

**PetroNeft Resources plc**  
**Interim Results for the Half Year Ended 30th June 2007**

PetroNeft Resources plc ('PetroNeft' or 'the Company'), the oil exploration and production company with assets in the Tomsk Oblast, Western Siberia, Russia, is pleased to report its results for the half year ended 30 June 2007.

**Operational Highlights**

- Successful 2006/2007 three well drilling and seismic programmes:
  - **Lineynoye No. 6** appraisal well intersected 11.2 metres of net oil pay and has been successfully tested at an unstimulated stabilised flow of 100 bopd. The well will be put on pilot production/long term flow test this winter.
  - **Tungolskoye No. 4** appraisal well intersected 15 metres of net oil pay. The well is now being sidetracked to fully test the relevant reservoir interval. Results are expected in mid to late October.
  - **Lineynoye No. 7** exploration well confirmed 2 metres of net oil pay at West Lineynoye which will become our third field with proved reserves. This interval is currently being flow tested.
  - Acquisition of 540 line kms of new high resolution 2D seismic data completed March 15, 2007. Fulfills the Licence obligation to acquire 1,000 kms of 2D seismic data.
- Preliminary Development Feasibility Study, including planned pipeline development and funding requirements on the Lineynoye and Tungolskoye Oil Fields completed in February 2007.

**Financial Highlights**

- Natixis Bleichroeder appointed as joint broker on May 21, 2007. Davy continues to act as joint broker and nominated adviser and IEX adviser.
- Cash balance of US\$6.38 million as at 30 June 2007.
- US \$15.26 million (gross) fund raising from international institutional investors was completed on 11 July 2007. The offering was oversubscribed with four Directors participating.
- The net proceeds of the Placing will be used to finance the Company's 2007/08 exploration, delineation, pre-development project activities and for corporate and administration expenses.

**Outlook**

- The export pipeline survey from the Lineynoye and Tungolskoye fields to the Transneft pipeline at the Raskino pumping station is currently underway. PetroNeft remains committed to first production date in 2009.
- 2007/2008 three well winter drilling programme will seek to further delineate the newly discovered West Lineynoye Oil Field and to drill two exploration prospects. These two prospects, Korchevskaya and West Korchevskaya, are estimated to contain about 50 million barrels of possible reserves.
- The Company has appointed Mr. Paul Dowling as Chief Financial Officer effective 1st October. Mr. Dowling was most recently a Partner in the firm of LHM Casey McGrath and will be located in Dublin.
- New acquisitions are actively being examined.

Dennis Francis, CEO of PetroNeft Resources plc commented:

"We are delighted with the results of this year's three well drilling programme. Not only have we further delineated the Lineynoye and Tungolskoye Oil Fields, but we have made an exciting new oil field discovery at West Lineynoye. While we will need to sidetrack the Tungolskoye No. 4 well in order to get a representative flow test, we are confident in the oil interval and anticipate a positive result in due course. Each of these results represents a significant step forward in the commercialisation of Licence 61 and are an important component of PetroNeft's long term strategy.

The drilling results have further enhanced our understanding of the reservoir distribution in Licence 61 and have already been factored into next year's three well drilling programme in order to reduce risk.

We are also delighted in the appointment of Mr. Paul Dowling as CFO of PetroNeft. Paul is well known to the management team and will be able to make immediate and long term contributions to our activities"

September 12, 2007

For further information please contact:

Dennis Francis, CEO, PetroNeft Resources plc (Houston)  
+1 713 988 2500

Desmond Burke, Director Investor Relations, PetroNeft Resources plc (Ireland)  
+353 52 53226

John Frain/Brian Garrahy, Davy  
+353 1 679 6363

Damien Mauvais, Natixis Bleichroeder  
+44 207 220 5184

Nick Elwes/Paddy Blewer, College Hill (UK)  
+44 207 457 2020

## Chairman's Statement

It is almost a year since PetroNeft gained admission to the London AIM and Dublin IEX Markets. At time of admission the Company clearly set out its programme and objectives to achieve export oil production from Licence 61, in the Tomsk Oblast of Russia. This programme included the drilling of two delineation wells in known oil fields to confirm reserves there, the drilling of an exploration well to expand the known 2P oil reserves and a wide range of economic, environmental and development studies. These studies were designed to ensure that the necessary reserve base, design engineering and approvals are in place to secure suitable financing. With the major proportion of the programme completed, it is an opportune time to evaluate progress and to assess the Company's position.

Delineation wells have confirmed substantial oil reservoirs at both Lineynoye and Tungolskoye. Oil flow tests have been successfully achieved on the Lineynoye No. 6 well and are in progress on the Tungolskoye No. 4 well. The exploration well on the West Lineynoye prospect is currently being tested and has established a substantial oil column within the structure. When all testing is completed the results of all three wells will be incorporated into a Final Feasibility Study which will be used for approval of the project and to assist in seeking development finance. Whereas Ryder Scott, our external consultant, will not report on the revised reserve position until completion of the programme we anticipate that the discovery at West Lineynoye and the 10 metre lower oil water contact found at Lineynoye will result in a significant increase in our P1 and P2 reserves from those reported last year.

