ELECTRONIC PROOF

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action to take on the contents of this document, you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on the acquisition of shares and other securities being in the case of persons resident in Ireland, an organisation or firm authorised or exempted under the Investment Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland or in the case of persons resident in the United Kingdom, an organisation or firm authorised pursuant to the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA").

Application has been made for the Enlarged Issued Share Capital of Petroneft Resources plc to be admitted to trading on the AIM Market of the London Stock Exchange plc ("AIM") and on the Irish Enterprise Exchange of the Irish Stock Exchange ("IEX") and it is expected that dealings in the Enlarged Issued Share Capital will commence on 27 September 2006. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

AIM and IEX are both markets designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM and IEX securities are not admitted to either the Official List of the UK Listing Authority or the Official List of the Irish Stock Exchange (together the "Official Lists"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM and IEX are less demanding than those of the Official Lists and it is emphasised that no application is being made for admission of the Ordinary Shares to either of the Official Lists. Furthermore, neither the London Stock Exchange plc, the Irish Stock Exchange, the UK Listing Authority, nor the Financial Regulator have examined or approved the contents of this document.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative, involves a higher than normal degree of risk and may involve the loss of the entire investment. The attention of prospective investors is drawn in particular to the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Group's business, assets, financial position and prospects should be viewed in light of these risk factors.

The Directors of Petroneft Resources plc, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM and IEX Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document and/or the invitation contained in it, no person is authorised to give any information or make any representation other than as contained in this document.

Petroneft Resources plc

(Incorporated in Ireland with limited liability under the Companies Acts, 1963 to 2005. Registration number 408101)

Placing of 41,480,174 new Ordinary Shares at €0.295 (Stg 19.8p) per Ordinary Share and Admission to Trading on AIM and IEX

NOMINATED ADVISER, IEX ADVISER AND BROKER

Davy

SHARE CAPITAL IMMEDIATELY FOLLOWING THE PLACING AND ON ADMISSION

Authorised			*Issued and fully paid*	
Amount	*Number*		*Amount*	*Number*
€3,000,000	*300,000,000*	*ordinary shares of €0.01 each*	*€1,766,258*	*176,625,258*

Davy, which is regulated in Ireland by the Financial Regulator, is acting exclusively for Petroneft Resources plc and no-one else in connection with the Placing and Admission. Davy will not regard any other person (whether or not a recipient of this document) as its customer or be responsible to any other person, other than the Company, for providing the protections to customers of Davy nor for providing advice in relation to the transactions and arrangements described in this document. Davy is not making any representation or warranty, express or implied, as to the contents of this document, for which the Directors are responsible.

Davy has been appointed as nominated adviser, IEX adviser and broker to the Company. In accordance with the AIM and IEX Rules, Davy has confirmed to the London Stock Exchange and the Irish Stock Exchange, respectively, that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and the IEX Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM and IEX Rules have been complied with. No liability whatsoever is accepted by Davy for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

This document comprises an admission document and has been drawn up in accordance with the AIM and IEX Rules and it does not comprise a prospectus for the purposes of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland or the Prospectus Rules published by the Financial Services Authority in the United Kingdom and has not been delivered to the Registrar of Companies in Dublin or the Registrar of Companies in England and Wales. The contents of Petroneft's website do not form any part of this document. A copy of this document has been delivered to the London Stock Exchange and the Irish Stock Exchange as an admission document in respect of the Enlarged Issued Share Capital. Copies of this document will be available to the public, free of charge, at the offices of Davy, Davy House, 49 Dawson Street, Dublin 2, Ireland and the offices of White & Case, 5 Old Broad Street, London, EC2N 1DW, United Kingdom from the date of this document until at least one month after Admission.

This document does not constitute or include an offer to any person to sell or to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction. This document is not for distribution in or into the United States of America, Canada, Australia or Japan or their respective territories or possessions. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act, 1933, as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States of America or under the applicable securities laws of any province or territory of Canada, Australia or Japan and may not be offered or sold in the United States of America except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and, subject to certain exceptions, may not be offered or sold within any of Canada, Australia or Japan or to any national, resident or citizen of any of the United States of America, Canada, Australia or Japan or their respective territories or possessions.

CONTENTS

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors:	George David Golder, *Non-Executive Chairman* (US) Dennis Carl Francis, *Chief Executive Officer* (US) David Edward Sanders, *VP & General Legal Counsel* (US) Desmond Joseph Burke, *Planning & Investor Relations* (Ireland) Thomas Gerard Hickey, *Non-Executive Director* (Ireland) Vakha Alvievich Sobraliev, *Non-Executive Director* (Russia) *all of c/o O'Donnell Sweeney Solicitors, One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland*
Company Secretary:	David Edward Sanders
Registered Office:	c/o O'Donnell Sweeney Solicitors One Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland
Nominated Adviser IEX Adviser and Broker:	Davy Davy House 49 Dawson Street Dublin 2 Ireland
Competent Person:	Ryder Scott Company Petroleum Consultants 621 17th Street, Suite 1550 Denver, Colorado 80293 USA

Solicitors to the Company:	*As to Irish Law* O'Donnell Sweeney Solicitors One Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland	*As to English Law* White & Case 5 Old Broad Street London EC2N 1DW United Kingdom	*As to Russian Law* White & Case LLC 4 Romanov Pereulok 125009 Moscow Russia

Auditors to the Company and Reporting Accountant:	LHM Casey McGrath 6 Northbrook Road Dublin 6 Ireland
Registrar and CREST Service Provider:	Computershare Investor Services (Ireland) Limited Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland

Principal Bankers:	Allied Irish Banks 1 Lower Baggot Street Dublin 2 Ireland	JP Morgan Chase Bank 9709 Bellaire Boulevard Houston, Texas 77036 USA

FORWARD LOOKING STATEMENTS

This Document 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", "estimate", "expect", "intend", "may", "plan" "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Part I of this Document.

The forward-looking statements in this Document 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.

Certain risks to and uncertainties for the Company are specifically described in Part II of this Document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this Document. Neither the Directors nor the Company undertake any obligation to update forward-looking statements or risk factors other than as required by the AIM and IEX Rules, whether as a result of new information, future events or otherwise.

PLACING AND ADMISSION STATISTICS

Placing Price	€0.295 (Stg 19.8p)
Number of Ordinary Shares in issue prior to the Placing and Admission	135,145,084
Number of Placing Shares	41,480,174
Number of Ordinary Shares in issue following the Placing and Admission	176,625,258
Gross proceeds of the Placing	€12.2 million (US$15.5 million)
Estimated Net Proceeds of the Placing receivable by the Company	€11.2 million (US$14.3 million)
Market capitalisation at the Placing Price on Admission	€52.1 million (£35 million)
Placing Shares as a percentage of the Enlarged Issued Share Capital	23.5%
Percentage of the Enlarged Share Capital subject to lock-in arrangements	41%
AIM/IEX Symbol	PTR/P8ET
ISIN code	IE00B0Q82B24

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Admission Document	21 September 2006
Admission effective and dealings expected to commence on AIM and IEX	27 September 2006
CREST accounts expected to be credited (where applicable) by	27 September 2006
Expected latest date for despatch of definitive share certificates (where applicable) by	10 October 2006

PART I – INFORMATION ON THE COMPANY

(1) INTRODUCTION

Petroneft Resources plc is an international oil and gas exploration and production company that was established for the purpose of acquiring and developing hydrocarbon acreage in Russia.

The Group's principal asset is a 100 per cent interest in an exploration and production licence, referred to as Licence 61, located in the Tomsk Region of Western Siberia. The Licensed Area was acquired by the Group in 2005 and covers a geographical area of 4,991 km^2 in the eastern section of the prolific West Siberian Oil & Gas Basin in Russia.

Licence 61 is a core area, which contains two proven oil fields, referred to as Lineynoye and Tungolskoye, and in addition has upside reserve potential contained in 25 additional prospects and potential prospects which have already been identified by seismic surveys. The Group's work programmes and activities are focused on the development of this core area through the determination of its full upside reserve potential and the timely monetisation of its existing Proved and Probable reserves, currently estimated at 33.5 million barrels of oil ("mmbo").

The Group's senior management team has substantial experience and knowledge of acquiring, exploring and developing hydrocarbon assets and in particular of acquisition, exploration, development, production and marketing requirements in Russia.

With a geographical focus principally on Russia, Petroneft intends to continue to identify and evaluate exploration and production acquisition and development opportunities, by taking advantage of the Directors' and senior management's industry relationships, experience and expertise developed in Russia over the last 16 years, in order to develop and diversify the Group's asset portfolio.

This Document serves as the Company's Admission Document to facilitate admission of the Enlarged Share Capital to trading on AIM and IEX. The Company is also seeking to raise approximately €12.2 million (US$ 15.5 million) by the issue of 41,480,174 new Ordinary Shares at €0.295 (Stg 19.8p) per Ordinary Share, pursuant to the Placing.

(2) THE GROUP'S HISTORY, BUSINESS AND STRATEGY

The Group has its origins in Petroneft LLC which was established in 2003 as an oil and gas investment and consultancy company focussed principally on the Russian market. In May 2005, Petroneft LLC acquired the entire participatory interest in a Russian company, Stimul-T, which had acquired a 100 per cent interest in Licence 61 following a competitive auction process in the November 2004 Tomsk Licence Auction. Petroneft Resources plc was incorporated on 15 September 2005 and, as part of a corporate reorganisation, acquired the principal assets and liabilities of Petroneft LLC in November 2005.

Petroneft's senior management team combines US oil and gas industry expertise together with an experienced Russian management team and a local network of Russian contacts. The US and Russian personnel within the Group have complementary backgrounds and skill sets and proven track records of developing Russian oil and gas assets. The Group has established a team of technical personnel which is experienced in oil exploration and production in Russia and, with this team, will continue to combine modern technology and services with its management expertise to maximise the value of Licence 61 and further develop the Group's business.

Ryder Scott, the independent petroleum consultants, estimate that the two proven oil fields in Licence 61, Lineynoye and Tungolskoye, contain 33.5 mmbo of Proved and Probable ("P1" and "P2") reserves and in addition they have attributed approximately 37 mmbo of Possible ("P3") reserves to these fields contingent on successful development and positive well and reservoir parameters. In the other identified prospects and potential prospects, Ryder Scott estimates that Licence 61 could contain approximately 253 mmbo of Possible reserves ("P3") and approximately 100 mmbo of Exploration Resources ("P4"). Further details regarding these estimates are included in the Ryder Scott Report and prospective investors should read the whole of the Ryder Scott Report which is reproduced in Part III of this Document.

In summary, the Group's strategy is to develop an oil and gas exploration, development and production business in Russia, using the combined skills, experience and resources of the Group's Directors and employees. In the short term this is to be achieved through a rigorous appraisal and exploration programme on Licence 61, by seeking to bring the existing oil field discoveries into production as rapidly as possible and by exploiting the additional prospects and potential prospects already identified and summarised in the Ryder Scott Report.

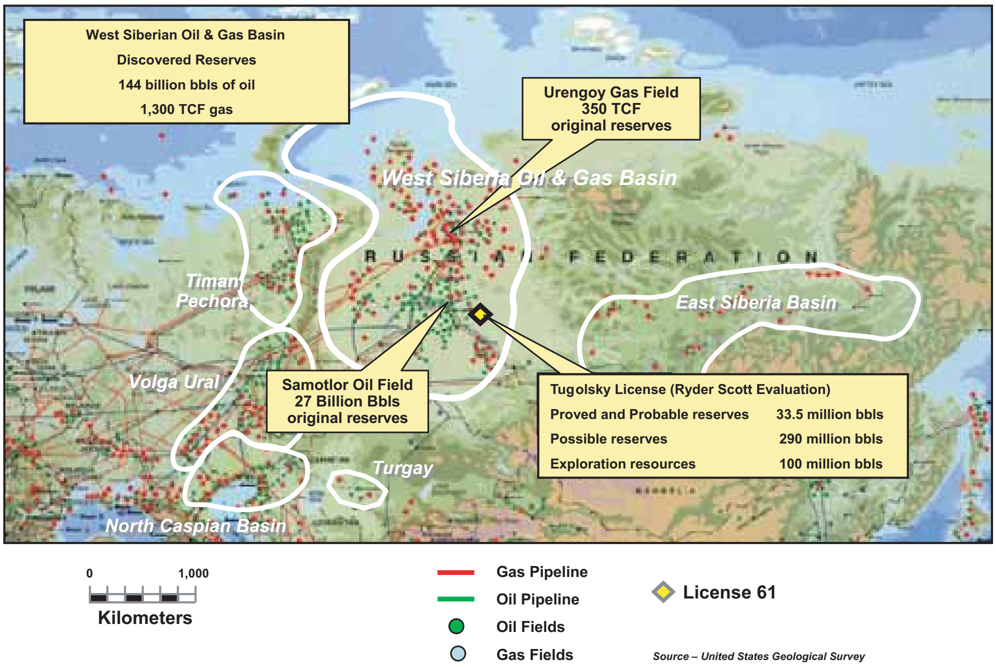
(3) OVERVIEW OF LICENCE 61

Licence 61 covers a geographical area of approximately 4,991 km^2 in the eastern section of the West Siberian Oil and Gas Basin, which is the largest known hydrocarbon region in Russia, in terms of both the geographical area that it covers (approximately 3.4 million km^2) and the recoverable oil and gas that it contains (The US Geological Survey estimates volumes of discovered hydrocarbons in the basin are 144 billion barrels of oil and 1,300 trillion cubic feet of gas). Topographically the basin is one of the world's largest areas of unbroken terrain and is characterised by water logged soils, shallow lakes and extensive swamps. Winters are severe and can last seven to nine months of the year with average temperatures ranging from about -15° C to -30° C. Major work activities in the Western Siberian Oil and Gas Basin are performed in the winter months when the terrain is frozen solid and heavy equipment can be transported on winter roads. During the summer months, heavy equipment is transported via the local river network. Therefore advance planning of work programmes targeted for the winter season is extremely important for logistical reasons.

Stimul-T, a wholly owned subsidiary of Petroneft since 2005, was awarded a subsoil licence (the 'Licence') for the geological survey, exploration and production of hydrocarbons in Licence 61 following the November 2004 Tomsk Oblast auction conducted by the Subsoil Agency and the territorial division for the Tomsk Region of the Subsoil Agency (Tomskenedra). Data compiled by LLC Tomskaya Geophysical Company on the Licensed Area defines two proven oil fields (Lineynoye and Tungolskoye) in Upper Jurassic sandstone reservoirs. Ryder Scott estimates that Proved and Probable reserves in these fields are 33.5 mmbo and Possible reserves are approximately 37 mmbo based on deterministic and probabilistic analysis of seismic, drilling and well test data. These fields were first drilled in the early 1970s but at that time were too small to be of production interest, as multi-billion barrel oil fields were being discovered elsewhere in the West Siberian Oil and Gas Basin. Discovery wells drilled at that time in Licence 61 had initial flow rates of approximately 300 bopd.

Licence 61 also contains twenty other oil field prospects and five potential oil field prospects, in the same productive interval as the Lineynoye and Tungolskoye oil fields. Ryder Scott estimates that these twenty prospects could contain Possible reserves of 253 mmbo, based on the simple but well proven Tomsk Region play concept of Upper Jurassic reservoir sandstones underlying the Bazhenov Shale which serves as both seal and source rock for the oil fields. The base of the Bazhenov Shale is also a well defined seismic reflector which is easily mapped throughout Licence 61. The Group's oil field prospects are based on clearly defined four-way dip closure at the Base Bazhenov seismic horizon.

Regional Location Map



Terms of the Licence

The Licence was issued by the Russian Subsoil Agency to Stimul-T for the geological survey, exploration and production of hydrocarbons within the Licensed Area and was registered by the Subsoil Agency on 4 May 2005 under the registration number No. 4060/TOM 13135 NR. The Licence is valid until 15 April 2030.

Under the Licence, Stimul-T has a number of obligations with respect to the exploration and production of hydrocarbons on Licence 61, the most significant of which include:

- Carrying out 1,000 km of 2D seismic studies within three years from the date the Licence was registered;
- Drilling not less than six exploration wells within six years from the date the Licence was registered; and
- The production of hydrocarbons on Licence 61 no later than two years from the date of approval of commercial reserves by the State Reserve Committee.

Upon completion of current contracted seismic activities, the Group will satisfy its seismic obligations contained in the Licence. In addition, drilling activities planned to be undertaken as part of the Group's 2006/07 winter drilling programme will satisfy three of the six well obligations contained in the Licence.

(4) WORK PROGRAMMES AND ACTIVITIES

The following summarises Petroneft's strategy for the development of the two proven oil fields, Lineynoye and Tungolskoye, and the exploration of the identified prospects and potential prospects on Licence 61.

Seismic and Well Log Reprocessing and Acquisition

The Group is continuing to evaluate available seismic data on Licence 61. Approximately 2,650 line km of archived data compiled since the early 1970s by LLC, Tomskaya Geophysical Company, a former state controlled Russian company, has been reprocessed and reinterpreted by Petroneft using modern technology. This seismic data has enhanced the Group's understanding of the proven Lineynoye and Tungolskoye oil fields and known prospects and potential prospects, as well as defining several new prospects and potential prospects which were not recognised by previous interpretations of such seismic data.

A total of 14 wells were drilled on Licence 61 during the Soviet regime between 1970 and 1989, two of which discovered the Tungolskoye and Lineynoye oil fields. In 2005, the Group engaged consultants to digitise and reinterpret the logs of all previously drilled wells on Licence 61 using modern well log evaluation technology and this process has now been completed. The combined reinterpretation of the 14 wells gives a new insight into the distribution of the oil bearing layers within Licence 61 and is assisting in its seismic interpretation by establishing the location and extent of structures that have high potential to contain commercial quantities of oil.

During the winter season 2005/06, the Group acquired 515 line km of high-resolution CDP-2D field seismic survey relating to the northern half of Licence 61. The interpretation of this data has now been completed and has provided the Group with a consistent database and one set of processing parameters in the northern part of Licence 61 that is superior in quality to seismic activities undertaken in the past. In March 2006, the Group engaged OAO Stavropolneftegeofizika to acquire an additional 500 line km of high-resolution CDP-2D field seismic survey during the winter season of 2006/07. Upon completion of this seismic work, the Group will have satisfied its Licence obligations for the acquisition of 1,000 kms of seismic data during the first three years of the Licence term.

2006/07 Winter Drilling Programme

In February 2006, the Group entered in a turnkey drilling contract with LLC Nizhnevartovskservis to drill three wells on Licence 61 using two drilling rigs.Mr Vakha Sobraliev, a Director and substantial shareholder in Petroneft is a shareholder and General Director of Tomskburneftegaz which at the time of the transaction was a subsidiary of Nizhnevartovskseruis. Two delineation wells are contracted to be drilled on the Lineynoye and Tungolskoye oil fields to confirm the reservoir properties from the Soviet discovery wells that were drilled on the two fields in the early 1970's. A third well is intended to be drilled on a significant exploration prospect in the Lineynoye area.

The mobilisation of the two above mentioned rigs commenced in February 2006 and rig-up activities are scheduled to commence in November 2006. It is currently estimated that drilling operations on the two delineation wells using both rigs will commence in January and February 2007. Upon completion of the first delineation well, its rig will be moved to commence drilling of an exploration prospect in the Lineynoye area. When the well data and results from the two delineation wells are processed and interpreted, which is currently expected to occur by the spring of 2007, they will be used to finalise a development plan for the Lineynoye and Tungolskoye fields.

Development Activities

A primary focus of the Group is the timely monetisation of the existing Proved and Probable reserves of the Lineynoye and Tungolskoye oil fields, currently estimated by Ryder Scott to be 33.5 mmbo.

The Group has engaged the State Unitary Enterprise, Siberian Scientific Research Institute to prepare a feasibility study for the development of the Licensed Area. The scope for this study includes full field reservoir modelling to determine the optimal recovery plan for the Lineynoye and Tungolskoye fields as well as proposed production facilities and export pipeline designs for the entire Licensed Area. In addition, Petroneft is continuing to evaluate infrastructure arrangements with third parties and alternative pipeline options to determine the most economic means to bring the Lineynoye and Tungolskoye oil fields and other prospects into production. The Group intends to finalise a development plan for the Lineynoye and Tungolskoye fields by summer 2007.

Exploration Activities

Another focus of the Group is the determination of the full upside reserve potential of Licence 61 as a core area through an active exploration programme. The reprocessing of the existing seismic and well data together with the acquisition of new seismic data will provide the Company with a consistent high quality database for the clearer definition of prospects to progress this objective. The third well in the 2006/07 winter drilling programme is a high impact exploration well on the West Lineynoye prospect which is estimated by Ryder Scott to contain Possible reserves of 66.5 mmbo.

Acquisitions

Petroneft will continue to search for and evaluate acquisition opportunities, focussing on assets that will expand the Group's reserves and/or provide development and exploration potential. The Group may participate in Russian government tenders and auctions for new licences. In addition, the Group may consider acquiring production and marketing infrastructure assets which could form part of the Group's overall strategy.

The identification and evaluation of any opportunities will be based on, amongst other things, disciplined investment criteria for risk and return measurement and the application of western evaluation techniques, technical, financial and legal due diligence and transaction structuring parameters. The primary geographical focus of the Group is expected to remain in Siberia, where the Group has been successful in identifying and acquiring reserve bearing acreage and has established a local network of contacts. The Directors also intend to evaluate appropriate acquisition opportunities in other oil producing regions within Russia and possibly in other countries.

Any acquisition may require the raising of equity and/or debt finance and/or the issue of Ordinary Shares as vendor consideration.

(5) DIRECTORS AND SENIOR MANAGEMENT

Bibliographies on the Directors and members of the Group's senior management team are provided below.

Directors

G. David Golder (aged 58) Non-Executive Chairman

Mr Golder has over 36 years of experience in the petroleum industry and most recently was Senior Vice President of Marathon Oil Company ("Marathon") until his retirement in 2003. From June 1996 to 1999, Mr Golder was seconded from Marathon to Sakhalin Energy Investment Company where he was Executive Vice President – Upstream. Located in Moscow, he managed all upstream activities which focused on the oil development and company infrastructure aspects of the Sakhalin II Project onshore and offshore Sakhalin Island. In addition, he managed the planning and implementation of the US$650 million development of the Piltun-Astokhskoye oil field and associated infrastructure. Mr Golder was Co-Chairman of the Joint Supervisory Board which oversaw the preparation and negotiation of the Sakhalin II Production Sharing Agreement. Mr Golder is currently President of David Golder Consulting, LLC and a member of the Society of Petroleum Engineers. He has a BSc degree in Petroleum & Natural Gas Engineering from Pennsylvania State University and has completed the Program for Management Development at Harvard University.

Dennis Francis (aged 57) Chief Executive Officer

Mr Francis has over 35 years of experience in the petroleum industry and was with Marathon Oil Company for 30 years. He started work with Marathon as a geologist/geophysicist and held various international positions. In 1990, Mr Francis became USSR/FSU task force manager responsible for establishing a special task force to develop new opportunities for Marathon in Russia. Marathon and its partners ultimately won the first Russian competitive tender, which was to develop the Sakhalin II Project offshore Sakhalin Island. Mr Francis managed the progression of this project within Marathon. He represented Marathon as shareholder and was a director on the board of Sakhalin Energy Investment Company during the Phase I Project Development. He was also a member of the joint supervisory board with oversight responsibility for the Sakhalin II Production Sharing Agreement. He was a recipient of the Governor of Sakhalin Award for his efforts associated with the Sakhalin II Project and also managed Marathon's acquisition of the Khanty Mansiysk Oil Company in 2003. Mr Francis is a member of the American Association of Petroleum Geologists and Society of Exploration Geophysicists. He has a BSc degree in geophysical engineering and a MSc degree in geology both from the Colorado School of Mines and has completed the Program for Management Development at Harvard University.

Dr David Sanders (aged 57) Vice President and General Legal Counsel

Dr Sanders is an attorney of law and has over 30 years of experience in the petroleum industry, including 15 years of doing business in Russia. In 1988, Dr Sanders joined Marathon Oil Company where he analysed and reviewed joint venture agreements for worldwide production until his assignment in 1991 to the negotiating team for the Sakhalin II Project in Russia. In 1994, he was seconded for one year as an attorney to Sakhalin Energy Investment Company in Moscow. He then provided commercial guidelines and transactional analysis of numerous Russian projects to Marathon's CIS Joint Ventures Group and later became the lead negotiator for Russian projects in Marathon's Business Development-Commercial & Negotiations Group. Dr Sanders has a degree in electronics from Pennsylvania Institute of Technology, a liberal arts degree from the University of Houston and a doctorate of jurisprudence from South Texas College of Law. He is a member of the State Bar of Texas and of the American Bar Association.

Desmond Burke (aged 59) Director of Planning and Investor Relations

Mr Burke has over 30 years of experience as an exploration geologist and as an executive of publicly quoted companies in Ireland, Canada and Australia. From 1983 to 1993, he was managing director of Burmin Exploration and Development plc ("Burmin"), a company that was admitted to trading on the Exploration Securities Market ("ESM") of the Irish Stock Exchange in 1987. During that period Mr Burke was also president of Aranlee Resources Ltd, Burmin's Canadian subsidiary, listed on the Vancouver Stock Exchange, and managing director of Burmin's Australian subsidiary, Ashling Resources NL. Following the merger of Burmin with Sipa Resources NL, an Australian company, in 1994, Mr Burke became a director of Sipa. From 1995 to 2000, Mr Burke was managing director of Ormonde Mining plc, which was admitted to trading on the ESM in 1996 and on the Vancouver Stock Exchange in 1998. Mr Burke graduated from University College Dublin with a BSc in geology, botany and zoology and MSc in mineral exploration from the University of London Imperial College.

Thomas Hickey (aged 38) Non-Executive Director

Mr Hickey is a chartered accountant and has been Chief Financial Officer and a director of Tullow Oil plc since 2000. Prior to joining Tullow Oil plc he was an Associate Director of ABN AMRO Corporate Finance (Ireland) Limited, which he joined in 1995. In this role, he advised public and private companies in a wide range of industry sectors in relation to fund raising, stock exchange requirements, mergers and acquisitions, flotations and related transactions. Mr. Hickey has a degree in Commerce from the University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Vakha A. Sobraliev (aged 52) Non-Executive Director

Mr Sobraliev has over 30 years of experience operating and managing energy service companies and state operating units exploring for and exploiting oil resources in the Western Siberian Oil and Gas

Basin. Mr Sobraliev is currently a shareholder and General Director of Tomskburneftegaz, LLC an oil and gas well drilling and services company operating in Western Siberia. This company owns over 15 exploration and production drilling rigs and associated support equipment and mechanical repair facilities. From 1975 to 2000, Mr Sobraliev worked for Tomskneft and Stezhevske UBR (Strezhevoy Drilling Boards) in various drilling and economic capacities including chief engineer and chief accountant. He has degrees in mining engineering and economics from Tomsk Polytechnic Institute and the Tomsk State University respectively. Mr Sobraliev is a resident of Tomsk, Russia.

Senior Management

Alexey Balyasnikov (aged 61) General Director of Stimul-T

Mr Balyasnikov has over 32 years of experience in the Russian oil and gas industry. He worked for Marathon in various capacities, including as head of Marathon's representative office in Moscow, from 1990 to 2004. Most recently he has worked for Petroneft LLC on numerous projects including under contract to Foster Wheeler Energy Limited as Russian Project Manager of a large due diligence project for TNK-BP in Western Siberia. Prior to joining Marathon, Mr Balyasnikov was a senior geophysical researcher for the Moscow Research Institute. Mr Balyasnikov has a degree in geophysics from St. Petersburg University. He is a native Russian speaker who is fluent in English.

Alexander Frenovsky (aged 58) Executive Director of Stimul-T

Mr Frenovsky, a former general director and chief engineer of JSC Tomskneftegazgeologia, the former Russian state enterprise that discovered and delineated the oil and gas fields in the Tomsk Region. Mr Frenovsky has over 34 years' experience in the oil industry and has received a state medal "For Development of the Subsurface and Oil and Gas Complex of West Siberia" and the "Merited Worker of Geological Exploration" badge of honour. He participated in the discovery of fields in the Tomsk Region and took part in the development of 15 of the oil fields. Mr Frenovsky graduated in 1971 from the Oil University in Ufa, Russia, with a specialisation in the "drilling of oil and gas wells".

Dr Nikolay Karapuzov (aged 61) Chief Geologist and Geophysicist of Stimul-T

Dr Karapuzov was chief geophysicist/chief geologist of JSC Tomskneftegazgeologia, where he worked for 35 years and directly participated in the discovery of 17 oil fields in the area. Dr Karapuzov has been awarded the title "Honourable Geologist of Russia" by the Russian government for his contribution to the development of the subsurface in Tomsk Region. Dr Karapuzov graduated from Voronezh State University in 1970 with specialisation in "geophysical methods of prospecting and exploration of hydrocarbons".

(6) REGULATION OF THE RUSSIAN OIL INDUSTRY

Overview of Russian Oil Industry

According to the Energy Information Administration, which is the statistical agency of the US Department of Energy, Russia produced 9.065 million bopd in 2005 ranking it as the world's second largest oil producing country in 2005, second only to Saudi Arabia. In addition, with approximately 72 billion barrels of Proved reserves, Russia is estimated to hold the largest amount of oil reserves outside of OPEC.

Prior to the dissolution of the USSR, the oil industry in Russia was state owned and operated. Following a major privatisation programme which commenced in the early 1990s, much of Russia's oil production is now carried out by Russian companies not owned by the Federal Government such as OAO LUKOIL, Surgutneftegaz, TNK-BP, Tatneft, Bashneft and others. Several foreign major exploration and production companies are active in Russia, including BP, Exxon Mobil, Shell and Total. There are also a number of other smaller Russian and foreign oil companies operating in Russia.

Russia has increased its crude oil exports since 1991. Contributing factors have been the fall in domestic demand, the continuing differential between domestic and export prices and continued expansion of export capacity and infrastructure. In recent years a key driver of this growth in exports has been capital investment in production as a result of strong balance sheets and improving access to capital markets by the major Russian integrated oil companies.

The legal system in Russia has experienced frequent changes in the last fifteen years. Several fundamental Russian laws affecting the Russian oil industry have been adopted in that time frame.

Regulatory Authorities

In March 2004, the Russian President issued a decree that initiated the restructuring of the Russian Government ministries and agencies. Prior to this restructuring, there was primarily one body, the Ministry of Natural Resources, responsible for issuing subsoil licences and monitoring compliance with subsoil licences. As a result of the changes, these powers have now been taken over by two bodies: the Subsoil Agency and the Federal Service for Supervision of Nature Use, both of which fall under the jurisdiction of the Ministry of Natural Resources. The Subsoil Agency is responsible for subsoil licensing (including the issuance, suspension and termination of licences, disposing of state geological information and taking part in the approval of deposit development plans). The Federal Service for Supervision of Nature Use oversees state control of subsoil management (including ecological expert reviews). In addition to the Ministry of Natural Resources, the changes introduced a new governmental body; – the Federal Service for Ecological, Technological and Nuclear Supervision (which reports directly to the Government) which is responsible for environmental issues and industrial safety compliance generally.

Subsoil Licences

The licensing regime for exploration and production is established primarily by the Law "On Subsoil", dated 21 February 1992, as amended (the "Subsoil Law") and the regulations issued pursuant to it. Until January 2000, when substantial amendments to the Subsoil Law were adopted, exploration licences were typically granted for up to five years, while production licences were granted for up to twenty years and combined exploration/production licences were granted for up to twentyfive years. Currently the maximum exploration term is still five years, while the production term may be as long as is required for rational full exploitation of the deposit. In practice, production licences are still generally issued for twenty years. The Subsoil Law does not expressly provide for a combined exploration/production term, but the subsoil use licensing authorities still issue combined licences for twenty-five years. A subsoil user may apply for an extension of an existing licence in order to complete exploration or development of the deposit, or in order to complete liquidation/conservation measures, provided that such subsoil user has not violated the terms of its licence.

Generally, production licences and combined licences are awarded by tender or auction. Until January 2005, tenders and auctions were held jointly by the Ministry of Natural Resources/Subsoil Agency (or its regional department) and the relevant regional authority. Since January 2005, tenders and auctions have been conducted by the Subsoil Agency (or its regional department) which forms the tender or auction commissions for such purposes, but representatives of the relevant regional authority are allowed to participate in such tender or auction commissions. Until recently, the subsoil use licensing authorities had a practice of organising tenders for the award of licences; such practice has changed recently and auctions are now a more common means to award production and combined licences.

The winner of a tender is generally the participant which submits the most technically competent, financially attractive and environmentally sound proposal that meets published tender terms and conditions. The winner of an auction is generally the participant that offers the highest amount of one time (bonus) payment for the right to develop subsoil resources.

Currently, exploration licences are generally awarded without a tender upon a decision of the special commission being formed by the Subsoil Agency (or its regional department) with the participation of the representatives of the relevant regional authority. The Ministry of Natural Resources maintains an official list of deposits in respect of which exploration licences can be issued. If the deposit is listed, an application can be made to the Subsoil Agency for an exploration licence with respect to such deposit. If only one application is received with respect to an exploration licence, the special commission considers the application and takes a decision as to whether to award the licence. Where more than one application is received with respect to an exploration licence, the Subsoil Agency sets up an auction for a combined licence (exploration and production) for the deposit. In the case where an exploration licence is issued, upon discovery of oil, a production licence is issued without a tender or auction to a holder of an exploration licence. Before a subsoil user may start development of the deposit pursuant to its licence, such subsoil user must obtain approvals of the relevant authorities with respect to its deposit development plan and obtain a mining allotment. Licences may be transferred only under certain limited circumstances. A licensee is also generally granted rights to use land covering the licensed area.

