PETRONEFT
RESOURCES PLC

ANNUAL REPORT
ГОДОВОЙ ОТЧЕТ

2015

HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

2,021 BOPD

2,021 bopd Average gross production at Licence 61 in 2015.

11

11 New wells drilled, eight at Tungolskoye, three at Arbuzovskoye.

1,000 KM

1,000 km 2D seismic programme at Licence 61.

50%

50% interest in Licence 61 and Licence 67.

65.5 MMBBLS

65.5 mmbbls 2P reserves net to PetroNeft at 31 December 2015.

FINANCIAL HIGHLIGHTS

US$2.4M

PetroNeft revenue US$2.4 million.

US$53M

US$53m Loans receivable from joint ventures.

US$10M

Funding of US$10 million provided by Oil India to fund 2016 work programme at Licence 61.

US$85M

Total investment by Oil India as part of Licence 61 Farmout will be up to US$85 million.

ZERO DEBT

PetroNeft is debt free following completion of Licence 61 Farmout.

FORWARD LOOKING STATEMENTS

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

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

PetroNeft Resources plc is an international oil and gas exploration and production company, focused on Russia. The company's shares are listed on the London AIM and Dublin ESM markets.

IN THIS YEAR'S REPORT:

PRODUCING OIL FROM A SOLID ASSET BASE

OUR ASSETS

The main assets of the Company are a 50% operating interest in a 4,991 km^2 oil and gas licence (Licence 61) in the Tomsk Oblast in Russia and a 50% operating interest in a 2,447 km^2 oil and gas licence (Licence 67) also located in the Tomsk Oblast. Both licences are located in the prolific Western Siberian Oil and Gas Basin.

HISTORY AND BUSINESS STRATEGY

The Group has its origins in PetroNeft LLC, a Texas-based company, which was established in 2003 as an oil and gas investment and consultancy company focused principally on the Russian market.

In May 2005, PetroNeft LLC acquired a Russian company, Stimul-T, which had acquired a 100% 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 was admitted to the London AIM and Dublin ESM Markets in September 2006.

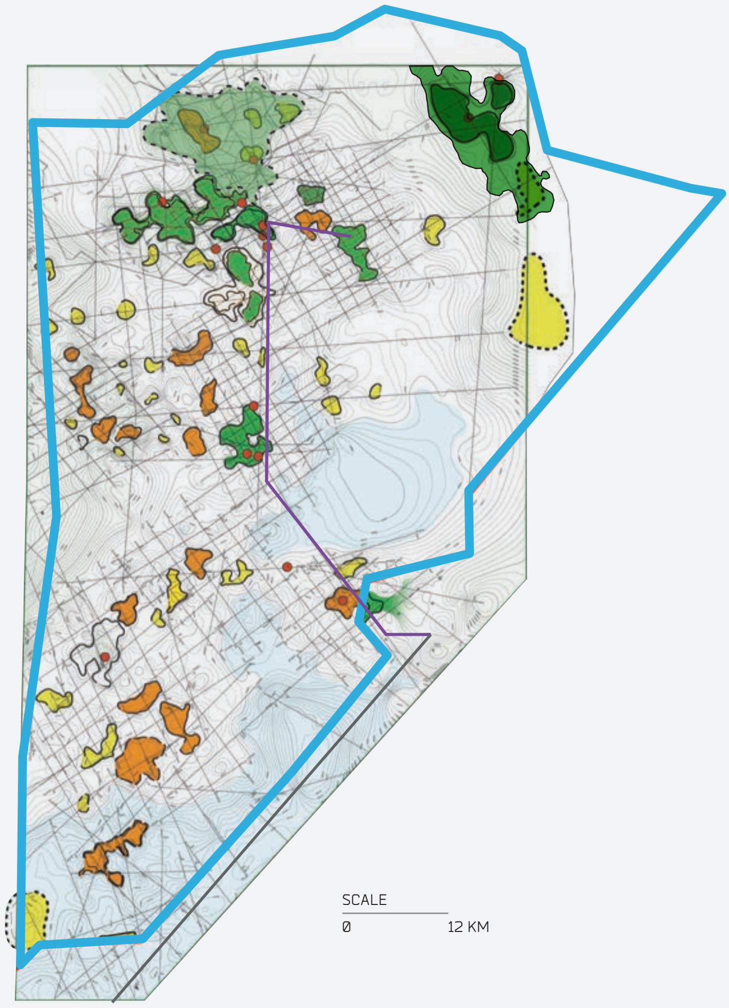
The Group's strategy is to develop an oil exploration, development and production business in Russia, using the combined skills, experience and resources of the Group's Directors and employees. In the short-term this is to be achieved through a focus on growth of production and cash flows at Licence 61 and a rigorous appraisal and exploration programme on Licences 61 and 67, by seeking to bring the existing discoveries into production as rapidly as possible and by exploiting the additional opportunities already identified and summarised in the Ryder Scott Report.

In addition to operations on Licences 61 and 67, the Company continues to evaluate new projects for acquisition. In 2014 PetroNeft signed a Farmout deal with Oil India Limited to farmout a 50% non-operating interest in Licence 61. PetroNeft remains the operator of Licence 61.

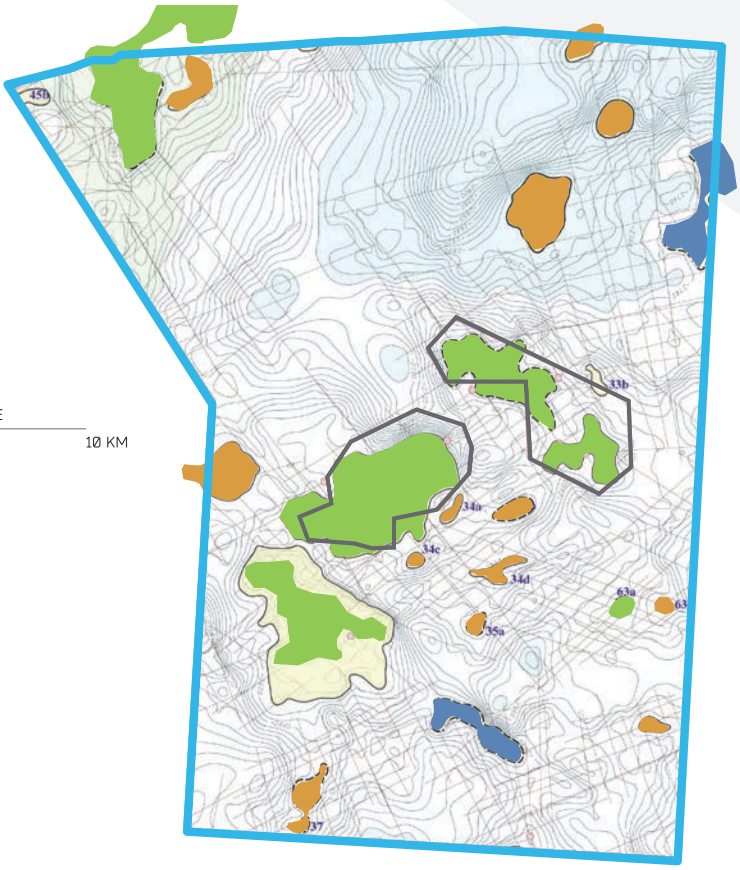
LICENCE 61

Licence 61 contains seven known oil fields: Lineynoye, Arbuzovskoye, Tungolskoye, Sibkrayevskoye, West Lineynoye, Kondrashevskoye and North Varyakhskoye and over 25 exploration prospects and leads.

MORE INFORMATION
PAGES 04–07



SCALE
0 12 KM



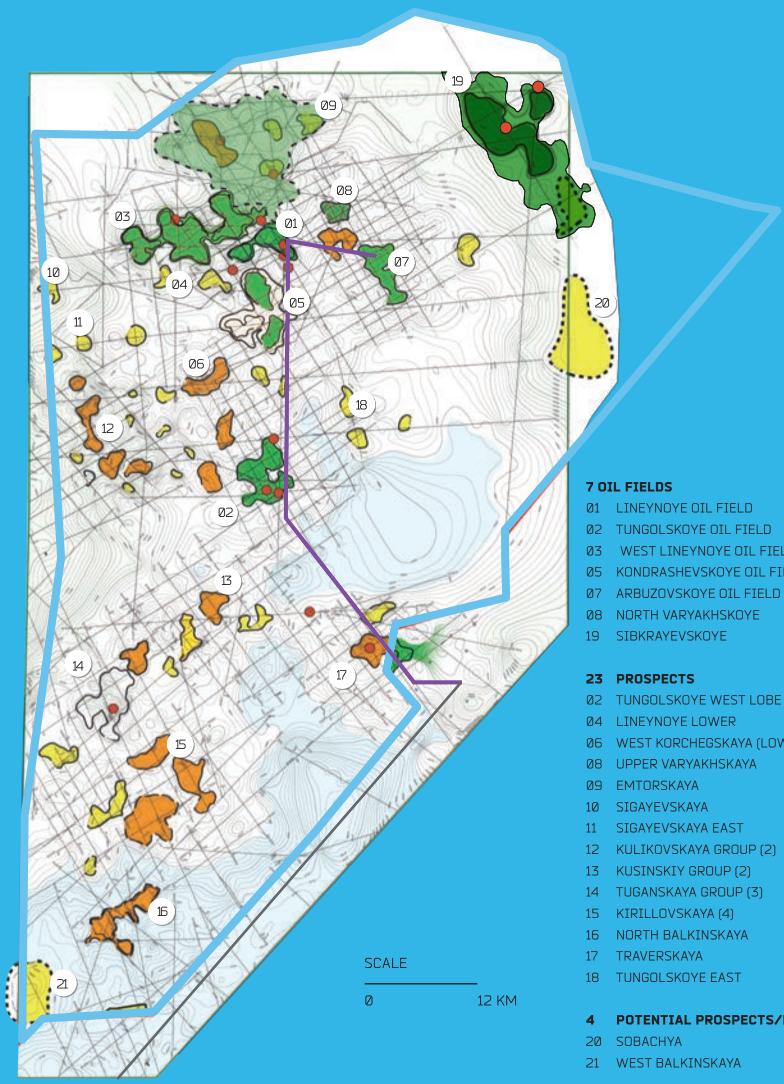
SCALE
0 10 KM

LICENCE 67

Licence 67 contains the Cheremshanskoye and Ledovoye oil fields and numerous prospects and leads.

MORE INFORMATION
PAGE 08

LICENCE 61
AS WELL AS SEVEN DISCOVERED OIL FIELDS IN LICENCE 61 THERE ARE OVER 25 ADDITIONAL PROSPECTS AND LEADS TO BE EXPLORED.



7 OIL FIELDS
01 LINEYNOYE OIL FIELD
02 TUNGOLSKOYE OIL FIELD
03 WEST LINEYNOYE OIL FIELD
05 KONDRASHEVSKOYE OIL FIELD
07 ARBUZOVSKOYE OIL FIELD
08 NORTH VARYAKHSKOYE
19 SIBKRAYEVSKOYE

23 PROSPECTS
02 TUNGOLSKOYE WEST LOBE AND NORTH (2)
04 LINEYNOYE LOWER
06 WEST KORCHEGSKAYA (LOWER JURASSIC)
08 UPPER VARYAKHSKAYA
09 EMTORSKAYA
10 SIGAYEVSKAYA
11 SIGAYEVSKAYA EAST
12 KULIKOVSKAYA GROUP (2)
13 KUSINSKIY GROUP (2)
14 TUGANSKAYA GROUP (3)
15 KIRILLOVSKAYA (4)
16 NORTH BALKINSKAYA
17 TRAVERSKAYA
18 TUNGOLSKOYE EAST

4 POTENTIAL PROSPECTS/LEADS
20 SOBACHYA
21 WEST BALKINSKAYA

OIL FIELD
PROSPECT READY FOR DRILLING
PROSPECT IDENTIFIED
POTENTIAL PROSPECTS
PIPELINE

LICENCE 61

50% JOINT VENTURE WITH OIL INDIA LIMITED.

ऑयल इंडिया लिमिटेड
Oil India Limited

In April 2014 PetroNeft signed a deal with Oil India Limited ('OIL' or 'Oil India') to farmout a 50% non-operating interest in Licence 61. The basic terms of this agreement were as follows:

- Total investment by OIL of up to US$85 million consisting of:
  - US$35 million upfront cash payment;
  - US$45 million of exploration and development expenditure on Licence 61;
  - US$5 million performance bonus, contingent upon average production from the Sibkrayevskoye Field reaching 7,500 bopd within the next five years.
- PetroNeft to remain operator of Licence 61, but OIL will have the right to second certain technical experts into PetroNeft's Tomsk team.

Under the terms of the agreement, OIL subscribed for shares in WorldAce, the holding company for Stimul-T, the entity which holds Licence 61 and all related assets and liabilities; following which, PetroNeft and Oil India Limited will both hold 50% of the voting shares of WorldAce.

In addition, through the shareholders agreement, both parties will have joint control of WorldAce with PetroNeft continuing as operator. OIL also has the right to become the Operator of the Licence should there be a substantial change in the management team of PetroNeft within the first three years.

ADDITIONAL FINANCING FROM OIL INDIA

In March 2016 PetroNeft reached agreement with Oil India for a budget and major work programme for 2016 and 2017. This work programme is expected to require gross funding of at least US$35 million. Oil India have indicated to the Company their willingness to provide 100 per cent. of this funding by way of a shareholder loan to the joint venture company on favourable terms. Principal repayments by the joint venture on the proposed loan will not commence until 2019. A loan agreement for the 2016 requirement of US$10 million was signed in March also. The loan is conditional on the current management team remaining in place. Furthermore, should there be a change in management subsequent to the drawdown of the loan this would constitute an event of default, requiring immediate repayment of amounts advanced and further requiring PetroNeft to provide its 50% share of funding.

The work programme will include the development of the southern lobe of the Arbuzovskoye oil field in 2016 along with the S-374 appraisal well at the Sibkrayevskoye oil field. In 2017 it will include the commencement of development of the Sibkrayevskoye oil field.

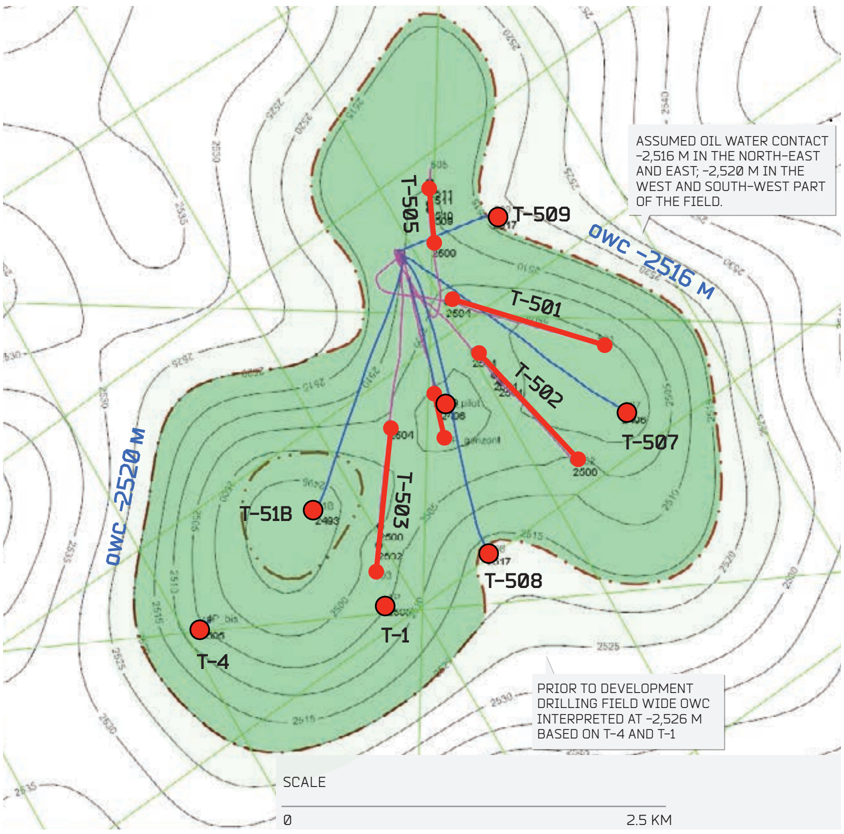
ABOUT OIL INDIA LIMITED

Oil India Limited (BSE: 533106, NSE: OIL) is one of the largest national oil and gas companies in India as measured by total proved plus probable oil and natural gas reserves and production. It is engaged in the business of exploration for oil and gas, production of crude oil, natural gas and LPG and transportation of crude oil, natural gas and petroleum products. OIL has over 50 E&P blocks in India and an International presence spanning Bangladesh, Gabon, Libya, Mozambique, Nigeria, USA, Venezuela and Yemen. For further detail please refer to www.oil-india.com

TUNGOLSKOYE DEVELOPMENT

STRUCTURAL MAP ON TOP OF THE J_1^{1-2} FEBRUARY 2016

- Eight wells drilled at Tungolskoye in 2015.
  - Four horizontal and four vertical.
- Vertical wells used as control wells for structural and stratigrahic control.
  - Wells T-51B and T-508 led to reassessment of J1-2 and of field wide oil water contact.
  - These results led to reduction of drilling programme by 3 wells as well as reduction in reserves.
- The absence of J12 meant that the horizontal wells had to focus on the thin (2m) J11 zone.
- This ultimately led to lower than expected production from Tungolskoye and a reserves reduction.



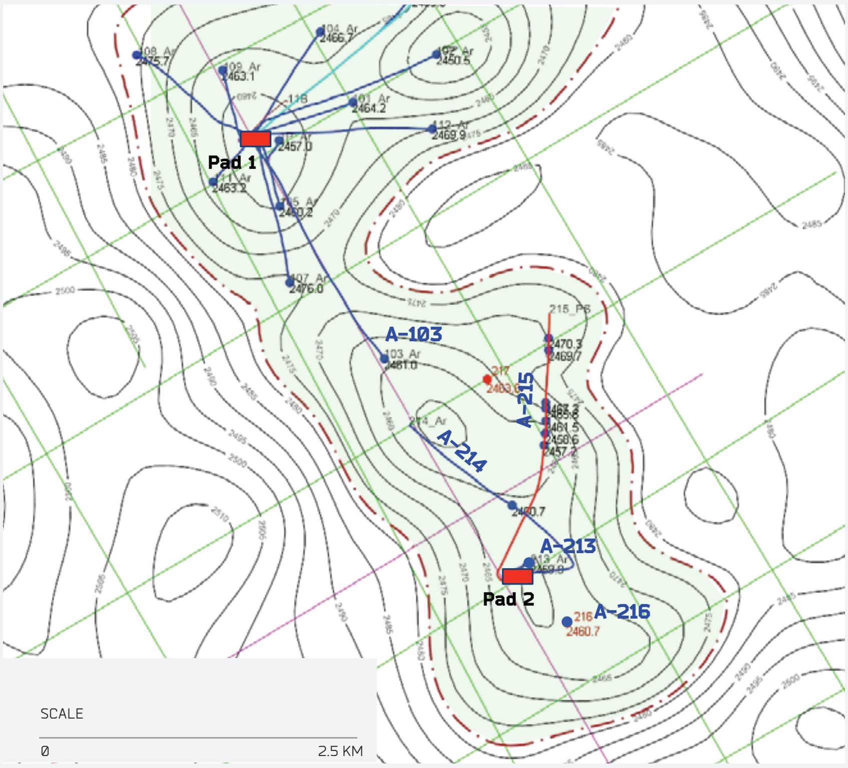
ARBUZOVSKOYE PIPELINE & UTILITY LINE

- 4KM pipeline connecting Arbuzovskoye Pad 2 back to Arbuzovskoye Pad 1
- 4KM powerline also constructed

SOUTH ARBUZOVSKOYE DEVELOPMENT

SOUTHERN LOBE DEVELOPMENT 2016

- Location for Pad 2 development wells.
- **A-213 Vertical well** – control well for structural and stratigraphic control drilled in May 2016.
  - Core taken in J1-1 and J1-2 intervals
  - Oil encountered in J1-2 for the first time at Arbuzovskoye
  - Isolated test of J1-2. achieved > 200 bopd initial flow rate
  - Perforations to be added to the J1-1 in June
- **A-214 Horizontal well location** – based upon the results of A-213/A-103.
  - 1,000 m horizontal segment,
  - 853 m interpreted net pay
  - Average flow rate over first three weeks > 850 bopd
- **A-215 Horizontal well** –based upon the results of A-213/A-214. 1,000 m horizontal segment in J1-1.
- **A-216 Deviated well** – production well to drain south end of structure. Core to be taken in J1-1 and J1-2.



