URALS ENERGY

Investor Presentation

December 2005

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Urals Energy Business Model

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Create Value

Acquire

- Russian oil assets remain fundamentally cheap ($2-3/Bbl)
- Consolidation and rationalization of the industry continues
- Geography, establishing “core areas” and control are important
- Management, experience and relationships in the industry are critical

Develop & Explore

- Application of capital and technology creates significant value
- Vertical integration of services is important
- Urals Energy one of the few independents exploring today (offshore Sakhalin Island)
- Maintaining control over capex and total investment “risked” by exploration

Produce & Earn

- Value optimisation through focus on differentiated assets and marketing
- Accretive add-on acquisitions in core areas
- Ability to leverage existing management and infrastructure in newly acquired assets
- Tax policy pendulum beginning to swing towards independents

Realise Value

- Goal is $1 billion market cap by end of 2007 with minimum dilution
- Opportunistic approach: sale to a large Russian or Western company or continue value creation through organic growth and/or acquisitions

Company Highlights

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STRONG PLATFORM OF RESERVES AND PRODUCTION

- Proved reserves of 68 mmboe, probable of 44 mmboe, possible of 43 mmboe, prospective resources of 151 mmboe(1)
- Daily production of c.8,900 bopd(2)
- The only independent producer with exposure to Sakhalin; presence in other oil rich regions

FOCUS ON GROWTH

- Production projected to increase to at least 14,000 bopd by end of 2007(1)(3)
- Exploration potential in 21 identified prospects, incl. offshore Sakhalin, Timan Pechora, and Komi
- Pipeline of potential acquisitions based on disciplined investment criteria

VALUE CREATION

- Access to export markets for c. 65% of current production; rest sold domestically at comparable netbacks
- 47% of crude produced sells above Brent / Oman benchmarks
- 100% refining cover on Sakhalin Island (4,100 bopd) and 90% on Kolguev Island (1,200 bopd)
- Potential for efficiency improvements in newly acquired companies

COMBINATION OF WESTERN AND RUSSIAN MANAGEMENT

- Track record of value creation as a team; substantial management cash investment
- Extensive relationships and experience in upstream sector and in Russia
- Western standards of operating efficiency and financial discipline

Notes

(1) SPE reserves, prospective resources (probabilistic best estimates) and production as defined and appraised by DeGolyer & MacNaughton; Dinyu figures are management estimates and subject to D&M verification

(2) Average for the seven day period ending November 24, 2005

(3) Production from proved + probable reserves (unrisked) from existing development assets; excludes exploration potential

Strategy for Growth

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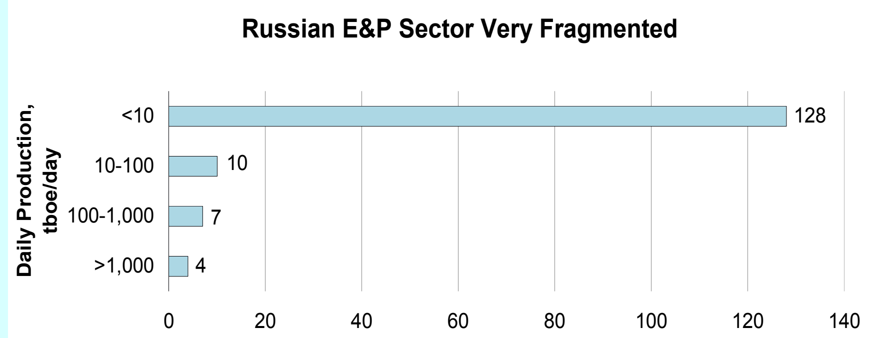
- Pace of divestment activity picking up among Russian majors
  - Portfolio restructuring and rationalisation, more disciplined approach to investments
  - Focusing on the next generation of large projects (Sakhalin V/VI, Vankor, Polar Lights, Trebs, Titova, etc)
- Consolidation of the fragmented E&P space on its way
  - Substantial number of small E&P companies lacking technical skills and human and financial resources
- Urals Energy is uniquely positioned to benefit from these trends
  - Management strength and relationships in the sector
  - Ability to evaluate opportunities using Western standards and move quickly
  - Access to capital

> – "Lukoil, the Russian listed oil firm, is preparing the sale of core and non-core assets that are regarded as less effective, said Lukoil's president, Vagit Alekperov"
>
> *Vedomosti, 11 July 2005*

> "The key elements of TNK-BP's strategy are… to rationalize and upgrade the Company's asset portfolio through "high-grading"… we can increase the efficiency of our management on a handful of large resource projects, rather than diffusing our focus over a broader diversity of assets"
>
> *TNK-BP Strategic Overview, 2005*



