



## **PetroNeft Resources plc**

**Exploration, Development &  
Production in Russia and the FSU**

**Company Presentation to Shareholders  
June 22, 2011**



# Forward Looking Statements



**This presentation contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil & gas exploration and production business.**

**Whilst PetroNeft believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company's control or within the Company's control where, for example, the Company decides on a change of plan or strategy.**

**PetroNeft undertakes no obligation to revise any such forward-looking statements to reflect any changes in the Company's expectations or any change in circumstances, events or the Company's plans and strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements.**



# Company Overview & Strategy





# Company Overview & Strategy



## Overview

- **Established in 2005 to build a diversified E&P business in Russia**
- Motivated management team with proven experience of exploration, production and corporate development in Russia and abroad
- Company's Licence Areas (Licences 61 & 67) cover 7,438 km<sup>2</sup> in Tomsk Oblast, Western Siberia
- US\$30 million debt facility with Macquarie Bank

## Production

- **Production commenced on schedule in 2010, current production ≈ 2,500 bopd**
- 2010 Development plan including pipeline construction executed on time and on budget
- Development to continue in 2011 with target rate of 4,000 to 5,000 bopd expected end Q1 2012 following fracture stimulation, and 7,000 to 9,000 bopd end Q1 2013

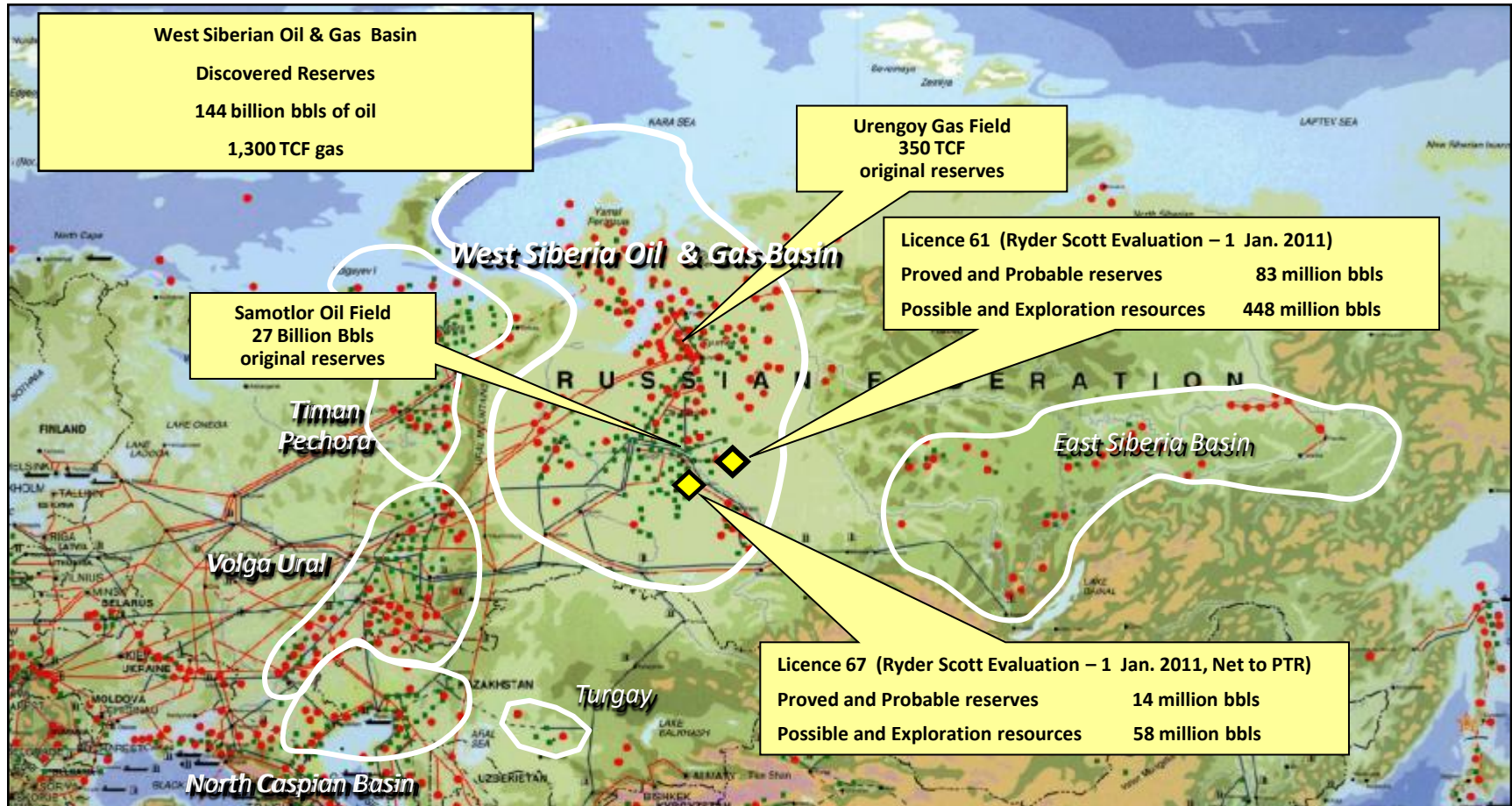
## Exploration

- **Strong Reserve Base with material P3/P4 to 2P upgrades possible from planned exploration programme**
- 2P reserves of 96.9 mmbo and 3P/P4 reserves of > 600 mmbo (Unrisked) [Jan 1, 2011]
- 5 Exploration wells in 2011 from Licence 61 and 67
- New Oil Discovery at Arbuzovskoye and Reserve booking at Ledovoye (Licence 67)
- Reserve upgrade achieved at end of 2010 and more likely in 2011

## Corporate Development

- **Seeking to develop a diverse portfolio of exploration and production assets**
- Focusing on smaller producing oil fields with significant reserves upside
- Significant opportunities for participation in expected licence auctions and corporate / asset acquisitions
- Evaluating a number of opportunities
- Finance with Debt, Equity and/or share swap



