



Investor Presentation

May 2006



- **Viatcheslav Rovneiko**
 - Chairman and co-founder
 - Interests in NAFTA (B) N.V., Sarova Water Company and Rosegarden
- **William Thomas**
 - CEO and co-founder
 - Former President and CEO, Nations Energy; former VP Commercial Development, Amoco Eurasia; former CEO, Siberian American Oil Company
- **Leonid Dyachenko**
 - President and co-founder
 - Interests in other businesses in trucking and transportation, pharmaceuticals and oil trading
- **Charles Pitman**
 - Non-Executive director
 - Former lawyer and diplomat with the US Department of State; former President, BP - Caspian & Middle East; Member of the board of Apache Corporation
- **Gueorgui N. Ramzaitsev**
 - Director
 - Currently Managing Director of NaftaB and Urals ARA; Member of the board of Ukhtaneft
- **Stephen Buscher**
 - CFO
 - Former co-head of the Moscow office for Lazard Freres and Merrill Lynch
- **Henry Wolski**
 - Senior VP, Exploration and Production
 - Former Director for Production for Petrokazakhstan, former Technical Director for KMOC

Investment Highlights



URALS ENERGY

RESERVES & PRODUCTION

- Gross reserves of approximately (mmbbl): 106 (1P), 226 (2P), 371 (3P)⁽¹⁾ *plus* 1.8 tcf of gas (3P)
- Current daily production of c.10,000 bopd⁽²⁾

FOCUS ON GROWTH

- 31% CAGR in anticipated organic production growth from 2006 to 2011
- Unrisked resource potential of 943 mmboe⁽³⁾
- Six acquisitions in two years

VALUE CREATION SINCE IPO

- Acquired 130 mmbbl of 2P reserves at an average of \$1.68/bbl
- Grew average daily production by c. 4,400 BOPD (+79%) since IPO
- Received license extension at Petrosakh; Arcticneft deep horizon pending

WESTERN & RUSSIAN MANAGEMENT

- Extensive relationships and experience in upstream sector and in Russia
- Western standards of operating efficiency and financial discipline

Notes

1. Pro forma including Dulisma. DeGolyer and MacNaughton reports as at 31 December 2005 except for Dulisma as at 31 March 2006
2. Pro forma including the Dulisma acquisition
3. Primarily in relation to Petrosakh and Urals Nord as estimated by DeGolyer and MacNaughton report dated 13 July 2005

Create Value

Acquire & Consolidate

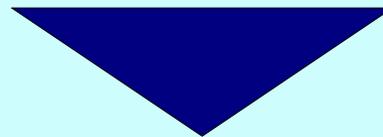
- Availability of cheap assets (historically \$2-3/Bbl)
- Rigorous analysis of potential acquisitions based on key investment criteria
- Maintain strict capital discipline and management controls

Develop & Explore

- Application of capital and technology creates significant value
- Exploit the upside (offshore Sakhalin exploration, Arcticneft deep oil horizon, Dulisma gas)
- Synergies from bolt-on acquisitions

Produce & Earn

- Asset portfolio diversification by geography and revenues (export vs domestic sales)
- Leverage existing management over newly acquired assets
- Optimize operational profitability



Realize Value

Portfolio Diversification Through Acquisition



URALS ENERGY



1 Arcticneft [100%]

- 2P Reserves: 36MMBbls
- 1,245 BOPD avg 2005
- 2 Refineries 1,200 BOPD

3 CNPSEI [100%]

- 2P Reserves: 9MMBbls
- 945 BOPD avg 2005

5 Chepetskoye NGDU [100%]

- 2P Reserves: 23MMBbls
- 914 BOPD avg 2005

7 Petrosakh [97%]

- 2P Reserves: 28MMBbls
- 852MMBbls potential gross unrisks resources
- 2,524 BOPD avg 2005
- Refinery 4,100 BOPD

2 Dinyu [100%]

- 2P Reserves: 21MMBbls
- 2,498 BOPD avg 2005

4 Urals Nord [100%]

- 5 exploration licences
- 94MMBbls potential gross unrisks resources

6 Dulisma [100%]

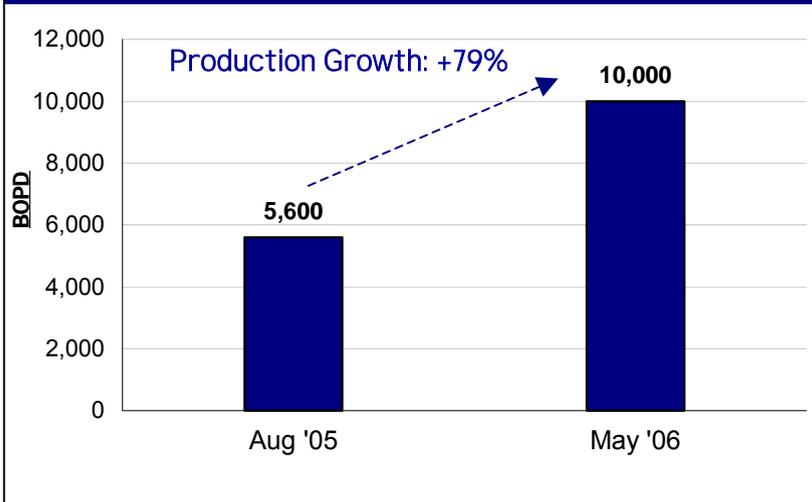
- 2P Reserves: 109MMBbls
- 17 TCF Possible gas reserves
- 472 BOPD avg 2005

Goals at IPO / Subsequent Achievements

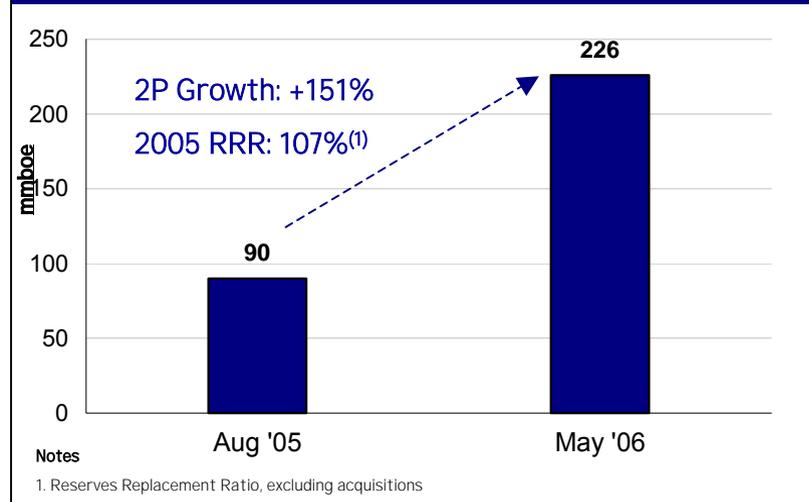


URALS ENERGY

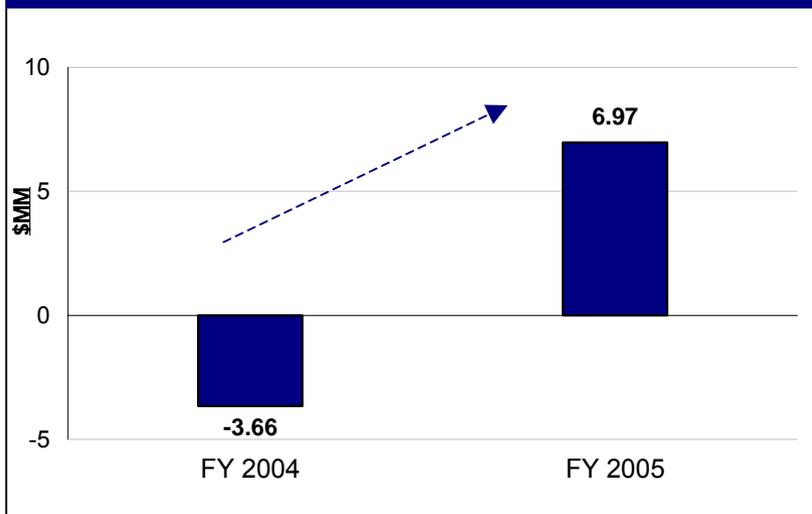
"Increase production to 10,500 BOPD by end-2007"