Source: Oil and Capital, May 2005

Five Acquisitions Since December 2004

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Notes

1. Reserve and resource estimates by DeGolyer and MacNaughton except Dinyu where management estimates were used

SPE Reserves

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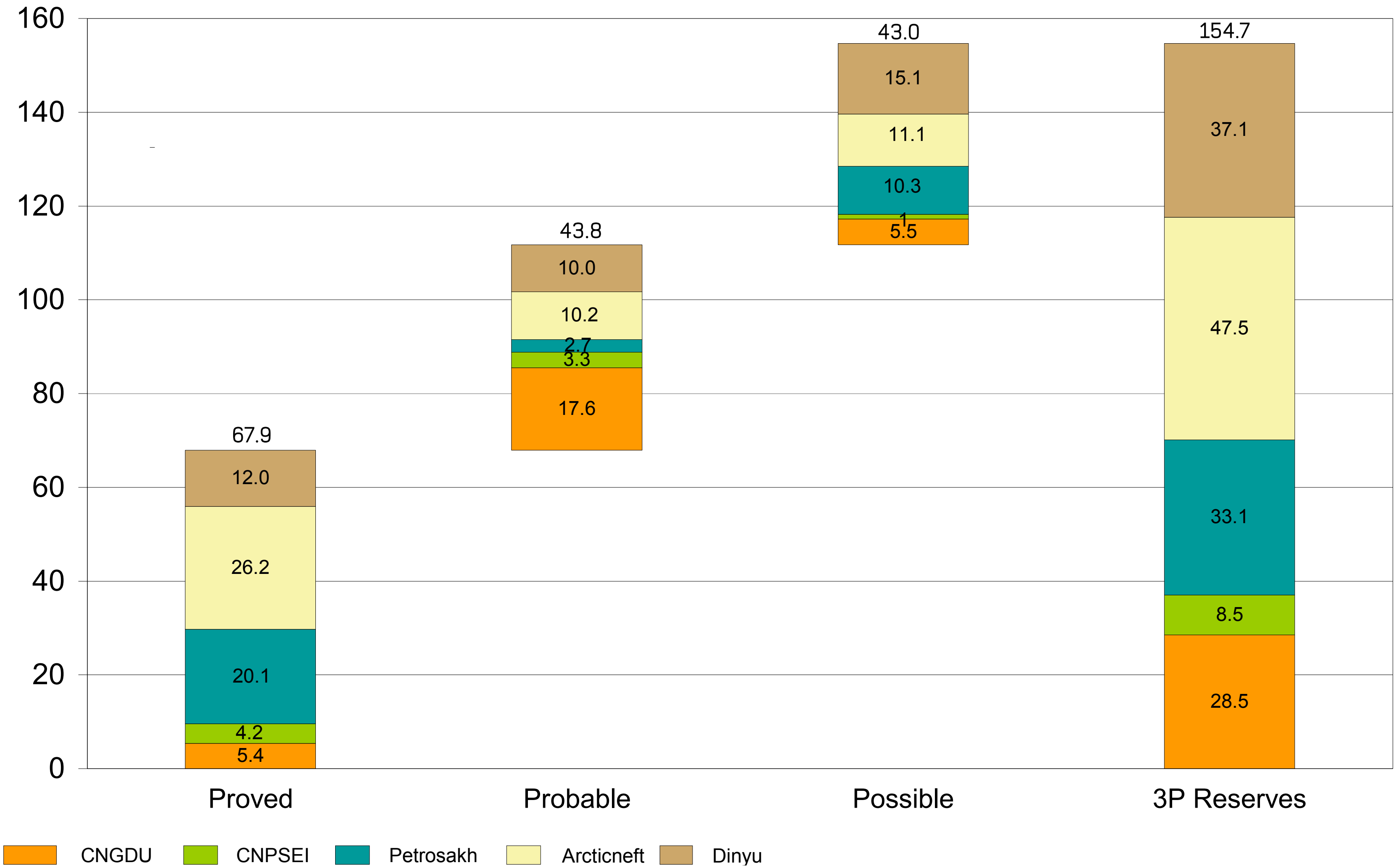
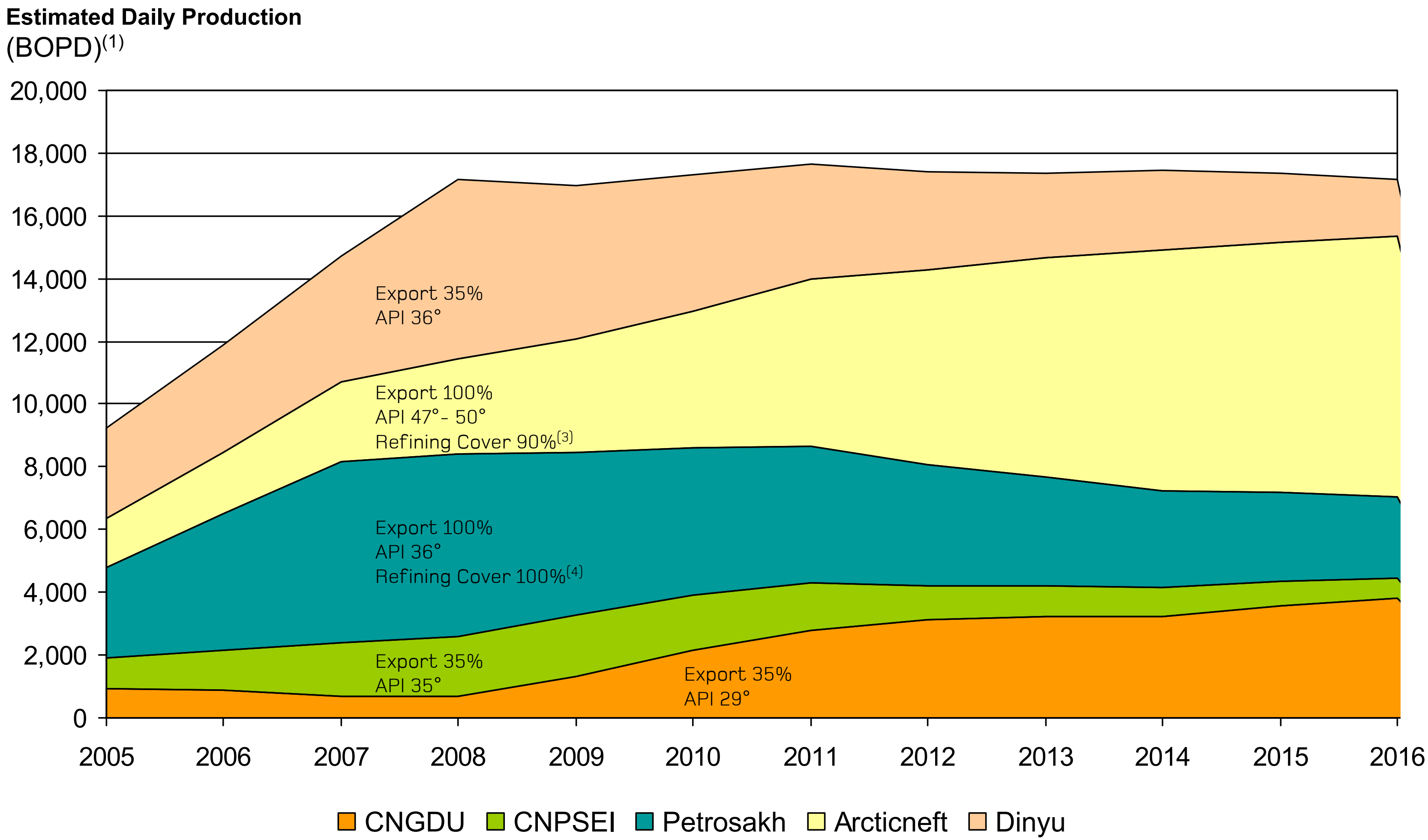
Reserves as at 31 March 2005[1] (Millions of Barrels)