SIBKRAYEVSKOYE OIL FIELD

MAJOR DISCOVERY – 100 MILLION BBLS PLUS – EXPECTED ON-STREAM 2017

THREE WELLS DRILLED IN PRIOR YEARS

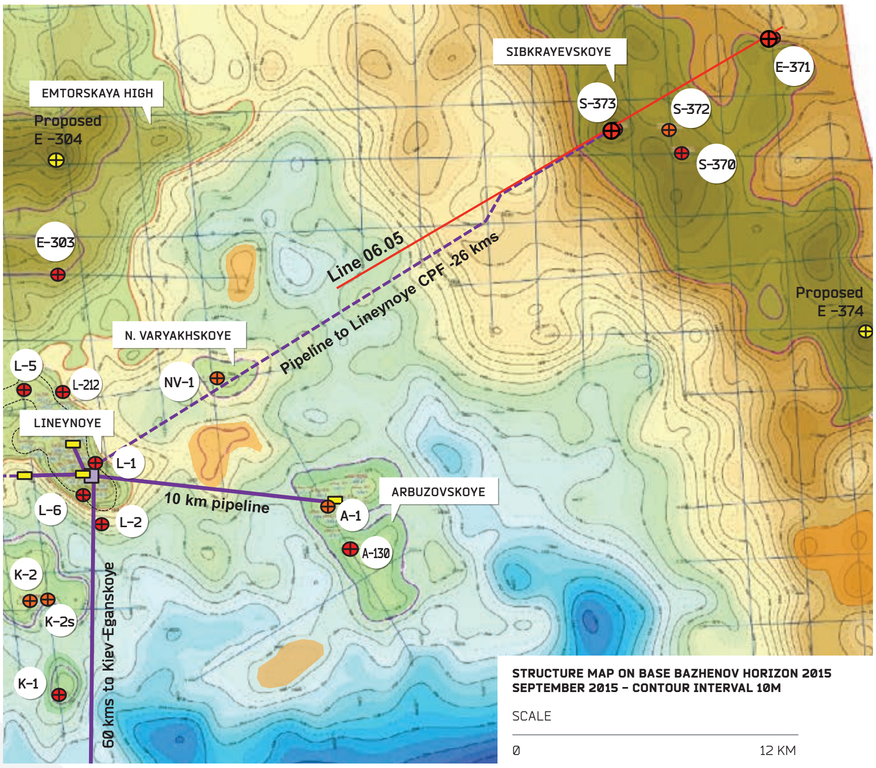
- Wells S-370 & S-371 drilled in early 1970s
- PetroNeft drilled Well S-372 in 2011 parallel to S-370
- Net pay 12.3 m (confirmed 8.2 m of "missed pay" in S-370)
- Open hole inflow test 170 bopd, 37° API
- RS 2P reserves 53 million bbls (2013)

2015 WORK ACTIVITIES

- Well S-373 - completed May 2015 – Net pay 11.5 m - 97 bopd natural flow on 5 mm choke – equates to about 283 bopd with ESP
- Additional 2D Seismic acquisition in Q1 2015
- Significant increase in size of structure and C3 resources (> 100 million bbls)

2016 WORK ACTIVITIES

- Well S-373 – long term production test Q1
- Drill Well S-374 – further delineation of field
- Engineering Studies for Development
- Development Decision

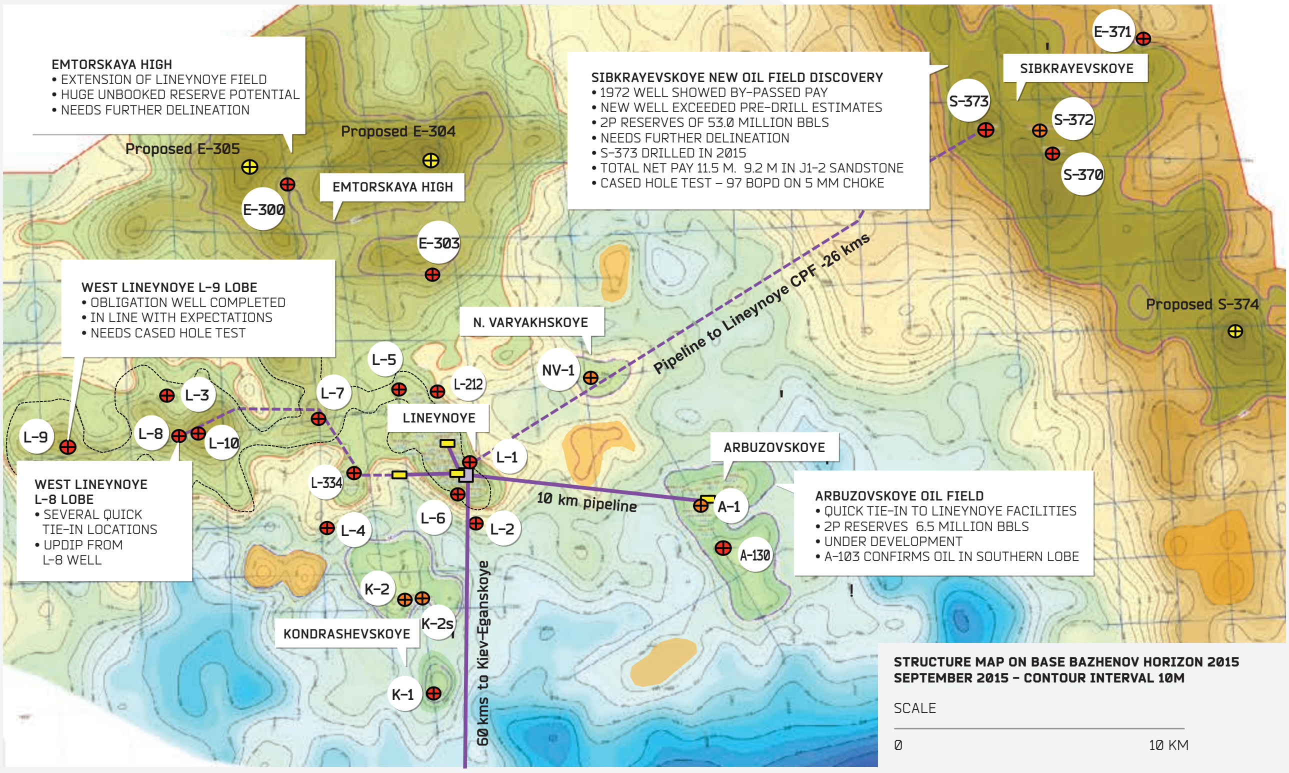


STRUCTURE MAP ON BASE BAZHENOV HORIZON 2015
SEPTEMBER 2015 – CONTOUR INTERVAL 10M

SCALE

0 12 KM

NORTHERN DEVELOPMENTS 2016



STRUCTURE MAP ON BASE BAZHENOV HORIZON 2015
SEPTEMBER 2015 – CONTOUR INTERVAL 10M

SCALE

0 10 KM

LICENSE 67 156 KM² 3D SEISMIC PROGRAMME CARRIED OUT IN 2014

In 2011/2012 two wells were drilled, one at the Cheremshanskaya prospect and a second at the Ledovoye oil field.

These wells resulted in the discovery of a new oil field at Cheremshanskoye (December 2011) and the confirmation of the Upper Jurassic J1-3 oil pool at Ledovoye field with a potential new oil pool discovery in the lower Cretaceous (February 2012).

CHEREMSHANSKOYE

The Cheremshanskaya No. 3 well discovered three separate oil pools and established the Cheremshanskoye oil field. These intervals were the J14, the J1-3 and the J1-1 + Bazhenov and there were successful flow tests from each interval. The area of the field is very large encompassing almost 40 km² and further delineation and pilot testing will be required to assess the true size of the field and ultimate development plan.

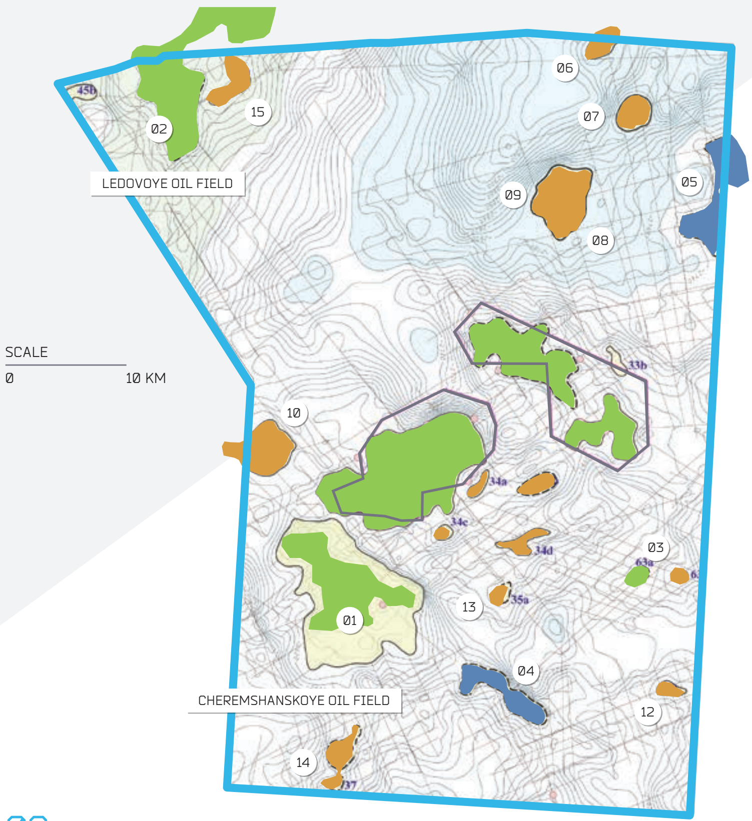
There are large producing fields nearby with similar characteristics and the strong indications are that Cheremshanskoye will prove to be a substantial discovery upon further delineation.

LEDOVOYE

The Ledovaya No. 2a well was spudded in December 2011 in order to target oil in both the Lower Cretaceous and Upper Jurassic intervals with oil discovered in both zones. The well achieved stabilised natural oil flow of 52 bopd from the Upper Jurassic interval and the core and log data also indicate that the well has discovered a new oil pool in the secondary objective Lower Cretaceous interval containing 4.5m of potential oil pay. The Lower Cretaceous zone will eventually need to be flow tested behind casing for confirmation. We are pleased with the result given that the same interval is productive at the neighbouring Stolbovoye field which is located 24 km to the south of Ledovoye.

2014 3D SEISMIC

In the first half of 2014 PITC Geophysical Company acquired 156 km² of 3D seismic data across the Ledovoye and Cheremshanskoye oil fields. This is high quality data that has helped to better define the structure and potential of the two fields. In October 2014, we received the next 5 year exploration extension for the Licence. We have no significant exploration commitments on the Licence in 2016 and are currently reviewing the next steps in the development of the Licence with our partner Arawak in light of the current oil prices.



DRILLED STRUCTURES

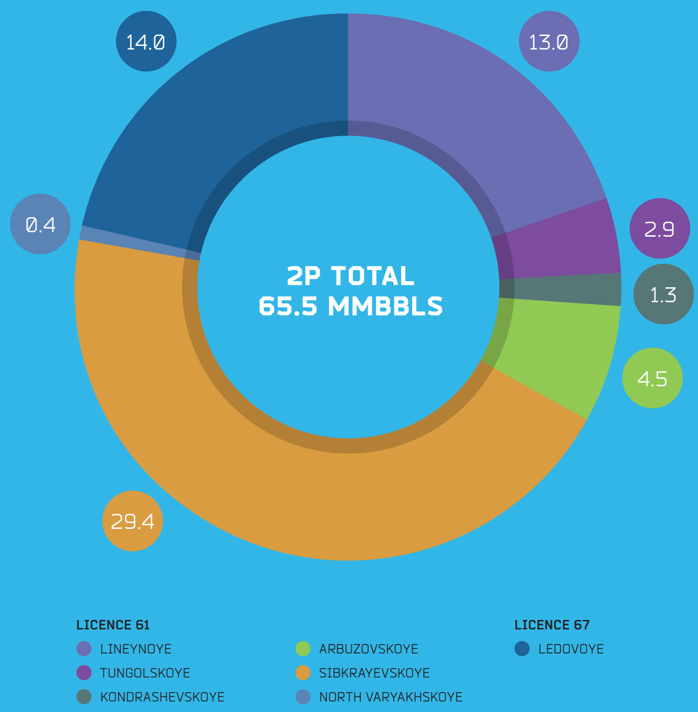
01 CHEREMSHANSKOYE OIL FIELD
02 LEDOVOYE OIL FIELD
03 SKLONOVAYA
04 NORTH PIONERSKAYA
05 BOLOTNINSKAYA

IDENTIFIED PROSPECTS AND LEADS

06 LEVO-ILYAKSKAYA
07 SYGLYNIGAISKAYA
08 GRUSHEVAYA
09 GRUSHEVAYA STRATIGRAPHIC TRAP
10 MALOSTOLBOVAYA
11 NIZHENOLOMOVAYA TERRASA GP.
12 BAIKALSKAYA
13 MALOCHEREMSHANSKAYA
14 EAST CHERMSHANSKAYA
15 EAST LEDOVOYE

DRILLED STRUCTURE WITH OIL SHOW OR TEST
DRILLED STRUCTURE WITH NO OIL SHOWS REPORTED
UNDRILLED STRUCTURE OR STRATIGRAPHIC TRAP
EXCLUDED AREA WITH PRODUCING OIL FIELDS

OUR RESERVES



2P RESERVES

LICENCES 61 AND 67

- 2P reserves are as estimated by Ryder Scott, Petroleum Consultants, each year and conform to the definitions approved by the Society of Petroleum Engineers ('SPE') Petroleum Resources Management System ('PRMS') rules.
- Ryder Scott reserves for Licence 61 were updated as at 1 January 2016.
- Ryder Scott reserves for Licence 67 were updated as at 1 January 2011.

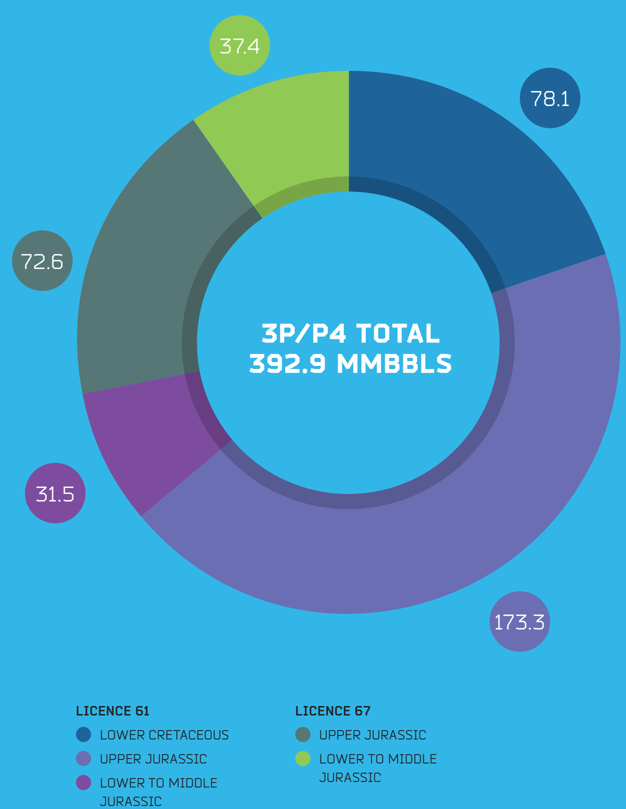
65.5M

65.5 million barrels of 2P reserves net to PetroNeft

3P RESERVES AND EXPLORATION RESOURCES (P4)

LICENCES 61 AND 67

- 3P reserves are as estimated by Ryder Scott, Petroleum Consultants, and conform to the definitions approved by the Society of Petroleum Engineers ('SPE') Petroleum Resources Management System ('PRMS') rules.
- All Exploration Resources (P4) are based on structures with unequivocal four-way dip closure at the reservoir horizon as identified by 2D seismic data.



CHAIRMAN'S STATEMENT

THE PRINCIPAL NEAR-TERM OBJECTIVE OF THE GROUP IS THE DEVELOPMENT OF THE NORTHERN OIL FIELDS ON LICENCE 61, LEVERAGING THE INFRASTRUCTURE PUT IN PLACE IN RECENT YEARS, TOGETHER WITH OUR PARTNER OIL INDIA.

2015 was a busy year for our Company particularly with our partner, Oil India, at Licence 61 where we drilled wells at Tungolskoye, Arbuzovskoye, Sibkrayevskoye and Lineynoye and completed a major 2D seismic acquisition programme. The work programme saw a mix of successes, challenges and disappointments, as described in the Chief Executive Officer's Report which follows. 2015 also saw further challenges for the industry as a whole with further significant weakness in the oil price internationally.

OPERATIONS

The existing production wells at Lineynoye and Arbuzovskoye performed well during 2015 but continued to decline naturally as expected. The main development programme in the year was bringing the Tungolskoye oil field into production. Unfortunately, the J1-2 horizon was unexpectedly absent from some wells and the oil-water contact on the eastern side of the field is shallower than expected based on previous drilling and seismic data. As a result, the number of wells in the programme was reduced which meant we could not achieve the anticipated production, however, we did gain considerable additional experience in drilling horizontal wells particularly being able to keep the well within a narrow zone over the 1,000 metre horizontal segment.

In late May 2015 we announced the results of a delineation well at Sibkrayevskoye. The S-373 well found net pay of 11.5 metres and achieved a stabilised natural flow of 100 bopd from a cased hole test. This along with the newly acquired 2D seismic has provided further evidence of the quality and size of the Sibkrayevskoye oil field and we are now actively planning for development activities.

2016–17 WORK PROGRAMME

Following up on the drilling results at Arbuzovskoye and Sibkrayevskoye in 2014 and 2015 as well as the new seismic data, we will be developing the southern part of the Arbuzovskoye oil field in 2016 and have already seen very encouraging results. We will also drill another delineation well at Sibkrayevskoye in 2016 with a view to commencing development of Sibkrayevskoye in 2017. Oil India have agreed to provide all the funding for these two projects by way of a shareholder loan to the joint venture company.

RESERVES

The Chief Executive Officer's Report contains the details of the updated Ryder Scott report as at 1 January 2016. While the reserves have fallen, primarily at Tungolskoye, the report demonstrates the large potential of the Sibkrayevskoye oil field which we expect to start developing in 2017. While the increase in 2P reserves at Sibkrayevskoye as a result of the S-373 well was modest, this was due to its proximity to previous wells. However, the seismic data has shown that the field is likely to be significantly larger and we hope that a successful result from the S-374 well will lead to a more significant increase in 2P reserves.

BUSINESS DEVELOPMENT

The principal near-term objective of the Group is the development of the Northern oil fields on Licence 61, leveraging the infrastructure put in place in recent years, together with our partner Oil India. However, we have not lost sight of Licence 67 and our longer-term objective of securing assets outside our current licences to provide growth for the future. In that regard we expect a renewed focus on business development from the second half of 2016.

2015 WAS A BUSY YEAR FOR PETRONEFT. WE HAVE LEARNED A LOT FROM OUR FIRST PROGRAMME OF HORIZONTAL WELLS WHICH ARE THE FUTURE OF OPTIMAL DEVELOPMENTS FOR OUR COMPANY AT LICENCE 61 AND BEYOND.

ENGAGEMENT WITH NATLATA

Following extensive engagement with our largest shareholder, Natlata Partners Limited ("Natlata"), during 2015 and in connection with their requisitioned EGM, in April 2016 we announced that we reached an agreement on a new Board composition and structure. This involved the appointment Maxim Korobov as non-executive Director and Anthony Sacca and David Sturt as independent non-executive Directors. David Sanders, Gerry Fagan and Paul Dowling left the Board. Mr. Dowling remains CFO of the Company. The agreement includes a commitment from Natlata to support the newly constituted Board as it continues to operate and develop the Company for a period of at least two years.

Also, Pavel Tetyakov of Natlata has joined the Company and will be responsible for new business development in Russia.

I would like to thank David Sanders, who was a founder of the Company, and Gerry Fagan for their many years of service to the Company. I would also like to thank Vakha Sobraliev, who resigned from the Board in September 2015 for his contribution to the Company over the previous ten years.

SUMMARY

2015 was a busy year for PetroNeft. We have learned a lot from our first programme of horizontal wells which are the future of optimal developments for our Company at Licence 61 and beyond. Our industry is going through tough times at present but, with the knowledge that we have gained, we have future developments targets such as Sibkrayevskoye that will still be profitable at current reduced oil prices.

Finally, I know that I speak for all the Directors, management and staff of the Group in giving sincere thanks to our shareholders, both old and new, for your continued support throughout the past year.

David Golder
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

2015 was an active year at Licence 61 as we undertook our first major work programme with our partner Oil India with wells drilled at Tungolskoye, Arbuzovskoye, Sibkrayevskoye and Lineynoye and the completion of a major 2D seismic acquisition programme. Gross production at Licence 61 was 737,655 barrels of oil (2014: 728,826 barrels) in the year or an average of 2,021 bopd (2014: 1,997 bopd).

