



Volga Gas plc

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Key share data

Major shareholders (as disclosed)

Baring Vostok Nominees (Baring Vostok PEF III)	48.9%
Dehus Dolmen Nominees (Baring Vostok PEF IV)	9.8%
JP Morgan Asset Management	5.4%
Blackrock Investment Management	3.0%
BNP Paribas Investment Partners	3.0%
Management/Directors	2.2%

Debt – \$4.8 million (bank debt) as at 30 June 2013

Cash – \$4.8 million as at 30 June 2013

VGAS share price, UK p

12 month min 82p | max 112p | at 07/01/14 100p

Shares in issue: 81,017,800

Market capitalisation: £81m

www.volgagas.com

VGAS share price chart



Source: London Stock Exchange



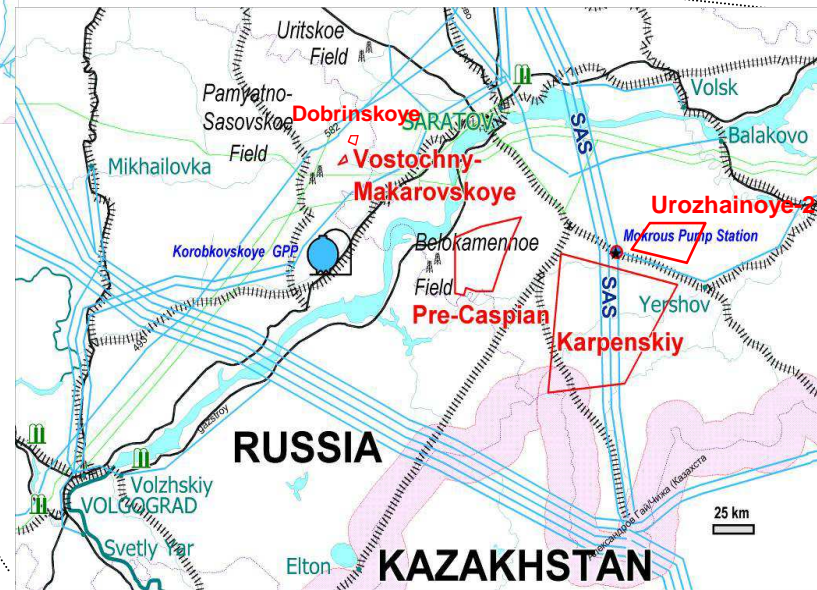
Where we operate



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



Business overview

Production

- Gas & condensate production in two fields: Vostochny Makarovskoye and Dobrinskoye
- Oil production from two fields: Uzenskoye and Sobolevskoye
- 2P reserves assessed in 2012 at 44.0 million barrels of oil equivalent (“mmboe”)
- Current production rate of approximately 4,000 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 early 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 and Pre-Caspian licence areas.
- Continuing to take an opportunistic approach to acquisitions



Vostochny-Makarovskoye gas/condensate field

- VM has 2P reserves* of 133 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.
- Current plans for three further wells in 2014-15:
 - Sidetrack of VM#4 (drilled in 2009)
 - New wells – VM#3 and VM#5

* as at 1 August 2012



VM field site office



VM#1 well workover in operation



VM#1 wellhead and flow line



Dobrinskoye field

- Dobrinskoye 2P reserves of 23.4 bcf of gas and 1.9 million barrels of condensate
- Two production wells on the field
- Sidetracks on both wells drilled, completed and tested in 2012
- Production capacity restored to 7 mmcf/d



Dobrinskoye gas plant

GPU is used to process gas from the VM and Dobrinskoye fields

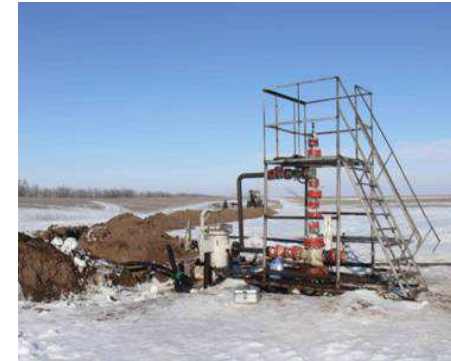
- Originally constructed purely for the Dobrinskoye field, the GPU has been upgraded to process the gas from VM and to increase its throughput capacity
- First two phases of the upgrade project completed by October 2012 enabling VM gas to start flowing
- Cumulative capital cost of upgrade to 30 June 2013 has been US\$8.0m 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.