Subsoil licences become effective upon their registration with the Subsoil Agency. Subsoil licences have a number of integral components, the most important of which is the licensing agreement. The

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licensing agreement must include certain terms specifically listed in the Subsoil Law (including the commencement date and term of licence, the boundaries of the field, the agreed level of production and the title to recovered hydrocarbons, agreement as to title to geological information obtained in the course of operations, and the terms and conditions for compliance with standards of environmental protection and safety). Additional terms, which are specified in the licensing agreement, may be set by regional legislation.

The licensee generally undertakes certain commitments under the licence, including meeting certain annual production targets (applicable only to production and combined exploration/production licence holders), to keep environmental contamination within specified limits and to remedy environmental contamination. The licensee may also be obliged to fulfil certain social obligations in the area to which the subsoil licence relates, such as paying compensation to local indigenous groups and providing other types of support. Failure to comply with the terms of the subsoil licence (or with the provisions of the Subsoil Law or implementing regulations) can lead to penalties, suspension of production and/or revocation of the subsoil licence.

Land Use Permits

In addition to a subsoil production licence, permission to use surface land within a specified licensed area in Russia is necessary and is normally granted by the regional authority for the location of the land. In the event that the subsoil resources are subsequently discovered to extend beyond the original territorial extent of the licence, it is usually necessary to obtain an amendment to the licence to expand the subsoil and land use rights associated with it.

Land use permits are typically issued with respect to specified areas of operation, upon the submission of standardised reports, technical studies, pre-feasibility studies, budgets and impact statements completed by designated Russian institutes or specialist firms. A land use permit generally requires the holder to make lease payments and to reinstate the associated land to a condition adequate for future use, at the licensee's expense, upon the expiration of the permit.

Crude Oil and Refined Product Transportation

The trunk pipelines for the transportation of crude oil and refined products in Russia are controlled by Transneft and Transneftprodukt, both State-controlled monopoly companies. Pipeline and sea terminal access rights are allocated among oil producing companies in proportion to the volumes of oil produced and delivered to the Transneft pipeline system (and not in proportion simply to oil production volumes). The Federal Energy Agency approves quarterly schedules that detail the precise volumes of oil that each oil producer can pump through the Transneft system. Once the access rights are allocated, oil producers generally cannot increase their allotted capacity in the export pipeline system, although they have limited flexibility in altering delivery routes. Oil producers are generally allowed to assign their access rights to others.

Transneft's tariffs for using its pipelines are subject to Federal Tariff Service oversight. The Federal Tariff Service is charged with determining the tariffs for, among other things, the gas industry and the transportation of petroleum and petroleum products in the trunk pipelines.

Fees Payable by a Subsoil Licensee

In addition to general tax obligations and duties that may be applicable to the licensee the Subsoil Law provides for special payments to be made, related to the use of the subsoil. Those payments are composed of various fees, one-time payments and regular payments. Fees are levied for geological information on subsoil resources and are established by the Russian Government. Fees are also charged for the tender or auction participation, and for the issuance of the subsoil licence. One-time payments are payable upon the occurrence of specified events and in the amounts indicated in the subsoil licence. The one-time payments may not be less than 10% of the natural resources production tax applicable to the annual projected production capacity. Regular payments imposed for the use of the subsoil are not connected with the extraction of natural resources and may depend on economic and geographical conditions, the size of subsoil licence area, type of minerals, the duration of works, the degree of previous geographical studies and the degree of risk.

Environmental Protection

The Group's operations are subject to national, regional and local environmental laws and regulations. These laws and regulations set various standards for health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to remedy current and former facilities and off-site locations.

Two main laws govern environmental protection in Russia; the Environmental Protection Law and the Ecological Expert Review Law. These laws require that an environmental impact assessment be made prior to the implementation of a project related to nature use and allow construction and operation of an oil and gas facility only after a positive opinion of the ecological expert review has been received with respect to the relevant project documentation and activities. Companies are also required to obtain operational licences and permits authorizing the discharge of pollutants into the air, water and soil under a "pay-to-pollute" regime. If discharge exceeds permissible levels, a company is subject to fines calculated as a multiple of the original fee set for the discharge of pollutants.

The Environmental Protection Law contains environmental requirements for planning, design, construction, reconstruction and operation of production, refining, transportation, storage, processing and marketing. The Environmental Protection Law also deals with the production and circulation of potentially dangerous chemical and biological materials, including radioactive and other substances and the use of chemical substances in forests. The Environmental Protection Law sets a 20-year statute of limitations for compensation claims for environmental damage caused by violations of the Environmental Protection Law.

The Ministry of Natural Resources is responsible for the administration and compliance of environmental regulations affecting the Russian oil industry. A typical licence review involves annual reviews of compliance with environmental standards and the administration of any penalties, fines or remediation work.

Tax Regime

The current natural resources production tax ("NRPT") system has been in place since January 2002.

The NRPT, with respect to crude oil (dewatered, desalted and stabilised oil), is based on the amount of oil produced. The tax rate applicable from 1 January 2005 until 31 December 2006 is 419 Rubles per ton of crude oil, subject to an adjustment using a special coefficient which reflects the dynamics of the world prices for Urals blend and the Ruble/US$ exchange rate. This coefficient is applicable on a quarterly basis and represents a ratio in which (i) the numerator is the product of the Ruble/US$ dollar average quarterly exchange rate and the difference between quarterly average world oil price per barrel for Urals blend and US$ 9 and (ii) the denominator equals 261. Currently, the NRPT does not differentiate between oil fields and is the same for all producers.

Starting from 1 January 2007, with respect to the production of crude oil, the NRPT rate will be determined on a monthly basis and be adjusted (in addition to the coefficient reflecting the world prices dynamics and the Ruble/US$ exchange rate) by the regressive coefficient which will reflect the actual level of deposit depletion and vary from 1 (if the level of the deposit depletion is below 0.8) down to 0.3 (if the level of the deposit depletion is above 1).

A "0" Ruble NRPT rate will apply to the production of super-high viscosity oil and to the first 25 million tons of oil produced in Yakut Republic, Irkutsk Region, and Krasnoyarsk Territory (as far as the term of development of the deposit does not exceed (i) 10 years under an exploration and production licence; (ii) 15 years under a geological survey and production licence; and (iii) 10 years under a licence issued before 1 January 2007 for use of oil fields, where the deposit depletion level does not exceed 0.05).

Ryder Scott has incorporated the above changes to the methodology for calculation of NRPT that are expected to be effective from January 2007 to their valuation work contained in the Ryder Scott Report that is contained in Part III of this Document.

(7) CURRENT TRADING AND PROSPECTS

The Group currently has no trading income and its expenditures relate to the Group's drilling and seismic activities, working capital and general corporate overheads. Historic financial information on the Company for the period from 15 September 2005 (date of incorporation) to 31 December 2005 is set out in Part IV of this Document.

(8) DIVIDEND POLICY

The Company has not paid any dividends since its incorporation. The Board does not expect the Company to declare a dividend to Shareholders in the foreseeable future. The Company is at a development stage and is likely to require additional investment which may be financed from the raising of equity and/or debt finance and/or the reinvestment of any future profits.

(9) USE OF PROCEEDS

The net proceeds of the Placing are expected to be approximately €11.2 million (US$14.3 million) after commissions and expenses payable by the Company.

The Company intends to use approximately €9.4 million (US$ 11.9 million) of the proceeds to finance the Company's 2006/07 winter drilling programme, its current contracted seismic activities and its current contracted feasibility study. The Company may enter into hedging arrangements with financial institutions to mitigate all or part of its current Ruble exposures. A further €166,916 (US$212,000) will be used to repay certain amounts owed to a Director pursuant to the Loan Agreement summarised in Section 7 of Part V of this Document. The remainder of the proceeds of the Placing will be used for working capital and for general corporate purposes.

(10) DETAILS OF THE PLACING

Pursuant to the Placing Agreement, further details of which are provided at Section 11 of Part V, Davy has agreed with the Company, on and subject to the terms set out therein and as agent for the Company, to use all reasonable endeavours to procure investors to subscribe for 41,480,174 new Ordinary Shares at the Placing Price. The Placing is now conditional only on:

(a) the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and

(b) Admission being effective on or before 29 September 2006 (or such later date as Davy and the Company may agree but in any event not being later than 13 October 2006).

As part of the Placing, David Golder, Dennis Francis, David Sanders, Desmond Burke, Thomas Hickey and Vakha Sobraliev have agreed to subscribe for 535,408, 535,407, 133,400, 337,000, 265,000 and 535,408 new Ordinary Shares respectively at €0.295 per Ordinary Share. The Directors' participation in the Placing represents in aggregate 1.33 % of the Enlarged Issued Share Capital.

Subject to the fulfilment of the conditions set out above and the other conditions in the Placing Agreement, it is expected that the new Ordinary Shares will begin trading on AIM and on IEX on 27 September 2006. Settlement of the Placing is also expected to occur on 27 September 2006. CREST accounts of Placing participants holding their new Ordinary Shares in uncertified form will then be credited on or around 27 September 2006 and Placing participants holding their New Ordinary Shares in certified form will be despatched share certificates on or around 10 October 2006.

The Directors resolved to issue the Placing Shares on 21 September 2006 conditional on Admission. The Placing Shares will be issued credited as fully paid and will, when issued, rank *pari passu* with the Existing Issued Share Capital, including the right to receive all dividends and other distributions thereafter declared, made or paid.

(11) CORPORATE GOVERNANCE

The Company is not currently subject to any corporate governance regime imposed pursuant to Irish law, however, the Directors intend to implement appropriate measures (having regard to the current stage of development of the Company), to comply as far as is practicable with the main provisions of the Combined Code, as applicable to listed companies and set out in the Listing Rules of the UK Listing Authority and the Irish Stock Exchange.

The Board is comprised of three executive directors and three non-executive directors. The Company will hold Board meetings throughout the year at which reports relating to the Group's operations, together with financial reports, will be considered. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions.

The Group has an audit committee and a remuneration committee with formally delegated duties and responsibilities. Both committees are comprised of the three non-executive Directors, David Golder, Thomas Hickey and Vakha Sobraliev. The remuneration committee is responsible for determining the terms and conditions of service, including remuneration and other benefits granted or proposed to be granted by the Company. The audit committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls.

The Directors intend to comply with Rule 21 of the AIM and IEX Rules relating to restricting directors' dealings in the Company's securities during specified periods, as applicable to AIM and IEX companies, and will take all reasonable steps to ensure compliance therewith by the Group's applicable employees.

(12) REASONS FOR ADMISSION

The Directors believe that Admission and the Placing are central to development of a successful business and will enable the Company to progress its business strategy described above.

The Board believes that Admission will have a number of other benefits, including the following:

- Admission will facilitate the ability of the Company to access the capital markets and take advantage of possible future acquisition and development opportunities, as and when they arise;
- Admission is expected to enhance the profile of the Company both among current and potential investors and the industry in general;
- the provision of share based incentive schemes should assist in the recruitment, incentivisation, reward and retention of high calibre employees; and
- Admission will expand the shareholder base, providing liquidity for current and future investors in the Company.

(13) LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

At Admission, the Directors including their related parties (as such term is defined in the AIM and IEX Rules) will be interested in an aggregate of 55,953,936 Ordinary Shares, representing approximately 32% of the Enlarged Share Capital. Each of the Directors has undertaken, pursuant to lock-in agreements entered into between each of them, the Company and Davy, not to sell, transfer or otherwise dispose of any Ordinary Shares or any interest in Ordinary for a period of one year from the date of Admission, except in limited circumstances, including a takeover, death and court orders.

In addition, a number of other Shareholders (who are not Directors) have in respect of in aggregate 16,133,832 Ordinary Shares, representing approximately 9% of the Enlarged Share Capital undertaken, pursuant to lock-in arrangements entered into between each of them, the Company and Davy, not to sell, transfer or otherwise dispose of any Ordinary Shares or any interest in Ordinary Shares held immediately following the Admission for a period of six months from the date of Admission, except in limited circumstances, including a takeover, death and court orders.

RAB Capital plc has entered into an orderly market agreement in respect of 22,523,303 Ordinary Shares, being the shareholding in the Company immediately before the Placing that they manage on behalf of RAB Octane Fund Limited and representing approximately 13% of the Enlarged Share Capital. Pursuant to this orderly market agreement, RAB Capital plc has undertaken, for a period of six months following the date of Admission, not to sell or otherwise dispose of the Ordinary Shares governed by it except through Davy (or the Company's then broker) and in such a manner as Davy (or the Company's then broker) shall reasonably require, with a view to maintaining an orderly market in the Ordinary Shares of the Company.

(14) DEALING ARRANGEMENTS

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with CREST Regulations. The Articles permit the holding of Ordinary Shares to be evidenced in uncertificated form and settlement of transactions in the Ordinary Shares can currently and may, following Admission, take place within the CREST system if Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain physical share certificates will be able to do so.

(15) TAXATION

All information in relation to taxation in this Document is intended only as a general guide to the current tax position in the United Kingdom and Ireland. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom or Ireland, you should consult your own independent professional advisor immediately.

(16) FURTHER INFORMATION

Prospective investors should consider carefully the information set out in Parts II to V of this Document.

(17) RISK FACTORS

The AIM and IEX markets are designed primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and if appropriate, consultation with an independent financial adviser being, in the case of persons resident in the United Kingdom, a person authorised under the Financial Services and Markets Act 2000 and, in the case of persons resident in Ireland, a person authorised or exempted under the Investment Intermediaries Act 1995 or the Stock Exchange Act 1995 of Ireland.

Your attention is drawn to the Risk Factors set out in Part II of this Document.

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PART II – RISK FACTORS

Any investment in securities involves a high degree of risk. In evaluating the Company as an investment proposition, the Directors consider that prospective investors should take account of all the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, prior to making any investment decision. The information below does not purport to be an exhaustive list or summary of the risks which the Company may encounter. Investors and prospective investors should consider carefully whether an investment in the Company is suitable for them in light of the information in this document and the financial resources available to them.

The Company's business, assets, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such case, the market price of the Ordinary Shares may decline due to any of these risks and investors may lose all or part of their investment. Additional risks and uncertainties including those not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company.

(A) SPECIFIC RISKS IN RELATION TO THE LICENCE

The Group's activities are dependent upon the grant and maintenance of appropriate licences, agreements, concessions, permits, allotments and regulatory consents, which may be withdrawn arbitrarily, their terms and conditions may change or they may be made subject to limitations.

The Licence issued to the Group is subject to certain conditions and obligations which if not satisfied, may lead to the suspension or revocation of the Licence. In the event of suspension or revocation of the Licence, the value of the Group's investments in the Licensed Area may decline, which may lead to a material and adverse fall in value of any investment in the Ordinary Shares of the Company.

Development and production activities under the Licence may only be carried out after the surface land rights are properly formalised when a lease is entered into and the mining allotment and development plan have been approved. Stimul-T has not yet obtained a final land allocation and so does not as yet have valid rights to the surface land although it will shortly apply for same. The absence of such land rights may affect the Group's ability to carry out some of its obligations under the Licence.

Stimul-T is currently not in compliance with two of the terms of the Licence: the environmental pollution monitoring programme (which according to the Licence was to be submitted and approved within six months of the Licence being registered, i.e. 4 October 2005) and the environmental safety and enhancement programme (which according to the Licence was to be submitted and approved within one year from the date the Licence is registered, i.e. 4 May 2006), have not yet been produced. The licensing authorities have issued a comfort letter to Stimul-T indicating that they are aware of such non-compliance and that Stimul-T has agreed to prepare and complete the preparation of these environmental programmes by the end of the first half of 2007. The comfort letter also states that Stimul-T is a company that has acted in good faith in respect to subsoil requirements and (other than as discussed above) is in compliance with the terms of the Licence, and that they do not plan to initiate any revocation or suspension proceedings in relation to the Licence either in the last part of 2006 or the first half of 2007.

On 3 April 2005, following the award of the Licence to Stimul-T, Limited Liability Company "ParitetInvest" ("ParitetInvest") acquired from Mr Sobraliev a 95% participation interest in Stimul-T ("Transfer 1"). Shortly thereafter, Mr Sobraliev re-acquired this 95% participation interest ("Transfer 2"). The available documentation relating to Transfers 1 and 2 does not evidence that all of the Russian-law formalities were observed in relation to Transfers 1 and 2, and in particular that all relevant notices were served. The Directors are of the view that, the risk of a successful challenge by ParitetInvest of Petroneft LLC's acquisition of Stimul-T (and subsequent transfer from Petroneft LLC to the Company) appears to be minimal. Furthermore, an acknowledgement has been obtained from ParitetInvest to the effect that all formalities in relation to both Transfer 1 and Transfer 2 were fulfilled and that ParitetInvest has no claim, pending claim or entitlement to any of the participation interest in Stimul-T.

(B) GENERAL INDUSTRY RISKS

Investment in the hydrocarbon exploration and development industry is highly speculative and incurs greater risks than many other businesses. Investors should consider the risks that pertain to hydrocarbon exploration and development projects in general and investment projects in Russia in particular.

All exploration to establish productive reserves/resources is inherently speculative. The techniques presently available to geophysicists, geologists, and other technical specialists to identify the existence and location of hydrocarbons are indirect, and therefore, a considerable amount of individual judgement is involved in the selection of any prospect for development. In addition, unforeseeable operating problems may arise which render it uneconomical to produce any hydrocarbons discovered.

No guarantee can be given as to the success of any exploration activity, drilling activities and any other field development initiatives which the Group may plan to undertake.

(C) FINANCING

Substantial additional financing will be required if the Group is to successfully pursue its intended strategy. No assurances can be given that the Group will be able to raise the additional finance that it may require for its anticipated future operations. The ability of Petroneft to raise further equity or debt financing will depend on numerous factors, many of which could be outside the control of the Group. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities. The Group may be unable to obtain additional financings on acceptable terms if market and economic conditions, the financial condition or operating performance of the Group or investor sentiment are unfavourable. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties and reduce or terminate its operations.

(D) ESTIMATE OF RESERVES

The reserve data included in this Document are estimates based primarily on internal engineering analyses that were prepared by the Group's petroleum consultants Ryder Scott, and reported on in Part III of this Document, based upon certain information provided by the Group. The process of estimating such reserves is a complex subjective process of estimating underground accumulations of hydrocarbons and their recoverability that cannot be directly measured in an exact way. The accuracy of any reserves estimate based on internationally accepted procedures and definitions depends on the amount and quality of available data, the interpretation of such data and numerous assumptions including oil prices, forecasted cost and timing for capital expenditure and forecasted oil production profile. Therefore these estimates are inherently inexact.

The actual value and quantity of economically recoverable reserves, rates of production, revenues, expenditures and future cash flow with respect to the Group's reserves will vary from these estimates, and those variances may be material. Many of the factors, assumptions and variables involved in estimating reserves are beyond the Group's control.

(E) OPERATIONAL AND ENVIRONMENTAL

The Group's prospects are currently in the early stages of exploration and delineation. The exploration for and development of hydrocarbon deposits involves significant uncertainties and the Group's future operations will be subject to all of the hazards and risks normally encountered in such activities. These include, without limitation, the possibility of blow-outs, pollution, fire, industrial accidents, health hazards, technical failures, unusual or unexpected pressures or geological formations, inclement or hazardous weather conditions and other hazards which may delay or ultimately prevent the exploitation of fields. Environmental hazards include oil spills and gas leaks. If any of these operational and environmental hazards occur, the Group could incur substantial losses. Substantial losses may be caused by; injury or loss of life, severe damage or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Although precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

As is common with all exploratory operations, there is also uncertainty and therefore risk associated with the Group's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Group's control. Few properties that are explored are ultimately developed into producing assets. With all natural resources operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Natural resources exploration is speculative in nature and there can be no assurance that any potential deposits discovered will result in an increase in the Group's resource base.

(F) SINGLE ASSET

The Group's sole exploration and production asset is located in the Tomsk Region of Western Siberia, Russia. The Group's ability to economically exploit and manage the risks of that single asset will be a key factor for the future trading, profitability and economic success of the Company.

(G) FUTURE NET REVENUES

No assurances can be given that hydrocarbons will be located, produced and then processed in economically viable quantities in the area in which the Group is interested.

No guarantee can be given as to the success of the Company's development programme. In addition, development and production may be delayed or adversely affected by factors outside the control of the Group.

Projections of future production from reserves are derived from historical regional production records and volumetric estimates of these reserves and exploration and development drilling. The levels of production actually achieved may vary significantly from such projections. The current value of such future production is also based on projections of future oil prices, costs, taxation and exchange rates all of which may fluctuate over time. Adverse movements in any of these variables may result in a reduction of the value of reserves and in the volume of reserves which can be produced economically.

(H) OIL MARKET PRICES

The future financial performance of the Group may be materially negatively affected by adverse movements in the price of oil, which the record shows have fluctuated widely in the past. Oil prices are affected by numerous factors beyond the Group's control, including, without limitation, international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Movements in market prices could render uneconomic any extraction and/or exploration activities undertaken or to be undertaken.

(I) FORCE MAJEURE

The Group's future operations or the economics thereof may be adversely affected by other risks outside the control of the Group, including but not limited to labour unrest, civil disorder, war, terrorism, subversive activities or sabotage, fires, floods, earthquakes and other acts of God, explosions or other catastrophes, epidemics or quarantine restrictions, within the countries of the Group's operations as well as in countries representing export destinations and transportation routes.

(J) DEPENDENCE ON KEY EXECUTIVES

The Group's growth and future success is significantly dependent upon the contributions of a relatively small number of key executives who play an integral role in the Group's day-to-day operations and future development. While the Company has entered into employment arrangements with its key executives, the Company cannot guarantee investors that the services of these individuals or any of a number of other key employees will continue to be available to it and the loss of any one of them could have a material adverse effect on the prospects of the Group and the value of its Ordinary Shares.

(K) HISTORY OF OPERATING LOSSES

The Group has a history of operating losses and expects to incur further substantial operating losses for the foreseeable future as its exploration and development activities continue. There can be no assurances that the Group will ever achieve revenues or profitability.

(L) REGULATIONS

The Group's proposed activities will be subject to the relevant legislation and regulations of the legal jurisdictions under which the Group operates. Such legislation and regulations cover a wide variety of matters, including, without limitation, asset ownership, and other rights, export restrictions and tariffs, operational matters, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may be a by-product of any future production.

(M) INSURANCE

Petroneft only has limited, and potentially an insufficient level of, insurance coverage for expenses and losses that may arise in connection with property damage, work-related accidents and occupational disease, natural disasters and environmental contamination. It has no insurance coverage for loss of profits or other losses caused by the death or incapacitation of Petroneft senior managers or any business interruption insurance. Accordingly, losses or liabilities arising from such events could increase Petroneft's costs and could have a material adverse affect on its operating results and financial condition.

(N) COUNTRY SPECIFIC RISK

Since the dissolution of the Soviet Union in the early 1990's, Russia is undergoing rapid transformation which has been marked by periods of significant economic, legal and political instability and uncertainty.

Legal – Since the early 1990s, the legal system in Russia has experienced frequent and severe changes. As a result, the Group may be subject to political, economic and other uncertainties, including, *inter alia*, changes in energy policies and regulations or in the personnel administering them, restrictions introduced in relation to foreign-controlled companies, changes in exchange control regulations, expropriation or nationalisation of exploration and production rights and other assets, re-negotiation or nullification of existing contracts, changes in government, risk of war and terrorism, international disputes, changes in legislation (including contract enforceability) and regulatory systems (including price control or tariffs), changes in taxation or customs policies, changing political conditions and international monetary fluctuations.

In the event of a dispute arising in connection with its Russian operations, any member of the Group may be subject to the exclusive jurisdiction of Russian federal, regional or local courts or may not be successful in subjecting foreign persons to the jurisdiction of the courts in its home jurisdiction or enforcing judgements obtained in its home jurisdiction in such other jurisdictions.

The Russian judiciary is understaffed and under funded, with limited experience in interpreting and applying market-orientated legislation, particularly in the area of business and corporate law. In addition the independence of the Russian judicial system and its immunity from economic, political and nationalistic influences in Russia remain largely untested. Court claims are often used in furtherance of political aims. These factors, along with the difficulty of enforcing court decisions in Russia and governmental discretion in instigating, joining and enforcing claims, could prevent the Group from obtaining effective redress in a Russian court proceeding (including in respect of expropriation or nationalisation) and make judicial decisions in Russia difficult to predict and effective redress uncertain.

Banking – During the August 1998 Russian financial crisis, which affected the Russian banking system, many banks in Russia suffered liquidity problems and some became insolvent or were liquidated. As a result, it became increasingly difficult to transfer money between regional banks and Moscow banks. The Russian banking system has not fully recovered and these or similar events could occur in the future. If Russian banks become insolvent, or if it becomes increasingly difficult for Moscow-based banks to transfer funds to other regional banks, then the Group's ability to manage cash flows could be adversely affected.

Taxation – Laws in relation to Russian taxation have been in force for a short period relative to tax laws in more developed market economies, and the implementation of these tax laws is often unclear and/or inconsistent. Accordingly, few precedents with regard to the interpretation of these laws have been established and often there are differing opinions regarding their legal interpretation. In addition, the Russian taxation system is subject to frequent change and inconsistent enforcement at the federal, regional and local levels. Any amendments to the Russian taxation system could result in significant taxation liabilities for the Group and impact negatively on the economical viability of the Group's assets.

Inflation – In the recent past, the Russian economy has suffered from high rates of inflation. Although the inflation rate decreased to 10.9 per cent in 2005, it was 84.5 per cent in 1998, 36.5 per cent in 1999 and 20.2 percent in 2000. The majority of the Group's costs are currently contracted for in Rubles and in addition future costs and contracts may be contracted for in Rubles, all of which may be materially adversely affected by inflation in Russia.

Domestic Politics – Russia is a federation consisting of 88 subjects (regions), with different degrees of autonomy. Consequently, there are federal and regional levels of government. In practice, the division of authority between federal and regional authorities in certain cases remains uncertain and contested. This uncertainty could in some cases hinder Petroneft's long-term planning efforts and may create uncertainties in carrying out its business strategy. Accordingly, the relationship between the relevant federal, regional and local authorities, as well as between Petroneft and such authorities, can have a significant impact on the conditions under which Petroneft can operate in any particular region.

(O) RUSSIAN OIL INDUSTRY SPECIFIC RISKS

Domestic Prices – Historically, oil prices in the Russian market have been below prices in the international export market. While the Russian government ceased to control domestic oil prices directly in early 1995, domestic crude oil prices have remained below international spot market levels primarily due to large regional surpluses in Russia, increasing domestic supplies and reduced demand resulting in Russia's economic weakness. Domestic Russian prices for refined products have historically also been subject to government price controls, although not to the same degree as was the case for oil prices, and have also remained below world market prices for refined petroleum products. The Company cannot assure investors that the Russian government will not implement price controls in the future for political or other reasons.

Export Quotas/Capacity – Russian oil companies are allocated a quota to export approximately 30% to 35% of their production through pipelines operated by Transneft (see below). These restrictions have put downward pressure on the price of Russian domestic crude oil and refined product prices, which may impact the Group's margins for domestic sales. The Company cannot assure investors as to when the Russian government or Transneft will lower or eliminate these restrictions, or whether these restrictions will be increased. The continuance of restrictions could adversely affect the Group's future operations and revenues.

Transneft – Approximately 90% of the crude oil produced in Russia is transported through the Transneft system of trunk pipelines, which is a state-owned monopoly and whose policies are dictated by a variety of government agencies. Similar to other oil companies in Russia, the Group will be dependent on Transneft for the transportation of some or all of its crude oil. The Transneft system is subject to breakdowns and in need of capital investment. Transneft may refuse to or be unable to transport the Group's crude oil as a result of significant disruption in the pipeline or for other reasons, or raise tariffs. The Group may not receive sufficient pipeline capacity in the future to transport all of its requirements. In such events the Group's operations and revenues could be adversely affected.

Transneft currently does not have an oil quality banking system to compensate producers for differences in the quality of their crude production. Any oil produced by the Group that will be transported via Transneft will be blended with oil produced by other companies. Sales made in the export market will be sales of an oil blend that results from such combination, the Urals blend or Siberian Light.

Competition – The Russian oil industry is highly competitive. There are a number of large domestic and international oil companies operating in Russia who have access to greater financial and other resources than the Group. The Group competes with such companies for the equipment, labour and capital required to develop and operate its assets. The Group's competitors may also be able to pay more for exploratory prospects and productive oil properties and may be able to define, evaluate, bid for and purchase a greater number of properties, prospects and licences than the Group's financial or human resources permit. In addition, to the extent that the Group will sell all or a portion of its production in the Russian market, it competes for potential buyers, such as refineries, some of which may be owned by competitors. Any of the above factors could adversely affect the business, operations and future revenues of the Group.

Currency – The ability to hedge the Russian Ruble against fluctuations by converting to other currencies is somewhat limited. Within Russia, the Group's ability to convert Rubles into other currencies is subject to rules and procedures that increasingly restrict the purposes for which conversion and payment in foreign currencies are allowed. In addition, because of the limited development of the foreign currency market in Russia, the Group may experience difficulty in converting Rubles into other currencies. The Russian government may also devalue its currency, restricting the Group's ability to purchase or maintain foreign currency.

The Group will be required to repatriate 100% of any future proceeds from export sales back into Russia and may be required to convert all or some of such proceeds into Rubles. The percentage of proceeds that are required to be converted into Rubles is amended from time-to-time by the Russian authorities. On 29 March 2006 the Central Bank of Russia adopted a Directive No. 1676-U, to decrease to zero the percentage of foreign currency proceeds subject to mandatory conversion into Rubles. The Directive came into force on 6 May 2006.

(P) INVESTMENT IN AIM/IEX QUOTED SECURITIES

The value of the Ordinary Shares may go down as well as up. Furthermore, an investment in an ordinary share or other security that is traded on AIM and/or IEX is likely to carry a higher risk than an investment in a share or other security listed on the Official Lists. The market price of the Ordinary Shares may note reflect the underlying value of the assets of the Group. The market in the Ordinary Shares may be illiquid, may not have sufficient market makers giving a quotation, may have a large bid offer spread or may be subject to sudden or large fluctuations. It may therefore be difficult for investors to sell their Ordinary Shares and they may receive less than the amount originally invested.

The share price of publicly traded oil and gas exploration and production companies can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its activities and some which may affect the quoted oil and gas sector, or quoted companies generally. These factors could include the Group's exploration and development work programmes and activities, large purchases or sales of the Company's securities, legislative changes in Russia and general world economic and political conditions.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment on AIM or IEX than to realise an investment in a company whose shares or the securities are quoted on the Official Lists.

The investment offered in this document may not be suitable for all of its recipients. Investors are accordingly advised to consult an independent financial adviser, who in Ireland, is an organisation or firm authorised or exempted pursuant to the Investment Intermediaries Act 1995 or the Stock Exchange Act 1995, and in the UK, is authorised under the Financial Services and Markets Act 2000 who or which specialises in investments of this kind before making any decision to invest in Ordinary Shares.

RYDER SCOTT COMPANY
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The Directors
J & E Davy
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Ireland

20 September, 2006

Gentlemen:

Executive Summary

At your request, we have prepared an estimate and net present valuation of the proved and probable reserves, future production, revenue and net income attributable to the 100% ownership of PetroNeft Resources Plc's ("PetroNeft") wholly owned Russian Limited Liability subsidiary company Stimul-T, the sole license holder of License Area 61 (Tungolsky) located in the Tomsk Oblast in Russia. The effective date of the economic evaluation is July 1, 2006; however, it is assumed that the anticipated decision date to sanction the project and to commence development on this License will be July 1, 2007. PetroNeft will spend certain funds for the acquisition of additional seismic data, the drilling of two delineation wells, well testing and feasibility studies prior to the decision date of July 1, 2007 These expenditures as well as operating costs associated with this project are included in this report and valuation. This report only includes the expenditures for the evaluation and development of the proved and probable reserves in the Lineynoye and Tungolskoye oil fields. In addition, we have prepared an estimate of the potential range of possible reserves for 20 seismically defined structures in the License Area. Finally, we have also prepared an estimate of the recoverable resource potential of 5 other structures in the License Area. The income data were estimated using constant prices and costs. In addition to the base case, two additional price sensitivity cases were evaluated. The price assumptions associated with those cases will be summarized later in the report. A summary of the results of this study is shown below.

Base Case (Case 2)
Constant Prices and Costs
Estimated Net Reserve and Income Data
License Area 61
PetroNeft
As of July 1, 2006

	Total Proved	*Total Probable*	*Proved & Probable*
Net Remaining Reserves			
Oil/Condensate (10^3 Bbls)	4,870	28,665	33,535
Income Data (10^3 \$)			
Future Gross Revenue	\$137,990	\$819,894	\$957,884
Deductions	\$106,008	\$596,080	\$702,088
Future Net Income (FNI)	\$ 31,982	\$223,814	\$255,769
Discounted FNI @ 10%	\$ 14,128	\$ 93,182	\$107,310

In addition to the Base Case, two price sensitivity cases were evaluated. Case 1 represents a lower price scenario and Case 3 represents a higher price scenario. The results are summarized below.

Case 1
Constant Prices and Costs
Estimated Net Reserve and Income Data
License Area 61
PetroNeft
As of July 1, 2006

	Total Proved	*Total Probable*	*Proved & Probable*
Net Remaining Reserves			
Oil/Condensate (10^3 Bbls)	4,870	28,665	33,535
Income Data (10^3 $)			
Future Gross Revenue	$121,840	$723,960	$845,800
Deductions	$ 99,564	$554,845	$654,408
Future Net Income (FNI)	$ 22,276	$169,115	$191,392
Discounted FNI @ 10%	$ 7,933	$ 61,535	$ 69,468

Case 3
Constant Prices and Costs
Estimated Net Reserve and Income Data
License Area 61
PetroNeft
As of July 1, 2006

	Total Proved	*Total Probable*	*Proved & Probable*
Net Remaining Reserves			
Oil/Condensate (10^3 Bbls)	4,870	28,665	33,535
Income Data (10^3 $)			
Future Gross Revenue	$154,146	$915,876	$1,070,021
Deductions	$114,271	$643,828	$ 758,098
Future Net Income (FNI)	$ 39,875	$272,048	$ 311,923
Discounted FNI @ 10%	$ 8,512	$119,975	$ 138,848

Because of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. The recoverable reserves and the income attributable thereto have a direct relationship to the hydrocarbon prices actually received; therefore, volumes of reserves actually recovered and amounts of income actually received may differ significantly from the estimated quantities presented in this report.