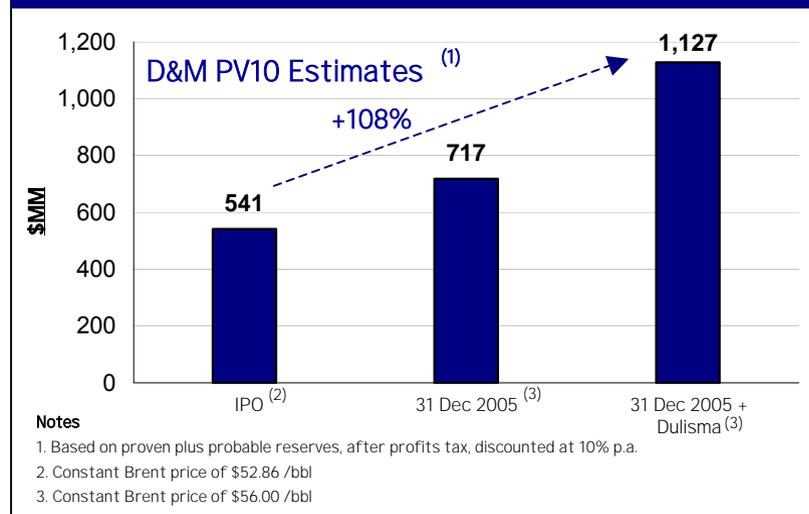
"Grow reserves through acquisition & drill-bit"



"Net profit positive in 2005"



"Achieve \$1 billion valuation by end-2007"

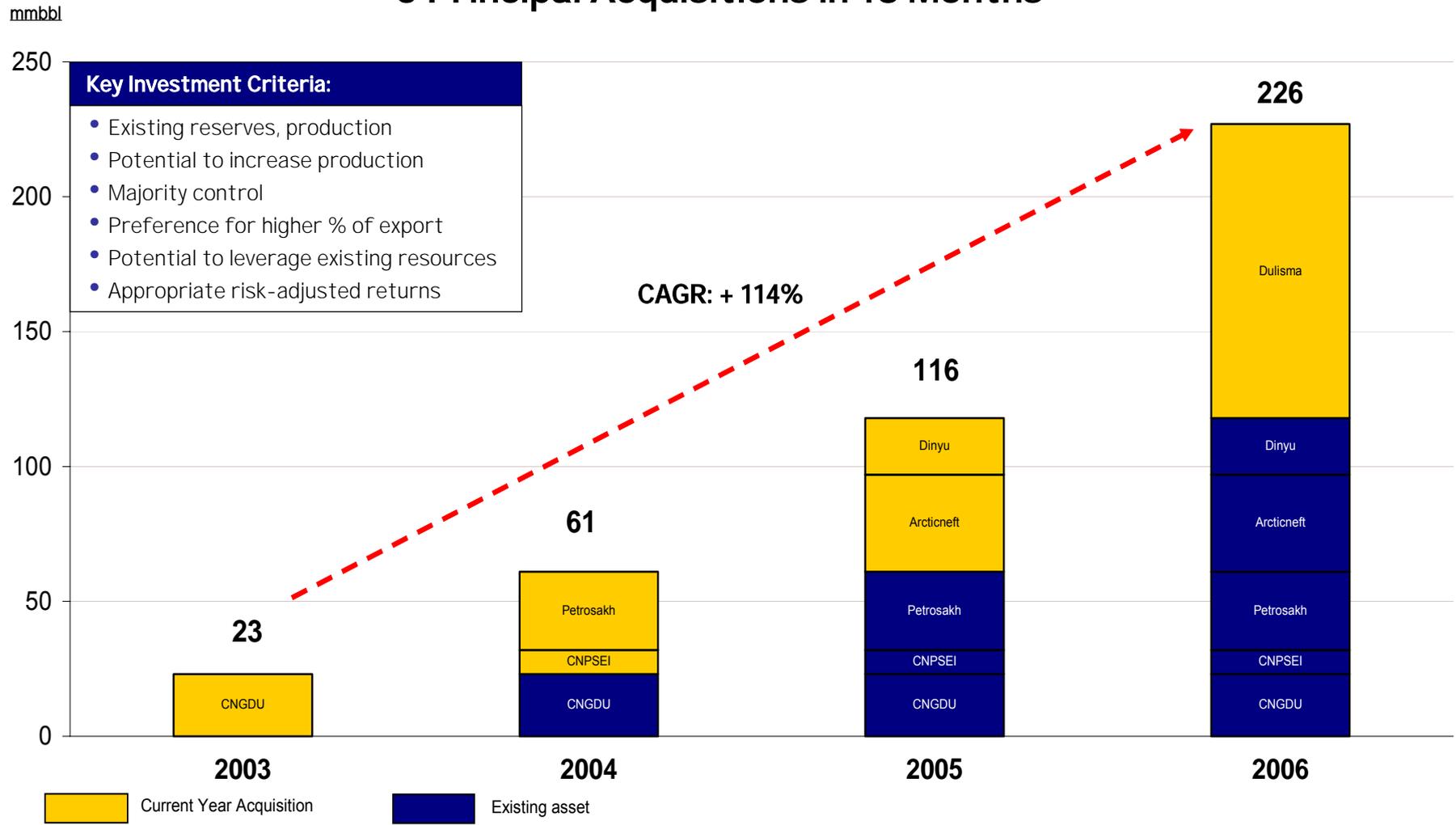


2P Reserves Growth (million barrels oil only)⁽¹⁾



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5 Principal Acquisitions in 18 Months