LICENCE 61 – TUNGOLSKOYE

In February 2015 we announced that the horizontal segment of the Tungolskoye No. 5 well was drilled and completed in the Upper Jurassic J1-1 and J1-2 intervals. The total horizontal segment was just over 350 metres of which over 80% was located in the productive J1-1 and J1-2 reservoirs. The well achieved initial production of 604 bopd using an Electric Submersible Pump ("ESP"). The oil was initially trucked 25 km to the Lineynoye central processing facility until the pipeline could be completed, but an ESP breakdown meant production could only recommence once the drilling rig was disassembled and the pipeline completed. After replacing the ESP, an influx of water limited oil production to about 100 bopd. We believe the water is coning from a lower J1-2 interval. We estimated at the time that we could avoid this issue in future wells which were due to be higher structurally. The well confirmed the technical viability of horizontal wells.

Development of the Tungolskoye oil field commenced in May 2015. The drilling contract for Tungolskoye was awarded to SGK Drilling, a subsidiary of Eurasia Drilling, Russia's largest drilling contractor. SGK used Schlumberger for measure-while-drilling and related services for the horizontal segments. A Russian production drilling rig with top drive unit was used for these wells, allowing longer horizontal segments with enhanced control. In Q1 2015, we built a pipeline and power line to connect the Tungolskoye oil field back to the Lineynoye central processing facility.

The drilling programme was due to include up to six vertical and five horizontal wells. The plan was to drill the vertical wells first in order to provide a control point for the subsequent horizontal well. The first well, T-51B, was designed to provide the necessary stratigraphic control along with the T-5 and T-1 wells for the T-503 horizontal well, however, the reservoir in this vertical well was tight in the J1-2 interval and it was not possible to produce from it. This result combined with the water ingress at T-5 led to a decision to drill the horizontal wells in just the J1-1 horizon rather than both the J1-1 and J1-2 intervals. The 51-B result also led to the cancellation of one well on the western side of the Tungolskoye oil field due to the poorly developed J1-2 that we encountered. The T-508 vertical well drilled to the south eastern side of Tungolskoye demonstrated that the J1-1 water-up-to for the field was about 5 m higher on the eastern side of the field compared to previous estimates for the top oil water transition zone. This also lead to wells being cut from the programme. In the end four horizontal and four vertical wells were drilled, a reduction of three wells from the initial plan. The reduction in wells combined with some unproductive wells led to us not being able to reach our anticipated production levels. While we had some disappointing geological surprises at Tungolskoye we gained a lot of experience in drilling horizontal wells and particularly being able to drill long 1,000 metre horizontal segments in a zone as thin as two metres. We also demonstrated that we could achieve economic flow rates with horizontal wells in thinner reservoir intervals. This experience will be directly applicable in developing South Arbuzovskoye and Sibkrayevskoye in the coming years.

LICENCE 61 – ARBUZOVSKOYE DEVELOPMENT

Arbuzovskoye was brought into year-round production in 2012 following the construction of a 10 km pipeline and utility line from the Lineynoye central processing facilities to Arbuzovskoye Pad 1. Production drilling recommenced in October 2014

2015 WAS AN ACTIVE YEAR AT LICENCE 61 AS WE UNDERTOOK OUR FIRST MAJOR WORK PROGRAMME WITH OUR PARTNER OIL INDIA WITH WELLS DRILLED AT TUNGOLSKOYE, ARBUZOVSKOYE, SIBKRAYEVSKOYE AND LINEYNOYE AND THE COMPLETION OF A MAJOR 2D SEISMIC ACQUISITION PROGRAMME.

IN 2015, AS PART OF THE FULL FIELD DEVELOPMENT OF THE LINEYNOYE AND WEST LINEYNOYE OIL FIELDS, WE DRILLED THE LINEYNOYE NO. 10 DELINEATION WELL ON THE LINEYNOYE 8 LOBE OF THE WEST LINEYNOYE FIELD.

and five additional wells were drilled up to March 2015. All of the wells came in close to prognosis and confirmed the continuity of the reservoir interval and the oil water contact at the spill point of the structure. The A-103 well was the most important of these wells as it was drilled as the maximum reach step out to the south to confirm the oil productivity of the southern lobe of the field. The A-103 result combined with new seismic data acquired in 2015 gave us additional confidence in the southern portion of the Arbuzovskoye oil field. This led to the approval of its development with our partner.

The initial development plan is for the construction of Pad 2 along with the drilling of one vertical and two horizontal wells. The first two wells in this programme have now been completed with stellar results. The A-213 vertical control well encountered oil in both the Upper Jurassic J1-1 and J1-2 intervals. To date only the J1-2 interval has been perforated and this interval initially stabilized at 170 bopd. This is the first J1-2 interval oil production at Arbuzovskoye and confirms a new oil pool which will add to the oil rates and reserves for South Arbuzovskoye.

The A-214 horizontal well has also been drilled and completed. This well has a 1,000 m horizontal segment with net pay of 931 m. This compares to 663 m of net pay in the T-503 well which was the best horizontal well at Tungolskoye. The initial rate on this well after clean-up has been around 850 bopd which is the best flow rate thus far in the Licence area. We expect a decline in these rates over the next year; however, we do not expect the same high rate of decline that we experienced at Tungolskoye because the reservoirs are thicker and the rock properties are much better at Arbuzovskoye.

LICENCE 61 – LINEYNOYE DEVELOPMENT

The wells at Lineynoye have performed well during 2015, however the wells are showing normal production decline. Our team in Tomsk, including our in-house workover crew, have worked effectively to keep wells online and to intervene where necessary to optimise well performance, replace pumps and in some cases carry out acid washes on both production and injection wells to improve or maintain production.

In 2015, as part of the full field development of the Lineynoye and West Lineynoye oil fields, we drilled the Lineynoye No. 10 delineation well on the Lineynoye 8 lobe of the West Lineynoye field. The Lineynoye No. 8 well has been steadily producing 50 bopd for the last several years with little decline and no water production. The L-10 well was drilled initially as a vertical pilot well followed by a horizontal segment of up to 300 m was drilled in the main J1-1 reservoir interval. The well was successfully completed with a horizontal segment of about 282 metres in the Upper Jurassic J1-1 horizon of which it is estimated that approximately 55 metres is effective net pay. The well was brought online with an initial average flow rate of approximately 230 bopd, however it has declined somewhat to around 100 bopd. We feel these results can be improved significantly in future wells with some design changes in the drilling of the horizontal segment and tools used. With an improved design we feel we can drill a 500 m horizontal segment with a typical Russian exploration rig without a top drive unit. This will allow us to develop a good inventory of small prospects close to existing infrastructure that are not economic to develop with a Russian production rig because of the high mobilization cost for a one well programme.

SIBKRAYEVSKOYE

In May 2015 we announced the results of a delineation well at Sibkrayevskoye (S-373). The well was designed as a follow-up to the S-372 discovery well, which was drilled in 2011, to further delineate the Sibkrayevskoye oil field. Log and core data over the primary J1 sandstone reservoir interval indicate 11.5 m of net oil pay. A cased-hole drill stem test of the target interval flowed at a stabilised rate of 100 bopd on a 4 mm choke (unstimulated natural flow). In winter

CHIEF EXECUTIVE OFFICER'S REPORT
(CONTINUED)

2015/16 an Electrical Submersible Pump was installed and the well tested at an average rate of over 200 bopd during this long term test. The reservoir interval is completely saturated with oil to its base and is located about 19 m structurally higher than the equivalent oil saturated interval in the S-372 well, which is also oil saturated throughout.

Prior to the S-373 well Ryder Scott estimated the Sibkrayevskoye 2P reserves of 53 million bbls (26.5 mmbbls net to PetroNeft), making this the largest oil field discovered on Licence Block 61 to-date. Additional seismic data was also acquired over the structure in 2015 as part of a 1,000 km 2D seismic acquisition programme in the northern part of Licence 61. The updated Ryder Scott report shows Sibkrayevskoye 2P reserves of 58.8 million bbls (29.4 mmbbls net to PetroNeft), however the 3P reserves are over 100 mmbbls, an increase from 67 mmbbls in the previous report primarily because the new seismic data indicates a much larger extent to the field.

In 2016 we plan to drill a further delineation well at Sibkrayevskoye (S-374). This well will be approximately ten kilometres south of the existing wells and, if successful, should lead to a large uplift to 2P reserves. A successful result will facilitate the decision to develop the Sibkrayevskoye oil field beginning in 2017.

RESERVES

Independent reserve consultants Ryder Scott completed an assessment of petroleum reserves on Licence 61 as at 1 January 2016. The total Proved and Probable ("2P") reserves for the licence stood at 103 mmbbls. PetroNeft's net interest in these reserves is 51.5 mmbbls.

As shown in the table below, PetroNeft's share of the combined Licence 61 and Licence 67 reserves is 65.5 mmbbls 2P and 17.7 mmbbls P1 as at the end of 2015. We have had good exploration success in the past and feel we can add reserves with additional appraisal at Sibkrayevskoye, Emtorskaya and Traverskaya in the medium term, and grow our reserves further with continued exploration on our two Licence Areas. Numerous prospects have been seismically defined but not yet drilled, particularly in the southern half of Licence 61.

LICENCE 67 (LEDOVY LICENCE)

In the winter of 2013/2014, we acquired 156 km^2 of 3D seismic data over the Cheremshanskoye and Ledovoye oil fields. This is high quality data that has helped to better define the structure and potential of the two fields. In October 2014, we received the next 5 year exploration extension for the Licence. We have no significant exploration commitments on the Licence in 2016 and are currently reviewing the next steps in the development of the Licence with our partner Arawak in light of the current oil prices.

CONCLUSION

We learned a lot in 2015 particularly in the experience gained in horizontal drilling and the additional upside identified at Sibkrayevskoye and South Arbuzovskoye. After 3 weeks of production the A-214 horizontal well at South Arbuzovskoye is still producing over 850 bopd and the pressure decline is very slow. We also now have enough production data at A-213 to register the reserves in the new J1-2 oil pool and will add production from the primary J1-1 interval in this well shortly. Both of these are excellent results. In the near term we look forward to the A-215 horizontal well results at South Arbuzovskoye and the commencement of drilling on the S-374 delineation well at Sibkrayevskoye. The Company is fortunate in that we have quality assets that are economic in a low oil price environment. With an excellent partner in Oil India we are well placed to exploit these opportunities despite the challenging times for our industry.

Dennis Francis
Chief Executive Officer

IN 2016 WE PLAN TO DRILL A FURTHER DELINEATION WELL AT SIBKRAYEVSKOYE (S-374). THIS WELL WILL BE APPROXIMATELY TEN KILOMETRES SOUTH OF THE EXISTING WELLS AND, IF SUCCESSFUL, SHOULD LEAD TO A LARGE UPLIFT TO 2P RESERVES.

RYDER SCOTT ESTIMATED RESERVES IN OIL FIELDS (NET TO PETRONEFT)

Oil Field Name	Proved	Proved & Probable	Proved, Probable & Possible
Licence 61	1P mmbo	2P mmbo	3P mmbo
Lineynoye	7.1	13.0	16.0
Tungolskoye	0.4	2.9	3.7
Kondrashevskoye	0.7	1.3	1.6
Arbuzovskoye	2.0	4.5	5.7
Sibkrayevskoye	5.8	29.4	52.8
North Varyakhskoye	0.2	0.4	0.5
	16.2	**51.5**	**80.3**
Licence 67			
Ledovoye	1.5	14.0	17.4
Total net to PetroNeft	**17.7**	**65.5**	**97.7**

- Licence 61 as at 31 December 2015 (Ryder Scott report as at 1 January 2016).
- Reserves reflect just PetroNeft's 50% share of reserves for each licence.
- All oil in discovered fields is in the Upper Jurassic section.
- Reserves were determined in accordance with the Society of Petroleum Engineers ("SPE") Petroleum Resources Management System ("PRMS") rules.
- Licence 67 will be co-developed with Arawak Energy and the reserves above reflect PetroNeft's 50% share as per the most recent Ryder Scott report as at 1 January 2011.

FINANCIAL REVIEW

THE YEAR WAS A CHALLENGING ONE FROM A FINANCE POINT OF VIEW WITH THE VOLATILITY ENCOUNTERED IN THE COMMODITY AND CURRENCY MARKETS.

The year was a challenging one from a finance point of view with the volatility encountered in the commodity and currency markets. Oil prices continued to be volatile and ultimately declined significantly over the year while the Russian Rouble depreciated versus the US Dollar. This meant that budgets needed to be revised several times during the period. From a funding point of view, the Licence 61 Farmout provided the funding required for the 2015 capital expenditure programme. However, lower oil prices and some disappointing well results meant that the funding provided by Oil India as part of the Licence 61 farmout was utilised earlier than expected.

ACCOUNTING IMPLICATIONS OF THE LICENCE 61 FARMOUT

The effect of the Licence 61 Farmout was that PetroNeft became a 50% owner of WorldAce Investments Limited which is the 100% owner of Stimul-T the Russian entity that owns Licence 61 and all of the associated infrastructure. Prior to the farmout the WorldAce Group was consolidated 100% in the financial statements of PetroNeft. Once the farmout was completed the consolidation method changed to the equity method which means that just the 50% share of the profit or loss of the WorldAce Group is included in the Income Statement of PetroNeft and 50% of the share of net assets of WorldAce Group is included in the Balance Sheet of PetroNeft rather than showing the proportional share of revenue, expenditure and individual classes of assets and liabilities.

As the Licence 61 Farmout completed during the 2014 financial year the Income Statement for 2014 was effectively in transition as it reflected the revenues and expenditures of 100% of the WorldAce Group for the period up to 3 July 2014 and thereafter only shows the share of the net loss of the WorldAce Group for the period between 3 July 2014 and 31 December 2014. The 2015 Income Statement only shows the share of the net loss of the WorldAce Group.

REVIEW OF PETRONEFT LOSS FOR THE YEAR

The loss after taxation for the year was US$8,474,383 (2014: US$8,784,385). The loss included a foreign exchange loss on intra-group loans of US$0.3 million (2014: US$2.4 million) the share of joint venture's net loss in WorldAce Investments of US$8,765,055 which was after an impairment loss within WorldAce of US$4.55 million (US$9.1 million gross). The loss on the disposal of a subsidiary of US$5.6 million in 2014 related to the farmout of Licence 61 and more details can be found at Note 11 to the financial statements. Finance costs in 2014 of US$1.6 million related to interest on the loans from Macquarie and Arawak for the period to 3 July 2014 when the loans were repaid in full.

As mentioned above, the Licence 61 Farmout was completed on 3 July 2014. For accounting purposes the results of the WorldAce Group are fully consolidated in the PetroNeft Income statement up to that date. After that date PetroNeft must account for its share of the results of the WorldAce Group using the equity method of accounting. Furthermore, interest receivable on loans to the WorldAce Group, which up to 3 July 2014 would have been eliminated on consolidation, is included as income in the PetroNeft consolidated income statement after that date. The 2015 numbers reflect the new arrangements in full.

IN 2015 PETRONEFT GROUP CHARGED A TOTAL OF US$1.6 MILLION (2014: US$1.2 MILLION) TO THE JOINT VENTURES IN RESPECT OF MANAGEMENT SERVICES.

PETRONEFT KEY FINANCIAL METRICS	2015	2014
Continuing operations	US$'000	US$'000
Revenue	2,398	19,165
Cost of sales	(2,371)	(15,233)
Gross profit	**27**	**3,932**
Administrative expenses	(1,380)	(3,678)
Exchange loss on intra-Group loans	(284)	(2,402)
Operating loss	**(1,637)**	**(2,148)**
Loss on disposal of subsidiary undertaking	–	(5,569)
Share of joint venture's net loss – WorldAce Investments Limited	(8,765)	(304)
Share of joint venture's net loss – Russian BD Holdings B.V.	(315)	(294)
Finance revenue	3,042	1,551
Finance costs	–	(1,612)
Loss for the year for continuing operations before taxation	**(7,675)**	**(8,376)**
Income tax expense	(799)	(408)
Loss for the year	**(8,474)**	**(8,784)**

REVENUE

Revenue in 2015 includes income as operator of both licences and the revenue of PetroNeft's wholly owned subsidiary, Granite Construction in respect of construction services provided in relation to both joint ventures. Revenue in 2014 includes revenues from oil sales for the period to 3 July 2014 of US$17.5 million and income as operator of both licences of US$1.7 million.

INCOME OF PETRONEFT GROUP AS OPERATOR OF LICENCE 61 AND LICENCE 67

In the joint venture agreements related to both Licence 61 and Licence 67, PetroNeft is designated as the operator of each Licence. This means that PetroNeft employees and management are responsible for the day to day running of both Licences. Major strategic and financial decisions relating to the Licences require unanimous approval by both shareholders in the respective joint venture agreements.

As PetroNeft management and employees are responsible for day to day matters in both Licences, PetroNeft is entitled to recover a portion of its expenses from the joint ventures. In that regard we established a management group of key Russian employees who are employed by the PetroNeft subsidiary Dolomite. Both PetroNeft and Dolomite invoice for their services to the joint ventures based on rates pre-agreed with our respective joint venture partners. The costs associated with this revenue are included in cost of sales.

In 2015 PetroNeft Group charged a total of US$1.6 million (2014: US$1.2 million) to the joint ventures in respect of management services. PetroNeft also owns a small construction company, Granite Construction, which carries out small ad hoc construction projects such as well pads and on-site accommodation on both Licences. In 2015 Granite Construction charged the WorldAce Group US$0.8 million (2014: US$0.5 million) in respect of these services.

FINANCE REVENUE

Most of the finance revenue relates to Interest receivable on loans to joint ventures. During 2015 PetroNeft had interest receivable of US$2,826,303 (2014: US$1,415,202) on its loans to WorldAce Group and US$205,189 (2014: US$117,120) on its loans to Russian BD Holdings B.V.

FINANCIAL REVIEW
(CONTINUED)

KEY FINANCIAL METRICS – WORLDACE GROUP

Because of the above accounting implications it is difficult to extract meaningful metrics from the PetroNeft consolidated income statement. Therefore the metrics below are an extraction from the audited financial statements of the WorldAce Group and give an indication as to the performance of Licence 61:

	PetroNeft's 50% share 2015 US$'000	PetroNeft's 50% share 3 July – 31 December 2014 US$'000	100% of WorldAce 2015 US$'000	2014 US$'000
Continuing operations				
Revenue	10,300	5,846	20,600	29,288
Cost of sales	(10,436)	(5,451)	(20,871)	(26,378)
Gross profit	**(136)**	**395**	**(271)**	**2,910**
Gross margin %	**(1.3%)**	**6.8%**	**(1.3%)**	**10.0%**
Administrative expenses	(1,519)	(1,027)	(3,038)	(5,129)
Impairment of oil and gas properties	(4,550)	–	(9,100)	–
Operating loss	**(6,205)**	**(632)**	**(12,409)**	**(2,219)**
Finance revenue	12	5	23	16
Finance costs	(2,572)	(877)	(5,144)	(1,818)
Loss for the period for continuing operations before taxation	**(8,765)**	**(1,504)**	**(17,530)**	**(4,021)**
Income tax credit	–	1,200	–	2,400
Loss for the period for continuing operations before taxation	**(8,765)**	**(304)**	**(17,530)**	**(1,621)**

NET LOSS – WORLDACE GROUP

The net loss of WorldAce Group for the full year increased to US$17,530,110 from US$1,621,345 in 2014. The increase in the loss for the year before taxation can be attributed to higher interest payable on loans from shareholders in 2015 as a result of additional loans provided by Oil India Limited to WorldAce as part of the Licence 61 Farmout. Of the US$5.1 million in interest payable by WorldAce, US$2.8 million is payable to PetroNeft. Due to the lower oil price environment and a reduction in reserves at the Lineynoye oil field an impairment of oil and gas properties in the amount of US$9.1 million was required.

REVENUE, COST OF SALES AND GROSS MARGIN – WORLDACE GROUP

Revenue from oil sales was US$20,600,188 for the year (2014: US$29,288,078). Cost of sales includes depreciation of US$2,856,469 (2014: US$3,547,979), which was lower mainly because of the weaker Rouble. The gross margin fell during the year primarily due to an increase in Mineral Extraction Tax in 2015 but also due to lower oil prices. Operating costs per barrel produced (Cost of Sales excluding depreciation and Mineral Extraction Tax) was steady at US$11.68 (2014: US$11.67) per barrel. We would expect the gross margin to improve in future periods as our facilities and field operations are fully staffed and can handle additional production from the South Arbuzovskoye oil field under the current cost structure and do not expect to add significant additional costs once Sibkrayevskoye comes online. We produced 737,655 barrels of oil (2014: 728,826 barrels) in the year and sold 761,123 barrels of oil (2014: 704,189 barrels) achieving an average oil price of US$27.00 (2014: US$41.59) per barrel. All oil was sold on the domestic market in Russia.