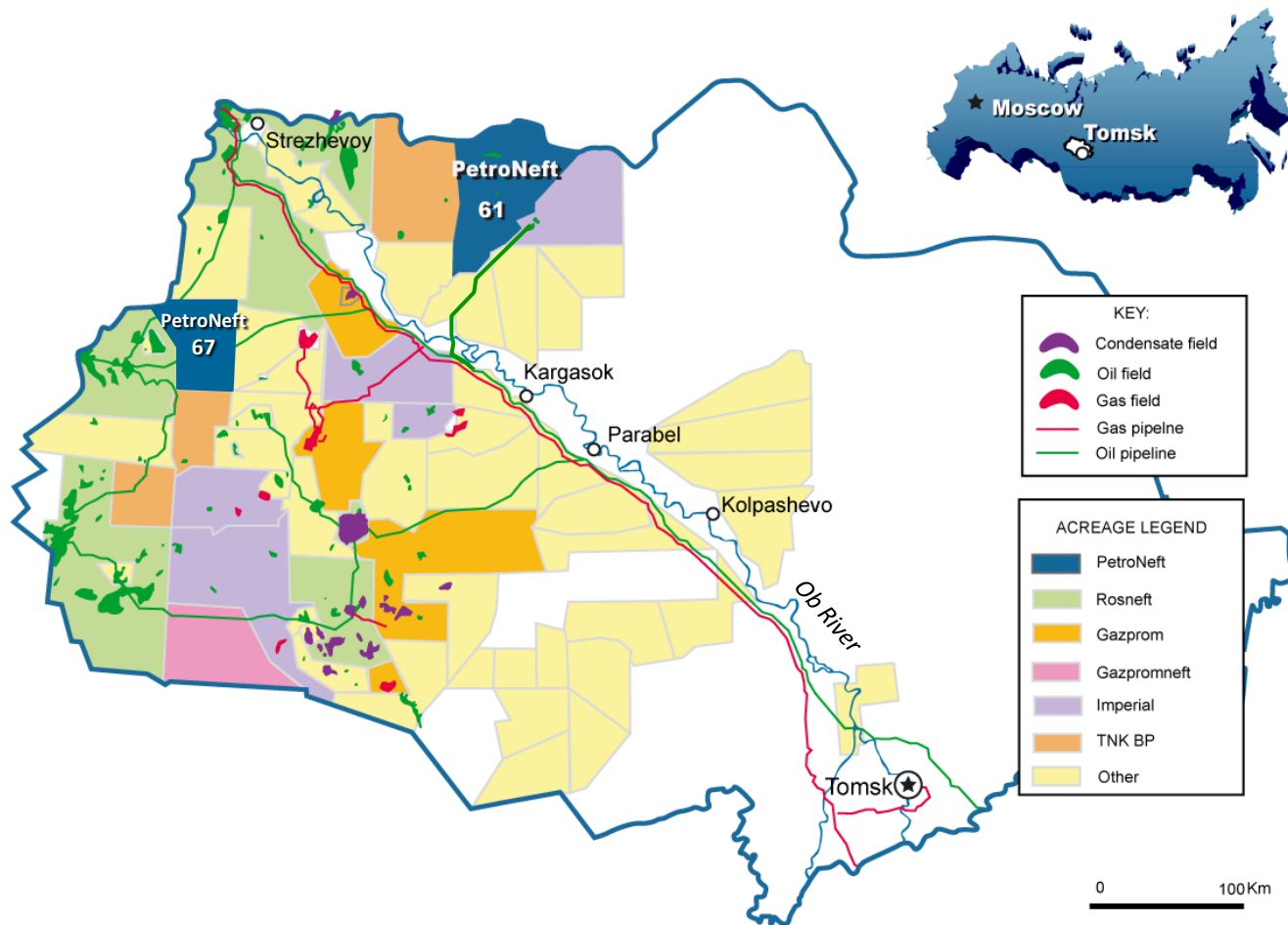


0 1,000  
Kilometers

— Gas Pipeline  
— Oil Pipeline  
● Gas Fields  
● Oil Fields

◆ PN Licences

Source – USGS



## Tomsk Oblast Very Active Region

Rosneft, ONGC/Imperial Energy, TNK-BP, Gazprom, Gazpromneft, local companies



# Licence 61 Field Development Programme





## First Phase - Lineynoye and West Lineynoye

### ➤ 2010 programme:

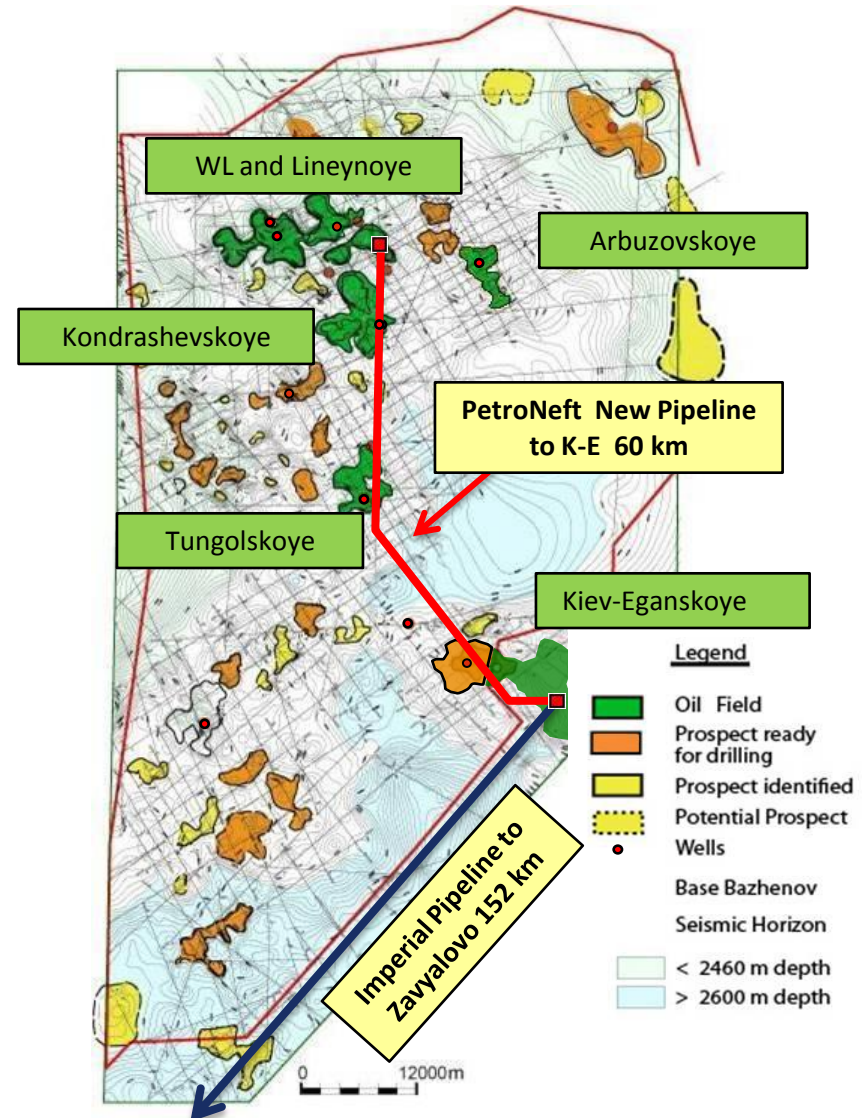
- Construction of 60 km pipeline, oil processing/storage facilities completed
- 9 oil production wells and 1 water source well drilled in 2010
- First pipeline oil production commenced in Aug 2010

### ➤ 2011 programme:

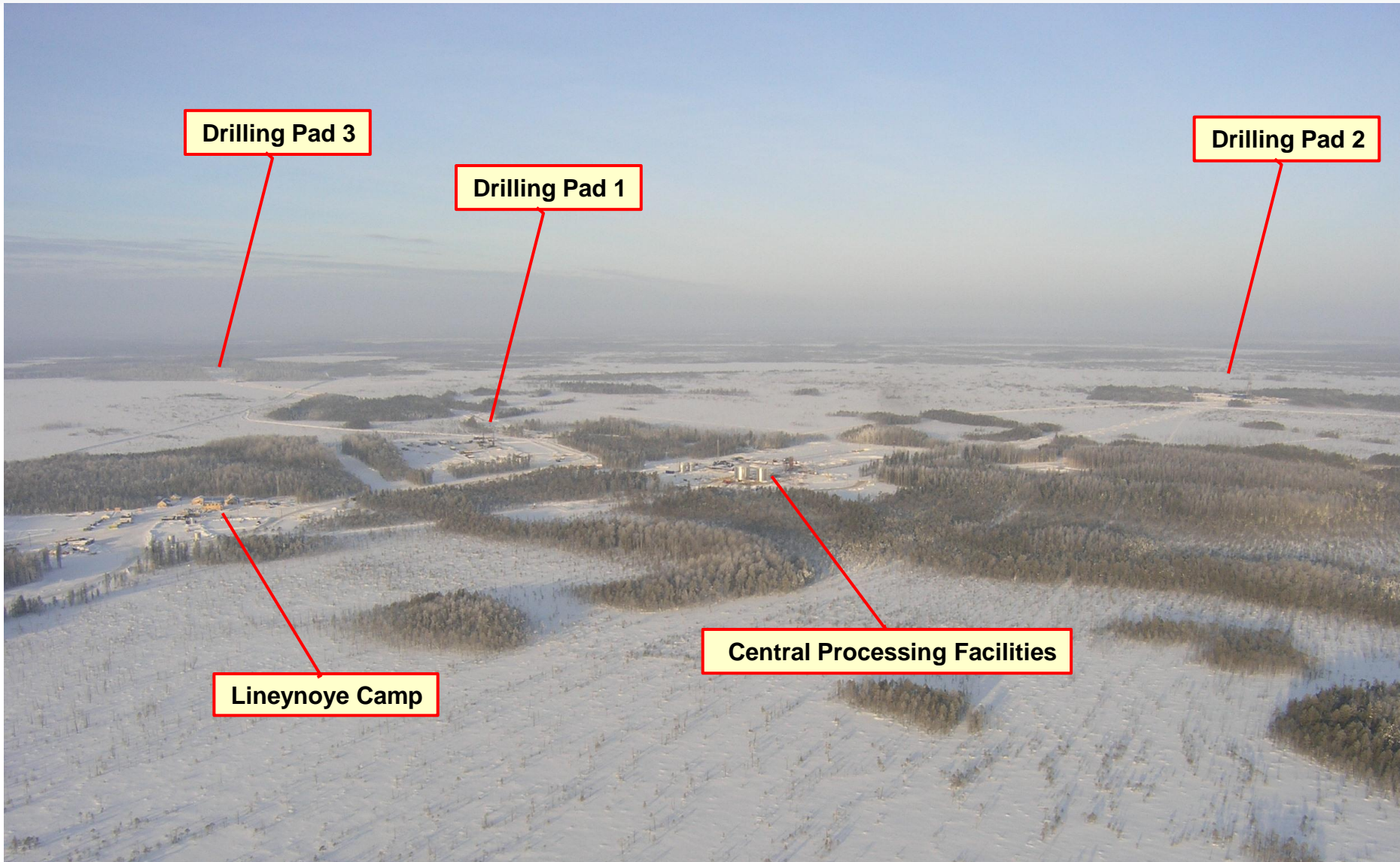
- Hydraulic Fracturing programme on 9 wells @ Pad 1 completed by end Q1 2011
- 17 new production wells planned for 2011 followed by at least another 17 in 2012
- Expand process facilities to 14,800 bpd
- L61 Development now funded through debt and cashflows

## Additional Phases – commencing 2012

- Incremental addition of Arbuzovskoye, Kondrashevskoye, Tungolskoye and other discoveries







# Pad 1 – Frac Design – Grouped by Size



Northwest



Southeast



Well	#	116	114	113	115	1	111	112	6	109	110	117
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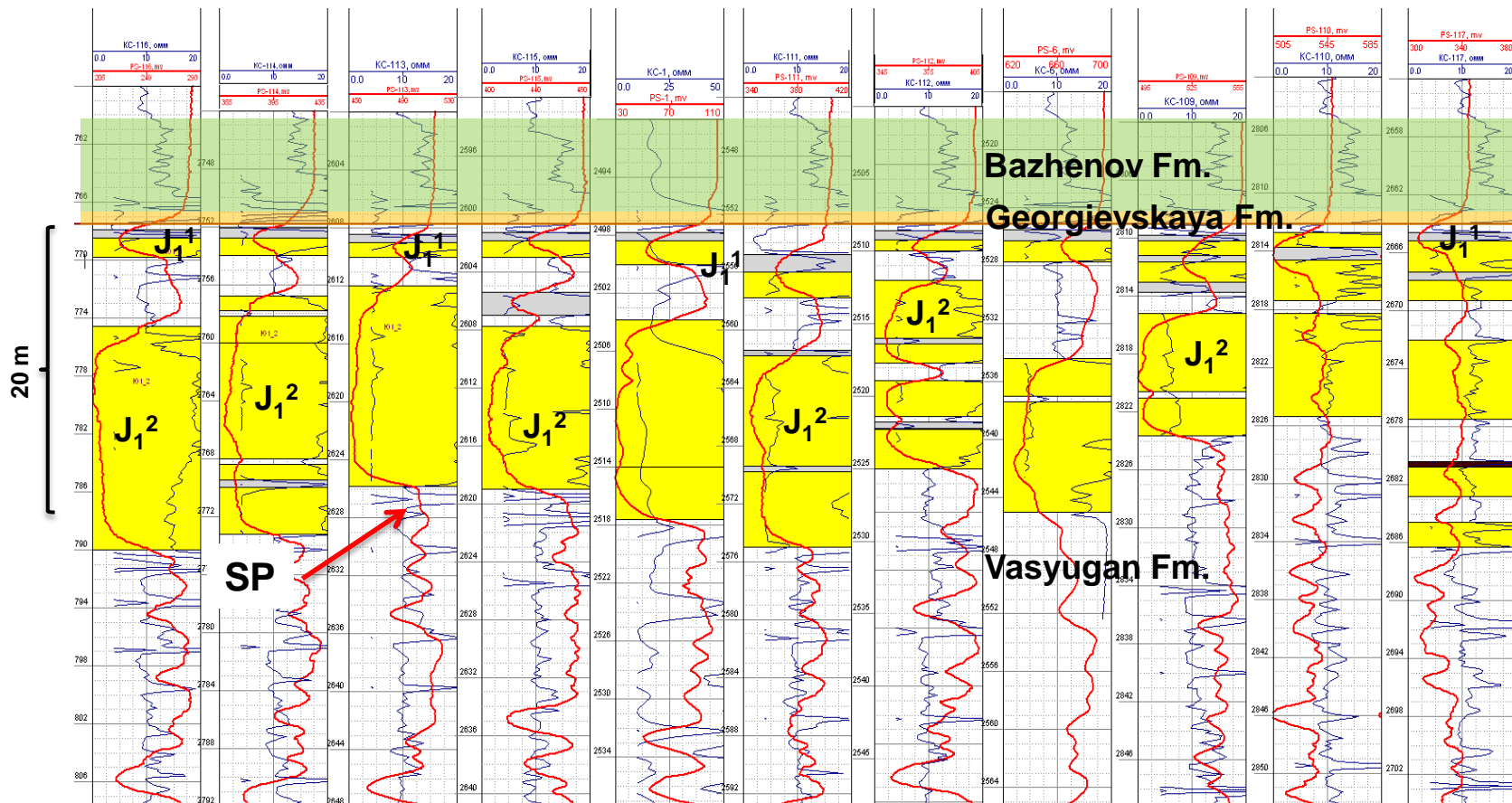
Frac Size  
tons