Work on infrastructure development, including all-weather roads, a major river bridge and an oil export pipeline are well advanced. In all its activities PetroNeft seeks to operate in full compliance with its licence terms and all other Russian regulatory requirements.

On the exploration front, a further three well programme has been approved for the 2007/2008 season. Work will begin on this as soon as the three existing rigs, can be moved to the new drilling sites when the ground freezes and winter roads are in place. The potential reserve increase from two exploration wells, Korchedskaya and West Korchedskaya, in this programme is about 50 million barrels. The third well will seek to further delineate the newly discovered West Lineynoye Oil Field.

New acquisitions are actively being examined. We are committed to diversifying and strengthening the Company's portfolio of projects in Russia.

Activity on the corporate side includes the appointment in May 2007 of Natixis as the Company's Joint Broker with Davy. Funds are in place to carry out next season's exploration and evaluation programme, following a placing of ordinary shares of the Company in July raising approximately US\$14.5 million after expenses. I am also very pleased to report that Mr. Paul Dowling will become Chief Financial Officer for the Company commencing in October. Paul brings a wealth of experience that will be a welcome addition to the management team as we continue to grow the Company.

Overall it has been a very productive first half for the Company and progress is expected to continue apace toward development and reserve expansion for the remainder of 2007 and into the future. We look forward to continued shareholder support in building the Company.

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, covering 4991 sq. kms, in the Tomsk Oblast in Western Siberia. Licence 61 contains three proven oil fields, Lineynoye, West Lineynoye and Tungolskoye, The Company views the Licence as a "Core Area", with oil production potential 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 contained the following oil reserves and exploration resources as of 1st September 2006;

- Lineynoye and Tungolskoye Oil Fields;

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

The results of this year's drilling and seismic programmes will now be used by Ryder Scott to prepare a new reserve report for the Licence area. The two exploration prospects, Korchevskaya and West Korchevskaya are included in the possible reserves (P3) above.

### 2006/07 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.

- The Lineynoye No. 6 appraisal well has 11.2 metres of net oil pay and has been successfully tested at a stabilised flow of 100 bopd on a 1/8<sup>th</sup> inch choke. This well will be put on pilot production/long term flow test this winter with the oil being sold to a local Tomsk refinery. The well also lowered the oil water contact (owc) for the Lineynoye Field at least 10 metres which is likely to lead to a modest reserve upgrade for the field.
- The Tungolskoye No. 4 appraisal well has 15 metres of net oil pay based on the core data and independent log interpretations. This represents the best reservoir interval encountered of the 17 wells drilled in the block to date. However, the Company has not to date achieved a representative flow test of this interval due to mechanical problems. The well will now be sidetracked to re-access and fully test the relevant reservoir interval. This process should take about 60 days including mobilisation of necessary equipment and materials. Based on the wire line log and core data from this well, and the historic data from the Tungolskoye No. 1 well which tested 332 bopd from the same interval in 1973, we are confident of a positive result.
- The Lineynoye No. 7 exploration well on the West Lineynoye Prospect was a new oil field discovery. Based on the core and initial log interpretation two metres of net oil pay was confirmed in the Upper Jurassic J1 interval. The data indicates a 22 metre gross oil column in the J1 interval at this location and indicates that the structure is filled with oil to the spill point. This interval is currently being flow tested.

### **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 15 March 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 fulfills the seismic obligation in respect 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 (SNIIGGMS). 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.

The Company intends to finalise and sanction the development plan for the Lineynoye and Tungolskoye fields by early 2008. 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.

### **2007/08 Exploration and Appraisal Drilling Programme**

The results of this year's drilling programme, along with the seismic programmes undertaken over the last two years have already been taken into account in planning next year's three well drilling programme. This three well programme, which is expected to commence in February/March 2008, will seek to further delineate the newly discovered West Lineynoye Oil Field and to drill two exploration prospects in the Tungolskoye-Lineynoye oil productive fairway. These two prospects, Korchevskaya and West Korchevskaya, are estimated to contain about 50 million barrels of possible reserves. These wells will be drilled under a turnkey contract utilising the three drilling rigs currently active or located in Licence 61. The necessary materials for these wells are currently being moved to the Negotka staging area by river barge and will be moved to the well locations when winter roads are in place later this year.

### **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 within the Russian Federation.

### **Overview of Financial Activities**

PetroNef's principal financial achievement during 2007 was the raising of US\$15.26 million from international institutional investors. Davy and Natixis Bleichroeder acted as Joint Brokers to the Placing.

One of the priorities of PetroNef's management has been careful management of the Company's financial resources. Consequently, the three-well 2007/08 drilling programme has been undertaken via a turnkey contract, similar to the 2006/07 drilling programme, a decision which has been highly effective given the challenging weather conditions and delays encountered in December and January. The group has also entered into a number of hedge contracts this past year to limit its exposure to fluctuations in the Ruble exchange rate. This will continue to be reviewed as part 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 production to be achieved in 2009.