Oil production from shallow supra-salt fields

UZENSKOYE FIELD

- 2P reserves of 5.6 mmbbls as at 1 August 2012
- 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 ~ 1.8 mmbbl
- Current production capacity 924 bopd (2012 average 1,106 bopd)
- Production currently choked back to prevent water cut.
- Possible to install water separation equipment (capex <\$1.0m) to maintain production.



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



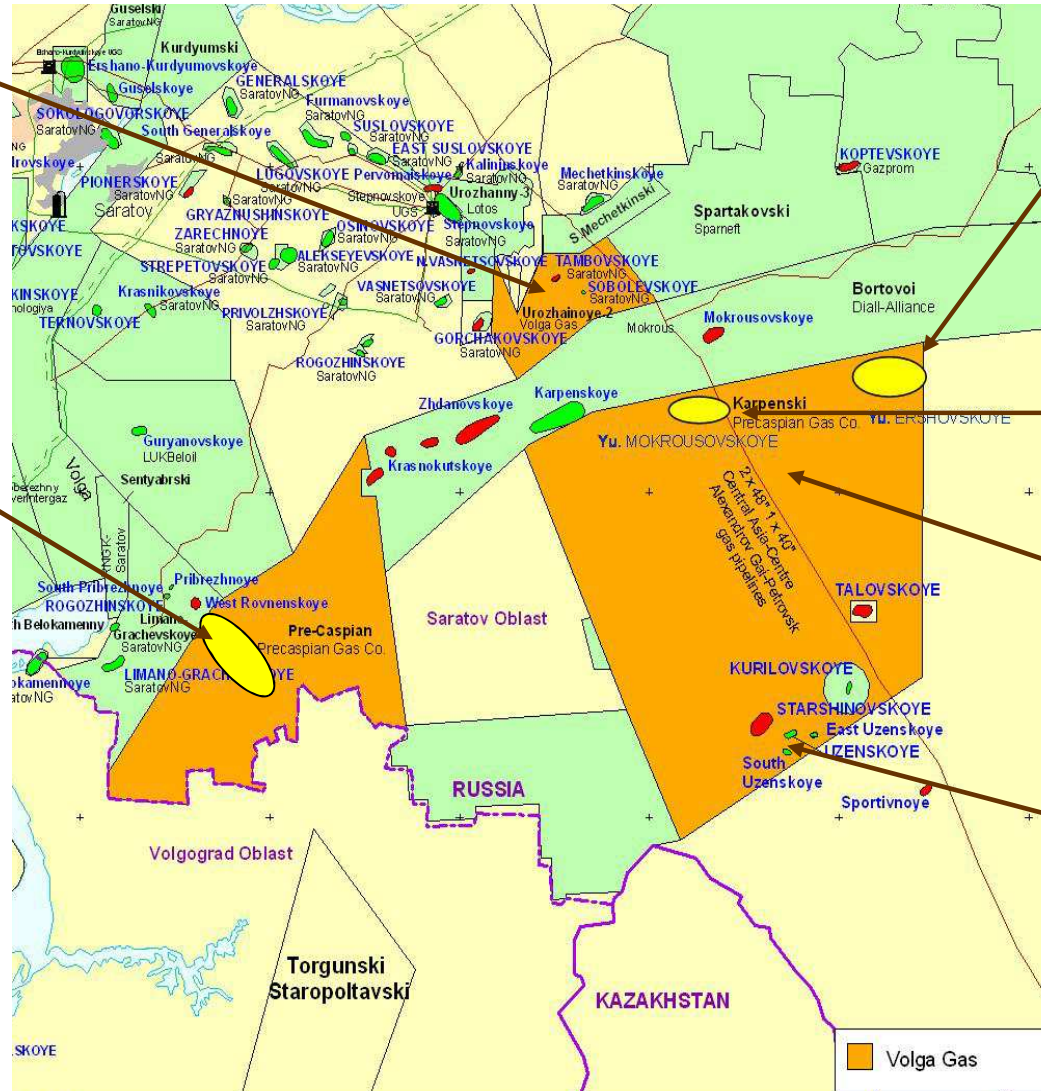
Exploration: Karpenskiy, Pre-Caspian and Urozhainoye-2 Licences