50 to 80 t

30 to 35 t

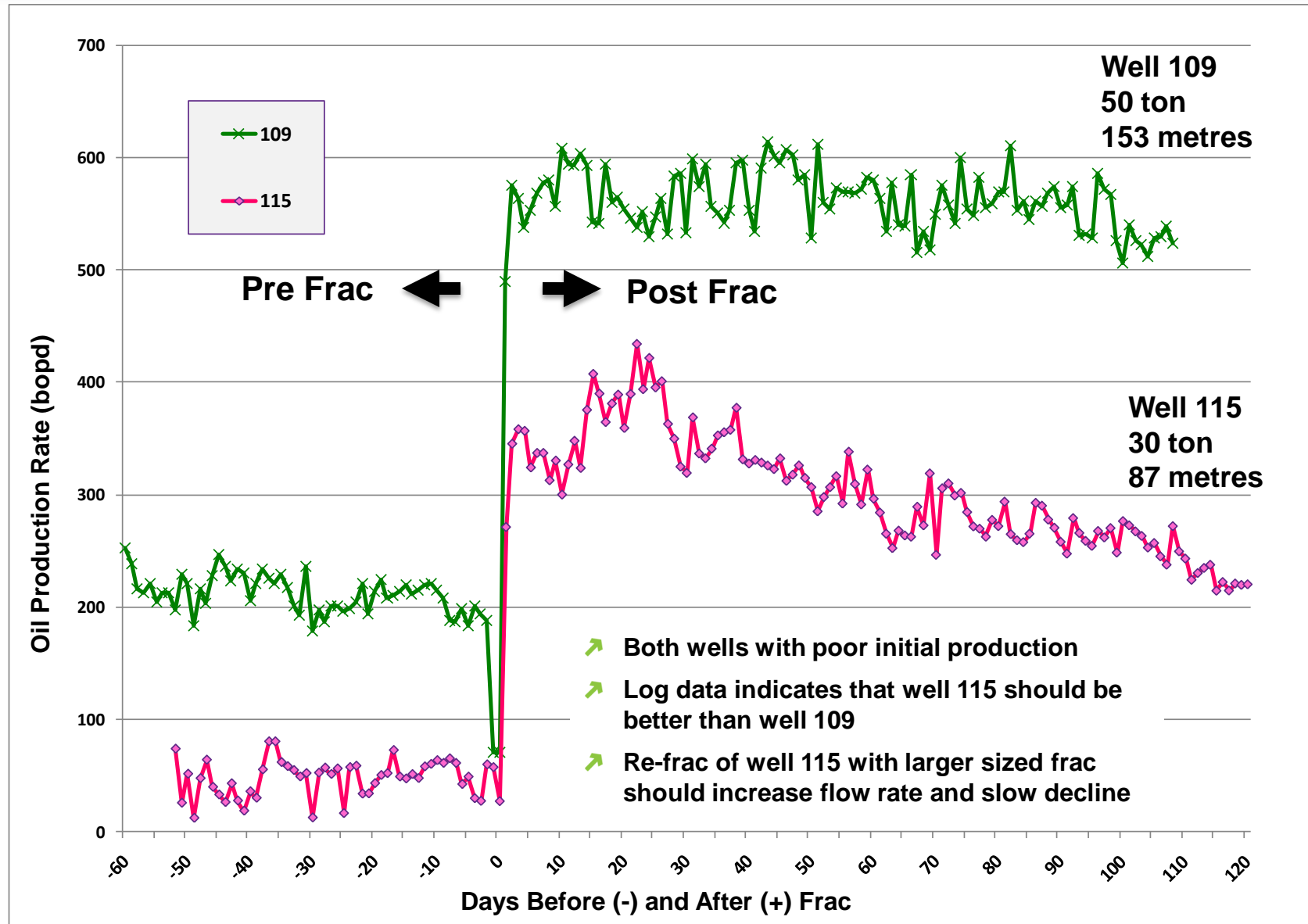
8 to 12 t

no frac



Pad 1 – drilling results very good and in line with expectations – thickest net pay of 17.9 m in northern most well No. 116; good indication for Pad 2 drilling programme in 2011 – all J1 reservoirs completely saturated with oil.

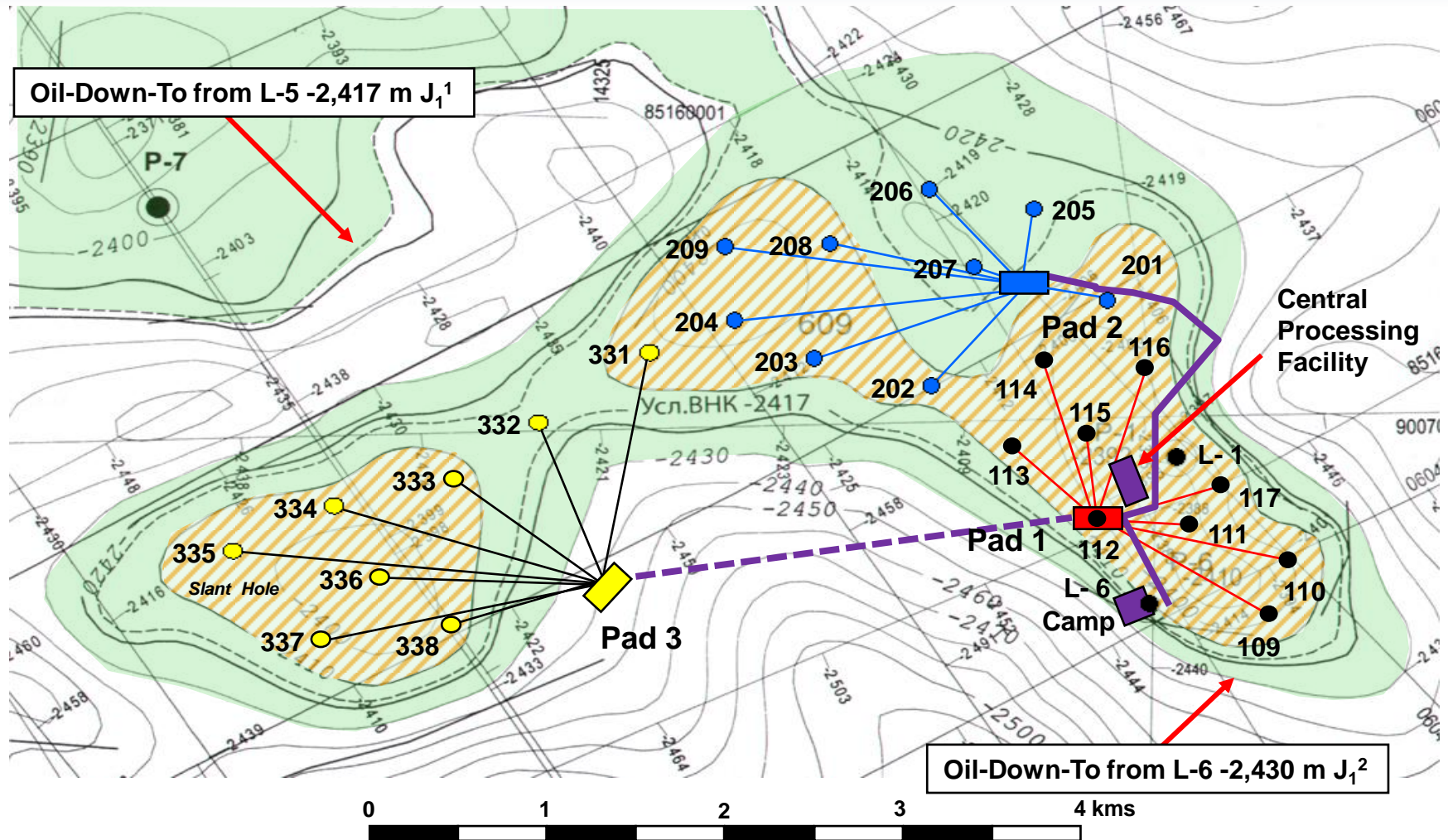
# Pad 1 – Frac Results – wells 109 and 115





- **Formation damage from the drilling and completion processes varies between wells**
  - **Hard to predict the initial production rate prior to fracture stimulation**
- **The fracs were individually designed to avoid fracturing into possible underlying water sands**
  - **Now commenced water injection for pressure maintenance, so water handling capability not such a concern.**
- **Based on the well performance after fracture stimulation, we have learned that in the future we should err on the side of larger fracs where possible**
  - **We will re-frac some of the intermediate frac wells (30 to 35 ton) with larger fracs (50+ tons) this autumn and winter**
  - **This should both boost and help maintain overall field production rate**
- **We plan to move year end production guidance to end of first quarter to allow for all wells to be fracture stimulated and returned to production**

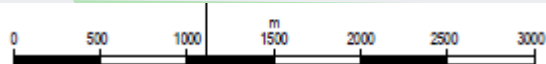




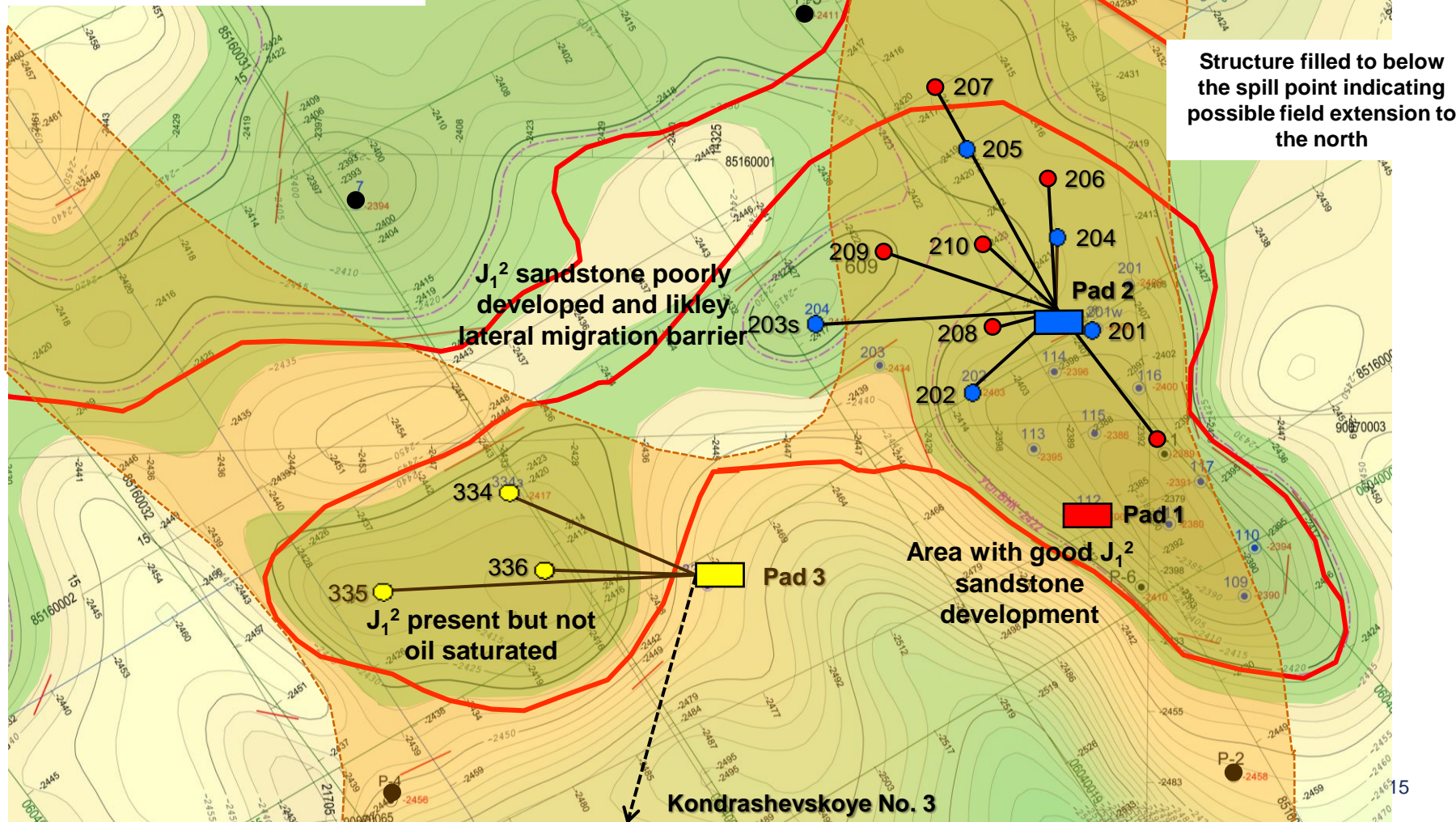
Structure Map at Top Reservoir showing area where Main Oil Sandstone is underlain by Shale  
Contour Interval 10 m







Base Bazhenov Horizon Structure Map  
June 2011 – contour interval 5 m  
Ryder Scott Field Limits – red outline  
June 2011 Field Area – shown in green