FINANCE COSTS – WORLDACE GROUP

Finance costs of US$5,144,634 (2014: US$1,818,438) relate to interest on loans from PetroNeft and Oil India.

TAXATION – WORLDACE GROUP

The tax credit in 2014 arose on the reversal of a deferred tax charge of US$2,400,000 in relation to temporary differences in Russia. There is no tax payable in 2015.

FUTURE FUNDING OF PETRONEFT GROUP

PetroNeft is currently debt free. As part of Licence 61 Farmout, Oil India provided exploration and development funding of US$45 million through the jointly controlled entity WorldAce. Oil India has also agreed to provide funding for the development of South Arbuzovskoye and Sibkrayevskoye by way of an unsecured shareholder loan to WorldAce Group, thereby removing the funding requirement from PetroNeft for this work. The first tranche of this funding was agreed by way of an unsecured US$10 million shareholder loan from Oil India to WorldAce in March 2016. Principal repayments on the loan will not commence until October 2019. However, should there be a significant change in the management of PetroNeft while the loan is outstanding then Oil India may seek early repayment in full. In such circumstances PetroNeft would need to provide its 50% share of the amount outstanding. It is expected that PetroNeft will commence collection of interest receivable on its loans to WorldAce in the second half of 2017.

FINANCIAL RISK MANAGEMENT

The Board sets the treasury policies and objectives of the Group, which include controls over the procedures used to manage financial risk. The Group's activities expose the Group to a variety of financial risks including foreign currency, commodity price, credit, liquidity and interest rate risks. These financial risks are managed by the Group under policies approved by the Board. Details of the Group's financial risk management policies are set out in detail in Note 22 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group and the actions taken by the Group to mitigate these risks and uncertainties are:

RISK CATEGORY	RISK ISSUE	MITIGATION
COUNTRY RISKS	**Geopolitical**	Sanctions to date relating to the Ukraine situation are at a very high level concentrating on Government officials and very high net worth individuals. It is not currently expected that international sanctions will affect Group operations.
	Political - federal risks	Fields/acquisitions below 500 million boe are not considered strategic to the Russian state.
		State is encouraging small operators.
	Political - local risks	Tomsk Oblast administration is very supportive of development.
		Local management are well respected in region.
	Ownership of assets	Licences were acquired at government auctions. Work programme for Licence 61 is complete. Work programme for Licence 67 is not onerous.
		25-year licence term can be automatically extended based on approved production plan.
	Changes in tax structure	Fiscal system is stable - recent and proposed changes largely benefit upstream oil and gas companies.
		Proactive lobbying effort made in area of tax legislation.
TECHNICAL RISKS	**Exploration risk**	Proven oil and gas basin with multiple plays.
		Good quality 2D & 3D seismic.
		Knowledgeable exploration team with proven track record in region.
	Drilling risk	Relatively shallow wells with proven technology.
		Good rig availability.
		Experienced operations team.
		Can avoid drilling wells low on structure that risk poor results.
	Production/ Completion risk	Routine completion practices including fracture stimulation.
		Reserves high-graded; extensive reservoir simulation and reservoir management will be undertaken.
		Performance of similar fields in region.
	Reserve risk	SPE and Russian reserves updated and in substantive alignment.

FINANCIAL REVIEW
(CONTINUED)

FINANCIAL RISKS	**Availability of finance**	Strong reserve base and key infrastructure already in place makes attractive investment case. Strong partners willing to assist with funding.
	Oil price	Robust project sanction economics - conservative base case assumptions. Russian tax system means economics are not too sensitive to changes in oil price. Board will consider use of appropriate hedging instruments.
	Industry cost inflation	Rigorous contracting procedures with competitive tendering. Also the relationship of the US Dollar:Russian Rouble exchange rate to the oil price provides a natural balance between costs and income.
	Uninsured events	Comprehensive insurance programme in place.
OTHER RISKS	**HSE incidents**	HSE standards set and monitored regularly across the Group.
	Export quota	Equal access to export quotas available for all oil producers using Transneft.
		Conservative assumption in economics - domestic net back price now largely in alignment with export net back.
	Third party pipeline access	25-year transportation agreement in place for Licence 61, several options available for ultimate development of Licence 67.
	Transneft pipeline access	Available capacity and access confirmed.
		East Siberia-Pacific Ocean ("ESPO") pipeline allows export of oil to Pacific market.

INVESTOR RELATIONS

During 2015, the CEO and CFO held regular meetings with analysts and institutional investors. The target for 2016 is to continue our programme of meetings and specifically to inform investors of the existing and potential future value of the asset portfolio.

SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, the names of the persons other than the Directors who, directly or indirectly, are interested in 3% or more of the Issued Share Capital at 15 June 2016 are as follows:

NAME OF SHAREHOLDER	ORDINARY SHARES	PERCENTAGE
Natlata Partners Limited	208,429,458	29.47%
General Invest Overseas S.A.	75,678,700	10.70%
Dennis Francis	25,890,416	3.66%
Ali Sobraliev	23,014,273	3.25%
J&E Davy	50,351,379	7.12%

Paul Dowling
Chief Financial Officer

HEALTH, SAFETY AND ENVIRONMENTAL REPORT

The Group is fully committed to high standards of Health, Safety and Environmental ("HSE") management and being socially responsible within the communities where we work. There are inherent risks in the oil and gas industry and these are managed through policies and practices, which stress the need for individual and collective responsibility within our staff structure and with contractors that operate for the Group.

Alexey Balyasnikov, the General Director of Stimul-T, has primary responsibility for all aspects of HSE management. As well as reporting directly to Group CEO, Dennis Francis, he also attends all Board meetings to report to the full Board on HSE issues. There were no lost time incidents in 2015 or 2014.

HEALTH AND SAFETY MANAGEMENT

The Group has a dedicated Labour Safety and Industrial Security Department in Tomsk. The role of the department is to minimise the risks to employees and contractors from the day-to-day operation of our business, to train all staff in safety awareness and to prepare contingency plans to minimise the potential impact of any unplanned incidents or events. For that purpose we:

- Control compliance of all employee operations with labour safety requirements and ensure that employees of the Group and employees of contractors are adequately trained in the use of relevant equipment.
- Have a medical facility and appropriate medical personnel at our central Lineynoye base to deal with any issues arising and provide necessary healthcare.
- Monitor all contracts the Group enters into in order to ensure that contractors are informed of the labour safety policies of the Group.
- Carry out regular site inspections to ensure full compliance.
- Maintain an Emergency Response Plan for the facilities of the Group.
- Develop and get approved by state authorities:
  - Regulation for control of industrial safety compliance at hazardous facilities.
  - Regulation for accident investigation at hazardous industrial facilities of the Group.

EMERGENCY PREPAREDNESS TRAINING

In March 2015, we held a joint training exercise with the Ministry of Emergency Situations to test our oil spill contingency plan. The scheduled training plan involved the scenario where there was a sudden fracture of an oil storage tank (2,000 m^3) at the Lineynoye Central Processing Facilities and a spill wave broke part of the containment dyke leading to one of the employees being asphyxiated by oil fumes. The exercise was successful and, while there were some minor recommendations at the end of the exercise, the local and federal authorities were satisfied that the Group is well prepared for such an emergency. A similar joint exercise had been carried out in 2013 which simulated an oil spill from the pipeline. As well as these major exercises involving external authorities there is an internal programme of regular drills and exercises.

ENVIRONMENTAL IMPACT MANAGEMENT

The Board recognises that the Group's activities can have a significant impact on the environment and has a dedicated full-time Environmental Engineer on site in our Tomsk office. As part of the Group's responsibilities under Russian law, an environmental assessment of Licence 61 was carried out before any drilling work commenced in 2007. This was to establish the state of the environment within Licence 61 in advance of any major works. A similar base-line assessment at Licence 67 was also completed before drilling works commenced.

In 2015 the main activities from an environmental perspective were:

- Environmental and subsoil monitoring at Lineynoye, Arbuzovskoye and Tungolskoye oil fields.
- Planning and approvals for 2015 and 2016 drilling programmes.
- Planning and approvals for 2016 pipeline and utility line construction.
- Planning and approvals for 2015 2D seismic acquisition programme in Licence 61.

This included the use of an independent company to supervise the work of both our own staff and the staff of contractors working at our sites.

ENVIRONMENTAL INITIATIVES

In 2015 we handed back two leased land plots with a total area of 333 hectares at Licence 61 to local authorities (Forestry Department for the Tomsk Oblast). As part of this process we carried out recultivation works in these areas which included the planting of grass seed and over 3,000 pine tree saplings.

GAS UTILISATION

The initial facilities design at Lineynoye emphasised the installation of gas piston power generators to utilise associated gas from the oil production to generate electricity for the camp, facilities and field needs, and thereby minimise the flaring of associated gas. This has been very successful and has led to our operations being amongst the top three in the region in terms of percentage of gas utilisation. We continue to work towards a goal of 95% gas utilisation and are currently looking at various options to utilise more gas. We have already installed two gas turbine generators that can utilise a higher percentage of the low pressure gas that is currently being flared.

COMPLIANCE AND INSPECTIONS

The Group reports on its HSE activities to various statutory authorities in Russia on a quarterly and annual basis and is also subject to regular inspections by various bodies. A number of routine inspections relating to compliance with the various health, safety and environmental obligations took place in 2015 and 2014 and no significant issues arose from these inspections.

BOARD OF DIRECTORS

1. DAVID GOLDER

(Non-Executive Chairman) (Age 68)
Mr. Golder has been Non-Executive Chairman of the Company since 2005. He is also Chairman of the Remuneration Committee and a member of the Audit Committee. He has over 40 years experience in the petroleum industry and was formerly Senior Vice President of Marathon Oil Company ("Marathon"), retiring 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. Mr. Golder is 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.

2. DENNIS FRANCIS

(Chief Executive Officer and Executive Director) (Age 67)
Mr. Francis has been Chief Executive Officer and an Executive Director of the Company since its formation in 2005. He has over 40 years experience in the petroleum industry and was with Marathon for 30 years. From 1990, Mr. Francis was the USSR/FSU task force manager, responsible for developing 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 was instrumental in the formation of Sakhalin Energy Investment Company and was a director in that company. He is a member of the American Association of Petroleum Geologists and Society of Exploration Geophysicists. He has a BSc degree in geophysical engineering and an MSc degree in geology, both from the Colorado School of Mines. He has also completed the Program for Management Development at Harvard University.

3. THOMAS HICKEY

(Non-Executive Director) (Age 47)
Mr. Hickey has been a Non-Executive Director of the Company since 2005. He is Chairman of the Audit Committee and a member of the Remuneration Committee. He is Chief Financial Officer of Petroceltic International plc, an AIM listed oil and gas company focused on the Middle East, North Africa and the Mediterranean basin. Tom was previously an Executive Director and Chief Financial Officer of Tullow Oil plc, from 2000 to 2008. During this time, Tullow grew via a number of significant acquisitions including the US$570 million acquisition of Energy Africa in 2004 and the US$1.1 billion acquisition of Hardman Resources in 2006. Prior to joining Tullow, Tom was an Associate Director of ABN AMRO Corporate Finance (Ireland) Limited. Tom is a Fellow of the Institute of Chartered Accountants in Ireland.

4. MAXIM KOROBOV

(Non-Executive Director) (Age 58)
Mr. Korobov was appointed a Non-Executive Director of the Company on 24 April 2016. He is a Russian businessman with over 20 years of experience in the oil and gas sector and the ultimate beneficial owner of Natlata Partners Limited, a significant shareholder of PetroNeft.

5. ANTHONY SACCA

(Non-Executive Director) (Age 44)
Mr. Sacca was appointed a Non-Executive Director of the Company on 24 April 2016. He is a member of the Audit Committee. He is principal of Karri Tree executive coaching. Anthony was previously the Chief Financial Officer of Rolf Group of Companies, one of Russia's largest independent automotive distributor/retailers. Prior to that he was a Partner with PwC in Moscow. In addition to coaching, Anthony sits on the advisory board of Emex Group. His role on these businesses ranges from business decision making to the implementation or improvement of corporate governance practices. Anthony is a Fellow of the Institute of Chartered Accountants in Australia. He holds a Bachelor of Business and Administration (Distinction) from Curtin University of Technology Perth, Australia. He is a member of the Russian Independent Directors Association and holds a Diploma in Company Direction from the Institute of Directors in the United Kingdom. In addition to his business, Anthony is a lecturer on business ethics, as part of the Masters in Finance programme at the New Economic School in Moscow.

6. DAVID STURT

(Non-Executive Director) (Age 54)
Mr. Sturt was appointed a Non-Executive Director of the Company on 24 April 2016. He is a member of the Remuneration Committee. David has over 29 years of international experience in the oil and gas industry gained working on projects in Europe, CIS, Africa and SE Asia. Since 2012 David has been a Senior Vice President with Azimuth Limited, and is a founding shareholder of VTX, which is an oil and gas production company with assets in Indiana and Illinois formed after the sale of VistaTex. He is currently a Non-Executive director of Petrosibir AB a Swedish company with oil and gas interests in Russia. During 2011-2012, David served as a Deputy Board Chairman and Head of Upstream for Ukrnafta. David was one of the founding shareholders of VistaTex, a gas producing company with assets onshore US, recently acquired by Dome Energy. David holds a BSc honours degree in Earth Sciences from Kingston Polytechnic University, an MSc degree in Exploration Geophysics from Leeds University, and a postgraduate diploma in business administration from Herriott Watt University.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present herewith their Annual Report and the audited financial statements of PetroNeft Resources plc (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activities of the Group are that of oil and gas exploration, development and production through its holdings in two joint venture undertakings. The Group was established to acquire and develop oil and gas exploration, development and production interests in Russia and other countries of the former Soviet Union. A detailed business review is included in the Chairman's Statement, Chief Executive Officer's Report and in the Financial Review.

RESULTS AND DIVIDENDS

The loss for the year before tax amounted to US$7,674,917 (2014: US$8,376,425). After a tax charge of US$799,466 (2014: US$407,960) the loss for the year amounted to US$8,474,383 (2014: US$8,784,385). The Directors do not recommend payment of a final dividend and no interim dividend was paid.

REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS

In compliance with the requirements of the Companies Act 2014, a fair review of the performance and development of the Group's business during the year, its position at the year-end and its future prospects is contained in the Chairman's Statement on pages 10 to 11, the Chief Executive Officer's Report on pages 12 to 15 and the Financial Review on pages 16 to 20. The key financial metrics used by management are set out in the Financial Review on page 17.

CORPORATE GOVERNANCE

The Company is not subject to the UK Corporate Governance Code applicable to companies with full listings on the Dublin and London Stock Exchanges. The Company has adopted and intends, in so far as is practicable and desirable, given the size and nature of the business and the constitution of the Board, to comply with the Corporate Governance Code For Small And Mid-Size Quoted Companies (the "QCA Code") as published by the Quoted Companies Alliance (the "QCA"). PetroNeft is a member of the Quoted Companies Alliance.

The QCA Code was devised, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to Small And Mid-Size Quoted Companies. An alternative code was proposed because the QCA considered the UK Corporate Governance Code to be inappropriate to many Small And Mid-Size Quoted Companies.

The QCA Code states that "Good corporate governance inspires trust between a public company and its shareholders; it creates value by reducing the risks that a company faces as it seeks to create growth in long term shareholder value. Without trust, there will be no appetite from shareholders to invest further or remain shareholders. In reducing the risks, so the cost of capital is reduced." The guidelines set out a code of best practice for Small And Mid-Size Quoted Companies. Those guidelines require, among other things, that:

a) certain matters be specifically reserved for the Board's decision;
b) the Board should be supplied in a timely manner with information (including regular management financial information) in a form and of a quality appropriate to enable it to discharge its duties;
c) the Board should, at least annually, conduct a review of the effectiveness of the Company's system of internal controls and should report to shareholders that they have done so;
d) the roles of Chairman and Chief Executive should not be exercised by the same individual or there should be a clear explanation of how other Board procedures provide protection against the risks of concentration of power within the Company;
e) the Company should have at least two independent Non-Executive Directors on the Board and the Board should not be dominated by one person or group of people;
f) all Directors should be submitted for re-election at regular intervals subject to continued satisfactory performance;
g) the Board should establish audit, remuneration and nomination committees; and
h) there should be a dialogue with shareholders based on a mutual understanding of objectives.

PetroNeft satisfies all of these requirements. Major corporate decisions of the Group are subject to Board approval. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. These matters include approval of the Group's general commercial strategy, financial statements, Board membership, significant acquisitions and disposals, major capital expenditures, overall corporate governance and risk management and treasury policies. The Company holds regular Board meetings throughout the year.

In accordance with the QCA Code, the Board has established Audit, Remuneration and Nomination Committees, as described below, and utilises other committees as necessary in order to ensure effective governance.

Audit Committee
The members of the Audit Committee are Thomas Hickey (Chairman), David Golder and Anthony Sacca. The Audit Committee's responsibilities include, among other things, reviewing interim and year-end financial statements and preliminary announcement, accounting principles, policies and practices, internal controls and overseeing the relationship with the external auditor including reviewing the results of their audit.

Remuneration Committee
The members of the Remuneration Committee are David Golder (Chairman), Thomas Hickey and David Sturt. The Remuneration Committee's responsibilities include, among other things, determining the policy and elements of remuneration for Executive Directors, provided however, that no Director shall be directly involved in any decisions as to their own remuneration.

Nomination Committee
Given the current size of the Group, a permanent Nomination Committee was not considered necessary and the Board had reserved to itself the process by which a new Director is appointed. On 18 June 2015 the Board agreed to form a permanent Nomination Committee. The Committee currently comprises Thomas Hickey (Chairman), David Golder and David Sturt.

The percentage of Non-Executive Directors on the Board is above the recommended 50%. The Group has adopted a model code for Directors' dealings that is appropriate for an AIM company. The Group complies with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Directors and the Group's applicable employees and their relative associates.

Governance of Jointly Controlled Entities
Under the joint venture agreements in respect of Licence 61 and Licence 67 both partners are entitled to appoint two board representatives to the joint venture companies, WorldAce Investments Limited and Russian BD Holdings B.V. PetroNeft has appointed Paul Dowling to the Board of both companies, positions for which he receives no additional remuneration, along with local independent directors in Cyprus and Netherlands respectively. These companies are managed and controlled in Cyprus and the Netherlands through regular Board meetings. The independent local directors appointed by PetroNeft are Mr. Themis Themistocleous and Ms. Suzanne Röell in respect of WorldAce and Russian BD Holdings B.V. respectively.

SHAREHOLDER COMMUNICATION

Shareholder communication is given high priority by the Group and there are regular meetings between senior executives, institutional shareholders, analysts and brokers. These meetings, which are governed by procedures designed to ensure that price sensitive information is not divulged, are designed to facilitate a two-way dialogue based upon the mutual understanding of objectives. The Annual General Meeting ("AGM") affords individual shareholders the opportunity to question the Chairman and the Board and their participation is welcomed. Shareholders are also welcome to telephone or email the Company at any time.

The Chairmen of the Audit Committee and Remuneration Committee are available at the AGM to answer questions. In addition, major shareholders can meet with the Chairman of the Board or any Executive and Non-Executive Directors on request.

The Board is kept appraised of the views of shareholders, and the market in general, through feedback from the meetings programme. Analysts' reports on the Company are also circulated to the Board on a regular basis. The Group's website, www.petroneft.com, is also a key communication tool with all shareholders. News releases are made available on the website immediately after release to the Stock Exchange. Investor presentations, reserve reports and other materials are also available on the website.

INTERNAL CONTROL

The Directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to executive management. This system is reviewed annually and includes financial controls that enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Group's system of internal financial control provides reasonable, though not absolute, assurance that assets are safeguarded, transactions authorised and recorded properly and that material errors or irregularities are either prevented or detected within a timely period.

DIRECTORS

The present Directors are listed on page 78.

In accordance with Article 89 of the Articles of Association, Dennis Francis retires by rotation and, being eligible, offers himself for re-election. Maxim Korobov, Anthony Sacca and David Sturt, having been appointed to the Board on 24 April 2016, also retire in accordance with Article 92 of the Articles of Association of the Company and being eligible offer themselves for election.

DIRECTORS, COMPANY SECRETARY AND THEIR INTERESTS

The Directors and Company Secretary who held office at 31 December 2015 had no interests, other than those shown below, in the Ordinary Shares of the Company. All interests shown below are beneficial interests.

