



Volga Gas plc
FINAL RESULTS
2013

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Key share data

Major shareholders (as disclosed)

Baring Vostok Private Equity Funds III & IV	58.7%
JP Morgan Asset Management	5.4%
Blackrock Investment Management	3.0%
BNP Paribas Investment Partners	3.0%
Management/Directors	2.2%

Debt – \$nil as at 31 December 2013

Cash – \$8.1 million as at 31 December 2013

VGAS share price, UK p

12 month min 82p | max 112p | at 01/04/14 100p

Shares in issue: 81,017,800

Market capitalisation: £81m

www.volgagas.com

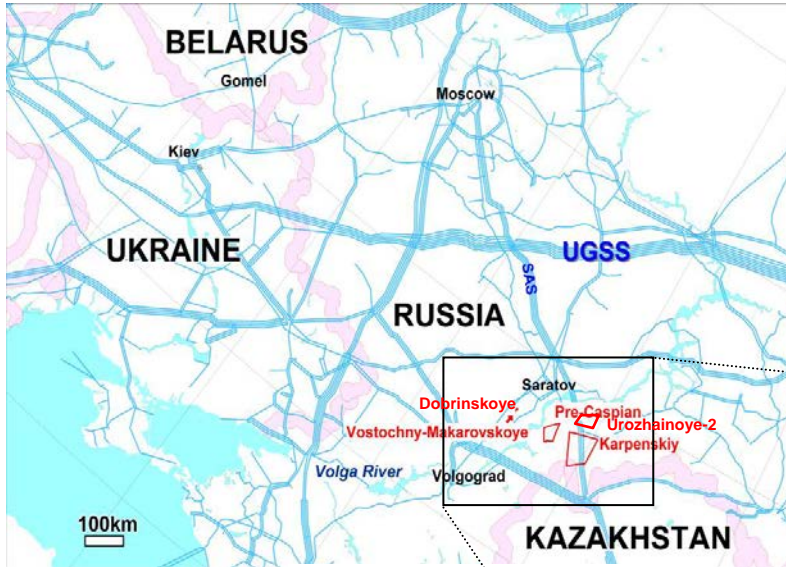
VGAS share price chart



Source: London Stock Exchange















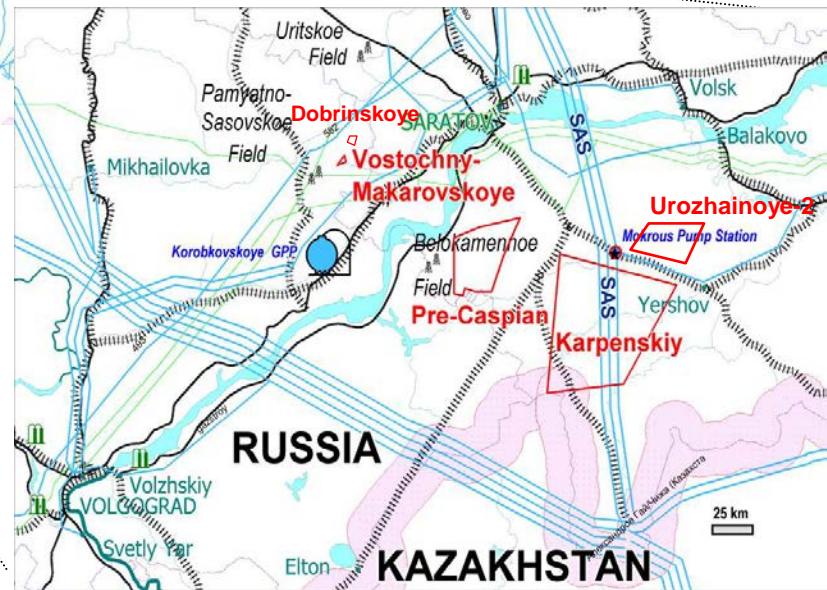
Where we operate



Source: Incotec

Legend

-  License Area
-  Country border
-  State border
-  Connection point
-  Gas pipe line
-  Oil pipe line
-  Railway
-  Autobahn
-  Lake, River
-  Oil Refinery
-  Oil/Condensate Preparation Plant
-  GPP