## Production

- Q1 2012 Production target has been reduced to a range of 4,000 to 5,000 bopd,
- This is primarily the result of thinner net oil pays than expected on Pad 3 ( $J_1^1$  reservoir only,  $J_1^2$  present but not oil saturated)
- As a result fewer wells are needed to economically develop the Pad and the production and well costs have been reduced accordingly
- Q1 2013 Production target has been reduced to a range between 7,000 to 9,000 bopd
- This is a result of less than expected flow rates from Pad 3 and a more conservative estimate for the Arbuzovskoye wells drilled in 2012

## Reserves

- A reserve reduction is expected for Pad 3 because of the thinner net oil pays
- However; over time we expect these reserves will be made up with the extension of the field with thicker net oil pays to the north of Pad 2 and the fact that Lineynoye and West Lineynoye are actually one field





Oil Fields	Proved	Proved and Probable	2P NPV @ 10%	Proved, Probable and Possible
	1P mmbo	2P mmbo	Base Case (1)	3P mmbo
<b>Licence 61</b>				
Lineynoye field	5.15	22.74	\$ 131 million	28.47
West Lineynoye field	2.71	23.32	\$ 82 million	29.22
Kondrashevskoye field	0.61	8.12	\$ 25 million	26.13
Tungolskoye field	1.38	15.48	\$ 80 million	19.63
Arbuzovakoye field	1.95	13.24	\$ 59 million	16.56
<b>Licence 67</b>				
Ledovoye field	1.54	14.02	\$ 77 million	17.42
<b>Total</b>	<b>13.35</b>	<b>96.93</b>	<b>\$ 454 million</b>	<b>137.43</b>
<b>Prospects</b>		<b>Possibles (P3) and Exploration Resources (P4)</b>		
<b>Licence 61</b>				
Upper Jurassic - 23 prospects				191.48
Cretaceous - 10 prospects				156.17
Lower to Middle Jurassic - 11 prospects				63.06
<b>Licence 67</b>				
Upper Jurassic - 8 prospects				55.20
Lower to Middle Jurassic - 3 prospects				37.35
<b>Total</b>	<b>13.35</b>	<b>96.93</b>	<b>\$ 454 million</b>	<b>640.69</b>

- (1) Base Case - oil price - domestic crude \$38/bbl, export crude \$80/bbl, 33% export
- Constant dollar economics – no escalation
- NPVs do not include upside for existing fields from pending MET tax reduction legislation for small oil fields (less than 35 million bbls)
- All prospects have 4-way dip closure; however, in case of P3 reserves there must be a prior well on structure with potential by-passed pay

Source: Ryder Scott Company – Petroleum Consultants reports as of January 1, 2011

