



# 1H 2013 Results Presentation



# Disclaimer

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# Executive Management



**Thomas Reed**

**CEO**

- Founding shareholder of Ruspetro and former CFO
- Private equity, M&A advisor and investor based in Moscow (in Russia since 1995)
  - VR Capital (2001 – 2007) and Raven Russia (2005 – 2007)
  - Advised and invested in several private companies in Russia
  - Previously CFO of Rising Star Media



**Alexander Chistyakov**

**Chairman**

- One of the largest shareholders of Ruspetro
- Held the position of First Deputy Chairman with the Federal Grid Company's Management Board since 2002
- First Deputy General Director of MRSK Holding
- Director of Investment Policy and a Member of the Management of RAO UES
- Headed the Project and Commercial Finance Department of UES



**Daniel Barcelo**

**CFO**

- Head of Oil & Gas at Renaissance Capital in Moscow
- Former PM and Head of Research at Moore Capital, and Research Analyst with BAML and Lehman Bros

**Position at RusPetro**

**Career highlights**



# Company Overview



# Tight Oil Play

## Substantial tight oil reserves in a prolific petroleum province

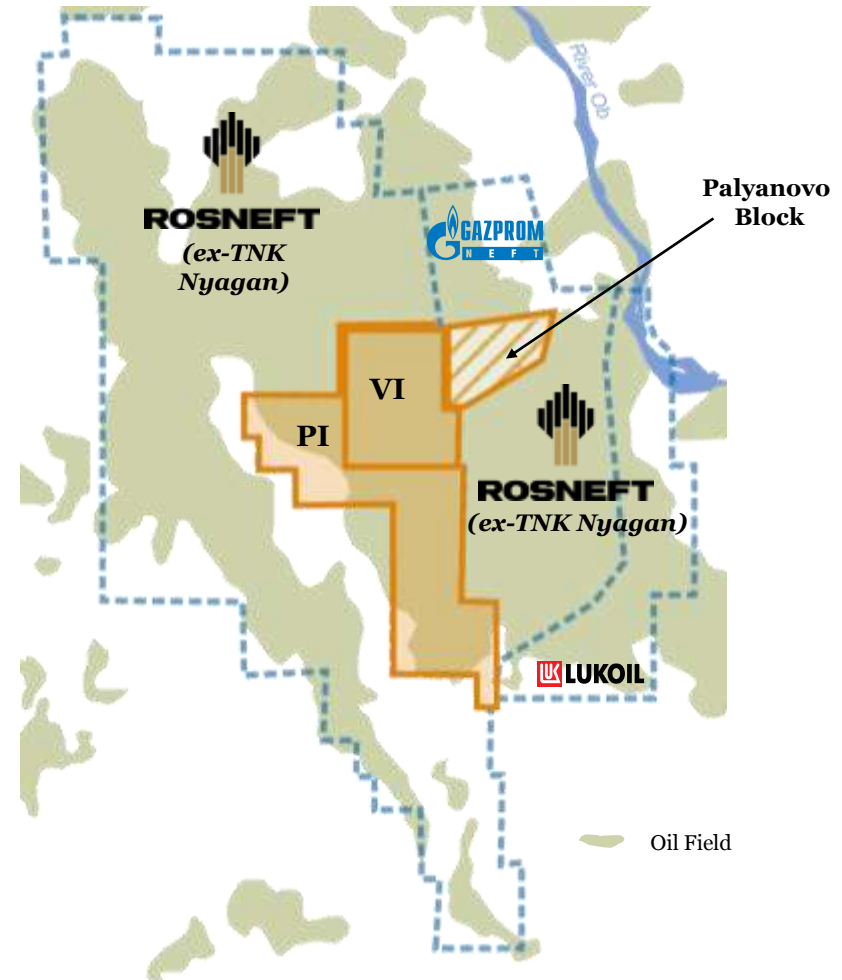
### Overview

- Large on-shore reserve base
  - Proved reserves of 222 mm boe
  - 2P reserves of over 1.8 billion boe
- Developed region and infrastructure
- Experienced management team and Board with proven track record

### License Reserves <sup>(1)</sup>/ Acreage

License	Area, km <sup>2</sup>	2P Reserves			Bazhenov Contingent Resources 3C
		Oil	Gas	Total	
		<i>mmbbl</i>	<i>bcf</i>	<i>mmboe</i>	<i>Bnbbbl</i>
PI Block	685	665.2	306,100	716.2	-
VI Block	340	819.2	376,900	882.0	-
Palyanovo	180.5	1,71.6	287,100	219.5	-
Bazhenov Shale	1,205	-	-	-	3.5 <sup>(2)</sup>
<b>Total</b>	<b>1,205</b>	<b>1,656</b>	<b>970</b>	<b>1,818</b>	<b>3.5</b>

### Location – Krasnoleninsky Arch, Western Siberia

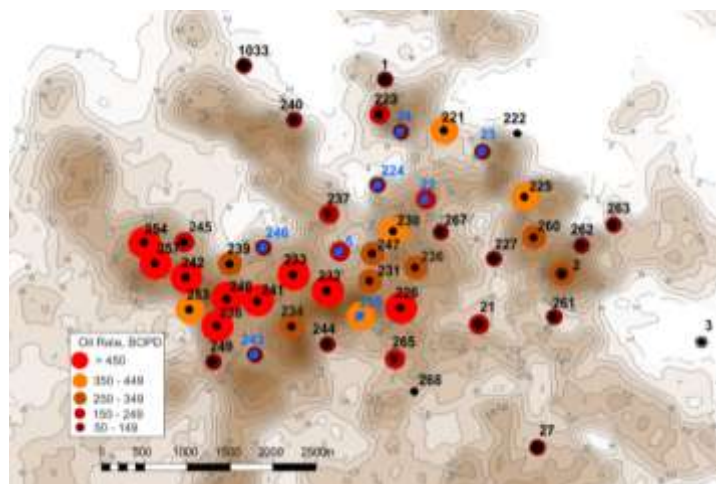


(1) DeGolyer & MacNaughton Appraisal Report as at 30 June 2013; (2) Original oil in place

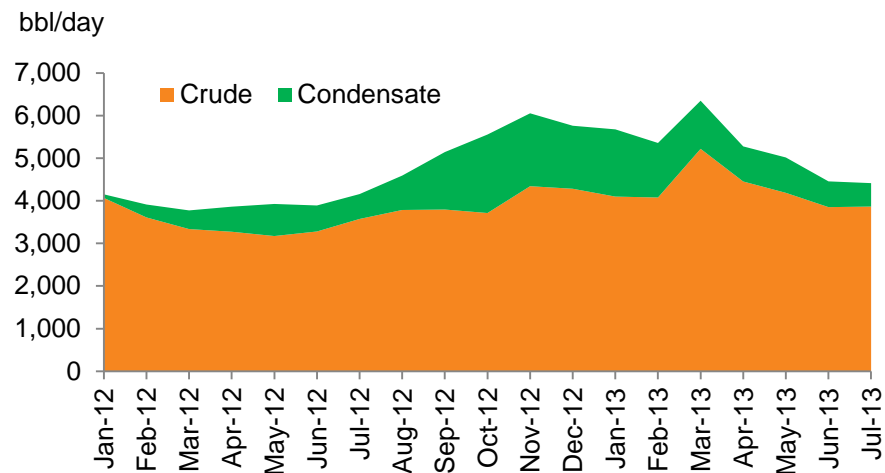


# Production History

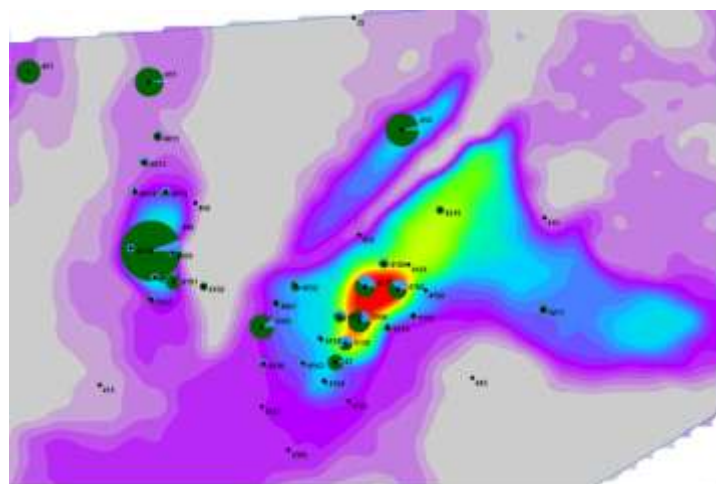
Map of Current Well Locations – PI Block