UROZHAINOYE-2 LICENCE

- Sobolevskaya #11 well – workover of oil discovery recently re-established production

PRE-CASPIAN LICENCE

- 80 km² of 3-D seismic
- Potential sub-salt exploration targets



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

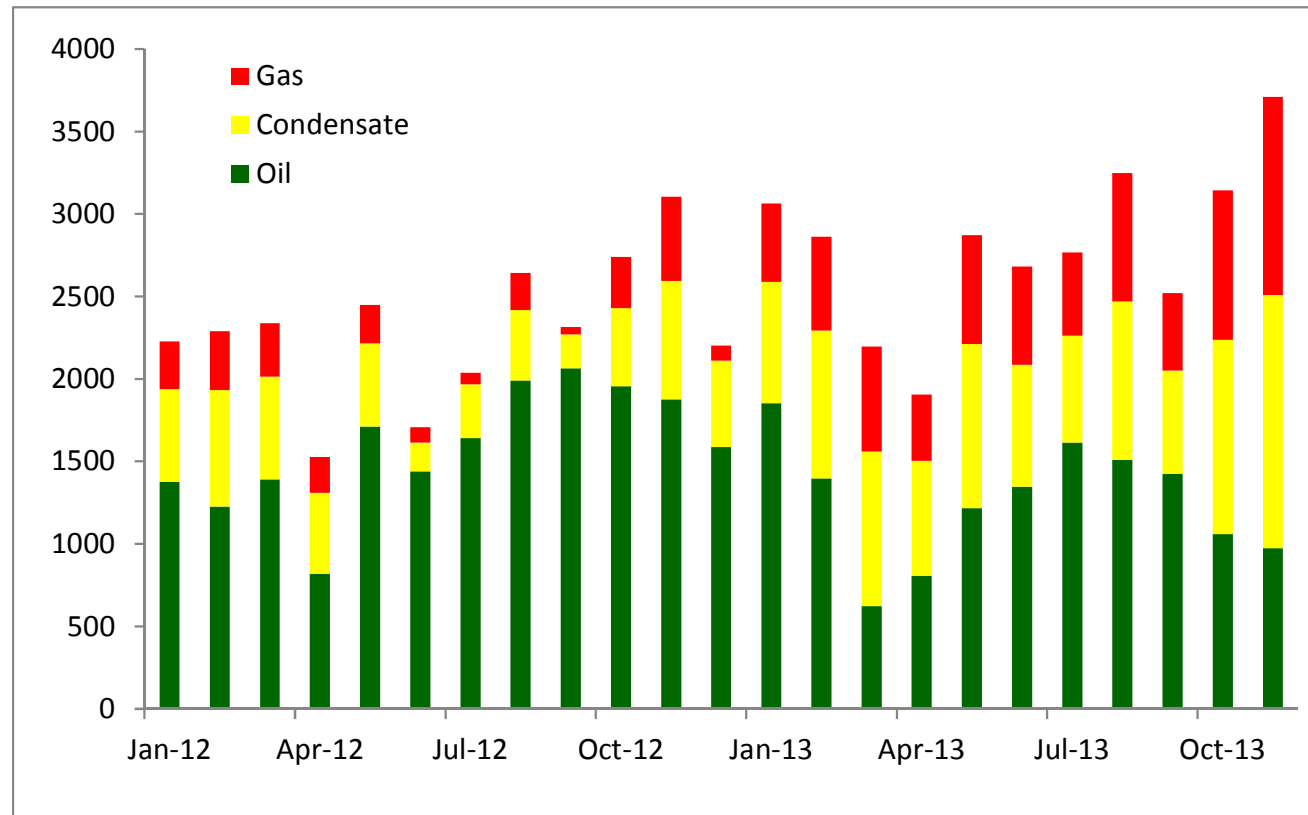
Financial highlights of H1 2013

- Revenue growth of 16% to US\$15.4 million (H1 2012: US\$13.3 million).
 - 28% increase in production, mainly of in gas, hence relatively lower increase in revenues.
 - Oil/condensate sales prices increased to \$50.80/bbl (H1 2012: US\$ 47.96/bbl).
- EBITDA growth of 32% to US\$5.7 million (H1 2012 US\$4.3 million).
 - Lower MET rates on gas and condensate than on crude oil.
 - Higher unit costs owing to fixed operating costs at gas plant.
