May 2014	21,350,311	29,628,011
Arawak - US\$5,000,000 loan	9.11%	31 May 2012	-	4,976,547
<i>Total current liabilities</i>			<u>21,350,311</u>	<u>34,604,558</u>
<i>Non-current liabilities</i>				
Arawak - US\$15,000,000 loan	7.16%	30 May 2015	14,559,722	-
<i>Total non-current liabilities</i>			<u>14,559,722</u>	<u>-</u>
Total loans and borrowings			<u>35,910,033</u>	<u>34,604,558</u>
Contractual undiscounted liability			<u>36,500,000</u>	<u>35,000,000</u>

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.

Total transaction costs incurred in 2011 amounted to US\$0.6 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. 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. It was also agreed that monthly repayments of US\$650,000 will commence on 31 March 2013.

In August 2012, the Group re-negotiated certain conditions in the US\$75 million loan facility with Macquarie, mainly around covenants and its repayment schedule. The actual loan facility is still available subject to certain conditions and the coupon payable on the loan outstanding is unchanged. As part of the re-negotiations, Macquarie were awarded 3,400,000 new warrants, and all warrants granted in prior years (6,700,000 warrants) were re-priced. On the basis that Macquarie committed significant technical, engineering and legal resources to negotiating and agreeing the loan facility and subsequent draw downs, all warrants granted to Macquarie in prior years were in lieu of arrangement fees. The costs of the warrants fall within the scope of IFRS 2 Share-based Payment. This share-based payment expense constitutes a transaction cost under IAS 39 Financial Instruments: Recognition and Measurement and is included in the initial carrying amount of the loan facility and amortised over the duration of the loan. The new 3,400,000 warrants granted to Macquarie in 2012 were granted as a facilitation fee and have been accounted as a transaction fee in accordance with IFRS 2. The charge associated with these new warrants of US\$0.1 million has been applied against the loan.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

10. Loans and borrowings (continued)

The original costs of the re-priced warrants were largely expensed at the time of re-pricing. The incremental costs of US\$0.1 million between the fair value of original award re-calculated at the re-pricing date and the fair value of the re-priced warrants were applied against the loan.

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.

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. These conditions were waived by Macquarie such that the Group was not in breach as at the year-end. However as the waiver did not extend to more than 12 months after the year-end, all of the Macquarie debt is classified as repayable within one year. Because of these breaches, the Group is currently not in a position to draw down any further amount under its loan facility agreement.

Arawak Energy Russia B.V. loan facility

The US\$5 million loan from Arawak Energy Russia B.V. was a general purpose short-term bridge loan in advance of a larger three year-term loan which was completed in May 2012. It was repayable on 31 May 2012 out of the proceeds of the three-year loan. Total transaction costs, incurred in 2011 amounted to US\$33,535 and are applied against the proceeds. The initial short-term bridge loan was unsecured

On 30 May 2012, the Group signed a new three-year loan agreement with Arawak 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.

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.

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

11. Related party disclosures

Transactions between PetroNeft Resources plc and its subsidiaries, Stimul-T, Granite, Pervomayka, Dolomite, World Ace Investments 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.

The following is a summary of the transactions:

	2012		2011	
	TBNG US\$	Other companies US\$	TBNG US\$	Other companies US\$
Year ended 31 December				
Maximum value of new contracts awarded during the year	441,264	-	18,500,000	-
Paid during the year for drilling and related services	9,834,779	-	20,156,252	-
Paid during the year for other services	-	491,339	-	1,292,074
Amount due to TBNG and related companies at 31 December	1,922,796	24,743	4,363,262	185,412
Received during the year for sundry goods and services	15,501	-	73,883	-
Amount due from TBNG and related companies at 31 December	66,228	3,534	44,805	2,592

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:

	2012		2011	
	TBNG US\$	Other companies US\$	TBNG US\$	Other companies US\$
Year ended 31 December				
Maximum value of new contracts awarded during the year	-	-	5,200,000	-
Paid during the year for drilling and related services	1,375,582	-	3,461,009	-
Amount due to TBNG and related companies at 31 December	-	-	549,178	-

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

11. Related party disclosures (continued)

The Group provided various goods and services to the jointly controlled entity Russian BD Holdings B.V. and its wholly-owned subsidiary LLC Lineynoye during 2012 amounting to US\$332,424 (2011: US\$2,165,377). An amount of US\$657,492 (2011: US\$520,921) is outstanding from these entities at 31 December 2012 while an amount of US\$18,241 (2011: US\$Nil) is payable.

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

	Lineynoye	Russian BD Holdings B.V.
	US\$	US\$
At 1 January 2011	2,145,688	-
Advanced during year	3,350,000	-
Transactions during year	-	521,639
Interest accrued in year	112,035	-
Repaid during year	(5,288,118)	(463,313)
Translation adjustment	(88,955)	-
At 1 January 2012	230,650	58,326
Advanced during year	-	631,500
Transactions during year	-	118,025
Interest accrued in year	-	17,930
Repaid during year	(235,734)	(174,350)
Translation adjustment	5,084	-
At 31 December 2012	-	651,431

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

Remuneration of key management

	2012	2011
	US\$	US\$
Compensation of key management	1,559,195	1,730,623
Contributions to defined contribution pension plan	39,382	40,677
Share-based payment expense	484,718	512,727
	2,083,295	2,284,027

PetroNeft Resources plc

Notes to the Final Results

For the year ended 31 December 2012

11. Related party disclosures (continued)

Transactions with subsidiaries

The Company had the following transactions with its subsidiaries during the years ended 31 December 2012 and 2011:

	Stimul-T US\$	Granite Construction US\$	WorldAce Investments US\$
Loans			
At 1 January 2011	63,242,415	818,776	8,606,499
Advanced during year	25,450,000	500,000	7,304,909
Technical and management services provided	206,242	-	-
Interest accrued in year	5,907,541	129,207	-
Translation adjustment	(1,250,000)	-	-
Repaid during year	(882,905)	-	(8,992)
At 1 January 2012	92,673,293	1,447,983	15,902,416
Advanced during year	2,200,000	-	9,220,360
Technical and management services provided	200,744	-	-
Interest accrued in year	6,943,637	133,184	-
Translation adjustment	996,533	-	10,362
Repaid during year	(1,090,000)	-	-
At 31 December 2012	101,924,207	1,581,167	25,133,138
Capital contributions			
Share-based payment 2011	654,031	35,418	-
Cash contributions 2011	-	130,000	-
Share-based payment 2012	571,864	24,832	-
Cash contributions 2012	-	-	-

12. Approval of financial statements

The financial statements were approved, and authorised for issue, by the Board of Directors on 21 June 2013.

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.
bbl	Barrel.
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.
ESPO pipeline	East Siberia-Pacific Ocean pipeline which is expected to be completed in 2012.
Exploration resources	An undrilled prospect in an area of known hydrocarbons with unequivocal four-way dip closure at the reservoir horizon.
Hydraulic fracturing, fracture stimulation	The process of cracking open the rock formation around a well bore to increase productivity.
Group	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 Varyakhskoye and 27 Prospects and Leads that are currently being explored.
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.
mambo	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.
Pervomayka	Limited Liability Company Pervomayka, a wholly owned subsidiary of PetroNeft, registered in the Russian Federation.
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.