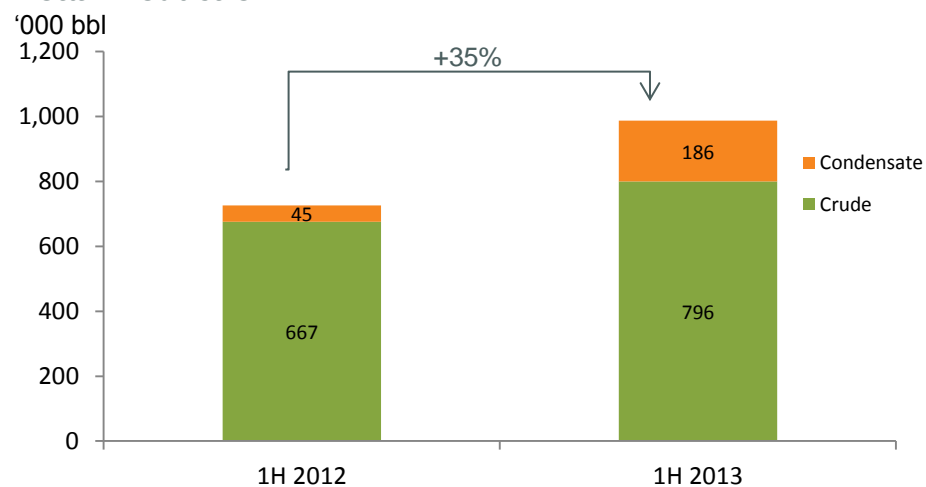
Average Production to Date



Map of Cumulative Condensate, Kh - Palyanovo



Total Production





# 1H 2013 Summary of Results



# 1H 2013 Summary Highlights

	1H 2013	1H 2012	% change Y-o-Y	Comments
Revenue (\$ mm)	42.5	33.8	+25.7%	Increase due to 38% increase in oil sales volume
EBITDA (\$ mm)	3.5	-6.18	n/m	Driven by an increase in revenue and decrease in both SG&A and OPEX
Free Cash Flow (\$ mm) <sup>(1)</sup>	-22.7	-68.5	-66.8%	Decrease attributable to increase in operating cash flows and reduced capex
Long Term Debt, period end (\$ mm)	385.7	348.5 (as at Dec. 31, 2012)	+10.7%	Sberbank and shareholder loans restructured and maturities extended
Cash, period end (\$ mm)	10.2	90.2	-88.7%	
Proved Reserves, period end (mmboe)	222	183	+21.3%	
Average Production (bopd)	5,455	3,989	+36.8%	
July 2013 Average Production (bopd)	4,394	-	-	

(1) FCF is net cash flows from operating activities less capital expenditures



# Reserves as of 30 June 2013

Reserves and their NPV as reported by DeGolyer and MacNaughton

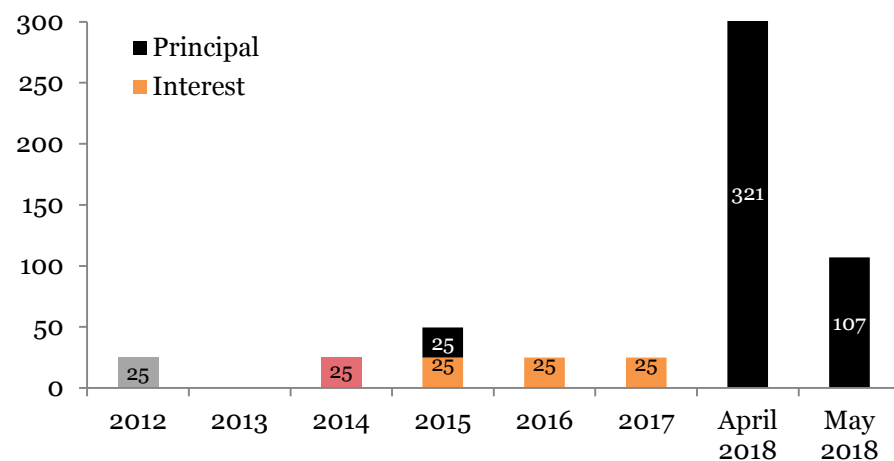
Reserves Category	Oil & Condensate	Gas	Total hydrocarbons	D&M NPV at 10% discount rate
	mmbbl	mmboe	mmboe	\$ mm
Proved Developed	19	0	19	206
Total Proved	192	30	222	882
Proved + Probable	1,656	162	1,818	9,728

# Balance Sheet Highlights

## Debt Position

- Sberbank loan restructured in May 2013
  - Maturity extended by three years to 2018
  - Two year interest payment holiday (2013/14), subject to certain covenants
- Shareholder loans (Limolines & Makayla) of c.\$85mm maturities extended (subject to shareholder approval), with all other loan terms unchanged

## Debt repayment, \$ mm



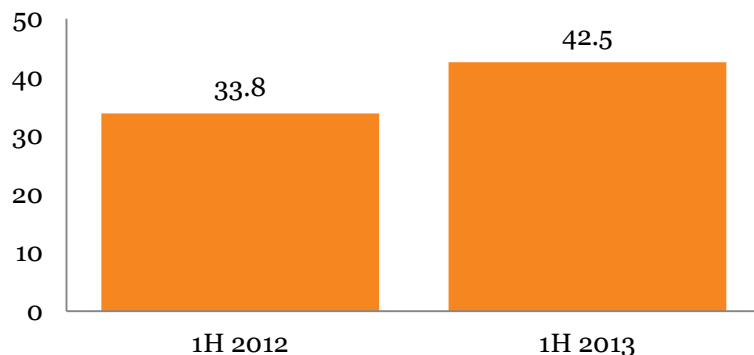
## Recent Events

- Glencore pre-payment facility secured, funds have been received by Ruspetro
  - \$30mm facility
  - Term: 360 days

# Financial Summary: Income Statement

## Revenue

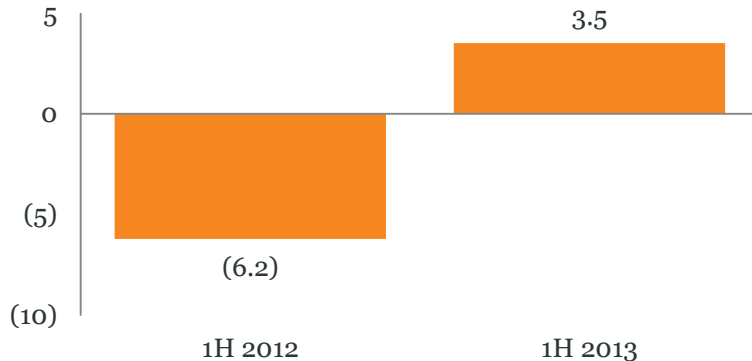
(\$ mm)



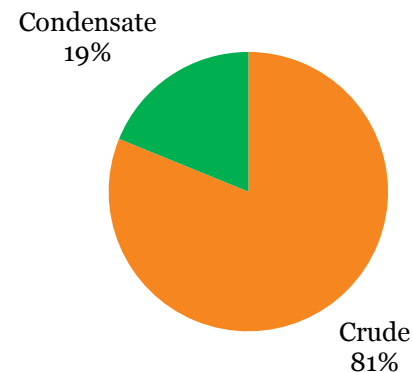
- Total average sales of 5,455 bbl/day in 1H 2013 vs. 3,938 bbl/day in 1H2012 (+38.5% Y-o-Y)
- Revenue increased to \$42.5 mm in 1H 2013 compared to \$33.8 mm in 1H 2012 (+25.7% Y-o-Y)
- EBITDA increased to \$3.5 mm in 1H 2013 from negative \$6.4 mm in 1H 2012
  - A decrease in realized operating expenses and SG&A (to \$9.6 mm and \$11.4 mm<sup>(1)</sup>, respectively) contributed to the period's higher EBITDA

## EBITDA

(\$ mm)