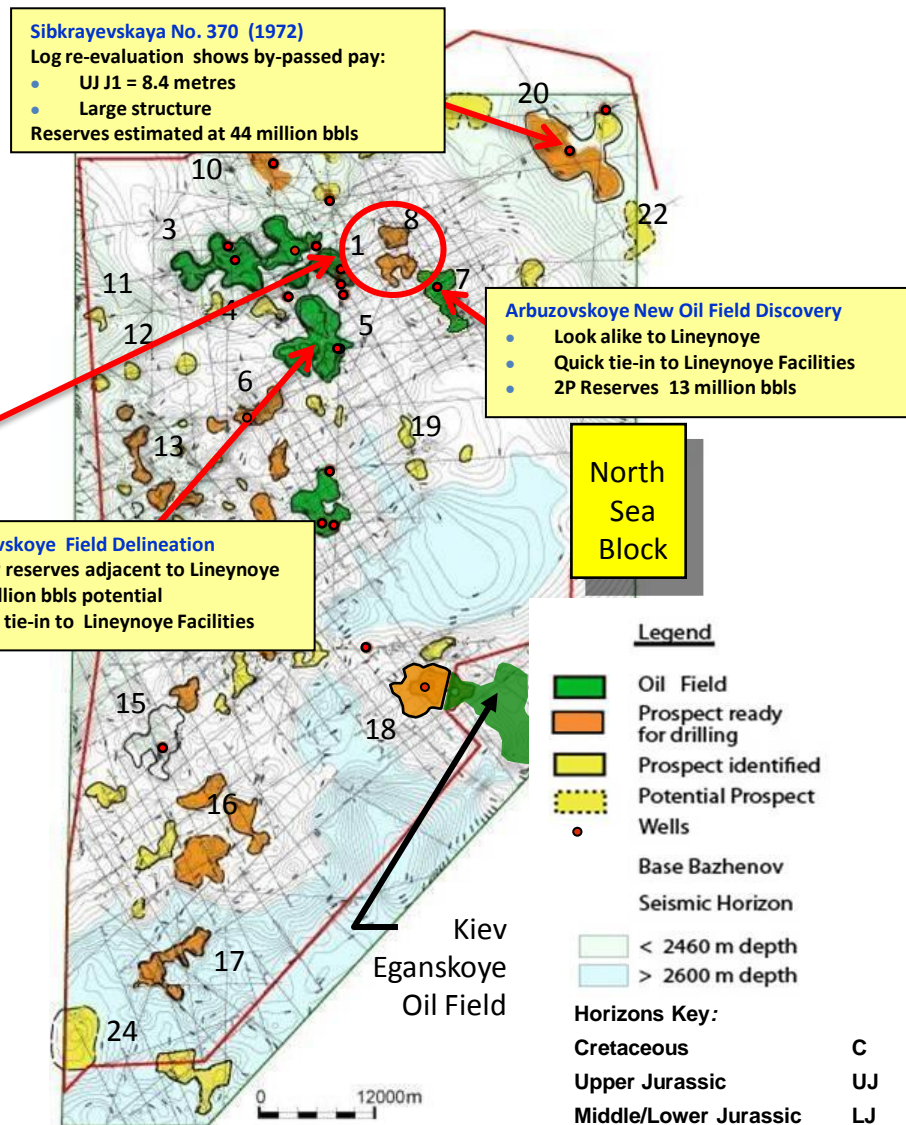


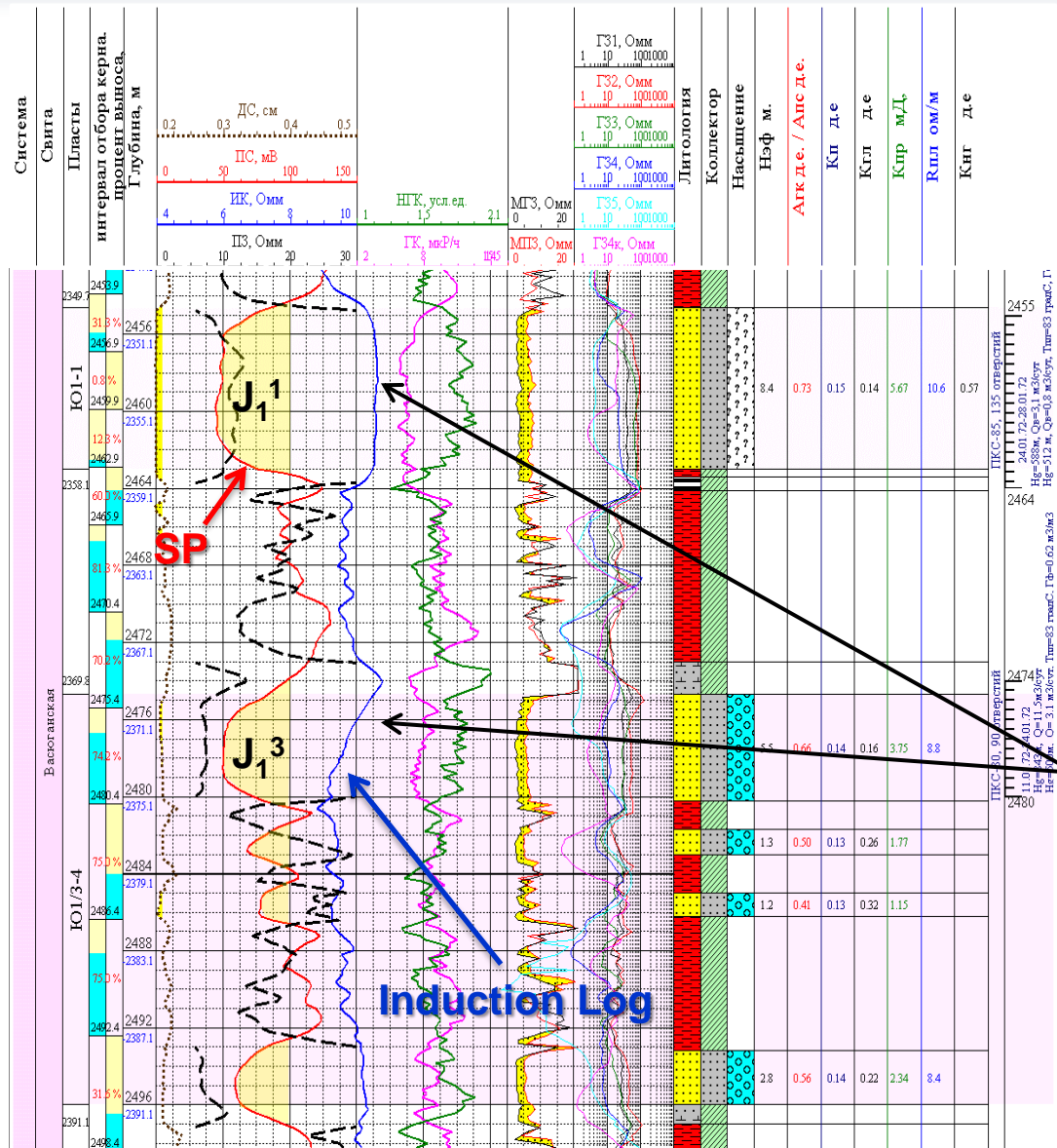
# Exploration programme 2011



## Oil Fields / Prospects / Potential Prospects

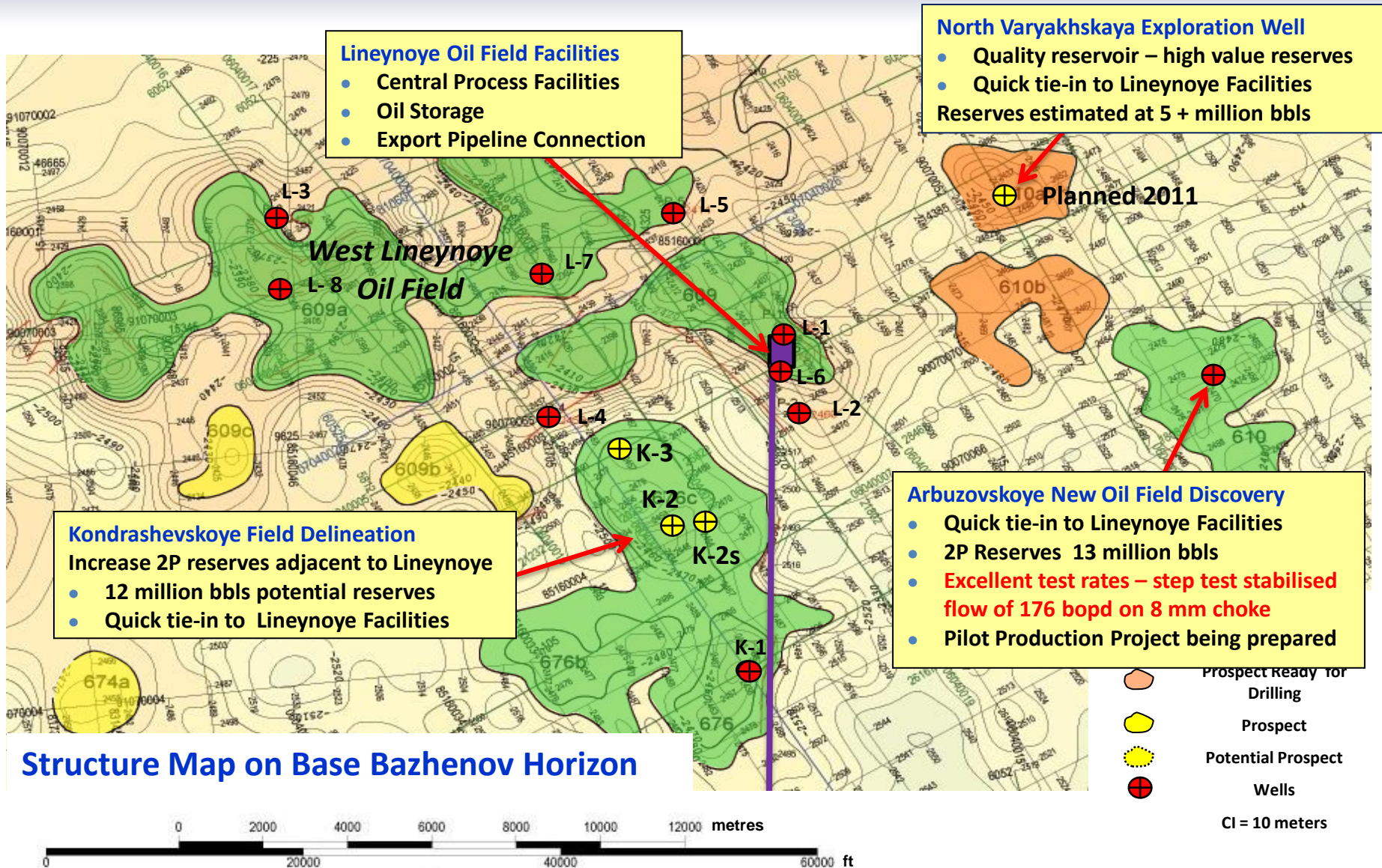
	Map ref.	Field/Prospect	Horizon(s)
Oil Fields	1	Lineynoye Oil Field	UJ
	2	Tungolskoye Oil Field	UJ
	3	West Lineynoye Oil Field	UJ
	5	Kondrashevskoye Oil Field	UJ
	7	Arbuzovskoye (Varyakhskaya)	UJ
Prospects	2	Tungolskoye West Lobe and North (2)	UJ
	4	Lineynoye Lower	UJ
	6	West Korchegskaya	LJ
	8	Varyakhskaya North & Upper (2)	UJ
	9	Emtorskaya	UJ
	10	Emtorskaya Crown	UJ
	11	Sigayevskaya	UJ
	12	Sigayevskaya East	UJ
	13	Kulikovskaya Group (2)	UJ
	14	Kusinskiy Group (2)	C, UJ, LJ
	15	Tuganskaya Group (3)	C, UJ, LJ
	16	Kirillovskaya (4)	C, UJ, LJ
	17	North Balkinskaya	UJ, LJ
	18	Traverskaya	C, UJ, LJ
	19	Tungolskoye East	UJ
	20	Sibkrayevskaya	UJ
Potential Prospects (Leads)	21	Emtorskaya North	UJ
	22	Sibkrayevskaya East	UJ
	23	Sobachya	UJ
	24	West Balkinskaya	UJ





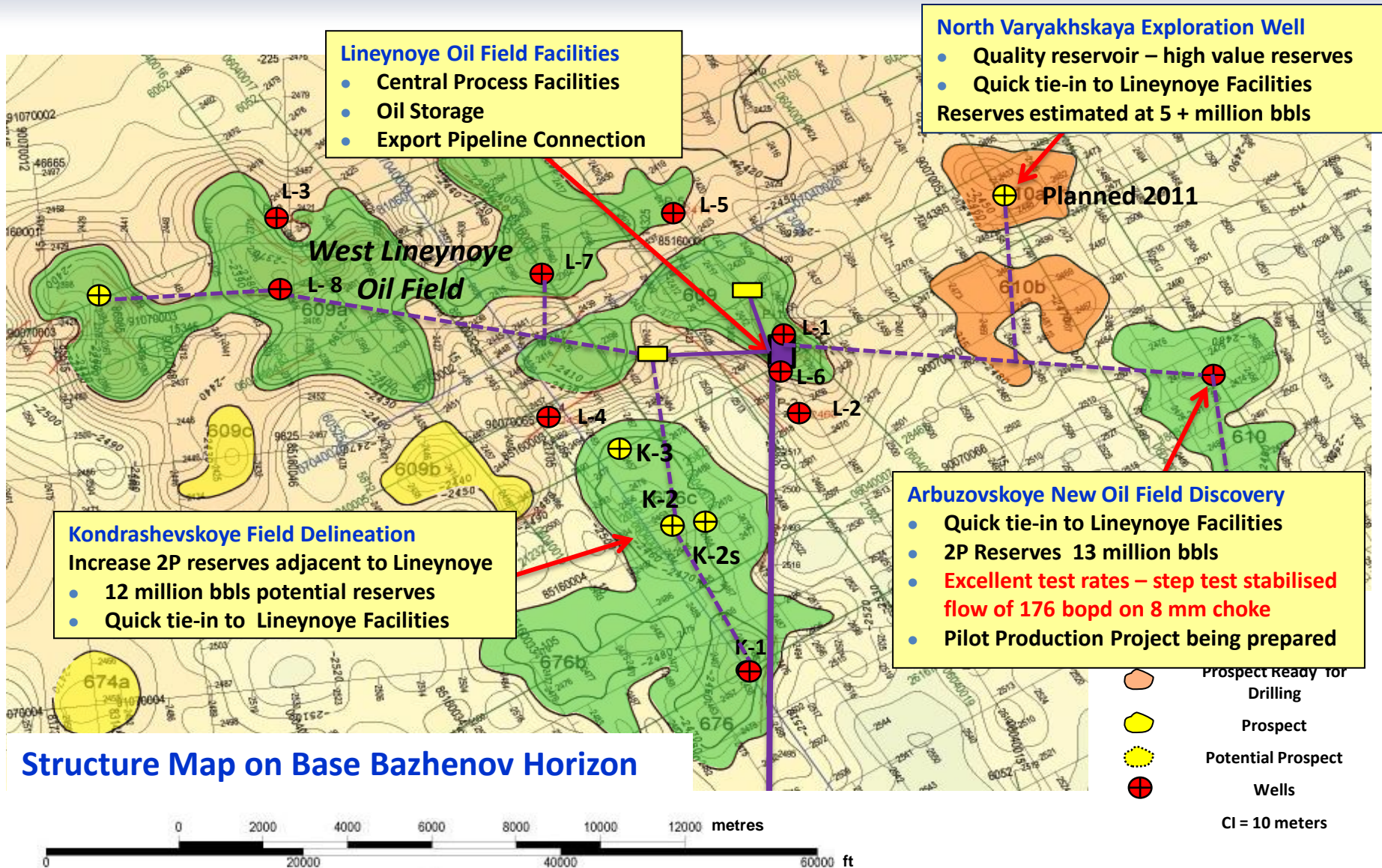
- J<sub>1</sub><sup>1</sup> is identified in 2,454.6-2,463.0 m.
- The formation thickness is 8.4 m.
- **SP and resistivity curves are of block shape which is typical of oil bearing zones in Tomsk Region.**
- No hydrocarbons reported in core; however, core recovery was only 1.08 m of 8.4 m formation thickness.
- **The log interpretation of the formation is oil pay. Flow test too short to be definitive. Core data not definitive**
- Comparison of Induction log response in J<sub>1</sub><sup>1</sup> sandstone with J<sub>1</sub><sup>3</sup> sandstone strongly supports presence of hydrocarbons in J<sub>1</sub><sup>1</sup> sandstone