Notes

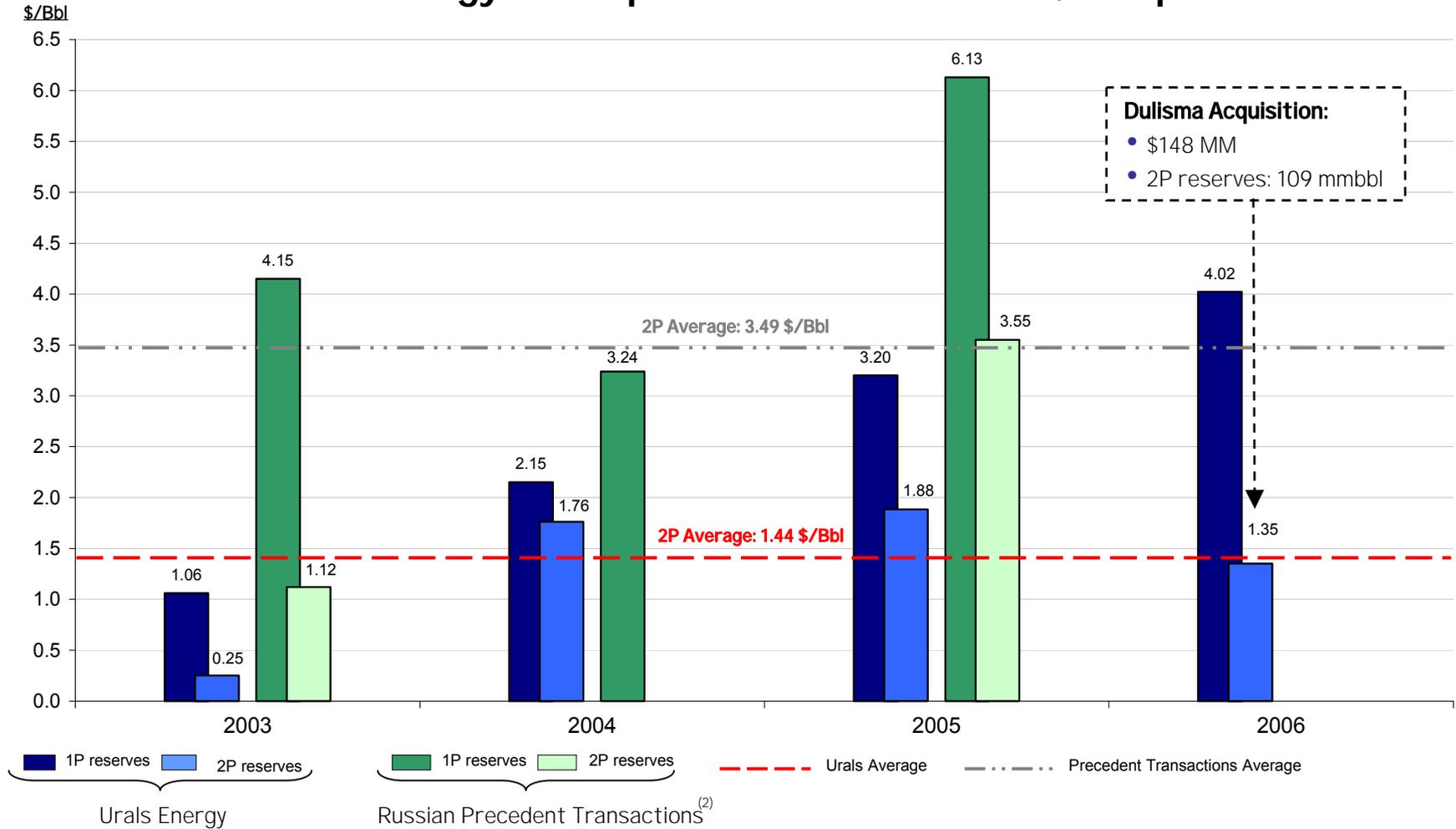
1. 2P reserves as per DeGolyer & MacNaughton reports as at 31 December 2005 except for Dulisma as at 31 March 2006

1P vs 2P Reserves Acquired(1) - \$ per Barrel (Oil Only)



URALS ENERGY

Total Urals Energy 2P Acquisition Cost to Date: \$1.44 per Barrel



Notes

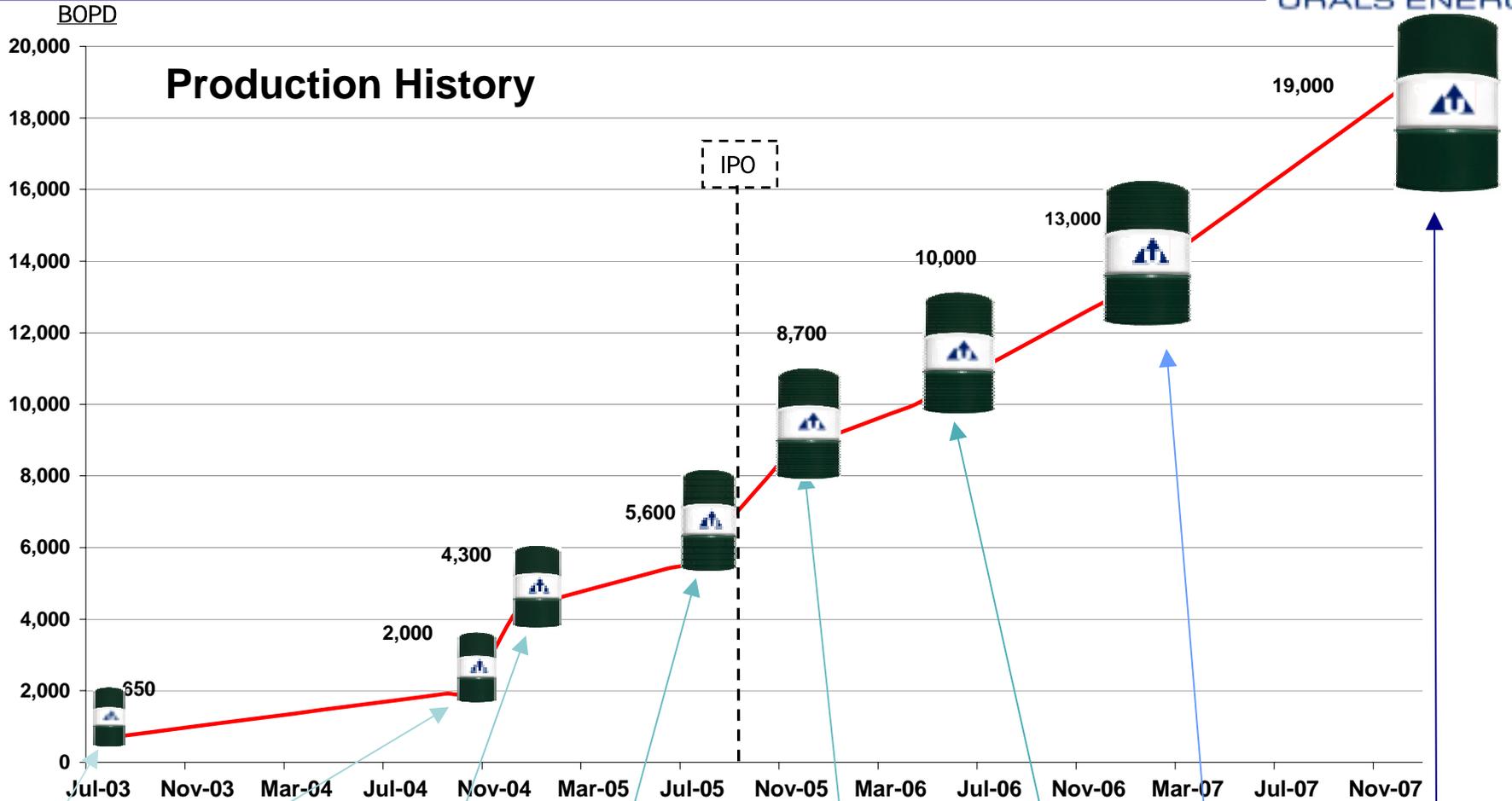
1. DeGolyer & MacNaughton reports as at 31 December 2005 except for Dulisma as at 31 March 2006

2. Precedent Transactions: 2003: MOL/West Malobalskoye, MarathonOil/KMOC. 2004: Valkyries/Pechoraneftegas, Arawak Energy/Pechoraneftegas. 2005: Valkyries/Mintley Cyprus Limited, Amerada Hess/Samara-Nafta, Lukoil/Geoilbent, West Siberian Resources/Pechoraneft, Lukoil/Nelson Resources, West Siberian Resources/Saneco. Morgan Stanley estimates