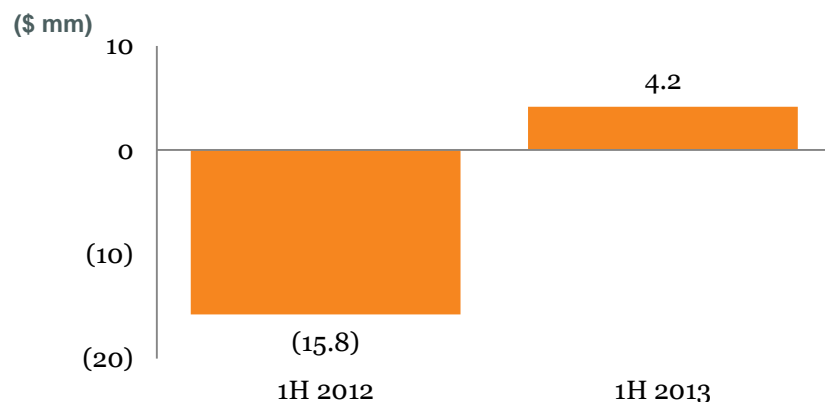


## Total sales : breakdown by product



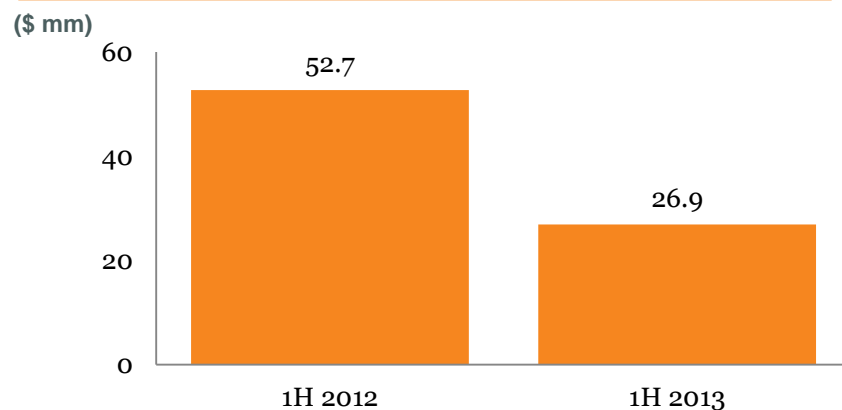
# Cash Flow Statement

## Operating Cash Flow <sup>(1)</sup>

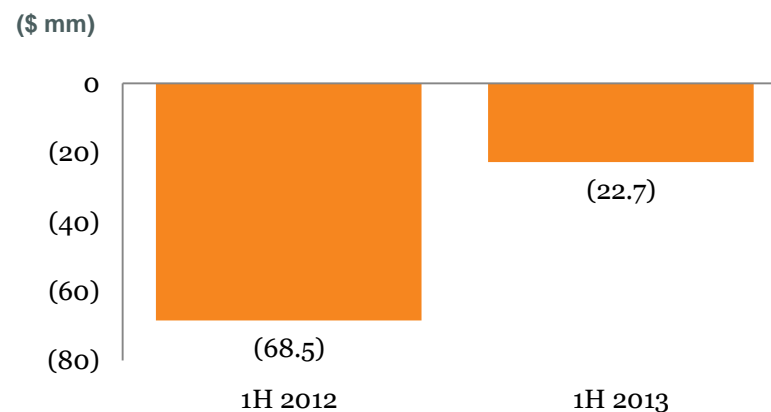


- 1H 2013 ending cash balance of \$10.2 mm
- Net decrease in cash during the period largely attributable to CAPEX of \$ 26.9 mm

## Capital Expenditure

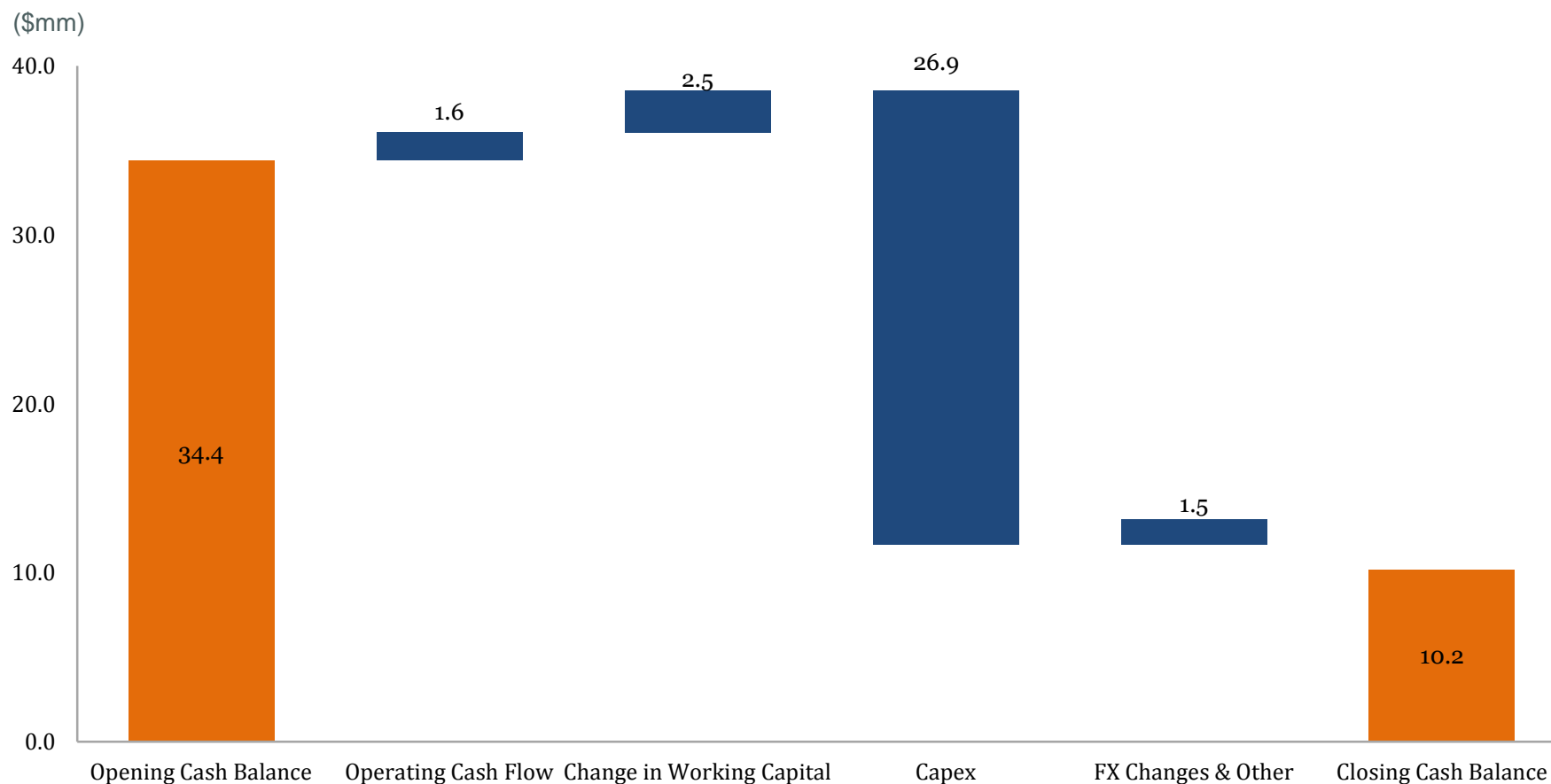


## 1H 2012 Free Cash Flow



# Cash Flow Profile

Closing Cash Balance as at 30 June 2013



# Mineral Extraction Tax Relief

- On 23 July 2013 an amendment to the Russian Tax code was adopted. Under this amendment, effective from 1 September 2013, a reduced mineral extraction tax (MET) rate will be applicable to tight oil produced.
- Due to the characteristics of our reservoirs, as stated on the 6GR form of the State Register of Reserves, the Company estimates that 80% MET relief is applicable for production from approximately 74% of the Company's Jurassic reserves. 80% MET relief is estimated to be applicable to approximately 97% of the Company's current crude oil production.

## Application of the new law

Reservoir characteristics	MET relief	% of C1+C2 reserves under new law	% of June 2013 production under new law	Grace period
Permeability <2mD, net pay <10 m	80%	74%	97%	10 years
Permeability <2mD, net pay >10 m	60%	24%	3%	10 years
Bazhenov, Abalak, Khadum, Domanic formations	100%	n/a	n/a	15 years
Tyumen formation	20%	59%	97%	15 years