### **Conclusion**

2007 has been an exciting year for the Company, with positive delineation drilling results and a new field discovery. The Company is building a strong team with a clear strategy. We are committed to developing both Tomsk Oblast and the wider Russian hydrocarbons industry. PetroNef seeks to operate in full compliance with its licence terms and all other Russian regulatory requirements, including environmental and reserves reporting. 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.

**PetroNeft Resources plc**

**Consolidated Income Statement**

*Six months ended 30 June 2007*

	<i>(unaudited)</i> 6 months ended	<i>(unaudited)</i> 6 months ended	<i>(audited)</i> Year ended 31 December 2006 US\$
	30 June 2007 US\$	30 June 2006 US\$	
<b>Turnover</b>	-	-	-
Administrative expenses	<b>(780,043)</b>	(543,279)	(1,188,952)
Foreign currency gain/(loss)	<b>151,478</b>	(889)	337,199
Share based payments	<b>(450,975)</b>	-	(219,197)
Other income	-	25,262	25,262
<b>Operating loss</b>	<b>(1,079,540)</b>	(518,906)	(1,045,688)
Interest receivable	<b>135,069</b>	-	66,249
Interest payable and similar charges	-	(13,720)	(13,905)
<b>Retained loss for the period</b>	<b>(944,471)</b>	(532,626)	(993,343)
<b>Loss per share:</b>			
Basic	<b>-0.53</b> c	-0.49 c	-0.75 c
Diluted	<b>-0.51</b> c	-0.49 c	-0.53 c

**PetroNeft Resources plc**

**Consolidated Balance Sheet**

as at 30 June 2007

	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	30 June 2007	30 June 2006	31 December 2006
	US\$	US\$	US\$
<b>Non-Current Assets</b>			
Property, plant and equipment	654,260	263,997	328,521
Other intangible assets	20,267,520	8,334,052	10,639,292
Other assets	-	-	3,689,480
	<u>20,921,780</u>	<u>8,598,049</u>	<u>14,657,293</u>
<b>Current Assets</b>			
Trade and other receivables	28,565	1,980,116	43,792
Cash and cash equivalents	6,384,348	2,836,407	12,872,316
	<u>6,412,913</u>	<u>4,816,523</u>	<u>12,916,108</u>
<b>Total Assets</b>	<u><u>27,334,693</u></u>	<u><u>13,414,572</u></u>	<u><u>27,573,401</u></u>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Called up share capital	2,132,436	1,605,845	2,132,436
Share premium account	26,048,130	12,137,364	26,048,130
Share based payments reserve	670,172	-	219,197
Profit and loss account	(2,198,210)	(793,040)	(1,253,757)
<b>Equity attributable to equity holders of the parent</b>	<u>26,652,528</u>	<u>12,950,169</u>	<u>27,146,006</u>
<b>Current Liabilities</b>			
Trade and other payables	682,165	464,403	427,395
<b>Total Liabilities</b>	<u>682,165</u>	<u>464,403</u>	<u>427,395</u>
<b>Total Equity and Liabilities</b>	<u><u>27,334,693</u></u>	<u><u>13,414,572</u></u>	<u><u>27,573,401</u></u>



**PetroNeft Resources plc**

**Cash Flow Statement**

*Six months ended 30 June 2007*

	<i>(unaudited)</i> 6 months ended	<i>(unaudited)</i> 6 months ended	<i>(audited)</i> Year ended  31 December 2006 US\$
	30 June 2007 US\$	30 June 2006 US\$	US\$
<b>Net loss before interest and income tax</b>	<b>(1,079,540)</b>	(518,906)	(1,045,688)
<b>Adjustments for:</b>			
Share based payments charge	450,975	-	219,197
Depreciation for - Property, plant and equipment	19,037	5,451	17,725
<b>Operating profit before working capital changes</b>	<b>(609,528)</b>	(513,455)	(808,766)
Increase in trade receivables	15,227	(1,528,792)	407,531
(Decrease)/Increase in trade payables	254,770	(852,996)	(890,004)
<b>Cash generated from operations</b>	<b>(339,531)</b>	(2,895,243)	(1,291,239)
Interest received/(paid)	135,069	(13,720)	52,344
<b>Net cash flow from operating activities</b>	<b>(204,462)</b>	(2,908,963)	(1,238,894)
<b>Investing activities</b>			
Purchase of property, plant and equipment	(231,570)	(99,510)	(176,309)
Purchase of other intangible assets	(6,051,936)	(2,240,396)	(4,545,653)
Payment for other assets	-	-	(3,689,480)
<b>Net cash used in investing activities</b>	<b>(6,283,506)</b>	(2,339,906)	(8,411,442)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	-	7,829,068	22,266,426
<b>Net cash received from financing activities</b>	<b>-</b>	7,829,068	22,266,426
<b>Net increase in cash and cash equivalents</b>	<b>(6,487,968)</b>	2,580,199	12,616,090
<b>Cash and Cash equivalents at the beginning of the period</b>	<b>12,872,316</b>	256,208	256,208
<b>Cash and cash equivalents at the end of the period</b>	<b>6,384,348</b>	2,836,407	12,872,316

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## Forward Looking Statements

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

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