Source: Incotec

Financial highlights of 2013

- Revenue up 22% to US\$34.6 million (2012: US\$28.3 million)
 - 48% increase in production, mainly gas, hence relatively lower increase in revenues
 - Oil/condensate sales prices stable gas prices increased .17% to US\$2.73/mcf (2012: \$2.32/mcf)
- EBITDA up 85% to US\$14.8 million (2012 US\$8.0 million)
 - Lower MET rates on gas and condensate than on crude oil
 - EBITDA per barrel equivalent up 26% to US\$13.80/boe (2012: \$10.96/boe)
- Pre-tax profit of US\$9.1 million (2012: pre tax loss US\$6.3 million)
 - Exploration expense reduced to US\$2.5 million (2012: US\$8.5 million)
- Net cash flow from operations of US\$15.4 million (2012: US\$5.4 million)
 - Cash generation reflecting EBITDA
 - Includes working capital outflow of US\$1.2 million (2012: inflow of US\$2.5 million)
- Lower capital expenditure of US\$6.2 million (2012 US\$13.1 million)
 - 2013 spend mainly on gas plant upgrade and well workovers
- Bank debt fully repaid 31 December 2013 (US\$8.0 million as at 31 December 2012)
- Preparing to provide cash returns to shareholders



Business overview

Production

- Gas & condensate production in two fields: Vostochny Makarovskoye and Dobrinskoye
- Oil production from two fields: Uzenskoye and Sobolevskoye
- Remaining 2P reserves* 42.6 million barrels of oil equivalent (“mboe”)
- 2013 average production 2,958 boe/d (2012: 1,995 boe/d)
- Current production rate over 4,500 boe/d

Gas Processing Plant

- Operating at a rate of 400-500 mcm/d (14-17 mmcf/d) since October 2013 (previously 250 mcm/d)
- Final completion of upgrade anticipated H1 2014
- Subject to regulatory permits, aim to increase capacity to 1.0 mmcm/d (35.3 mmcf/d)

Development plans for 2014-15

- Focus on drilling new wells on the VM field
- Rig mobilised in January 2014 for operations
- Target to increase well production to utilise full plant capacity

Strategy

- Priority will be to focus on completing development and achieving higher levels of production and cash generation
- Medium term target of 7,000 – 8,000 boepd from existing fields
- Further exploration potential in the Karpenskiy licence area

** Per Miller & Lents reserve report of 1 August 2012, less subsequent production to 31 December 2013*



Vostochny-Makarovskoye gas/condensate field

- VM has 2P reserves* of 132 bcf of gas and 7.9 million barrels of condensate
- Three production wells drilled, completed and hooked up to the Dobrinskoye gas plant, 5 km from the field site.
- Production through gas plant and gas sales started in October 2012.
- Successful workover of VM#1 well has more than doubled the estimated productive capacity of this well to 2,700 boe/d.
- VM field is currently producing at 15 mmcf/d gas plus 1,100 bpd of condensate (3,500 boepd)
- Current plans for two wells in 2014:
 - VM#3 currently drilling – expected to react TD in June 2014
 - VM#5 expected to follow after

** Per Miller & Lents reserve report of 1 August 2012, less subsequent production to 31 December 2013*



VM field site office



VM#1 well workover in operation



VM#1 wellhead and flow line

Dobrinskoye field

- Dobrinskoye remaining 2P reserves* of 22 bcf of gas and 1.9 million barrels of condensate (5.5 mmboe)
- Two production wells on the field
- Sidetracks on both wells drilled, completed and tested in 2012

** Per Miller & Lents reserve report of 1 August 2012, less subsequent production to 31 December 2013*



Dobrinskoye gas plant

Gas Processing Unit used to process gas from the VM and Dobrinskoye fields

- Originally constructed solely for the Dobrinskoye field, the GPU has been upgraded to process the gas from VM and to increase its throughput capacity
- First two phases of the upgrade project completed by October 2012 enabling VM gas to start flowing
- Cumulative capital cost of upgrade to 31 December 2013 has been US\$10.0m enabling increased processing capacity and enhanced sulphur extraction to process VM gas.
- Remaining works to establish 35 mmcf/d capacity were increase in condensate storage and upgrade to safety flare systems. These works have been substantially completed.
- Potential incremental project to extract LPG (propane/butane) currently under evaluation for 2015-2016 development.