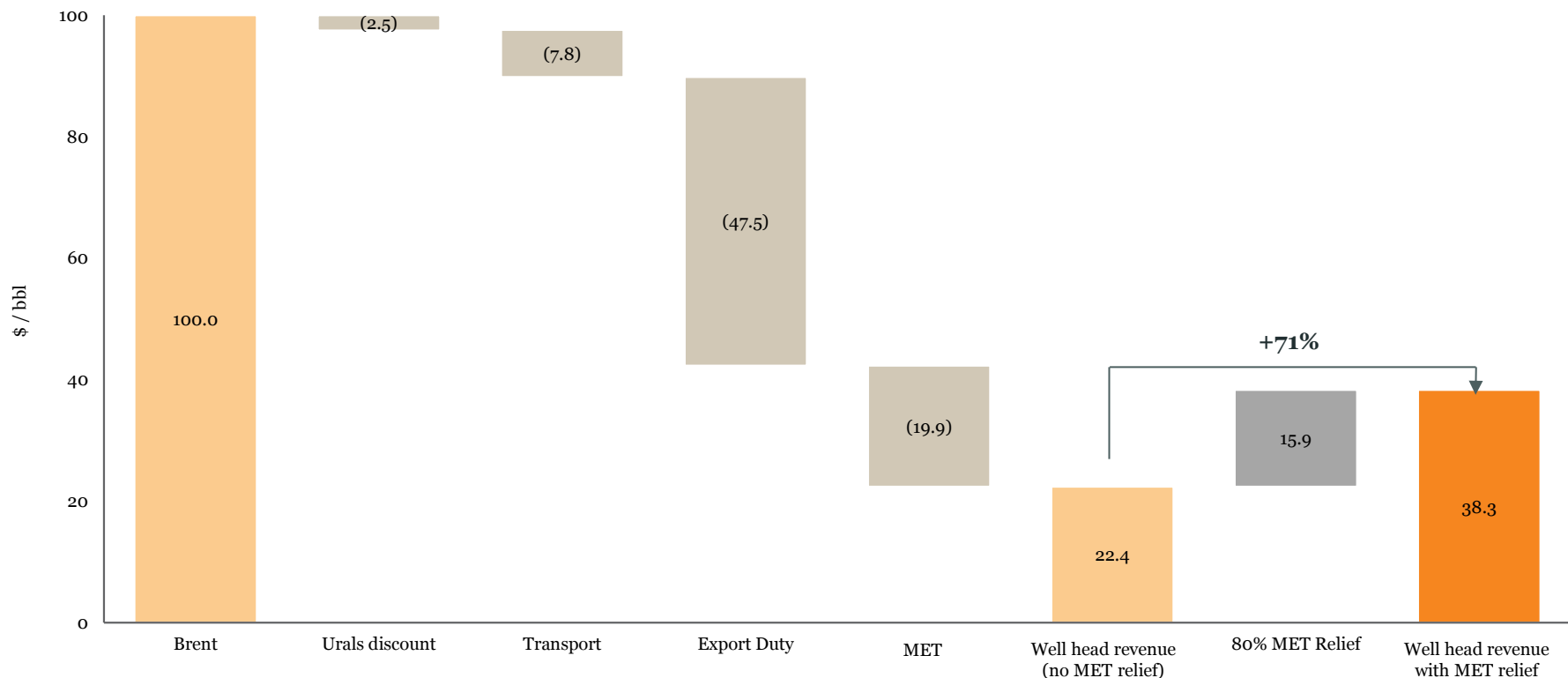


# Tax Incentives for Tight Oil Producers in Russia

## Anticipated netback uplift of ~70% from the new law on MET relief

- Ruspetro anticipates 80% MET relief for both existing and new production commencing in September 2013
  - Potential netback uplift of c.\$16/bbl (+71%) under \$100/bbl oil price

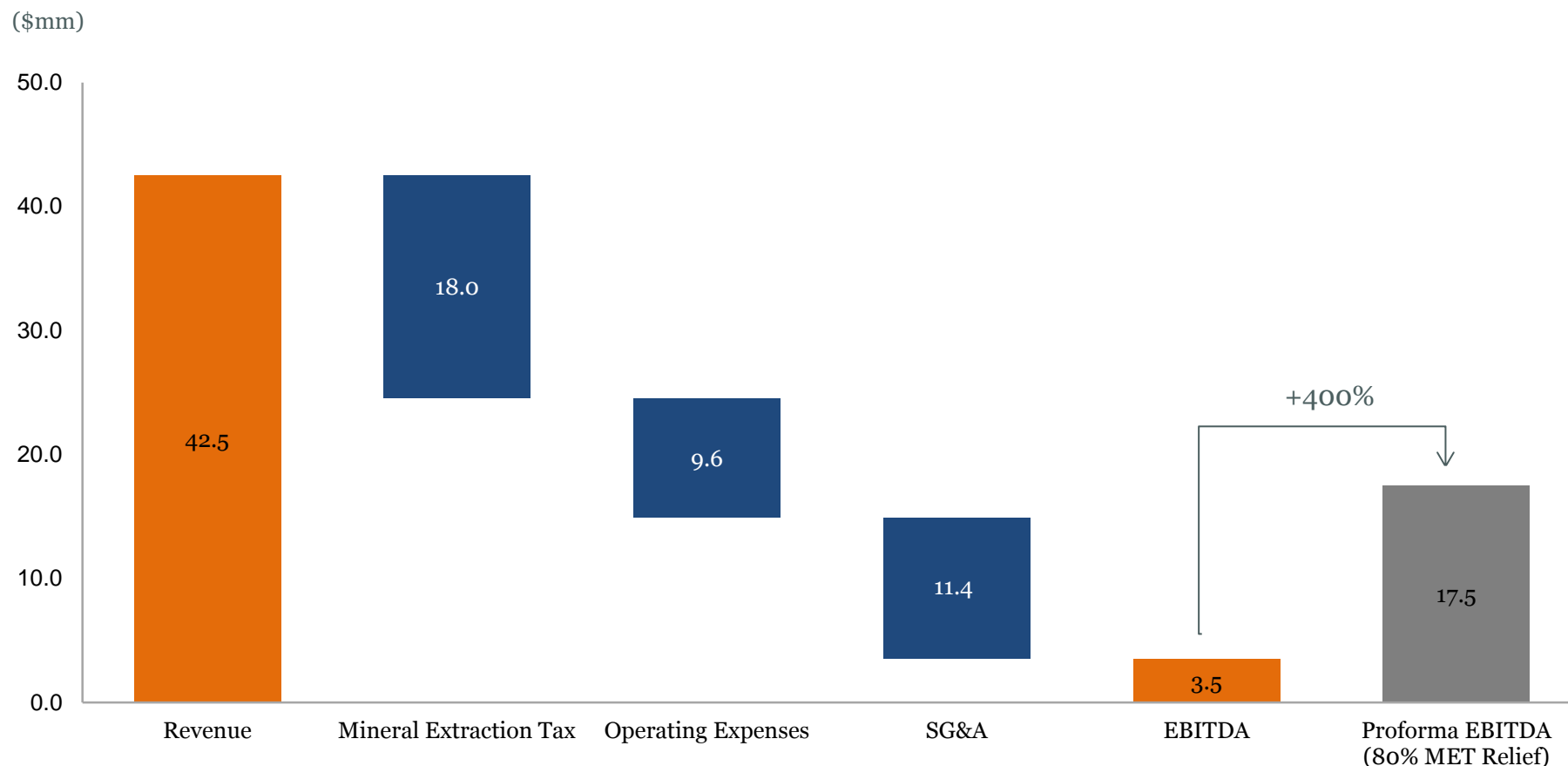
## Illustrative Crude Oil Netback – New Tax Regime