Notes

1. Estimated by DeGolyer and MacNaughton except Dinyu; reserves for ArcticNeft are as of July 15, 2005; Dinyu reserves based on management estimates as of October 1, 2005 and to be confirmed by D&M

Projected Daily Average Oil Production (Existing 2P Reserves)



Notes

1. Average daily production from proved + probable reserves for each year as estimated by D&M except Dinyu; management estimates for Dinyu - to be verified and refined
2. Average production for 2005 is calculated based on production estimates for April 1, 2005 – December 31, 2005 for Petrosakh, CNPSEI and CNGDU and for July 16, 2005 – December 31, 2005 for Arcticneft as presented by D&M
3. Current refining capacity of Arcticneft is 1,200 bopd
4. Current refining capacity of Petrosakh is 4,100 bopd, upgradeable to 8,200 bopd at limited cost

Summary Update

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- Dinyu Acquisition
  - Urals Energy acquired c.22 mmboe of 2P reserves at $3.2/boe
  - Financed by cash and a new $100 million reserve backed facility from BNP Paribas
  - Immediate impact on Urals through 2,900 bopd of incremental production

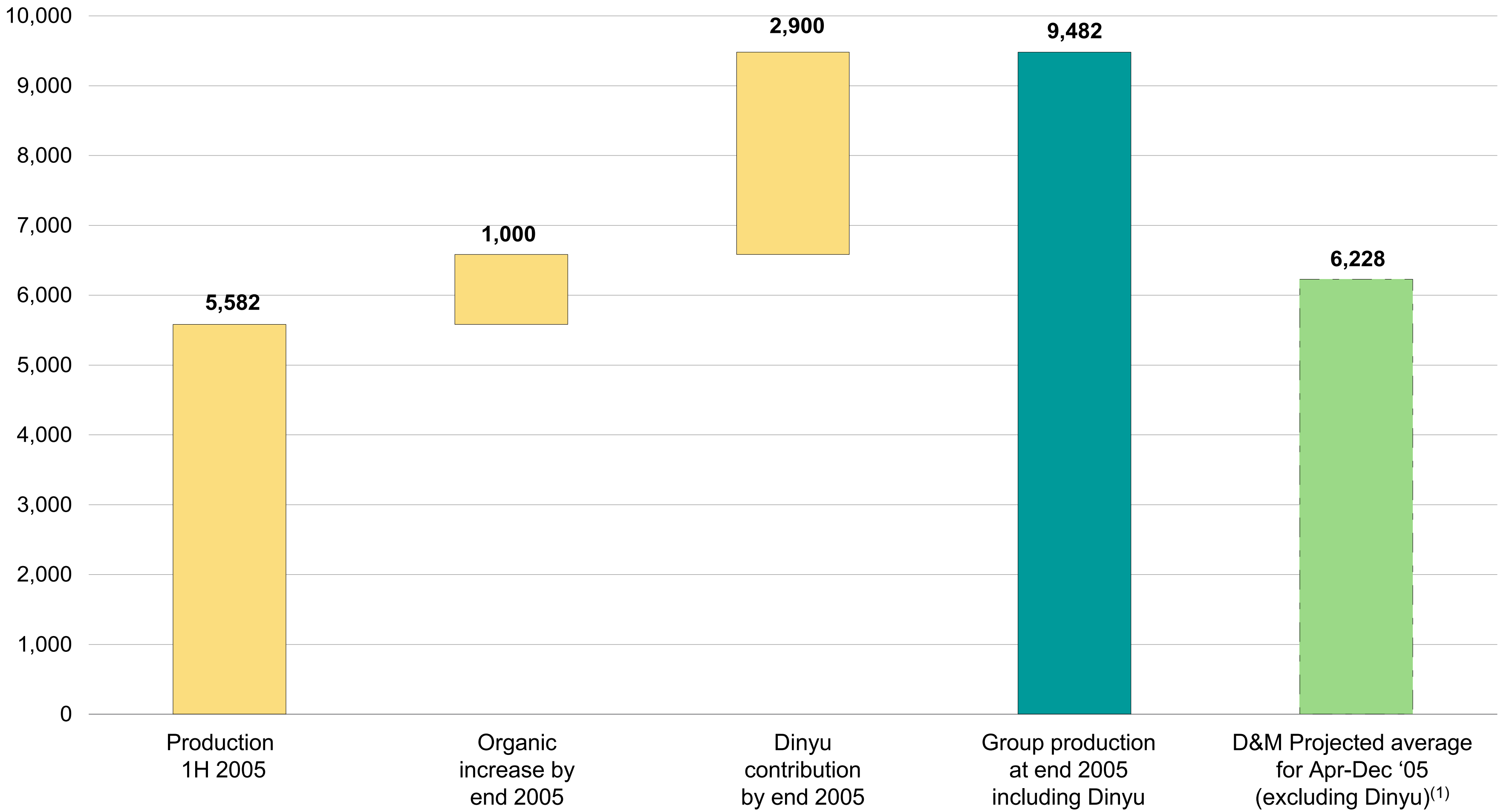
- Operations
  - Production enhancement activities under way in Petrosakh, ArcticNeft, Dinyu, CNGDU
    - 2 onshore wells drilled in Petrosakh, incremental production 1,000 bopd and above earlier projections
    - 1 horizontal well being drilled in Dinyu, to be completed in January
    - Purchased 2 MW gas/electric generator at Arcticneft, delivery to Kolguyev end-2005
    - Processing 3D seismic on Potapovskoye field in CNGDU; ongoing work on existing wells
  - Exploration activities continue to be focused on Petrosakh
    - 1 well spudded offshore, to reach target formation end-2005; 2nd well to spud in January 2006
    - Offshore license obligations in Sakhalin to be met once 2 wells are drilled despite the delay with Deutag rig
    - Preparatory work ongoing to drill exploration well in Urals Nord

- Financial
  - EBITDA for 1H 05 affected by seasonality effects
  - Opex/boe in line with historical performance
  - $26 mm of debt following repayment of loans as of 30 June 2005; new BNP facility

- Acquisitions
  - Acquisition of the remaining 35% in Dinyu - South Michau being finalised
  - Company continues to be actively looking for other organic and acquisition opportunities

Recent Production Developments

Urals Energy Estimated Average Daily Production
BOPD



Notes

1. Average production from Proved + Probable unrisked reserves as estimated by D&M for the period between April and December 2005 and excluding Dinyu; Arcticneft average calculated for the period between July 16 and December 31, 2005.