	Ordinary Shares As at 15 June 2016	Ordinary Shares As at 31 December 2015	Ordinary Shares As at 1 January 2015
David Golder	3,165,458	3,165,458	3,165,458
Dennis Francis	25,890,416	24,390,416	23,760,416
Paul Dowling*	N/A	731,583	731,583
David Sanders*	N/A	2,238,235	2,238,235
Gerard Fagan*	N/A	200,000	200,000
Thomas Hickey	2,226,283	2,226,283	2,226,283

*Paul Dowling, David Sanders and Gerard Fagan are no longer directors of the Company having resigned from the Board on 24 April 2016.

In addition to the above, the Directors who held office at 31 December 2015 held the following share options:

Director	Options held as at 1 January 2015	Granted in year	Exercised in year	Lapsed in year	Options held as at 31 December 2015	Exercise price
David Golder	425,000	–	–	(55,000)	370,000	£0.065 – £0.66
Dennis Francis	1,465,000	–	–	(330,000)	1,135,000	£0.065 – £0.66
Paul Dowling	1,141,250	–	–	(175,000)	966,250	£0.065 – £0.66
David Sanders	1,246,250	–	–	(280,000)	966,250	£0.065 – £0.66
Gerard Fagan	260,000	–	–	–	260,000	£0.065 – £0.66
Thomas Hickey	355,000	–	–	(45,000)	310,000	£0.065 – £0.66

Details of the terms and conditions of the option scheme are included in Note 26 of the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has a risk management structure in place which is designed to identify, manage and mitigate business risks. Risk assessment and evaluation is an essential part of the Group's internal control system.

Details of the principal risks and uncertainties affecting the Group, as required to be disclosed in accordance with the Companies Act 2014, are listed on pages 19 to 20.

GOING CONCERN

As detailed in the Chief Executive Officer's report and the Finance Review, a significant work programme will be carried out at Licence 61 in 2016 and 2017. Oil India have agreed to provide funding for 100% of this work programme by way of a shareholder loan to the joint venture company, WorldAce Investments Limited. This loan is unsecured and capital repayments do not commence until October 2019. However, should there be a significant change in PetroNeft management the loan can be called in and PetroNeft would have to provide its share of funding to WorldAce in order that the loan could be repaid. The recent agreement between the Company and its largest shareholder, Natlata, helps to provide stability in terms of the management team at PetroNeft and the agreement, which is subject to certain conditions, is envisaged to last for two years, thereby mitigating the risk of the loan being called in early.

PetroNeft the holding company recovers some of its costs from the joint ventures it operates and expects to fund the unrecovered costs through existing cash resources and also expects to start receiving interest on its US$45 million loan to WorldAce in 2017.

Management have analysed its cash flow requirements for the Group and the Company for the period to 31 December 2017 in detail. The cash flow includes estimates for a number of key variables including the timing of cash flows of development expenditure, oil price, production rates, exchange rates and management of working capital and is based on the provision of funding by Oil India as described above. The cash flow analysis demonstrates that the Group and Company will be in a position to meet its liabilities as they fall due.

Based on the agreements that are in place with Oil India and Natlata, and after making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

REMUNERATION COMMITTEE REPORT

The Group's policy on senior executive remuneration is designed to attract and retain people of the highest calibre who can bring their experience and independent views to the policy, strategic decisions and governance of the Group.

In setting remuneration levels, the Remuneration Committee takes into consideration the remuneration practices of other companies of similar size and scope. A key philosophy is that staff must be properly rewarded and motivated to perform in the best interests of the shareholders. Bonuses for Executive Directors are based on performance targets which include elements relating to shareholder return and individual performance.

The share option scheme is designed to incentivise performance and loyalty of Directors and key employees. Options vest when certain operational and total shareholder return targets are met. Share option holdings of the Directors are disclosed on page 26.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015
(CONTINUED)

DIRECTORS REMUNERATION

	2015				2014			
Director	Basic	Bonus	Pension	Total	Basic	Bonus	Pension	Total
Executive directors	US$	US$	US$	US$	US$	US$	US$	US$
Dennis Francis	396,334	–	28,140	424,474	342,433	152,192	21,116	515,741
Paul Dowling	328,848	–	21,100	349,948	274,968	112,099	13,512	400,580
David Sanders	296,178	–	19,330	315,508	266,841	49,758	15,295	331,894
	1,021,360	–	68,570	1,089,930	884,242	314,049	49,923	1,248,214
Non-executive directors								
David Golder	71,204	–	–	71,204	62,546	–	–	62,546
Gerard Fagan	44,101	–	–	44,101	42,913	–	–	42,913
Thomas Hickey	44,101	–	–	44,101	42,913	–	–	42,913
Vakha Sobraliev*	24,895	–	–	24,895	28,609	–	–	28,609
	184,301	–	–	184,301	176,981	–	–	176,981
Total Directors remuneration	**1,205,661**	**–**	**68,570**	**1,274,231**	**1,061,223**	**314,049**	**49,923**	**1,425,195**

Your attention is drawn to the details of the share options granted to the Directors as set out in the Report of the Directors on page 26. In accordance with IFRS 2, Share-based Payment, a further expense of US$8,971 (2014: US$23,289) has been recognised in the Consolidated Income Statement in respect of share options granted to Directors.

*Vakha Sobraliev resigned as director on 18 September 2015.

POLITICAL DONATIONS
The Company did not make any political donations during the year.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE
On 24 April 2016 David Sanders, Gerard Fagan and Paul Dowling resigned from the Board of the Company and Maxim Korobov, Anthony Sacca and David Sturt were appointed to the Board in conjunction with an agreement between the Company and its largest shareholder, Natlata Partners Limited. Mr. Dowling remains as CFO of the Company. The agreement with Natlata, which is for a period of two years, includes a commitment from Natlata only to support shareholder resolutions that have been recommended by the Board of the Company.

In March 2016, Oil India agreed to provide 100% funding for the agreed Licence 61 work programme in 2016 and 2017. A loan of US$10 million was agreed with the joint venture company, WorldAce Investments Limited, to fund the 2016 programme. The loan is unsecured and capital repayments commence in October 2019. Should there be a significant change in the management of PetroNeft while the loan is outstanding then Oil India may seek early repayment in full. In such circumstances PetroNeft would need to provide its 50% share of the amount outstanding.

ACCOUNTING RECORDS
The measures taken by the Directors to ensure compliance with the requirements of Sections 281 to 285, Companies Act 2014, regarding accounting records are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the Company are maintained at 20 Holles Street, Dublin 2, Ireland.

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the European Union. Under company law the Directors must not approve financial statements unless they are satisfied they give a true and fair view of the assets, liabilities and financial position, of the Group and Parent Company as at the end of the financial year, and the profit or loss for the Group for the financial year, and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Ernst & Young, Chartered Accountants, have indicated their willingness to continue in office in accordance with the provisions of Section 383 (2) of the Companies Act 2014.

ANNUAL GENERAL MEETING

Your attention is drawn to the Notice of the Annual General Meeting ("AGM") set out on page 75. The AGM will be held on 16 September 2016 in the Herbert Park Hotel, Ballsbridge, Dublin 4, Ireland.

Your Directors believe that the Resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole and, therefore, recommend you to vote in favour of the Resolutions.

Approved by the Board on 22 June 2016

David Golder	**Dennis Francis**
Director	Director

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PETRONEFT RESOURCES PLC

We have audited the Group and Parent Company financial statements (the 'financial statements') of PetroNeft Resources plc for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity, and the related Notes 1 to 28. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

This report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Parent Company as at 31 December 2015 and of the loss of the Group for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACT 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Parent Company were sufficient to permit the Parent Company financial statements to be readily and properly audited.
- The Parent Company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of sections 305 to 312 of the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Dermot Quinn
For and on behalf of Ernst & Young
Chartered Accountants and Statutory Audit Firm
Dublin
22 June 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Continuing operations			
Revenue	4	2,398,314	19,165,456
Cost of sales		(2,370,949)	(15,233,532)
Gross profit		**27,365**	**3,931,924**
Administrative expenses		(1,379,506)	(3,677,947)
Exchange loss on intra-Group loans		(284,449)	(2,401,138)
Operating loss	5	**(1,636,590)**	**(2,147,161)**
Loss on disposal of subsidiary undertaking	11	–	(5,569,164)
Share of joint venture's net loss - WorldAce Investments Limited	13	(8,765,055)	(304,439)
Share of joint venture's net loss - Russian BD Holdings B.V.	14	(314,859)	(294,103)
Finance revenue	6	3,041,587	1,550,754
Finance costs	7	–	(1,612,312)
Loss for the year for continuing operations before taxation		**(7,674,917)**	**(8,376,425)**
Income tax expense	9	(799,466)	(407,960)
Loss for the year attributable to equity holders of the Parent		**(8,474,383)**	**(8,784,385)**
Loss per share attributable to ordinary equity holders of the Parent			
Basic and diluted - US dollar cent	10	**(1.20)**	**(1.27)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 US$	2014 US$
Loss for the year attributable to equity holders of the Parent		**(8,474,383)**	**(8,784,385)**
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Currency translation adjustments - subsidiaries		265,640	(764,277)
Share of joint ventures' other comprehensive income - foreign exchange translation differences		(12,474,502)	(26,480,234)
Recycling of currency translation reserve on disposal of subsidiary	11	–	9,337,907
Total comprehensive loss for the year attributable to equity holders of the Parent		**(20,683,245)**	**(26,690,989)**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Assets			
Non-current Assets			
Property, plant and equipment	12	181,703	321,802
Equity-accounted investment in joint ventures - WorldAce Investments Limited	13	–	10,865,156
Equity-accounted investment in joint ventures - Russian BD Holdings B.V.	14	–	365,178
Financial assets - loans and receivables	16	42,883,861	46,398,502
		43,065,564	**57,950,638**
Current Assets			
Inventories	17	54,302	15,179
Trade and other receivables	18	1,842,128	5,069,944
Cash and cash equivalents	19	1,284,212	3,392,769
		3,180,642	**8,477,892**
Total Assets		**46,246,206**	**66,428,530**
Equity and Liabilities			
Capital and Reserves			
Called up share capital presented as equity	21	9,429,182	9,429,182
Share premium account		140,912,898	140,912,898
Share-based payment reserve		6,796,540	6,763,745
Retained loss		(74,774,790)	(66,300,407)
Currency translation reserve		(38,885,148)	(26,676,286)
Other reserves		336,000	336,000
Equity attributable to equity holders of the Parent		**43,814,682**	**64,465,132**
Non-current Liabilities			
Deferred tax liability	9	1,286,378	511,775
		1,286,378	**511,775**
Current Liabilities			
Trade and other payables	20	1,145,146	1,451,623
		1,145,146	**1,451,623**
Total Liabilities		**2,431,524**	**1,963,398**
Total Equity and Liabilities		**46,246,206**	**66,428,530**

Approved by the Board on 22 June 2016

David Golder
Director

Dennis Francis
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital presented as equity	Share premium account	Share-based payment and other reserves	Currency translation reserve	Currency translation reserve relating to assets held for sale	Retained loss	Total
	US$	US$	US$	US$	US$	US$	US$
At 1 January 2014	**8,561,499**	**136,762,387**	**7,020,820**	**(177,021)**	**(8,592,661)**	**(57,516,022)**	**86,059,002**
Loss for the year	–	–	–	–	–	(8,784,385)	(8,784,385)
Currency translation adjustments - subsidiaries	–	–	–	(19,031)	(745,246)	–	(764,277)
Share of joint ventures' other comprehensive income - foreign exchange translation differences	–	–	–	(26,480,234)	–	–	(26,480,234)
Recycling of currency translation reserve on disposal of subsidiary	–	–	–	–	9,337,907	–	9,337,907
Total comprehensive loss for the year	–	–	–	(26,499,265)	8,592,661	(8,784,385)	(26,690,989)
New share capital subscribed	867,683	4,308,865	–	–	–	–	5,176,548
Transaction costs on issue of share capital	–	(158,354)	–	–	–	–	(158,354)
Share-based payment expense	–	–	78,925	–	–	–	78,925
At 31 December 2014	**9,429,182**	**140,912,898**	**7,099,745**	**(26,676,286)**	**–**	**(66,300,407)**	**64,465,132**
At 1 January 2015	**9,429,182**	**140,912,898**	**7,099,745**	**(26,676,286)**	**–**	**(66,300,407)**	**64,465,132**
Loss for the year	–	–	–	–	–	(8,474,383)	(8,474,383)
Currency translation adjustments - subsidiaries	–	–	–	265,640	–	–	265,640
Share of joint ventures' other comprehensive income - foreign exchange translation differences	–	–	–	(12,474,502)	–	–	(12,474,502)
Total comprehensive loss for the year	–	–	–	(12,208,862)	–	(8,474,383)	(20,683,245)
Share-based payment expense	–	–	32,795	–	–	–	32,795
At 31 December 2015	**9,429,182**	**140,912,898**	**7,132,540**	**(38,885,148)**	**–**	**(74,774,790)**	**43,814,682**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 US$	2014 US$
Operating activities			
Loss before taxation		**(7,674,917)**	**(8,376,425)**
Adjustment to reconcile loss before tax to net cash flows			
Non-cash			
Depreciation		97,673	126,250
Share of loss in joint ventures		9,079,914	598,542
Share-based payment expense	26	32,795	78,925
Loss on disposal of subsidiary undertaking	11	–	5,569,164
Finance revenue	6	(3,041,587)	(1,550,754)
Finance costs	7	–	1,612,312
Working capital adjustments			
Increase in trade and other receivables		(548,351)	(506,502)
(Increase)/decrease in inventories		(39,122)	44,199
Increase/(decrease) in trade and other payables		31,428	(1,028,136)
Income tax paid		(25,832)	(5,354)
Net cash flows used in operating activities		**(2,087,999)**	**(3,437,779)**
Investing activities			
Purchase of oil and gas properties		–	(200,669)
Purchase of property, plant and equipment		(19,059)	(144,137)
Exploration and evaluation payments		–	(1,187,432)
Loan facilities advanced to joint venture undertakings		–	(3,500,000)
Repayment of loan facilities by joint venture undertakings		–	36,105,575
Decrease in restricted cash		–	2,054,947
Decrease in cash and cash equivalents held for sale		–	176,857
Interest received		10,095	15,310
Net cash (used in)/received from investing activities		**(8,964)**	**33,320,451**
Financing activities			
Proceeds from issue of share capital		–	5,176,548
Transaction costs of issue of shares		–	(158,354)
Proceeds from loan facilities		–	1,500,000
Repayment of loan facilities		–	(31,500,000)
Interest paid		–	(1,601,285)
Net cash used in financing activities		**–**	**(26,583,091)**
Net (decrease)/increase in cash and cash equivalents		**(2,096,963)**	**3,299,581**
Translation adjustment		(11,594)	(23,643)
Cash and cash equivalents at the beginning of the year		3,392,769	116,831
Cash and cash equivalents at the end of the year	19	**1,284,212**	**3,392,769**

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Non-current Assets			
Property, plant and equipment	12	3,480	5,512
Financial assets - investments in joint ventures and subsidiaries	15	40,199,899	40,178,392
Financial assets - loans and receivables	16	53,237,269	46,398,502
		93,440,648	**86,582,406**
Current Assets			
Trade and other receivables	18	2,671,295	5,960,565
Cash and cash equivalents	19	1,279,652	3,392,235
		3,950,947	**9,352,800**
Total Assets		**97,391,595**	**95,935,206**
Equity and Liabilities			
Capital and Reserves			
Called up share capital presented as equity	21	9,429,182	9,429,182
Share premium account		140,912,898	140,912,898
Share-based payment reserve		6,796,540	6,763,745
Retained loss		(62,137,203)	(63,214,387)
Other reserves		336,000	336,000
Equity attributable to equity holders of the parent		**95,337,417**	**94,227,438**
Non-current Liabilities			
Deferred tax liability	9	1,286,378	511,775
		1,286,378	**511,775**
Current Liabilities			
Trade and other payables	20	767,800	1,195,993
		767,800	**1,195,993**
Total Liabilities		**2,054,178**	**1,707,768**
Total Equity and Liabilities		**97,391,595**	**95,935,206**

Approved by the Board on 22 June 2016

David Golder
Director

Dennis Francis
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital presented as equity	Share premium	Share-based payment and other reserves	Retained loss	Total
	US$	US$	US$	US$	US$
At 1 January 2014	**8,561,499**	**136,762,387**	**7,020,820**	**(58,969,330)**	**93,375,376**
Loss for the year	–	–	–	(4,245,057)	(4,245,057)
Total comprehensive loss for the year	–	–	–	(4,245,057)	(4,245,057)
New share capital subscribed	867,683	4,308,865	–	–	5,176,548
Transaction costs on issue of share capital	–	(158,354)	–	–	(158,354)
Share-based payment expense	–	–	78,925	–	78,925
At 31 December 2014	**9,429,182**	**140,912,898**	**7,099,745**	**(63,214,387)**	**94,227,438**
At 1 January 2015	**9,429,182**	**140,912,898**	**7,099,745**	**(63,214,387)**	**94,227,438**
Profit for the year	–	–	–	1,077,184	1,077,184
Total comprehensive profit for the year	–	–	–	1,077,184	1,077,184
Share-based payment expense	–	–	32,795	–	32,795
At 31 December 2015	**9,429,182**	**140,912,898**	**7,132,540**	**(62,137,203)**	**95,337,417**

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Operating Activities			
Profit/(loss) before taxation		**1,854,270**	**(3,837,097)**
Adjustments to reconcile profit/(loss) before tax to net cash flows			
Non-cash			
Depreciation of property, plant and equipment		2,032	3,667
Share-based payment expense		11,288	29,303
Finance revenue		(3,108,342)	(1,621,654)
Finance costs		–	1,554,898
Working capital adjustments			
Increase in trade and other receivables		(381,035)	(882,361)
Decrease in trade and other payables		(486,020)	(476,151)
Income tax paid		(4,193)	(5,354)
Net cash flows used in operating activities		**(2,112,000)**	**(5,234,749)**
Investing activities			
Purchase of property, plant and equipment		–	(5,039)
Loan facilities advanced		–	(4,100,000)
Return of loan facilities		–	37,145,000
Decrease in restricted cash		–	2,054,947
Interest received		9,933	11,459
Net cash received from investing activities		**9,933**	**35,106,367**
Financing activities			
Proceeds from issue of share capital		–	5,176,548
Transaction costs of issue of shares		–	(158,354)
Proceeds from loan facilities		–	1,500,000
Repayment of loan facilities		–	(31,500,000)
Interest paid		–	(1,601,285)
Net cash used in financing activities		**–**	**(26,583,091)**
Net (decrease)/increase in cash and cash equivalents		(2,102,067)	3,288,527
Translation adjustment		(10,516)	(11,457)
Cash and cash equivalents at the beginning of the year		3,392,235	115,165
Cash and cash equivalents at the end of the year	19	**1,279,652**	**3,392,235**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION ON THE COMPANY AND THE GROUP
PetroNeft Resources plc ("PetroNeft", "the Company", or together with its subsidiaries and joint ventures, "the Group") is a company incorporated in Ireland. The Company is listed on the Alternative Investments Market ("AIM") of the London Stock Exchange and the Enterprise Securities Market ("ESM") of the Irish Stock Exchange. The address of the registered office and the business address in Ireland is 20 Holles Street, Dublin 2. The Company is domiciled in the Republic of Ireland.

The principal activities of the Group are oil and gas exploration, development and production.

2. ACCOUNTING POLICIES
2.1 Basis of Preparation
The financial statements have been prepared on a historical cost basis. The financial statements are presented in US Dollars ('US$').

The accounting policies set out below have been applied consistently by all the Group's subsidiaries and joint ventures to all periods presented in these consolidated financial statements. With effect from 3 July 2014 when the WorldAce Group became a joint venture (as described in more detail in Note 11) certain accounting policies, estimates and assumptions, and judgements do no longer apply directly to PetroNeft, but are still applicable to its joint venture undertakings. These accounting policies, estimates and assumptions, and judgements, which were applicable to PetroNeft until 3 July 2014, have been marked with an asterisk (*).

Statement of Compliance
The consolidated and standalone financial statements of PetroNeft Resources plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Going Concern
As detailed in the Chief Executive Officer's report and the Finance Review, a significant work programme will be carried out at Licence 61 in 2016 and 2017. Oil India have agreed to provide funding for 100% of this work programme by way of a shareholder loan to the joint venture company, WorldAce Investments Limited. This loan is unsecured and capital repayments do not commence until October 2019. However, should there be a significant change in PetroNeft management the loan can be called in and PetroNeft would have to provide its share of funding to WorldAce in order that the loan could be repaid. The recent agreement between the Company and its largest shareholder, Natlata, helps to provide stability in terms of the management team at PetroNeft and the agreement, which is subject to certain conditions, is envisaged to last for two years, thereby mitigating the risk of the loan being called in early.