Urals Energy – Production Growth



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July 2003
650 BOPD –
Chepetskoye
Acquisition

Oct. 2004
2,000 BOPD –
CNPSEI
Acquisition

Dec. 2004
4,300 BOPD
– Petrosakh
Acquisition

July 2005
5,600 BOPD –
Arcticneft
Acquisition

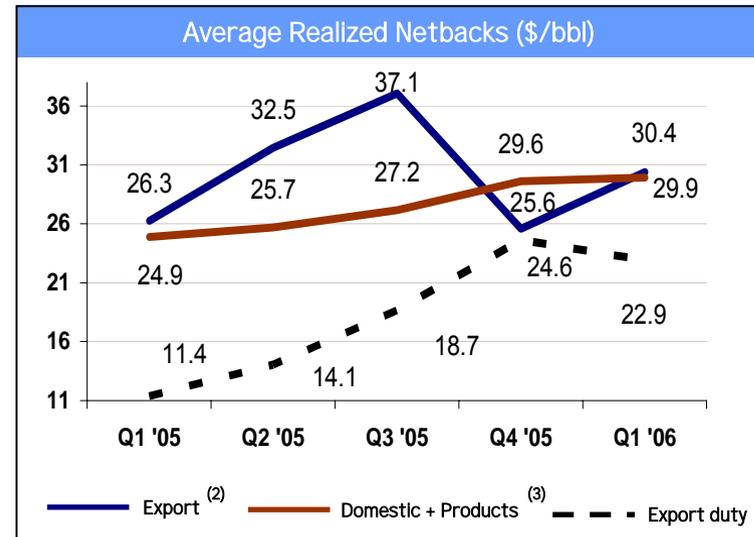
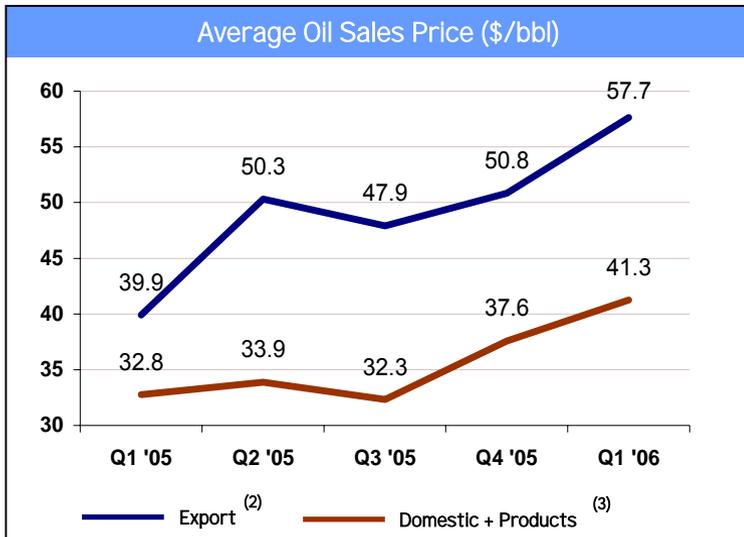
Nov. 2005
8,700 BOPD –
Dinyu
Acquisition

April 2006
10,000 BOPD
– Dulisma
Acquisition

Year-end
2006
13,000 BOPD

Year-end
2007
19,000 BOPD
New Target

Russian realised prices and netbacks rising with international levels



Notes

- 1. Company estimates
- 2. Net of export duty, transportation and other costs
- 3. Net of VAT

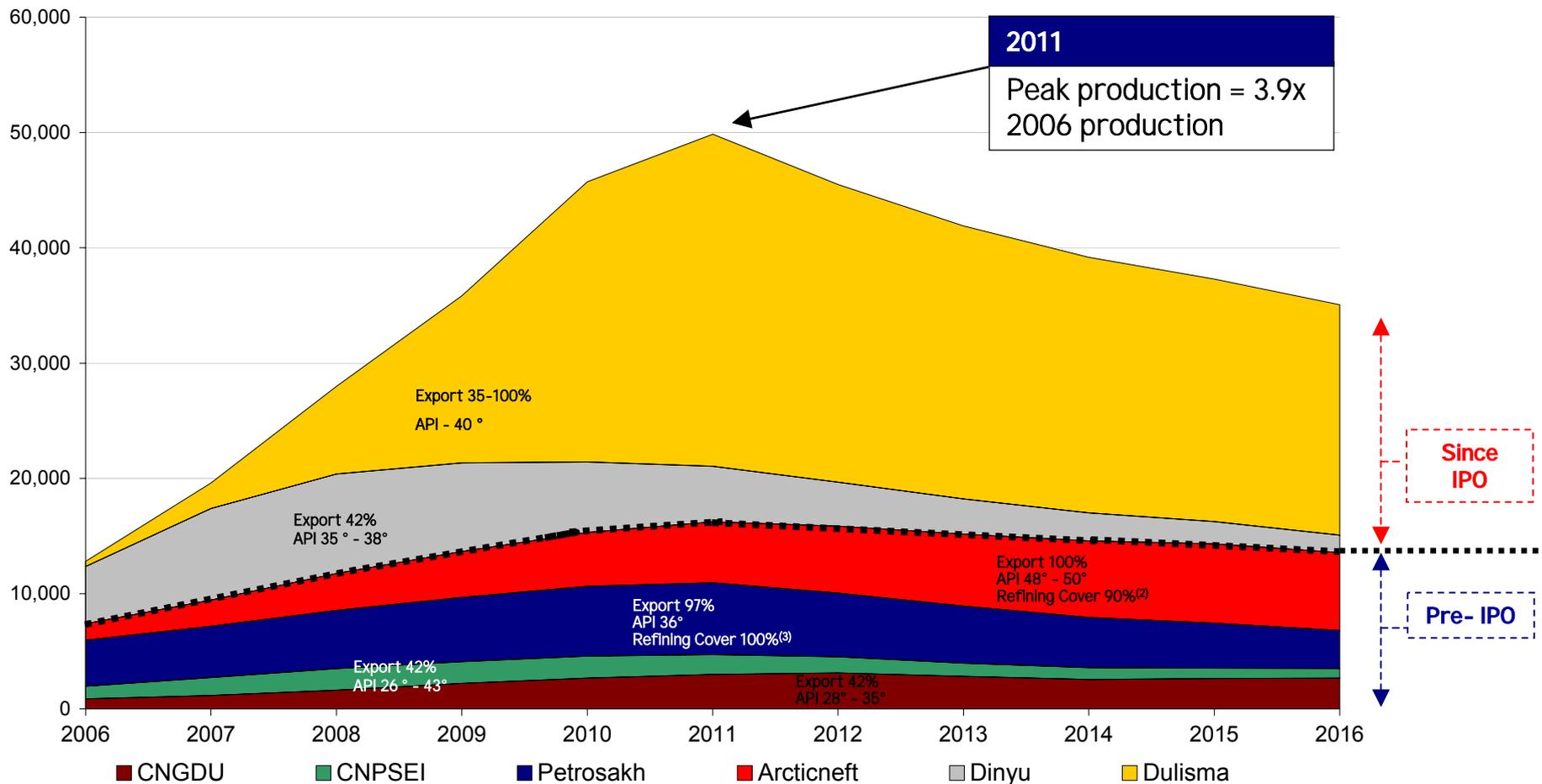
D&M Projected Daily Average Oil Production – Including Dulisma



