

PetroNeft Resources plc
Preliminary Results for the Year Ended 31st December 2006

PetroNeft Resources plc ('PetroNeft' or 'the Company'), the oil exploration and production company with assets in Tomsk Oblast, Western Siberia, is pleased to report its preliminary results for the year ended 31st of December 2006.

Operational Highlights

- Revised Competent Persons' Report by Ryder Scott in September 2006 established Proved and Probable (P1 + P2) reserves at 33.5 million bbls in two proven oil fields, Lineynoye and Tungolskoye. Possible (P3) reserves are estimated by Ryder Scott at 290 million bbls in the two fields and 20 prospects.
- Commencement of 2006/2007 winter drilling and seismic work programme:
 - Drilling has commenced on the first well of the 2006/2007 three well drilling programme designed to confirm reservoir parameters, upgrade reserves and significantly expand the company's reserve base. Results from the first well are expected in May.
 - Acquisition of 540 line kms of new high resolution 2D seismic data was completed on March 15, 2007 which fulfils the Licence obligation to acquire 1,000 kms of seismic data.
- Preliminary Development Feasibility Study, including planned pipeline development and funding requirements on the Lineynoye and Tungolskoye Oil Fields, was completed in February 2007.
- Development of the Company's Human Resources continues. The Russian management has been strengthened by a number of new appointments in the legal, technical and environmental disciplines. Plans are in place to appoint a Chief Financial Officer for the Company in the near future.

Financial Highlights

- Private placement raising US\$8 million completed in February 2006.
- Admission to AIM and IEX Markets completed on September 27, 2006, raising a further US\$15.5 million.
- Cash balance of US\$12.9 million as at 31 December 2006.
- Loss of US\$0.99 million

Dennis Francis, CEO of PetroNeft Resources plc commented:

"These results draw a line under our successful start up period and have provided the launchpad for operational and financial progress. Our oversubscribed fundraisings have left us fully funded for our current operational programme.

The seismic and drilling programmes are designed to develop our excellent portfolio of assets, both in terms of reserves base, reserves upgrades and identifying new drilling prospects. We are currently back on schedule in spite of weather delays early this winter and look forward to results later this year.

Our preliminary development feasibility study on the Lineynoye and Tungolskoye Oil Fields will enable us to meet our primary goals - targeting the earliest possible production date, providing positive cashflow and creating value for our shareholders."

April 3, 2007

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Chairman's Statement

I am pleased to report a year of excellent progress for PetroNeft in 2006.

Since PetroNeft's formation in 2005, the Board and Management have worked steadily to maximise the value of the Group's acreage in Western Siberia and to develop the Company's access to long term equity and debt capital to fund its operations and field development plan. Admission to the AIM and IEX markets was key to this, raising \$15.5 million in September 2006. The IPO introduced the company to and increased our profile within international capital markets, which in turn has created numerous valuable relationships which are being actively developed with an eye to the future.

A primary objective of the Company is to create value for our shareholders by commencing oil production in the Company's "Core Area", Licence 61 in the Tomsk Oblast of the Russian Federation, in 2009. In order to meet this objective, drilling has commenced on the first well of a three well 2006/2007 winter programme which is designed to confirm reservoir parameters and to expand the Company's reserve base. An initial Feasibility Study for the development of the Lineynoye and Tungolskoye Oil Fields has already been completed, which will save time in the funding and development process towards first production.

Over the next several months there will be continuous movement towards this objective, most notably through test results from the wells that are currently or soon will be drilling and through ongoing discussions with finance providers. The results of these wells will allow us to refine the Feasibility Study to a "Bankable" stage and to progress through the field development's planning and permitting phases later this year and next. In the long term, PetroNeft aims to fund its business through a suitable mixture of debt and equity, enabling an acceleration of development activity thereby maximising returns to shareholders. The wider business environment, both within Russia and on international Oil markets, remains positive and supports the Company's development objectives.

In addition, the Company is focusing exploration on the wider Licence 61 area, in order to define and increase our reserve base in the area. Extensive seismic surveys are being used to refine established Prospects and to detect new ones. This winter has seen an additional acquisition of 540 line kms of 2D seismic. This work will lead to ongoing drilling activity in future years.