PetroNeft the holding company recovers some of its costs from the joint ventures it operates and expects to fund the unrecovered costs through existing cash resources and also expects to start receiving interest on its US$45 million loan to WorldAce in 2017.

Management have analysed its cash flow requirements for the Group and the Company for the period to 31 December 2017 in detail. The cash flow includes estimates for a number of key variables including the timing of cash flows of development expenditure, oil price, production rates, exchange rates and management of working capital and is based on the provision of funding by Oil India as described above. The cash flow analysis demonstrates that the Group and Company will be in a position to meet its liabilities as they fall due.

Based on the agreements that are in place with Oil India and Natlata, and after making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of PetroNeft Resources plc and its subsidiaries as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-Group balances, income and expenses and unrealised gains and losses resulting from intra-Group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recognised in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group has an interest in two joint venture undertakings, WorldAce Investments Limited and Russian BD Holdings B.V. Both joint ventures qualify separately as a jointly controlled entity ("JCE"), whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and major operating decisions among the venturers. The JCE controls the assets of the joint venture, earns its own income and incurs its own liabilities and expenses. Interests in the JCE are accounted for using the equity method. Under the equity method, the investment in the joint venture is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Where there has been a change recognised directly in other comprehensive income or equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income or the statement of changes in equity, as appropriate. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The share of the joint venture's net profit/(loss) is shown on the face of the consolidated income statement. This is the profit/(loss) attributable to the Group's interest in the joint venture. The financial statements of the JCE are prepared for the same reporting period as the venturer. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group, acting as the operator of the JCEs, receives reimbursement of direct costs recharged to its joint ventures, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint ventures. When the Group charges a management fee to cover other general costs incurred in carrying out the activities on behalf of the joint venture, it is not acting as an agent.

2.3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in compliance with IFRS as adopted by the European Union ("EU") requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosed contingent liabilities at the end of the reporting year and the amounts of revenues and expenses recognised during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of the future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have a significant effect on amounts recognised in the consolidated financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

Loans and receivables from joint ventures – Notes 13 and 14

During the year share of losses and currency translation adjustments in the joint ventures exceeded the carrying value of equity-accounted investment in joint ventures. It was judged that the loans receivable from the joint ventures were part of the overall investment in the joint ventures, and therefore, under IAS 28, any excess loss should be credited against the carrying value of the receivable from the joint venture company in accordance with IAS 28.

(b) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Reserves base (*)

Certain oil and gas properties are depreciated on a unit-of-production ("UOP") basis at a rate calculated by reference to Proved and Probable reserves, determined in accordance with the Society of Petroleum Engineers Petroleum Resources Management System rules and incorporating the estimated future cost of developing and extracting those reserves. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the field. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The current long-term Urals blend oil price assumption used in the estimation of commercial reserves is an export price of US$40 to $57 per barrel.

Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on Proved and Probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in Proved and Probable reserves;
- The effect on Proved and Probable reserves of differences between actual commodity prices and commodity price assumptions; and
- Unforeseen operational issues.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When value-in-use or fair-value-less-costs-of-disposal calculations are undertaken, management must estimate the future expected cash flows from the asset or cash-generating unit and determine a suitable discount rate in order to calculate the present value of those cash flows.

It is reasonably possible that the oil price assumption may change, which may then impact the estimated life of a field and may then require a material adjustment to the carrying value of the assets. The Group continuously monitors internal and external indicators of possible/potential impairment relating to its tangible and intangible assets.

Impairment of financial assets – Note 15

Investments in subsidiaries in the Parent Company balance sheet are stated at cost and are reviewed for impairment if there are indications that the carrying value may not be recoverable in the parent company balance sheet.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of Significant Accounting Policies

(a) Foreign currencies

The consolidated financial statements are presented in US Dollars, which is the Group's presentational currency. The US Dollar is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company's Russian subsidiaries' functional currency is the Russian Rouble. Transactions in foreign currencies are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment.

Non-monetary items are translated using the exchange rates ruling as at the date of the initial transaction.

The assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange ruling at the balance sheet date and their Income Statements are translated at monthly average exchange rates. The exchange differences arising on the translation are taken directly to equity.

The relevant average and closing exchange rates for 2015 and 2014 were:

	2015		2014	
US$1 =	Closing	Average	Closing	Average
Russian Rouble	73.293	61.128	56.452	38.462
Euro	0.9168	0.9012	0.8191	0.7533
British Pound	0.6755	0.6542	0.6419	0.6069

(b) Oil and gas exploration, evaluation and development expenditure (*)

Oil and gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

Payments to acquire the legal right to explore are capitalised at cost as intangible assets. If no future activity is planned, the carrying value of these costs is written-off. Costs directly associated with an exploration well are capitalised until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written-off as a dry hole. If extractable oil is found and, subject to further appraisal activity, which may include the drilling of further wells, is likely to be developed commercially, the costs continue to be carried as an intangible asset. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. If this is no longer the case, the costs are written-off. When proved reserves are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognised. The net proceeds or costs of pilot production are allocated to exploration and evaluation costs.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties and depreciated from the commencement of production on a unit-of-production basis other than certain non-production related equipment and facilities which are expected to have a shorter useful economic life and are depreciated on a straight-line basis.

2. ACCOUNTING POLICIES (CONTINUED)

(c) Oil and gas properties and other property, plant and equipment (*)

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, relevant borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation

Oil and gas properties are depreciated on the following basis:

- Production related items including the wells, production facility and pipeline are depreciated on a unit-of-production basis over the Proved and Probable reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure to extract these reserves. The related depreciation is included within cost of sales.
- Certain non-production related equipment and facilities which are expected to have a shorter useful economic life are depreciated on a straight-line basis over their estimated useful lives at annual rates ranging from 10% to 50%. The related depreciation is included within administrative expenses.

Property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives at the following annual rates:

- Buildings and leasehold improvements – 3% to 7% or remaining term of the lease.
- Plant and machinery – 10% to 35%.
- Motor vehicles – 14% to 35%.

(d) Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

The recoverable amount is determined as the higher of the fair-value-less-costs–of-disposal for the asset and the asset's value-in-use. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the Consolidated Income Statement so as to reduce the carrying amount in the Consolidated Balance Sheet to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an orderly transaction between market participants at the measurement date. Direct costs of selling the asset are deducted. Fair value for oil and gas assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that a market participant could take into account. These cash flows are discounted by an appropriate discount rate to arrive at a net present value ("NPV") of the asset.

Value-in-use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value-in-use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value-in-use calculation is likely to give a different result to a fair value calculation.

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.

2. ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets - Investments in subsidiaries and Investments in joint ventures

Investments in subsidiaries are stated at cost and are reviewed for impairment if there are indications that the carrying value may not be recoverable. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in its joint ventures are accounted for using the equity method as described at 2.2 above. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date.

(f) Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

(g) Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The Group does not have held-to-maturity investments or available-for-sale financial assets or financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, loans and receivables are carried at amortised cost using the effective interest rate method ("EIR") less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the Consolidated Income Statement. The losses arising from impairment are recognised in the Consolidated Income Statement in finance costs.

The Group assesses at each year-end whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the Consolidated Income Statement. The same policy applies in respect of the Company financial statements.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Consolidated Income Statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written-off when they are assessed as uncollectible.

(h) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Interest-bearing loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Consolidated Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the Consolidated Income Statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Income Statement.

Compound Instruments
IAS 32 Financial Instruments: Presentation requires the issuer of a financial instrument to classify the instrument, or its component parts, on initial recognition, as a financial liability, financial asset or equity instrument in accordance with the substance of the contractual arrangement. When the initial carrying value of a financial instrument is allocated to its liability and equity components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, but without the equity component. Thereafter, it is measured at amortised cost until extinguished on conversion or redemption. The remainder of the proceeds on issue is allocated to the equity component and included in other reserves. The carrying amount of the equity component is not remeasured in subsequent years.

(i) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. ACCOUNTING POLICIES (CONTINUED)

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of producing and processing crude oil is accounted on a weighted average basis. This cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil includes an appropriate proportion of depreciation and overheads based on normal capacity. Net realisable value of crude oil is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to completion and disposal.

(k) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Decommissioning liability (*)

A decommissioning liability is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The amount recognised is the estimated cost of decommissioning, discounted to its present value. A corresponding amount equivalent to the provision at the time of recognition is recognised as part of the cost of the related oil and gas properties or in exploration and evaluation expenditure. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas properties or exploration and evaluation expenditure. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(l) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

2. ACCOUNTING POLICIES (CONTINUED)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside of profit and loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(m) Revenue recognition

Revenue from the sale of crude oil is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a pipe or other delivery mechanism. Revenue from management services provided to joint venture undertakings is recognised in accordance with agreements with our joint venture partners. Revenue from construction services is recognised in accordance with agreed work completion schedules.

All revenue is stated after deducting sales taxes, excise duties and similar levies.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. No finance costs met the criteria to be capitalised as borrowing costs in either 2015 or 2014.

2. ACCOUNTING POLICIES (CONTINUED)

(o) Share-based payment

Employees (including senior executives) and Directors of the Group may receive fees and remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

Equity-settled transactions

The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in Note 26.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(p) Share issue expenses

Costs of share issues are deducted from equity.

(q) Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, or whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (CONTINUED)

(r) Finance revenue and finance cost

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance revenue in the income statement.

(s) Pension costs

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the Consolidated Income Statement in the year to which they relate.

2.5 Changes in Accounting Policy and Disclosures

Adoption of IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

A number of amendments to existing IFRS (principally related to clarifications and refinements of definitions) became effective for, and have been applied in preparing, these Financial Statements. The application of these amendments did not result in material changes to the results or financial position of the Group or the Company.

IFRS and IFRIC interpretations being adopted in subsequent years

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard is applicable from 1 January 2018 and is subject to EU endorsement. IFRS 15 provides a new five step model to be applied to revenue arising from contracts with customers. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue and may impact the timing and amount of revenue recognised from contracts with customers. The Group is currently assessing the impact of IFRS 15 but currently does not expect any significant impact.

IFRS 16 Leases was issued in January 2016 and is effective for periods beginning on or after 1 January 2019. The new standard eliminates the classification of leases as either operating leases or finance leases for a lessee. Leases will be capitalised by recognising the present value of the lease payments, similar to a finance lease under the existing standard. This will have the effect of increased lease assets and financial liabilities for the Group. The standard is yet to be endorsed by the EU. The Group will assess the impact of IFRS 16 during 2016.

IFRS 9 Financial Instruments reflects the final phase of the IASB's work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39, Impairment, and the application of hedge accounting. IFRS 9 is effective from 1 January 2018 and is awaiting EU endorsement. The Group is currently assessing the impact of IFRS 9.

There are no other IFRS or IFRIC interpretations that are effective subsequent to the 2015 financial year-end that would have a material impact on the results or financial position of the Group or the Company.

3. SEGMENT INFORMATION

At present the Group has one reportable operating segment, which is oil exploration and production through its joint venture undertakings. As a result, there are no further disclosures required in respect of the Group's reporting segment.

The risk and returns of the Group's operations are primarily determined by the nature of the activities that the Group engages in, rather than the geographical location of these operations. This is reflected by the Group's organisational structure and the Group's internal financial reporting systems.

Management monitors and evaluates the operating results for the purpose of making decisions consistently with how it determines operating profit or loss in the consolidated financial statements.

Geographical segments

Although the joint venture undertakings WorldAce Investments Limited and Russian BD Holdings B.V. are domiciled in Cyprus and the Netherlands, the underlying businesses and assets are in Russia. Substantially all of the Group's sales and capital expenditures are in Russia.

Assets are allocated based on where the assets are located:

Non-current assets	2015 US$	2014 US$
Russia	39,886,410	57,945,126
Ireland	3,480	5,512
	39,889,890	**57,950,638**

4. REVENUE

Revenue	2015 US$	2014 US$
Crude oil sales	–	17,527,913
Management services	1,644,642	1,187,494
Construction services	753,672	450,049
	2,398,314	**19,165,456**

All revenue from crude oil sales in 2014 arose from sales to third parties based in the Russian Federation. In 2014, revenue from crude oil sales arises from sales to Finko Group companies (99%).

Most of the revenue from management and construction services relate to services provided to the joint venture undertakings which PetroNeft Group have interests in.

5. OPERATING LOSS

Operating loss is stated after charging/(crediting):	Note	2015 US$	2014 US$
Included in cost of sales			
Cost of inventory recognised as an expense		–	15,233,532
Operating lease rentals - land and buildings		–	27,528
Operating lease rentals - equipment		148,998	682,205
Foreign exchange loss on intra-Group loans		284,449	2,401,138
Included in administrative expenses			
Other foreign exchange gains		(36,576)	(17,756)
Operating lease rentals - land and buildings		32,052	94,120
Operating lease rentals - equipment		–	42,721
Depreciation of property, plant and equipment			
Included in cost of sales		95,641	84,468
Included in administrative expenses		2,032	41,782
	12	97,673	126,250
Auditors' remuneration - Group			
-audit of group financial statements		77,622	92,890
-other assurance services		–	–
-tax advisory services		–	–
-other non-audit services		–	–
		77,622	92,890
Auditors' remuneration - Company			
-audit of group financial statements		20,000	20,000
-other assurance services		–	–
-tax advisory services		–	–
		20,000	20,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(CONTINUED)

6. FINANCE REVENUE

	2015 US$	2014 US$
Bank interest receivable	10,095	15,310
Interest receivable on loans to Joint Ventures	3,031,492	1,532,322
Unwinding of discount on deposit paid for pipeline usage	–	3,122
	3,041,587	**1,550,754**

7. FINANCE COSTS

	2015 US$	2014 US$
Interest on loans	–	1,554,898
Unwinding of discount on decommissioning provision	–	57,414
	–	**1,612,312**

8. EMPLOYEES

Group ***Number of employees***	2015 Number	2014 Number
The average numbers of employees (including Directors) during the year was:		
Directors	7	7
Senior Management	5	5
Professional Staff - WorldAce Group*	–	20
Professional Staff	9	9
Oil field employees - WorldAce Group*	–	43
Construction crew employees	31	26
	52	**110**

*Employees of WorldAce Group included up to 3 July 2014.

Company ***Number of employees***	2015 Number	2014 Number
The average numbers of employees (including Directors) during the year was:		
Directors	7	7
Senior Management	1	1
Professional Staff	1	1
	9	**9**

8. EMPLOYEES (CONTINUED)

Group **Employment costs (including Directors)**	2015 US$	2014 US$
Wages and salaries	2,377,958	4,140,738
Social insurance costs	298,567	738,384
Share-based payment expense	32,795	78,925
Contributions to defined contribution pension plan	94,932	68,166
	2,804,252	**5,026,213**

Included in employment costs above is an amount of US$Nil (2014: US$436,263) capitalised during the year.

Company **Employment costs (including Directors)**	2015 US$	2014 US$
Wages and salaries	1,533,107	1,810,597
Social insurance costs	94,686	92,353
Share-based payment expense	11,288	29,303
Contributions to defined contribution pension plan	94,932	68,166
	1,734,013	**2,000,419**

Group and company **Directors' emoluments**	2015 US$	2014 US$
Remuneration and other emoluments - Executive Directors	1,021,360	1,198,291
Remuneration and other emoluments - non-Executive Directors	184,301	176,981
Pension contributions	68,570	49,923
	1,274,231	**1,425,195**

Your attention is drawn to the details of the share options received by the Directors as set out in the Report of the Directors. In accordance with IFRS 2, Share-based Payment, a further expense of US$8,971 (2014: US$23,289) has been recognised in the Consolidated Statement of Comprehensive Income in respect of share options granted to Directors. An amount of US$510,681 (2014: US$442,121) relating to Executive Directors salaries was re-charged to WorldAce Investments Limited. An amount of US$59,450 (2014: US$51,365) relating to Executive Directors salaries was re-charged to Russian BD Holdings B.V.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(CONTINUED)

9. INCOME TAX

	2015 US$	2014 US$
Current income tax		
Current income tax charge	24,863	2,859
Total current income tax	**24,863**	**2,859**
Deferred tax		
Relating to origination and reversal of temporary differences	774,603	405,101
Total deferred tax	**774,603**	**405,101**
Income tax expense reported in the Consolidated Income Statement	**799,466**	**407,960**

	2015 US$	2014 US$
Loss before income tax	(7,674,917)	(8,376,425)
Accounting loss multiplied by Irish standard rate of tax of 12.5%	(959,365)	(1,047,053)
Share-based payment expense	4,099	9,866
Effect of higher tax rates on investment income	388,543	202,707
Tax deductible timing differences	1,265	(9,503)
Share of joint ventures' net loss	1,134,990	74,818
Other	24,515	(55,413)
Profits taxable at higher rates	7,813	–
Taxable losses not utilised	194,268	1,232,538
Utilisation of previously unrecognised tax losses	3,338	–
Total tax expense reported in the Consolidated Income Statement	**799,466**	**407,960**

Deferred tax

Group and Company	2015 US$	2014 US$
Deferred income tax liability		
At 1 January	511,775	106,674
Expense for the year recognised in the income statement	774,603	405,101
At 31 December	**1,286,378**	**511,775**

Group and Company

Deferred tax at 31 December relates to the following:	2015 US$	2014 US$
Deferred income tax liability		
Accrued interest income on intra-Group loans	**1,286,378**	**511,775**
	1,286,378	**511,775**

Factors that may affect future tax charges

The tax charge in future years will be affected by changes to the rates of Irish Corporation Tax. There is no current expectation that the tax rate of 12.5% in Ireland will change in the foreseeable future.

The Group has tax losses in Ireland that are available for offset against future taxable profits. Deferred tax assets of US$4.3 million (2014: US$4.2 million), which do not expire, have not been recognised in respect of these losses as they may not be used to offset taxable profits as the Group has been loss-making over recent years.

10. LOSS PER ORDINARY SHARE

Basic loss per Ordinary Share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of Ordinary Shares outstanding during the year. Basic and diluted earnings per Ordinary Share are the same as the potential Ordinary Shares are anti-dilutive.

	2015	2014
Numerator	US$	US$
Loss attributable to equity shareholders of the Parent for basic and diluted loss	(8,474,383)	(8,784,385)
	(8,474,383)	**(8,784,385)**
Denominator		
Weighted average number of Ordinary Shares for basic and diluted earnings per Ordinary Share	707,245,906	694,097,759
Diluted weighted average number of shares	**707,245,906**	**694,097,759**
Loss per share:		
Basic and diluted - US dollar cent	**(1.20)**	**(1.27)**

The Company has instruments in issue that could potentially dilute basic earnings per Ordinary Share in the future, but are not included in the calculation for the reasons outlined below:

- Employee Share Options – Refer to Note 26 for the total number of shares related to the outstanding options that could potentially dilute basic earnings per share in the future. These potential Ordinary Shares are anti-dilutive for the years ended 31 December 2015 and 2014.
- Warrants – At 31 December 2014: 9,900,000 Ordinary Shares were subject to warrants being exercised (refer to Note 26). These potential Ordinary Shares were anti-dilutive for the year ended 31 December 2014. All warrants expired during 2015.

11. LOSS ON DISPOSAL OF SUBSIDIARY UNDERTAKING

In 2014 a legally-binding contract was entered into by the Company to farmout a 50% non-operated interest in Licence 61 to Oil India Limited ("OIL").

Under the terms of the agreement, OIL subscribed for shares in WorldAce, the holding company for Stimul-T, the entity which holds Licence 61 and all related assets and liabilities; following which, PetroNeft and Oil India both hold 50% of the voting shares of WorldAce. In addition, through the shareholders agreement, both parties have joint control of WorldAce with PetroNeft continuing as operator (the "Licence 61 Farmout"). The basic terms of this agreement provided for a total investment by OIL of up to US$85 million consisting of:

- US$35 million upfront cash payment;
- US$45 million of exploration and development expenditure on Licence 61;
- US$5 million performance bonus, contingent upon average production from the Sibkrayevskoye Field reaching 7,500 bopd within the next five years.

WorldAce Investments Limited, which was previously a 100% subsidiary of PetroNeft, became a jointly controlled entity, resulting in a loss on disposal of US$5.6 million (after the recycling of the currency translation reserve of US$9.3 million). The deal completed on 3 July 2014.

11. LOSS ON DISPOSAL OF SUBSIDIARY UNDERTAKING (CONTINUED)

	2014 US$
Fair value of remaining equity investment in joint venture	35,000,000
Loans and other receivables from joint venture (note 25)*	81,021,362
Value of assets retained by PetroNeft	**116,021,362**
Assets held for sale	(125,155,128)
Liabilities held for sale	14,723,715
Gain before transaction costs and recycling of currency translation reserve	**5,589,949**
Recycling of currency translation reserve on disposal of subsidiary†	(9,337,907)
Transaction costs	(1,821,206)
Loss on disposal of subsidiary undertaking	**(5,569,164)**

*US$35 million of the loans receivable from the joint venture noted above were repaid to PetroNeft out of the proceeds of the new share issue by WorldAce to Oil India. A further US$600,000 was repaid from operating cashflows in the second half of 2014.