Liquid hydrocarbons are expressed in standard 42 gallon barrels. The various producing status categories are attached.

The future gross revenue is after deduction of mineral extraction tax. The deductions are comprised of operating costs, export tariff, property tax, profit tax, drilling and completion costs, facility and construction costs, transportation costs and certain abandonment costs.

The evaluation was based on 100 percent ownership of the subject properties (working interest = 100 percent). The net revenue factor is used to compensate for processing, conversion and line losses.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown on each estimated projection of future production and income presented in a later section of this report and in summary form as follows.

	Base Case (Case 2) – Discounted Future Net Income (10^3 \$) As of July 1, 2006		
Discount Rate Percent	*Total Proved*	*Total Probable*	*Proved + Probable*
8	$16,632	$111,146	$127,778
10	$14,128	$ 93,182	$107,310
12	$11,993	$ 77,714	$ 89,664
15	$ 9,130	$ 58,422	$ 67,552
20	$ 5,505	$ 34,379	$ 39,884

	Case 1 – Discounted Future Net Income (10^3 \$) As of July 1, 2006		
Discount Rate Percent	*Total Proved*	*Total Probable*	*Proved + Probable*
8	$9,894	$75,875	$85,768
10	$7,933	$49,223	$69,468
12	$6,223	$49,223	$55,446
15	$4,056	$33,946	$38,002
20	$1,296	$15,919	$16,415

	Case 3 – Discounted Future Net Income (10^3 \$) As of July 1, 2006		
Discount Rate Percent	*Total Proved*	*Total Probable*	*Proved + Probable*
8	$21,584	$141,271	$163,126
10	$18,872	$119,975	$138,848
12	$ 7,318	$101,623	$117,877
15	$ 5,790	$ 78,694	$ 91,595
20	$ 3,816	$ 49,986	$ 58,629

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Introduction

The proved reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable reserves included herein conform to definitions of probable reserves approved by the SPE/WPC using the deterministic methodology and the possible reserves included herein conform to definitions of possible reserves approved by the SPE/WPC using probabilistic methodology. In addition, development cost and price parameters consistent with best practices as described in Chapter 19 of the Listing Rules of the UK Listing Authority and of the Irish Stock Exchange which were in force up until July 1, 2005 and the London Stock Exchange AIM Guidance Note for Mining, Oil and Gas Companies dated March 2006. The definitions of proved, probable, and possible reserves are included under the tab "Petroleum Reserves Definitions" in this report.

The reserves included in this report conform to the following terms for License 61.

The Company's Tungolsky License was issued by the Federal Agency for Subsoil Use to the Company's subsidiary Stimul-T for the geological survey, exploration and production of hydrocarbons at the Tungolsky area. The License was registered by the Subsoil Agency on 4 May 2005 under the registration number No. 4060/TOM 13135 NR. Pursuant to the Subsoil Law the effective date of the license is its registration date. The License validity term, as stipulated in the License itself, is until 15 April 2030 which is slightly less that 25 years. Pursuant to the Licensing Agreement Stimul-T has a number of obligations with respect to the exploration and production of hydrocarbons. Some of the most significant obligations of the Tungolsky Area include:

- Carrying out of 2D seismic studies within three years from the date the License is registered,
- Drilling not less than six exploration wells within six years from the date the License is registered; and
- Commencement of production on the Tungolsky Area no later than two years from the date of approval of the reserves.

The Regulations on Procedure for Licensing Subsoil Use and the Subsoil Law provide that the designated term of a license may be renewed at the initiative of the license holder and at the discretion of the licensing authorities, provided that the license holder observes the provisions of the license and the deposit still contains extractable reserves.

Each license holder undergoes periodic reviews by the Tomsk Oblast governmental entities responsible for ensuring compliance by subsurface license holders with the terms of their licenses and applicable legislation. The company is currently in compliance with all terms regarding the Tungolsky License.

A licensee can be fined for failing to comply with the subsoil production license and the subsoil production license can be revoked, suspended, or limited in certain circumstances.

Estimates of Reserves

The reserves included herein were estimated by a deterministic analysis. The analysis was also checked by a probabilistic analysis of the volumetric parameters. Proved reserves were assigned to undrilled locations that were direct offsets of wells tested at economic rates. In addition, the proved reserves were limited to primary recovery for those locations. The incremental reserves attributable to water injection were classified as probable. All reserves for locations that were not direct offsets of tested wells were classified as probable. The primary reserves were estimated by a solution gas recovery efficiency of 12.5%. The incremental secondary reserves assigned to the proved reserves were based on a secondary to primary ratio of one to one. Total reserves to the locations classified as probable were based on a recovery efficiency of 25% (12.5% primary & 12.5% secondary.

The reservoir properties in the two discovery wells which includes the results of the reprocessing and reinterpretation of the well log data by Tomskneftegazengineering is summarized in the following table:

Property	*Reservoir Properties Lineynoye No. 1*	*Tungolskoye No. 1*
Depth top Reservoir – m	a.e. -2,393 m	a.e. -2,503.3 m
Porosity	14.8 to 17.4 %	14.4 to 17.7%
Permeability – md – log	12.6 to 38.5 md	10.4 to 43.4 md
Permeability – md – well test	26 md	34 md
Net Pay thickness – m	15.4 m	12.9 m
Hydrocarbon Saturation	66 to 70%	49 to 56%
Formation pressure – psia	3,777 psia	3,850 psia
Formation temperature – °C	93 °C	98 °C
API gravity of crude oil	38 degree API	40 degree API

The reserves included in this report are estimates only and should not be construed as being exact quantities. They may or may not be actually recovered, and if recovered, the revenues therefrom and the actual costs related thereto could be more or less than the estimated amounts. Moreover, estimates of reserves may increase or decrease as a result of future operations.

Future Production Rates

Test data and other related information were used to estimate the anticipated initial production rates for all undrilled locations. An estimated rate of decline was then applied to depletion of the reserves.

Locations, which are not currently producing, may start producing earlier or later than anticipated in our estimates of their future production rates.

Hydrocarbon Prices

The Base Case (Case 2) in this report utilized an export price of $53.00 per barrel and a domestic price excluding VAT of $29.00 per barrel. PetroNeft advised us that they expect to export 35 percent of their production and to sell 65 percent on the domestic market. Case 1 utilized an export price of $48.00 per barrel and $25.00 per barrel for domestic sales. Case 3 assumes a $58.00 per barrel price for exported crude and $33.00 for domestic sales. Both Case 1 and Case 3 assumed the same 35/65 split between export and domestic sales.

Costs

PetroNeft provided a field development plan which included a development drilling schedule and a construction schedule for required infrastructure. The development plan provided for the use of electrical submersible pumps and water flooding of the fields. The plan also included the CAPEX requirements for drilling and completion and infrastructure costs. Finally, a cost for abandonment of wells was provided and these costs were scheduled on a well by well costs to occur 6 months after the well is depleted. PetroNeft also provided a lifting cost plus fixed costs which included all anticipated G & A costs associated with operation of the project and the company. All expenses and costs were held constant through the life of the properties. No deduction was made for indirect costs such as loan repayments and interest expenses.

PetroNeft provided the following data:

Transportation (Export)	$3.30/Bbl
Transportation (Domestic)	$0.60/Bbl
Export Tariff (Export Volumes)	$4.00 + (Export Price – $25.00) **65%
Natural Resources Production Tax (NRPT)	See Description Below
Profit Tax	24%
Property Tax	2.2% of Undepreciated Capex
VAT	18.0%

The current natural resources production tax ("NRPT") system has been in place since January 2002.

The NRPT, with respect to crude oil (dewatered, desalted and stabilised oil), is based on the amount of oil produced. The tax rate applicable from 1 January 2005 until 31 December 2006 is 419 Rubles per ton of crude oil, subject to an adjustment using a special coefficient which reflects the dynamics of the world prices for Urals blend and the Ruble/US$ exchange rate. This coefficient is applicable on a quarterly basis and represents a ratio in which (i) the numerator is the product of the Ruble/US$ dollar average quarterly exchange rate and the difference between quarterly average world oil price per barrel for Urals blend and US$ 9 and (ii) the denominator equals 261. Currently, the NRPT does not differentiate between oil fields and is the same for all producers.

Starting from 1 January 2007, with respect to the production of crude oil, the NRPT rate will be determined on a monthly basis and be adjusted (in addition to the coefficient reflecting the world prices dynamics and the Ruble/US$ exchange rate) by the regressive coefficient which will reflect the actual level of deposit depletion and vary from 1 (if the level of the deposit depletion is below 0.8) down to 0.3 (if the level of the deposit depletion is above 1).

A "0" Ruble NRPT rate will apply to the production of super-high viscosity oil and to the first 25 mil. tons of oil produced in Yakut Republic, Irkutsk Region, and Krasnoyarsk Territory (as far as the term of development of the deposit does not exceed (i) 10 years under exploration and production license, (ii) 15 years under geological survey and production license, and (iii) 10 years under license issued before 1 January 2007 for use of oil fields, where the deposit depletion level does not exceed 0.05).

Ryder Scott finds this cost data consistent with data Ryder Scott has used in other Russian Evaluations. Based on the field development plan, approximately 25% of the Original Oil in Place is recovered.

License 61 Description

A discussion of the detailed description of the geology of License 61 is presented. Much of this material was taken from the auction data package prepared the Russian Federal and Territorial Agencies for the Use of Mineral Resources, Rosnedra and Tomsknedra.

GEOGRAPHIC LOCATION, NATURAL ENVIRONMENT AND INFRASTRUCTURE

Lease No. 61 (Tungol) is located in the north-west of the Tomsk Region in Alexandrov administrative district (Figure 1). The eastern boundary of the Lease coincides with the administrative border between Alexandrov and Kargasok districts.

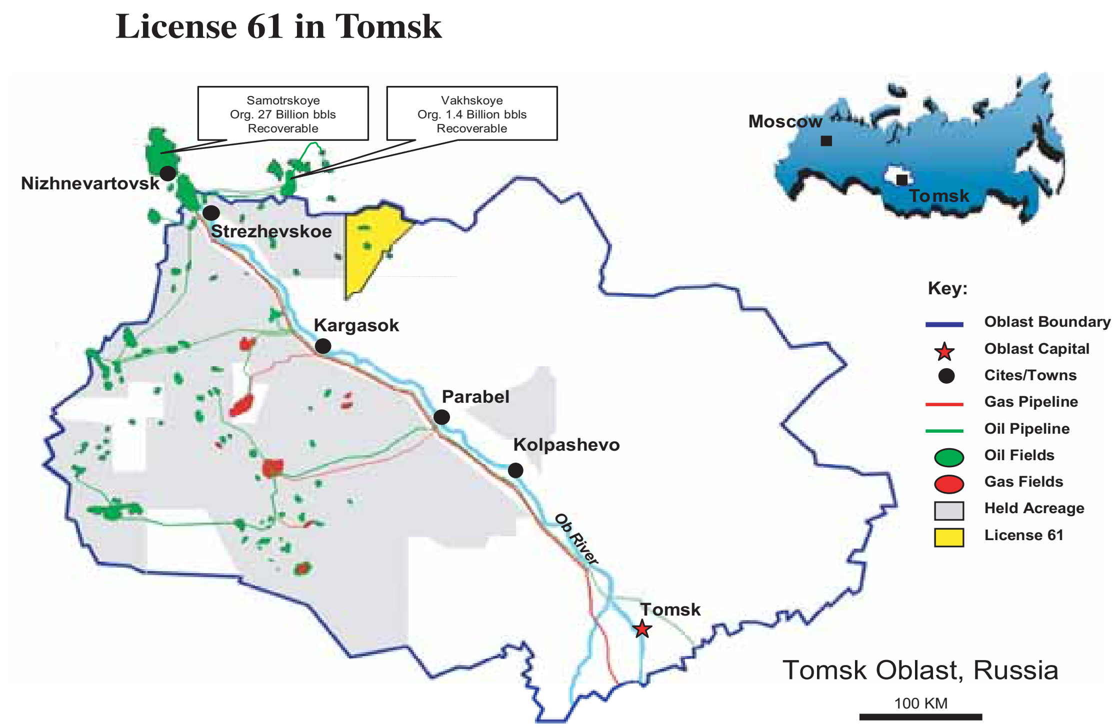

Figure 1. Map showing Tomsk Oblast and location of License Area 61.

The south-eastern part of the West-Siberian Lowland where License No. 61 is located in a flat, waterlogged plain covered by mixed forest. The absolute elevations vary from 125 – 130 m in the north to 70 – 80 m in the south of the area. The lowest elevations of 50 – 60 m are encountered in the Kievskiy Yegan River in the southern part of the area (Figure 2).

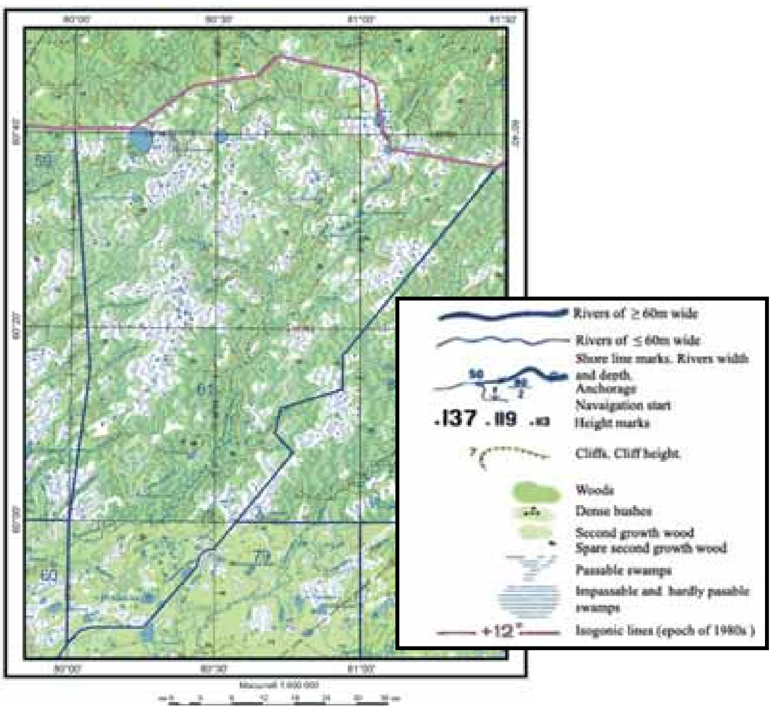

Figure 2 Map showing Natural Environment of License 61.

The drainage system comprises the Kievskiy Yegan River flowing in the vicinity of the entire south-eastern Lease boundary and upper reaches of the Malaya Vartovskaya, Pikoviy Yegan, and Nazinskaya Rivers. All rivers flow in the south-western direction. There are numerous lakes in the area with the largest ones being Lakes Imemtor, Kievskoye and Sibkrayevskoye in the north and Lakes Bolshoye Vydrovskoye and Yeltsovskoye in the south.

The climate is strongly continental characterized by long cold (as low as -50°C) winters and short warm summers. Blizzards and heavy snowfalls persist from October till April. The average soil freezing depth is 1.2 m. The maximum frost penetration depth in swamps is 0.5 m. The snow cover reaches 1.5 m. The heating season lasts from mid-September till May.

There are no inhabited localities within the limits of the License area. The distances from the mid-point of the Lease to the regional center Tomsk and to Strezhevoy (along the straight line) are 550 km and 170 km, respectively. The nearest inhabited locality (Alexandrovskoye industrial community) is located at a distance of 150 km away from the Lease. There is an airfield with an earthen runway in Alexandrovskoye as well as a television transmitter and a communications facility.

There is an all year-round road in the southern part of the License area that connects to the village of Kievsky which is located 15 kms to the south of the lease. Winter roads are passable only when the swaps are sufficiently frozen and a stable snow cover is in place. The distance to the nearest main oil pipeline (Strezhevoy – Tomsk) is 60 km. The distance to the nearest hard-surfaced road is 90 km. A high voltage power transmission line runs in parallel to the oil pipeline. Seismic acquisition and exploration drilling activities take place in the winter months.

TECTONIC STRUCTURE

Tectonically, Lease No. 61 is located in the south-eastern part of the West Siberian Platform. The basement for this platform is the Paleozoic rock sequence overlain by the Mesozoic-Cenozoic sedimentary cover. Lower Mesozoic (Triassic) units are identified in plunged sections between the basement and cover.

License No. 61 (Tungol) is part of the Central West Siberian folded system of the Hercynian age containing a series of inverted anticlinorium zones and zones of intermountain troughs of the north-western trend. The Lease is situated within the limits of large-sized structures of the above-referenced system such as Narymsko-Kolpashevakaya basin (in its central part), Ust-Tym basin (southern portion of the area) and Pyl-Karaminskiy anticlinorium (north-eastern corner of the area). The southern corner of the Lease is located in the north-eastern extremity of Ust-Tym trough rift extending in the same north-eastern direction. Anticlinorium zones are separated from the intermountain troughs by interstructural formational faults originated at the early stages of the geosynclinal cycle and inheritably developing all the time ever since including the young platform stage. The largest of them are associated with the Ust-Tym trough rift. License No. 61, at the level of the Mesozoic-Cenozoic cover, is situated in the north of the Ust-Tym basin with its eastern corner extending to the south-western slope of Pyl-Karaminskiy megaswell (Figure 3). Second order structures identified in the Ust-Tym basin within the Lease limits include Emtorskoye arch in the north and the eastern slope of the Okunyovskoye arch in the west.

The eastern part of the Lease is confined to the northern pericline of the Malochimulyakskiy swell belonging to the Pyl-Karaminskiy megaswell.

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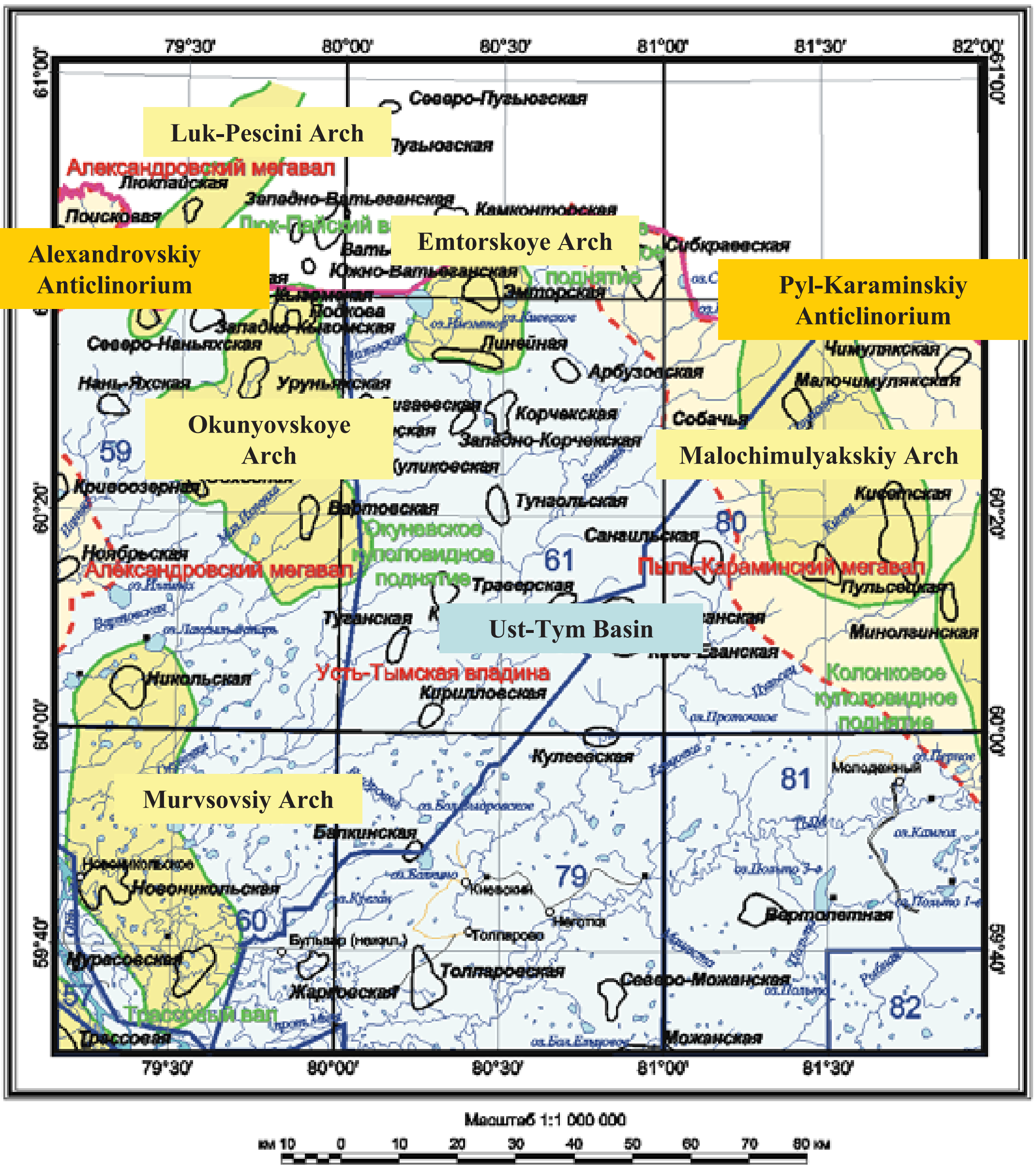

Figure 3 Map showing License 61 in context of regional tectonic features.

Over thirty Upper Jurassic structures have been identified in the Lease. Deep wells were drilled on six structures, (note: number shown in front of the name of structure is a number assigned by PetroNeft):

1	Lineynaya (Wells 1, 2, 3, 4 and 5)
17	Sibkrayevskaya (Wells 370, 371)
	Traverskaya (Wells 1,)
15	Tuganskaya (Well 1)
2	Tungolskaya (Wells 1, 2 and 3)
10	Emtorskaya (Wells 300, 303)

A total of 14 wells were drilled including one 3,400 m deep stratigraphic well (Well Tungol No. 3). The Lease is generally poorly covered by deep drilling, see Figure 4.

Basement deposits of pre Jurassic age were encountered in nine wells out of 14, while the rest of the wells penetrated deposits of the Tyumenskaya series. The minimum occurrence depth of the basement is 2,701 m (Well Lineynaya No. 1); the maximum occurrence depth is 3,184 m (Well Tungol No. 3). Meters drilled in the pre-Jurassic basement (a maximum of 298 m in Well Tungolskoye No. 1).

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Oil Fields / Prospects / Potential Prospects

Oil Fields	1.	Lineynoye Oil Field
	2.	Tungolskoye Oil Field
Prospects	3.	West Lineynoye
	4.	Lineynoye South & Lower
	5.	Korchegskaya & Upper Korchegskaya
	6.	Korchegskaya West
	7.	Korchegskaya North
	8.	Varyakhskaya
	9.	Varyakhskaya North & Upper
	10.	Emtorskaya Crown (1 of 3)
	11.	Sigayevskaya
	12.	Sigayevskaya East
	13.	Kulikovskaya Group (2 of 6)
	14.	Kusinskiy Group (1 of 3)
	15.	Tuganskaya Group (1 of 4)
	16.	Kirillovskaya (1 of 4)
	17.	Sibkrayevskaya Crown (1 of 2)
	18.	Tungolskoye East
Potential Prospects (Leads)	19.	Emtorskaya North
	20.	Sibkrayevskaya East
	21.	Sobachya
	22.	North Balkinskaya
	23.	West Balkinskaya

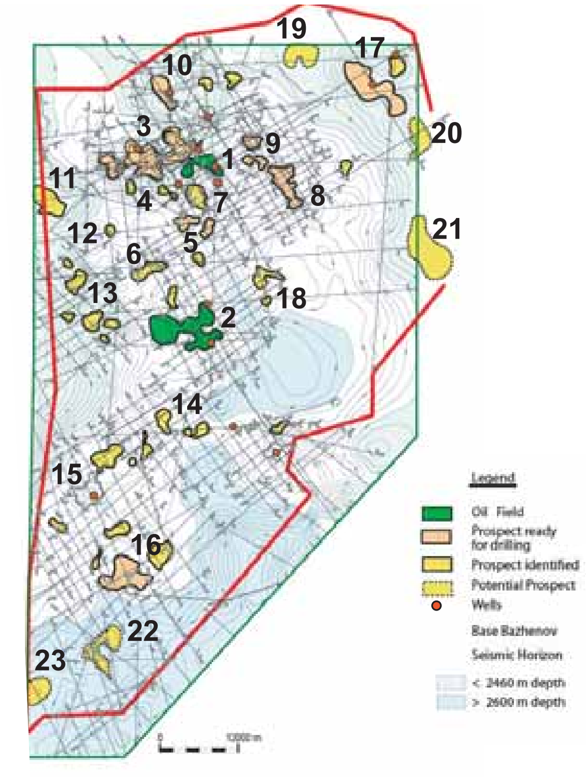

Figure 4. Map showing Upper Jurassic Oil Fields, Prospects and Potential Prospects in License 61

Two oil fields were discovered in the deposits of the Upper Jurassic sedimentary cover (Vasyugan series, J1 horizon):

1	Lineynoye Oil Field
2	Tungolskoye Oil Field

The status of the other structures varies from ''Prepared for Drilling'', ''Identified'' to ''Included in Assets'', etc. There are currently nine structures classified as ''Prepared for Drilling'' by PetroNeft:

3	West Lineynoye
5,5a	Korchegskaya and Upper Korchegskaya
8	Varyakhskaya
9,9a	Varyakhskaya North and Upper
10	Emtorskaya Crown (1 of 3)
16	Kirillovskaya Group (1 of 4)
17	Sibkrayevskaya Crown

The "Identified Prospects" group includes nine major structures or groups of structures that are well defined 4-way dip closures at the Upper Jurassic Reservoir interval (Base Bazhenov seismic horizon) Potential Resources in these prospects are attributable to the Possible category:

4,4a	Lineynoye South and Lower
6	West Korchegskaya
7	North Korchegskaya
11	Sigayevskaya
12	Sigayevskaya East
13	Kulikovskaya Group (2 of 6)
14	Kusinskiy Group (1 of 3)
15	Tuganskaya Group (1 of 3)
18	Tungolskoye East

The remaining five structures belong to the "Potential Prospect" category. These structures require additional seismic data to confirm structural closure. Potential Resources in these features are attributable to the Exploration category:

19	Emtorskaya North
20	Sibkrayevskaya East
21	Sobachya
22	Balkinskaya North
23	Balkinskaya West

STRATIGRAPHY

The discussion of the detailed stratigraphy of the License 61 is based primarily on materials presented in the November 2004 Auction Technical Information Package.

The pre-Jurassic section is best covered in Well Tuganskaya No. 1 (298 m) and in the Tungol stratigraphic well No. 3 (216 m). A maximum of one hundred meters were drilled in pre-Jurassic deposits in all other wells. A weathering crust as thick as several dozen meters was encountered in the upper part of the pre-Jurassic basement in almost all of the wells.

The sedimentary cover is composed of cyclically alternating continental and marine layers. The Upper Jurassic – Berriasian and the Upper Cretaceous argillaceous layers corresponding to transgression peaks divide the sedimentary filling of the Mesozoic part of the basin into Jurassic and Cretaceous megabasins. Stable downwarping in Mesozoic period largely pre-determined the areal distribution of marine, littoral-marine and continental layers as well as their lithology and geochemistry. Logging and deep drilling data identified the deposits of Jurassic, Cretaceous, Paleogene, Neogene and Quaternary systems in the Mesozoic-Cenozoic sedimentary cover.

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The Jurassic system is represented by the deposits of Tyumenskaya, Vasyuganskaya, Georgiyevskaya and Bazhenovskaya series. Jurassic deposits overlay the folded basement characterized by a non-depositional hiatus and angular nonconformity (Figure 5).

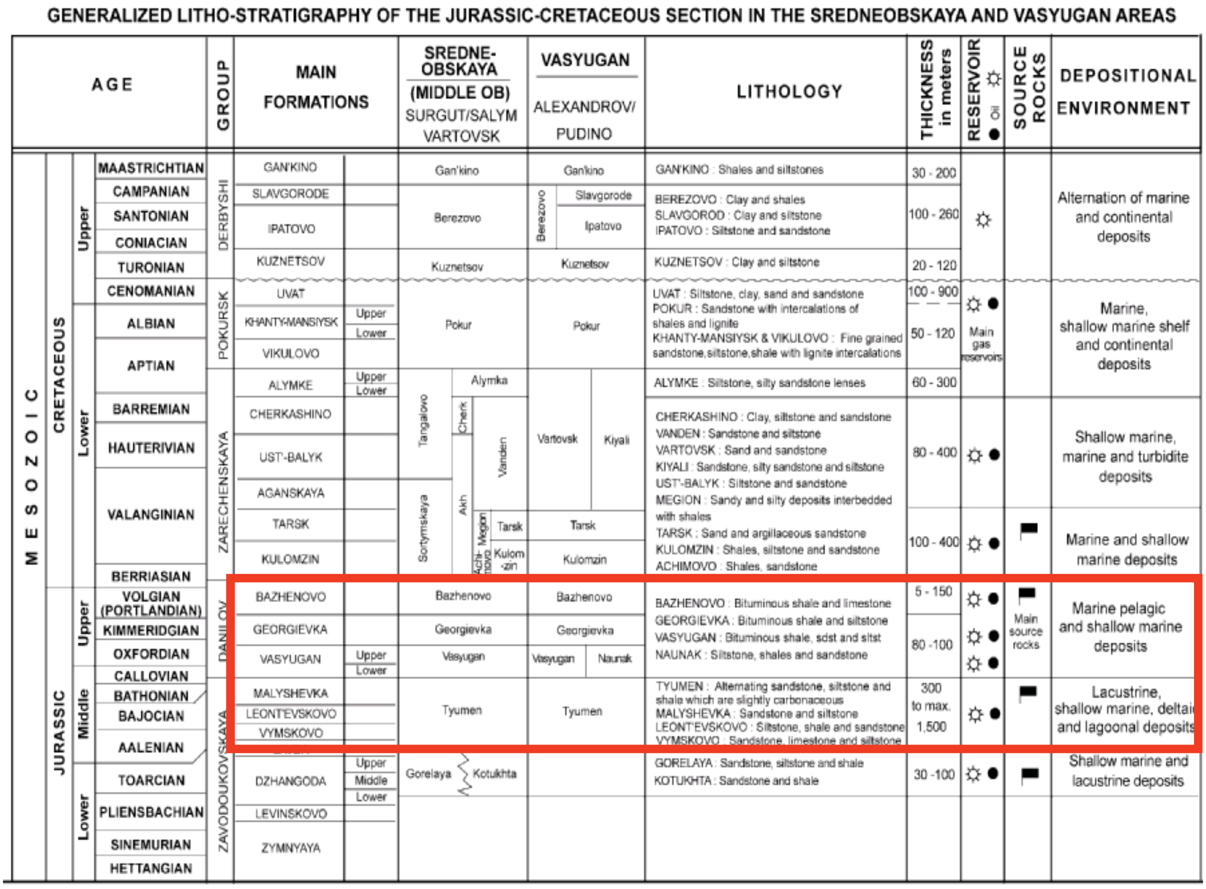

Figure 5 Stratigraphic Chart showing generalized Litho-Stratigraphy of Mesozoic Section in Vasyugan Area.

Tyumenskaya series (Lower + Middle Jurassic) rock was generally formed under continental conditions and, to a lesser degree, in littoral-marine and, possibly, in vast desalinated water basins. This rock consists of interbedded sandstone, siltstone and claystone (fluvial and lacustrine-boggy deposits with substantial facies and lithologic variability in the horizontal direction and vertically). This layer is characterized by the abundance of coalifield vegetable debris and coal streaks. Groups of sandy J16-J2 formations were identified. The Tyumenskaya series within the Lease limits is 126-407 m thick.

Marine and littoral-marine deposits of the Vasyuganskaya series (Callovian and Oxfordian stages of the Upper Jurassic) lie conformably on top of Tyumenskaya series rock. The Vasyuganskaya series comprises the lower sub-series (sub-Carboniferous) mainly composed of claystone, and the upper sub-series (supra-Carboniferous) containing a series of sandy formations, which jointly form a regionally oil-bearing J1 horizon. Four or five arenaceous formations are typically identified within the cross-section of the J1 horizon. The appearance of dark gray rock of the Georgiyevskaya series marks the upper boundary of the Vasyuganskaya series, which is from 66 to 124 m thick.

The Vasyuganskaya series is conformably overlain by the deposits of the Georgiyevskaya series (Kimmeridgian stage of the Upper Jurassic) consisting of marine dark gray and black claystone with interlayers and lenses of dark gray siltstone and limestone. The occurrence of these deposits within the Lease limits has a local nature like in other parts of the Tomsk Region. Its thickness varies from 0 to 13 m.

The Jurassic section is crowned by conformably lying marine deposits of the Bazhenovskaya series (Volgian stage of the Upper Jurassic) represented by brownish black bituminous claystone with interlayers of calcareous claystone. The Bazhenovskaya series is a unique source layer, on the one hand, and a geological and geophysical marker, on the other hand. The deposits of the Bazhenovskaya series are from 12 to 21 m thick.

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Deposits of the *Cretaceous system* are characterized by substantial facies variability. Multiple activations of tectonic movements and associated transgressive and regressive cycles caused the coastal lines of ancient seas to shift. Cretaceous deposits are divided into several series (from bottom to top) including Kulomzinskaya, Tarskaya, Kiyalinskaya, Alymskaya, Pokurskaya, Kuznetsovskaya, Ipatovskaya, Slavgorodskaya, and Gankinskaya series.

