Urals Energy Public Company Limited

Adjustments to Interim Results to 30 June 2005

Following the announcement of 2 February 2006, regarding minor adjustments to the Company's previously reported results for the period ended 30 June 2005 resulting in a modest reduction of the loss reported for the period, Urals is publishing restated results for the period ending 30 June 2005. These restated results have been approved by the Company's Directors and Auditors.

In line with announcement of 2 February 2006 the restated results give a net loss of $800,000 compared with the originally announced net loss of $1.145m for the six months ended 30 June 2005.

23 February 2006

Enquiries

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About the Company:

Urals Energy is an independent exploration and production (E&P) company with its principal assets and operations in Sakhalin Island, Timan Pechora (including areas in the Nenets Autonomous Okrug and Komi Republic) and the Republic of Udmurtia, Russia. The Company listed on AIM in August 2005.

The Company is focused on the integration of its five recently acquired subsidiaries and the exploitation of their assets. In addition, it is actively seeking to continue to grow and diversify its reserve and production portfolio through exploration activities and the acquisition of additional E&P companies or assets by taking advantage of the ongoing rationalisation of E&P assets in Russia.

Based on a preliminary 2005 year-end report by DeGolyer & MacNaughton, the Company's six E&P subsidiaries have Proved and Probable reserves of approximately 118 million barrels of oil equivalent (MMBOE). During the second six months of 2005, the Company produced approximately 6,237 barrels of oil per day (BOPD).

The Company's two largest subsidiaries by reserves and production, Petrosakh and Arcticneft, own and operate refining assets with a total refining capacity of 5,300 BOPD, which provide the Company with the ability to maximise the value of the oil produced by choosing between the sale of oil or of refined products depending on market conditions, tax considerations and other factors.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AT (unaudited)

in $ thousands	**30 June 2005 (restated)**	**31 December 2004 (restated)**
Cash and cash equivalents	8,897	1,421
Accounts receivable and prepayments	15,563	3,706
Inventories	3,587	2,773
TOTAL CURRENT ASSETS	**28,047**	**7,900**
Property, plant and equipment	112,906	100,096
Other non-current assets	4,254	292
TOTAL NON-CURRENT ASSETS	**117,160**	**100,388**
TOTAL ASSETS	**145,207**	**108,288**
Accounts payable and accrued expenses	2,020	3,019
Taxes payable	2,502	1,917
Short-term borrowings and current portion of finance lease obligations	20,776	38,815
Advances from customers	135	5,102
Amounts due for acquisition of subsidiaries	12,460	9,899
TOTAL CURRENT LIABILITIES	**37,893**	**58,752**
Long-term finance lease obligations and borrowing	25,446	1,556
Dismantlement provision	920	950
Deferred tax liability	18,251	17,751
TOTAL LONG TERM LIABILITIES	**44,617**	**20,257**
TOTAL LIABILITIES	**82,510**	**79,009**
TOTAL EQUITY	**62,697**	**29,279**
TOTAL EQUITY AND LIABILITIES	**145,207**	**108,288**

Approved on behalf of the Board of Directors on 8 February 2006

William R. Thomas
Chief Executive Officer

Stephen M. Buscher
Chief Financial Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (unaudited)

in $ thousands	**1 January to 30 June 2005 (restated)**
Revenues	
Gross revenues	27,279
Less: excise taxes and export duties	(6,047)
Net revenues	**21,232**
Operating Cost	
Cost of production	(12,732)
Selling expenses	(922)
General and administration expenses	(4,238)
Operating result	**3,340**
Finance costs	(3,217)
Foreign currency losses, net	(192)
Other non-operating gains, net	23
Result before tax and minority interests	**(46)**
Income tax (charge)/benefit	(754)
Net result	**(800)**
Attributable to minority shareholders	86
Attributable to Group shareholders	(886)
Earnings per share (USD)- basic	(0.02)
Diluted earnings per share (USD)	(0.02)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (unaudited)

in $ thousands	**1 January to 30 June 2005 (restated)**
Cash flow from operating activities	
Result before tax and minority interest	(46)
Total Adjustments	3,944
Operating cash flow before changes in working capital	**3,898**
Changes in working capital	(17,894)
Cash flow from/(used in) operations	**(13,996)**
Interest paid	(1,377)
Income tax paid	(297)
Net Cash flow used in operating activities	**(15,670)**
Cash flow used for investments	
Acquisition of subsidiaries	(4,500)
Purchase of property, plant and equipment	(4,348)
Net Cash Inflow/ (Outflow) from Investing Activities	**(8,848)**
Cash flow from financing activities	
Proceeds from loans	35,001
Repayment of loans	(30,053)
Proceeds from issuance of ordinary shares	26,215
Contributions from shareholders	881
Net Cash Inflow from Financing Activities	**32,044**
Effect of exchange rate changes	(50)
Net increase in cash and cash equivalents	**7,476**
Cash and cash equivalents at beginning of the period	1,421
Cash and cash equivalents at end of the period	**8,897**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