Recent Progress: Operations

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What We Have Promised	What We Have Achieved
Increase in Production	√ Base production estimated to increase by c.1,000 bopd by end-2005 as compared with June 2005 √ Incremental production from Dinyu acquisition of 2,900 bopd funded with cash and debt
Development of Existing Reserves	√ 2 development wells in Petrosakh, 3 to come in 2006 and 9 in 2007 √ Well 43 in line with plan; Well 44 flow rates above expected
Exploration in Sakhalin	√ Pogranichniy Prospect: First well spudded on November 1; second to spud in January 2006 √ Vitnitskaya Prospect: Drilling likely to commence during winter 2006/07 despite earlier rig transportation problems √ License obligations to be met once 2 wells are drilled. Applied for a 5-year license extension.
Attractive Economics Through High Netbacks	√ Average netbacks $28.75/boe in 1H 2005 (pro-forma for Arcticneft) √ Material improvement in 2H 2005 following increase in oil prices

Recent Progress: Acquisitions

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What We Have Promised	What We Have Achieved
Acquisitions Based on Select Criteria	√ Dinyu acquisition which meets most of the preferred criteria:
– Existing reserves, production	– 2P reserves 22 mmboe, possible reserves 13 mmboe[1], production 2,900 bopd
– Potential to increase production	– Production projected to increase materially over the next two years
	– 5 exploration prospects
– Majority control	– 100% ownership in Dinyu-Savinbor Field and 65% in South Michau Field (100% operating control); acquisition of remaining 35% being finalised
– Preference for higher % of export	– 35-40% export by Transneft, 60-65% domestic market
– Potential to leverage existing resources	– Acquisition is synergetic to the existing subsidiary, CNPSEI and provides for further expansion in the region
– Appropriate risk-adjusted returns	– Acquisition price in line with recent transactions
	– Cash-generative asset
Continue looking for new acquisition opportunities	√ Continuous review of potential opportunities in the sector
	√ Several acquisition opportunities being evaluated at the moment
	√ Focus on criteria specified above

Notes

1. Management estimates; to be verified by DeGolyer & MacNaughton

Dinyu Acquisition

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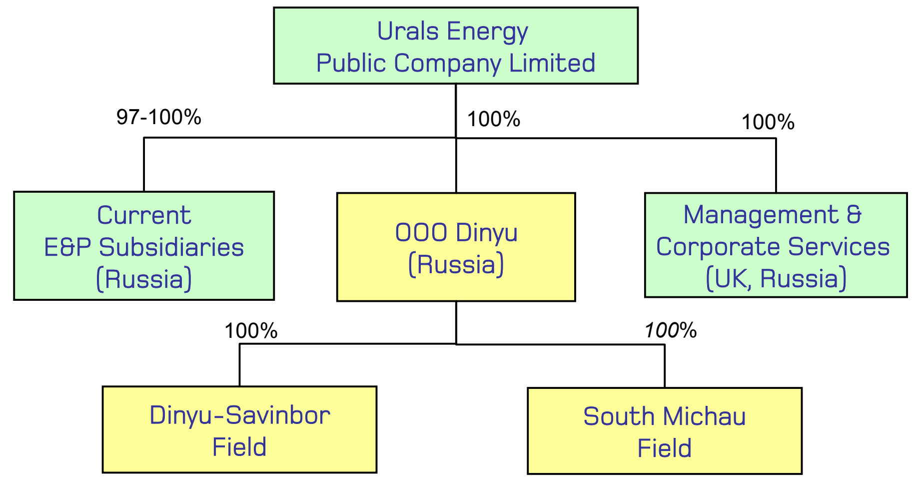
- Acquisition of Dinyu, an E&P company in Komi, on 15 Nov 2005
- Acquisition price $62 million plus debt $8 million
  - Acquisition of remaining 35% in South Michau being finalised
- Implied acquisition multiple $3.2/boe of 2P reserves,
  - In line with recent Russia/CIS transactions
- Financed through existing cash and a new reserve-based $100 million loan facility



						Total			AV/		
Date	Buyer	Target	Price Paid ($ MM)	Stake (%)	Implied Ag. Val. ($ MM)	Prov. Res. SPE (MM BOE)	2P Res. SPE (MM BOE)	An. Prod. (MM BOE)	1P Res. SPE ($/BOE)	2P Res. SPE ($/BOE)	Prod. ($/BOE/d)
Nov-05	Lukoil	SeverTEK	322	50.0%	789	105	213	11.0	7.50	3.70	26,126
Sep-05	Lukoil	Nelson Resources	2,000	100.0%	2,129	169	270	10.8	12.63	7.90	71,714
Aug-05	CNPC	PetroKazakhstan	4,180	100.0%	3,996	392	550	52.0	10.19	7.27	28,049
Jul-05	West Siberian Resources	Pechoraneft	115	99.7%	115	NA	54	2.6	NA	2.14	16,473
Mar-05	Amerada Hess	Samara-Nafta	25	65.0%	38	NA	37	2.7	NA	1.05	5,128
Mar-05	Valkyries Petroleum Corp.	Mintley Cyprus Limited	19	100.0%	19	7	22	0.2	2.64	0.84	28,462
Aug-04	Valkyries Petroleum Corp.	Pechoraneftegas	39	50.0%	78	24	NA	2.2	3.22	NA	13,000
Mean (Market Transactions)									**7.24**	**3.82**	**26,993**
Nov-05	Urals Energy	Dinyu	70	100.0%	70	12	22	1.1	5.83	3.18	24,138