# Indicative Proforma EBITDA Uplift due to MET Relief



## EBITDA 1H 2013

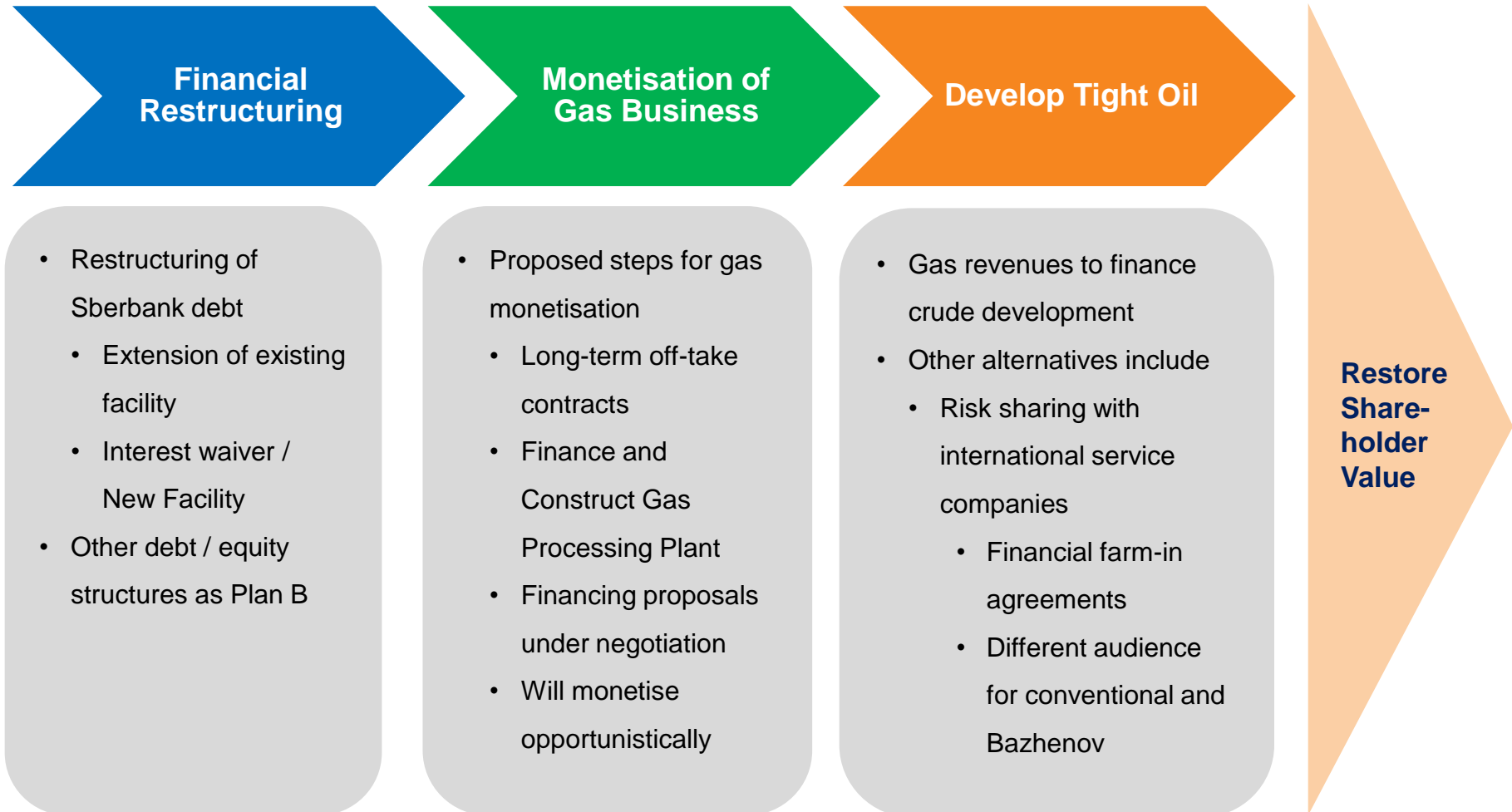




# Review and Update



# Strategic Review Process Established April 2013



# 1H 2013 Developments

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- ✓ **Sberbank loan restructured, maturity extended to 2018**
- ✓ **\$30 mm prepayment facility secured with Glencore Energy UK Ltd**
- ✓ **MET relief of 80% is estimated to be applicable to c. 97% of RPO's current crude oil production, effective 1 September 2013**
- ✓ **12 wells now showing pressure response from waterflood program**
- ✓ **300,000 acre Bazhenov shale formation reported by DeGolyer and MacNaughton for the first time as a contingent resource with estimated oil in place of 3.53 bnbbbl**
- ➡ **Board and Executive Management changes announced**
- ➡ **Strategic process active; selecting a world class technology partner underway**



# Board of Directors





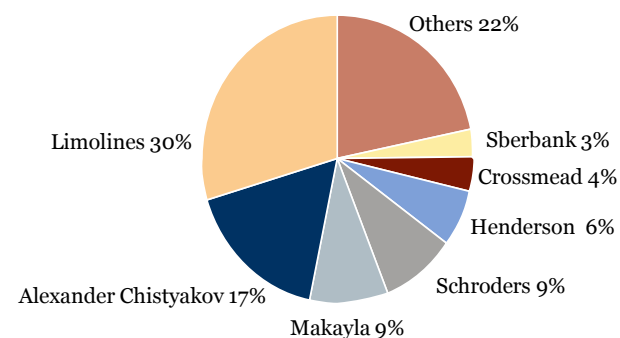
# Board Re-organized, Majority Independent

Highly experienced Board with a wealth of experience in the region and industry

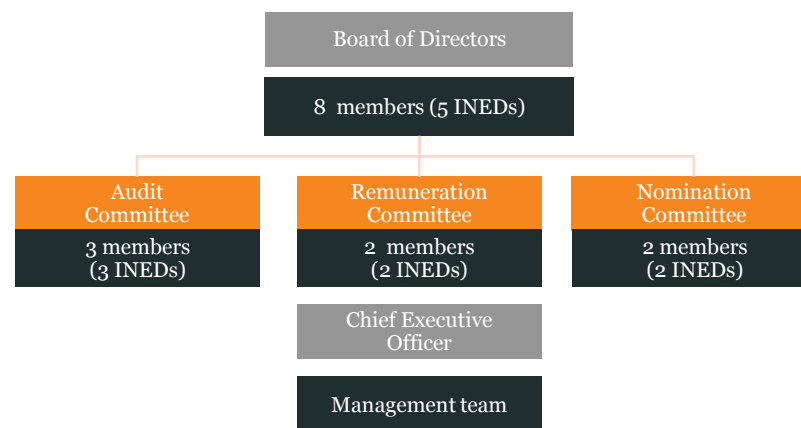
## New Board Members in 2013

	Name	Previous Experience
	<b>Kirill Androsov</b>  Non-Executive Director	<ul style="list-style-type: none"> <li>Co-founded Altera Capital</li> <li>Currently Chairman of Aeroflot and Russian Railways</li> <li>Formerly Deputy Chief of Staff to the Russian Prime Minister Vladimir Putin and Deputy Minister of Economic Development and Trade</li> <li>Served on the Boards of RAO UES, Rosneft, Zarubezhneft, Bank VTB and Syvazinvest</li> </ul>
	<b>Frank Monstrey</b>  Independent Non-Executive Director	<ul style="list-style-type: none"> <li>Founder and Chairman of Zhaikmunai, an LSE-listed Kazakhstan E&amp;P company with ~50,000 boepd production</li> <li>CEO of Probel Capital Management, an investment advisory and private equity management firm</li> </ul>
	<b>John Conlin</b>  Independent Non-Executive Director	<ul style="list-style-type: none"> <li>Former Chairman of Aurelian Oil &amp; Gas; petroleum engineer with 28 years at Shell and 36 years in the industry</li> <li>Previously a Director of Hardman Resources and Chairman of Nautical Petroleum</li> </ul>

## Shareholder Structure



## Governance Structure





# Field Development



# Focus

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**1. Stabilize base rate of production**



**2. Enhance sub-surface understanding**



**3. Appraise best available drilling and completion technologies**



**4. Select a world class technology partner**

# Workovers (Enhancements)

- ✓ Continuous monitoring of pumps to ensure maximum efficiency
- ✓ Lift changes in gas/condensate wells
- ✓ Waterflood optimization
- ✓ Re-entries as appropriate



# Pressure Support/Waterflood Performance

## Pad 21

4 well conversions in 2012 :

- 224 (May)
- 5, 243 (July)
- 235 (November)

1 well conversion in 2013:

- 246 (February)

4 conversions envisaged:

- 245, 234 for 2013
- 236, 238 for 2014

12 wells have shown waterflood response

Incremental oil from waterflood so far

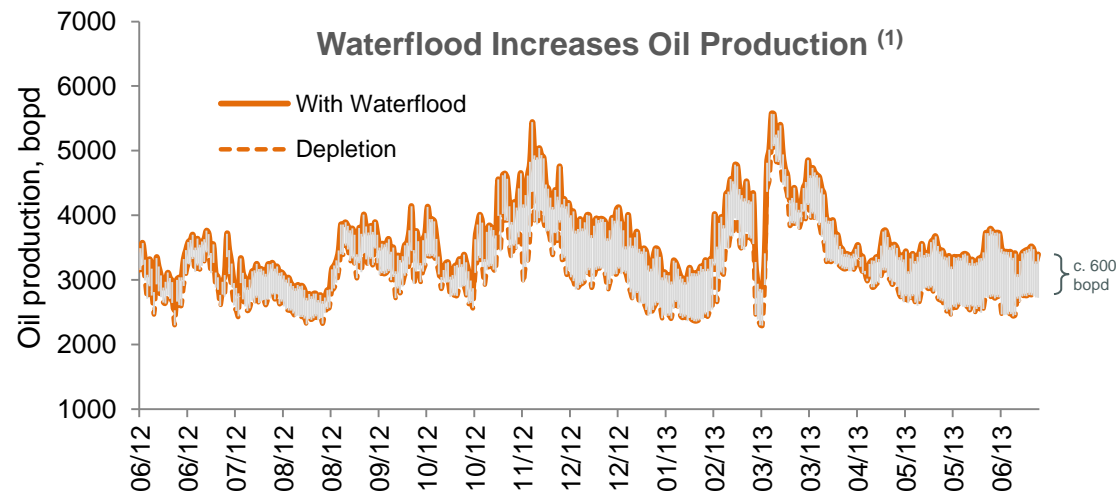
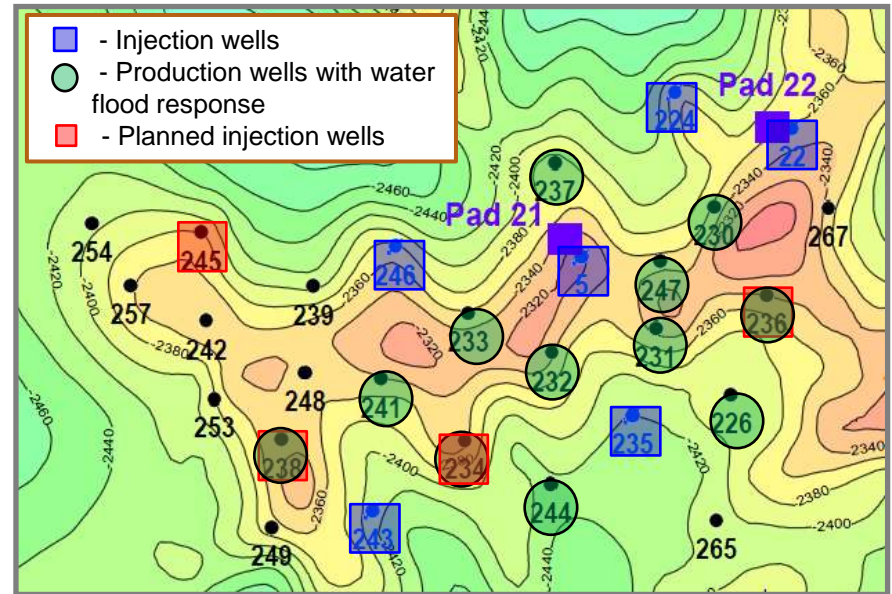
~280,000 bbls