		Attributable to shareholders of the Group						
in $ thousands	**Note**	**Share capital**	**Share premium**	**Unpaid capital**	**Translatio n difference**	**Accumulated deficit**	**Minority interest**	**Total equity**
At 31 December 2004		**209**	**42,172**	**(11,324)**	**1,236**	**(4,341)**	**1,327**	**29,279**
Issue of shares	**6**	**50**	**24,950**					**25,000**
Contribution from shareholders				**11,324**				**11,324**
Translation difference for the period (restated)					**(2,061)**		**(45)**	**(2,106)**
Net result for the period 1 January 2005–30 June 2005 (restated)						**(886)**	**86**	**(800)**
At 30 June 2005		**259**	**67,122**	**0**	**(825)**	**(5,227)**	**1,368**	**62,697**

NOTES TO THE INTERIM CONDENCED FINANCIAL INFORMATION (unaudited)

Note 1 Activities

Urals Energy Public Company Limited (''Urals Energy'', or the ''Company'') was incorporated as a limited liability company in Cyprus on 9 November 2003. The Company was formed to act as a holding company for the shareholders' investments in the Russian oil and gas exploration and production sector. Pursuant to a Shareholder Agreement dated 28 July 2004, the Shareholders contributed certain assets including ZAO Chepetskoye NGDU to the Company. On 26 October 2004, the Company acquired OOO CNPSEI and on 19 November 2004, acquired ZAO Petrosakh. In April 2005, the Company acquired the remaining 50 percent of OOO Urals Nord. In July 2005, the Company completed the acquisition of ZAO Arcticneft. In November 2005, the Company completed the acquisition of OOO Dinyu (see Note 14, Subsequent Events).

On 9 August 2005, the Company completed an initial public offering on the London Alternative Investment Market (AIM).

Urals Energy and its subsidiaries (the ''Group'') are primarily engaged in oil and gas exploration and production in the Russian Federation and processing of crude oil for distribution on both the Russian and international markets. At 30 June 2005, the Group employed approximately 622 people.

The Group comprises of the following subsidiaries:

Entity	Nature	Jurisdiction	Economic interest at 30 June 2005
ZAO Petrosakh	Exploration & production	Sakhalin	97.2percent
OOO CNPSEI	Exploration & production	Komi	100.0percent
ZAO Chepetskoye NGDU	Exploration & production	Udmurtia	100.0percent
OOO Urals Energy	Management	Moscow	100.0percent
OOO Urals-Nord	Exploration	Nenetsky	100.0percent
Urals Energy (UK) Limited	Corporate Services	UK	100.0percent

Note 2 Restatement

This interim condensed consolidated financial information has been restated to give effect to certain items which were inaccurately reflected in the interim condensed consolidated financial information as originally issued on 23 September 2005. The restatements arise from additional eliminations of intercompany activities, correction of a depletion calculation and certain other items. The effect of restatement on the interim condensed consolidated financial information is summarised below (all amounts in US dollar thousand):

	Period ended 31 December 2004	Six months ended 30 June 2005
(Decrease) in gross revenues	-	(723)
Decrease in cost of production	-	812
Decrease in selling expenses	-	1,044
(Increase) in finance cost	-	(490)
(Increase) in income tax expense	-	(298)
Decrease in net loss	-	345
Increase in net income attributable to minority shareholders	-	9
Decrease in net loss attributable to Group shareholders	-	336
Change in translation difference	-	(1,550)

	31 December 2004	30 June 2005
Increase in inventories	526	76
(Decrease) in property, plant and equipment	(526)	(1,304)
Decrease in accounts payable and accrued expenses	-	369
(Increase) in taxes payable	-	(56)
(Increase) in deferred tax liability	-	(290)
(Decrease) in total equity	-	(1,205)

Note 3 The nature of business operations

The Group's largest producing subsidiary, ZAO Petrosakh, operates on Sakhalin Island and is not connected to the State owned pipeline monopoly – Transneft, and accordingly, the majority of its production is exported by tanker. Due to severe weather conditions, shipping tankers can only load during the period of June through early November. Outside this period, oil is either stored or processed and sold on the local market. During the period under review Petrosakh had produced 56 thousand tons of crude oil and sold only 29 thousand tons of crude oil in late June 2005. The remaining crude oil was shipped during the second half of the year.