In addition to our efforts on License 61, we are constantly studying New "Core Areas", both in the Tomsk Region and elsewhere within the Russian Federation, that would add value to PetroNeft by increasing and diversifying the asset base. These must obviously pass the Company's strict screening process before we make any decision on a transaction.

Development of the company's human resources also continues. Plans are in place to appoint a Chief Financial Officer for the company in the near future, and our Russian management team in Tomsk has already been strengthened with a number of new appointments in the legal, technical and environmental disciplines.

PetroNeft's strategy is based on a deep understanding of the oil and gas business in Russia, a commitment to the maximisation of local content and employment, and the application of rigorous technical, commercial and financial investment screening criteria. Historically, exploration and development activity in Russia has been driven by Major Oil Companies or State Enterprises and targetted towards the discovery and development of large fields. This approach, while effective in respect of major projects, can result in smaller accumulations being overlooked. As a result, very attractive opportunities exist for smaller companies who can combine technical expertise with local knowledge. The PetroNeft Board and the Company's regional management has over 150 years experience in doing business in Russia, including a detailed knowledge of geology, field development, environmental and permitting arrangements and commercial opportunities. This has enabled PetroNeft to secure access to high quality acreage and staff, to access services and supplies in a competitive market and to maintain control over the execution of our work programmes. The combination of these skills and the large potential of the Company's acreage means the outlook for 2007 and beyond is very exciting.

In its short history, PetroNeft has already added significant value to its assets and built a strong team with a clear strategy. None of this would have been possible without the dedication of our personnel and the support of our shareholders. I offer my gratitude for your confidence in and loyalty to the business and management to date, and hope that you will continue to support the Company for many years to come.

G. David Golder
Chairman

Overview of Operations

General

PetroNeft Resources plc, through its wholly owned Russian subsidiary OOO Stimul-T, holds a 100% interest in Licence 61 in the Tomsk Oblast in Western Siberia. Licence 61 covers an area of 4,991 sq. kms, equivalent in size to about 24 UK North Sea blocks, in the prolific West Siberian Oil and Gas Basin. Licence 61 contains two proven oil fields, Lineynoye and Tungolskoye, that were discovered by a State Exploration Enterprise in the early 1970s. The Company views the Licence as a "Core Area", with oil production potential over a long period of time from both proven oil fields and numerous identified exploration prospects.

Reserves

Since acquiring the Licence the Company has reprocessed and reinterpreted 2,650 line kms of previous 2D seismic data using modern technology. In addition, the well logs from 14 previous wells drilled on Licence 61 have been digitised and reinterpreted. The Company also acquired 515 line kms of 2D seismic data in the winter season 2005/2006. Based on this data US petroleum consultants' Ryder Scott Company estimated that Licence 61 contains the following oil reserves and exploration resources as of 1st September 2006;

- **Lineynoye and Tungolskoye Oil Fields;**

Proved (P1) + Probable (P2) =	37.1 million barrels
Possible (P3) =	33.5 million barrels
Total (P1+P2+P3) =	70.6 million barrels

- **Twenty Prospects and Five Potential Prospects (Leads);**

Possible (P3) =	253 million barrels
Exploration Resources (P4) =	100 million barrels

Note – 67 million bbls of the above P3 Reserves are within the West Lineynoye Prospect which will be drilled this season (Lineynoye No. 7 well).

Exploration and Appraisal Drilling Programme

The two key objectives of the Company, with regard to Licence 61, are to commercialise the existing discoveries and to determine the full upside reserve potential of the area as timely as possible. The work programmes completed in 2006 and commencing in the winter season of 2006/2007 were designed to meet these objectives.

Turnkey Drilling Contracts are in place to drill three wells as part of the 2006/2007 winter season, which has recently commenced. Two of these wells, Lineynoye No. 6 and Tungolskoye No. 4, will be on the proven oil fields in order to confirm the reservoir data from the 1970s vintage discovery wells and provide further input into a Final (Bankable) Development Feasibility Study expected to be completed in the 3rd/4th quarter of 2007. The Lineynoye No. 6 well was spudded on March 4th and it is anticipated that the well will be drilled, logged and tested by early May. The Tungolskoye No. 4 site has been prepared and the drilling rig is currently being assembled. This well is expected to spud in late April/early May and it is anticipated that the well will be drilled, logged and tested within approximately 70 days of commencement.