Marine deposits of the Kulomzinskaya series (Berriasian and Valanginian stages of the Lower Cretaceous) conformably overlay the deposits of the Bazhenovskaya series and are comprised of gray claystone with sandstone, siltstone, marl, limestone, and siderite (at the bottom of the series) interlayers. The first sandy horizon lying in the immediate vicinity of the Bazhenovskaya series and containing sandy B16-20 formations was given a name of the Achimov unit. This series is 238 to 287 m thick.

Shallow-marine and littoral-marine deposits of the Tarskaya series (Valanginian stage of the Lower Cretaceous) are represented by interbedded sandstone and siltstone with claystone interlayers. The lower boundary of this series runs along the base of the lower permeable sandstone formation located very close to the Tarskaya series. Top of this series is determined by the appearance in the cross-section of variegated rock of the Kiyalinskaya series. The Tarskaya series is 40 to 135 m thick. Sediments of the Tarskaya series conformably and sometimes regressively cover the deposits of the Kulomzinskaya series and are conformably overlain by the deposits of the Kiyalinskaya series.

Shallow-marine, littoral-marine or lagoonal sediments of the Kiyalinskaya series (Hauterivian-Barremian stages of the Lower Cretaceous) are represented by variegated clay, sand, siltstone, gravelstone which occasionally contain marl and limestone interlayers. The Kiyalinskaya series is from 356 to 520 m thick. Sandy formations of Groups A and B were identified.

Marine and littoral-marine sediments of the Alymskaya series (Lower Aptian stage of the Lower Cretaceous) consist of interbedded sands and clays, whose overall thickness varies from 18 to 55 m. A thick sandy A1 formation is identified in the lower part of the series. The upper part is predominantly composed of gray-colored clay.

The Alymskaya series is conformably overlain by continental and littoral-marine deposits of the Pokurskaya series (Aptian and Albian stages of the Lower Cretaceous; Cenomanian stage of the Upper Cretaceous). This series consists of a thick layer of continental and, partly, littoral-marine deposits consisting of gray sand and sandstone with interlayers of gray aleuritic and arenaceous clay, and aleurite. This series comprises argillaceous limestone, marl and argillaceous siderite interlayers as well as coal lenses and streaks. Rock contains plenty of vegetable debris. The Pokurskaya series is conditionally divided into Upper and Lower Cretaceous deposits. The Pokurskaya series is 733 to 868 m thick.

The Pokurskaya series is transgressively overlain (and sometimes with a washout) by the Upper Cretaceous marine deposits represented by Kuznetsovskaya, Ipatovskaya, Slavgorodskaya, and Gankinskaya series (from bottom to top).

The marine deposits of the Kuznetsovskaya series (Turonian stage – Lower Coniacian sub-stage of the Upper Cretaceous) consist of interbedded aleuritic and arenaceous greenish-gray clay with siltstone and argillaceous sand interlayers at the top of the series. This series is 12 to 56 m thick.

The Ipatovskaya series (Coniacian and Santonian stages of the Upper Cretaceous) overlaying the series mentioned above consists of interbedded gray-colored sandstone, siltstone and clay (at the top of the section). This series is approximately 152 to 220 m thick.

The deposits of the Ipatovskaya series are conformably overlain by the sediments of the Slavgorodskaya series (Campanian stage of the Upper Cretaceous) overlain by the Gankinskaya series without washout traces. The deposits of the Slavgorodskaya series have a typically marine genesis. They are represented by gray-colored clay with siltstone, sandstone and sand interlayers. Ipatovskaya and Slavgorodskaya series in the central and southern parts of the West Siberian Lowland are a stratigraphic analogue of the Berezovsksaya series. Their combined thickness is 256-319 m.

The Mesozoic cross-section is crowned by the Gankinskaya series (Campanian and Maastrichtian stages of the Upper Cretaceous; Danian stage of the Paleocene). Marine facies are typical of this series. Gray-colored clay prevails containing streaks of marl and calcareous siltstone. This series is 127 to178 m thick.

Cenozoic deposits contained in Lease No. 61 are stratigraphically sequenced (from bottom to top) from *the Paleogene, Neogene to the Quaternary system*. The Cenozoic era is characterized by two different sedimentation settings. Marine transgressions during the Paleocene and early Oligocene periods gave rise to formation of a thick stratum of marine sediments, which later on during the Oligocene – Neogene and Quaternary periods were covered by continental deposits. A description of the Cenozoic part of the cross-section for each constituent series is not given herein; yet, it should be mentioned that the overall thickness of these deposits is 455 to 532 m.

OIL AND GAS BEARING POTENTIAL

License 61 is part of the Vasyugan oil and gas province and is almost entirely included in the Ust-Tym oil-and-gas bearing region. A small north-eastern portion of the License belongs to "eastern parts" of the Tomsk Region where no division into oil-and-gas bearing regions exists nowadays due to poor geological knowledge. Two oilfields (Tungolskoye and Lineynoye) were discovered within the Lease limits in the deposits of the Mesozoic-Cenozoic cover, where the $J1^1$ formation of the Vasyuganskaya (Naunakskaya) series was found to be commercially productive.

There are currently five oil-and-gas bearing sequences (OGS) identified within the Tomsk Region. They include Intra-Paleozoic sequence, oil-and-gas bearing sequence of the contact zone between the Paleozoic and Mesozoic (CZOGS), Lower-Middle Jurassic, Upper Jurassic and Cretaceous (Neocomian) sequences. The extent of exploration of the territory is different for each stratigraphic level. A substantial scope of work (both geophysical studies and drilling) was carried out for the main pay horizon J1 (Upper Jurassic OGS). The current stage of exploration of the surface of the Paleozoic and Mesozoic deposits that overlie it, in plunged parts in particular, may be regarded as belonging to a phase of regional work.

The Intra-Paleozoic oil-and-gas bearing sequence within Lease No. 61 was tested together with deposits of the CZOGS and lower intervals of the Lower-Middle Jurassic oil-and-gas bearing sequence in the Lineynoye Field (Wells Nos. 3 and 4), Sibkrayevskaya area (Well No. 370), Traverskaya area (Well No. 1), Tuganskaya area (Well No. 1), Tungolskoye field (Well No. 2), and in Emtorskaya area (Well No. 300). Two wells (Well Sibkrayevskaya No. 370 and Well Emtorskaya No. 300) produced water at a rate of 2.77-3.3 m^3/day. No inflow was obtained from the other wells.

The upper part of the Paleozoic sequence within the Tomsk Region is mainly studied within the limits of the Nyurolskiy sedimentary basin, largely in its north-eastern part. The main targets are erosion-tectonic protrusions (ETP). Plenty of geological features of these protrusions were determined, yet no unambiguous conclusions were made at this point in time due to the extraordinary complex geology. These protrusions are still commonly thought to have a folded-block or block origin. Earlier studies demonstrated that distribution trends of lithologic rock on the surface of the Paleozoic and oil and gas accumulations associated therewith were indicative of the folded-block structure of the protrusions.

A total of 75 oil and gas accumulations were discovered in the basement rock in the Western Siberian Basin either by chance or on purpose. These pools were found in carbonates, sandstone, gravelstone, siliceous-argillaceous layers, quartz-sericitic shale and granite.

Paleozoic rock, separately and in combination with Mesozoic deposits, may serve as oil and gas traps in the contact zone together with various formations of the Tyumenskaya series lying on top of the basement and having no communication therewith. Sandstones of the lower Jurassic horizons are extended areally and together with the Paleozoic reservoirs generate a complex contact zone reservoir when coming in contact with them in some places (G.I. Tischenko, 1988).

The oil-and-gas bearing horizon of the zone of contact between the Paleozoic and Mesozoic deposits was penetrated by nine wells of Lease No. 61. The sequence is represented by weathered quartz and felsite porphyry, metamorphosed terrigenous varieties, and weathered effusives. Contact zone rock has a porous-fissured type of reservoirs widely ranging in porosity and permeability. Oil shows in this sequence were observed in Tungolskoye stratigraphic well No. 3: sandstone from the 3,153 to 3,184 m interval had an odor of oil in on a freshly exposed surface.

The deposits of the Lower – Middle Jurassic oil-and-gas bearing sequence (Tyumenskaya series) contain lithologic accumulations sealed by claystone of Tyumenskaya series and Lower Vasyuganskaya sub-series. The oil-bearing potential of this sequence and of the underlying interval of the section within Lease No. 61 limits is not yet known.

Oil shows while drilling were observed in Well No. 3 in the Lineynaya area (increased gas content in the J3 formation) and in Well No. 370 in the Sibkrayevskaya area (yellow luminescence and increased gas content (as much as 4%) in the J4 formation). These targets, as well as the J2 and J3 formations in Well No. 5 (Lineynaya area) and the J2 formation in Well No. 300 (Emtorskaya area), were tested. All of them were found to be water-bearing.

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The main target which adds hydrocarbon reserves on a stable, validated and confirmable basis in the Tyumen and Tomsk regions has been and remains the Upper Jurassic oil-and-gas bearing sequence where commercial oil and gas content was established in the Vasyuganskaya (Naunakskaya) series consisting of interbedded sandstone, claystone and coal. The deposits of this series feature facies variability of the cross-section. Oil pools belong to the sheet, roof and, less often, to a lithologically screened (single-pay) type. They are sealed by Bazhenovskaya series claystone. The oil-and-gas bearing potential of the Vasyuganskaya series is associated with the J1 horizon represented by facies of marine and littoral marine genesis. These facies are fairly laterally and vertically persistent, yet feature some variations.

Reservoirs are quartz-feldspar sandstones. Their porosity varies from 14% to 21% (averaging 17-18%). Permeability is 0-0.2 μm^2. The catagenesis of the organic matter corresponds to MK1-MK3 stages. The deposits of the Upper Jurassic sequence were tested in all 14 wells of Lease No. 61.

The $J1^1$ formation of the Vasyuganskaya series was found to be commercially oil productive in the Tungolskoye Field in Well No. 1 and in Wells No. 1 and 5 in the Lineynoye Field.

Oil shows were encountered in Well Tungolskoye No. 2 (sandstone with oil sweats) and in Well No. 300 in Emtorskaya area (luminescence).

The oil and gas presence in the Cretaceous – Neocomian deposits within Lease No. 61 limits is not yet known. These deposits were tested in 3 areas, namely Lineynaya area (Wells Nos. 1, 2, and 3), Sibkrayevskaya area (Well No. 371), and in Emtorskaya area (Well No. 300). Formations of the Pokurskaya, Kiyalinskaya (Vartovskaya), Tarskaya, and Kulomzinskaya series were tested. All of them were found to be water-bearing. As may be seen from the most recent data, the Cretaceous OGS and CZOGS in the Tomsk Region were not studied as it would be required. Yet, it has been already confirmed that in both OGS's the determinative role is played by disjunctive tectonics. The presence of hydrocarbon accumulations in CZOGS with the lack thereof in the upper part of the cross-section is associated with fractures disappearing at the bottom of the sedimentary cover, whereas pay Cretaceous deposits are confined to the recent long-lived fractures dissecting the entire Mesozoic cross-section and even reaching the present day surface.

Tungolsky Lease resources (resource base) as estimated by A.E. Kontorovich as of January 1, 2004 belong to C3 and D1 (resources) and C1+C2 (reserves) categories. Russian State Reserve structure is provided in Table 1.

Stocks of Resources Area 61 ** (metric units)

Type	Produced Resources million tons	Discovered Resources		Undiscovered Resources		Total
		A+B+C1	C2	C3	D1	
Oil (million tons)	0	3.02	0.29	4.84	20.84	28.99
Gas (million M3)	0	0	0	0	739	739
Total (million tons)	0	3.02	0.29	4.84	21.58	29.73
		3.31				

*** License 61, Official Reserves approved by the Russian State Committee of Reserves*

Stocks of Resources Area 61 (english units)

Type	Produced Resources million tons	Discovered Resources ***		Undiscovered Resources		Total
		A+B+C1	C2	C3	D1	
Oil (million bbls)	0	22.11	2.14	35.41	152.51	212.18
Gas (billion cu. ft.)	0	0	0	0	26.09	26.09
Total (million boe)	0	22.11	2.14	35.41	157.97	217.63

***** Note includes C1 reserves of 18.3 million bbls for Lineynoye Field**
see appendices for reserve definitions

LINEYNOYE OIL FIELD AND AREA PROSPECTS

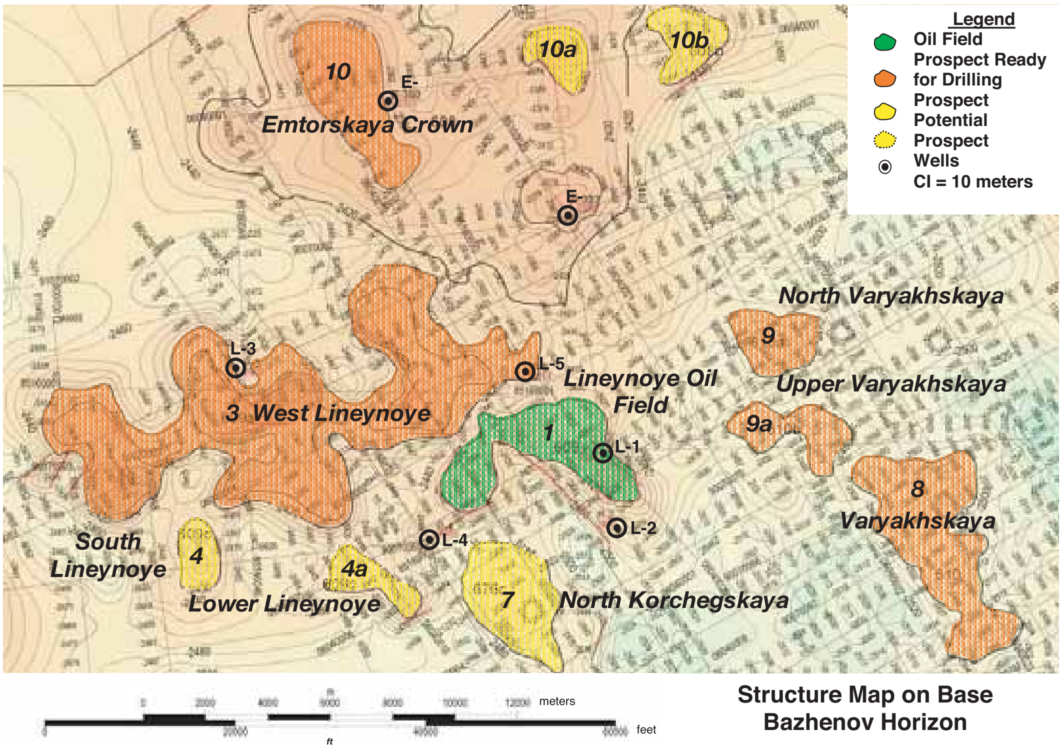

Figure 6 Base Bashenov Struture Map showing Lineynoye Field and surrounding area.

Lineynoye Oil Field is located in the north-western part of the License Block 61. The Lineynoye Field is located in the southern part of the Emtorsky dome-shaped uplift – a second-order structure within Yst-Tymskaya Depression between Aleksandrovsky mega-bar on the West and Pyl-Karaminsky mega-bar on the East. The Lineynoye structure was identified and recommended for drilling as a result of single fold seismic data acquired in 1968.

The Lineynoye Well No.1 discovered oil within the structure in 1972. The well was drilled in the Eastern part of the structure and tested oil from the Upper Jurassic (J1) reservoir with a flow rate of 42 cub. m/day on an 8 mm choke. The specific gravity of oil is 0.835 g/cm^3 or an API gravity of 38 degrees. Gas factor is 33 cub. m/cub. m. Reservoir pressure is 257 atm. Testing interval: -2,496 to -2,518 m (actual elevation -2,389.4-2,411.4 m).

The J1 Layer was penetrated at a depth of -2,498 m (a.e. -2,393 m), and is represented by sandstones, siltstones and mudstones. Number of sand interbeds, which correspond to its effective pays, depends on well location within the structure and general area distribution of fragmentary material. The total thickness of the J1 interval in Well 1 was 20 m. The net pay thickness was 15.4 m. The net pay included three sandstone interbeds with thicknesses of 2.4 m, 11.2 m and 1.8 m.

In the process of testing of Well 1 (the J1 layer was perforated down to the bottom) no Oil Water Contact (OWC) was found. The oil deposit at the Lineynaya Structure is of a single-pay reservoir and roof pool type. In the same year, the results obtained has made it possible to prove incremental oil reserves within the area, between the absolute elevation of -2,411 m on the East (for lower perforations) and the double production well grid on the West. C1 oil reserves totaled 6,250/2,500 thousand tons (in place/recoverable) and were approved by the State Committee for Reserves in 1972. The study of the discovered field continued in 1973-1975, four more wells – in different geological and structural environments – were drilled. In 1973 wells number 2, 3 and 4 were drilled and in 1974 well number 5 was drilled.

In 1985 – 1986, detailed seismic investigations were made by seismic crews 16 and 18 to update the structural picture including the Lineynaya Structure. Morphologically, the Lineynaya Structure changed significantly.

Instead of a unified undulated fold, it turned into a number of separate domes, formed on the dissected slopes of Emtorskoye Uplift, which are united into a Lineynoye Uplift. According to this picture, Well 1 was drilled at the crestal position of the eastern dome of the submeridional direction, which accounts for localization of the oil deposit there. In all other wells in this area, the layer J1 is reliably correlated with Well 1, and is present as a reservoir; however, it is water-saturated in all of them, except Well 5, where a small volume of oil was produced.

In 2005 and 2006 the Company contracted with TomskGeophysical Company to reprocess and interpret all of the vintage seismic data in the License area. The Company also contracted Stavropolneftegeofizika to acquire an additional 515 kms of high resolution CDP data in the northern portion of the license area. As a result of this work a new detailed structural interpretation has been prepared. It now appears that the Lineynoye structure is divided into two major closures, each of which contains several domes (Figure 6). The eastern closure represents the Lineynoye Oil Field as defined by the Lineynaya well number 1 and the western closure defines the West Lineynoye Prospect which is updip from the Lineynaya well number 5 which tested oil.

TUNGOLSKOYE OIL FIELD AND AREA PROSPECTS

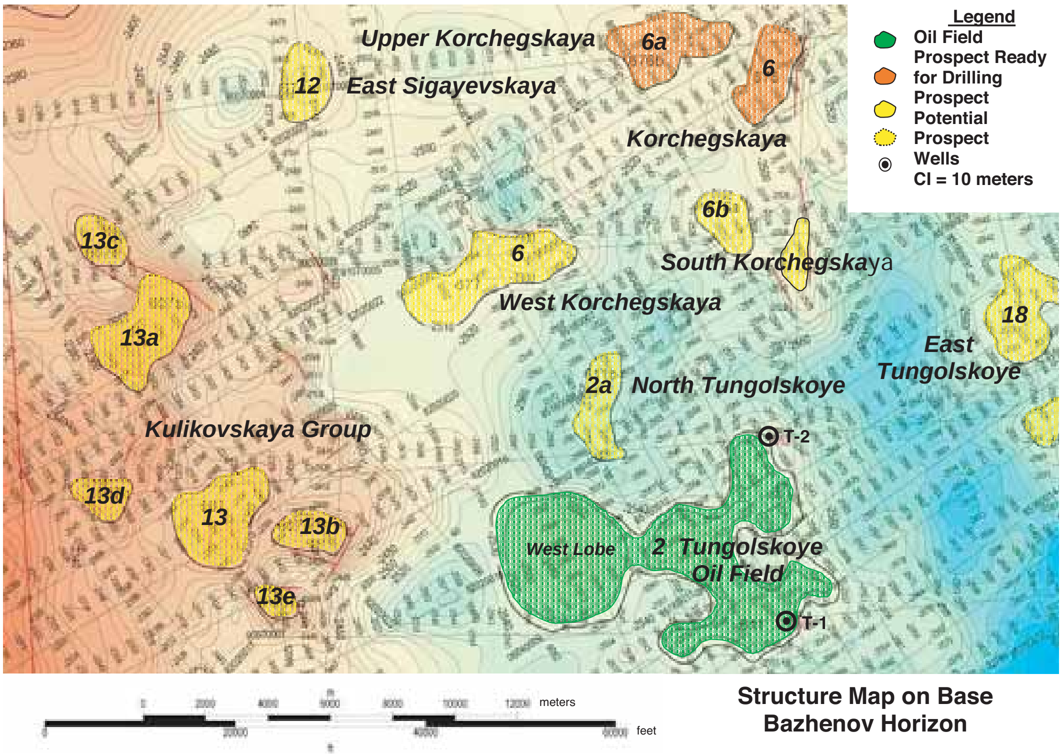

Figure 7 Base Bazhenov Structure Map showing Tungolskoye Field and surrounding area

The Tungolskoye Field is located in the center of Lease No. 61 Tectonically, the Tungol local high is located within the northern part of the Ust-Tym basin, which is a large-sized First order structure. This structure was initially delineated by seismic data in 1967-68. Additional seismic data was obtained in 1970-71. Along the IIa reflector (Base Bazhenov Horizon), this structure appeared as a pear-shaped anticline of north-western extension. This high occupies as area of 67 km^2 along the -2,520 m contour; it measures 8x12 km and has 70 m of vertical closure.

Deep prospect drilling in this area commenced in 1973. Well No. 1 was drilled in the crest of the high to a depth of -2,760 m. This well was cored while drilling from the deposits of the Kiyalinskaya, Kulomzinskaya, Bazhenovskaya, Naunakskaya, and Tyumenskaya series. Oil-saturated, medium-grained sandstone was recovered from the deposits of the Naunakskaya series. Drilling stopped in the deposits of the Tyumenskaya series consisting of unevenly interbedding claystone, siltstone and coal without oil shows.

The J1 horizon of the Vasyuganskaya series was encountered within the -2,604 to -2,683 m interval. This horizon consists of a series of sandy formations ($J1^1$, $J1^2$, and $J1^{3\text{-}4}$) and shale breaks. The $J1^1$ formation was penetrated at a depth of -2,605.2 to -2,609.4 m (-2,505.3 to -2,509.5 m TVD SS). It lithologically consists of yellowish-gray, medium-grained, medium-solid and non-consolidated sandstone with an oil odor. Logging and field data are indicative of a homogeneous and oil-saturated nature of this formation. The asp value within the -2,606 to -2,609.6 m interval is equal to 0.67; resistivity as determined by the combined 40/8 charts is 5.9 Ohmm; porosity is 16.8%; oil and gas

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saturation is 57%. The $J1^2$ formation lies in the -2,612.6 to -2,636 m interval (-2,512.7 to -2,536.1 m TVD SS). It lithologically consists of gray, medium-grained, dense and solid sandstone saturated with oil within the -2,612.2 to -2,620.65 m interval. According to logging and field data, this formation is heterogeneous and consists of interbedded permeable and dense interlayers. The negative SP anomaly reaches 75 mV. The top of this formation down to a depth of -2,620.4 m contains water and oil. The asp value within the -2,612.6 to -2,615.6 m interval is 0.63; resistivity as determined by laterologging (LL) is 6.5 Ohmm; porosity is 16.4%; oil and gas saturation is 53%. This formation within the 2,627.4-2,636 m interval was interpreted as water-bearing.

Production tests of these formations were run while drilling and in a cased hole. When testing the $J1^1$ formation by a KII-146 formation tester, a water-free oil inflow was obtained from the -2,604 to -2,610 m interval (-2,504.1to 2,510.1 m TVD SS) after 42 minutes at differential pressure drawdown of 12.0 MPa at a rate of 3.67 m^3. This was the first well which discovered oil in this field. Two intervals were tested in the cased hole. The first interval (lower part of the $J1^2$ formation) was tested within the -2,627 to -2,636 m interval (-2,527.1 to -2,536.1 m TVD SS). According to logging and field data, the SP curve anomaly in this part of the $J1^2$ formation reaches 75 mV; resistivity is 2.2 Ohmm. Sandstone with coaly streaks, but with no oil shows was found in core samples retrieved from this interval. This interval tested formation water flowing at a rate of 12.7 m^3/day at an average dynamic level of 369 m. When the second target was tested within the -2,604 to -2,620 m interval (-2,504.1 to -2,520.1 m TVD SS), the oil saturated $J1^1$ formation was perforated (9.8 m net pay in perforated interval and 3.1 m net pay not perforated in interval -2,620 to -2,727 m) together with the water-bearing portion of the $J1^2$ formation. As a result, this interval tested oil and formation water flowing at a rate of 10.5 m^3/day and 2.2 m^3/day, respectively, through a 3 mm choke. The initial flow rate was 52.8 m^3/day (332 bopd) through a 12 mm choke. Reservoir pressure is 262 atm. Oil belongs to the methane-naphthenic type. The specific gravity of oil is 0.825 g/cm^3 or an API gravity of 40 degrees. The wax content in oil is 5.8%; the sulfur content is 0.36%.

The Tungolskaya structure along the main IIa reflector (base of the Bazhenovskaya series) has preserved its morphological features (a pear-like shape and north-western extension), yet its size along the 2,540 m contour was largely reduced down to 7.6 x 6.8 km. It covered an area of 45 km^2 and its amplitude was – 50 m. Given a high degree of structural imaging reliability ensured by detailed operations, fairly high porosities and permeabilities as well as the productive capacity of the $J1^1$ formation, quantification of commercial C1 oil reserves was undertaken for the first time in 1987. These reserves were estimated within the oil pool limits which were thought to be running along the bottom of the net oil section of the $J1^1$ formation in Well No. 1 at -2,509.4 m (TVD SS) in the south and along the second row of development wells in the north. The remaining part of the area within the structural contour at -2,520 m (TVD SS) was thought to contain C_2 reserves. The oil pool belongs to the sheet and roof types. Parameters assumed in calculations. Oil reserves booked by the State Balance Agency are 1,239/520 kT (C_1) and 1,466/293 kT ($?_2$) (OIP/recoverable); TsKZ Protocol dated April 28, 1987. This field was suspended. As a result of acquisition tests run by Seismic Crew No. 10, 1993-1996 the Tungolskaya structure acquired a nearly isometric outline and was delineated by the -2,560 m structural contour; the crestal part was shifted towards the center of the structure in plan view. The western and south-western slopes of the structure are covered by fewer seismic lines compared to the eastern and north-eastern slopes. Overall, the territory to the west and specifically to the east and south-east of the Tungolskaya structure is not covered by CMP seismic surveys at all ("white spots"), which is a good reason to acquire seismic data in these areas and resume deep drilling in the Tungolskaya structure.

The Company reprocessed the vintage 2D seismic data and acquired additional high resolution CDP data over the structure in 2005 and 2006. The resulting structural map at the base of the Bazhenovskaya series is shown in Figure 7. The overall Tungolskaya structure is now larger and extends further west than previously mapped as a result of the new seismic data acquired on the western flank of the structure.

Possible Reserves

A total of 20 Upper Jurassic Prospects were analyzed for potential. The potential of these prospects was classified as possible reserves because multiple seismic lines confirmed 4-way closure of the structures. The potential of these prospects was determined by probabilistic analysis. The probability distribution functions for net pay and area were based on the geologic interpretation. The probability distribution functions of the other volumetric parameters were based on data from the two tested fields. The range of potential possible reserves is summarized in the following table:

Prospect	Possible Reserves (10^3 Bbls)		
	90%	*50%*	*10%*
Lineynoye West	40,125	66,565	103,398
Lineynoye South	1,710	2,932	4,556
Lineynoye Lower	1,962	3,331	5,208
Korchegskaya	2,902	4,757	7,427
Korchegskaya Upper	1,302	2,909	4,896
Korchegskaya West	6,327	10,387	16,807
Korchegskaya North	7,430	11,922	17,960
Varyakhskaya	11,796	19,124	29,473
Varyakhskaya North	3,683	5,953	9,394
Varyakhskaya Upper	1,416	2,567	4,074
Emtorskaya Crown (1 of 3)	9,295	14,341	22,277
Sigayevskaya	10,739	17,443	27,560
Sigayevskaya East	1,100	1,911	3,165
Kulikovskaya Group (1 of 5)	5,582	9,096	14,003
Kulikovskaya North	5,546	8,856	13,726
Kusinskiy Group (1 of 3)	3.249	5,157	8,096
Tuganskaya Group (1of 3)	7,017	10,746	16,456
Kirillovskaya Group (1of 4)	12,224	20,429	31,987
Sibkrayevskaya Crown (1 of 2)	14,512	23,333	35,982
Tungolskoye East	6,678	11,825	19,293

Exploration Resources

A total of five Upper Jurassic Potential Prospects were also analyzed. The potential of these prospects was classified as an exploration resource because the available seismic lines confirmed a structure but more data is required to confirm unequivocal closure. The potential of these prospects was determined by probabilistic analysis. The probability distribution functions for net pay and area were based on the geologic interpretation. The probability distribution functions of the other volumetric parameters were based on data from the two tested fields. The range of potential recoverable resources is summarized in the following table:

Potential Prospect	Exploration Resource (10^3 Bbls)		
	90%	*50%*	*10%*
North Emtorskaya	7,667	13,776	22,427
East Sibkrayevskaya	10,047	17,207	28,904
Sobachya	20,195	36,012	60,915
North Balkinskaya (formerly South Kirillovskaya)	12,321	19,944	31,857
West Balkinskaya	7,827	12,959	21,057

Conclusions

Appendices 1 through 4 present the summary data based on this study in the required disclosure format based on the March 2006 AIM Guidance Note for Mining, Oil and Gas Companies issued by the London Stock Exchange.

Appendix 5 -Tables 1 through 7 summarize our Base Case (Case 2) with an estimated projection of future production, gross revenue, net income and deductions (including expenses, capital investment and taxes), assuming that development commences July 1, 2007, by reserve category and a net present valuation as at July 1, 2006.

The estimates of reserves presented herein are based upon a detailed study of the properties in which PetroNeft owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liability to restore and clean up damages, if any, caused by past operating practices. PetroNeft has informed us that they have furnished us all of the accounts, records, geological and engineering data, and reports and other data required for this investigation. The ownership interests, prices, and other factual data furnished by PetroNeft were accepted without independent verification.

Both Ryder Scott Company, L.P, its directors and employees are wholly independent from the Company and the subject properties. Except for the provision of professional services neither Ryder Scott Company, L.P or any employee has any shareholding, commercial arrangement or any other interest with Petroneft Resources PLC or the subject properties and neither the employment to make this study nor the compensation is contingent on our estimates of reserves and future income for the subject properties.

Professional Qualifications

Ryder Scott Company, L.P. was formed in 1937. The company is one of the largest, oldest and most respected reservoir-evaluation consulting firms in the petroleum industry. The company performs more than 1,000 consulting studies a year for oil and gas producers-both major and independent-investors, banks, governmental agencies and accounting and law firms. The company has offices in Houston, Denver and Calgary and has 115 employees and almost 70 professional engineers and geoscientists.

This evaluation was prepared by Mr. Larry T. Nelms. He has 37 years of experience in the oil and gas industry and been an employee of Ryder Scott for 25 years and in currently a Managing Senior Vice President. He is a registered Professional Engineer in the states of Colorado, Montana, North Dakota, Oklahoma and Wyoming.

This report was prepared for the exclusive use of PetroNeft Resource Plc and J & E Davy. The data, work papers, and maps used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,
RYDER SCOTT COMPANY, L.P.