Provides maximum rates after June 2013:

Oil Rate: c. 4,400 bopd

Liquid Rate: c. 14,000 bpd

Injection Rate: c. 15,000 bpd



(1) Diagram depicts only wells showing water flood response.

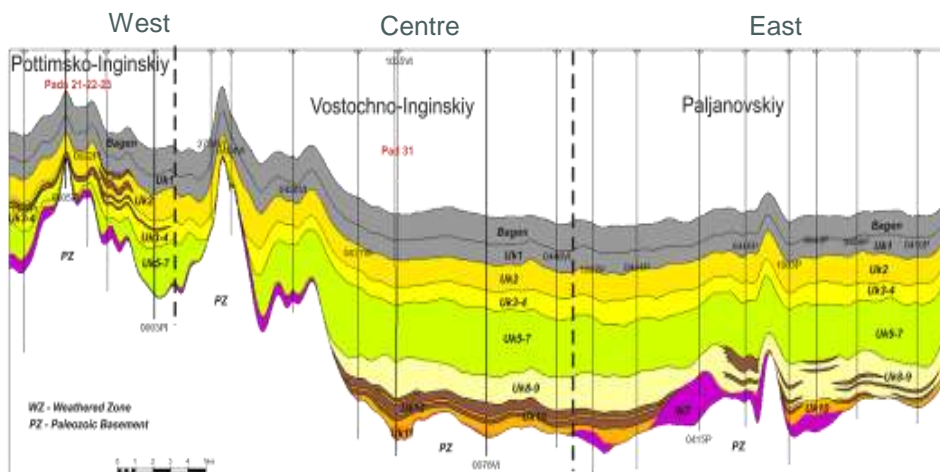
# Geological Overview

Substantial tight oil reserve base in a prolific petroleum province; development underway

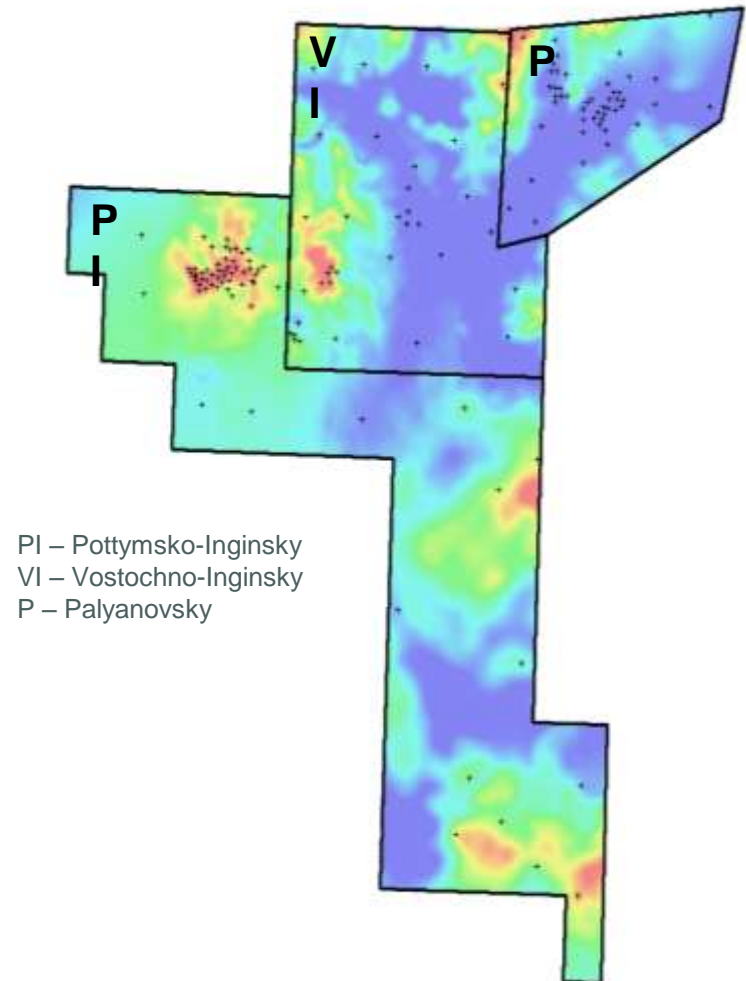
## Overview

- Source rocks: shales of Bazhenov, Tyumen and Sherkalyn formations
- Reservoir rocks: sandstones of Tyumen, Sherkalyn, Vikulov and fractured shales of Abalak formations
- Unconventional reservoirs in fractured shales of Bazhenov formations
- Traps: Structural (PI, VI), stratigraphic (PI, VI, P)

## Jurassic Cross-Section



## Top of Basement Structure





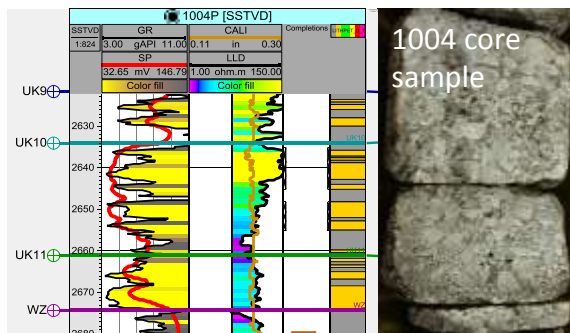
# Depositional Settings of Reservoir Formations



Sherkalyn reservoirs UK10-11 (P)

Tyumen reservoirs UK2-9 (PI, VI)