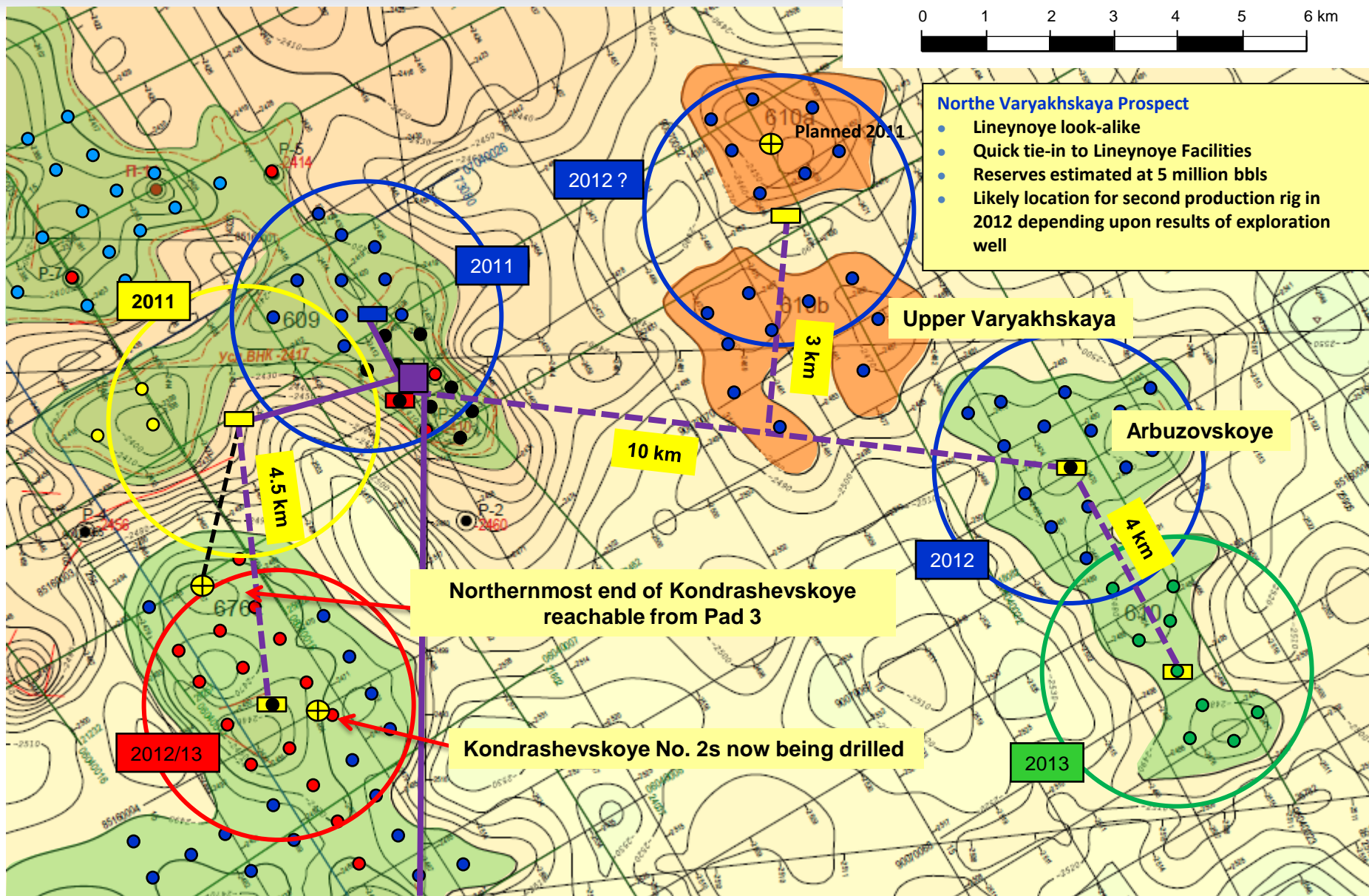
Structure Map on Base Bazhenov Horizon



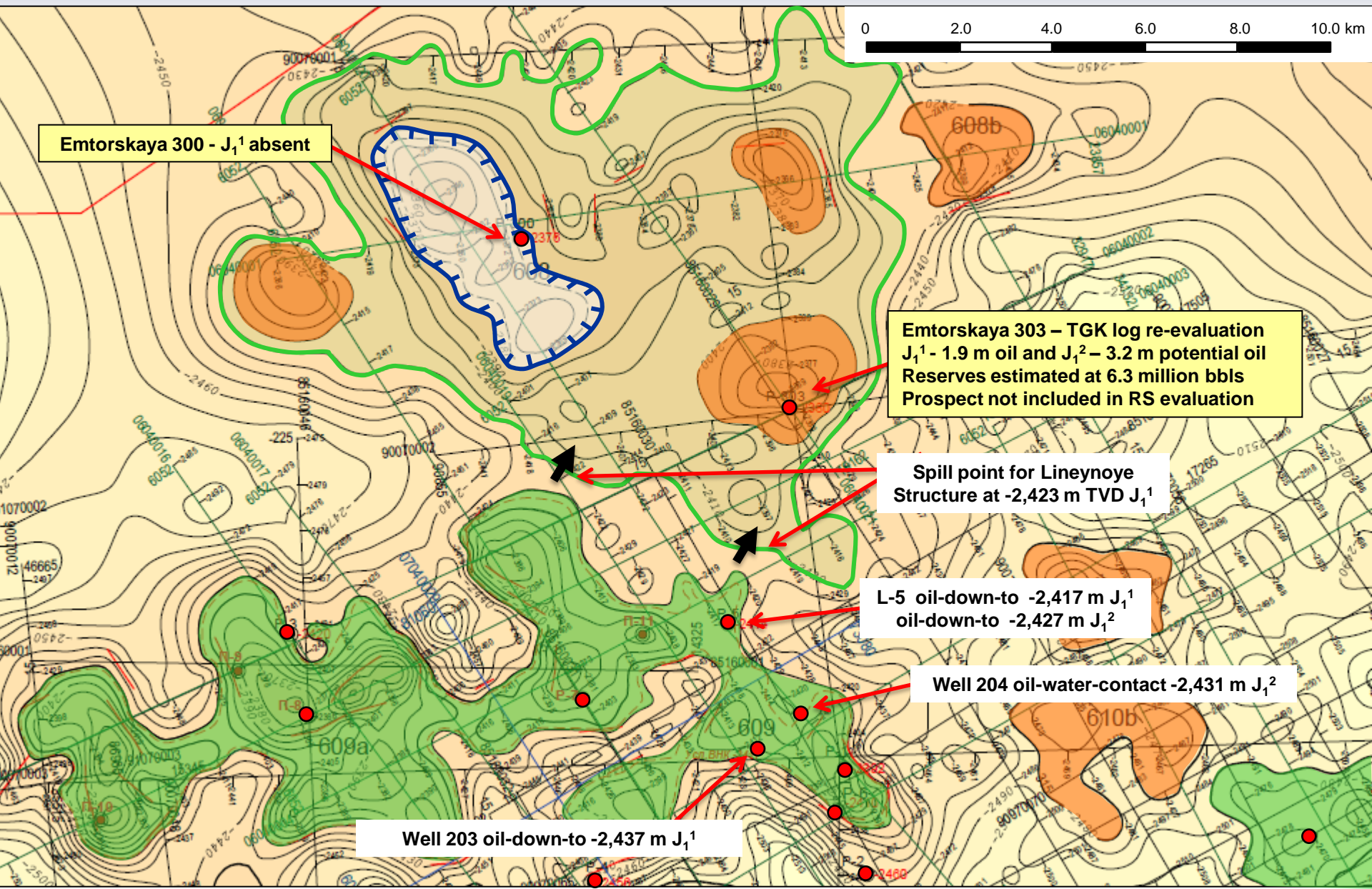


Structure Map on Base Bazhenov Horizon













## Summary

- Auction Block acquired in 2010 for \$1.42 million
- 25 year Exploration and Production Licence - expires 2035
- Large 2,447 sq. km. Block surrounded by oil and gas fields including two producing fields within the block that belong to Rosneft and Russneft are excluded.
- Oil pipelines, electric power lines and all weather roads are located on the Licence area
- Develop 50:50 with Arawak – PetroNeft is operator

## 2010 Work Programme

- Reprocessed and reinterpreted 4,300 km of vintage 2D seismic data (+/- 15 surveys)
- Reprocessed and reinterpreted data from 21 vintage wells in and around licence
- Ryder Scott evaluation based on integrated re-evaluation of vintage data
  - Booked 14 million net 2P at Ledovoye
  - Identified 92.5 million bbls in low risk multiple reservoir objective prospects

## 2011 Work Programme

- Drill 2 wells on multiple objective high impact prospects with identified by-passed pay
- Cheremanshanskaya No. 3
  - targeting > 60 net bbls in Upper, Middle and Lower Jurassic intervals
- Ledovoye 2a
  - further evaluation of Upper Jurassic 2P reserves
  - targeting additional 15 million bbls net reserves in Lower Cretaceous interval



## Ledovy Block Structures and Traps

- Oil Fields and Oil Tests
- Prospects
- Drilled Structures - Dry and under review

##	Structure Name	Main Objectives
<b>Drilled Structures</b>		
1	Cheremshanskaya	UJ, MJ, LJ
2	Ledovoye Oil Field	UJ, C
3	Sklonovaya	UJ
4	North Pionerskaya	UJ
5	Bolotninskaya	UJ
<b>Identified Prospects and Leads</b>		
6	Levo-Ilyakskaya	UJ
7	Syglynigaiskaya	UJ
8	Grushevaya	UJ
9	Grushevaya Stratigraphic Trap	LJ
10	Malostolbovaya	UJ, C
11	Nizhenolomovaya Terrasa Gp.	UJ
12	Baikalskaya	UJ
13	Malocheremshanskaya	UJ
14	East Chermshanskaya	UJ, C
15	East Ledovoye	UJ, C