The third well, Lineynoye No. 7, will be drilled on the high impact/low risk West Lineynoye Prospect with potential for an additional 67 million barrels of 2P reserves. It should be noted that the Lineynoye No. 5 well tested oil from 2.3 meters of net pay just above the oil water contact on the eastern end of this prospect in 1974. A successful Lineynoye No. 7 well could triple the Proved and Probable reserve base of the Company over the next year.

Due to unusually warm weather conditions in Western Siberia this winter there was some delay in getting all necessary equipment to the drill sites per the Company's original schedule. We anticipated using one of the drilling rigs to drill two locations. As a result of the weather delays a third rig has been mobilised to drill the Lineynoye No. 7 well to enable all three wells to be completed on schedule. Site preparation is currently underway for Lineynoye No. 7 and it is anticipated the well will spud in May and be drilled, logged and tested within approximately 70 days of commencement. The positive outcome of this now overcome delay is that the company will have three rigs available (rather than the original two) for minimal additional cost and near to site for the winter 2007-2008 operational campaign.

Seismic Programme

The 2006/2007 winter seismic programme, to acquire an additional 540 kms of high resolution 2D seismic data, was completed on schedule on March 15, 2007. This programme was designed to upgrade the definition of known prospects on the Licence. The results will be used in designing the 2007/2008 winter drilling programme and in the Final Development Feasibility Study. The Company has now acquired 1,055 kms of 2D seismic data which fulfils the Licence obligation to acquire 1,000 line kms of seismic data in the first three years of the Licence.

Development Feasibility Study

A Preliminary Feasibility Study for the development of the Lineynoye and Tungolskoye Oil Fields has now been completed by a Russian Institution. The purpose of the Study was to evaluate the oil reserves and the economics of the oil fields, and it will be used as part of the approval process required for development in the Tomsk Oblast and the Russian Federation. As stated above, the results of all three wells and some of the current seismic acquisition will be incorporated into a Final Feasibility Study, which will be used for approval of the project and to assist us in seeking development financing.

The Company intends to finalise and sanction the development plan for the Lineynoye and Tungloskoye fields by September 2007. A primary objective of the Company is to commence year round oil production via an export pipeline from the Licence 61 "Core Area" in 2009.

Business Development

While the Company's primary focus is developing the Licence 61 "Core Area", other business opportunities that can meet the Company's strict technical and legal screening process are also being sought. The Company's long term business strategy is to leverage its current resources and knowledge base to add reserves to its existing Core Area and to create other Core Areas in the Russian Federation.

Human Resources

Development of the company's human resources is another critical objective that is ongoing. The Russian management team in Tomsk has already been strengthened by a number of new appointments in the legal, technical and environmental disciplines. Plans are also in place to appoint a Chief Financial Officer for the company in the next few months.

Conclusion

2007 promises to be an exciting year for the company, with drilling results and other development milestones expected on a regular basis. Considering the exploration upside of Licence 61, the existing Proved and Probable reserves, and the Company's strong international and local management team, the future of PetroNeft looks very bright.

Finance Review

PetroNeft's principal financial achievements during 2006 were the completion of two successful equity fundings, which raised a total of US\$23.5 million, and the cost effective execution of a seismic survey and related technical activities in preparation for the current drilling campaign. Due to the nature of its operations, the company made a loss of \$0.99 million or 0.75c per share, while cash on hand at 31 December of \$12.9 million remains sufficient to fund the 2007 drilling and seismic activities and make preliminary arrangements for operations over the coming winter.

The Company's January 2006 funding, which was undertaken on a phased basis, enabled PetroNeft to undertake an active programme of seismic acquisition and reprocessing, along with preliminary reservoir engineering and development studies focused on the existing proven discoveries within Licence 61.