Note 4 Basis of presentation

The consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting ("IAS 34"). This consolidated interim condensed financial information should be read in conjunction with the Company's consolidated financial statements as of and for the year ended 31 December 2004 prepared in accordance with International Financial Reporting Standards ("IFRS"). The 31 December 2004 consolidated balance sheet data has been derived from audited financial statements.

Use of estimates. The preparation of consolidated interim condensed financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements preparation and the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities during the reporting period. Estimates have principally been made in respect to fair values of assets and liabilities, impairment provisions and deferred income taxes. Actual results may differ from such estimates.

Note 4 Basis of presentation (continuation)

Exchange rates, restrictions and controls. The United States Dollar (''US dollar or $'') is the presentation currency for the Company's operations as the majority of the Company's operations is conducted in US dollars and management have used the US dollar accounts to manage the Company's financial risks and exposures, and to measure its performance. Financial statements of the Russian subsidiaries are measured in Russian Roubles and presented in US dollars in accordance with SIC 30 ''Reporting currency—Translation of Measurement Currency to Presentation Currency''. Balance sheet items denominated in foreign currencies have been remeasured using the exchange rate at the respective balance sheet date. Exchange gains and losses resulting from foreign currency translation are included in the determination of net income or loss. The US dollar to Russian Rouble exchange rates were 28.67 and 27.75 as of 30 June 2005 and 31 December 2004, respectively.

Comparative information for the first half of 2004 was not provided as the Company was not operating at that time.

Note 5 Accounting policies

Except as discussed below, the principal accounting policies followed by the Company are consistent with those disclosed in the financial statements for the year ended 31 December 2004.

New accounting developments. In December 2003, the International Accounting Standards Board ("IASB") released 15 revised International Accounting Standards ("IAS"s) and withdrew one IAS standard. In 2004, the IASB published five new standards, two revisions and two amendments to existing standards. In addition, the IFRIC issued six new interpretations in 2004. Significant changes relevant to the Group are discussed below.

The revisions to IAS 1, *Presentation of Financial Statements*, clarify certain presentation requirements. Most significantly, the revised standard requires that minority interest be presented within equity. The Company has retroactively reflected the revised presentation standard for equity in the consolidated interim condensed financial information.

IAS 24, *Related Party Disclosure*s, as revised, requires the disclosure of compensation of key management personnel and clarifies that such personnel include non-executive directors.

Other revised and amended standards effective on 1 January 2005 are as follows: IAS 2, *Inventories*; IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 10, *Events after the Balance Sheet Date*; IAS 16, *Property, Plant and Equipment*; IAS 17, *Leases*; IAS 19, *Employee Benefits*; IAS 21, *The Effects of Changes in Foreign Exchange Rates*; IAS 27, *Consolidated and Separate Financial Statements*; IAS 28, *Investments in Associates*; IAS 31, *Investments in Joint Ventures*; IAS 32, *Financial Instruments: Disclosure and Presentation*; IAS 33, *Earnings per Share*; IAS 36, *Impairment of Assets*; IAS 38, *Intangible Assets*: and IAS 39, *Financial Instruments: Recognition and Measurement*. The adoption of these revised and amended standards has not had a material effect on the Group's financial position, statements of income or of cash flows.

Accounting policies significant to the Group that were adopted or modified on 1 January 2005 are discussed below.