Oil production from shallow supra-salt fields

UZENSKOYE FIELD

- Remaining 2P reserves* of 4.3 mmbbls
- Eight wells tested oil and five placed on production since October 2008
- Light (45 API) sweet crude oil. Water cut < 1%. High permeability reservoir (0,6 Darcy)
- Produced to date over 2 million barrels
- Current production capacity 924 bopd (2012 average 1,106 bopd)
- Production currently choked back to prevent water cut
- Secondary reservoir to be developed via future recompletions of existing wells

SOBOLEVSKOYE FIELD

- Oil discovery made by previous licensee
- Single well, Sobolevskaya#11, placed on production in June 2013 after successful workover
- Current production at approximately 150 bopd

** Per Miller & Lents reserve report of 1 August 2012, less subsequent production to 31 December 2013*



Exploration: Karpenskiy, Licence

UROZHAINOYE-2 LICENCE

- Sobolevskaya #11 well – workover of oil discovery placed on production in June 2013

PRE-CASPIAN LICENCE

- This licence area was relinquished during March 2014.

YUZHNY ERSHOVSKOYE

- Grafovskaya #1 sub-salt exploration well drilled and tested.
- Non-commercial hydrocarbon shows

YUZHNY MOKROUSOVSKOYE

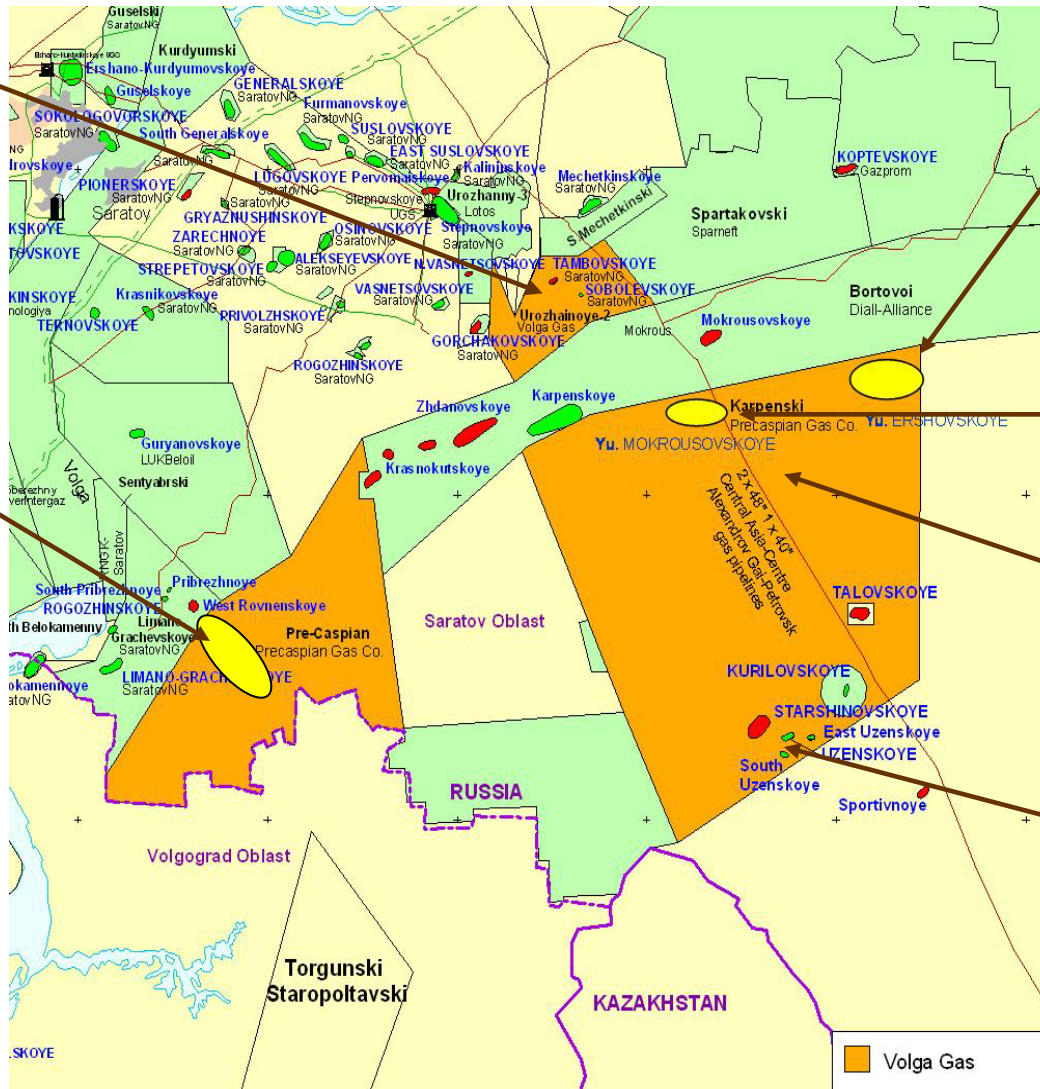
- Novaya supra- and intra-salt prospect.
- C3 Prospective Resources of 189 mmbbl

MIRONOVSKAYA

- 3 supra-salt prospects mapped.
- Total C3 Prospective Resources of 25 mmbbls.