- Pre-tax profit of US\$4.3 million (H1 2012: pre tax loss US\$5.0 million)
 - Exploration expense reduced to US\$ 28k of (H1 2012: US\$8.5 million).
- Net cash flow from operations of US\$6.6 million (H1 2012: US\$2.8 million).
- Lower capital expenditure of US\$3.1 million (H1 2012 US\$5.8 million).
 - H1 2013 spend mainly on gas plant upgrade and well workovers.
- Bank debt reduced to US\$4.8 million at 30 June 2013 (US\$8.0 million as at 31 December 2012).

2013 financial results are expected to be announced at the end of March 2014.

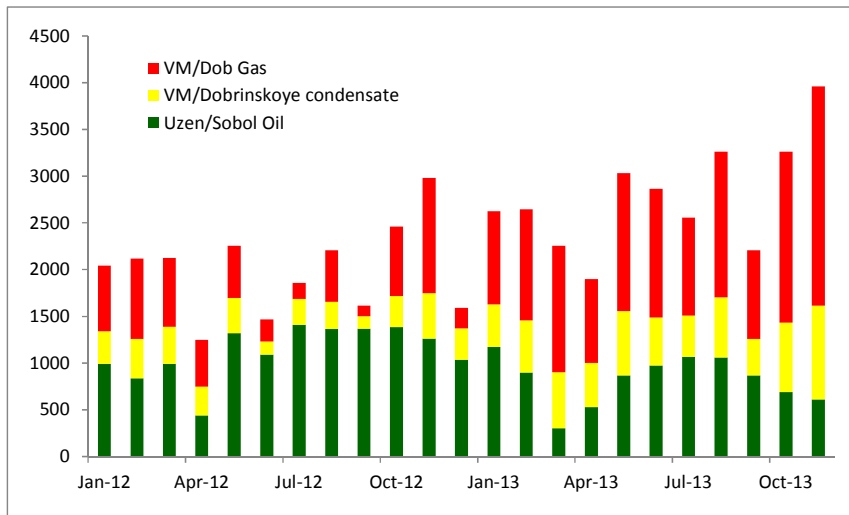


Monthly average production rates Jan 2012- Nov 2013 (boepd)

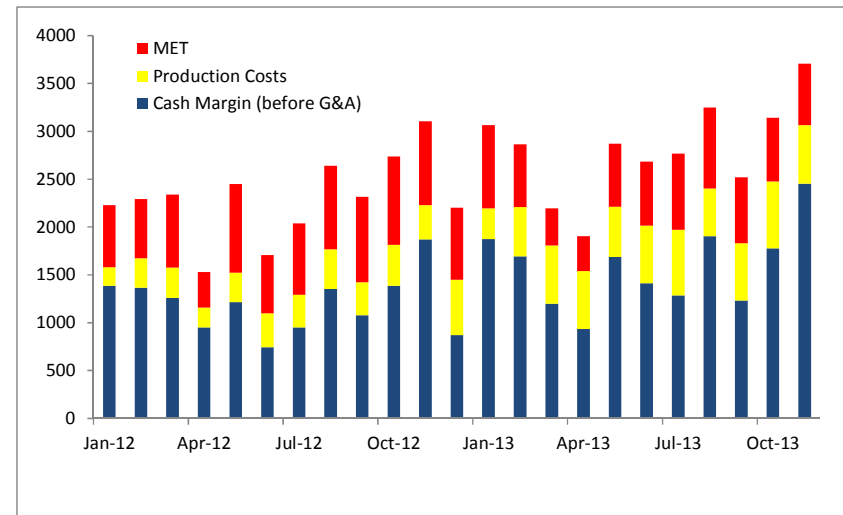


Monthly revenues and cash margins (\$k, Jan 2012- Nov 2013)