Business combinations. The Company accounts for business combinations in accordance with the provisions of IFRS 3, Business Combinations ("IFRS 3"). IFRS 3 applies to accounting for business combinations where the agreement date is on or after 31 March 2004. Upon acquisition, the Group initially measures both its share and the share of any minority shareholders in the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at the acquisition date. For business combinations where the agreement date is on or after 31 March 2004, goodwill is not amortized but rather tested for impairment annually at the cash generating unit level unless an event occurs during the year which requires the goodwill to be tested more frequently. Intangibles with indefinite useful lives acquired in those business combinations are not amortized and are tested annually for impairment to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

Note 5 Accounting policies (continuation)

Non-current assets held for sale and discontinued operations. The Group accounts for non-current assets held for sale and discontinued operations in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 replaced IAS 35, Discontinuing Operations. Assets or disposal groups that are classified as held for sale are presented separately on the balance sheet and are carried at the lower of the carrying amount and fair value less costs to sell. Additionally, the results of discontinued operations are shown separately on the face of statement of income.

On 1 January 2005, the Group early-adopted IFRS 6, Exploration for and Evaluation of Mineral Resources. This standard provides guidance on accounting for costs incurred in the exploration for and evaluation of mineral resources. Adoption of the standard did not have a material effect on the Group and did not result in changes of the Group's accounting policies.

Note 6 Issue of shares

	Number of shares	Share capital $ thousands	Share premium $ thousands
At 31 December 2004	40,000,000	209	42,172
Issuance of shares to Nafta B - 15 June 2005	9,434,000	50	24,950
At 30 June 2005	49,434,000	259	67,122
Subsequent to 30 June 2005			
Conversion of shareholder loans to equity – 2 August 2005	3,650,480	19	9,654
Placement by initial public offering – 9 August 2005	26,667,000	143	113,636
Placement to RP Explorer Master Fund – 9 August 2005	2,929,653	16	9,984
Placement by over-allotment – 17 August 2005	4,000,050	22	17,305
At 23 September 2005	86,681,183	459	217,701

All share numbers are presented after the effect of a 1 for 400 share split approved on 18 July 2005. In June 2005, the Company issued 9,434,000 ordinary shares to Nafta (B) NV, a company owned by one of the shareholders for total consideration of $25.0 million. The share issuance was settled with a cash contribution of $18.4 million and conversion of $6.6 million in existing debt of Nafta B.

In July 2005, the Company entered into a convertible preferred note agreement with RP Explorer Master Fund for up to $15.0 million. The Company has issued $10.0 million, 10.0 percent subordinated, unsecured "A" notes. The notes are issued at 100.0 percent and accrete daily up to 117.0 percent on maturity. On 9 August 2005 these notes were converted into 2,929,653 ordinary shares at a 20.0 percent discount to the IPO issue price.

On 2 August 2005, the Company converted its loans with Radwood Business Inc., Polaris Business Limited, Citara International Limited, Fantin Finance Limited and Texas Oceanic Petroleum LLC (who collectively at 31 December 2004, provided $9.3 million, Libor plus 2.0 percent unsecured notes to the Company) to 3,650,480 ordinary shares.

On 9 August 2005 the Company placed 26,667,000 new ordinary shares at an issue price of 240 pence per share on an Alternative Investment Market operated by the London Stock Exchange ("AIM").

On 17 August 2005 Morgan Stanley Securities Limited, the Company's stabilising manager fully exercised the over-allotment option in the amount of 4,000,050 new shares. As a result of the exercise, the free float of shares in the Company has increased from 32 percent to 35 percent (upon the expiration of RP Capital's lock-up and orderly markets restriction, 39 percent) and the issued share capital of the Company has increased to a total of 86,681,183 shares. The gross proceeds of the placing now total approximately $131 million.

Note 7 Segment information

The Group operates in one business segment which is crude oil exploration and production. The Group assesses its results of operations and makes its strategic and investment decisions based on the analysis of its profitability as a whole. The Group operates within one geographical segment, which is the Russian Federation.

Note 8 Acquisition of subsidiaries

On 25 April 2005, the Company acquired the remaining 50.0 percent interest in OOO Urals Nord ("Urals Nord") for the total consideration of $14.84 million. On that date $1.5 million was paid immediately in cash and $12.5

million was paid in October 2005. The Group incurred $0.84 million of additional cost related to seismic review of the license areas. Urals Nord holds 5 exploration licenses for Beluginisky, Zapadno-Sorokinskiy, Fakelniy, Nadezhdinskiy and Alfinskiy oil fields. Urals Nord has been consolidated from the date of acquisition, the purchase price being assigned to unproved oil and gas property included in property, plant and equipment.