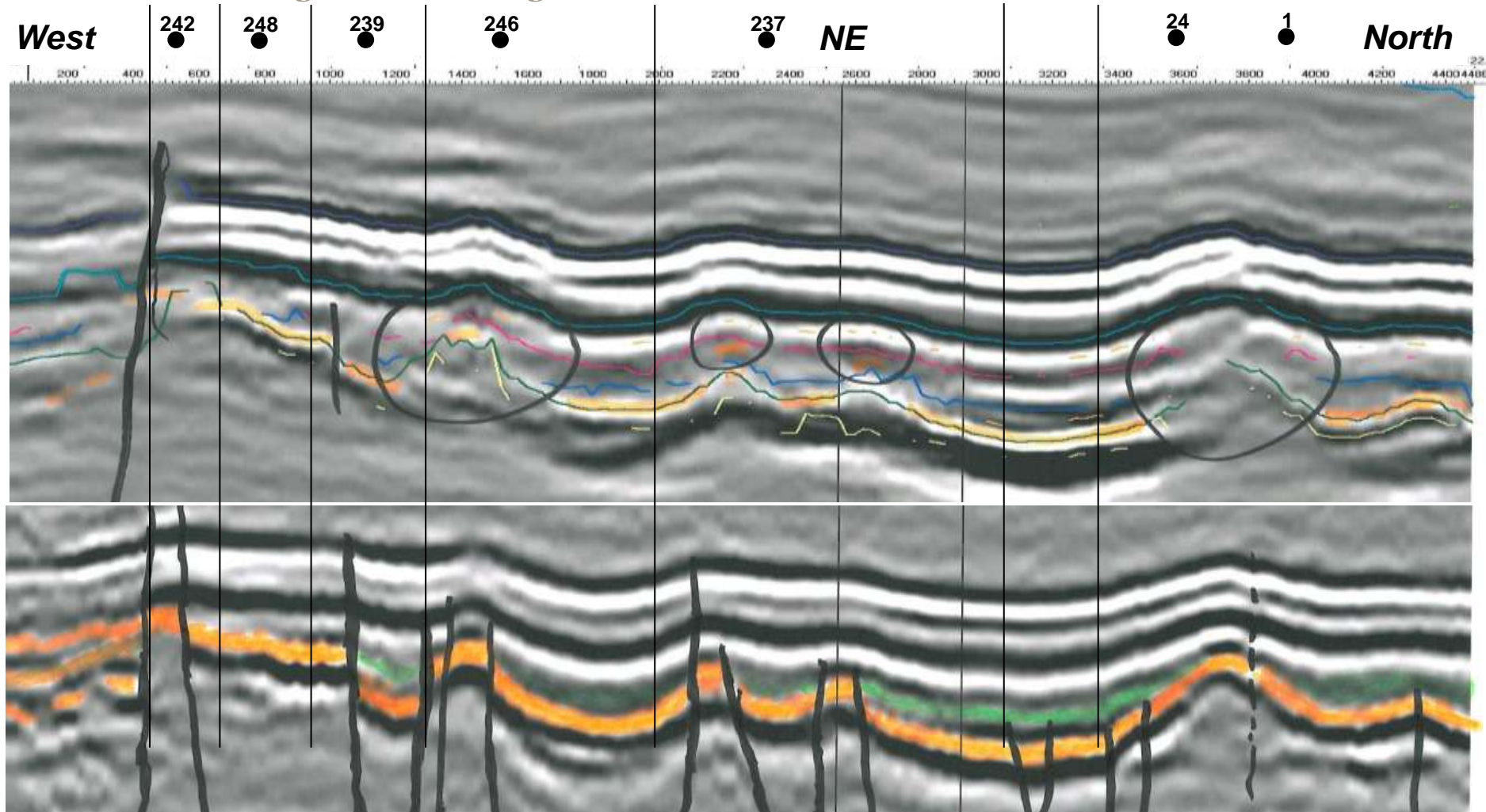
## Well and seismic data interpretation



# Resolution improvements after Reprocessing - along northern flank of P-I

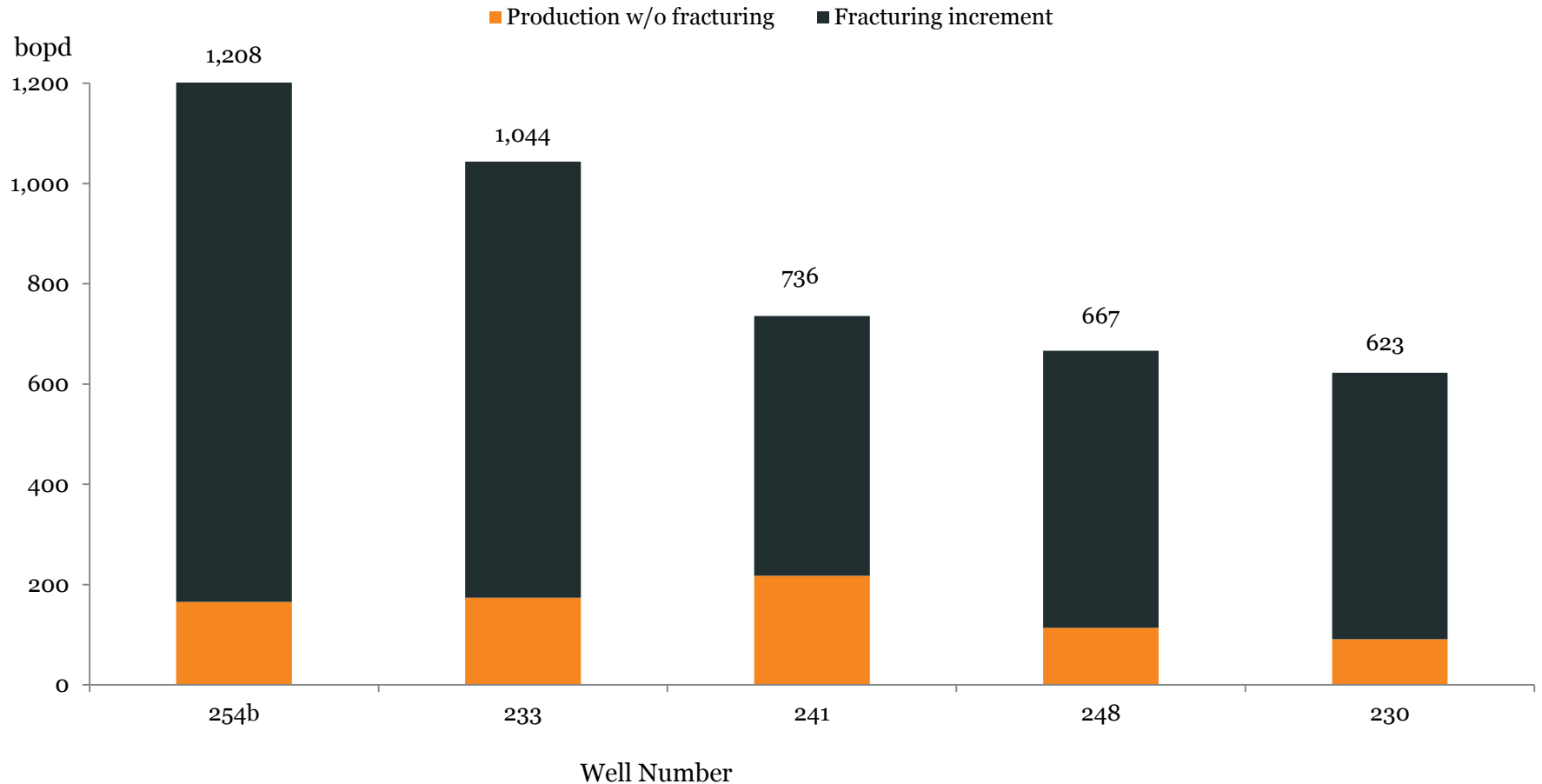


Seismic re-processing has helped Ruspetro identify the compartmentalisation in the field, further enhancing understanding of the sub-surface



# Top 5 Ruspetro wells

## First 30 days average oil flow rate, bopd



✓ Fracturing increment constitutes on average 82% of the post-fracturing production

# Illustrative Well Economics

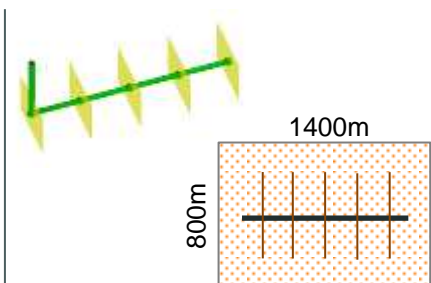
## Well Characteristics: Length and Drainage Comparison

### Horizontal Well

Length – 1000m

Fractures – 5

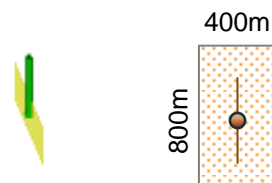
**Cost - \$8mm (incl VAT)**



### Vertical Well

Fractures – 1

**Cost - \$2.5m (incl VAT)**



## Illustrative Well Economics: Vertical vs. Horizontal<sup>(1)</sup>

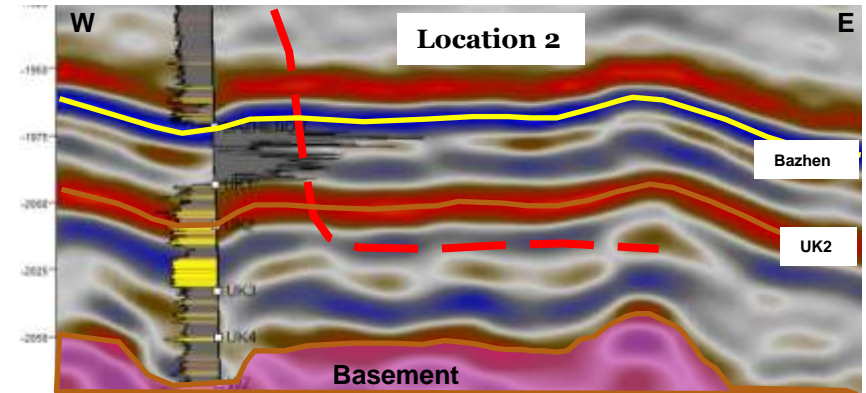
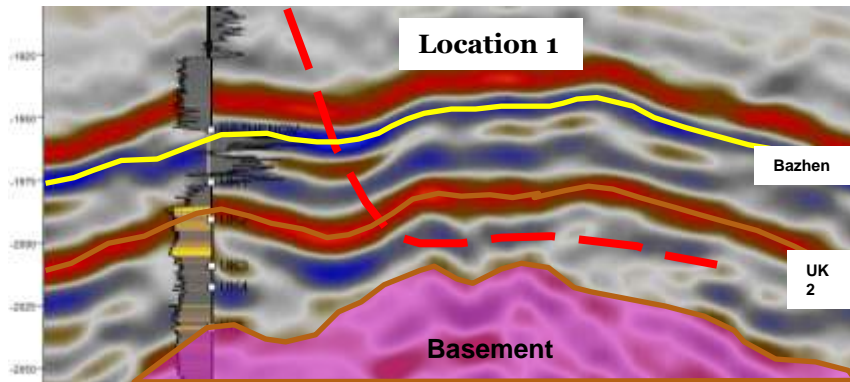
	Vertical Well	Horizontal Well
Total Capex Pre-VAT (\$'000)	2,000	7,000
Predicted Initial Rate (bbl/d)	400	2,000
Decline Rates (%)		
Year 1	(53%)	(47%)
Year 2	(40%)	(40%)
Cumulative Production (bbls)		
Year 1	103,034	541,938
Year 2	51,643	290,317
Total EBITDA - First 2 Years (\$'000)	4,950	26,632
Total EBITDA / Initial Capex	2.5x	3.8x
Payback Period (days)	185	119