UZENSKOYE OIL FIELDS

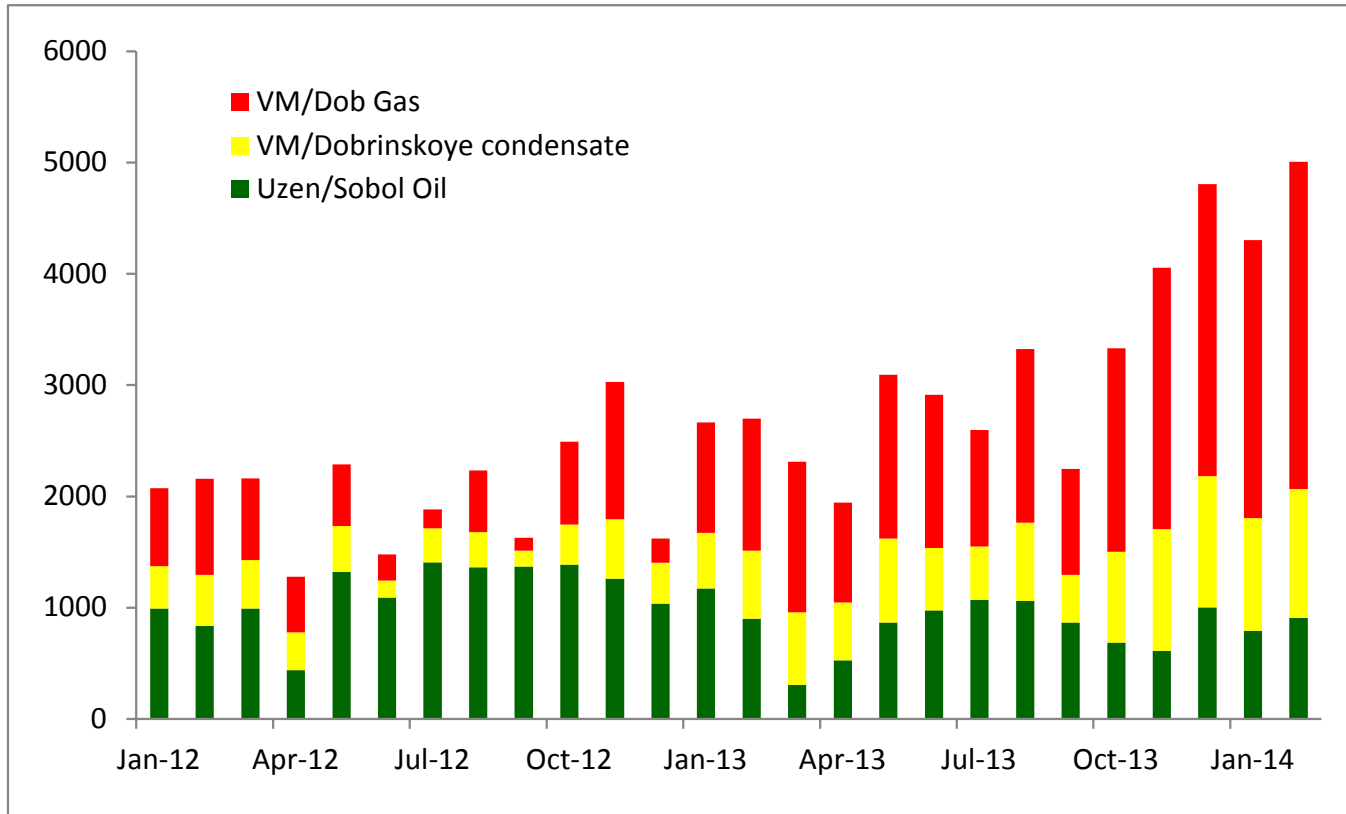
- Discovered in 2007/8
- Developed 2008/9
- Producing c1,350 bopd