† The recycling of the currency translation reserve of US$9.3 million relates primarily to the realisation of the cumulative foreign currency losses relating to the retranslation of Russian Rouble denominated assets and liabilities held by Stimul-T whose functional currency is Russian Rouble. As part of the consolidation process in prior periods up to 3 July 2014, those Russian Rouble carrying amounts were converted to US Dollars, the functional currency of PetroNeft, at each period end and the unrealised gain or loss was then recognised through the statement of other comprehensive income and included in the currency translation reserve rather than the retained loss reserve. With the completion of the Licence 61 Farmout in July 2014 this accumulated loss was realised and therefore transferred to the Income Statement and included in the calculation of loss on disposal arising from the Licence 61 Farmout.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery US$
Cost	
At 1 January 2014	1,472,972
Additions	148,917
Disposals	(43,974)
Translation adjustment	(581,327)
At 1 January 2015	**996,588**
Additions	19,059
Translation adjustment	(215,247)
At 31 December 2015	**800,400**
Depreciation	
At 1 January 2014	1,005,912
Charge for the year	126,250
Disposals	(43,974)
Translation adjustment	(413,402)
At 1 January 2015	**674,786**
Charge for the year	97,673
Translation adjustment	(153,762)
At 31 December 2015	**618,697**
Net book values	
At 31 December 2015	**181,703**
At 31 December 2014	321,802

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plant and machinery US$
Cost	
At 1 January 2014	27,027
Additions	5,039
At 1 January 2015	**32,066**
At 31 December 2015	**32,066**
Depreciation	
At 1 January 2014	22,887
Charge for the year	(3,667)
At 1 January 2015	**26,554**
Charge for the year	(2,032)
At 31 December 2015	**28,586**
Net book values	
At 31 December 2015	**3,480**
At 31 December 2014	5,512

13. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE – WORLDACE INVESTMENTS LIMITED

PetroNeft Resources plc has a 50% interest in WorldAce Investments Limited, a jointly controlled entity which holds 100% of LLC Stimul-T, an entity involved in oil and gas exploration and the registered holder of Licence 61. The interest in this joint venture is accounted for using the equity accounting method. WorldAce Investments Limited became a joint venture with effect from 3 July 2014. Full details of the transaction and the accounting implications are discussed in Note 11. WorldAce Investments Limited is incorporated in Cyprus and carries out its activities, through LLC Stimul-T, in Russia.

	Share of net assets US$
At 1 January 2014	–
Investment in joint venture during the year	35,000,000
Elimination of unrealised profit on intra-Group transactions	(22,734)
Retained loss	(304,439)
Translation adjustment	(23,807,671)
At 1 January 2015	**10,865,156**
Elimination of unrealised loss on intra-Group transactions	**(29,326)**
Retained loss	**(8,765,055)**
Translation adjustment	**(11,587,393)**
Credited against loans receivable from WorldAce Investments Limited (Note 16)	**9,516,618**
At 31 December 2015	**–**

13. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE – WORLDACE INVESTMENTS LIMITED (CONTINUED)

The balance sheet position of WorldAce Investments Limited shows net liabilities of US$28,770,819 following a loss in the year of US$17,530,110 together with a negative currency translation adjustment of US$23,174,786. PetroNeft's 50% share is included above and results in a negative carrying value of US$9,516,618. Therefore, the share of net assets is reduced to Nil and, in accordance with IAS 28 Investments in Associates and Joint Ventures, the amount of US$9,516,618 is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from WorldAce Investments (see Note 16).

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below:

	2015 US$	Period from 3 July to 31 December 2014 US$
Continuing operations		
Revenue	10,300,094	5,845,646
Cost of sales	(10,435,521)	(5,450,642)
Gross (loss)/profit	**(135,427)**	**395,004**
Administrative expenses	(1,519,005)	(1,027,260)
Impairment of oil and gas properties	(4,550,000)	–
Operating loss	**(6,204,432)**	**(632,256)**
Finance revenue	11,694	4,713
Finance costs	(2,572,317)	(876,896)
Loss for the year for continuing operations before taxation	**(8,765,055)**	**(1,504,439)**
Income tax expense	–	1,200,000
Loss for the year	(8,765,055)	(304,439)
Loss for the year		
Other comprehensive income to be reclassified to profit or loss in subsequent years:	(8,765,055)	(304,439)
Currency translation adjustments	(11,587,393)	(23,807,671)
Total comprehensive loss for the year	**(20,352,448)**	**(24,112,110)**

The currency translation adjustment results from the devaluation of the Russian Rouble during the year. All Russian Rouble carrying values in Stimul-T, the 100% subsidiary of WorldAce are converted to US Dollars at each period end. The resulting gain or loss is recognised through other comprehensive income and transferred to the currency translation reserve. The Russian Rouble depreciated significantly against the US Dollar during the year from RUB56.5:US$1 at 31 December 2014 to RUB73.3:US$1 at 31 December 2015.

13. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE – WORLDACE INVESTMENTS LIMITED (CONTINUED)

	2015 US$	2014 US$
Non-current Assets		
Oil and gas properties	27,646,307	26,378,463
Property, plant and equipment	197,826	285,775
Exploration and evaluation assets	6,044,036	7,856,589
Assets under construction	2,345,358	3,226,280
	36,233,527	**37,747,107**
Current Assets		
Inventories	257,857	691,950
Trade and other receivables	259,142	1,633,624
Cash and cash equivalents	153,198	514,206
	670,197	**2,839,780**
Total Assets	**36,903,724**	**40,586,887**
Non-current Liabilities		
Provisions	(273,278)	(393,153)
Interest-bearing loans and borrowings	(48,366,752)	(32,593,955)
	(48,640,030)	**(32,987,108)**
Current Liabilities		
Trade and other payables	(2,649,103)	(1,638,815)
	(2,649,103)	**(1,638,815)**
Total Liabilities	**(51,289,133)**	**(34,625,923)**
Net (Liabilities)/Assets	**(14,385,409)**	**5,960,964**

Capital commitments

	2015 US$	2014 US$
Details of capital commitments at the balance sheet date are as follows:		
Contracted for but not provided in the financial statements	**1,236,788**	**12,839,994**
Including contracted with related parties	–	3,697,366

Future minimum rentals payable under non-cancellable operating leases at the balance sheet date are as follows:

	2015 US$	2014 US$
Within one year	39,459	44,624
After one year but not more than five years	150,274	160,711
More than five years	326,079	403,104
	515,812	**608,439**

The above capital commitments in the joint venture are incurred jointly with Oil India International B.V. The Group has a 50% share of these commitments.

14. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE – RUSSIAN BD HOLDINGS B.V.

PetroNeft Resources plc has a 50% interest in Russian BD Holdings B.V., a jointly controlled entity which holds 100% of LLC Lineynoye, an entity involved in oil and gas exploration and the registered holder of Licence 67. The interest in this joint venture is accounted for using the equity accounting method. Russian BD Holdings B.V. is incorporated in the Netherlands and carries out its activities in Russia.

	Share of net assets US$
At 1 January 2014	3,331,844
Retained loss	(294,103)
Translation adjustment	(2,672,563)
At 1 January 2015	**365,178**
Retained loss	(314,859)
Translation adjustment	(887,109)
Credited against loans receivable from Russian BD Holdings B.V. (Note 16)	836,790
At 31 December 2015	–

The balance sheet position of Russian BD Holdings B.V. shows net liabilities of US$1,673,580 following a loss in the year of US$629,718 together with a currency translation adjustment (loss) of US$1,774,218. PetroNeft's 50% share is included above and results in a negative carrying value of US$836,790. Therefore, the share of net assets is reduced to Nil and, in accordance with IAS 28 Investments in Associates and Joint Ventures, the amount of US$836,790 is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from Russian BD Holdings B.V. (Note 16).

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below:

	2015 US$	2014 US$
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Administrative expenses	(106,224)	(143,643)
Operating loss	**(106,224)**	**(143,643)**
Finance revenue	434	1,743
Finance costs	(209,069)	(152,203)
Loss for the year for continuing operations before taxation	**(314,859)**	**(294,103)**
Taxation	–	–
Loss for the year	**(314,859)**	**(294,103)**
Loss for the year	**(314,859)**	**(294,103)**
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Currency translation adjustments	(887,109)	(2,672,563)
Total comprehensive loss for the year	**(1,201,968)**	**(2,966,666)**

14. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE – RUSSIAN BD HOLDINGS B.V. (CONTINUED)

	2015 US$	2014 US$
Non-current assets	3,327,327	4,155,338
Current assets	71,104	165,716
Total assets	**3,398,431**	**4,321,054**
Non-current liabilities	(4,034,780)	(22,810)
Current liabilities	(200,441)	(3,933,066)
Total liabilities	**(4,235,221)**	**(3,955,876)**
Net (Liabilities)/Assets	**(836,790)**	**365,178**

Future minimum rentals payable under non-cancellable operating leases at the balance sheet date are as follows:

	2015 US$	2014 US$
Within one year	2,091	2,605
After one year but not more than five years	6,706	8,980
More than five years	22,010	29,377
	30,807	**40,962**

There were no capital commitments as at 31 December 2014 or 31 December 2015.

15. FINANCIAL ASSETS – INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

Company	Investment in joint ventures US$	Investment in Subsidiaries US$	Total US$
Cost			
At 1 January 2014	4,858,816	35,269,954	40,128,770
Capital contribution in respect of share-based payment expense	14,056	35,556	49,612
Subsidiary undertaking becoming a joint venture (Note 11)	35,021,168	(35,021,168)	–
At 1 January 2015	**39,894,040**	**284,342**	**40,178,382**
Capital contribution in respect of share-based payment expense	12,145	9,372	21,517
At 31 December 2015	**39,906,185**	**293,714**	**40,199,899**
Net book values			
At 31 December 2015	**39,906,185**	**293,714**	**40,199,899**
At 31 December 2014	39,894,040	284,342	40,178,382

In 2014 PetroNeft disposed of 50% of its interest in WorldAce Investments Limited through the Licence 61 Farmout. Therefore, the carrying value is classified as an investment in joint venture, see note 11 for further details.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(CONTINUED)

15. FINANCIAL ASSETS – INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES (CONTINUED)

Details of the Company's holding in direct and indirect subsidiaries at 31 December 2015 are as follows:

NAME OF SUBSIDIARY	REGISTERED OFFICE	PROPORTION OF OWNERSHIP INTEREST	PROPORTION OF VOTING POWER HELD	PRINCIPAL ACTIVITY
LLC Granite Construction	147 Prospekt Lenina, Tomsk 634009, Russia	100%	100%	Construction
LLC Dolomite	147 Prospekt Lenina, Tomsk 634009, Russia	100%	100%	Oil and gas exploration

Details of the Group's interest in joint ventures at 31 December 2015 are as follows:

NAME OF ENTITY	REGISTERED OFFICE	PROPORTION OF OWNERSHIP INTEREST	PROPORTION OF VOTING POWER HELD	PRINCIPAL ACTIVITY
WorldAce Investments Limited	3 Themistocles Street, Nicosia, Cyprus	50%	50%	Holding company
LLC Stimul-T	147 Prospekt Lenina, Tomsk 634009, Russia	50%	50%	Oil and gas exploration
Russian BD Holdings B.V.	Prins Bernhardplein 200, 1097 JB, Amsterdam, the Netherlands	50%	50%	Holding company
LLC Lineynoye	147 Prospekt Lenina, Tomsk 634009, Russia	50%	50%	Oil and gas exploration

Oil India International B.V. owns the other 50% of WorldAce Investments Limited and Belgrave Naftogas B.V. (an Arawak Energy group company) owns the other 50% of Russian BD Holdings B.V.

16. FINANCIAL ASSETS – LOANS AND RECEIVABLES

Group	2015 US$	2014 US$
Loans to WorldAce Investments Limited (Note 25)	49,224,805	46,398,502
Less: share of WorldAce Investments Limited loss (Note 13)	(9,516,618)	–
	39,708,187	46,398,502
Loans to Russian BD Holdings B.V. (Note 25)	4,012,464	–
Less: share of Russian BD Holdings B.V. loss (Note 14)	(836,790)	–
	3,175,674	–
	42,883,861	**46,398,502**

16. FINANCIAL ASSETS – LOANS AND RECEIVABLES (CONTINUED)

Company	2015 US$	2014 US$
Loans to WorldAce Investments Limited (Note 25)	49,224,805	46,398,502
Loans to Russian BD Holdings B.V. (Note 25)	4,012,464	–
	53,237,269	**46,398,502**

The Company has granted a loan facility to its joint venture undertaking WorldAce Investments Limited of up to US$45 million. This loan facility is US$ denominated and unsecured. Interest currently accrues on the loan at USD LIBOR plus 6.0% but the Company has agreed not to seek payment of interest until 2017 at the earliest. The loan is set to mature on 31 December 2022. As at 31 December 2015 the loan was fully drawn down. The loan from the Company to Russian BD Holdings B.V. is repayable on demand. Interest currently accrues on the loan at 6.0% per annum.

17. INVENTORIES

Group	2015 US$	2014 US$
Materials	54,302	15,179
	54,302	**15,179**

18. TRADE AND OTHER RECEIVABLES

Group	2015 US$	2014 US$
Other receivables	147,641	112,492
Receivable from jointly controlled entity (Note 25)	1,628,667	4,879,292
Receivable from related parties (Note 25)	–	11,858
Advances to contractors	3,708	1,922
Prepayments	62,112	64,380
	1,842,128	**5,069,944**

Company	2015 US$	2014 US$
Amounts owed by subsidiary undertakings (Note 25)	1,170,375	1,103,458
Amounts owed by other related companies (Note 25)	1,292,252	4,750,287
VAT Receivable	146,556	42,440
Prepayments	62,112	64,380
	2,671,295	**5,960,565**

Other receivables are non-interest-bearing and are normally settled on 60-day terms.

Amounts owed by subsidiary undertakings are interest-bearing. Interest is charged at 10%.

19. CASH AND CASH EQUIVALENTS

Group	2015 US$	2014 US$
Cash at bank and in hand	1,284,212	3,392,769
	1,284,212	**3,392,769**

Company	2015 US$	2014 US$
Cash at bank and in hand	1,279,652	3,392,235
	1,279,652	**3,392,235**

Bank deposits earn interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

20. TRADE AND OTHER PAYABLES

	2015 US$	2014 US$
Trade payables	238,570	306,857
Trade payables to jointly controlled entity (Note 25)	239,228	53,450
Corporation tax	59,087	60,797
Oil taxes, VAT and employee taxes	78,293	74,497
Other payables	212,141	137,475
Accruals	317,827	818,547
	1,145,146	**1,451,623**

Company	2015 US$	2014 US$
Trade payables	230,563	295,446
Corporation tax	59,087	60,797
Other taxes and social welfare costs	187,734	44,038
Accruals	290,416	795,712
	767,800	**1,195,993**

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Trade and other payables are non-interest-bearing and are normally settled on 60-day terms.

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

21. SHARE CAPITAL – GROUP AND COMPANY

	2015 €	2014 €
Authorised		
1,000,000,000 (2014: 1,000,000,000) Ordinary Shares of €0.01 each	10,000,000	10,000,000
	10,000,000	**10,000,000**

Allotted, called up and fully paid equity	Number of Ordinary Shares	Called up share capital US$
At 1 January 2014	644,920,275	8,561,499
Issued in 2014	62,325,631	867,683
At 1 January 2015	**707,245,906**	**9,429,182**
At 31 December 2015	**707,245,906**	**9,429,182**

The Company issued 62,325,631 new shares for consideration of US$5.2 million in March 2014. The net proceeds of this share issue of US$5.0 million, after transaction costs of US$0.2 million, were used to finance expenditure on oil and gas properties, exploration and evaluation costs, debt repayment and corporate overhead.

Warrants

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, warrants during the year.

	2015 Number	2015 WAEP	2014 Number	2014 WAEP
Outstanding as at 1 January	**9,900,000**	**US$0.106**	**9,400,000**	**US$0.133**
Granted during the year	–	–	2,000,000	US$0.089
Expired during the year	(9,900,000)	US$0.106	(1,500,000)	US$0.131
Outstanding at 31 December	–	–	9,900,000	US$0.106
Exercisable at 31 December	**–**	**–**	**9,900,000**	**US$0.106**

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to provide finance for the Group and Company's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage the currency risks arising from the Group and Company's operations and its sources of finance. The Group and Company entered into forward currency contracts during the year, however there are no contracts outstanding as at 31 December 2015 and 2014.

It is the Group and Company's policy that no trading in derivatives be undertaken.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risks arising from the Group and Company's financial instruments are commodity price risk, foreign currency risk, credit risk, liquidity risk, interest rate risk and capital risk. The Board reviews and agrees policies for managing each of these risks which are summarised below.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the oil produced by its joint venture interests. To date the Group and its joint ventures have sold all of their oil on the domestic market in Russia. There are no banks providing hedging or derivative type contracts for oil sold on the domestic market so it is not possible to mitigate risks in this way. The high taxes on oil produced in Russia are based on prevailing international oil prices and therefore operate as a natural hedge to a fall in oil prices. At 31 December 2015 and 2014, the Group and the Company had no outstanding commodity contracts.

Foreign currency risk

The Group and the Company undertake certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts where appropriate.

At 31 December 2015 and 2014, the Group and the Company had no outstanding forward exchange contracts.

Foreign currency sensitivity analysis

The Group's and the Company's principal currency exposures arise in the currencies of Russian Rouble, Euro, UK Sterling and US Dollar. The Group has an exposure to US Dollars because the functional currency of its Russian subsidiaries is Russian Roubles. A change in the US Dollar:Russian Rouble exchange rate will therefore result in a foreign exchange gain or loss on the US Dollar denominated balances in these subsidiaries. The Company has an exposure to US Dollars because payments to some suppliers are effected in Euro and in UK Sterling, and the Company has bank accounts in Russian Rouble, Euro, UK Sterling and US Dollar.

In accordance with IFRS 7, the impact of foreign currencies is determined based on the balances of financial assets and liabilities at 31 December 2015. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and largely results from payables and receivables, and adjusts their translation at the year-end for a 5% change in foreign currency rates. A positive number below indicates a reduction in loss and increase in other equity where the US Dollar strengthens 5% against the relevant currency. For a 5% weakening of the US Dollar against the relevant currency, there would be an equal and opposite impact on the loss and other equity, and the balances following would be negative.

If the US Dollar had gained/lost 5% against all currencies significant to the Group and Company at 31 December, the impact on loss and equity for the Group and the Company is shown below:

Group	2015 US$	2014 US$
Impact on loss [lower/(higher)]	34,550	49,616
Impact on net equity [lower/(higher)]	36,054	51,616

Company	2015 US$	2014 US$
Impact on loss and net equity [lower/(higher)]	3,122	18,188

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group and Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group and Company's exposure to credit risk arise from default of its counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents in its consolidated balance sheet. As the Group or the Company does not have any significant receivables outstanding from third parties, this risk is limited. Recoverability of amounts due from joint venture companies are dependent on the success of the joint ventures.

The Group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group and the Company define counterparties as having similar characteristics if they are connected entities.

Liquidity risk management

Liquidity risk is the risk that the Group and the Company will not have sufficient funds to meet liabilities. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who manage liquidity risk and short, medium and long-term funding and liquidity management requirements by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are regularly produced to identify the liquidity requirements of the Group and the Company. To date, the Group and the Company have relied on shareholder funding, loan facilities and normal trade credit to finance its operations. The Group and Company's financial liabilities as at 31 December 2015 and 2014 are all payable on demand. The Group and the Company expect to meet its other obligations from operating cash flows.

The expected maturity of the Group and Company's third party financial assets (excluding prepayments) as at 31 December 2015 and 2014 was less than one month. The expected maturity of the Group and Company's related party financial assets as at 31 December 2015 and 2014 was more than one month.

The Group and the Company further mitigate liquidity risk by maintaining an insurance programme to minimise exposure to insurable losses.

The Group and the Company had no derivative financial instruments as at 31 December 2015 and 2014.