Larry T. Nelms P. E.
Managing Senior Vice President

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Appendix 1
SUMMARY TABLE OF ASSETS

Oil & Gas

Asset (1)	*Operator*	*Interest (%)*	*Status (2)*	*License expriy date*	*Licence area*	*Comments*
1. Russian – Tomsk Region – Licence 61 (Tungolsky)	LLC, Stimul-T	100%	Exploration and Development	15-Apr-2030	4991.8 km^2	Delineation/ Exploration drilling programme to commence in 4 months

(1) Asset – Country, licence and block
(2) Status – Exploration, Development or Production Only

Appendix 2
SUMMARY OF RESERVES AND RESOURCES BY STATUS
Proved, Probable and Incremental Possible Reserves (10^3 bbls)

Oil & Gas Reserves – Proved (P1), Probable (P2) and Possible (P3)

	Gross			*Net Attributable*			*Operator*
Oil & Liquids reserves per asset From production to planned for development	*Proved*	*Proved & Probable*	*Proved, Probable & Possible*	*Proved*	*Proved & Probable*	*Proved, Probable & Possible*	
License 61 – Tomsk Oblast Russia							
1. Lineynoye Field (10^3 bbls)	2,234	15,893	22,446	2,195	15,612	22,165	LLC, Stimul-T
2. Tungolskoye Field (10^3 bbls)	2,723	18,246	48,787	2,675	17,923	48,464	LLC, Stimul-T
Total for Oil & Liquids (10^3 bbls)	4,957	34,139	71,233	4,870	33,535	70,629	
Gas reserves per asset From production to planned for development							
License 61 – Tomsk Oblast Russia							
1. Lineynoye Field (10^3 scf)	n/a	n/a	n/a	n/a	n/a	n/a	LLC, Stimul-T
2. Tungolskoye Field (10^3 scf)	n/a	n/a	n/a	n/a	n/a	n/a	LLC, Stimul-T
Total for Gas (10^3 scf)	n/a	n/a	n/a	n/a	n/a	n/a	

Source: Ryder Scott Company – Petroleum Consultants
Notes:
"Operator" is name of the company that operates the asset
"Gross" are 100% of the **reserves** and/or **resources** attributable to the licence whilst "Net attributable" are those attributable to Petroneft Resources Plc
Differential from Gross to Net Attributable reflects gravity adjustment and line loss for Proved and Probable reserves
Operator LLC, Stimul-T holds 100% interest in License 61
Operator LLC, Stimul-T is wholly owned subsidiary of Petroneft Resources Plc
bbls – Barrels
scf – Standard Cubic Feet

Appendix 3
SUMMARY OF RESERVES AND RESOURCES BY STATUS
Possible Reserves (10^3 bbls)

Oil & Gas Prospective Resources in Prospect Category – Possible Reserves (P3)

(10^3 bbls)	*Gross equals Net Attributable for P3*			*"Risk Factor"*	
Oil & Liquids Prospective Resources Prospects	*Low Estimate*	*Best Estimate*	*High Estimate*	*Probability of Success*	*Operator*
License 61 – Tomsk Oblast Russia					
West Lineynoye	40,125	66,565	103,398	0.81	LLC, Stimul-T
Lineynoye D South	1,710	2,923	4,556	0.46	LLC, Stimul-T
Lineynoye D Low	1,962	3,331	5,208	0.46	LLC, Stimul-T
Korchegskaya (676)	2,902	4,757	7,427	0.73	LLC, Stimul-T
Korchegskaya Middle (676b)	1,302	2,909	4,896	0.46	LLC, Stimul-T
Korchegskaya West	6,372	10,387	16,807	0.73	LLC, Stimul-T
Korchegskaya North	7,430	11,922	17,960	0.65	LLC, Stimul-T
Varyakhskaya	11,796	19,124	29,473	0.51	LLC, Stimul-T
Varyakhskaya North (610a)	3,683	5,953	9,394	0.51	LLC, Stimul-T
Varyakhskaya Upper (610a)	1,416	2,567	4,074	0.45	LLC, Stimul-T
Emtorskaya Crown (1 of 3)	9,295	14,341	22,277	0.64	LLC, Stimul-T
Sigayevskaya	10,739	17,443	27,560	0.41	LLC, Stimul-T
Sigayevskaya East	1,100	1,911	3,165	0.41	LLC, Stimul-T
Kulikovskaya GP (607)	5,582	9,096	14,003	0.46	LLC, Stimul-T
Kulikovskaya GP (607b)	5,546	8,856	13,726	0.46	LLC, Stimul-T
Kusinsky (1 of 3)	3,249	5,157	8,096	0.31	LLC, Stimul-T
Tuganskaya (1 of 3)	7,017	10,746	16,456	0.22	LLC, Stimul-T
Kirillovskaya (1 of 4)	12,224	20,429	31,987	0.33	LLC, Stimul-T
Sibkrayevskaya (1 of 2)	14,512	23,333	35,982	0.29	LLC, Stimul-T
Tungolskoye East	6,678	11,825	19,293	0.33	LLC, Stimul-T
Total for Oil & Liquids (10^3 bbls)		253,575			

Source: Ryder Scott Company – Petroleum Consultants
Notes:
"Risk Factor" for Prospective Resources means the estimated chance, or probability, that the volumes will be commercially extracted
"Risk Factor" estimated by Petroneft based on individual geologic chance factors: trap, source, reservoir and migration
The West Lineynoye Prospect is located up dip from the Lineynoye No. 5 well which contained 2.3 meters of oil saturated J1 sandstone in the interval -2,413.7 to -2,416.7 meters
"Operator" is name of the company that operates the asset
"Gross" are 100% of the **reserves** and/or **resources** attributable to the licence whilst "Net attributable" are those attributable to Petroneft Resources Plc
Operator LLC, Stimul-T holds 100% interest in License 61
Operator LLC, Stimul-T is wholly owned subsidiary of Petroneft Resources Plc
bbls – Barrels
scf – Standard Cubic Feet

Appendix 4
SUMMARY OF RESERVES AND RESOURCES BY STATUS
Exploration Resources (10^3 bbls)

Oil & Gas Prospective Resources in Potential Prospect Category – Exploration Resources (P4)

(10^3 bbls)	*Gross equals Net Attributable for P4*			*"Risk Factor"*	
Oil & Liquids Prospective Resources Potential Prospects/Leads	*Low Estimate*	*Best Estimate*	*High Estimate*	*Probability of Success*	*Operator*
License 61 – Tomsk Oblast Russia					
Emtorskaya North	7,667	13,776	22,427	0.18	LLC, Stimul-T
Sibkrayevskaya East	10,047	17,207	28,904	0.18	LLC, Stimul-T
Sobachya	20,195	36,012	60,915	0.18	LLC, Stimul-T
Balkinskaya North	12,321	19,944	31,857	0.28	LLC, Stimul-T
Balkinskaya West	7,827	12,959	21,057	0.28	LLC, Stimul-T
Total for Oil & Liquids (10^3 bbls)		99,898			

Source: Ryder Scott Company – Petroleum Consultants

Notes:

"Exploraion Resources" are those resources assigned to potential prospects that require additional seismic data to confirm structural closure

"Risk Factor" for Prospective Resources means the extimated chance, or probability, that the volumes will be commercially extracted

"Risk Factor" estimated by Petroneft based on individual geologic chance factors: trap, source, reservoir and migration

"Operator" is name of the company that operates the asset

"Gross" are 100% of the **reserves** and/or **resources** attributable to the licence whilst "Net attributable" are those attributable to Petroneft Resources Plc

Operator LLC, Stimul-T holds 100% interest in License 61

Operator LLC, Stimul-T is wholly owned subsidiary of Petroneft Resources Plc

bbls – Barrels

scf – Standard Cubic Feet

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Appendix 5
PETRONEFT RESOURCES PLC
ESTIMATED FUTURE RESERVES AND INCOME
Attributable to certain interests
Enescalted Case – Base Case
As of July 1, 2006

GRAND SUMMARY
ALL PROPERTIES
TOTAL PROVED RESERVES — TOTAL PROVED

		REVENUE INTERESTS			PRODUCT PRICES			DISCOUNTED	
	EXPENSE INTEREST	*Oil/ Condensate*	*Plant Products*	*Gas*	*Oil/Cond. $/bbl.*	*Pit. Prod. $/bbl.*	*Gas $/MCF*	*FUTURE NET INCOME – $000 COMPOUNDED*	*MONTHLY*
INITIAL								8.00% -	16,632
FINAL								10.00% -	14,128
REMARKS								12.00% -	11,933
								15.00% -	9,130
								20.00% -	5,505

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	*Number of wells*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Gas MMCF*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Sales Gas MMCF*	*Oil/Cond. $/bbl*	*Gas $/MCF*
2006		0	0	0	0	0	0.000	0.00	0.00
2007		0	0	0	0	0	0.000	0.00	0.00
2008	10	636,150	0	0	624,888	0	0.000	37.40	0.00
2009	10	1,127,489	0	0	1,107,536	0	0.000	37.40	0.00
2010	10	815,153	0	0	800,721	0	0.000	37.40	0.00
2011	10	601,692	0	0	591,043	0	0.000	37.40	0.00
2012	10	452,306	0	0	444,302	0	0.000	37.40	0.00
2013	10	345,554	0	0	339,438	0	0.000	37.40	0.00
2014	10	267,837	0	0	263,095	0	0.000	37.40	0.00
2015	10	210,305	0	0	206,586	0	0.000	37.40	0.00
2016	10	167,062	0	0	164,104	0	0.000	37.40	0.00
2017	10	133,590	0	0	131,224	0	0.000	37.40	0.00
2018	10	100,349	0	0	98,571	0	0.000	37.40	0.00
2019	8	71,536	0	0	70,270	0	0.000	37.40	0.00
2020	5	28,424	0	0	27,919	0	0.000	37.40	0.00
Sub-Total		4,957,447	0	0	4,869,697	0	0.000	37.40	0.00
Remainder		1,315	0	0	1,292	0	0.000	37.40	0.00
Total Future		4,958,762	0	0	4,870,989	0	0.000	37.40	0.00
Cumulative		0	0	0					
Ultimate		4,958,762	0	0					

	COMPANY FUTURE GROSS REVENUE (FGR) – $000					MRT		
Period	*From Oil/Cond*	*From Plant Products*	*From Gas*	*Other*	*Total*	*Oil/Cond. – $000*	*Gas/P.P. – $000*	*FGR AFTER MRT $000*
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	23,371	0	0	0	23,371	6,030	0	17,341
2009	41,422	0	0	0	41,422	10,688	0	30,734
2010	29,947	0	0	0	29,947	7,727	0	22,220
2011	22,105	0	0	0	22,105	5,703	0	16,402
2012	16,617	0	0	0	16,617	4,288	0	12,329
2013	12,695	0	0	0	12,695	3,276	0	9,419
2014	9,839	0	0	0	9,839	2,480	0	7,359
2015	7,727	0	0	0	7,727	1,566	0	6,161
2016	6,137	0	0	0	6,137	1,006	0	5,131
2017	4,908	0	0	0	4,908	654	0	4,254
2018	3,686	0	0	0	3,686	401	0	3,285
2019	2,629	0	0	0	2,629	238	0	2,391
2020	1,044	0	0	0	1,044	80	0	964
Sub-Total	182,127	0	0	0	182,127	44,137	0	137,990
Remainder	48	0	0	0	48	4	0	44
Total Future	182,175	0	0	0	182,175	44,141	0	138,034

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	DEDUCTIONS – $000				FUTURE NET INCOME BEFORE INCOME TAXES – $000			
						Undiscounted		
Period	*Operating Pvni Costs*	*Export Tariff & & Property Taxes*	*Development Costs*	*Transportation*	*Total*	*Annual*	*Cumulative*	*Discounted @10.00 %*
2006	175	4	113	0	292	-292	-292	-284
2007	1,375	374	5,972	0	7,721	-7,721	-8,013	-6,955
2008	3,698	5,998	11,188	969	21,853	-4,512	-12,525	-4,056
2009	4,202	13,380	1,413	1,716	20,711	10,023	-2,502	7,473
2010	2,545	9,606	1,537	1,241	14,929	7,291	4,789	4,919
2011	1,806	6,418	813	916	9,953	6,449	11,238	3,937
2012	1,477	4,838	57	689	7,061	5,268	16,506	2,909
2013	1,251	3,586	57	526	5,420	3,999	20,505	1,999
2014	1,089	2,675	57	408	4,229	3,130	23,635	1,416
2015	969	2,074	57	320	3,420	2,741	26,376	1,121
2016	881	1,586	57	255	2,779	2,352	28,728	872
2017	811	1,288	57	203	2,359	1,895	30,623	636
2018	713	1,034	0	153	1,900	1,385	32,008	422
2019	631	741	495	109	1,976	415	32,423	109
2020	325	294	743	43	1,405	-441	31,982	-109
Sub-Total	21,948	53,896	22,616	7,548	106,008	31,982		14,409
Remainder	3	14	1,237	2	1,256	-1,212	30,770	-281
Total Future	21.951	53,910	23,853	7,550	107,264	30,770		14,128

THIS DATA IS PART OF THE RYDER SCOTT REPORT AND IS SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT

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PETRONEFT RESOURCES PLC
ESTIMATED FUTURE RESERVES AND INCOME
Attributable to certain interests
Enescalted Case – Base Case
As of July 1, 2006

GRAND SUMMARY
ALL PROPERTIES
TOTAL PROBABLE RESERVES **TOTAL PROBABLE**

		REVENUE INTERESTS			*PRODUCT PRICES*			*DISCOUNTED*	
	EXPENSE INTEREST	*Oil/ Condensate*	*Plant Products*	*Gas*	*Oil/Cond. $/bbl.*	*Pit. Prod. $/bbl.*	*Gas $/MCF*	*FUTURE NET INCOME – $000 COMPOUNDED*	*MONTHLY*
INITIAL								8% -	111,146
FINAL								10% -	93,182
REMARKS								12% -	77,714
								15% -	58,422
								20% -	34,379

		ESTIMATED 8/8 THS PRODUCTION			*COMPANY NET SALES*			*AVERAGE PRICES*	
Period	*Number of wells*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Gas MMCF*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Sales Gas MMCF*	*Oil/Cond. $/bbl*	*Gas $/MCF*
2006		0	0	0	0	0	0.000	0.00	0.00
2007		0	0	0	0	0	0.000	0.00	0.00
2008	4	938,644	0	0	922,028	0	0.000	37,40	0.00
2009	13	2,906,670	0	0	2,855,225	0	0.000	37.40	0.00
2010	31	5,554,883	0	0	5,456,557	0	0.000	37.40	0.00
2011	31	5,144,263	0	0	5,053,209	0	0.000	37.40	0.00
2012	31	3,775,154	0	0	3,708,342	0	0.000	37.40	0.00
2013	31	2,823,956	0	0	2,773,970	0	0.000	37.40	0.00
2014	31	2,148,398	0	0	2,110,365	0	0.000	37.40	0.00
2015	31	1,659,160	0	0	1,629,798	0	0.000	37.40	0.00
2016	31	1,298,641	0	0	1,275,661	0	0.000	37.40	0.00
2017	31	1,027,955	0	0	1,009,750	0	0.000	37.40	0.00
2018	31	812,970	0	0	798,584	0	0.000	37.40	0.00
2019	30	629,583	0	0	618,443	0	0.000	37.40	0.00
2020	29	461,231	0	0	453,057	0	0.000	37.40	0.00
Sub-Total		29,181,508	0	0	28,664,989	0	0.000	37.40	0.00
Remainder		834,903	0	0	820,129	0	0.000	37.40	0.00
Total Future		30,016,411	0	0	29,485,118	0	0.000	37.40	0.00
Cumulative		0	0	0					
Ultimate		30,016,411	0	0					

	COMPANY FUTURE GROSS REVENUE (FGR) – $000					*MRT*		
Period	*From Oil/Cond*	*From Plant Products*	*From Gas*	*Other*	*Total*	*Oil/Cond. – $000*	*Gas/P.P. – $000*	*FGR AFTER MRT $000*
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	34,484	0	0	0	34,484	8,898	0	25,586
2009	106,785	0	0	0	106,785	27,552	0	79,233
2010	204,076	0	0	0	204,076	52,656	0	151,420
2011	188,990	0	0	0	188,990	48,764	0	140,226
2012	138,691	0	0	0	138,691	35,785	0	102,906
2013	103,747	0	0	0	103,747	26,769	0	76,978
2014	78,928	0	0	0	78,928	19,901	0	59,027
2015	60,954	0	0	0	60,954	12,354	0	48,600
2016	47,710	0	0	0	47,710	7,819	0	39,891
2017	37,765	0	0	0	37,765	5,029	0	32,736
2018	29,867	0	0	0	29,867	3,250	0	26,617
2019	23,129	0	0	0	23,129	2,091	0	21,038
2020	16,945	0	0	0	16,945	1,309	0	15,636
Sub-Total	1,072,071	0	0	0	1,072,071	252,177	0	819,894
Remainder	30,673	0	0	0	30,673	2,370	0	28,303
Total Future	1,102,744	0	0	0	1,102,744	254,547	0	848,197

Period	DEDUCTIONS – $000 Operating Pvni Costs	Export Tariff & & Property Taxes	Development Costs	Transportation	FUTURE NET INCOME BEFORE INCOME TAXES – $000 Total	Undiscounted Annual	Undiscounted Cumulative	Discounted @10.00 %
2006	175	4	797	0	976	-976	-976	-949
2007	1,375	374	30,888	0	32,637	-32,637	-33,613	-29,424
2008	4,266	8,352	39,412	1,429	53,459	-27,873	-61,486	-23,072
2009	9,174	30,557	24,537	4,426	68,694	10,539	-50,947	7,729
2010	15,969	60,690	25,423	8,457	110,539	40,881	-10,066	27,198
2011	15,335	56,450	5,747	7,833	85,365	54,861	44,795	33,505
2012	12,324	40,409	403	5,748	58,884	44,022	88,817	24,313
2013	10,221	29,313	403	4,299	44,236	32,742	121,559	16,365
2014	8,727	21,485	403	3,272	33,887	25,140	146,699	11,373
2015	7,644	16,378	403	2,526	26,951	21,649	168,348	8,865
2016	6,844	12,333	403	1,977	21,557	18,334	186,682	6,794
2017	6,243	9,919	403	1,565	18,130	14,606	201,288	4,900
2018	5,797	8,381	0	1,238	15,416	11,201	212,489	3,403
2019	5,411	6,486	825	958	13,680	7,358	219,847	2,024
2020	5,252	4,806	908	703	11,669	3,967	223,814	999
Sub-Total	114,757	305,937	130,955	44,431	596,080	223,814		94,023
Remainder	16,135	7,980	9,322	1,271	34,708	-6,405	217,409	-841
Total Future	130,892	313,917	140,277	45,702	630,788	217,409		93,182

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PETRONEFT RESOURCES PLC
ESTIMATED FUTURE RESERVES AND INCOME
Attributable to certain interests
Enescalted Case – Base Case
As of July 1, 2006

GRAND SUMMARY
ALL PROPERTIES
TOTAL PV & PB

TOTAL PV & PB

		REVENUE INTERESTS			PRODUCT PRICES			DISCOUNTED	
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	FUTURE NET INCOME – $000 COMPOUNDED	MONTHLY
INITIAL								8.00% -	127,778
FINAL								10.00% -	107,310
REMARKS								12.00% -	89,646
								15.00% -	67,552
								20.00% -	39,884

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	Number of wells	Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	Oil/Cond. $/bbl	Gas $/MCF
2006	0	0	0	0	0	0	0.000	0.00	0.00
2007	0	0	0	0	0	0	0.000	0.00	0.00
2008	14	1,574,794	0	0	1,546,916	0	0.000	37.40	0.00
2009	23	4,034,159	0	0	3,962,761	0	0.000	37.40	0.00
2010	41	6,370,036	0	0	6,257,278	0	0.000	37.40	0.00
2011	41	5,745,955	0	0	5,644,252	0	0.000	37.40	0.00
2012	41	4,227,460	0	0	4,152,644	0	0.000	37.40	0.00
2013	41	3,169,510	0	0	3,113,408	0	0.000	37.40	0.00
2014	41	2,416,235	0	0	2,373,460	0	0.000	37.40	0.00
2015	41	1,869,465	0	0	1,836,384	0	0.000	37.40	0.00
2016	41	1,465,703	0	0	1,439,765	0	0.000	37.40	0.00
2017	41	1,161,545	0	0	1,140,974	0	0.000	37.40	0.00
2018	41	913,319	0	0	897,155	0	0.000	37.40	0.00
2019	38	701,119	0	0	688,713	0	0.000	37.40	0.00
2020	34	489,655	0	0	480,976	0	0.000	37.40	0.00
Sub-Total		34,138,955	0	0	33,534,686	0	0.000	37.40	0.00
Remainder		836,218	0	0	821,421	0	0.000	37.40	0.00
Total Future		34,975,173	0	0	34,356,107	0	0.000	37.40	0.00
Cumulative		0	0	0					
Ultimate		34,975,173	0	0					

	COMPANY FUTURE GROSS REVENUE (FGR) – $000					MRT		
Period	From Oil/Cond	From Plant Products	From Gas	Other	Total	Oil/Cond. – $000	Gas/P.P. – $000	FGR AFTER MRT $000
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	57,855	0	0	0	57,855	14,928	0	42,927
2009	148,207	0	0	0	148,207	38,240	0	109,967
2010	234,022	0	0	0	234,022	60,383	0	173,639
2011	211,095	0	0	0	211,095	54,467	0	156,628
2012	155,309	0	0	0	155,309	40,073	0	115,236
2013	116,442	0	0	0	116,442	30,045	0	86,397
2014	88,767	0	0	0	88,767	22,381	0	66,386
2015	68,681	0	0	0	68,681	13,920	0	54,761
2016	53,847	0	0	0	53,847	8,826	0	45,021
2017	42,672	0	0	0	42,672	5,682	0	36,990
2018	33,554	0	0	0	33,554	3,651	0	29,903
2019	25,758	0	0	0	25,758	2,328	0	23,430
2020	17,989	0	0	0	17,989	1,390	0	16,599
Sub-Total	1,254,198	0	0	0	1,254,198	296,314	0	957,884
Remainder	30,721	0	0	0	30,721	2,374	0	28,347
Total Future	1,284,919	0	0	0	1,284,919	298,688	0	986,231

	DEDUCTIONS – $000				FUTURE NET INCOME BEFORE INCOME TAXES – $000			
						Undiscounted		
Period	Operating Pvni Costs	Export Tariff & & Property Taxes	Development Costs	Transportation	Total	Annual	Cumulative	Discounted @10.00 %
2006	350	8	910	0	1,268	-1,268	-1,268	-1,233
2007	2,750	748	36,860	0	40,358	-40,358	-41,626	-36,379
2008	7,965	14,351	50,600	2,398	75,314	-32,387	-74,013	-27,129
2009	13,375	43,936	25,950	6,142	89,403	20,564	-53,449	15,203
2010	18,514	70,295	26,960	9,699	125,468	48,171	-5,278	32,118
2011	17,141	62,869	6,560	8,748	95,318	61,310	56,032	37,441
2012	13,800	45,247	460	6,437	65,944	49,292	105,324	27,222
2013	11,473	32,898	460	4,826	49,657	36,740	142,064	18,364
2014	9,816	24,161	460	3,679	38,116	28,270	170,334	12,789
2015	8,613	18,452	460	2,846	30,371	24,390	194,724	9,986
2016	7,724	13,919	460	2,232	24,335	20,686	215,410	7,666
2017	7,056	11,207	460	1,768	20,491	16,499	231,909	5,536
2018	6,509	9,415	0	1,391	17,315	12,588	244,497	3,825
2019	6,042	7,226	1,320	1,067	15,655	7,775	252,272	2,132
2020	5,578	5,101	1,650	746	13,075	3,524	255,796	891
Sub-Total	136,706	359,833	153,570	51,979	702,088	255,796		108,432
Remainder	16,137	7,993	10,560	1,273	35,963	-7,616	248,180	-1,122
Total Future	152,843	367,826	164,130	53,252	738,051	248,180		107,310

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PETRONEFT RESOURCES PLC
ESTIMATED FUTURE RESERVES AND INCOME
Attributable to certain interests
Enescalted Case – Base Case
As of July 1, 2006

GRAND SUMMARY
LINEYNOYE FIELD
TOTAL PROVED RESERVES **TOTAL PROVED**

		REVENUE INTERESTS			*PRODUCT PRICES*			*DISCOUNTED*	
	EXPENSE INTEREST	*Oil/ Condensate*	*Plant Products*	*Gas*	*Oil/Cond. $/bbl.*	*Plt. Prod. $/bbl.*	*Gas $/MCF*	*FUTURE NET INCOME – $000 COMPOUNDED*	*MONTHLY*
INITIAL								8.00% -	7,518
FINAL								10.00% -	6,374
REMARKS								12.00% -	5,372
								15.00% -	4,096
								20.00% -	2,448

		ESTIMATED 8/8 THS PRODUCTION			*COMPANY NET SALES*			*AVERAGE PRICES*	
Period	*Number of wells*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Gas MMCF*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Sales Gas MMCF*	*Oil/Cond. $/bbl*	*Gas $/MCF*
2006		0	0	0	0	0	0.000	0.00	0.00
2007		0	0	0	0	0	0.000	0.00	0.00
2008	4	293,838	0	0	288,636	0	0.000	37.40	0.00
2009	4	501,620	0	0	492,744	0	0.000	37.40	0.00
2010	4	362,792	0	0	356,368	0	0.000	37.40	0.00
2011	4	267,872	0	0	263,130	0	0.000	37.40	0.00
2012	4	201,420	0	0	197,856	0	0.000	37.40	0.00
2013	4	153,920	0	0	151,196	0	0.000	37.40	0.00
2014	4	119,328	0	0	117,214	0	0.000	37.40	0.00
2015	4	93,714	0	0	92,058	0	0.000	37.40	0.00
2016	4	74,456	0	0	73,138	0	0.000	37.40	0.00
2017	4	59,542	0	0	58,488	0	0.000	37.40	0.00
2018	4	47,634	0	0	46,788	0	0.000	37.40	0.00
2019	4	38,104	0	0	37,432	0	0.000	37.40	0.00
2020	4	19,820	0	0	19,468	0	0.000	37.40	0.00
Sub-Total		2,234,060	0	0	2,194,516	0	0.000	37.40	0.00
Remainder		0	0	0	0	0	0.000	0.00	0.00
Total Future		2,234,060	0	0	2,194,516	0	0.000	37.40	0.00
Cumulative		0	0	0					
Ultimate		2,234,060	0	0					

	COMPANY FUTURE GROSS REVENUE (FGR) – $000					*MRT*		
Period	*From Oil/Cond*	*From Plant Products*	*From Gas*	*Other*	*Total*	*Oil/Cond. – $000*	*Gas/P.P. – $000*	*FGR AFTER MRT $000*
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	10,795	0	0	0	10,795	2,785	0	8,010
2009	18,429	0	0	0	18,429	4,755	0	13,674
2010	13,328	0	0	0	13,328	3,439	0	9,889
2011	9,841	0	0	0	9,841	2,539	0	7,302
2012	7,400	0	0	0	7,400	1,910	0	5,490
2013	5,654	0	0	0	5,654	1,459	0	4,195
2014	4,384	0	0	0	4,384	1,105	0	3,279
2015	3,443	0	0	0	3,443	698	0	2,745
2016	2,736	0	0	0	2,736	448	0	2,288
2017	2,187	0	0	0	2,187	292	0	1,895
2018	1,750	0	0	0	1,750	190	0	1,560
2019	1,400	0	0	0	1,400	127	0	1,273
2020	728	0	0	0	728	56	0	672
Sub-Total	82,075	0	0	0	82,075	19,803	0	62,272
Remainder	0	0	0	0	0	0	0	0
Total Future	82,075	0	0	0	82,075	19,803	0	62,272

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	DEDUCTIONS –$000				FUTURE NET INCOME BEFORE INCOME TAXES-$000			
						Undiscounted		
Period	Operating Pvni Costs	Export Tariff & & Property Taxes	Development Costs	Transportation	Total	Annual	Cumulative	Discounted @10.00 %
2006	88	2	51	0	141	-141	-141	-137
2007	687	187	2,795	0	3,669	-3,669	-3,810	-3,311
2008	1,905	2,798	4,555	447	9,705	-1,695	-5,505	-1,556
2009	1,869	5,952	643	764	9,228	4,446	-1,059	3,314
2010	1,132	4,275	700	553	6,660	3,229	2,170	2,179
2011	804	2,858	370	407	4,439	2,863	5,033	1,748
2012	658	2,154	26	307	3,145	2,345	7,378	1,295
2013	558	1,597	26	234	2,415	1,80	9,158	890
2014	485	1,192	26	182	1,885	1,394	10,552	631
2015	432	924	26	143	1,525	1,220	11,772	499
2016	392	707	26	113	1,238	1,050	12,822	389
2017	362	574	26	91	1,053	842	13,664	283
2018	340	491	0	72	903	657	14,321	199
2019	347	400	0	58	805	468	14,789	129
2020	225	204	0	31	460	212	15,001	54
Sub-Total	10,284	24,315	9,270	3,402	47,71	15,001		6,606
Remainder	0	0	990	0	990	-990	14,011	-232
Total Futun	10,284	24,315	10,260	3,402	48,261	14,011		6,374

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PETRONEFT RESOURCES PLC
ESTIMATED FUTURE RESERVES AND INCOME
Attributable to certain interests
Enescalted Case – Base Case
As of July 1, 2006

GRAND SUMMARY
LINEYNOYE FIELD
TOTAL PROBABLE RESERVES — TOTAL PROBABLE

		REVENUE INTERESTS			PRODUCT PRICES			DISCOUNTED	
	EXPENSE INTEREST	*Oil/ Condensate*	*Plant Products*	*Gas*	*Oil/Cond. $/bbl.*	*Plt. Prod. $/bbl.*	*Gas $/MCF*	*FUTURE NET INCOME – $000 COMPOUNDED*	*MONTHLY*
INITIAL								8.00% -	52,113
FINAL								10,00% -	43,637
REMARKS								12.00% -	36,332
								15.00% -	27,219
								20.00% -	15,869

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	*Number of wells*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Gas MMCF*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Sales Gas MMCF*	*Oil/Cond. $/bbl*	*Gas $/MCF*
2006		0	0	0	0	0	0.000	0.00	0.00
2007		0	0	0	0	0	0.000	0.00	0.00
2008	2	471,874	0	0	463,521	0	0.000	37.40	0.00
2009	4	1,063,379	0	0	1,044,560	0	0.000	37.40	0.00
2010	12	2,468,456	0	0	2,424,762	0	0.000	37.40	0.00
2011	12	2,516,271	0	0	2,471,729	0	0.000	37.40	0.00
2012	12	1,841,166	0	0	1,808,583	0	0.000	37.40	0.00
2013	12	1,373,719	0	0	1,349,406	0	0.000	37.40	0.00
2014	12	1,042,713	0	0	1,024,251	0	0.000	37.40	0.00
2015	12	803,631	0	0	789,409	0	0.000	37.40	0.00
2016	12	627,865	0	0	616,755	0	0.000	37.40	0.00
2017	12	496,197	0	0	487,413	0	0.000	37.40	0.00
2018	12	395,452	0	0	388,449	0	0.000	37.40	0.00
2019	12	316,284	0	0	310,689	0	0.000	37.40	0.00
2020	12	242,366	0	0	238,071	0	0.000	37.40	0.00
Sub-Total		13,659,373	0	0	13,417,598	0	0.000	37.40	0.00
Remainder		489,663	0	0	481,002	0	0.000	37.40	0.00
Total Future		14,149,036	0	0	13,898,600	0	0.000	37.40	0.00
Cumulative		0	0	0					
Ultimate		14,149,036	0	0					

	COMPANY FUTURE GROSS REVENUE (FGR) – $000					MRT		
Period	*From Oil/Cond*	*From Plant Products*	*From Gas*	*Other*	*Total*	*Oil/Cond. – $000*	*Gas/P.P. – $000*	*FGR AFTER MRT $000*
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	17,336	0	0	0	17,336	4,473	0	12,863
2009	39,066	0	0	0	39,066	10,080	0	28,986
2010	90,686	0	0	0	90,686	23,399	0	67,287
2011	92,443	0	0	0	92,443	23,852	0	68,591
2012	67,641	0	0	0	67,641	17,453	0	50,188
2013	50,468	0	0	0	50,468	13,022	0	37,446
2014	38,307	0	0	0	38,307	9,658	0	28,649
2015	29,524	0	0	0	29,524	5,984	0	23,540
2016	23,066	0	0	0	23,066	3,781	0	19,285
2017	18,230	0	0	0	18,230	2,427	0	15,803
2018	14,528	0	0	0	14,528	1,581	0	12,947
2019	11,619	0	0	0	11,619	1,050	0	10,569
2020	8,904	0	0	0	8,904	688	0	8,216
Sub-Total	501,818	0	0	0	501,818	117,448	0	384,370
Remainder	17,990	0	0	0	17,990	1,390	0	16,600
Total Future	519,808	0	0	0	519,808	118,838	0	400,970

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	DEDUCTIONS – $000				FUTURE NET INCOME BEFORE INCOME TAXES – $000			
						Undiscounted		
Period	Operating Pvni Costs	Export Tariff & & Property Taxes	Development Costs	Transportation	Total	Annual	Cumulative	Discounted @10.00 %
2006	88	2	374	0	464	-464	-464	-450
2007	687	187	14,499	0	15, 373	-15,373	-15,837	-13,863
2008	2,265	4,284	17,883	718	25,150	-12,287	-28,124	-10,220
2009	3,429	11,538	9,158	1,620	25,745	3,241	-24,883	2,451
2010	7,040	26,813	11814	3,758	49,425	17,862	-7,021	11,840
2011	7,450	28,422	2,694	3,831	42,397	26,194	19,173	15,999
2012	6,010	19,708	189	2,803	28,710	21,478	40,651	11,862
2013	4,972	14,260	189	2,092	21,513	15,933	56,584	7,964
2014	4,235	10,429	189	1,588	16,441	12,208	68,792	5,523
2015	3,702	7,933	189	1,223	13,047	10,493	79,285	4,296
2016	3,309	5,963	189	956	10,417	8,868	88,153	3,287
2017	3,013	4,790	189	756	8,748	7,055	95,208	2,367
2018	2,822	4,077	0	602	7,501	5,446	100,654	1,654
2019	2,882	3,323	0	481	6,686	3,883	104,537	1,068
2020	3,128	2,640	0	369	6,137	2,079	106,616	524
Sub-Total	55,032	144,369	57,556	20,797	277,754	106,616		44,302
Remainder	11,526	4,718	4,290	746	21,280	-4,680	101,936	-665
Total Future	66,558	149,087	61,846	21,543	299,034	101,936		43,637

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PETRONEFT RESOURCES PLC
ESTIMATED FUTURE RESERVES AND INCOME
Attributable to certain interests
Enescalted Case – Base Case
As of July 1, 2006

GRAND SUMMARY
TUNGOLSKOYE FIELD
TOTAL PROVED RESERVES — TOTAL PROVED

		REVENUE INTERESTS			PRODUCT PRICES			DISCOUNTED	
	EXPENSE INTEREST	*Oil/ Condensate*	*Plant Products*	*Gas*	*Oil/Cond. $/bbl.*	*Plt. Prod. $/bbl.*	*Gas $/MCF*	*FUTURE NET INCOME – $000 COMPOUNDED*	*MONTHLY*
INITIAL								8.00% -	9,114
FINAL								10.00% -	7,754
REMARKS								12.00% -	6,560
								15.00% -	5,034
								20.00% -	3,057

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	*Number of wells*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Gas MMCF*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Sales Gas MMCF*	*Oil/Cond. $/bbl*	*Gas $/MCF*
2006		0	0	0	0	0	0.000	00	0.00
2007		0	0	0	0	0	0.000	00	0.00
2008	6	342,312	0	0	336,252	0	0.000	37.40	0.00
2009	6	625,869	0	0	614,792	0	0.000	37.40	0.00
2010	6	452,361	0	0	444,353	0	0.000	37.40	0.00
2011	6	333,820	0	0	327,913	0	0.000	37.40	0.00
2012	6	250,886	0	0	246,446	0	0.000	37.40	0.00
2013	6	191,634	0	0	188,242	0	0.000	37.40	0.00
2014	6	148,509	0	0	145,881	0	0.000	37.40	0.00
2015	6	116,591	0	0	114,528	0	0.000	37.40	0.00
2016	6	92,606	0	0	90,966	0	0.000	37.40	0.00
2017	6	74,048	0	0	72,736	0	0.000	37.40	0.00
2018	6	52,715	0	0	51,783	0	0.000	37.40	0.00
2019	4	33,432	0	0	32,838	0	0.000	37.40	0.00
2020	1	8,604	0	0	8,451	0	0.000	37.40	0.00
Sub-Total		2,723,387	0	0	2,675,181	0	0.000	37.40	0.00
Remainder		1,315	0	0	1,292	0	0.000	37.40	0.00
Total Future		2,724,702	0	0	2,676,473	0	0.000	37.40	0.00
Cumulative		0	0	0					
Ultimate		2,724,702	0	0					