Source: Wood Mackenzie

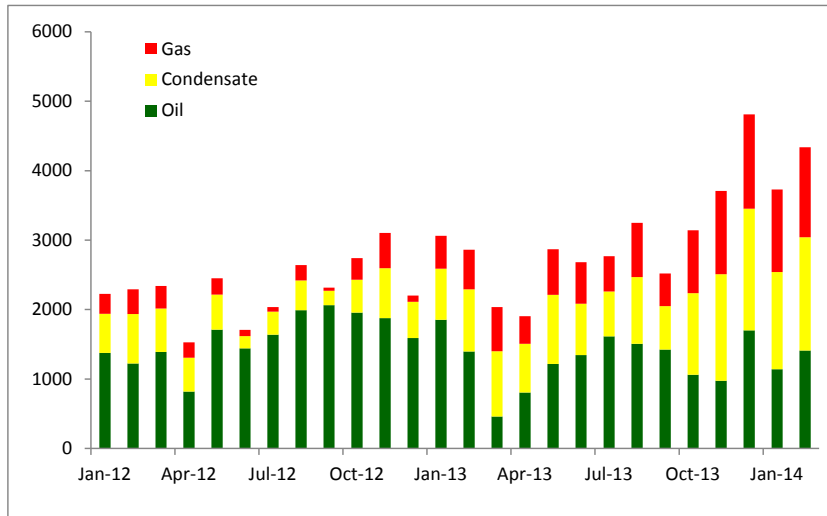


Monthly average production rates Jan 2012- Feb 2014 (boepd)

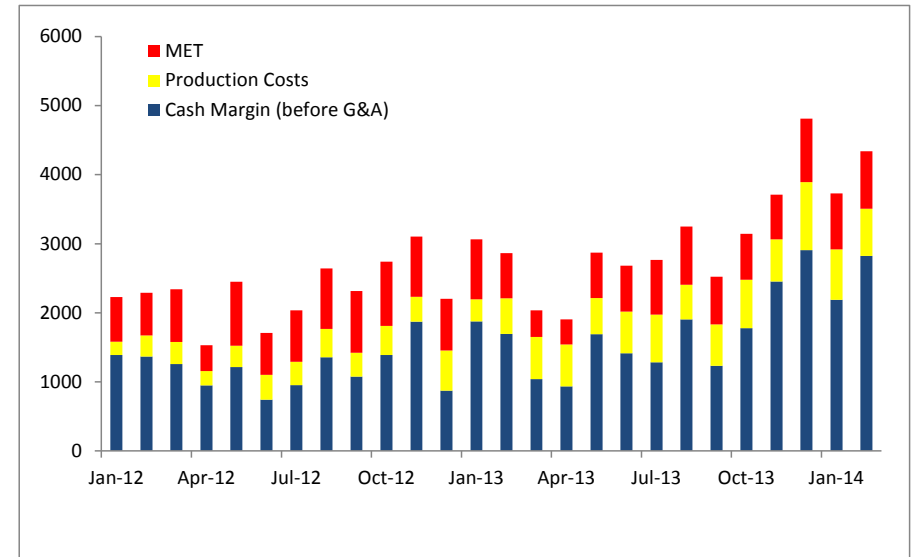


Monthly revenues and cash margins (\$k, Jan 2012- Feb 2014)