Note 9 Pledged assets and changes in contingent liabilities

The dismantlement provision represents the net present value of the estimated future obligation for dismantlement, abandonment and site restoration costs which are expected to be incurred at the end of the production lives of the oil and gas fields. The discount rate used to calculate the net present value of the dismantling liability was 13.0 percent.

Environmental regulations and their enforcement are under development by governmental authorities. Consequently, the ultimate dismantlement, abandonment and site restoration obligation may differ from the estimated amounts and this difference could be significant.

Note 10 Cost of sales

	1 January 2005 to 30 June 2005
Unified production tax	5,588
Depreciation and depletion	2,706
Wages and salaries including payroll taxes	2,270
Materials	1,088
Other taxes	416
Other	664
Total cost of sales	12,732

Note 11 Borrowings and loans

Short term loans

Name of bank	Borrower	Interest rate	Currency	30 June 2005	31 December 2004
Related party loans	UEPCL	LIBOR +2%	$	12,300	27,493
Current portion of long term debt	Petrosakh	8.16% fixed		8,000	-
Alfa Eco M	Petrosakh	9.5% fixed	RR	-	10,993
Current portion of finance lease liability	Petrosakh	13.0% fixed	RR	111	105
Accrued interest				365	224
Total short term loans				20,776	38,815

Note 11 Borrowings and loans (continuation)

Long term debt

Name of bank	Borrower	Interest rate	Maturity date	Currency	30 June 2005	31 December 2004
BNP Paribas	Petrosakh	8.16% fixed	December 2006	$	20,000	-
Less current portion of BNP Paribas					(8,000)	-
Zenit	Chepetskoye NGDU	11.0% fixed	March 2010	$	10,000	-
Zenit	CNPSEI	11.0% fixed	March 2010	$	2,000	-
Long term finance lease liability	Petrosakh	13.0% fixed			1,557	1,661
Less current portion of lease liability	Petrosakh				(111)	(105)
Total long term debt					25,446	1,556

In June 2005, Petrosakh entered into an 18-month credit facility for $20.0 million with ZAO BNP Paribas Bank to finance Petrosakh for certain repayment of loans from Alfa-Eco M and fund working capital and various capital projects of Petrosakh. This variable interest debt facility bore interest at LIBOR plus 5.0 percent and was repayable through December 2006. The loan was collateralised by a pledge of Petrosakh shares to ZAO BNP Paribas Bank, assignment of crude oil export contract and a floating pledge over Petrosakh's crude oil inventories. In November 2005, this $20.0 million credit facility was repaid from the proceeds of a $100.0 million, 5-year Reserve Based Loan facility underwritten by BNP Paribas S.A.

In March 2005, Chepetskoye NGDU obtained a $10.0 million, 5-year, 11.0 percent fixed interest loan from OAO Bank Zenit and CNPSEI obtained a $2.0 million, 5-year, 11.0 percent fixed loan from OAO Bank Zenit. The bank loans funded working capital and certain capital projects. The loans were secured by liens on various assets of these subsidiaries. In January 2006, the Bank Zenit loan facilities were repaid from the proceeds of a $12.0 million, 5-year bullet amortization subordinated loan facility provided by BNP Paribas S.A.

Note 12 Capital commitments

Exploration licenses—investment commitments
In January 2006, the Russian Federal Agency for Natural Resources granted an extension of the Pogranichnoye off-shore license to 1 February 2011. The terms of the license require a total of five exploration wells to be drilled during the period 2005-2010. The Company drilled to total depth the first of these wells in January 2006.

Other capital commitments
At 30 June 2005, the Company had no other significant contractual commitments for capital expenditures.

Note 13 Related party transactions

At 30 June 2005 the Group has received unsecured borrowings from shareholders and companies controlled by shareholders at market rates. The loans form shareholders were received to purchase Petrosakh.