	COMPANY FUTURE GROSS REVENUE (FGR) – $000					MRT		
Period	*From Oil/Cond*	*From Plant Products*	*From Gas*	*Other*	*Total*	*Oil/Cond. – $000*	*Gas/P.P. – $000*	*FGR AFTER MRT $000*
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	12,576	0	0	0	12,576	3,245	0	9,331
2009	22,993	0	0	0	22,993	5,933	0	17,060
2010	16,619	0	0	0	16,619	4,288	0	12,331
2011	12,264	0	0	0	12,264	3,164	0	9,100
2012	9,217	0	0	0	9,217	2,378	0	6,839
2013	7,040	0	0	0	7,040	1,817	0	5,223
2014	5,456	0	0	0	5,456	1,375	0	4,081
2015	4,283	0	0	0	4,283	868	0	3,415
2016	3,403	0	0	0	3,403	558	0	2,845
2017	2,720	0	0	0	2,720	362	0	2,358
2018	1,937	0	0	0	1,937	211	0	1,726
2019	1,228	0	0	0	1,228	111	0	1,117
2020	316	0	0	0	316	24	0	292
Sub-Total	100,052	0	0	0	100,052	24,334	0	75,718
Remainder	48	0	0	0	48	4	0	44
Total Future	100,100	0	0	0	100,100	24,338	0	75,762

	DEDUCTIONS – $000				FUTURE NET INCOME BEFORE INCOME TAXES – $000			
						Undiscounted		
Period	Operating Pvni Costs	Export Tariff & & Property Taxes	Development Costs	Transportation	Total	Annual	Cumulative	Discounted @10.00 %
2006	88	2	61	0	151	-151	-151	-147
2007	687	187	3,178	0	4,052	-4,052	-4,203	-3,644
2008	1,794	3,201	6,634	521	12,150	-2,819	-7,022	-2,501
2009	2,332	7,427	769	953	11,481	5,579	-1,443	4,160
2010	1,412	5,330	837	689	8,268	4,063	2,620	2,740
2011	1,002	3,561	443	508	5,514	3,586	6,206	2,189
2012	820	2,684	31	382	3,917	2,922	9,128	1,614
2013	693	1,989	31	292	3,005	2,218	11,346	1,109
2014	604	1,483	31	226	2,344	1,737	13,083	785
2015	537	1,150	31	178	1,896	1,519	14,602	622
2016	489	879	31	141	1,540	1,305	15,907	484
2017	450	714	31	112	1,307	1,051	16,958	352
2018	373	542	0	81	996	730	17,688	223
2019	283	342	495	50	1,170	-53	17,635	-20
2020	101	89	743	14	947	-655	16,980	-163
Sub-Total	11,665	29,580	13,346	4,147	58,738	16,980		7,803
Remainder	3	14	247	2	266	-222	16,758	-49
Total Future	11,668	29,594	13,593	4,149	59,004	16,758		7,754

THIS DATA IS PART OF THE RYDER SCOTT REPORT AND IS SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT

PETRONEFT RESOURCES PLC
ESTIMATED FUTURE RESERVES AND INCOME
Attributable to certain interests
Enescalted Case – Base Case
As of July 1, 2006

GRAND SUMMARY
TUNGOLSKOYE FIELD
TOTAL PROBABLE RESERVES

TOTAL PROBABLE

		REVENUE INTERESTS			PRODUCT PRICES			DISCOUNTED	
	EXPENSE INTEREST	*Oil/ Condensate*	*Plant Products*	*Gas*	*Oil/Cond. $/bbl.*	*Plt. Prod. $/bbl.*	*Gas $/MCF*	*FUTURE NET INCOME – $000 COMPOUNDED*	*MONTHLY*
INITIAL								8.00% -	59,033
FINAL								10.00% -	49,546
REMARKS								12.00% -	41,382
								15.00% -	31,203
								20.00% -	18,510

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	*Number of wells*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Gas MMCF*	*Oil/Cond. Barrels*	*Plant Products Barrels*	*Sales Gas MMCF*	*Oil/Cond. $/bbl*	*Gas $/MCF*
2006		0	0	0	0	0	0.000	0.00	0.00
2007		0	0	0	0	0	0.000	0.00	0.00
2008	2	466,770	0	0	458,507	0	0.000	37.40	0.00
2009	9	1,843,291	0	0	1,810,665	0	0.000	37.40	0.00
2010	19	3,086,427	0	0	3,031,795	0	0.000	37.40	0.00
2011	19	2,627,992	0	0	2,581,480	0	0.000	37.40	0.00
2012	19	1,933,988	0	0	1,899,759	0	0.000	37.40	0.00
2013	19	1,450,237	0	0	1,424,564	0	0.000	37.40	0.00
2014	19	1,105,685	0	0	1,086,114	0	0.000	37.40	0.00
2015	19	855,529	0	0	840,389	0	0.000	37.40	0.00
2016	19	670,776	0	0	658,906	0	0.000	37.40	0.00
2017	19	531,758	0	0	522,337	0	0.000	37.40	0.00
2018	19	417,518	0	0	410,135	0	0.000	37.40	0.00
2019	18	313,299	0	0	307,754	0	0.000	37.40	0.00
2020	17	218,865	0	0	214,986	0	0.000	37.40	0.00
Sub-Total		15,522,135	0	0	15,247,391	0	0.000	37.40	0.00
Remainder		345,240	0	0	339,127	0	0.000	37.40	0.00
Total Future		15,867,375	0	0	15,586,518	0	0.000	37.40	0.00
Cumulative		0	0	0					
Ultimate		15,867,375	0	0					

	COMPANY FUTURE GROSS REVENUE (FGR) – $000					MRT		
Period	*From Oil/Cond*	*From Plant Products*	*From Gas*	*Other*	*Total*	*Oil/Cond. – $000*	*Gas/P.P. – $000*	*FGR AFTER MRT $000*
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	17,148	0	0	0	17,148	4,425	0	12,723
2009	67,719	0	0	0	67,719	17,473	0	50,246
2010	113,389	0	0	0	113,389	29,256	0	84,133
2011	96,548	0	0	0	96,548	24,912	0	71,636
2012	71,050	0	0	0	71,050	18,332	0	52,718
2013	53,279	0	0	0	53,279	13,747	0	39,532
2014	40,621	0	0	0	40,621	10,242	0	30,379
2015	31,430	0	0	0	31,430	6,371	0	25,059
2016	24,643	0	0	0	24,643	4,039	0	20,604
2017	19,536	0	0	0	19,536	2,601	0	16,935
2018	15,339	0	0	0	15,339	1,669	0	13,670
2019	11,510	0	0	0	11,510	1,040	0	10,470
2020	8,041	0	0	0	8,041	622	0	7,419
Sub-Total	570,253	0	0	0	570,253	134,729	0	435,524
Remainder	12,683	0	0	0	12,683	980	0	11,703
Total Future	582,936	0	0	0	582,936	135,709	0	447,227

Period	DEDUCTIONS – $000				FUTURE NET INCOME BEFORE INCOME TAXES – $000			
	Operating Pvni Costs	Export Tariff & & Property Taxes	Development Costs	Transportation	Total	Undiscounted Annual	Undiscounted Cumulative	Discounted @10.00 %
2006	88	2	423	0	513	-513	-513	-499
2007	687	187	16,389	0	17,263	-17,263	-17,776	-15,561
2008	2,001	4,069	21,528	711	28,309	-15,586	-33,362	-12,852
2009	5,745	19,018	15,380	2,806	42,949	7,297	-26,065	5,278
2010	8,929	33,877	13,610	4,700	61,116	23,017	-3,048	15,358
2011	7,885	28,029	3,052	4,001	42,967	28,669	25,621	17,506
2012	6,314	20,700	214	2,944	30,172	22,546	48,167	12,451
2013	5,249	15,053	214	2,208	22,724	16,808	64,975	8,401
2014	4,492	11,057	214	1,684	17,447	12,932	77,907	5,850
2015	3,942	8,444	214	1,303	13,903	11,156	89,063	4,569
2016	3,535	6,369	214	1,021	11,139	9,465	98,528	3,507
2017	3,230	5,131	214	810	9,385	7,550	106,078	2,533
2018	2,975	4,304	0	635	7,914	5,756	111,834	1,749
2019	2,530	3,162	825	477	6,994	3,476	115,310	956
2020	2,123	2,166	908	333	5,530	1,889	117,199	476
Sub-Total	59,725	161,568	73,399	23,633	318,325	117,199		49,722
Remainder	4,608	3,261	5,032	526	13,427	-1,724	115,475	-176
Total Future	64,333	164,829	78,431	24,159	331,752	115,475		49,546

THIS DATA IS PART OF THE RYDER SCOTT REPORT AND IS SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
621 17TH STREET, SUITE 1550 DENVER, COLORADO 80293 TEL (303) 623-9147 FAX (303) 623-4258

The Directors
Petroneft Resources plc
c/o O'Donnell Sweeney Solicitors
One Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

The Directors
J&E Davy
Davy House
49 Dawson Street
Dublin 2, Ireland

20 September 2006

Dear Sirs

Petroneft Resources PLC ("Petroneft" or the "Company")

In accordance with the instruction letter from Petroneft dated 8 May 2006 and in connection with the application for the Admission of Petroneft's issued share capital to the AIM Market of the London Stock Exchange and the IEX Market of the Irish Stock Exchange, Ryder Scott Company, L.P. ("Ryder Scott") has prepared a report which includes an estimate and net present valuation of the proved and probable reserves, future production, revenue and net income attributable to the 100 per cent ownership of Petroneft Resources Plc's ("Petroneft") wholly owned Russian Limited Liability subsidiary company Stimul-T, the sole license holder of License Area 61 (Tungolsky) located in the Tomsk Oblast in Russia (the "Competent Person Report").

Qualifications

Ryder Scott was formed in 1937. The company is one of the largest, oldest and most respected reservoir-evaluation consulting firms in the petroleum industry. The company performs more than 1,000 consulting studies a year for oil and gas producers-both major and independent-investors, banks, governmental agencies and accounting and law firms. The company has offices in Houston, Denver and Calgary and has 115 employees and almost 70 professional engineers and geoscientists.

This evaluation was prepared by Mr. Larry T. Nelms. He has 37 years of experience in the oil and gas industry and been an employee of Ryder Scott for 25 years and in currently a Managing Senior Vice President. He is a registered Professional Engineer in the states of Colorado, Montana, North Dakota, Oklahoma and Wyoming.

Opinion

The evaluation presented in this report reflects our informed judgment based on accepted standards of professional investigation. The evaluation has been conducted within our understanding of Russian legislation, taxation and other regulations that currently applies to these interests.

Material Contracts

Ryder Scot confirms that its has reviewed sections 11 of Part V of the Admission Document ('Material Contracts') and is not aware of any contracts which are not already included in that section and which should be included pursuant to the guidance notes in respect of Mining, Oil & Gas companies issued by AIM Regulation dated March 2006.

Correct Extraction

Ryder Scott has reviewed Part I of the attached Admission Document and confirms that the information contained in Part I which relates to information contained in this Competent Person's

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Report is accurate, balanced and complete and not inconsistent with such report. In particular Ryder Scott confirms that the information in Part I, where extracted from this Competent Person's Report, is extracted directly and presented in a manner which does not affect its import and the location of such information in this report has been set out annexed to such extraction.

Consent

Ryder Scott hereby consents to the inclusion of this Competent Person's Report in the Admission Document and to the use of its name to be included in the Admission Document and reference is thereto in a form and context in which they respectively appear and accept responsibility for the Competent Person's Report for the purposes of the AIM Rules and the guidance notes in respect of Mining, Oil & Gas companies issued by AIM Regulation dated March 2006.

Responsibility

Ryder Scott accepts responsibility for the information contained in Part III of the Admission Document and for the information extracted from its report and set out in Part I of the Admission Document. To the best of the knowledge information and belief of Ryder Scott (who has taken all reasonable care to ensure that such is the case), the information contained in Part III of the Admission Document is true, accurate and not misleading and is in accordance with the facts and makes no omission likely to affect the import of such information.

Yours sincerely

RYDER SCOTT COMPANY, L.P.

Larry T. Nelms P. E.
Managing Senior Vice President

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The Directors
Petroneft Resources plc
c/o O'Donnell Sweeney Solicitors
One Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LHM Casey McGrath
6 Northbrook Road
Dublin 6
Ireland

The Directors
Davy
Davy House
49 Dawson Street
Dublin 2

21 September 2006

Dear Sirs,

Accountants Report on Petroneft Resources plc ("Petroneft" or the "Company") for the period from 15 September 2005 (date of incorporation) to 31 December 2005.

1. Introduction

We report on the financial information set out in Part IV of the Admission Document of Petroneft Resources plc, dated 21 September 2006 (the 'Admission Document'). The financial information, which is set out in paragraphs 2 to 7 below (referred to in Part IV of the Admission Document as the "financial information"), is for the period from 15 September 2005 (date of incorporation) to 31 December 2005 and is based on the audited financial statements of Petroneft for that period, to which no adjustments were considered necessary.

This report is required by paragraph (a) of Schedule Two of the AIM Rules and by paragraph (a) of Schedule Two of the IEX Rules and is given for the purpose of complying with those paragraphs and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in paragraph 7 to the financial information and in accordance with applicable Irish law and International Financial Reporting Standards as adopted by the EU. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

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Intangible Assets

In forming our opinion, we have considered the adequacy of the disclosures made in Note 6.7 to the financial statements in relation to the Directors' assessment of the carrying value of the Group's intangible assets, amounting to US$6,093,657. Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Petroneft as at the date stated and of its profits, cash flows and recognised gains and losses for the period then ended in accordance with the accounting policies set out in paragraph 6 to the financial information and in accordance with applicable Irish law and International Financial Reporting Standards.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules and paragraph (a) of Schedule Two of the IEX Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules and Schedule Two of the IEX Rules.

Yours faithfully,

LHM Casey McGrath
Chartered Certified Accountants

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2. Consolidated Income Statement

	Notes	*for the period ended 31 December 2005 US$*
Administrative expenses		(241,331)
Operating loss	6.1	(241,331)
Interest payable and similar charges	6.2	(19,083)
Retained loss for the period		(260,414)
Loss per share:		
Basic		.29c
Diluted		.29c

There are no recognised gains or losses other than those disclosed above and there have been no discontinued activities or acquisitions in the current or preceding periods.

3. Consolidated Balance Sheet

	Notes	*as at 31 December 2005 US$*
Non-Current Assets		
Property, plant and equipment	6.6	169,937
Other intangible Assets	6.7	6,093,657
		6,263,594
Current Assets		
Trade and other receivables	6.9	451,323
Cash and Cash equivalents	6.10	256,208
		707,531
Total assets		6,971,125
Equity and liabilities		
Capital and Reserves		
Called up share capital	6.13	1,052,260
Share premium account	6.14	4,861,880
Profit and loss account	6.14	(260,414)
Equity attributable to equity holders of the parent	6.15	5,653,726
Current liabilities		
Trade and other payables	6.11	1,317,399
Total liabilities		1,317,399
Total equity and liabilities		6,971,125

4. Group Statement of Changes in Equity

	for the period ended 31 December 2005 Group US$
Loss for the period	(260,414)
Dividends	—
	(260,414)
Net proceeds of equity share issue	5,914,140
	5,653,726

5. Cash Flow Statement

	Notes	*for the period ended 31 December 2005 Group US$*
Net loss before interest and income tax		(241,331)
Adjustments for:		
Depreciation for – Property, plant and equipment		910
Operating profit before working capital changes		(240,421)
Increase in trade receivables		(451,323)
Increase in trade payables		1,317,399
Cash generated from operations		625,655
Interest paid		(19,083)
Net cash flow from operating activities		606,572
Investing activities		
Purchase of property, plant and equipment		(170,847)
Purchase of other intangible assets		(6,093,657)
Net cash used in investing activities		(6,264,504)
Cash flows from financing activities		
Proceeds from issue of share capital		5,914,140
Net cash received from financing activities	6.19	5,914,140
Net increase in cash and cash equivalents	6.10	256,208
Cash and Cash equivalents at the beginning of the period		—
Cash and cash equivalents at the end of the period		256,208

6.1. Operating loss

	2005 US$
Operating loss is stated after charging:	
Depreciation of tangible assets	910
Auditors' remuneration	22,000

Fees totalling US$6,000 in respect of non-audit services associated with share issues have been set against share premium.

6.2. Finance costs

	2005 US$
On loans and overdrafts	19,083
	19,083

6.3. Employees

	2005 US$
Number of employees	
The average month end number of employees (including the directors) during the period was:	5
	5

Employment costs (Including directors)

	2005 US$
Wages and salaries	88,230
	88,230

6.3.1. Directors' emoluments

	2005 US$
Remuneration and other emoluments	54,674
	54,674

Employment costs (Including directors)	2005 US$
Wages and salaries	88,230
	88,230

6.4. Earnings per Ordinary Share

Basic earnings per ordinary share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the period.

Diluted earnings per ordinary share amounts are calculated by dividing net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued if employee and other share options were converted into ordinary shares.

	2005 *US$*
Earnings	
Net loss attributable to equity shareholders	(260,414)
Effect of dilutive potential ordinary shares	—
Diluted net loss attributable to equity shareholders	(260,414)
Number of Shares	
Basic weighted average number of shares	90,098,470
Dilutive potential ordinary shares	—
Dilutive weighted average number of shares	90,098,470
Loss per share:	
Basic	.29c
Diluted	.29c

6.5. Income Tax Expense

	2005 *US$*
Current year taxation	
Corporation Tax (12.5%)	—
The tax assessed for the period is lower than the standard rate of corporation tax of 12.5%.	
The differences are explained below:	
Loss on Ordinary Activities before Tax	(260,414)
Loss on Ordinary Activities multiplied by the standard rate of corporation tax of 12.5%	(32,552)
Effects of:	
Depreciation in excess of Capital Allowances for the year	—
Losses available for carry forward	32,552
Tax charge for the year	—

6.6. Tangible assets

	Fixtures & fittings US$	*Land and buildings freehold US$*	*Total US$*
Cost			
Additions	4,599	—	4,599
Acquired on acquisition of a subsidiary	6,748	159,500	166,248
At 31 December 2005	11,347	159,500	170,847
Depreciation			
Charge for the period	378	532	910
At 31 December 2005	378	532	910
Net book values			
At 31 December 2005	10,969	158,968	169,937

6.7. Other intangible assets

	Development Costs US$	*Total US$*
Cost		
Additions	516,348	516,348
Acquired on Acquisition of a subsidiary	5,577,309	5,577,309
At 31 December 2005	6,093,657	6,093,657
Net book values		
At 31 December 2005	6,093,657	6,093,657

The amounts for Development costs represent active exploration projects. These amounts will be written off to the Income Statement as exploration costs unless commercial reserves are established or the determination process is not completed and there is no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of Development assets will be ultimately be recovered, is inherently uncertain.

6.8. Subsidiaries

Details of the Company's Subsidiaries at 31 December 2005 are as follows:

Name of Subsidiary	*Country of registration or incorporation*	*Ownership Interest*	*Proportion of Voting power held*	*Principal Activity*
Stimul-T	Russian Federation	100%	100%	Oil and Gas exploration

6.9. Other financial assets

Trade and other receivables:

	2005
	US$
Other debtors	57,713
Prepayments and accrued income	393,610
	451,323

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

6.10. Cash and Cash Equivalents

	2005
	US$
Cash at Bank and in Hand	256,208

6.11. Trade and other payables

	2005
	US$
Trade creditors	17,758
Other taxes and social welfare costs	64,679
Directors' accounts	930,000
Other creditors	2,776
Accruals and deferred income	302,186
	1,317,399

The directors consider that the carrying amount of trade payables approximates their fair value.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

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6.12 Acquisition of subsidiary

	Acquiree's Carrying amount US$	Fair value Adjustment US$	Fair value US$
Net Assets acquired:			
Property, plant and equipment	166,248	—	166,248
Development costs	5,464,104	113,205	5,577,309
Trade and other receivables	437,781	—	437,781
Bank and cash balances	150,995	—	150,995
Trade and other payables	(6,332,333)	—	(6,332,333)
	(113,205)	113,205	—

Total consideration, satisfied by cash	Nil
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Cash and cash equivalents acquired	150,995
	150,995

6.13. Share capital

	2005 *US$*
Authorised	
300,000,000 Ordinary shares of €0.01 each	3,503,700
	3,503,700
Allotted, called up and fully paid equity	
107,527,680 Ordinary shares of €0.01 each	1,052,260
	1,052,260

6.14. Equity Reserves

	Share premium account US$	*Profit and loss account US$*	*Total US$*
Premium on issue of shares	4,861,880	—	4,861,880
Retained loss for the period	—	(260,414)	(260,414)
At 31 December 2005	4,861,880	(260,414)	4,601,466

The issue costs of the share placing of €289,294 have been written off against the share premium account.

6.15. Reconciliation of movements in shareholders' funds

	2005 US$
Loss for the period	(260,414)
Net proceeds of equity share issue	5,914,140
Net addition to shareholders' funds	5,653,726
	5,653,726

6.16. Capital commitments

	2005 US$
Details of capital commitments at the accounting date are as follows:	
Contracted for but not provided in the financial statements	2,000,000
Authorised by the directors but not yet contracted for	—

The above commitment relates to a contract entered into on 3 August 2005 for Seismic analysis due to be completed in early 2006.

6.17. Related party transactions

Transactions between Petroneft Resources Plc and its subsidiary Stimul-T have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Dennis Francis is a director of Petroneft Resources Plc. During the period, Dennis Francis advanced the Group amounts totalling US$930,000. Interest of US$16,243 was paid on this amount. At the period ended 31 December 2005, Petroneft Resources Plc owed Dennis Francis an amount of US$930,000.

In February 2006 Stimul-T entered into a contract with Nizhnevartovskservis ("the Contractor") for the construction of 3 wells. The contract is a "Turnkey" contract under which the Contractor assumes all liabilities in relation to the health and safety, environmental and other risks associated with construction. The total value of the contract is approximately $9.25 million. Vakha Alvievich Sobraliev, a director of Petroneft Resources Plc, is the General Director of Tomskburneftegaz. LLC, which at the time was a subsidiary of Nizhevartovskservis.

6.18. Events after the Balance Sheet Date

On the 1st February 2006 the Company completed a private placement that raised US$8 million through the issue of 45,046,606 new Ordinary Shares. The new Ordinary Shares were allotted and funds received in three tranches by 30 June 2006, following which the Company had 135,145,084 shares in issue. In addition, the Company has issued warrants over Ordinary Shares to the value of US$1 million.

As mention in note 6.17, in February 2006 Stimul-T entered into a contract with the Contractor for the construction of 3 wells.

6.19. Gross Cash Flows

	2005 US$
Returns on investments and servicing of finance	
Interest paid	(2,840)
Capital expenditure	
Payments to acquire intangible assets	(6,093,657)
Payments to acquire tangible assets	(170,847)
	(6,264,504)
Financing	
Issue of ordinary share capital	5,914,140
	5,914,140

6.20. Going concern

The financial statements are prepared under the assumption that the Group is a going concern on the basis that the Directors are satisfied that further funding, primarily through share placings, will be available to bring its projects to production.

7. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

The financial statements are prepared in accordance with International Financial Reporting Standards under the historic cost basis.

In accordance with the provisions of Section 3(2) of the Companies (Amendment) Act 1986 the Profit and Loss of the Company is not presented separately.

Development costs

The Group adopts the successful efforts method of accounting for exploration and appraisal costs. All licence acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable administration costs and interest payable are capitalised insofar as they relate to specific exploration and development activities. Pre-licence costs are expensed in the period in which they are incurred.

These costs are then written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings—Straight Line over 30 years

Office equipment —20% Straight line

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profits differ from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, taxation.

Deferred taxation is measured on an undiscounted basis at the taxation rates that are anticipated to apply in the periods in which the timing differences reverse, based on taxation rates and legislation which are enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at contract rates where the amounts payable or receivable are covered by forward contracts. Other monetary assets and liabilities are translated into US Dollars at rates of exchange ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Consolidated accounts

The Group Financial Statements consolidate the results of the Company and its wholly owned subsidiary Stimul-T from the date of acquisition under the acquisition method.

PART V – ADDITIONAL INFORMATION

(1) RESPONSIBILITY STATEMENTS

The Directors, whose names appear on page 3 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Ryder Scott accepts responsibility for the information contained in Part III of this document. To the best of the knowledge of Ryder Scott (who has taken all reasonable care to ensure that such is the case), the information contained in Part III of this document is in accordance with the facts and makes no omission likely to affect the import of such information.

(2) INCORPORATION AND STATUS OF THE COMPANY

The Company was incorporated in Ireland under the Companies Acts 1963 to 2005 as a public limited company on 15 September 2005 with registered number 408101.

The address of the Company's registered office is at c/o O'Donnell Sweeney Solicitors, One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland. The Company's principal place of business is Modeshill, Mullinahone, Thurles, Co. Tipperary, Ireland. The telephone numbers of the Company are +353 52 53371 in Ireland and +1 713 988 2500 in the US.

The Company has one subsidiary which is fully consolidated in the financial statements of the Company, details of which are as follows;

Name	*Country of Incorporation*	*Date of Incorporation*	*Percentage ownership*
Stimul-T	Russian Federation	5 October 1999	100%

(3) SHARE CAPITAL

The Company was incorporated in Ireland under the Companies Acts 1963 to 2005 as a public limited company on 15 September 2005 with registered no. 408101. On incorporation and as at the date of this Document, the authorised share capital of the Company was €3,000,000 divided into 300,000,000 ordinary shares of €0.01 each.

(a) On incorporation, 7 Ordinary Shares were issued to the subscribers to the memorandum of association at a subscription price of €0.01 per share.

(b) On 6 October 2005, 1 Ordinary Share was issued to David Sanders, a Director, at a subscription price of €38,093 in order to meet the minimum paid up share capital requirement for a public limited company under Irish company law.

(c) On 28 November 2005 a total of 90,098,470 Ordinary Shares were issued and allotted, credited as fully paid, to the shareholders of Petroneft LLC pursuant to the Asset Purchase and Sale Agreement. As a result, in excess of 10% of the issued share capital of the Company at that time has been paid for with assets other than cash. Further details of the Asset Purchase and Sale Agreement are provided in Section 11 of this Part V.

(d) Between January 2006 and July 2006 a total of 45,046,606 Ordinary Shares were issued pursuant to the Subscription Agreement. Further details of the Subscription Agreement are provided in section 11 of this Part V.

(e) The authorised and issued share capital of the Company as at the close of business on 20 September 2006 (being the latest practicable date prior to the publication of this Document) and as it will be immediately following Admission is as follows:

	Authorised		*Issued and Fully Paid*	
	Number	*Amount* €	*Number*	*Amount* €
At date of this Document				
Ordinary Shares	300,000,000	3,000,000	135,145,084	1,351,450.84
After Admission				
Ordinary Shares	300,000,000	3,000,000	176,625,258	1,766,252.58

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(f) The Existing Share Capital is, and the Placing Shares will be, in registered form and will be capable of being held in certified or uncertified form in CREST. Application has been made to the London Stock Exchange and the Irish Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM and IEX. It is expected that Admission will become effective and dealings will commence on 27 September 2006.

(g) Pursuant to the Articles of Association of the Company the Directors are authorised to exercise all powers of the Company to allot all relevant securities (within the meaning of section 20 of the Companies (Amendment) Act 1983) up to an amount equal to the authorised but as yet un-issued share capital of the Company up to 15 September 2010 and to allot equity securities (as defined by Section 23 of the 1983 Act) for cash up to 15 December 2006 pursuant to such authority as if sub-section (1) of the said Section 23 did not apply to any such allotment in the circumstances provided that such allotment is;

   (i) to shareholders in Petroneft LLC as consideration for the acquisition by the Company of the undertaking (or part thereof) of Petroneft LLC;

   (ii) pursuant to the Placing;

   (iii) in connection with any offer of securities, open for a period fixed by the Directors, by way of rights, open offer or otherwise in favour of ordinary shareholders and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems;

   (iv) up to a maximum aggregate nominal value of 10% of the issued ordinary share capital of the Company immediately following the allotments referred to in (i) and (ii) above; and

   (v) pursuant to the Share Option Scheme.

(h) Save as disclosed in this Document no share or loan capital of the Company or its subsidiaries has been issued in the two years preceding the publication of this Document or is being prepared to be issued for cash or other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with any such issue or sale.

(i) Save as disclosed in this Document, no share or loan capital of the Company or its subsidiaries has been quoted or is proposed to be quoted fully or partly-paid up either in cash or otherwise than in cash.

(j) As at the date of this Document the Company had granted, for a nominal consideration, options over 6,755,000 Ordinary Shares exercisable at the Placing Price, to Directors, employees and consultants of the Group in accordance with the rules of the Share Option Scheme and conditional on Admission.

(k) As at the date of this Document the Company had granted warrants to subscribe for approximately 2.67 million Ordinary Shares exercisable at the Admission Price in accordance with the Share Warrant Instrument described in paragraph (d) of section 11 of this Part V.

(4) DIRECTORS' SHAREHOLDINGS

(a) Ordinary Shares

As at 20 September 2006 (the latest practicable date prior to the publication of this Document), the interests of the Directors (including any connected person of a Director within the meaning of Section 26 of the Companies Act 1990) in the Existing Issued Share Capital and the Enlarged Issued Share Capital, the existence of which is known to, or could with reasonable diligence be ascertained by, the Directors whether or not held through another party which is notifiable, as required to be disclosed pursuant to sections 53 or 64 of the Companies Act 1990 or which are required pursuant to section 59 of that Act to be entered in the register referred to therein, or are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by that Director were and will be as follows:

	Ordinary Shares at date of this document	Percentage of Existing Issued Share Capital	Ordinary Shares following Admission	Percentage of Enlarged Issued Share Capital
David Golder	2,409,050	1.78%	2,944,458	1.67%
Dennis Francis	19,754,210	14.6%	20,289,617	11.49%
David Sanders	4,047,205	2.99%	4,180,605	2.37%
Desmond Burke	4,967,204	3.68%	5,304,204	3.00%
Thomas Hickey	320,000	0.24%	585,000	0.33%
Vakha Sobraliev	22,114,644	16.36%	22,650,052	12.82%
Total	53,612,313	39.67%	55,953,936	31.68%

(b) In addition, as at 20 September 2006 the Company had granted the following Options over Ordinary Shares to the Directors, exercisable at the Placing Price in accordance with the rules of the Share Option Scheme and conditional on Admission:

	Number of Options	*Exercise Price*	*End of Exercise Period*
David Golder	440,000	€0.295	5 September 2013
Dennis Francis	880,000	€0.295	5 September 2013
David Sanders	880,000	€0.295	5 September 2013
Desmond Burke	660,000	€0.295	5 September 2013
Thomas Hickey	440,000	€0.295	5 September 2013
Vakha Sobraliev	440,000	€0.295	5 September 2013

(5) DIRECTORS' OTHER INTERESTS

(a) The Directors and partnerships currently held by the Directors, in addition to that in the Company and any of its subsidiaries, and directorships and partnerships held within the five years prior to publication of this Document, are as follows:

Name of Director	*Current Directorships and Partnerships*	*Previous Directorships and Partnerships*
David Golder	David Golder Consulting, LLC Offshore Energy Center	Marathon Oil Company Sakhalin Energy Investment Company
Dennis Francis	—	Petroneft, LLC Marathon International Oil Company Sakhalin Energy Investment Company
David Sanders	—	Petroneft, LLC
Desmond Burke	Holocene Productions Limited Tomsk Oil Ltd	— —
Thomas Hickey	Tullow Oil Plc Ikon Science Limited	—
Vakha Sobraliev	Tomskburneftegaz, LLC Malka Oil AB Progress-S, LLC	—

Other Matters

None of the Directors identified above has:

(i) any unspent conviction in relation to indictable offences; or

(ii) had any bankruptcy order made against him or entered into any individual voluntary arrangement; or

(iii) been a director of any company placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, or which has entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors of any company where such person was a director with an executive function at the time of or within the 12 months preceding such events; or

(iv) been a partner of any partnership which has been put into compulsory liquidation, administration or entered into partnership voluntary arrangements at the time of or within the 12 months preceding such events; or

(v) been involved in receivership of any of his assets or of a partnership of which he was a partner at the time of or within 12 months preceding such events; or

(vi) been publicly criticised by statutory or regulatory authorities (including recognised professional bodies) nor has such Director ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6. DIRECTORS' SERVICE CONTRACTS

Dennis Francis

Mr Francis is employed by the Company as Chief Executive under the terms of an employment agreement dated 18 November 2005. The term of service commenced 1 November 2005. The minimum gross annual salary is €75,000 subject to annual review by the Board. Mr Francis is also entitled to certain business expenses and a bonus determined by the remuneration committee of the Board. He may also participate in the Share Option Scheme and any other employee benefit programmes made available by the Company. Either party may terminate the service contract on 90 days' notice. Mr Francis has agreed not to retire early or otherwise terminate his employment other than for good reason during the initial term of 2 years of this service contract. If his employment is terminated for any reason other than certain prescribed reasons, the Company shall pay to him, in addition to the aforementioned payment, his base salary for 1 year from the termination date or, where such termination is within 2 years of the commencement date, his base salary in respect of the remainder of the 2 years (provided it is not less than one year's base salary) and his incentive compensation plan payment for 2 years. In addition, in certain circumstances, Mr Francis will continue to benefit from the Company's health plan for 12 months. The agreement also provides for termination by the Company on other grounds including age, inability to carry out duties and termination for cause.