Source: Company materials, broker reports

Overview of Dinyu

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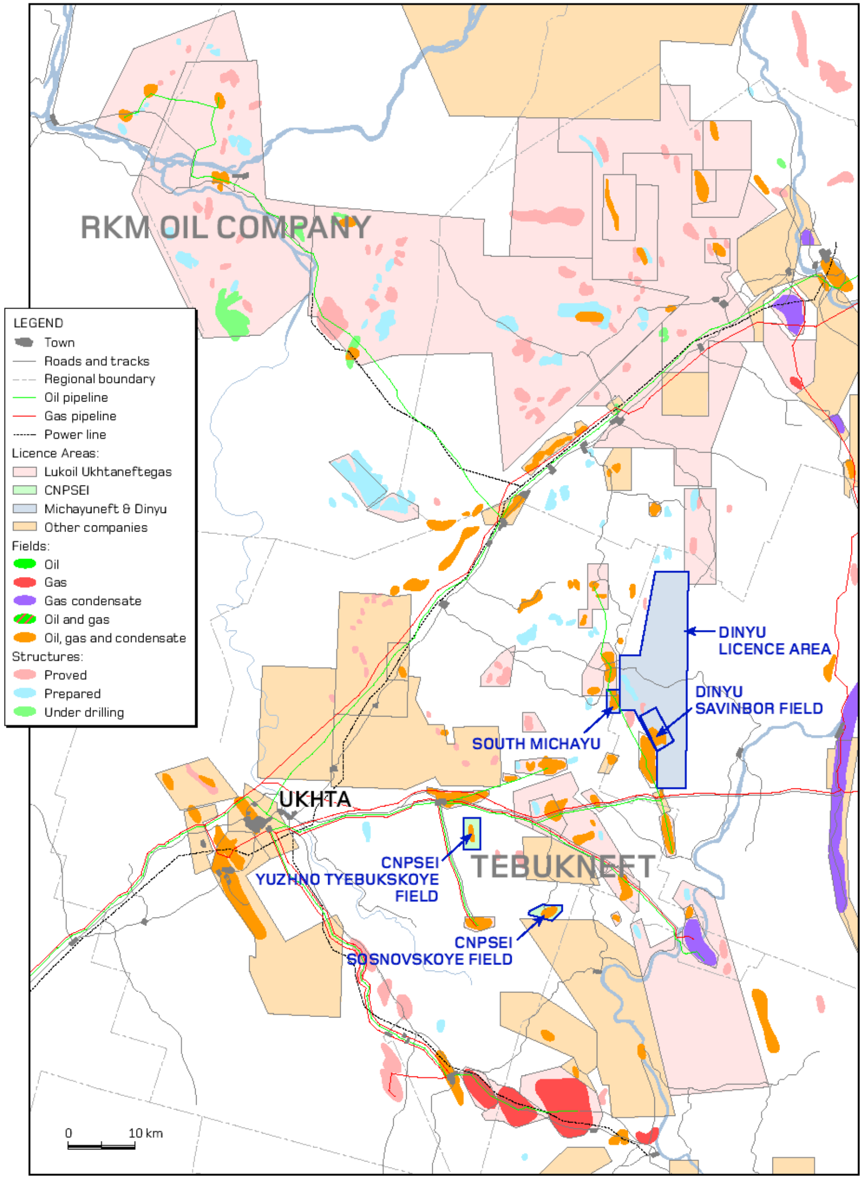
- Asset located in the Komi region, owns 2 licenses through 100% owned entities
  - Dinyu-Savinbor
  - South Michau
- Proved reserves 12 mmboe, Probable 10 mmboe
  - Majority of reserves in Dinyu-Savinbor
  - High quality oil (c.36° API)
  - Export of 35-40% through Transneft, remainder to Moscow refinery
- Focus on increasing production
  - Historical average production 710 bopd in ‘03, 1,910 in ‘04 and 2,320 in 9M ’05
  - 16 producing wells, 4 injectors
  - Drilling a new horizontal well, ready in January
- Extensive exploration acreage covering 960 square kilometres
  - Five exploration prospects based on 62 km^2 of 3D seismic
  - Analogous to the existing producing structure
  - Other assets in the area potentially attractive acquisition targets