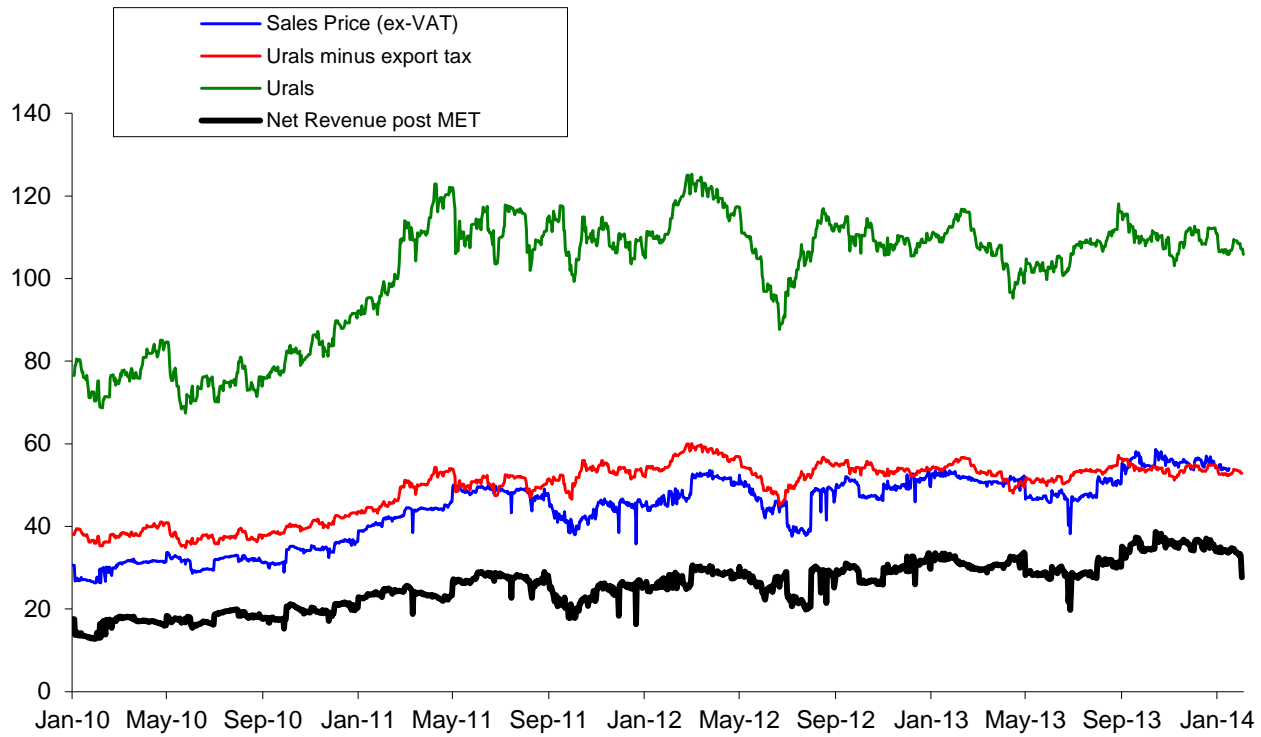
Monthly revenue by product (US\$ 000)



Monthly revenue and cash margins (US\$ 000)



Oil and condensate pricing dynamics



Operational and financial summary : 2010 - 2013

Sales volumes	2013	2012	2011	2010
Oil & condensate (barrels)	547,257	529,501	546,818	407,050
Gas (mcf)	3,128	1,193	1,348	-
Total (boe)	1,068,585	728,334	771,479	407,050
Operating Results (US\$ 000)	2013	2012	2011	2010
Oil and condensate sales	26,067	25,526	25,425	13,052
Gas sales	8,554	2,769	3,146	-
Revenue	34,621	28,295	28,571	13,052
Production costs	(5,946)	(3,776)	(3,126)	(436)
Production based taxes	(8,095)	(8,951)	(9,537)	(5,254)
Depletion, depreciation and other	(2,611)	(2,280)	(2,641)	(1,037)
Other	(1,800)	(1,562)	(991)	(113)
Cost of sales	(18,451)	(16,569)	(16,295)	(6,840)
Gross profit	16,170	11,726	12,276	6,212
Exploration expense	(2,519)	(8,475)	(200)	(23,937)
Provision for VAT recovery	-	(2,945)	-	-
Operating & administrative expenses	(4,029)	(6,024)	(5,991)	(4,733)
Write-off of development assets	(1,439)	(188)	(5,612)	-
Operating profit/(loss)	8,183	(5,906)	473	(22,458)



Operational and financial summary : 2010 – 2013 (cont.)

Net realisation	2013	2012	2011	2010
Oil & condensate (US\$/barrel)	47.63	48.21	46.50	32.06
Gas (US\$/mcf)	2.73	2.32	2.33	n.a.
Operating data (US\$/boe)	2013	2012	2011	2010
Production costs	5.56	5.18	4.05	1.07
Production based taxes	7.58	12.29	12.36	12.91
Depletion, depreciation and other	2.44	3.13	3.42	2.55
EBITDA calculation (US\$ 000)	2013	2012	2011	2010
Operating profit/(loss)	8,183	(5,906)	473	(22,458)
Exploration expense	2,519	8,475	200	23,937
DD&A and other non-cash expense	4,050	5,413	8,253	1,150
EBITDA	14,752	7,982	8,926	2,629
EBITDA per boe	13.80	10.96	11.57	6.46