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Estimated Daily Production
(Existing 2P Reserves)

BOPD⁽¹⁾



Notes

1. Average daily production from proved + probable reserves for each year as estimated by DeGolyer & MacNaughton reports as at 31 December 2005 except for Dulisma as at 31 March 2006
2. Current refining capacity of Arcticneft is 1,200 BOPD
3. Current refining capacity of Petrosakh is 4,100 BOPD, upgradeable to 8,200 BOPD at limited cost

Overview of Dulisminskoye Field

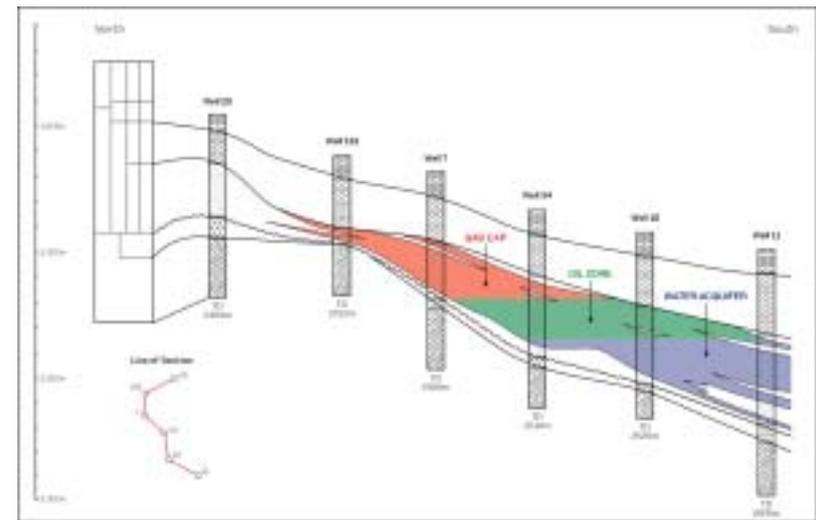
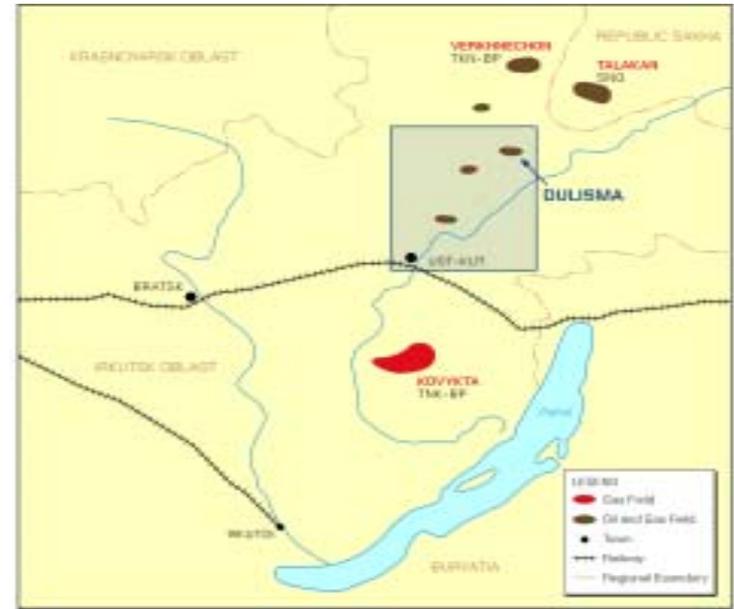


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Gross Reserves Summary – mmmboe			
1P	2P	3P ⁽²⁾	2P PV10%
36.8	109.4	476.6	\$410.1 MM

Source D&M as at 31 March 2006

- License valid through 2019
- Field well defined through 49 exploration and appraisal wells
- 1.7 tcf of gas classified as possible ⁽¹⁾ awaiting commercialization
- Good reservoir characteristics and high quality oil (c.40° API) and condensate (c.70° API)
- Two phase development plan:
 - End of 2008: 12,000 BOPD
 - End of 2011: 30,000 BOPD



Note: Horizon depths are indicative only for illustration purposes.

Notes

1. DeGolyer & MacNaughton reserves as at 31 March 2006
2. Include 1.7 tcf possible gas reserves

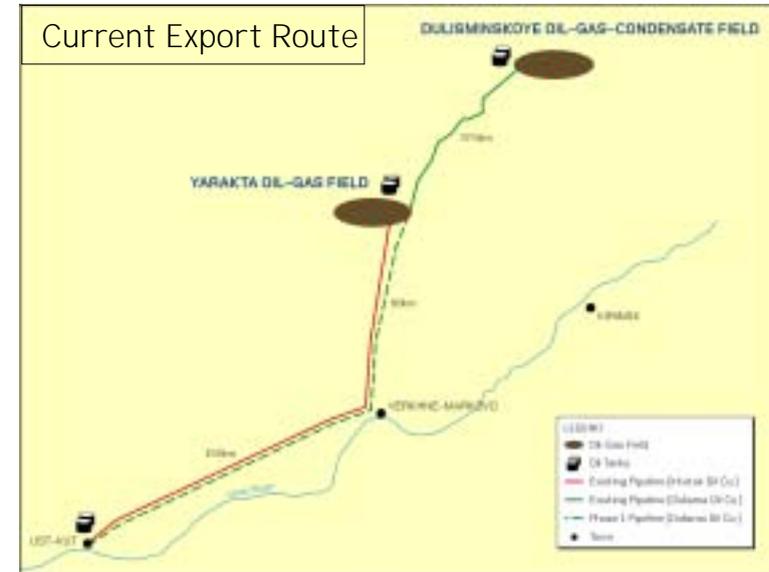
Dulisma Field Development Plan



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Two Phase Development Program

- Max investment cash-out: \$50 million⁽¹⁾
- Phase I
 - Drill 12 horizontal wells during 2006-2008
 - Construct 12,000 BOPD temporary pipeline to Ust-Kut
 - 12,000 BOPD by end 2008
- Phase II
 - Drill 24 horizontal wells
 - 30,000 BOPD by end 2011
- Permanent pipeline connection from Dulisma to either the East Siberian Pacific Ocean (ESPO) pipeline or Ust-Kut