Mr Francis holds his office as Director pursuant to a letter of appointment dated 20 October 2005. Under the terms of this letter Mr Francis is entitled to initial annual director's fees of €5,000 per annum subject to upward annual reviews by the Board.

David Sanders

Mr Sanders is employed by the Company under the terms of an employment agreement dated 18 November 2005. The term of service commenced 1 November 2005. The minimum gross annual salary is €75,000 subject to annual review by the Board. The executive is also entitled to certain business expenses and a bonus determined by the remuneration committee of the Board. He may also participate in the Share Option Scheme and any other employee benefit programmes made available by the Company. Either party may terminate the service contract on 90 days' notice. Mr Sanders has agreed not to retire early or otherwise terminate his employment other than for good reason during the initial term of 2 years of this service contract. If his employment is terminated for any reason other than certain prescribed reasons, the Company shall pay to him, in addition to the aforementioned payment, his base salary for 1 years from the termination date or, where such termination is within 2 years of the commencement date, his base salary in respect of the remainder of the 2 years (provided it is not less than one year's base salary) and his incentive compensation plan payment for 2 years. In addition, in certain circumstances, Mr Sanders will continue to benefit from the Company's health plan for 12 months. The agreement also provides for termination by the Company on other grounds including age, inability to carry out duties and termination for cause.

Mr Sanders holds his office as Director pursuant to a letter of appointment dated 20 October 2005. Under the terms of this letter, Mr Sanders is entitled to initial annual director's fees of €5,000 per annum subject to upward annual reviews by the Board.

Desmond Burke

Mr Burke is employed by the Company under the terms of an employment agreement dated 25 January 2006. The term of service commenced 1 November 2005. The gross annual salary, based upon full time service, is €75,000 subject to annual review by the Board. The executive is also entitled to certain business expenses and a bonus determined by the remuneration committee of the Board. He may also participate in the Share Option Scheme and any other employee benefit programmes made available by the Company. Either party may terminate the service contract on 90 days notice. Mr Burke has agreed not to retire early or otherwise terminate his employment other than for good reason during the initial term of 2 years of this service contract. If his employment is terminated for any reason other than certain prescribed reasons, the Company shall pay to him, in addition to the aforementioned payment, his base salary for 1 year from the termination date. In addition, in certain circumstances, Mr Burke will continue to benefit from the Company's health plan for 12 months. The agreement also provides for termination by the Company on other grounds including age, inability to carry out duties and termination for cause.

Mr Burke holds his office as Director pursuant to a letter of appointment dated 20 October 2005. Under the terms of this letter, Mr Burke is entitled to initial annual director's fees of €5,000 per annum subject to upward annual reviews by the Board.

(7) DIRECTORS' INTERESTS IN CONTRACTS

Save as set out below and in Section 11 of this Part V (Material Contracts) there have been no contracts or arrangements subsisting at the date of the Document in which a Director is materially interested and which are significant in relation to the business of the Group taken as a whole:

(a) As part of a reorganisation of Petroneft LLC prior to the Asset Purchase and Sale Agreement, Mr Francis and Mr Sanders, each of whom is an executive director of the Company, as the only class A shareholders of Petroneft LLC sold their entire respective holdings of class A shares (being 1,000 in total) to Petroneft LLC under an agreement dated 12 September 2005 with effect from 18 May 2005. All of the rights and obligations of Petroneft LLC under this agreement were subsequently assigned to the Company under the Asset Purchase and Sale Agreement. In exchange for their class A shares, Mr Francis and Mr Sanders each received a total of US$39,172.

    In addition it was agreed to postpone payments of US$210,000 each to Mr Francis and Mr Sanders until a contingent payment of US$420,000 is received from LLC Tomskneftperreabotka for previous consulting work.

(b) In February 2006 with the consent of the Board, Stimul-T entered into a turnkey drilling contract with NizhnevartovskServis for the early mobilization and subsequent drilling of three wells using two drilling rigs. Mr Vakha Sobraliev, a non-executive director of the Company, is also a shareholder and General Director of Tomskburneftegaz which at the time of the transaction was a subsidiary of NizhnevartovskServis. The terms of the transaction were found to be in the best interest of the Company and fair and reasonable insofar as Shareholders are concerned, and unanimously approved by the Board (excluding Mr. Sobraliev). Further information on this contract is detailed in section 11 of Part V of this document.

(c) On 1 February 2006, the Company entered into the Subscription Agreement whereby the Company agreed to allot a total of 45,046,606 Ordinary Shares to Davycrest Nominees Limited RAB Octane Fund Limited and Mr Sobraliev, for an aggregate consideration of US$8,000,000. Further information on the Subscription Agreement is detailed in section 11 of Part V of this document.

(d) On 3 February 2006, the Company entered into a loan agreement with Mr Francis (the "Loan Agreement"), an executive director of the Company, whereby Mr Francis agreed to make a loan of US$200,000 ("the Loan") to the Company to fund ongoing capital and operating expenses of the Company. Interest accrues on the outstanding balance of the Loan from its drawdown until it is repaid at a rate per annum equal to LIBOR overnight prime rate plus 2 per cent and shall be calculated on the basis of a year of 365 days. The Loan must be repaid on or before the 365th day after its drawdown unless this date is extended with the written agreement of the Company and Mr Francis. The Company may at any time prepay the Loan and interest and intends to do so out of the proceeds of the Placing. The agreement contains representations and warranties from the Company regarding its capacity to enter into and perform the agreement and covenants from the Company regarding its compliance with laws, taxes and maintenance of the Licence. The Loan shall become immediately repayable if (a) the Company fails to pay any sum due; (b) the Company defaults in its performance of any term or covenant; (c) the Company is unable to pay its debts as they fall due or makes an arrangement with its creditors; (d) the Company takes or is subject to any steps for its winding-up, receivership etc.; or (e) any distress is levied against its assets. Mr. Francis also agreed to make additional loans to the Company totalling US$300,000 during the period up to Admission (provided the Company is not in default under the agreement) if the Company's current assets less current liabilities fell below US$50,000. These loans shall be subject to the same interest and repayment terms as the Loan and shall also attract a commitment fee on the unused portion of the committed amount at a rate of 0.5% per annum. Approximately US$212,000, being the principal and accrued interest of the Loan, is to be repaid from the proceeds of the Placing.

(e) On 27 December 2005, the Company entered into a loan agreement with Mr Dennis Francis, an executive director of the Company, whereby Mr Francis agreed to make a loan of US$800,000 to the Company at an interest rate of LIBOR prime rate plus 2%. The principal and accrued interest of such loan has been repaid in full in accordance with the Subscription Agreement described in section 11 of this Part V.

(f) On 15 May 2005, the Company entered into a loan agreement with Sterling Trust Company, acting on behalf of Mr Francis, an executive director of the Company, whereby Sterling Trust Company agreed to make a loan of US$3,100,000 to the Company at an interest rate of LIBOR prime rate plus 2%. This agreement was assigned to the Company under the Asset Purchase and Sale Agreement. It was agreed that the principal and interest would be repaid on or before the 11 July 2005 unless agreed in writing by the parties thereto. The agreement contained representations and warranties from Petroneft LLC in relation to its capacity and covenants regarding the payment and compliance with the law. Petroneft LLC issued a promissory note as security for the loan dated 16 May 2005. The date for repayment of the principal and interest was extended on 11 July 2005 to 30 October 2005 and again on 26 October 2005 to 30 December 2005. The principal and interest accrued has been paid in full to the Sterling Trust Company.

(g) Mr Francis, an executive director of the Company, was party to a purchase and sale agreement dated 31 October 2005 with Stimul-T pursuant to which Stimul-T agreed to purchase from Mr Francis an apartment located at 41, Zemlyanoy Val. Bld 1, Moscow, Russia together with all furnishings for the sum of US$130,000 (the "Consideration"). The agreement contained representations and warranties from Stimul-T in relation to liability associated with the ownership of the apartment, litigation, contracts for the purchase and sale of the apartment, contracts for utilities, title to the apartment and compliance with laws. Stimul-T agreed to pay all costs, expenses, debts and liabilities resulting from or arising out of its possession, ownership and or operation of the apartment, including management and common areas fees. The agreement contained indemnities from each party to the other in respect of any breach of representation, or other agreement. The Consideration has been paid in full.

(8) SIGNIFICANT SHAREHOLDERS

(a) So far as the Directors are aware, the names of the persons other than the Directors who, directly or indirectly, are interested in 3 per cent or more of the Existing Issued Share Capital and the Enlarged Issued Share Capital are, as follows:

	Ordinary Shares at date of this Document	*Percentage of Existing Issued Share Capital Admission*	*Ordinary Shares following*	*Percentage of Enlarged Issued Share Capital*
RAB Octane Fund Limited[1]	22,523,303	16.7%	36,439,232	20.63%
Davycrest Nominees Limited	15,152,045	11.2%	27,524,929	15.58%

1 RAB Octane Fund Limited has an interest in warrants over approximately 2.67 million Ordinary Shares exercisable at the Admission Price. Further details on the terms of these warrants are provided in Section 11 of this Part V.

(b) Save as disclosed above, the Group is not aware of and has not received any notification from any person confirming that such person is interested, directly or indirectly, in 3 per cent or more of the nominal share capital of the Company, nor is it aware of any person who directly or indirectly, jointly or separately, exercises or could exercise control over the Group.

(c) No shareholders have different voting rights to other shareholders.

(9) DISCLOSURE OF INTERESTS IN ORDINARY SHARES

The Acts make provision regarding the disclosure of interests in shares. The Irish Companies Act 1990 requires, *inter alia*, that any person, which would include a person not resident in Ireland, who has an interest in shares of a public limited company which carry full voting rights is required to notify his interest to the company, if the total number of such shares in which he has an interest equals or exceeds a certain percentage (currently 5 per cent) of all such shares. Where that person ceases to hold that percentage or there is a change in the percentage level of his shareholding, he is also obliged to notify the company. The obligation to notify must be performed within the period of 5 business days from the date upon which the obligation arises.

The notification to the relevant company must be in writing and must specify the share capital to which it relates; the number of shares comprised in that share capital in which the person making the notification knows he was interested immediately after the time when the obligation arose, or in a case where the person no longer has a notifiable interest in shares comprised in the share capital, state that he no longer has an interest; identify the notifier and give his address and except where the notice is stating that the notifier no longer has a notifiable interest in the shares, give details of the registered holder of the shares and the number of shares held by such holder.

The AIM Rules and the IEX Rules require an AIM and IEX company to issue a notification without delay of any relevant changes, being changes to the legal or beneficial interest, whether direct or indirect, to the holding of a significant shareholder, a shareholder being 3 per cent and 5 per cent or more of any class of an AIM or IEX security respectively, which increase or decrease such holding through any single percentage.

(10) SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION

(i) The principal objects of the Company, as set out in clause 3(1)(a) of its Memorandum are "to acquire the undertaking (or any part thereof) of Petroneft LLC, a company incorporated under the laws of Texas" and "to engage in the business of hydrocarbon exploration and production, minerals mining and to provide all forms of project management and related services including the provision of project managers, management consultancy and accounting services and to search for, examine, prospect, evaluate, obtain and deal in licences for and explore and exploit lands, mines, mining mineral oil, hydrocarbons, gases, exploration and production rights and claims in any part of the world to search for and obtain information as to mines, mining, subsurface reservoirs, hydrocarbon exploration, hydrocarbon claims, water claims, water rights, mineral rights and any other rights, claims and property; to examine, evaluate, investigate and secure the titles to lands, hydrocarbons, ores, mining, minerals, gases, hydrocarbon production or other rights and claims in any part of the world."

(ii) The following is a summary of certain of the principal provisions of the Articles of Association:

(a) *Issue of Shares*

Under Section 23 of the Companies (Amendment) Act 1983, where a company proposes to issue equity securities (e.g. Ordinary Shares) for cash, the existing shareholders in that company have a pre-emptive right to subscribe for those securities on the same terms in proportion to their existing holdings. This right can be disapplied by a company's Articles of Association or by a special resolution of the shareholders. In the case of the Company, the Directors are generally and unconditionally authorised to exercise all powers of the Company to allot all relevant securities (within the meaning of section 20 of the Companies (Amendment) Act 1983) up to an amount equal to the authorised but as yet un-issued share capital of the Company up to 15 September 2010 and to allot equity securities (as defined by Section 23 of the 1983 Act) for cash up to 15 December 2006 pursuant to such authority as if sub-section (1) of the said Section 23 did not apply to any such allotment in the circumstances .provided that such allotment is (i) to shareholders in Petroneft LLC as consideration for the acquisition by the Company of the undertaking (or part thereof) of Petroneft LLC (ii) pursuant to the Placing; (iii) in connection with any offer of securities, open for a period fixed by the Directors, by way of rights, open offer or otherwise in favour of ordinary shareholders and/or any persons having a right to subscribe for or convert securities into ordinary shares in the capital of the Company and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems; (iv) up to a maximum aggregate nominal value of 10% of the issued ordinary share capital of the Company immediately following the allotments referred to in paragraphs (i) and (ii); and (v) pursuant to the Company's share option schemes. The Directors may issue warrants to subscribe (by whatever name they are called) to any person to whom the Company has granted the right to subscribe for shares in the Company.

(b) *Rights attaching to Ordinary Shares*

The Shareholders shall have the right to receive notices of and to attend and vote at any general meeting of the Company. On a return of capital on liquidation or otherwise the assets of the Company available for distribution amongst the members shall belong to the Shareholders (*pari passu*) according to the number of Ordinary Shares held by them. Subject to any special rights or restrictions as to voting for the time being attached to any class or classes of shares, on a show of hands every member present in person and every proxy shall have one vote so however that no individual shall on a show of hands have more than one vote and on a poll every member who is present in person or by proxy shall have one vote for each share of which he is the holder.

(c) *Restriction of Voting Rights*

If at any time the Directors shall determine a holder(s) has failed to pay any call or instalment at the time appointed for payment thereof or, if the holder(s) has failed to comply with the requirements relating to Disclosure of Beneficial Ownership contained in the Articles or in section 81 of the Companies Act 1990 to the satisfaction of the Directors, the Directors may serve a notice (a "Restriction Notice") to such effect on the holder(s). Upon the service of a Restriction Notice no holder(s) of the share(s) specified therein shall be entitled to attend, speak or vote, either personally, by representative or by proxy, at any general meeting, for so long as the Restriction Notice remains in force.

Subject to the Acts, if at any time the share capital is divided into different classes of shares, the rights attached to any class, may be varied or abrogated, either while the Company is a going concern or during or in contemplation of a winding up, with the consent in writing of the holders of three fourths of the issued shares in that class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares in that class.

(d) *Variation of Rights and Share Capital*

Subject to the Acts if at any time the share capital is divided into different classes of shares, the rights attached to any class, may be varied or abrogated, either while the Company is a going concern or during or in contemplation of a winding up, with the consent in writing of the holders of three fourths of the issued shares in that class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares in that class.

(e) *Transfers of Shares*

The Board may, in their absolute discretion and without giving any reason, refuse to register a transfer of any share which is not fully paid up, subject to a lien, relates to more than one class of shares, is in favour of more than 4 joint holders as transferees or which is subject to disenfranchisement in accordance with the Articles of Association. Where a Restriction Notice has been served and the shares to which it relates represent not less than 0.25% of the class of shares concerned, the Directors shall be entitled in certain circumstances to refuse to register a transfer of any of the shares in question or a renunciation of any allotment of new shares or debentures made in respect thereof.

Shares may be transferred by instrument in writing in any usual common form or any other form which the Directors may approve. Subject to the Companies Act 1990 (Uncertificated Securities) Regulations 1996, the Board may permit the holding of shares in any class in uncertificated form and the transfer of title to shares in that class by means of a relevant system (as defined in such Regulations).

(f) *Disclosure of Beneficial Ownership*

Any two members of the Board (acting together) may at any time and from time to time, in their absolute discretion, if they consider it to be in the interests of the Company give a notice to the holder(s) of any share requiring the holder(s) to notify the Company in writing within such period as may be specified in such notice (being not less than 14 days from the date of service of such notice) of full and accurate particulars of the holder(s) interest in such share, if it does not constitute the entire beneficial interest, the interests of any person having any beneficial interest in the share, and any arrangements entered into regarding the transfer of such share or any interest therein or to act in any particular way at any meeting of the Company.

(g) *Directors*

(1) Rotation of Directors

At every annual general meeting of the Company one third of the Directors or, if their number is not three or a multiple of three, then the number nearest one third shall retire from office. A Director retiring at a annual general meeting shall retain office until the conclusion of the meeting or adjourned meeting at which he is due to retire.

The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons of equal seniority, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

(2) Remuneration of Directors

Unless otherwise determined by the Company by ordinary resolution, the Directors (other than alternate directors) shall be paid out of the funds of the Company for their services as Directors such aggregate fees per annum as the Company may by Ordinary Resolution determine to be divided among the Directors equally. Any such fee shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to other provisions of the Articles and shall accrue from day to day.

The Directors shall also be entitled to be paid all expenses properly incurred by them in attending General Meetings of the Company or Meetings of the holders of any class of shares or meetings of the Board or Committees of the Board or otherwise with a view to the performance of their duties.

(3) Executive Directors

The Board may from time to time appoint one or more of their number to be the holder of any executive office (including that of executive Chairman or Deputy Chairman) on such terms and for such period as they think fit and, subject to the terms of any contract between him and the Company, may at any time revoke any such appointment.

(4) Qualifying Shares

There is no share qualification for a Director.

(5) Proceedings of Directors

The Board may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they may think fit. Until otherwise determined, the quorum necessary for the transaction of the business of the Directors shall be two. Questions arising at any meeting shall be decided by a majority vote. In the case of an equality of votes, the Chairman of the Meeting shall have a casting vote.

(6) Borrowing Powers

The Board may exercise all the powers of the Company to borrow money or to guarantee and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(7) Dividends

The Company may by ordinary resolution declare dividends to be paid but no dividends shall exceed the amount recommended by the Board. The Board also have the power to pay interim dividends. Where a Restriction Notice has been served and the shares to which it relates represent not less than 0.25% of the class of shares concerned, the Directors shall be entitled to withhold payment of any dividend or other amount payable in respect thereof.

(8) Disclosure of Interests and Voting Rights

A Director who is any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with the Acts. Save as set out below, a Director shall not vote in respect of any transaction in which he has any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company). A Director shall not be counted in the quorum at a meeting in relation to any resolution from which he is debarred from voting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely: (a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; (c) any contract by him to underwrite shares or debentures or other obligations of the Company or any other company which the Company may promote or be interested in; (d) any transaction concerning any other corporation in which he is interested, directly or indirectly and whether as a officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him within the meaning of Section 26 of the Companies Act, 1990) is not beneficially interested in 1 per cent, or more of the issued shares of any class of such a corporation (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant corporation (any such interest being deemed for this purpose to be a material interest in all circumstances); (e) any act or thing done or to be done in respect of any scheme or arrangement to provide retirement or death benefits which has been approved by or is subject to and conditional upon approval by the Revenue Commissioners for taxation purposes; (f) any matter connected with an employees' share scheme or any share incentive or share option scheme, other than the allocation to him of any share or the grant to him of any option over any share or any other matter concerning his individual participation in any such scheme; or (g) any matter connected with the purchase or maintenance for any Director of insurance against any liability.

(h) *General Meetings*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year, and shall specify the meeting as such in the notices calling it. Pursuant to the Acts, at least twenty-one clear days prior to each annual general meeting, a printed copy of the Directors' and auditors' reports, accompanied by the balance sheet (including every document required by law to be annexed thereto) of the Company, shall be sent to every member of the Company. All general meetings other than annual general meetings shall be called extraordinary general meetings. The Directors may convene general meetings. General meetings may also be convened on such requisition, or in default may be convened by such requisitionists and in such manner as may be provided by the Acts. Subject to the provisions of the Acts allowing a general meeting to be called by shorter notice, an annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least twenty-one clear days' notice and all other extraordinary general meetings shall be called by at least fourteen clear days' notice.

The holders of Ordinary Shares shall have the right to receive notices of and to attend and vote at any general meeting of the Company. A Director shall, notwithstanding that he is not a Shareholder, be entitled to receive notice of and to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company. The Auditors of the Company shall be entitled to attend any general meeting and to be heard on any part of the business of the meeting which concerns them as the Auditors.

(11) MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or another member of the Group (i) within the two years immediately preceding the date of this document and are, or may be, material; or (ii) at any time and contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group at the date of this document:

(a) Asset Purchase and Sale Agreement

Asset Purchase and Sale Agreement dated 28 November 2005 pursuant to which the Company agreed to purchase from Petroneft LLC its consultancy business and its entire participatory interest in Stimul-T in consideration for the allotment to the shareholders of Petroneft LLC of a total of 90,098,470 Ordinary Shares in direct proportion to their shareholding in Petroneft LLC. Without prejudice to the generality of this, the Agreement was stated to include the transfer to the Company of all cash, cash equivalent and bank accounts and receivables owned by Petroneft LLC at completion, all furniture, equipment and other personal property used in the consultancy business (save for employees' personal assets), all claims, rights to damages and/or insurance proceeds relating to the consultancy business, all real property owned or leased by PetroNeft LLC in connection with the consultancy business, all contracts relating to the consultancy business which were listed in the agreement and certain domain names. Under the Agreement, the Company agreed to assume and pay, perform and discharge all of the debts, loans, liabilities and obligations of PetroNeft LLC in connection with its consultancy business. The Agreement contains representations and warranties from each of the Company and Petroneft LLC together with an indemnity from each party to the other in respect of any breach of representation or warranty by that party.

(b) Acquisition Agreements

The following agreements relate to the acquisition by Petroneft LLC of the entire participating interest in Stimul-T and the rights and obligations of Petroneft LLC thereunder that have been assigned to the Company pursuant to the Asset Purchase and Sale Agreement.

(i) Petroneft LLC purchased an 80% participatory interest in Stimul-T from Mr Ali Vakhaevich Sobraliev ("the Seller") pursuant to a Sale and Purchase Agreement dated 18 May 2005. The obligations of the Seller under the agreement and the agreement described at (ii) below were guaranteed by each of Mr Vakha Alvievich Sobraliev (being the father of the Seller and now a director of the Company) and OJSC "Tomskaya Investitsionno-Promishlenaya Kompanniya" (together "the Guarantors"). The purchase price for this interest was 6,720 Russian Rubles payable in cash. At completion the participants of Stimul-T were obliged to approve the terms of a cash loan envisaged being made to Stimul-T by Petroneft LLC of an amount not exceeding US$5,500,000, such loan having a minimum term of three years and being subject to an interest rate of not less than 10% per annum. The participants of Stimul-T were also required to resolve to transfer 147,285,000 Russian Rubles being (being approximately US$5,500,000 at that time) to the administration of the Federal Treasury of the Ministry of Finance of the Russian Federation for the Tomsk region by way of payment for the Licence and related geological information and to carry out all actions necessary to ensure that the Licence was formally and properly issued in the name of Stimul-T (subject to the cash loan from Petroneft LLC being received). The agreement provided that if the Licence was formally revoked by the federal authorities due to improper payment, Petroneft LLC would agree to transfer the 80% interest back to the Seller subject to being reimbursed for any amount transferred to Stimul-T for payment of the Licence. The Seller provided representations and warranties to Petroneft in relation to, *inter alia*, his capacity to enter into the Agreement and to sell the participatory interest, the charter of Stimul-T, the share capital of Stimul-T, the absence of any winding up orders, no material adverse change in the financial or trading positions since the last audited accounts, compliance with laws, insurances. The agreement also contained warranties from the

Guarantors in respect of their capacity and financial standing. The Guarantors and the Seller were prohibited from disclosing to any person any trade secret or other confidential information in relation to Stimul-T, Petroneft and the subject matter of the agreement.

(ii) Petroneft LLC acquired the remaining 20% participatory interest in Stimul-T pursuant to a Share Exchange Agreement also dated 18 May 2005 with the Seller. Under this Agreement, the Seller agreed to transfer his remaining 20% interest to Petroneft in consideration of the allotment and issue by Petroneft LLC to him of 153 B shares in the equity capital of Petroneft LLC (for which he received 14,743,386 Ordinary Shares under the Asset Purchase and Sale Agreement). Completion of the transfer and acquisition of this interest was conditional on Stimul-T making full and proper payment for the Licence to the relevant government authorities on or before 15 June 2005. The Agreement contained a warranty from Petroneft LLC that documentation in relation to Petroneft LLC and its B shares which it had supplied to the Seller was true and accurate. It also provided that the Seller with the right and opportunity to participate in the management team that is to be established from the holders of its B shares. It was also agreed that the then holders of B shares would agree to vote in favour of offering the Seller a seat on the initial board of the new company to be established to raise additional funds for development, exploration and/or exploitation of the Licence. The Seller acknowledged the risks related to the transaction. He warranted that he had all requisite authority to enter into the Agreement and perform his obligations thereunder and that he was in an accredited and qualified investor.

(c) Subscription Agreement

On 1 February 2006, the Company entered into a subscription agreement whereby the Company agreed to allot, in three tranches, a total of 45,046,606 Ordinary Shares to Davycrest Nominees Limited, RAB Octane Fund Limited ("RAB") and Mr Sobraliev, a non-executive director of the Company (together the "Investors") for an aggregate consideration of US$8,000,000.

The three tranches of the subscription were completed on 1 February, 31 March and 30 June 2006 respectively at an issue price of US$0.1530, US$0.1776 and US$0.2116 respectively. On each subscription date, the Company repeated certain representations and warranties to the Investors regarding the Company and its business. The Subscription Agreement is governed by the laws of England.

It was agreed that the proceeds of the above mentioned subscriptions would be used for specific purposes, including, among other things, preparation for the Admission, certain contracts and the full repayment of a loan to the Company of US$800,000 provided by Mr Francis. In accordance with the Subscription Agreement, such loan was fully repaid and Mr Francis subsequently entered into a further loan agreement to lend the Company US$ 200,000 and undertook to provide an additional loan of up to US$ 300,000 in the event that the Company incurs a working capital shortfall at any time prior to Admission. Further information on such loan agreements is provided in section 7 of this Part V.

Under the Subscription Agreement, the Company has given certain undertakings to the Investors, including, among other things, to provide them with certain financial and business information, and to RAB and Davy collectively the right to appoint a director or an observer to the board of the Company. These rights and obligations will cease to apply following Admission.

The Investors have been granted certain rights in relation to the existing share capital of the Company including: preferential rights, in the event any additional Ordinary Shares are issued at a higher price prior to Admission; and the right to additional Ordinary Shares to equalise their average price per Ordinary Share paid by the Investors in the event new Ordinary Shares are issued at a lower price prior to Admission. These rights will cease to apply on Admission.

(d) Share Warrant Instrument

In conjunction with the Subscription Agreement the Company issued RAB Octane Fund Limited ("RAB") a Share Warrant Instrument granting it the right to subscribe for up to US$1,000,000 worth of Ordinary Shares at a price being the US dollar equivalent of the price of an Ordinary Share at the commencement of dealings of the Ordinary Shares on AIM. The right to subscribe for such additional Ordinary Shares is exercisable for a period of two years from the date of the Admission. The Share Warrant Instrument is governed by the laws of England.

The Company has granted RAB, as warrantholder, certain additional rights in relation to the Company. For example, in the event that there is an allotment of fully paid Ordinary Shares by way of a capitalisation of profits or reserves, or there is a subdivision or consolidation of Ordinary Shares, the number of Ordinary Shares that RAB is entitled to subscribe for upon exercise of the Share Warrant Instrument, and the Admission Price that will apply to such subscription, shall be altered in due proportion. The amount of the alteration would be determined by the Company's auditors, and their calculation would (in the absence of a manifest error) be binding on the Company and RAB. Similarly, if the Company makes an offer or invitation to the Shareholders, or any other person makes an offer or invitation to the Shareholders, the Company is obliged to make or use its reasonable endeavours to procure that a like offer or invitation is also made to RAB, as if it had already exercised its right to subscribe for the additional Ordinary Shares describe in the paragraph above.

Furthermore, the Company has given certain undertakings to RAB with regard to, amongst other things, the use of the Share Capital. These include, amongst other things, an undertaking not to make any distribution of capital profits or reserves (except by way of an issue of fully paid Ordinary Shares, as described in the paragraph above), alter the rights attached to Ordinary Shares or create a new class of shares of the Company which carry greater rights than the Ordinary Shares, in each case without the prior approval of RAB.

(e) Placing Agreement

Placing Agreement dated 21 September 2006 pursuant to which Davy has agreed to use all reasonable endeavours to procure subscribers for up to 41,480,174 Ordinary Shares to be issued by the Company at a price of €0.295. The Company and the Directors have given warranties and representations and indemnities to Davy subject to limitations as to the time in which claims may be brought and the amount that can be recovered. If Admission has not occurred by 8.00 am on 13 October 2006 the agreement will cease to have any further force or effect. In addition Davy can rescind the agreement prior to completion of the Placing in certain circumstances including a breach of warranties given by the Company or the Directors.

(f) Material Contracts in relation to Licence 61

Turnkey Drilling Contract for the Group's 2006/07 Winter Drilling Programme

In February 2006, the Group entered into a contract with Nizhnevartovskservis (the "Contractor") pursuant to which the Contractor will drill three oil wells during the winter 2006/07 on a turnkey basis. Two wells will be drilled on Lineynoye to 2,750 metres at an average cost per well, payable in Rubles, of approximately US$ 3.35 million and one well will be drilled on Tungolskaya to 3,100 metres at a cost payable in Rubles of approximately US$ 3.9 million. Payment is earned upon attaining such turnkey depth at the specified location. The Contractor is responsible for furnishing of labour, equipment, materials, supplies, and services necessary or proper in the drilling and completion of said wells. Additional works, if requested, such as abandonment or temporary abandonment or conservation, are to be paid for by the Group at agreed rates. The Contractor is also compensated for delays outside its control such as force majeure or extreme cold. The Group remains responsible to obtain and provide design documents and all the related official authorizations and approvals. The Contractor is responsible for pollution, blow-out and well control caused by the Contractor's work. If the Contractor encounters any condition which makes drilling abnormally difficult or hazardous or the hole is not in condition to be carried to turn-key depth, the Contractor may either (a) sidetrack or commence a new hole at the Contractor's cost; or (b) abandon the hole and terminate the contract. In the later case, the Contractor is not entitled to be paid the turnkey amount and must reimburse any prepaid amounts including mobilisation. The 2006/07 winter drilling programme is currently expected to be completed by mid year 2007.

2006/07 Seismic Survey

In June 2006, the Group entered into a contract with Stavropolneftegeofizika (the "Seismic Contractor") to perform 500 linear km of high-resolution CDP-2D field seismic survey on Licence 61 and to process the acquired data according to established criteria. The Seismic Contractor's obligations also include obtaining all the required permits, approvals and licenses, including land allotment, forest ticket, shooting operations and seismic survey permits. The total contract price, payable in Rubles, is equivalent to approximately US$2.2 million. The 2006/07 seismic survey commenced in August 2006 and is currently expected to be completed by May 2007.

2005/06 Seismic Survey

In August 2005, the Group entered into a contract with Stavropolneftegeofizika (the "Seismic Contractor") to perform 500 linear km (subsequently increased to 515 km) of high-resolution CDP-2D field seismic survey on Licence 61 and to process the acquired data according to established criteria. The Seismic Contractor's obligations included obtaining all the required permits, approvals and licenses, including land allotment, forest ticket, shooting operations and seismic survey permits. The contact price payable in Rubles, was equivalent to approximately US$2 million. The 2005/06 seismic survey was completed in June 2006.

Contract to Perform Feasibility Study

In June 2006, Stimul-T entered into a contract with the State Unitary Enterprise, Siberian Scientific Research Institute for Geology, Geophysics and Mineral Resources which undertook to develop a Feasibility Study for Investment in the Licensed Area. The study is required to comply with certain regulatory authority specifications including the Model Construction Design for Oil and Gas Wells and the Safety Regulations for Petroleum Industry. The study includes:

- Geophysical and Geological Analysis / Characterisation of oil properties and composition, volumetrics, oil reserves a reservoir properties and oil and water content.
- Development Planning – including 3D reservoir simulations, cluster plan (spacing) justifications, methods for lifting, gathering systems, pipeline options and processing facilities.
- Drilling Program – including well designs, drilling work performance, methods of pay bed penetration, wells casing and completion, environmental actions and mitigation response programs.
- Economic Feasibility – based upon the above and including option selections with capital expenditure estimates, operating expenditure estimates and a sensitivity analysis for recommended option(s).

The total contract price, payable in Rubles, is equivalent to approximately US$232,000. Work started in June 2006 and is scheduled to be completed in specific phases throughout December 2006.

(12) SHARE OPTION SCHEME

The Share Option Scheme was established by a resolution of the Board passed on 18 November 2005 ("Adoption Date") for the purpose of incentivising directors, employees, consultants and contractors of the Company and its associated companies. It is not a scheme approved by the Irish Revenue Commissioners. The following are the principal terms of the Share Option Scheme.

Plan Limits

The maximum aggregate number of Ordinary Shares in respect of which options may be granted must not exceed 10% of the number of issued Ordinary Shares from time to time. The Board may grant options at any time within 10 years of the Adoption Date.

Eligibility

Employees and directors (including non-executive directors) together with consultants and contractors of the Group and any associated companies are eligible to participate in the Share Option Scheme. Participants are to be nominated by the Directors at their discretion.

Consideration

The grant of an Option shall be conditional on the participant paying to the Company a consideration of €1.00 in respect thereof.

Exercise Condition

The exercise of Options may be made subject to an exercise condition determined by the Board at the date of grant of the Option.

Option Price

The option price will not be less than the higher of (a) the nominal value of the Ordinary Shares which are the subject of the Option; and (b) the closing market price of the Ordinary Shares on the last trading day immediately prior to the date of the Option or in the case of options granted prior to Admission, the Placing Price.