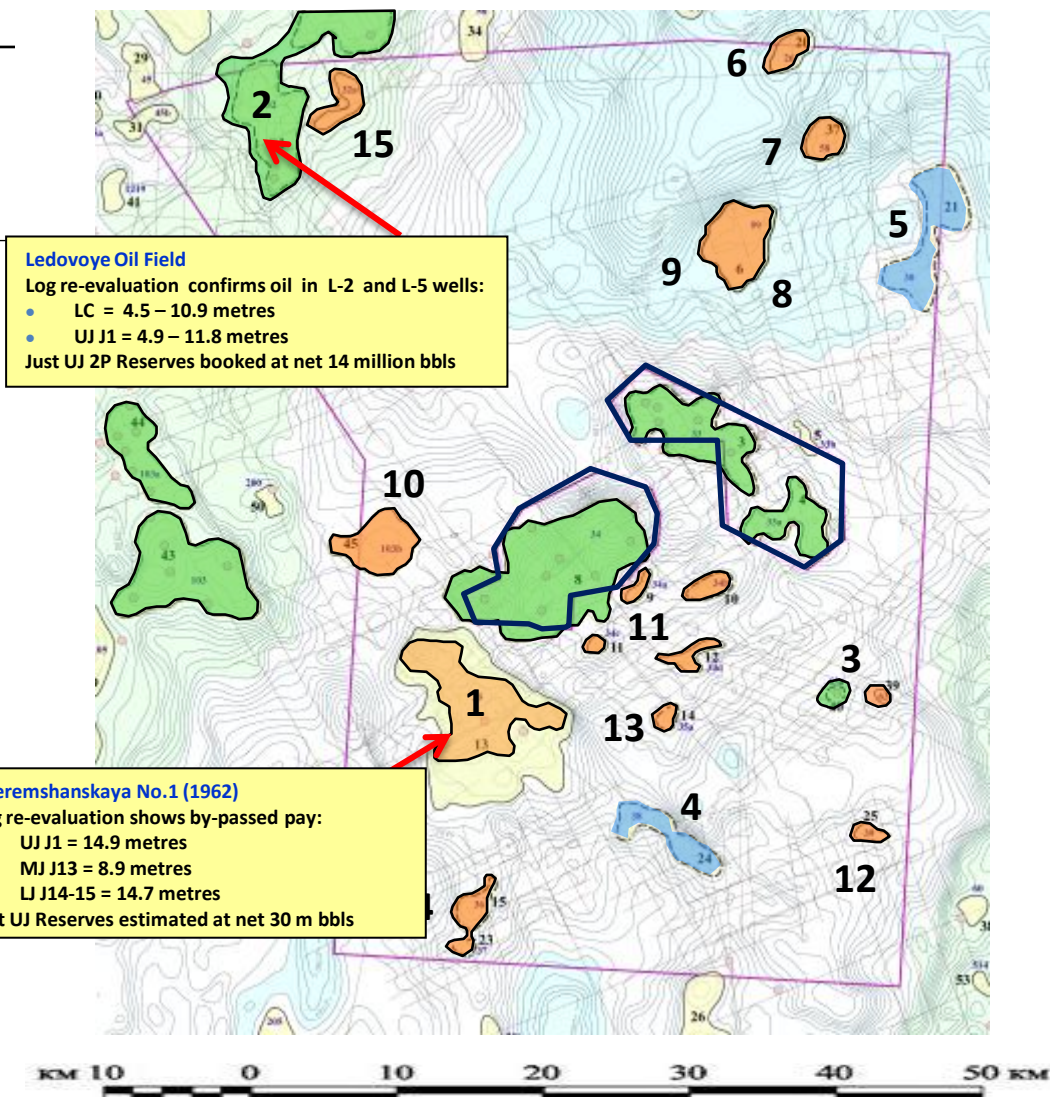
Base Bazhenov Seismic Horizon

- < 2,600 depth m
- > 2,750 m depth

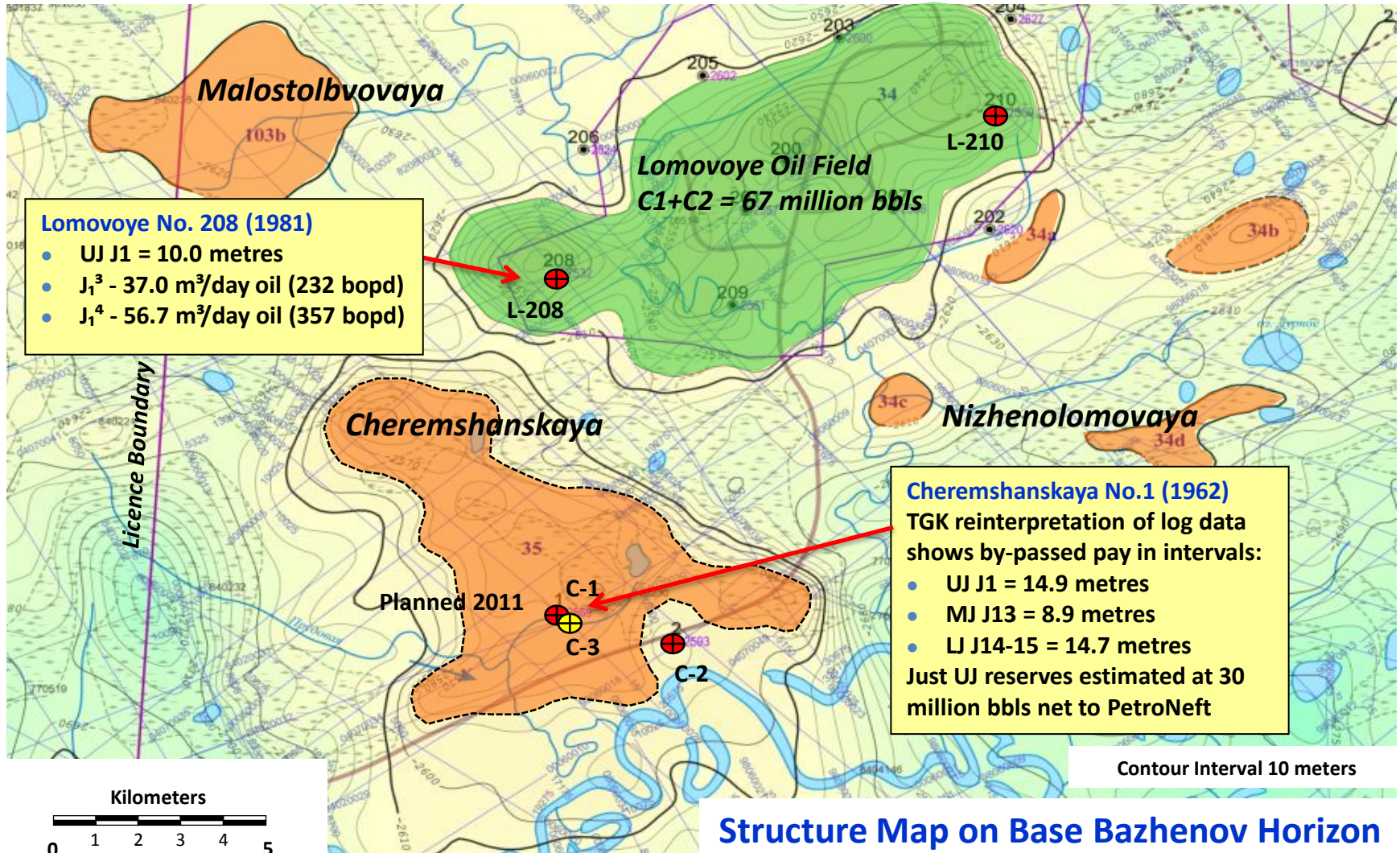
C=Cretaceous, UJ = Upper Jurassic, MJ = Middle Jurassic, LJ = lower Jurassic



Excluded areas







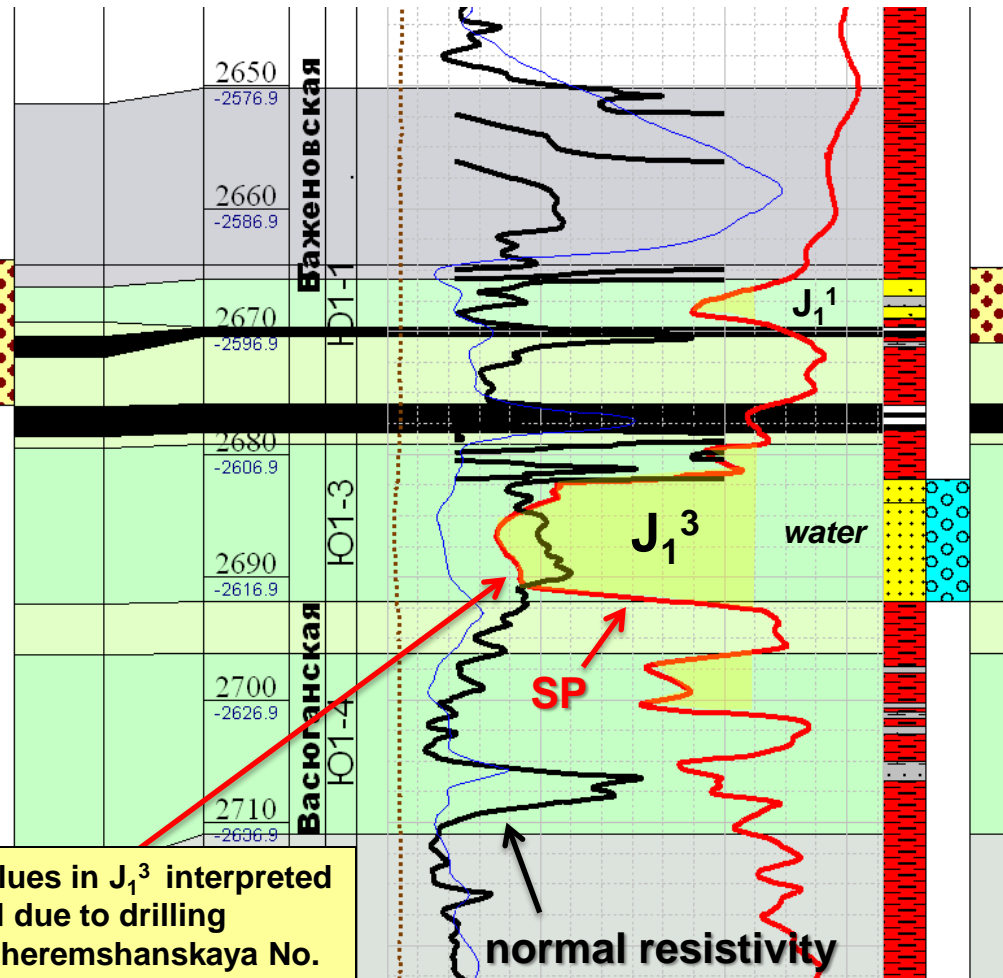
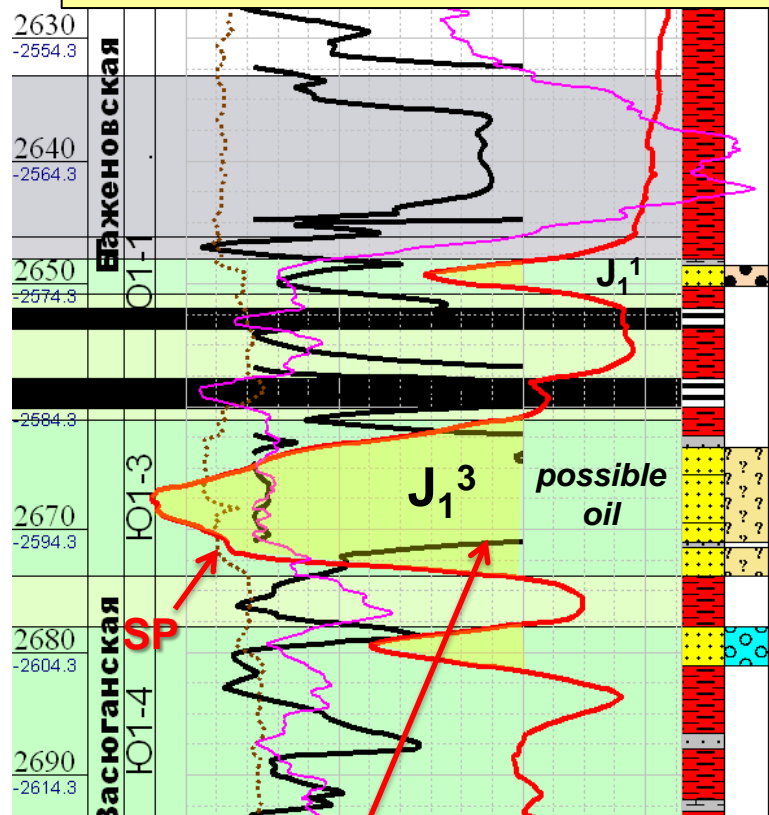
**Structure Map on Base Bazhenov Horizon**



## Cheremshanskaya No. 1

## Cheremshanskaya No. 2

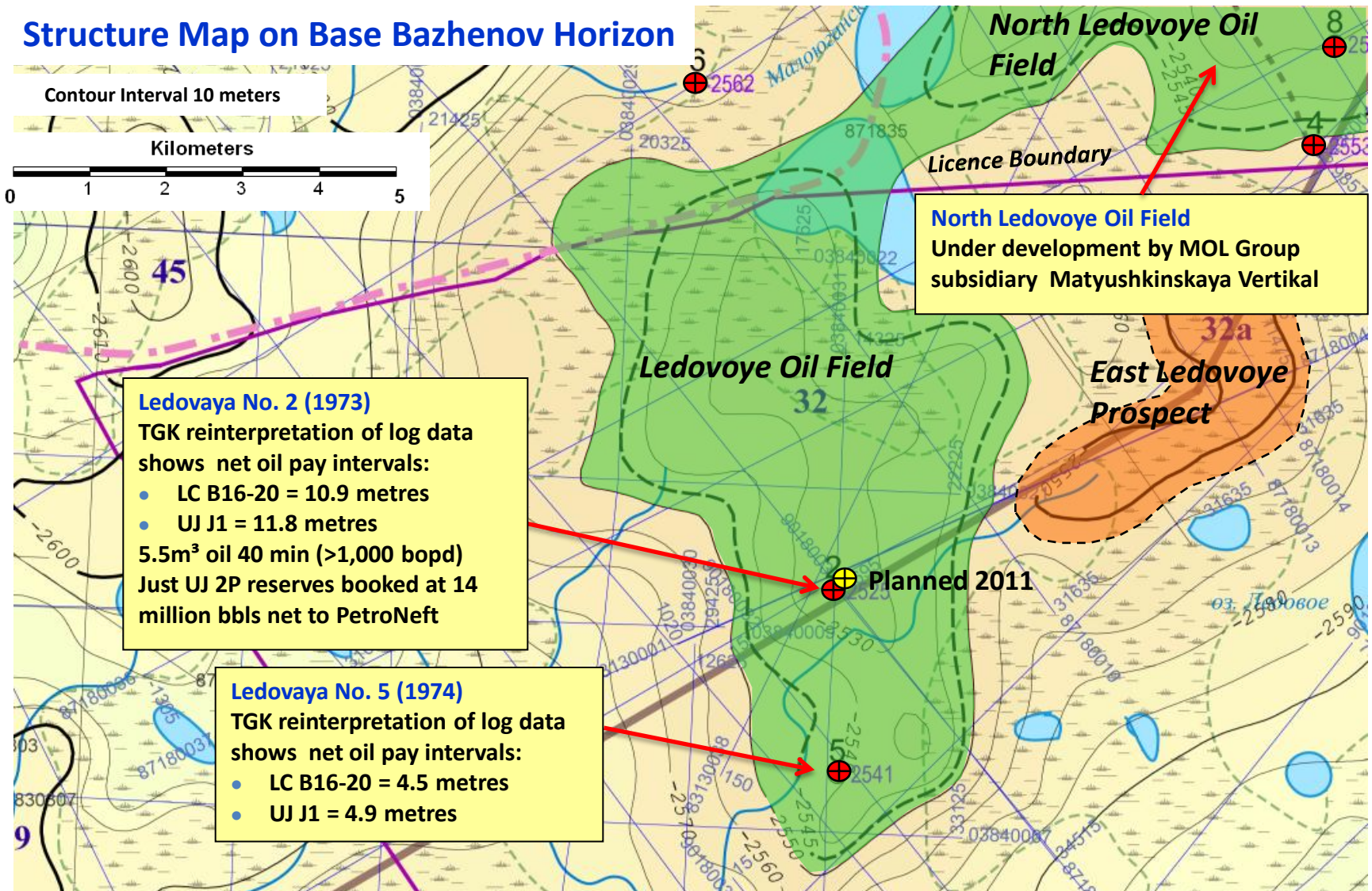
Cheremshanskaya No. 3 to parallel No. 1 well



Cheremshanskaya No.1 (1962) - High resistivity values in  $J_1^3$  interpreted as possible oil saturation (14.9 m). Zone not tested due to drilling complications at the time. Equivalent interval in Cheremshanskaya No. 2 (1971) is 22 m lower on structure and interpreted to be water bearing and below the field wide oil water contact.