Wellhead at Dulisma

Notes

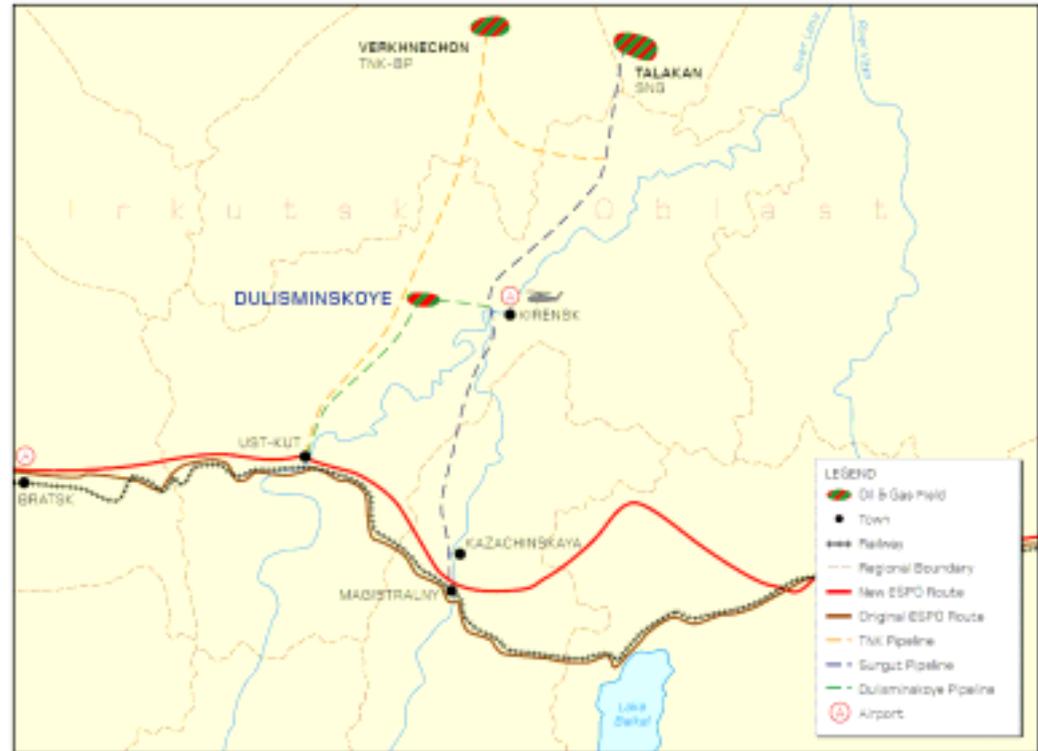
1. Company press release and DeGolyer & MacNaughton report 2 May 2006

Transneft ESPO Pipeline – Proposed Route



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- Dulisma located near planned ESPO
 - Supply Russian East Siberian crude to Asian markets
 - Owned and operated by Transneft
- Construction began on 28 April 2006⁽¹⁾
- Other fields expected to contribute supply to ESPO include
 - Verkhnechonskoye Field (TNK-BP)
 - Talakan Field (Surgutneftegas)
- Potential to lower the anticipated \$115 million cost of connection through the development of a regional transport system



" This [ESPO], as I have already said, - is a serious competitive advantage and here is the key to solve the energy problem of the region,"

- President V. Putin speaking in a Tomsk meeting on Siberian regional issues ⁽¹⁾

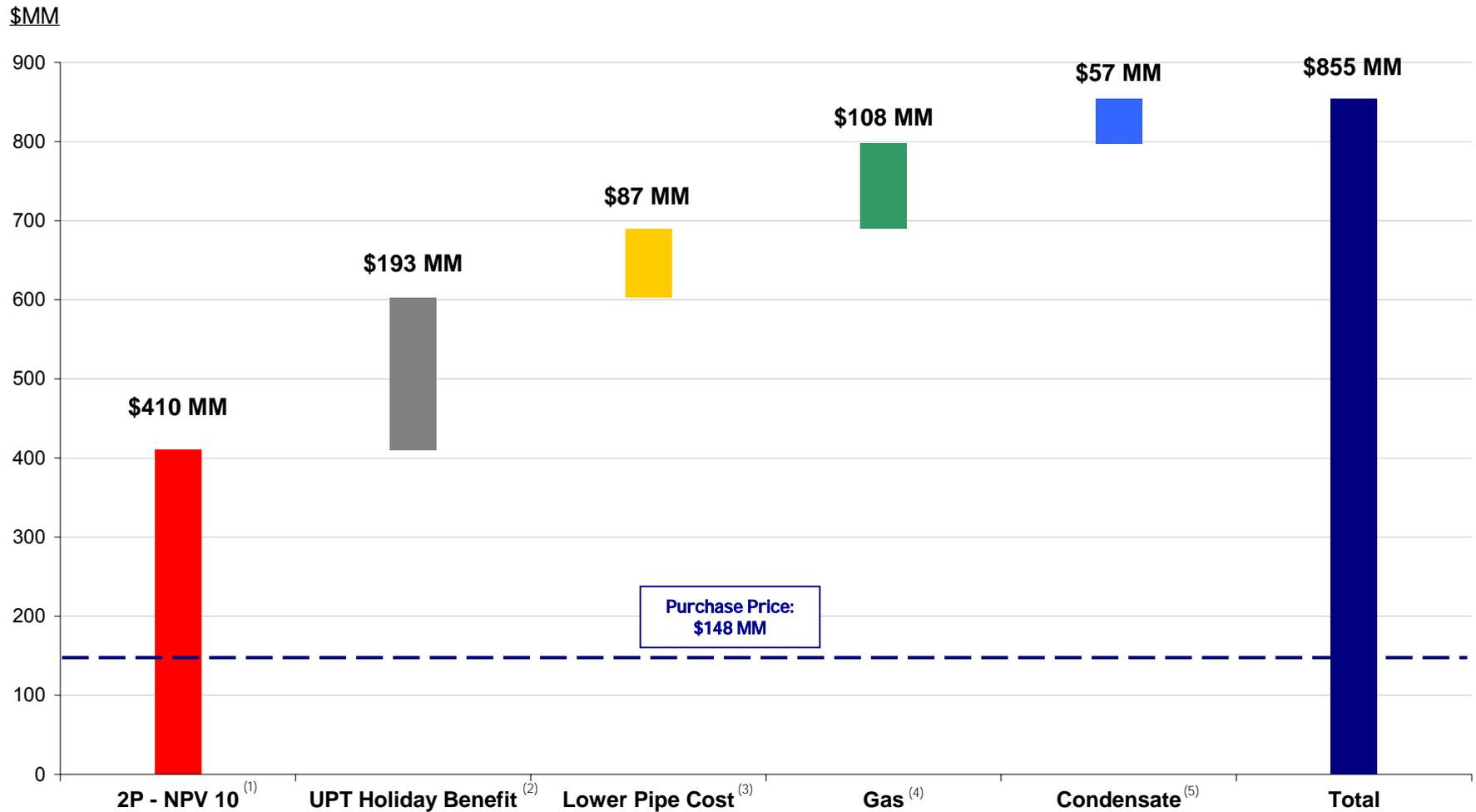
Notes

1. Transneft website

Dulisma Potential Areas of Value Creation



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- Notes**
1. Estimated by DeGolyer & MacNaughton as at 31 March 2006
 2. Company estimates based on D&M report as at 31 March 2006 assuming exemption from Unified Production Tax (UPT) and appropriate capital structure to reduce corporation tax impact
 3. NPV of pipeline cost investment made in 2008 and 2009, based on D&M
 4. Assumes a 1.9\$/Bbl discounted by 80% for the 1.68 TCF gas possible reserves as stated in D&M Dulisma report, as per Morgan Stanley estimate
 5. Assumes 2P NPV10 \$/bbl multiple discounted by 80% for the 76.6 mmbbl condensate possible reserves as stated in D&M Dulisma report, as per Morgan Stanley estimate



2005 Year-End Update

Operational Highlights

- Average 2005 Oil Production: 5,263 BOPD
 - Current: 10,000 BOPD
- Percent of Overall Production Exported: 62.5%
- Average 2005 Netback⁽³⁾: \$30.02/bbl

Financial Highlights

- Funding raised in 2005:
 - \$144 million⁽⁴⁾ in debt
 - \$166 million⁽⁵⁾ in private/public equity

Summary 2004 and 2005⁽¹⁾

in US \$ thousands	2004	2005
Production (year average, in BOPD)	1,146	5,263
Income Statement		
Net revenues	7,401	66,135
Adjusted EBITDA ⁽²⁾	[NA]	16,900
Operating result	(3,776)	11,348
Net profit / (loss)	(3,658)	6,973