Individual Limits

The maximum number of Ordinary Shares which may be subject to unexercised Options held by any individual participant shall not exceed in aggregate 3% of the number of issued Ordinary Shares from time to time.

Exercise of Options

An Option shall be capable of being exercised at any time during the seven years after the date of grant of the Option provided that any exercise condition has first been satisfied.

If a participant ceases to be an employee or director of the Company or any of its associated companies other than for, *inter alia*, a breach of his employment agreement, fraud, dishonesty, moral turpitude, the participant shall be entitled during the 90 days from the date of such cessation, to exercise all unexercised Options held by him (provided that any exercise conditions attaching thereto have first been satisfied) and all other Options shall expire. Where a participant ceases to be an employee or director of the Company or any of its associated companies due to, *inter alia*, a breach of his employment agreement, fraud, dishonesty, moral turpitude all unexercised Options (whether exercisable or not) shall expire. In the event of the death or mental incapacity of a participant, the personal representative or committee, as the case may be, of such participant shall be entitled for a period of 12 months to exercise all rights in respect of exercisable Options and all other Options shall expire.

If a liquidator is appointed to the Company (save in the case of a members' voluntary winding up), the Options shall cease to be exercisable and participants shall not be entitled to damages or other compensation of any kind.

Change of Control, Merger or Other Reorganisations

On a take-over, scheme of arrangement or certain other corporate reorganisations the Directors may request options to be exercised on such terms as the Directors may determine. Alternatively, participants may be allowed or required to exchange their options for options over shares in the acquiring company or the acquirer may convert existing Options into options over its own share capital.

Amendments to and termination of the Share Option Scheme

The Directors may amend the Share Option Scheme as they consider appropriate subject to the following;

- the amount payable by any participant may not be increased and his/her obligations may not be made more onerous as a result of such amendments; and
- certain provisions may not be amended without Shareholder approval. These provisions relate to; the time limit for exercise of Options, individual and plan limits and the option price.

The Share Option Scheme may be terminated at any time by an ordinary resolution of the Company.

General

- Any Ordinary Shares issued under the Share Option Scheme will rank equally with Ordinary Shares already in issue on the date of allotment except in respect of rights arising by reference to a prior complete financial period;
- Options may be adjusted following any variation in the share capital of the Company;
- Options are non-transferable; and
- Benefits under the Share Option Scheme are not pensionable.

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(13) TAXATION

(a) General

The following summary, which is intended as a general guide only, outlines certain aspects of legislation and Revenue practice in Ireland and the United Kingdom regarding the ownership and disposition of Ordinary Shares. It relates only to the position of Shareholders who are resident or ordinarily resident in Ireland or the United Kingdom for tax purposes and who hold Ordinary Shares as capital assets and not for the purpose of a trade. This summary does not address the position of certain classes of Shareholders such as dealers in securities, to whom special rules apply. This summary is not exhaustive and Shareholders are advised to consult their own tax advisers as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares. The summary is based on current Irish and United Kingdom tax legislation and on the current Double Taxation Agreement between Ireland and the United Kingdom. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

(b) Taxation of the Company

The Company is an Irish incorporated company and is managed and controlled in Ireland and accordingly it is resident in Ireland for tax purposes.

(c) Withholding Tax

Withholding tax at the standard rate of income tax (20% with effect from 6 April, 2001) applies to dividend payments and other profit distributions by an Irish resident company. Where applicable the Company is responsible for the deduction of this withholding tax. The following categories of shareholders can receive dividends free of dividend withholding tax provided they supply relevant declarations or certificates:

- an Irish resident company;
- an Irish pension fund or Irish charity approved by the Irish Revenue Commissioners;
- an individual who is neither resident nor ordinarily resident in Ireland and is resident in another EU Member State or in a treaty country;
- a company, or a 75% subsidiary of a company, the principal class of share of which is substantially and regularly traded on a recognised stock exchange located in an EU Member State (other than Ireland), or in a country with which Ireland has a double tax treaty or another approved stock exchange;
- a company resident in a treaty country or another EU Member State that is not controlled by Irish residents;
- a company resident in another EU Member State and holding at least 5% of the share capital of the paying company;
- companies wholly owned directly or indirectly by two or more companies the principal class of shares of each of which is substantially and regularly traded on a recognised stock exchange in a treaty country, another EU Member State or another approved stock exchange.

Dividends paid to a UK company that do not fall within the above exemptions, will be subject to withholding tax. The Ireland/UK Tax Treaty reduces this withholding tax to:

(i) 5% of the gross amount of the dividends if the beneficial owner is a company which controls directly or indirectly 10% or more of the voting power in the company paying the dividends;

(ii) in all other cases 15% of the gross amount of the dividends. This note does not address the position for intermediaries and qualifying intermediaries, as defined in the Finance Act 1999.

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(d) Taxation of Dividends

(i) Taxation of Irish Resident Shareholders

Irish resident Shareholders who are individuals will be subject to income tax and levies on the aggregate of the net dividend received and the withholding tax deducted. The withholding tax deducted will be available for offset against the individual's income tax liability. A Shareholder may claim to have the withholding tax refunded to him to the extent it exceeds his income tax liability.

An Irish resident Shareholder, which is a company, will not be subject to Irish corporation tax on dividends received from the Company and tax will not be withheld at source by the Company provided the appropriate declaration is made. A Company, which is a close company, as defined under Irish legislation, may be subject to a corporation tax surcharge on such dividend income to the extent that it is not distributed. Shareholders who are Irish approved pension funds or Irish approved charities are generally exempt from tax on their dividend income and will not have tax withheld at source by the paying Company from dividends received provided the appropriate declaration is made.

(ii) Taxation of Irish Resident Shareholders

Dividends paid to a United Kingdom resident Shareholder will not be subject to Irish withholding tax on the understanding that the Shareholder satisfies the necessary legislative conditions described above. It is necessary for each person claiming exemption to make an appropriate declaration to the Company and provide a certificate of tax residence from their UK tax office to the Company.

UK Resident Companies

A United Kingdom resident Shareholder that is a company which either directly or indirectly controls, or is a subsidiary of a company which either directly or indirectly controls, less than 10% of the voting power of the Company, will be subject to corporation tax in the United Kingdom on dividends received. If Irish tax is withheld on the dividend because the company does not fall within legislative conditions described above then the company will be subject to United Kingdom corporation tax on the gross amount (i.e. net dividend received plus withholding tax) and a deduction can be claimed against the UK tax liability for the Irish withholding tax suffered.

A United Kingdom resident Shareholder that is a company which either directly or indirectly controls, or is a subsidiary of a company which either directly or indirectly controls, 10% or more of the voting power of the Company will be liable to United Kingdom corporation tax on the aggregate of the dividend (plus any withholding tax suffered) and the underlying Irish corporation tax. The underlying Irish corporation tax (and any Irish withholding tax suffered) will be available for set off against the United Kingdom corporation tax liability on the aggregate amount.

A United Kingdom resident Shareholder which is not a company controlling directly or indirectly 10% or more of the voting power of the Company and which is not subject to tax in the United Kingdom by reason of the United Kingdom law affording relief to charities and certain superannuation schemes or to insurance companies in respect of their pension business should not be subject to tax in the United Kingdom on a dividend from the Company.

UK Resident Individuals

In respect of dividends on Ordinary Shares, individual shareholders who are resident in the UK for tax purposes and are only liable to tax at the lower or standard rates are taxed at 10% on UK and foreign dividends. In the case of UK dividends they are also entitled to a tax credit at the rate of one ninth of the cash dividend or 10% of the aggregate of the cash dividend and the associated tax credit. Dividend income will be treated as the top slice of an individual's income. It is likely that the dividends received from the Company will be treated as foreign dividends from an Irish company therefore the only tax credit available will be of any withholding tax deducted. Consequently shareholders receiving dividends will be liable to income tax on the aggregate of the dividend and the withholding tax credit at, in the case of starting and basic rate taxpayers, the Schedule F ordinary rate of 10% in 2004-2005 or, in the case of higher rate taxpayers, the Schedule F upper rate 32.5% (in 2004-2005). The tax credit will be offset against their total income tax liability.

(iii) Other

Non-UK resident shareholders and shareholders subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser concerning their liabilities to tax on dividends received.

(e) Capital Gains

(i) Ireland

The Company's Ordinary Shares constitute chargeable assets for Irish capital gains tax purposes and, accordingly, Shareholders who are resident or ordinarily resident in Ireland, depending on their circumstances, may be liable to Irish tax on capital gains on a disposal of Ordinary Shares. Shareholders of the company who are neither resident nor ordinarily resident in Ireland are not subject to Irish tax on capital gains arising on the disposal of these Ordinary Shares.

(ii) United Kingdom

The Company's Ordinary Shares constitute chargeable assets for UK capital gains tax purposes and, accordingly, Shareholders who are resident or ordinarily resident in the UK, depending on their circumstances, may be liable to UK tax on capital gains on a disposal of Ordinary Shares. Shareholders of the company who are neither resident nor ordinarily resident in the UK and who do not hold the Ordinary Shares as part of the assets of a trade carried on in the UK by them through a branch or agency may not be subject to UK tax on capital gains arising on the disposal of these Ordinary Shares. In most circumstances a disposal of Ordinary Shares by a Shareholder who is resident or ordinarily resident in the United kingdom will constitute a disposal for the purposes of United Kingdom capital gains tax and, accordingly, may give rise to a tax liability at their marginal rate of tax. Gains arising to individuals who leave the UK for less than five complete tax years may also be taxed in the year of disposal. Gains arising to individuals in the year they leave the UK or return to the country may also be taxed. Gains arising to holders of Ordinary Shares taxed as dealers in securities may be treated as income and taxed as such. Where a Shareholder who is resident and ordinarily resident in the United Kingdom is subject to both Irish capital gains tax and UK capital gains tax on disposal of Ordinary Shares. Any Irish capital gains tax may be offset against the liability to UK capital gains tax on the same disposal. Where shares are listed on the UK AIM the shares would normally qualify for full Business Assets Taper Relief (BATR) in the case of individuals where they have been held for at least two years. BATR is not available to shareholders who are companies but indexation allowance is available as a deduction in arriving at the gains chargeable to Corporation Tax.

(f) Stamp Duty

(i) Irish Stamp Duty

Irish stamp duty will be charged at the rate of 1% of the amount or value of the consideration on any conveyance or transfer on sale or voluntary disposition of Ordinary Shares. In relation to a conveyance or transfer on sale or voluntary disposition of Ordinary Shares under the CREST System, Irish stamp duty at the rate of 1% will be payable on the amount or value of the consideration.

(ii) UK Stamp Duty

Other than in respect of arrangements for depositary receipts and clearance services (to which special rules apply):

1) the allotment and issue of Ordinary Shares by the Company pursuant to the Placing should not normally give rise to a charge to stamp duty;

2) a charge to stamp duty will arise only on the transfer of the Ordinary Shares where there is a matter or thing to be done in the UK or where the Document of transfer is executed in the UK. Where the transfer is within the charge to stamp duty the rate

of tax is 0.5% of the actual consideration paid (rounded up to the nearest multiple of Stg £5). Where a stamp duty liability arises, this is payable within 30 days after the date on which the stampable transfer is executed. Interest and penalties are normally charged if stamp duty is paid after the due date; and

3) there is normally no additional stamp duty where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale) or where Ordinary Shares are deposited in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale).

(iii) UK Stamp Duty Reserve Tax

1) agreements to transfer Ordinary Shares within CREST will be subject to Stamp Duty Reserve Tax (SDRT) normally at the rate of 0.5% of the amount or value of the consideration. The charge to SDRT arises, in the case of an unconditional agreement to transfer such shares within CREST, on the date of the agreement and, in the case of a conditional agreement, on the date the agreement becomes unconditional. The SDRT will normally be collected from the transferee by the CREST member through whom the transaction is effected and paid to the Inland Revenue on the date agreed between the Inland Revenue and the operator of the CREST system. SDRT is payable on the seventh day of the month in which the charge arises. However, where an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or the date on which the agreement becomes unconditional, as the case may be), the SDRT charge is cancelled to the extent that the SDRT has not been paid and, if any of the SDRT has been paid, a claim may be made for it to be repaid;

2) there is normally no additional SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale) or where Ordinary Shares are deposited in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale). A transfer of Ordinary Shares on a CREST transfer form pursuant to a transfer on sale for conversion into uncertificated form will attract an SDRT liability normally at the rate of 0.5% of the amount or value of the consideration; and

3) if UK stamp duty is paid on a transfer instrument it can be credited against Irish stamp duty chargeable on the same transfer and vice versa.

(g) Irish Capital Acquisition Tax

Capital acquisitions tax (CAT) covers both gift tax and inheritance tax. A CAT liability arises where the disposer or beneficiary is resident or ordinarily resident in Ireland or where the subject matter of the gift or inheritance is Irish property. Registered shares are located in the country of the register. Accordingly the Ordinary shares are located in Ireland and a CAT liability may arise on a gift or inheritance of Ordinary shares, notwithstanding that the gift or inheritance is between two non Irish resident and non ordinarily Irish resident individuals.

(h) UK Inheritance Tax

The Ordinary Shares may be assets situated in the UK for the purposes of UK inheritance tax depending upon how much of the Company's trade is carried out in the UK. Where this is the case, a gift of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs, in particular Business Property Relief) give rise to a liability to UK inheritance tax. This is regardless of whether or not the individual holder is domiciled or deemed to be domiciled in the UK and whether or not the holder is resident and/or ordinarily resident in the UK for tax purposes. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply where the donor reserves or retains some interest or benefit in the property being transferred. A gift of assets is potentially exempt from UK Inheritance Tax and falls out of an individual's estate provided the donor lives for 7 years. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares bringing them within the charge to UK inheritance tax.

Where the shares are treated as Irish assets they may be liable to Irish Capital Acquisitions Tax as well as UK Inheritance Tax. If the individual is domiciled in the UK Inheritance Tax is chargeable on all assets held worldwide but tax credit relief should be given for any Irish tax suffered.

(14) LITIGATION

There are no legal or arbitration proceedings (including any proceedings which are pending or threatened by or against the Company or its subsidiaries) of which the Company is aware which may have, or have had during the twelve months preceding the date of this Document, a significant effect on the financial position of the Company and its subsidiaries taken as a whole.

(15) WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company is sufficient and will, from the time of Admission, be sufficient for its present requirements, that is for a period of at least twelve months from Admission.

(16) MANDATORY BIDS, SQUEEZE-OUT AND BUY-OUT RULES

(a) Mandatory bid

The Irish Takeover Rules will apply to the Company. Under the Irish Takeover Rules, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Irish Takeover Panel) to make an offer for the outstanding shares at a price not less than the highest price paid for Company Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 per cent and 50 per cent of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights by 0.05%.

(b) Squeeze-out

Under the Act, if an offeror were to acquire 80 per cent of the Ordinary Shares in issue within four months of making its offer, it could then compulsorily acquire the remaining 20 per cent. It would do so by sending a notice to outstanding shareholders telling them that it would compulsorily acquire their shares and then, unless the High Court of Ireland determined otherwise one month later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. Where the offeror already owns more than 20 per cent of the Company at the time that the offeror makes an offer for the balance of the shares, then the compulsory acquisition rights only apply if the offeror acquires at least 80 per cent of the remaining shares which also represent at least 75 per cent in number of the holders of the accepting shareholders.

(c) Buy-out

The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares in the Company and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 80 per cent of the Company Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising.

(17) CONSENTS

LHM Casey McGrath, auditors and reporting accountants, a member of the Association of Chartered Certified Accountants, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of its reports and of the references to its name in the form and context in which it appears and has authorised the contents of Part IV of this Document for the purposes of Section 79(3) of the Financial Services and Markets Act 2000 and the Financial Services and Markets Act (Official Listing of Securities) Regulations 2001.

Davy, which is regulated by the Financial Regulator, has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of the references to its name in the form and context in which it appears.

Ryder Scott has given and has not withdrawn its written consent to the inclusion in this Document of its report, which is set out in Part III of this Document, and references thereto in the form and context in which they are included. Ryder Scott accepts responsibility for the information contained in the Ryder Scott Report set out in Part III of this Document and to the best knowledge and belief of Ryder Scott having taken reasonable care to ensure that such is the case, the information contained in such report is in accordance with the facts and does not omit anything likely to affect the import of such information.

(18) GENERAL

(a) Save as disclosed in this Document, there has been no significant change in the trading or financial position of Petroneft since 31 December 2005, the date to which the Accountants' Report on the Company in Part IV of this Document was prepared.

(b) Save as disclosed in this Document, no Directors were involved in any unusual or significant transactions with the Company in the current or immediately preceding financial year. In addition, no such transaction from an earlier financial year remains outstanding or unperformed.

(c) Save as disclosed in this Document, there are no loans or guarantees granted or provided by the Company and/or any of its subsidiaries to or for the benefit of any Directors which are now outstanding.

(d) Save as disclosed in this Document, there is no arrangement whereby any Director has waived or agreed to waive any future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Document.

(e) The aggregate remuneration payable by any member of the Group (including benefits in kind) to the Directors in respect of the current financial year ending 31 December 2006 under the arrangements in force or proposed at the date of this Document is expected to amount to approximately €447,000.

(f) The expenses of or incidental to the application for admission to dealing of the Enlarged Share Capital and the Placing contemplated in this Document are estimated to amount to approximately €0.96 million (excluding VAT and capital duty) and are payable by Petroneft.

(g) The Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue.

(h) There are no arrangements in place under which future dividends are waived or agreed to be waived.

(i) Save as disclosed in this Document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.

(j) As of 20 September 2006, the Group employed eight personnel, excluding the non-executive Directors.

(k) Save as set out in this Document, the Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.

(l) Save as disclosed in this Document, no person (excluding the Company's professional advisers and trade suppliers) in the 12 months preceding the Company's application for Admission received, directly or indirectly, from the Company or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:

   (i) fees totalling either Stg £10,000 or €14,000 (whichever is lower) or more;

   (ii) securities in the Company with a value of either Stg £10,000 or €14,000 (whichever is lower) or more; or

   (iii) any other benefit with a value of either Stg £10,000 or €14,000 (whichever is lower) or more at the date of Admission.

(m) No new Ordinary Shares are being made available, in whole or in part, to the public in conjunction with the application for Admission.

(n) As at the date of this Document, the Company remains the holding company of Stimul-T and has not acquired any other subsidiaries.

(o) The liability of the members of the Company is limited to the amount (if any) unpaid on the shares held by them in the capital of the Company.

(p) There is no fixed date on which any Shareholders' entitlements to dividends arises.

(q) The accounting reference date for the Company is 31 December.

(r) Where information has been sourced from a third party, this information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

(19) AVAILABILITY OF THE ADMISSION DOCUMENT

Copies of this Document will be available to the public, free of charge, at the offices of Davy, Davy House, 49 Dawson Street, Dublin 2, Ireland and at the offices of White & Case, 5 Old Broad Street, London, EC2N 1DW United Kingdom from the date of this document until at least one month after Admission.

Dated 21 September 2006

DEFINITIONS

In this Document the following expressions have the following meanings, unless the context otherwise requires or unless it is otherwise specifically provided:

"Acquisition Agreements"	the agreements pursuant to which Petroneft LLC acquired Stimul-T, which are summarised in section 11(b) of Part V of this Document;
"Act"	the Companies Act 1963 of Ireland;
"Acts" or the "Irish Companies Acts"	Companies Acts 1963 to 2005 of Ireland;
"Admission"	the admission of the Enlarged Share Capital to trading on AIM and IEX, becoming effective in accordance with the AIM Rules and IEX Rules respectively, expected to occur on 27 September 2006;
"Admission Document" or "Document"	this document;
"AIM" or "AIM Market"	the market of that name operated by the London Stock Exchange;
"AIM Rules"	the rules for AIM companies and their nominated advisors issued by the London Stock Exchange in relation to AIM traded securities;
"Articles"	the articles of association of the Company, as amended from time to time;
"Board" or "the Directors"	the board of directors of the Company at the date of this Document, whose names are set out on page 3 of this Document;
"Combined Code"	The Code of Best Practice, including the principles of good governance, which is in force under the Listing Rules of the UK Listing Authority and the Listing Rules of the Irish Stock Exchange as at the date of this Document;
"CREST"	the computerised settlement system to facilitate paperless settlement of trades and the holding of shares in uncertificated form, operated by CRESTCo Limited;
"CREST Regulations"	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68 of 1996) of Ireland;
"Davy"	J&E Davy, trading as Davy including its affiliate Davy Corporate Finance Limited and any other affiliates, or any of its subsidiary undertakings;
"Enlarged Issued Share Capital" or "Enlarged Share Capital"	the Existing Issued Share Capital together with the Placing Shares, being in aggregate 176,625,258 Ordinary Shares;
"Existing Issued Share Capital" or "Existing Share Capital"	135,145,084 Ordinary Shares being the number of fully paid Ordinary Shares in issue as at 20 September 2006 (being the latest practicable date prior to the publication of this Document);
"Federal Government"	the democratically elected body that exercises executive authority in the Russian Federation;
"Financial Regulator"	the Irish Financial Services Regulatory Authority;
"the Group"	the Company and its Subsidiary, Stimul-T;
"IEX"	the market of that name operated by the Irish Stock Exchange;

"IEX Rules"	the rules for IEX companies and their nominated advisors issued by the Irish Stock Exchange in relation to IEX traded securities;
"Ireland"	the island of Ireland excluding Northern Ireland, and the word "Irish" shall be construed accordingly;
"Irish Stock Exchange"	The Irish Stock Exchange Limited;
"Irish Takeover Rules"	the Irish Takeover Panel Act 1997, Takeover Rules 2001 to 2006 or any of them as the context may require;
"LLC"	limited liability company;
"Licence"	subsoil licence (4060/TOM 13135 NR) for geological survey, exploration and production of hydrocarbons at the Licensed Area, located in the Tomsk Region of the Russian Federation, as registered in the name of "Stimul-T" by the Subsoil Agency acting under the Ministry of Natural Resources of the Russian Federation;
"Licence 61" or "Licensed Area"	the acreage over which the Group has exploration rights pursuant to the Licence;
"London Stock Exchange"	London Stock Exchange plc;
"Ministry of Natural Resources"	the Russian Ministry of Natural Resources;
"Ministry of Industry and Energy"	the Russian Ministry of Industry and Energy;
"Official Lists"	each of the official lists of securities maintained by the UK Listing Authority and the Irish Stock Exchange;
"OPEC"	Organisation of Petroleum Exporting Countries;
"Ordinary Shares"	ordinary shares of €0.01 nominal value each in the capital of the Company;
"Petroneft" or the "Company"	Petroneft Resources plc
"Placing"	the conditional placing by Davy of 41,480,174 Ordinary Shares described in Section 10 of Part I of this Document;
"Placing Agreement"	the conditional agreement between Petroneft, Davy and the Directors providing for the Placing dated 21 September 2006, described in Section 10 of Part V of this Document;
"Placing Price" or "Admission Price"	the price €0.295 (Stg 19.8p) per Placing Share;
"Placing Shares"	the 41,480,174 new Ordinary Shares to be allotted and issued by the Company pursuant to the Placing;
"Registrars"	Computershare Investor Services (Ireland) Limited;
"Russia" or "Russian Federation"	the Russian Federation;
"Ryder Scott"	Ryder Scott Company Petroleum Consultants;
"Ryder Scott Report"	the report on the Group and its Licensed Area contained in Part V of this Document;
"Shareholder(s)"	holder(s) of Ordinary Shares from time to time;
"Share Options" or "Options"	options to subscribe for Ordinary Shares granted pursuant to the terms of the Scheme;

"Share Option Scheme" or "Scheme"	the share option scheme of the Company adopted on 18 November 2005 a summary of which is set out at section 12 of Part V;
"Share Warrant Agreement"	the share warrant instrument a summary of which is set out at section 11 of Part V;
"Subscription Agreement"	the subscription agreement a summary of which is set out at section 11 of Part V;
"Subsidiary"	has the meaning ascribed to it by Section 155 of the Act;
"Subsoil Agency"	the Russian federal agency responsible for subsoil licensing (including the issuance, suspension and termination of licences);
"Subsoil Law"	the Russian Law on Subsoil;
"State Reserves Committee"	Central and Territorial Committees on State Expertise of Oil, Natural Gas and Gas Condensate Reserves under the Ministry of Natural Resources of the Russian Federation;
"Stimul-T"	Stimul-T LLC, a Limited Liability Company incorporated in the Russian Federation which is at the date this Document is a wholly owned subsidiary of the Company;
"Tomskneftegazgeologia"	Tomskneftegazgeologia, a former USSR state enterprise that discovered and delineated the majority of the oil and gas fields in the Tomsk Region;
"Tomsk Region"	The Tomsk administrative region of the Russian Federation;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UKLA" or "UK Listing Authority"	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part IV of the UK Financial Services and Markets Act, 2000;
"USGS"	United States Geological Survey;
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America;
"USSR" or "Former Soviet Union" "FSU"	Union of Soviet Socialist Republics, established in 1922, which included Russia and 14 other soviet socialist republics, officially dissolved on 31 December 1991; and
"West Siberian Oil and Gas Basin"	a large oil and gas producing Russian province, located from approximately 52° N. to 73° N. latitude and 60° E to 90° E longitude.

Notes:

(i) Unless otherwise stated in this Document, all reference to statutes or other forms of legislation shall refer to statutes of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

(ii) The symbols "€" and "c" refer to euro and euro cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic & Monetary Unit Act, 1998. The symbols "Stg £" and "Stg p" refer to British pounds and pence respectively. The symbols "US$" or" $" refer to United States dollars and unless otherwise stated, in this Document, the exchange rate of €1:US$.1.2701 and Stg £1:US$1.8894 prevailing on 20 September 2006 has been used. The symbol "RUB" refers to the Russian Ruble, the lawful currency of the Russian Federation and unless otherwise stated in this Document, the exchange rate of US$1:RUB26.7725 prevailing on 20 September 2006 has been used.

(iii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

"Appraisal Well"	a well drilled as part of an appraisal programme which is carried out to determine the physical extent, reserves and likely production rates of a field;
"Base Bazhenov"	a reliable seismic marker in the West Siberian Oil and Gas Basin due to the change in acoustic properties across the bottom of the Bazhenov rock suite;
"Bazhenov Shale"	organic rich shale of Upper Jurassic/Lower Cretaceous age that is both a major source of oil and cap rock in the West Siberian oil and Gas Basin;
"bbl"	barrels of oil (1 barrel = 35 Imperial gallons or 159 Litres);
"bopd"	barrels of oil per day;
"Brent"	a benchmark crude oil, the most commonly traded North Sea crude oil;
"C"	Celsius, a temperature scale on which water freezes at 0°C and boils at 100°C;
"CDP" or "common depth point"	a sum of seismic traces that have the same common depth point, the objective being to attenuate noise and multiple reflections while accentuating reflection events;
"CMP" or "common midpoint"	seismic arrangement whereby the same position of the sub-surface is involved in several records. The redundancy of measurements permits the attenuation of noise in processing;
"Crude Oil"	liquid petroleum as it comes out of the ground as distinguished from refined oils manufactured out of it;
"Dated Brent"	a cargo of crude oil that has been awarded its loading date;
"Development Programme"	a programme in which a proven oil or gas field is brought into production;
"Exploration well"	a well drilled in an unproven area;
"four-way dip closure"	refers to the most simple of hydrocarbon traps where structural closure is defined by beds dipping in all directions from the structural high point;
"Field"	area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structure feature and/or stratigraphic condition;
"Hydrocarbon"	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch all sense for oil, gas and condensate;
"mmbo"	million barrels of oil;
"multiple reservoir zones"	more than one reservoir zone;
"netback"	the price achieved on sale of hydrocarbon, less swap fees, transportation costs and discounts incurred in that sale;
"OPEC"	Organisation of Petroleum Exporting Countries;
"P1"	proved reserves;
"P2"	probable reserves;

"P3"	possible reserves;
"P4"	exploration resources;
"productive interval"	the rock stratum of an oil field that will produce oil or gas when penetrated by a well;
"reservoir"	subsurface body of rock with sufficient porosity and permeability to store and transmit fluid;
"SPE"	Society of Petroleum Engineers;
"Urals blend"	an international oil quality grading;
"Upper Jurassic Age"	a period of geologic time falling within the Mesozoic Era, around 140 to 200 million years ago, followed by the Cretaceous period;
"TCF"	Trillion Cubic Feet;
"wireline log"	the act of inserting recording instruments into a well and making passes across the zone of interest, for the purpose of measuring rock and/or fluid properties;
"WPC"	World Petroleum Congress;
"zone"	sub-unit of a reservoir with characteristic physical or spatial properties that distinguish it from other sub-units of the reservoir; and
"2D Seismic"	geophysical data that depicts the subsurface strata in two dimensions.

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PETROLEUM RESERVES DEFINITIONS
SOCIETY OF PETROLEUM ENGINEERS ("SPE")
AND
WORLD PETROLEUM CONGRESS ("WPC")

DEFINITIONS

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

The intent of the SPE and WPC in approving additional classifications beyond proved reserves is to facilitate consistency among professionals using such terms. In presenting these definitions, neither organization is recommending public disclosure of reserves classified as unproved. Public disclosure of the quantities classified as unproved reserves is left to the discretion of the countries or companies involved.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of potential differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

Reserves estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change. Reserves do not include quantities of petroleum being held in inventory, and may be reduced for usage or processing losses if required for financial reporting.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, water flooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

PETROLEUM RESERVES DEFINITIONS

PROVED RESERVES

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.

Proved reserves can be categorized as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate.

Establishment of current economic conditions should include relevant historical petroleum prices and associated costs and may involve an averaging period that is consistent with the purpose of the reserve estimate, appropriate contract obligations, corporate procedures, and government regulations involved in reporting these reserves.

In general, reserves are considered proved if the commercial producibility of the reservoir is supported by actual production or formation tests. In this context, the term proved refers to the actual quantities of petroleum reserves and not just the productivity of the well or reservoir. In certain cases, proved reserves may be assigned on the basis of well logs and/or core analysis that indicate the subject reservoir is hydrocarbon bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

The area of the reservoir considered as proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) the undrilled portions of the reservoir that can reasonably be judged as commercially productive on the basis of available geological and engineering data. In the absence of data on fluid contacts, the lowest known occurrence of hydrocarbons controls the proved limit unless otherwise indicated by definitive geological, engineering or performance data.

Reserves may be classified as proved if facilities to process and transport those reserves to market are operational at the time of the estimate or there is a reasonable expectation that such facilities will be installed. Reserves in undeveloped locations may be classified as proved undeveloped provided (1) the locations are direct offsets to wells that have indicated commercial production in the objective formation, (2) it is reasonably certain such locations are within the known proved productive limits of the objective formation, (3) the locations conform to existing well spacing regulations where applicable, and (4) it is reasonably certain the locations will be developed. Reserves from other locations are categorized as proved undeveloped only where interpretations of geological and engineering data from wells indicate with reasonable certainty that the objective formation is laterally continuous and contains commercially recoverable petroleum at locations beyond direct offsets.

Reserves which are to be produced through the application of established improved recovery methods are included in the proved classification when (1) successful testing by a pilot project or favourable response of an installed program in the same or an analogous reservoir with similar rock and fluid properties provides support for the analysis on which the project was based, and (2) it is reasonably certain that the project will proceed. Reserves to be recovered by improved recovery methods that have yet to be established through commercially successful applications are included in the proved classification only (1) after a favourable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program where the response provides support for the analysis on which the project is based and (2) it is reasonably certain the project will proceed.

UNPROVED RESERVES

Unproved reserves are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves and possible reserves.

Unproved reserves may be estimated assuming future economic conditions different from those prevailing at the time of the estimate. The effect of possible future improvements in economic conditions and technological developments can be expressed by allocating appropriate quantities of reserves to the probable and possible classifications.

Probable Reserves

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, probable reserves may include (1) reserves anticipated to be proved by normal step-out drilling where sub-surface control is inadequate to classify these reserves as proved, (2) reserves in formations that appear to be productive based on well log characteristics but lack core data or definitive tests and which are not analogous to producing or proved reserves in the area, (3) incremental reserves attributable to infill drilling that could have been classified as proved if closer statutory spacing had been approved at the time of the estimate, (4) reserves attributable to improved recovery methods that have been established by repeated commercially successful applications when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics appear favourable for commercial application, (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and the geologic interpretation indicates the subject area is structurally higher than the proved area, (6) reserves attributable to a future workover, treatment, re-treatment, change of equipment, or other mechanical procedures, where such procedure has not been proved successful in wells which exhibit similar behaviour in analogous reservoirs, and (7) incremental reserves in proved reservoirs where an alternative interpretation of performance or volumetric data indicates more reserves than can be classified as proved.

Possible Reserves

Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves.

In general, possible reserves may include (1) reserves which, based on geological interpretations, could possibly exist beyond areas classified as probable, (2) reserves in formations that appear to be petroleum bearing based on log and core analysis but may not be productive at commercial rates, (3) incremental reserves attributed to infill drilling that are subject to technical uncertainty, (4) reserves attributed to improved recovery methods when (a) a project or pilot is planned but not in operation and (b) rock, fluid, and reservoir characteristics are such that a reasonable doubt exists that the project will be commercial, and (5) reserves in an area of the formation that appears to be separated from the proved area by faulting and geological interpretation indicates the subject area is structurally lower than the proved area.

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PETROLEUM RESERVES DEFINITIONS

Reserve status categories define the development and producing status of wells and reservoirs

Developed Reserves

Developed reserves are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be sub-categorized as producing or non-producing.

Producing

Reserves sub-categorized as producing are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Non-Producing

Reserves sub-categorized as non-producing include shut-in and behind pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in awaiting pipeline connections or as a result of a market interruption, or (3) wells not capable of production for mechanical reasons. Behind pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

Undeveloped Reserves

Undeveloped reserves are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

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