(1) Based on \$32/bbl EBITDA. Initial rates and decline rates for illustrative purposes only.



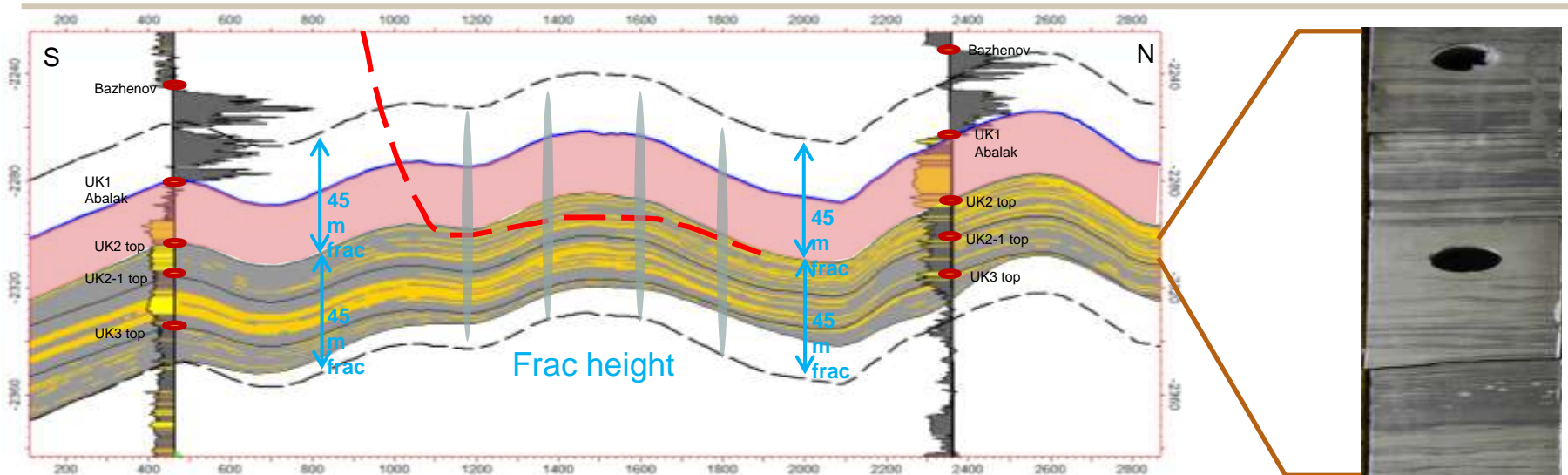
# Planning Horizontal Wells

- **Area:** Pottymsko-Inginsky license area
- **Horizontal section length** ca. 1,000 m
- **Target formation:** UK2-3 (Tyumen formation)
- **Multi stage fractured horizontal well, 4-5 fracs**



Geological Cross Section and Well Placement

Well 230 core sample (UK2)



# Current Activity

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**1. Stabilize base rate of production**



**2. Enhance sub-surface understanding**



**3. Appraise best available drilling and completion technologies**



**4. Select a world class technology partner**

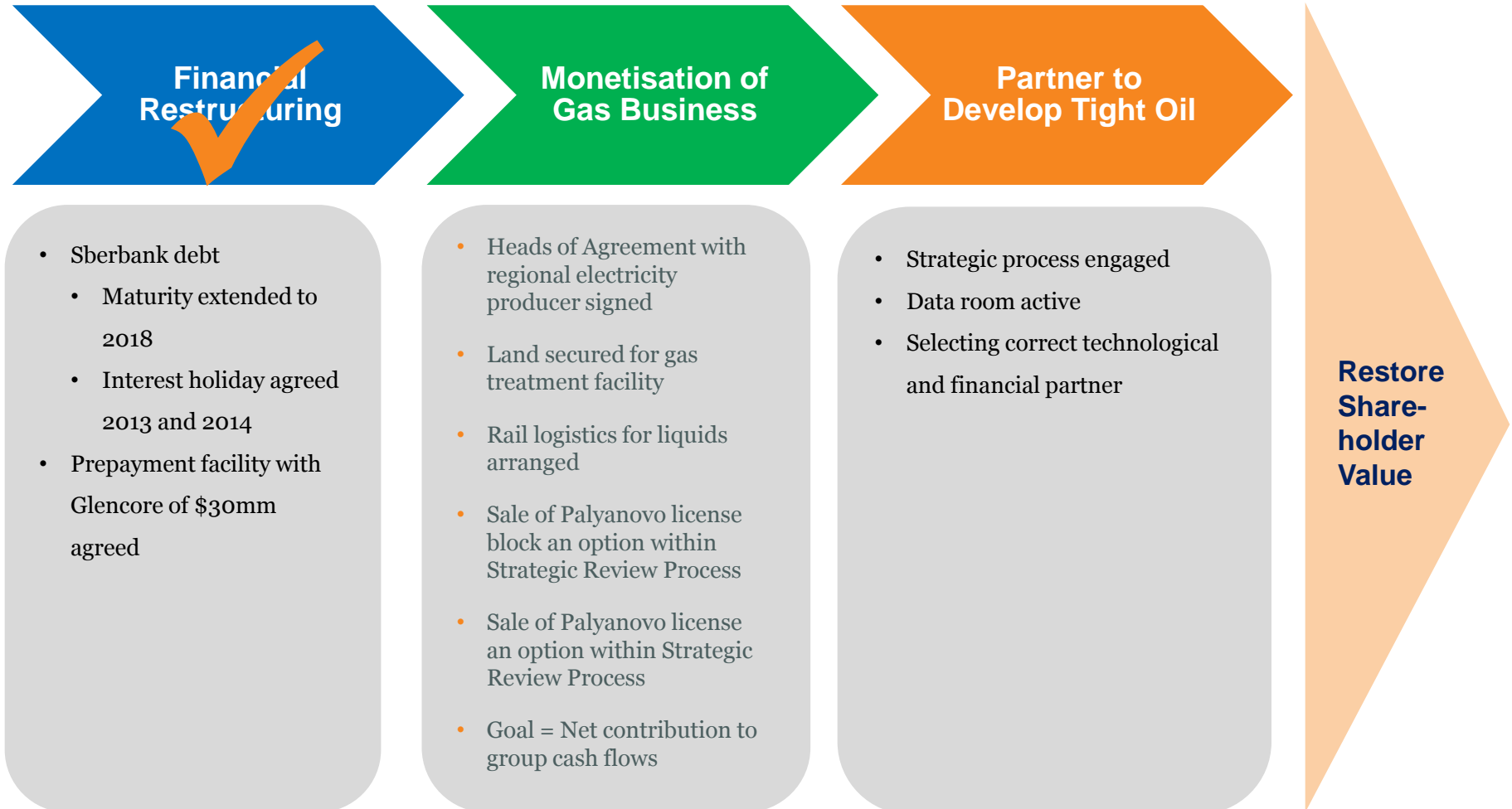




# Strategic Review Process



# Strategic Review



# Investor Relations Calendar 2H 2013

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**30 Aug 2013**

**1H Results**

**4 Sep 2013**

**1H Results Presentation – Moscow**

**8 Oct 2013**

**RBC Investor Conference – London**

**16 Oct 2013**

**LSE Russia and CIS Investor Conference – London**

**7 Nov 2013**

**Q3 IMS – London**

**6-7 Nov 2013**

**Goldman Sachs Natural Resources Conference – London**

**3-4 Dec 2013**

**Adam Smith Unconventional Oil Conference – Moscow**