Notes

1. Based on audited financial year-end results
2. Adjusting for the Arcticneft inventory purchase, non-recurring mobilization costs and other standard non-cash items, the Company's management-adjusted EBITDA for the period was \$16.9 million, or 24.6% of net revenues
3. Calculated based on weighted average netback price of export and domestic sales. Netback prices are defined as, in the case of exports, gross oil sales price less export duty, customs charges, marketing costs and transportation, and, in the case of domestic sales, gross sales price net of VAT
4. Including BNP-Paribas facility (\$100MM), Zenith Bank loan (\$12 MM), Zenith Bank loan refinance (\$12 MM), BNP-Paribas (\$20 MM)
5. Private placement prior to IPO: to Nafta B (\$25 MM) and RP Capital (\$10 MM). IPO: \$131MM

2006 – Investing in Growth



Development

- Capex Budget: \$64 Million⁽¹⁾
- Sidetracks: 3 wells (Petrosakh)
- New Wells: 20 total producers
- Fracing: 6 wells (Petrosakh)

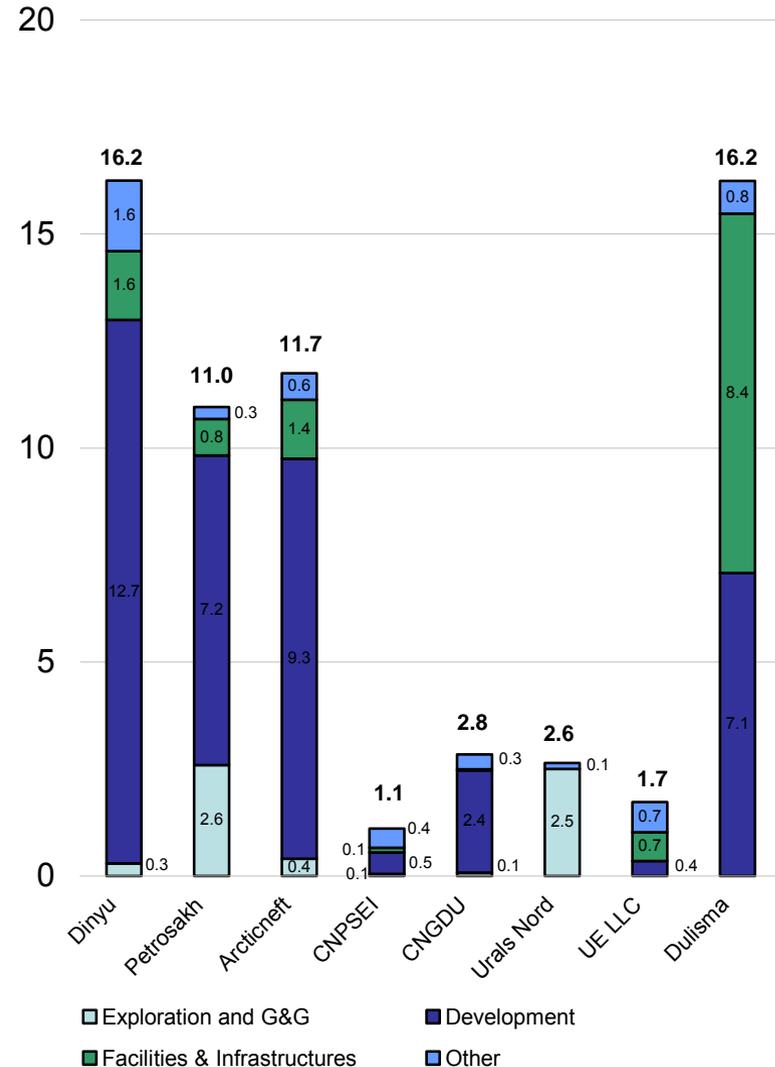
Exploration

- G&G:
 - 3D seismic at Petrosakh
 - Reservoir modelling at Arcticneft
- Wildcat Drilling:
 - 2 wells (Timan Pechora, Dinyu)
 - Prepare for 2007 offshore Petrosakh drilling program

Production 2006

- Year End Forecast: 13,000 BOPD ⁽¹⁾

2006 Capex budget – Approx. \$ 64 MM



Notes

1. Management estimates including pro forma figures for the Dulisma acquisition



Appendix: Asset Update

Gross Reserves Summary (mmbbl)				Unrisked Potential Resources ⁽¹⁾ (mmbbl)
1P	2P	3P	2P PV10	
24.9	27.5	47.4	\$221 MM	852