Monthly revenue by product (US\$ 000)

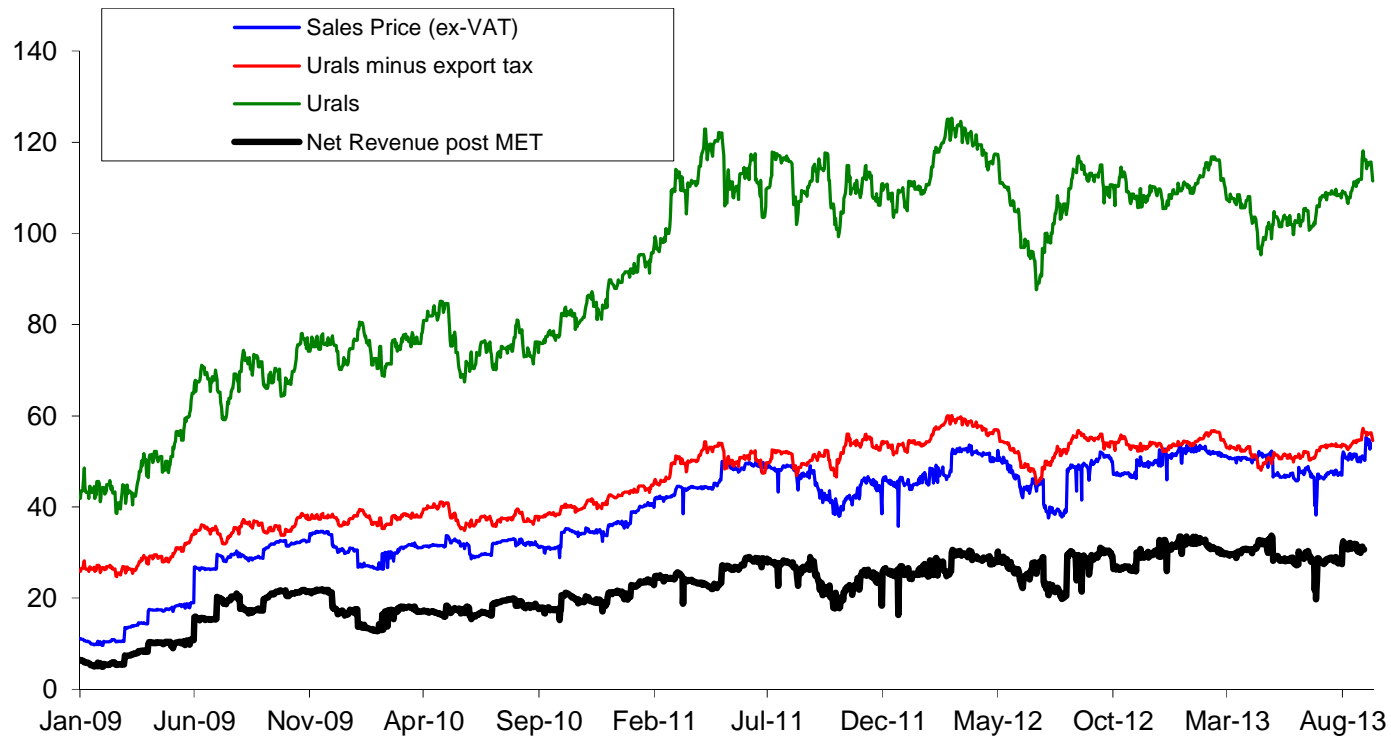


Monthly revenue and cash margins (US\$ 000)