Petrosakh Onshore Update

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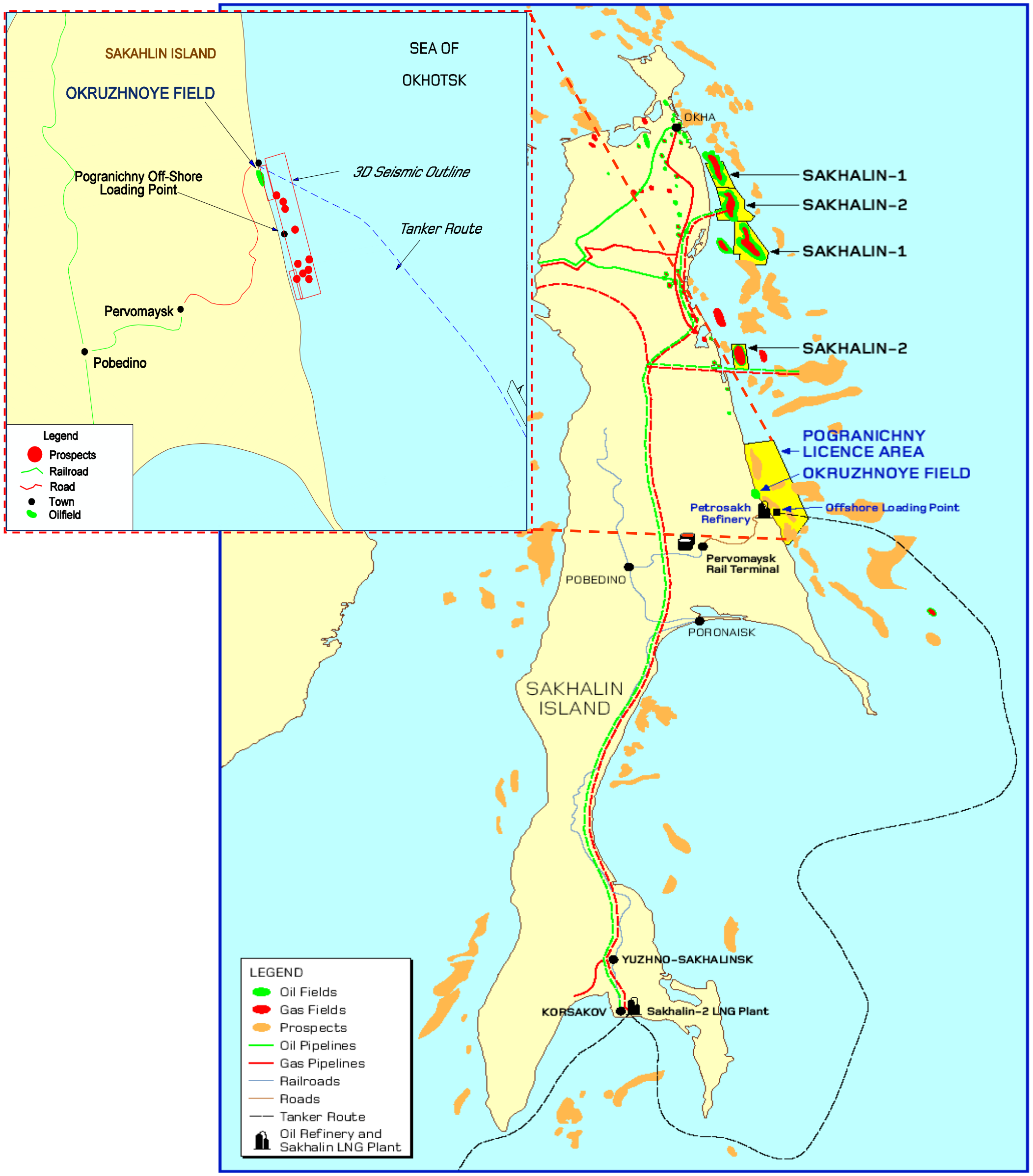
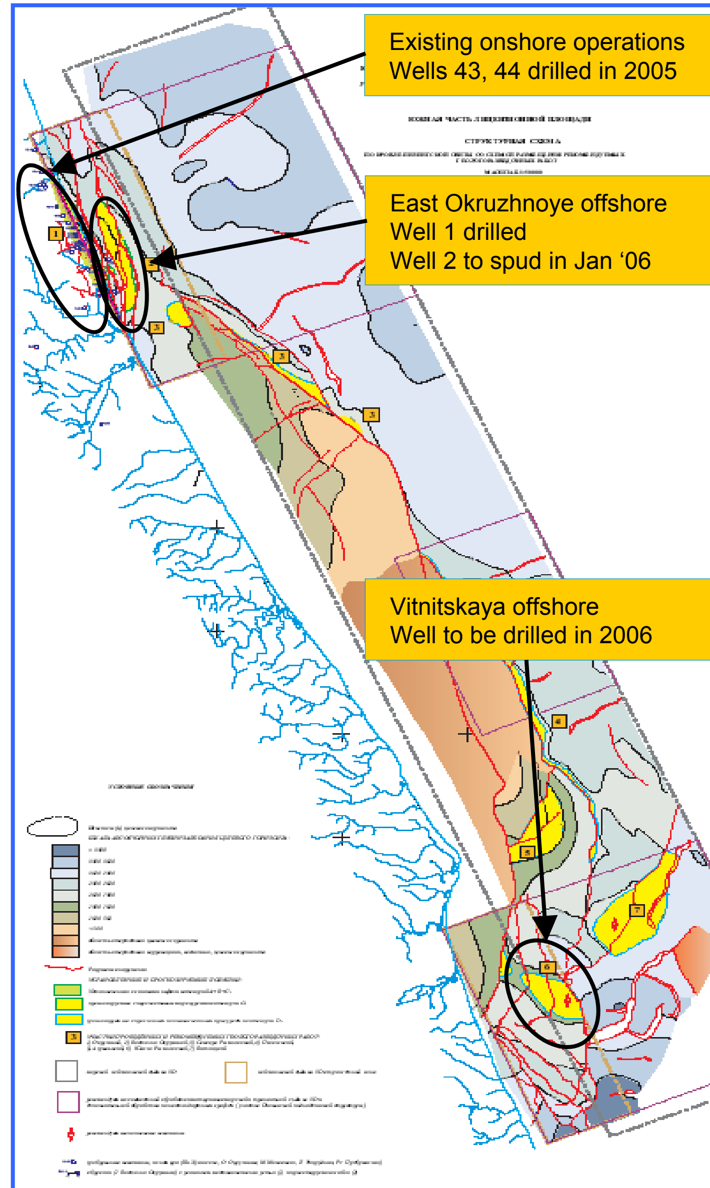
- A 14-well drilling programme to increase production to c. 5,800 bopd underway
  - 2 development wells drilled since IPO
  - Perforations on 2 wells completed
  - Incremental production 1,000 bopd
  - 3 wells to commence in 2006, 9 in 2007
- Well 43 drilled and completed in August
  - Drilled to 1,900 meters
  - Sustained flow rate of 360 bopd
  - 133 m of net pay
- Well 44 drilled and completed in October
  - Drilled to 1,856 meters
  - Sustained flow rate of 660 bopd, above D&M's projected 350 bopd
  - 143 m of net pay
- Started onshore 3D seismic acquisition
- Frac stimulation program under review



