



PETROGRAND

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Update on drilling campaign

Discovery of hydrocarbons in well N-232 on the Nizhnepaninsky license area

We have drilled through Cretaceous, Jurassic, weathered mantle and Paleozoic. Cores have been taken at several levels and we have indications of hydrocarbons in Cretaceous and Jurassic. The well has reached target depth at 2 800 meters. While it is encouraging to have indications of hydrocarbons, continued testing such as logging and production tests is required to determine the quality of the reservoir and to establish if there are any commercial amounts of hydrocarbons.

Traces of hydrocarbons in Zapadno-Ambarskaya – 6 on the Nizhnepaninsky license area

Current drilling depth at well Zapadno-Ambarskaya – 6 is around 2 535 meters. We have drilled through Cretaceous and are currently in Jurassic and we have indications of hydrocarbons in Jurassic. While it is encouraging to have indications of hydrocarbons, testing is required to determine the quality of the reservoir and to establish if there are any commercial amounts of hydrocarbons.

Delay of well Ragozinskaya – 3 on the Muromsky – 2 license area

We have established that our drilling contractor on Ragozinskaya – 3 (Muromsky – 2 license area) and Zapadno-Ambarskaya – 6 (Nizhnepaninsky license area) does not have the personnel or financial strength to deliver the drilling service for these two wells simultaneously. Petrogrand has therefore changed drilling contractor on the well Zapadno-Ambarskaya to the same drilling contractor as on N – 232. The original drilling contractor will continue to finalize the well on Ragozinskaya – 3 with strengthened staff.

It is estimated that this will not result in any major additional expenses for Petrogrand.

The drilling depth on Ragozinskaya – 3 is currently at around 1 480 meters. We have not yet reached the first target levels and we do not have any drilling results to communicate. Due to the abovementioned reasons the well will be delayed compared to the initial estimate.

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