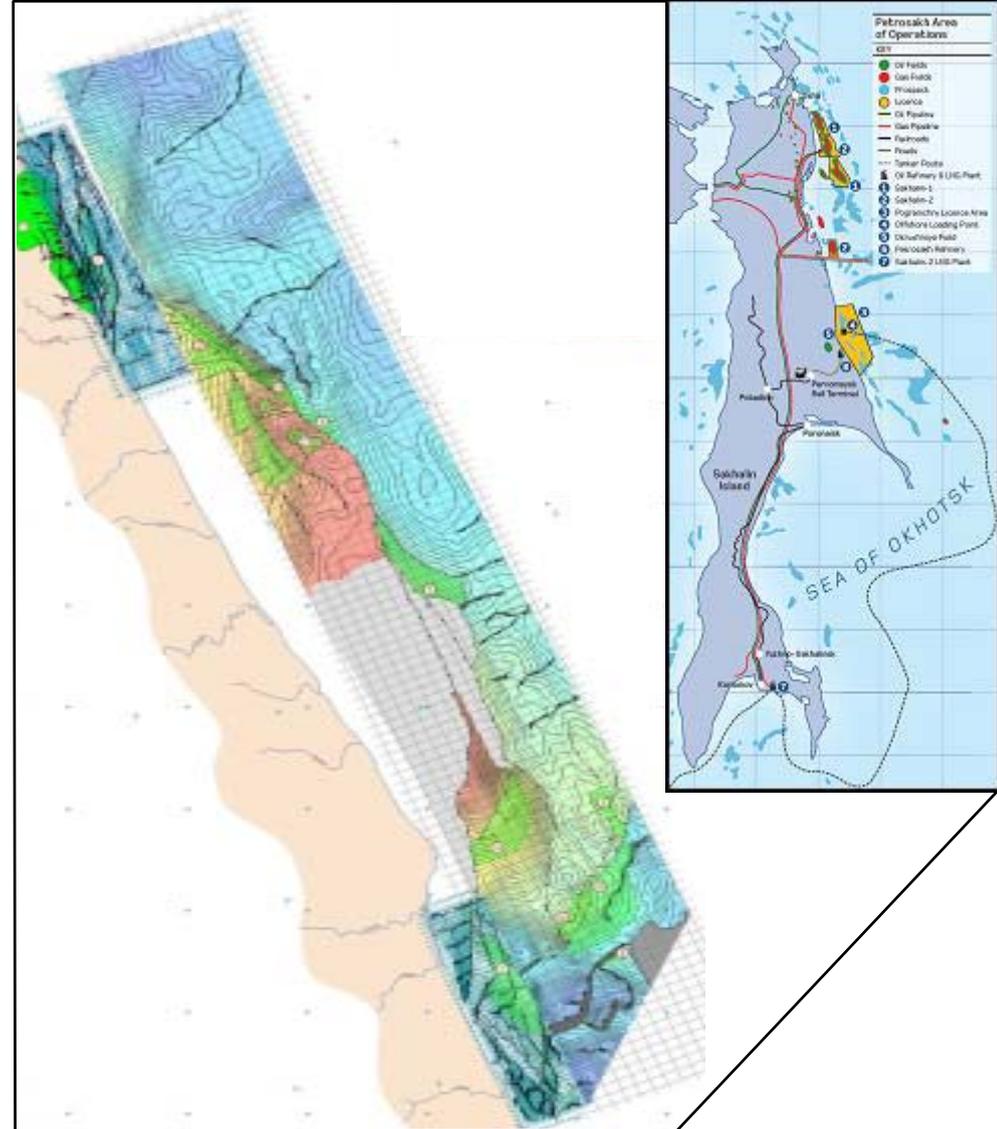
Source D&M as at 31 December 2005

Petrosakh Operations

- Average production
 - 2005: 2,524 BOPD
 - 2006e: 3,992 BOPD

2006 Activity

- Onshore:
 - 3 development wells
 - 3 re-entry wells
 - Frac program
 - 3D seismic program in processing
- Offshore
 - Complete testing EO#1
 - Reprocess and reinterpret 3D seismic (tie-in onshore 3D)
 - Prepare for 2007 drilling program
 - Considering jack-up to drill 3 vertical wells



Notes

1. Calculated DeGolyer & MacNaughton as of 31 March 2005 - Gross unrisked potential resources have not been adjusted for risk

Gross Reserves Summary (mmbbl)			
1P	2P	3P	2P PV10%
13.1	29.9	51.0	\$188 MM

Source D&M as at 31 December 2005

Operations

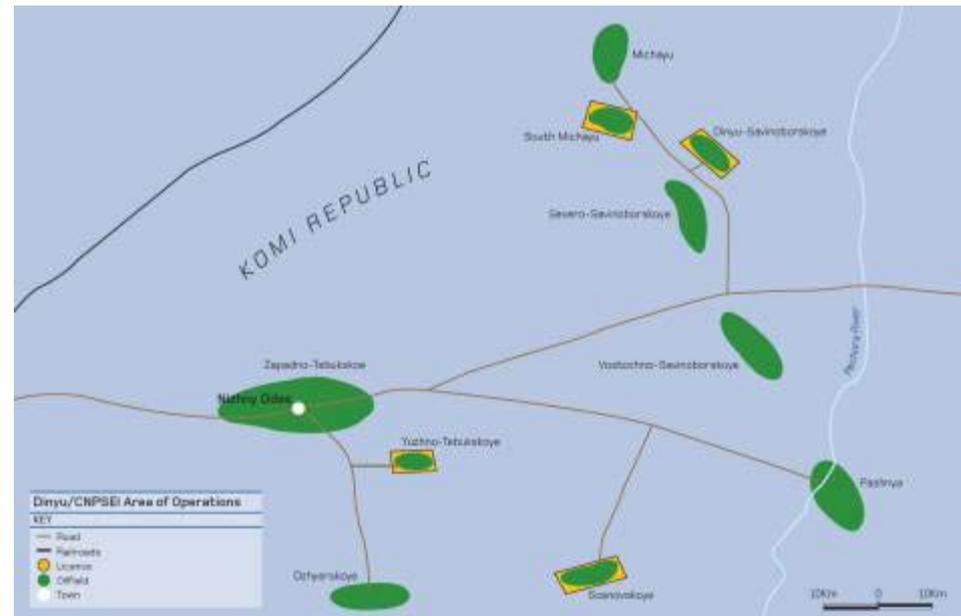
- 3 producing subsidiaries
 - Dinyu
 - S. Michayu
 - CNPSEI
- Average production
 - 2005: 3,400 BOPD
 - 2006e: 6,055 BOPD

2006 Activity

- Dinyu
 - 9 development wells
 - 1 exploration well
 - 2D seismic program
- Add-on acquisition in pipeline

Dinyu Integration Update

- Combined operations management with CNPSEI
- Replaced senior management
- Reduced staff



Timan Pechora



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Gross Reserves Summary (mmbbl)				Unrisked Potential Resources ⁽¹⁾ (mmbbl)
1P	2P	3P	2P PV10	
25.4	35.9	46.3	\$229 MM	94

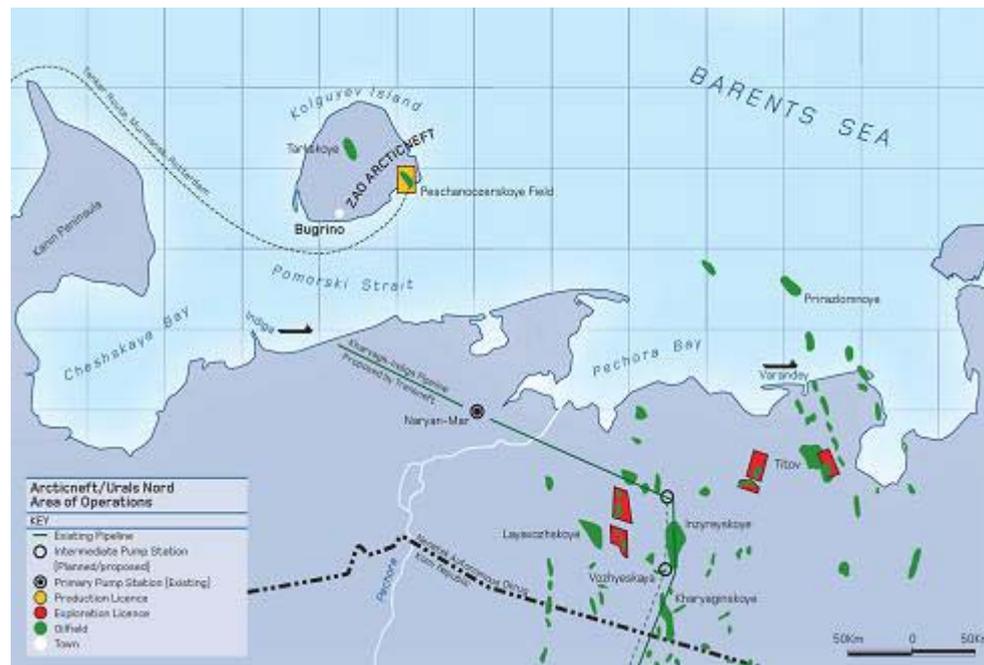
Source D&M as at 31 December 2005

Operations

- 2 operating subsidiaries
 - Arcticneft (production)
 - Urals Nord (exploration)
- Average production
 - 2005: 1,143 BOPD
 - 2006e: 1,430 BOPD

2006 Activity

- Arcticneft
 - Complete reservoir model
 - Drill 4 development wells
 - Evaluate deeper Permian horizon
- Urals Nord
 - Drill first exploration well
 - Nadizhnsky prospect located 60 km south east of port of Varandey
 - 60 mmbbl target



Notes

1. Calculated DeGolyer & MacNaughton as of 31 March 2005 - Gross unrisks potential resources have not been adjusted for risk

Gross Reserves Summary (mmbbl)

1P	2P	3P	2P PV10%
5.5	23.3	28.8	\$79 MM

Source D&M as at 31 December 2005

Chepetskoye NGDU

Operations

- Average production:
 - 2005: 914 BOPD
 - 2006e: 874 BOPD

2006 Activity

- Potapovskoye field
 - 3D seismic completed
 - Drill 4 development wells



Chepetskoye Workover Operations