Oil and condensate pricing dynamics

Volga Gas oil sales price comparison (US\$/bbl)



Oil, gas and condensate reserves

Miller & Lents reserves evaluation under SPE standards as at 1 August 2012

Proved Reserves	Oil & Condensate (mmbbl)	Gas (bcf)	Total (mmboe)	NPV10% \$m
Uzenskoye	4.925	0.0	4.925	49.4
Dobrinskoye	1.927	23.4	5.827	41.6
VM	7.948	133.2	30.148	201.4
Total Proved Reserves	14.800	156.6	40.900	292.4

Proved plus Probable Reserves	Oil & Condensate (mmbbl)	Gas (bcf)	Total (mmboe)	NPV10% \$m
Uzenskoye	5.578	0.0	5.578	52.4
Dobrinskoye	1.927	23.4	5.827	41.6
VM	8.599	144.1	32.622	207.2
Total Proved plus Probable Reserves	16.104	167.5	44.027	301.2

The independent assessment of the reserves and NPV attributable to the Group's Dobrinskoye, Vostochny Makarovskoye and Uzenskoye fields was prepared by Miller & Lents Limited in accordance with reserve definitions adopted by the Society of Petroleum Engineers (SPE). The NPV evaluation was conducted on a constant pricing basis, assuming no future escalations of oil prices, operating expenses, capital, or mineral extraction taxes above the respective 1 August 2012 values. Future net revenues are defined as the total gross revenues less operating costs, Mineral Extraction Tax and capital expenditures. The total gross revenues are the total revenues received at the wellhead. The future net revenues include deductions for other capital and property taxes but do not include deductions for profit taxes. The constant price assumptions used in the calculation of future cash flows were Crude Oil - US\$49.53 per barrel; Condensate - US\$47.66 per barrel; Natural Gas - US\$2.40 per mcf.



Operational and financial summary : H1 2012 – H1 2013

Sales volumes	H1 2013	2012	H2 2012	H1 2012
Oil & condensate (barrels)	241,069	529,501	299,545	229,956
Gas (mcf)	1,311	1,193	547	646
Total (boe)	459,617	728,334	390,702	337,633
Operating Results (US\$ 000)	H1 2013	2012	H2 2012	H1 2012
Oil and condensate sales	12,051	25,526	13,793	11,733
Gas sales	3,337	2,769	1,252	1,517
Revenue	15,388	28,295	15,045	13,250
Production costs	(3,711)	(5,417)	(3,198)	(2,219)
Production based taxes	(3,636)	(8,951)	(5,032)	(3,919)
Depletion, depreciation and other	(1,386)	(2,280)	(774)	(1,506)
Other				
Cost of sales	(8,733)	(16,648)	(9,004)	(7,644)
Gross profit	6,655	11,647	6,041	5,606
Exploration expense	(28)	(8,475)	(1,116)	(7,359)
Provision for VAT recovery	-	(2,945)	(2,945)	-
Operating & administrative expenses	(2,390)	(5,945)	(3,125)	(2,820)
Write-off of development assets	-	(188)	(188)	-
Operating profit/(loss)	4,237	(5,906)	(1,333)	(4,573)



Operational and financial summary : H1 2012 – H1 2013 (cont.)

Net realisation	H1 2013	2012	H2 2012	H1 2012
Oil & condensate (US\$/barrel)	50.80	48.21	48.46	47.96
Gas (US\$/mcf)	2.54	2.32	2.29	2.35
Operating data (US\$/boe)	H1 2013	2012	H2 2012	H1 2012
Production costs	8.07	7.44	8.19	6.57
Production based taxes	7.91	12.29	12.88	11.61
Depletion, depreciation and other	3.02	3.13	1.98	4.46
EBITDA calculation (US\$ 000)	H1 2013	2012	H2 2012	H1 2012
Operating profit/(loss)	4,237	(5,906)	(1,333)	(4,573)
Exploration expense	28	8,475	1,116	7,359
DD&A and other non-cash expense	1,386	5,413	3,907	1,506
EBITDA	5,651	7,982	3,690	4,292