The tables below show the projected contractual undiscounted total cash outflows (principal and interest) arising from the Group's trade and other payables and gross debt. These projections are based on the interest and foreign exchange rates applying at the end of the relevant years:

Group	Within 1 year	Between 1 and 2 years	Between 2 to 5 years	After 5 years	Total
	US$	US$	US$	US$	US$
Year ended 31 December 2015					
Trade and other payables	1,145,146	–	–	–	1,145,146
	1,145,146	**–**	**–**	**–**	**1,145,146**
Year ended 31 December 2014					
Trade and other payables	1,451,623	–	–	–	1,451,623
	1,451,623	**–**	**–**	**–**	**1,451,623**

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Company	Within 1 year US$	Between 1 and 2 years US$	Between 2 to 5 years US$	After 5 years US$	Total US$
Year ended 31 December 2015					
Trade and other payables	767,800	–	–	–	767,800
	767,800	**–**	**–**	**–**	**767,800**
Year ended 31 December 2014					
Trade and other payables	1,195,993	–	–	–	1,195,993
	1,195,993	**–**	**–**	**–**	**1,195,993**

Interest rate risk
The Group and Company's exposure to the risk of changes in market interest rates relates primarily to the Group and Company's loans to joint ventures which are tied to the LIBOR interest rate and their holdings of cash and short-term deposits which are on variable rates ranging from 0.1% to 0.5%. The effect of a rise of 1% in the LIBOR interest rate (e.g. from 0.3% to 1.3%) receivable on loans to joint ventures would be to reduce Group loss before tax by US$47,863 and increase Company profit before tax by US$488,602.

It is the Group and Company's policy, as part of its disciplined management of the budgetary process, to place surplus funds on short-term deposit in order to maximise interest earned.

Capital risk management
The Group and the Company manage capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group and the Company manage their capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Group and the Company may issue new shares or raise debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014. The capital structure of the Group and the Company consists of equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained losses as disclosed in the Consolidated Statement of Changes in Equity. There is no external debt.

Fair values
The carrying amount of the Company's financial assets and the Group and Company's financial liabilities is a reasonable approximation of the fair value. The carrying amount of the Group's financial assets is lower than the estimated fair value because of the adjustment required in accordance with IAS 28 arising primarily from the currency translation adjustments in the joint venture companies that exceeded the carrying value of the equity accounted investment in joint venture. See notes 13 and 14. The carrying value of the loans to WorldAce in the Group is US$39.7 million. The carrying value of the loans in the Company is US$49.2 million, which approximates the fair value. The fair value of the loans is evaluated using a discounted cashflow model, based upon level 3 inputs.

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The fair value of fixed and variable rate borrowings is evaluated using a discounted cash flow valuation technique based on market interest rates which are a Level 2 observable input.

Hedging
At the year ended 31 December 2015 and 2014, the Group had no outstanding contracts designated as hedges.

Offsetting of financial assets and liabilities
No financial assets and liabilities were offset in the Balance Sheet as at 31 December 2015 and 2014.

23. PROFIT/(LOSS) OF PARENT UNDERTAKING

The Company is availing of the exemption set out in section 304 of the Companies Act 2014 from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. The amount of the profit dealt with in the Parent undertaking for the year was US$1,077,184 (2014: loss of US$4,245,057).

24. FUTURE MINIMUM RENTALS PAYABLE UNDER NON-CANCELLABLE OPERATING LEASES AT THE BALANCE SHEET DATE ARE AS FOLLOWS:

	2015 US$	2014 US$
Land and buildings		
Within one year	5,968	17,903
After one year but not more than five years	–	5,968
More than five years	–	–
	5,968	**23,871**

There were no capital commitments as at 31 December 2014 or 31 December 2015.

25. RELATED PARTY DISCLOSURES

Transactions with subsidiaries

Transactions between the Group and its subsidiaries, WorldAce Investments Limited, Stimul-T, Granite and Dolomite have been eliminated on consolidation. The Company had the following transactions with its subsidiaries during the years ended 31 December 2015 and 2014:

Company	Stimul-T US$	Granite Construction US$	WorldAce Investments US$
Loans			
At 1 January 2014	**55,891,709**	**1,036,542**	**25,183,290**
Technical and management services provided	–	–	16,255
Advanced during the year	600,000	–	–
Interest accrued in the year	7,233	66,916	–
Loans repaid during the year	(1,075,000)	–	–
Assigned to WorldAce Investments Limited	(54,815,433)	–	54,815,433
Transferred on cessation as a subsidiary	(607,233)	–	(80,011,257)
Translation adjustment	(1,276)	–	(3,721)
At 1 January 2015	**–**	**1,103,458**	**–**
Interest accrued in the year	–	66,917	–
Balance 31 December 2015	**–**	**1,170,375**	**–**
Capital contributions			
Share-based payment 2015	–	2,978	–
Share-based payment 2014	21,169	7,247	–

25. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with joint ventures

PetroNeft Resources plc had the following transactions with its joint ventures during the years ended 31 December 2015 and 2014:

Group	Russian BD Holdings BV Group US$	WorldAce Investments Limited Group US$
Receivable by PetroNeft Group at 1 January 2014	**644,531**	**–**
Transferred on subsidiary becoming a joint venture (note 11)	–	81,021,362
Advanced during the year	3,500,000	–
Transactions during the year	330,967	1,574,116
Interest accrued in the year	117,120	1,415,202
Repaid during the year	(475,000)	(35,630,575)
Payments for services made during the year	(206,290)	(968,140)
Translation adjustment	(28,750)	(70,199)
At 1 January 2015	**3,882,578**	**47,341,766**
Transactions during the year	183,333	2,670,250
Interest accrued in the year	205,189	2,826,303
Payment for services made during the year	(29,781)	(2,483,727)
Share of joint venture's currency translation adjustment	(836,790)	(9,516,618)
Translation adjustment	(14,821)	45,618
Balance 31 December 2015	**3,389,708**	**40,883,592**
Balance at 31 December 2014 comprised of:		
Loan facility advanced	–	46,398,502
Trade and other receivables	3,882,578	996,714
Trade Payables	–	(53,450)
	3,882,578	**47,341,766**
Balance at 31 December 2015 comprised of:		
Loans facility advanced	3,175,674	39,708,187
Trade and other receivables	214,034	1,414,633
Trade and other payables	–	(239,228)
	3,389,708	**40,883,592**

25. RELATED PARTY DISCLOSURES (CONTINUED)

Company	Russian BD Holdings BV Group	WorldAce Investments Limited Group
	US$	US$
At 1 January 2014	**717,190**	**–**
Transferred on subsidiary becoming a joint venture (note 11)	–	80,618,490
Advanced during the year	3,500,000	–
Transactions during the year	123,299	834,318
Interest accrued in the year	117,121	1,415,202
Repaid during the year	(475,000)	(35,595,000)
Payments for services made during the year	(101,216)	–
Translation adjustment	(3,749)	(1,866)
At 1 January 2015	**3,877,645**	**47,271,144**
Transactions during the year	128,153	1,065,444
Interest accrued in the year	205,189	2,826,303
Payments for services made during the year	–	(834,318)
Translation adjustment	(8,551)	(1,488)
Balance 31 December 2015	**4,202,436**	**50,327,085**

Balance at 31 December 2014 comprised of:		
Loan facility advanced	–	46,398,502
Trade and other receivables	3,877,645	872,642
	3,877,645	47,271,144
Balance at 31 December 2015 comprised of:		
Loan facility advanced	4,012,464	49,224,805
Trade and other receivables	189,972	1,102,280
	4,202,436	**50,327,085**

Remuneration of key management

Key management comprise the Directors of the Company, the Vice President of Business Development and Operations, the General Director and the Executive Director of the Russian subsidiary LLC Dolomite, along with both the Chief Geologist and Chief Engineer of LLC Dolomite. Their remuneration during the year was as follows:

Remuneration of key management

	2015	2014
	US$	US$
Compensation of key management	1,715,340	2,068,014
Contributions to defined contribution pension plan	89,917	65,923
Share-based payment expense	15,401	39,981
	1,820,658	**2,173,918**

The total amount of unpaid fees and expenses due to Directors as at 31 December 2015 was US$143,536 (2014: US$561,348).

Details of transactions between the Group and other related parties are disclosed below.

25. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with TBNG Group

Vakha Sobraliev, a Director of PetroNeft until his resignation on 18 September 2015, is the principal of LLC Tomskburneftegaz ("TBNG"), a company which has drilled production and exploration wells for the Group. Various contracts for drilling have been awarded to TBNG in recent years. All drilling contracts with TBNG are "turnkey" contracts whereby TBNG assumes substantially all liabilities in relation to the health and safety, environmental and other risks associated with drilling operation. As part of this arrangement WorldAce Group companies also occasionally sell sundry goods and services to TBNG. Other companies related to TBNG also provide some services to the Group such as transportation, power management and repairs. The following is a summary of the transactions:

	TBNG Group From 1 January to 18 September 2015 US$	TBNG Group 2014 US$
Maximum value of new contracts awarded during the period	1,778,324	4,494,543
Paid during the period for drilling and related services	5,379,260	6,869,038
Paid during the period for other services	2,023	24,523
Amount due to TBNG and related companies at period end	–	351,172
Received during the period for sundry goods and services	98,789	37,271
Amount due from TBNG and related companies at period end	–	400,970

Other PetroNeft Group companies provided various services to TBNG Group during the period from 1 January to 18 September 2015 amounting to US$536 (2014: US$15,917). An amount of US$Nil (2014: US$11,858) was outstanding from TBNG Group at 18 September 2015.

The Group has an indirect 50% interest in Lineynoye which in turn is 100% owned by the jointly controlled entity Russian BD Holdings B.V. Lineynoye also entered into some transactions with TBNG and related companies as follows:

	TBNG Group From 1 January to 18 September 2015 US$	TBNG Group 2014 US$
Maximum value of new contracts awarded during the period	–	–
Paid during the period for drilling and related services	–	183,874
Paid during the period for other services	–	–
Amount due to TBNG and related companies at period end	–	–
Received during the period for sundry goods and services	4,114	–
Amount due from TBNG and related companies at period end	–	4,625

26. SHARE-BASED PAYMENT

Share options

The expense recognised for employee services during the year is US$32,795 (2014: US$78,925). The Group share-based payment plan is described below. There was no cancellation or modification to the plan during 2015 and 2014.

Under the Group share option plan, employees of the Group can receive conditional awards of share options depending on their performance, seniority and length of service. The options typically vest in tranches and are subject to the achievement of vesting conditions related to drilling, production and shareholder return. The maximum term for options is seven years. There are no cash settlement alternatives.

Movement in the year

The fair value of the options is estimated at the grant date using an option pricing model considering the terms and conditions upon which the instruments were granted. The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year.

	2015 Number	2015 WAEP	2014 Number	2014 WAEP
Outstanding as at 1 January	16,070,500	£0.2913	17,696,750	£0.2928
Granted during the year	–	–	–	–
Forfeited during the year	(40,000)	£0.3625	(521,250)	£0.2819
Expired during the year	(2,188,000)	£0.3615	(1,105,000)	£0.32
Outstanding at 31 December	13,842,500	£0.28	16,070,500	£0.2913
Exercisable at 31 December	–	–	2,188,000	£0.3615

The range of exercise prices for options outstanding at the year-end is £0.065 to £0.66 (2014: £0.065 to £0.66).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 was 2.65 years (2014: 3.17 years).

No options were granted in 2015 or 2014.

The weighted average share price of forfeited options in 2015 was £0.3625 (2014: £0.2819).

The weighted average share price of expired options in 2015 was £0.3615 (2014: £0.32).

As no options were issued in 2015 or 2014, no valuation was carried out in 2015 or 2014.

Warrants

Where applicable, the fair value of the warrants is estimated at the grant date using an option pricing model considering the terms and conditions upon which the instruments were granted. The table included in Note 21 illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, warrants during the year.

In March 2014, Belgrave Naftogas B.V. were awarded 2,000,000 new warrants, and 4,000,000 warrants granted in prior years were re-priced. The range of exercise prices for warrants outstanding at 31 December 2014 was US$0.089 to US$0.131. The weighted average remaining contractual life for the warrants outstanding as at 31 December 2014 was 0.46 years. All outstanding warrants expired during the year and as a result no warrants are outstanding as at 31 December 2015.

27. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

On 24 April 2016 David Sanders, Gerard Fagan and Paul Dowling resigned from the Board of the Company and Maxim Korobov, Anthony Sacca and David Sturt were appointed to the Board in conjunction with an agreement between the Company and its largest shareholder, Natlata Partners Limited. Mr. Dowling remains as CFO of the Company. The agreement with Natlata, which is for a period of two years, includes a commitment from Natlata only to support shareholder resolutions that have been recommended by the Board of the Company.

In March 2016, Oil India agreed to provide 100% funding for the agreed Licence 61 work programme in 2016 and 2017. A loan of US$10 million was agreed with the joint venture company, WorldAce Investments Limited, to fund the 2016 programme. The loan is unsecured and capital repayments commence in October 2019. Should there be a significant change in the management of PetroNeft while the loan is outstanding then Oil India may seek early repayment in full. In such circumstances PetroNeft would need to provide its 50% share of the amount outstanding.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved, and authorised for issue, by the Board of Directors on 22 June 2016.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of PetroNeft Resources plc (the "Company") will be held at the Herbert Park Hotel, Ballsbridge, Dublin 4 at 11.00 am on Friday 16 September 2016, for the purposes of considering and, if thought fit, passing, the following Resolutions, of which Resolutions numbered 1, 2, 3, 4, 5, 6 and 7 will be proposed as Ordinary Resolutions and Resolution number 8 will be proposed as a Special Resolution.

ORDINARY BUSINESS

1. To receive, consider and adopt the accounts for the year ended 31 December 2015 together with the Directors' and Auditors' Reports thereon.
2. To re-elect Mr. Francis as a Director, who retires by rotation in accordance with Article 89 of the Articles of Association of the Company.
3. To elect Mr. Korobov as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association of the Company.
4. To elect Mr. Sacca as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association of the Company.
5. To elect Mr. Sturt as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association of the Company.
6. To re-appoint Ernst & Young, Chartered Accountants, as Auditors and to authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

7. That, in substitution for all existing authorities of the Directors, pursuant to Section 1021 of the Companies Act, 2014 (the "2014 Act"), the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 1021 of the 2014 Act) up to an aggregate nominal amount of €1,463,770.47 during the period commencing on the date of passing of this Resolution and expiring on the earlier of the date of the next Annual General Meeting of the Company held after the date of passing of this Resolution, and the close of business on 16 December 2016, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority hereby conferred has expired.

8. That the Directors be and are hereby empowered pursuant to Sections 1022 and 1023(3) of the 2014 Act to allot equity securities (within the meaning of the said Section 1022 of the 2014 Act) for cash pursuant to the authority conferred by Resolution numbered 7 above as if the said Section 1022 of the 2014 Act does not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:
   (a) in connection with the exercise of any options or warrants to subscribe granted by the Company;
   (b) 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 shareholders holding Ordinary Shares in the capital of the Company and/or any persons having a right to subscribe for, or convert securities into, Ordinary Shares in the capital of the Company (including, without limitation, any person entitled to options under any of the Company's share option schemes or any other person entitled to participate in any of the Company's profit sharing schemes for the time being) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to legal or practical problems under the laws or the requirements of any recognised body or stock exchange in any territory; and
   (c) up to an aggregate nominal value not greater than the nominal value of 5% of the issued share capital of the Company from time to time;

each of (a), (b) and (c) above being separate powers, which powers shall expire on the earlier of the date of the next Annual General Meeting of the Company held after the date of passing of this Resolution and the close of business on 16 December 2016, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Dated this 22nd day of June 2016

BY ORDER OF THE BOARD

Paul Dowling
Company Secretary

Registered Office:
20 Holles Street
Dublin 2

GLOSSARY

1P	Proved reserves according to SPE standards.
2P	Proved and probable reserves according to SPE standards.
3P	Proved, probable and possible reserves according to SPE standards.
AGM	Annual General Meeting.
AIM	Alternative Investment Market of the London Stock Exchange.
Arawak	Arawak Energy Russia B.V.
bbl	Barrel.
Belgrave Naftogas	Belgrave Naftogas B.V., a member of the Arawak group of companies
bfpd	Barrels of fluid per day.
boe	Barrel of oil equivalent.
bopd	Barrels of oil per day.
Company	PetroNeft Resources plc.
CPF	Central Processing Facility.
Dolomite	LLC Dolomite, a 100% subsidiary of PetroNeft registered in the Russian Federation.
ESM	Enterprise Securities Market of the Irish Stock Exchange.
ESP	Electric Submersible Pump.
Exploration resources	An undrilled prospect in an area of known hydrocarbons with unequivocal four-way dip closure at the reservoir horizon.
Granite Construction	LLC Granite Construction, a 100% subsidiary of PetroNeft registered in the Russian Federation.
Group	The Company and its joint ventures and subsidiary undertakings.
HSE	Health, Safety and Environment.
IAS	International Accounting Standard.
IFRIC	IFRS Interpretations Committee.
IFRS	International Financial Reporting Standard.
km	Kilometres.
km^2/ sq km	Square kilometres.
KPI	Key Performance Indicator.
Licence 61	The Exploration and Production Licence in the Tomsk Oblast, Russia owned by the joint venture company WorldAce Investments Limited. It contains seven known oil fields, Lineynoye, Tungolskoye, West Lineynoye, Arbuzovskoye, Kondrashevskoye, Sibkrayevskoye and North Varyakhskoye and 27 Prospects and Leads that are currently being explored.
Licence 61 Farmout	An agreement whereby Oil India Limited subscribed for shares in WorldAce, the holding company for Stimul-T, the entity which holds Licence 61 and all related assets and liabilities, and following, PetroNeft and Oil India Limited both hold 50% of the voting shares, and through the shareholders agreement, both parties have joint control of WorldAce with PetroNeft as operator.
Licence 67	The Exploration and Production Licence in the Tomsk Oblast, Russia owned by the joint venture company Russian BD Holdings B.V. It contains two oil fields, Ledovoye and Cheremshanskoye and several potential prospects.
Lineynoye	Limited Liability Company Lineynoye, a wholly owned subsidiary of Russian BD Holdings B.V., registered in the Russian Federation.
Macquarie	Macquarie Bank Limited.
m	Metres.
mmbbls	Million barrels.
mmbo	Million barrels of oil.
Natlata	Natlata Partners Limited, a significant shareholder of PetroNeft.
Oil pay	A formation containing producible hydrocarbons.
P1	Proved reserves according to SPE standards.
P2	Probable reserves according to SPE standards.
P3	Possible reserves according to SPE standards.
PetroNeft	PetroNeft Resources plc.

Russian BD Holdings B.V.	Russian BD Holdings B.V., a company owned 50% by PetroNeft and registered in the Netherlands.
SPE	Society of Petroleum Engineers.
Spud	To commence drilling a well.
Stimul-T	Limited Liability Company Stimul-T, a wholly owned subsidiary of WorldAce, based in the Russian Federation.
TSR	Total Shareholder Return.
VAT	Value Added Tax.
WAEP	Weighted Average Exercise Price.
WorldAce	WorldAce Investments Limited, a company owned 50% by PetroNeft, registered in Cyprus.
WorldAce Group	WorldAce Investments Limited and its 100% subsidiary LLC Stimul-T.

GROUP INFORMATION

DIRECTORS*

David Golder (U.S. citizen)
(Non-Executive Chairman)
Dennis Francis (U.S. citizen)
(Chief Executive Officer)
Thomas Hickey
(Non-Executive Director)
Maxim Korobov (Russian citizen)
Appointed 24 April 2016
(Non-Executive Director)
Anthony Sacca (Australian citizen)
Appointed 24 April 2016
(Non-Executive Director)
David Sturt (British citizen)
Appointed 24 April 2016
(Non-Executive Director)
Vakha Sobraliev (Russian citizen) Resigned 18 September 2015
(Non-Executive Director)
Paul Dowling Resigned 24 April 2016
(Chief Financial Officer)
David Sanders (U.S. citizen)
Resigned 24 April 2016
(General Legal Counsel)
Gerard Fagan Resigned 24 April 2016
(Non-Executive Director)

*Irish citizens unless otherwise stated

REGISTERED OFFICE AND BUSINESS ADDRESS

20 Holles Street
Dublin 2
Ireland

SECRETARY

Paul Dowling Appointed 24 April 2016
David Sanders Resigned 24 April 2016

AUDITOR

Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2
Ireland

NOMINATED AND ESM ADVISER

Davy
49 Dawson Street
Dublin 2
Ireland

JOINT BROKERS

Davy
49 Dawson Street
Dublin 2
Ireland

Canaccord Genuity
88 Wood Street
London
EC2V 7QR
United Kingdom

PRINCIPAL BANKERS

KBC Bank Ireland
Sandwith Street
Dublin 2
Ireland

AIB Bank
1 Lower Baggot Street
Dublin 2
Ireland

SOLICITORS

Eversheds
One Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

White & Case
5 Old Broad Street
London
EC2N 1DW
United Kingdom

4 Romanov Pereulok
125009
Moscow
Russia

Registered Number
408101

REGISTRAR

Computershare
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
Ireland

NOTES

NOTES

PetroNeft Resources plc

Dublin Office
20 Holles Street
Dublin 2
Ireland

Houston Office
Suite 518, 10333 Harwin Drive
Houston, TX 77036
USA