Petrosakh Offshore Update

- East Okruzhnoye prospect contains 50 mmboe of potential resources
  - 2 fault blocks 25 mmboe each being tested
- First exploration well spudded November 1
  - Depth of 1,725 metres on November 28
  - Expected to reach target formation, the Pileng horizon, by end of the year
  - East Okruzhnoye No. 2 well to be spudded in January
- Both wells drilled with a Russian BU-1600 rig
  - Improved through addition of extra equipment
  - Wells ahead of time and under budget
- Vitnitskaya prospect expected to be drilled in 2006
  - Exploration license obligations to be satisfied by drilling the 2 wells in East Okruzhnoye
  - Applied for a 5-year license extension



Notes

1. Gross unrisked prospective resources and risked prospective resources (probabilistic best estimate) appraised by D&M

Financial Summary

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Financial Highlights

- H1 05 EBITDA of $5.997 million
- H1 05 net loss of $1.145 million due to seasonal lag in oil sales from largest producing asset
- Paid down pre IPO debt, including Petraco loan of $10 million, reducing debt to $26 million, pre Dinyu acquisition
- In process of refinancing Zenith loan of $12 million
- Replaced existing BNP Paribas facility of $20 million with new $ 100 million facility
- Successful acquisition of Dinyu for $62 million and $8 million in assumed debt, financed through existing cash balance and use of BNP Paribas facility
- Initiatives aimed at strengthening accounting and financial controls
  - Recruitment of high quality team
  - Comprehensive plan to upgrade IT systems

Summary 1H 2005 Financials in US $ thousands	
Statement of Operations	
Net revenues	21,955
Cost of production	13,544
SG&A	6,204
Operating result	2,207
Financial costs, Currency loss, Other gains	(2,896)
Income tax	(456)
Net loss	(1,145)
Balance sheet	
Cash and cash equivalents	8,897
Total current assets	27,971
Property, plant and equipment	114,210
Total assets	146,435
Total current liabilities	38,206
Borrowing and long term lease	25,446
Total long term liabilities	44,327
Cash Flow Statement	
Cash flow used in operations	(15,670)
Cash flow from investing activities	(8,848)
Cash flow from financing activities	32,044

Outlook

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Dinyu

- Finalise acquisition of the remaining 35% ownership of South Michau
- Focus on the increase in production
- Investigate the five exploration prospects in Komi region as shown in 3D seismic survey of exploration area
- Dinyu to be integrated into Urals Energy; economies of scale to be realised

Petrosakh

- Target 12 additional on shore development wells in Petrosakh in 2006/07
- Initiate an aggressive frac stimulation program summer 2007
- Meet license obligations in Sakhalin by spudding additional well in Pogranichniy offshore prospect in January 2006; extend license by 5 years and convert it to a production one
- Commence drilling in Vitnitskaya prospect during winter 2006/2007

General

- Focus on increasing overall production while realising high net backs
- Keep opex per boe at competitive level through strict cost control in operational organisation
- Keep financial flexibility for funding capex program and possible acquisitions
- Seek possible future acquisitions to benefit from ongoing rationalisation in Russia and CIS