Following this work, the decision was taken to commit to a three well drilling programme, along with additional seismic work covering further prospects within Licence 61. To achieve this, the Company raised US\$15.5 million through a successful Initial Public Offering on the AIM and IEX markets in September. This oversubscribed offering, achieved under challenging market conditions, along with the encouraging subsequent performance of the Company's shares, has established PetroNeft's long term access to equity capital. In the event of success and ultimate development of discoveries, the Company plans to supplement its equity base with appropriate debt funding, and introductory discussions in this regard have already been initiated.

One of the priorities of PetroNeft's management has been careful management of the Company's financial resources. Consequently, the three-well 2007 drilling programme has been undertaken via a turnkey contract, a decision which has been highly effective given the challenging weather conditions and delays encountered in January and February. The group has also entered into a number of hedge contracts to limit its exposure to fluctuations in the Ruble exchange rate. This will remain an important aspect of the Company's risk management policies as the business expands over the coming years.

Over the remainder of 2007, the Company will continue to build its finance team and seek to secure the necessary funding to allow the objective of first oil to be achieved in 2009.

Financial Reports

PetroNeft Resources plc

Consolidated Income Statement

Year ended 31 December 2006

(unaudited)

	Year ended 31 December 2006 US\$	Period ended 31 December 2005 US\$
Turnover	-	-
Administrative expenses	(1,070,950)	(241,331)
Other income	25,262	-
Operating loss	(1,045,688)	(241,331)
Interest receivable	66,249	
Interest payable and similar charges	(13,905)	(19,083)
Retained loss for the period	<u>(993,343)</u>	<u>(260,414)</u>
Loss per share:		
Basic	-0.75 c	-.29c
Diluted	-0.53 c	-.29c

PetroNeft Resources plc

Consolidated Balance Sheet

as at 31 December 2006

(unaudited)

	2006	2005
	US\$	US\$
Non-Current Assets		
Property, plant and equipment	328,522	169,937
Other intangible assets	10,639,292	6,093,657
Other assets	3,689,480	-
	<u>14,657,293</u>	<u>6,263,594</u>
Current Assets		
Trade and other receivables	43,792	451,323
Cash and cash equivalents	12,872,316	256,208
	<u>12,916,108</u>	<u>707,531</u>
Total Assets	<u><u>27,573,401</u></u>	<u><u>6,971,125</u></u>
Equity and Liabilities		
Capital and Reserves		
Called up share capital	2,132,436	1,052,260
Share premium account	26,048,130	4,861,880
Other Reserves	219,197	-
Profit and loss account	(1,253,757)	(260,414)
Equity attributable to equity holders of the parent	<u>27,146,006</u>	<u>5,653,726</u>
Current Liabilities		
Trade and other payables	427,395	1,317,399
Total Liabilities	427,395	1,317,399
Total Equity and Liabilities	<u><u>27,573,401</u></u>	<u><u>6,971,125</u></u>

PetroNeft Resources plc

Cash Flow Statement

Year ended 31 December 2006

(unaudited)

	Year ended	Period ended
	31 December 2006	31 December 2005
	US\$	US\$
Net loss before interest and income tax	(1,045,688)	(241,331)
Adjustments for:		
Share based payments charge	219,197	0
Depreciation for - Property, plant and equipment	17,725	910
Operating profit before working capital changes	<u>(808,766)</u>	<u>(240,421)</u>
Increase in trade receivables	407,531	(451,323)
(Decrease)/Increase in trade payables	(890,004)	1,317,399
Cash generated from operations	<u>(1,291,239)</u>	<u>625,655</u>
Interest received/(paid)	52,344	(19,083)
Net cash flow from operating activities	<u>(1,238,894)</u>	<u>606,572</u>
Investing activities		
Purchase of property, plant and equipment	(176,309)	(170,847)
Purchase of other intangible assets	(4,545,635)	(6,093,657)
Payment for other assets	(3,689,480)	
Net cash used in investing activities	<u>(8,411,424)</u>	<u>(6,264,504)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	22,266,426	5,914,140
Net cash received from financing activities	<u>22,266,426</u>	<u>5,914,140</u>
Net increase in cash and cash equivalents	12,616,108	256,208
Cash and Cash equivalents at the beginning of the period	256,208	
Cash and cash equivalents at the end of the period	<u><u>12,872,316</u></u>	<u><u>256,208</u></u>