## Structure Map on Base Bazhenov Horizon



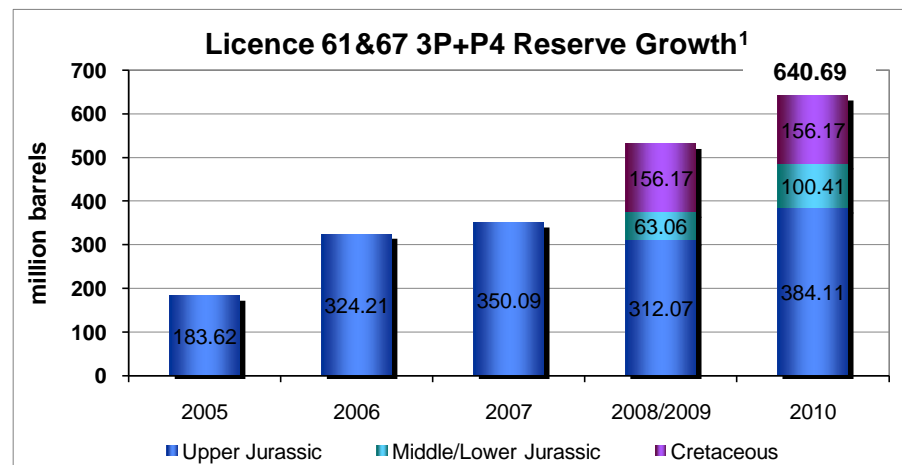
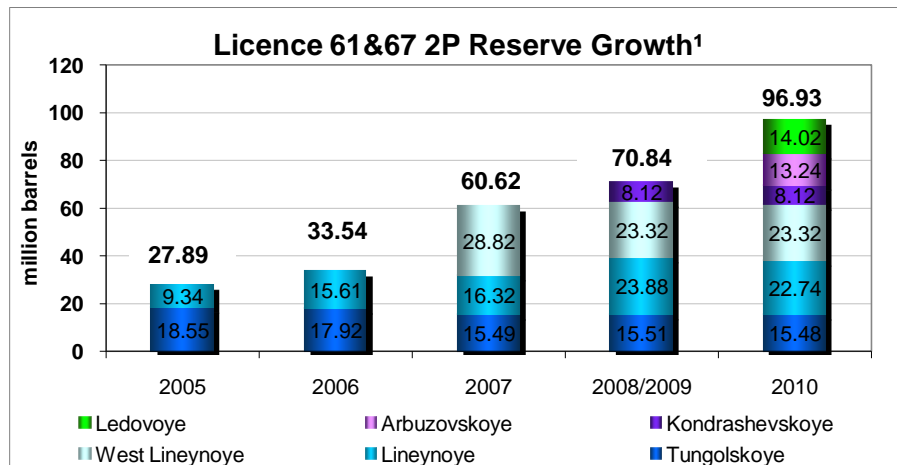


## Investment Highlights

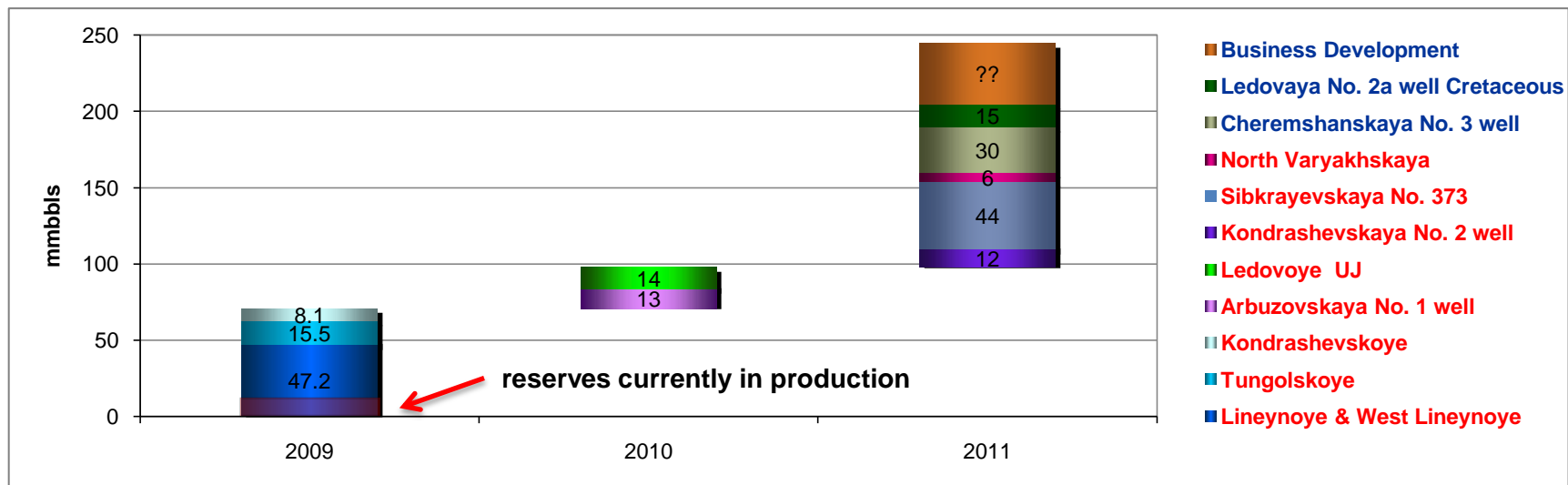




## Track record of Reserve Growth:



## Targeting 2P Reserve Growth from Low Risk Exploration and Acquisition<sup>2</sup>:



<sup>1</sup> Source: Ryder Scott – Petroleum Consultants report as at 1 January 2011

<sup>2</sup> Source: **Ryder Scott (Jan 2011)** & **Company Estimates**





## Developments Ongoing

- On production with steady production growth forecast
- Projects delivered on time and on budget
- Production Drilling Programme continuing in 2011 and beyond

## Superb Asset Base

- Total Licence 61; 2P Reserves of 82 mmbo, 3P/P4 oil reserves/resources of 531 mmbo (unrisked) provides platform for strong reserve growth
- Licence 67; 2P Reserves of 14 mmbo (net), 3P/P4 reserves/resources 110 mmbo (unrisk)
- Reserve upgrades likely from 2011 exploration programme

## Significant Exploration Upside

- Low Risk 5 well 2011 Exploration Programme
- Top 5 Licence 61 prospects targeting over 200 mmbo
- Licence 67 has added significant additional upside potential

## Ongoing Corporate Development

- Seeking to develop a diverse portfolio of exploration and production assets
- Significant opportunities for participation in expected licence auctions and corporate / asset acquisitions
- Evaluating a number of exciting corporate acquisitions

## Management

- Proven track record
- Motivated Management team with proven experience of exploration, production and corporate development in the Russian oil industry and abroad
- Experienced local management with strong relationships



## Summary

- Now a producing company with all necessary infrastructure in place
- Only producing from less than 10% of our current reserve base
- Focus on near term production and cash flow
- We will have surprises during development – both positive and negative
- Very significant reserve upside in this years exploration programme alone – more to come



# Appendices







## Share Capital \*

- Ordinary Shares in issue: 416,098,432
- Share options outstanding: 16,764,000
- Warrants outstanding: 6,200,000
- Fully diluted share capital: 439,062,432
- Market Capitalisation: £250 million

\*As at 30 March 2011

## Major Shareholders\*

Directors	7.25%
JP Morgan Asset Mgmt	8.03%
Ali Sobraliev	5.54%
Bluegold Capital Management LLP	7.12%
Macquarie Bank†	6.17%
Pictet & Cie	3.41%
Wasatch Advisers	3.38%
Arawak Energy Limited	3.23%
Davycrest Nominees Ltd	9.48%

\*As at 30 March 2011 or latest shareholder declarations

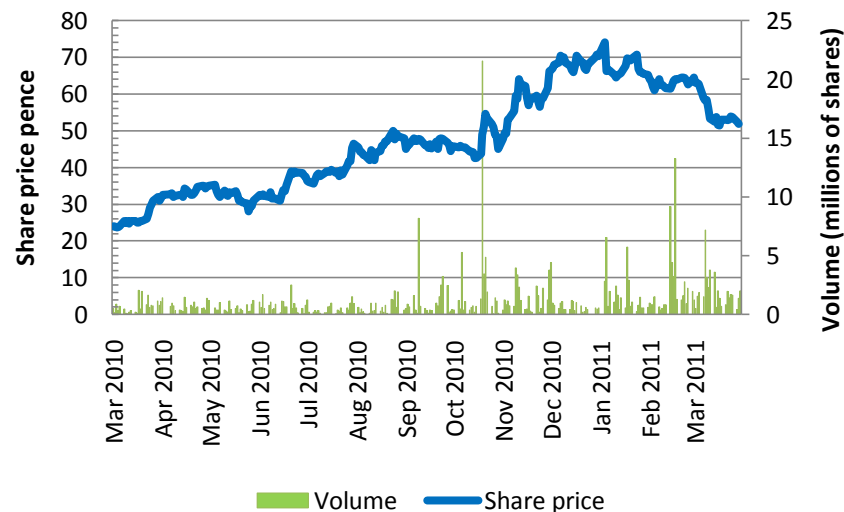
† Also Holds 6.2m warrants

Sources: Irish Stock Exchange, AR 2009

## Trading details

- Exchanges:
  - AIM Market (London Stock Exchange)
  - ESM Market (Irish Stock Exchange)
- Free float: 87.20%
- Tickers: PTR (AIM) & P8ET (ESM)

## PetroNeft share price performance





# Board of Directors



## **G. David Golder**

- Non-Executive Chairman
- 34 years' industry experience with Marathon Oil Company, Sakhalin Energy and others

## **Dennis C. Francis**

- Chief Executive Officer and co-founder
- Headed Marathon's Business Development Activities in Russia from 1989 to 2003

## **Paul Dowling**

- Chief Financial Officer
- Former partner accounting firm LHM Casey McGrath, 17 years experience in Financial arena

## **David E. Sanders**

- Executive Director, Secretary and General Counsel and co-founder
- 15 years' experience doing business in Russia, Sakhalin II Project, Priobskoye, KMOC

## **Thomas G. Hickey**

- Non-Executive Director
- Commercial Director Petroceltic International, formerly CFO of Tullow Oil plc

## **Vakha A. Sobraliev**

- Non-Executive Director
- 30 years' experience in West Siberian Petroleum Industry – GD Tomskburneftegaz, LLC

## **Gerry Fagan**

- Non-Executive Director
- Former Group Financial Controller of Smurfit Kappa Group plc



# Experienced Management Team



## **Karl Johnson (Houston)**

- Vice President of Business Development and Operations
- 30 years' experience in oil and gas business internationally including Russia
- Formerly with Marathon Oil

## **Alexey Balyasnikov (Moscow)**

- General Director
- 35 years' experience in Russian oil and gas business
- Former Head of Representation for Marathon Oil in Moscow

## **Alexander Frenovsky (Tomsk)**

- Executive Director
- 37 years' experience in Russian oil and gas industry
- Former General Director and Chief Engineer – JSC Tomskneftegazgeologia
- Directly participated in the development of 15 oil fields in the Tomsk Oblast

## **Nikolay Karapuzov (Tomsk)**

- Chief Geophysicist/Geologist of Stimul-T
- 38 years' experience in Russian oil and gas industry
- Former Chief Geophysicist/Geologist – JSC Tomskneftegazgeologia
- Directly participated in discovery of 17 oil fields in the Tomsk Oblast





# Contacts



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**AIM Market – London Stock Exchange (PTR)**

**ESM Market – Irish Stock Exchange (P8ET)**