Name of party	Relationship	30 June 2005	31 December 2004	Currency	Interest rate	Date of repayment
Nafta B NV	Controlled by shareholder	-	6,822	EURO	10%	February 2005
Nafta B NV	Controlled by shareholder	3,000	-	$	10%	August 2005
Radwood Business Inc.	Shareholder	500	500	$	LIBOR plus 2%	August 2005
Polaris Business Limited	Shareholder	300	300	$	LIBOR plus 2%	August 2005
Citara International Limited	Shareholder	5,000	5,000	$	LIBOR plus 2%	August 2005
Fantin Finance Limited	Shareholder	3,000	3,000	$	LIBOR plus 2%	August 2005
Texas Oceanic Petroleum LLC	Shareholder	500	1,500	$	LIBOR plus 2%	August 2005
Hillsilk Limited	Shareholder	-	330	$	LIBOR plus 2%	March 2005
UEN Trading Ltd	Controlled by shareholder	-	8,660	$	10-15%	March-December 2005
Other accounts payable	Controlled by shareholder	848	1,381	$		
Loans payable		13,148	27,493			
Interest payable		365	117			
Total related party borrowings		13,513	27,610			

Nafta B NV loan at 30 June 2005 was repaid on 17 August 2005 and other loans from shareholders were converted into equity on 2 August 2005. The Nafta B NV loan at 31 December 2004 was converted to equity (see Note 6).

Other transactions and balances with companies controlled by shareholders are as follows:

	30 June 2005	31 December 2004
Balances with related parties		
Accounts receivable		
Loans receivable	1,230	723
Accounts payable		
Other payable and accrued expenses	61	61

Note 13 Related party transactions (continuation)

Operations with related parties	**1 January 2005 to 30 June 2005**
Oil sales	
Sales of crude oil	4,399
Associated volumes, tons	13,580
Selling, general and admin expenses	
Interest expense – net	559
Management fees received	214
Rental fees paid included in selling, general and administrative expense	172

Note 14 Subsequent events

On 29 July 2005 the Company made a deposit of $5.25 million to KCA Deutag to secure the services of the T-2000 rig.

On 11 July 2005, the Company concluded the acquisition of a 100.0 percent equity interest in ZAO Arcticneft from OAO LUKoil for approximately $32.5 million. An advance of $3.0 million was paid on 24 May 2005, the remaining $16.5 million was paid on completion in July. As part of this acquisition, $6.8 million in payables of Arcticneft to LUKoil was repaid on 11 July 2005 and the remaining $13.3 million was paid on 30 August 2005. In addition, the Company reached an agreement to settle a dispute between ZAO Arcticneft and OOO Start, whereby the Company acquired certain operating assets from Start for $3.0 million, and Start withdrew all litigation against Arcticneft.

Management are currently reviewing their fair value allocations for this transaction, and consequently believe it is not practicable to disclose such balances at this time.

On 6 September 2005 the Company paid Petraco $10.0 million plus accrued interest to settle an outstanding loan.

On 15 November the Company closed the $70.0 million acquisition of OOO Dinyu. This follows completion of all due diligence and approval from FAS (Russian Federal Antimonopoly Service). The Company acquired 100 percent ownership of OOO Dinyu and its assets from Lonsdacks Investments Limited.

The acquisition was satisfied through a cash consideration of $62.0 million funded through a combination of existing cash resources and debt, following completion of a new senior debt facility referred to below. As part of the transaction, Urals Energy also assumed $8.0 million in debt which was paid off shortly after closing.

Subsequent to its purchase of Dinyu, the Company reached an agreement to purchase the 35 percent stake owned by third parties in the 65 percent-owned subsidiary of Dinyu, OOO Michayu for $0.2 million. This purchase is in the process of legal documentation.

In November 2006, the Company closed a five year, revolving Reserve Based Loan Facility with BNP Paribas S.A., underwritten to a maximum commitment of $100.0 million. The current available amount of $69.0 million was drawn. The facility is divided into a senior conforming tranche of $59.0 million bearing interest at LIBOR plus 5.0 percent, and a junior non-conforming tranche of $10.0 million priced at LIBOR plus 6.25 percent.

In January 2006, the Company obtained a $12.0 million subordinated loan from BNP Paribas. The subordinated loan bears interest at LIBOR plus 5.0 percent and is repayable over five years in one payment on 10 November 2010. Attached to the subordinated loan were warrants to purchase up to two million of the Company’s common stock for £3.03 per share. The warrants are exerciseable at any time and expire in Feburary 2011. The Company used the proceeds from the subordinated loan to repay its debt to Bank Zenit of $12.0 million.

REVIEW REPORT OF THE AUDITORS

To the Shareholders and Board of Directors of Urals Energy Public Company Limited

1. We have reviewed the accompanying condensed consolidated interim balance sheet of Urals Energy Public Company Limited and its subsidiaries (the "Group") as at 30 June 2005, and the related condensed consolidated interim statements of operations, cash flows and changes in equity for the six months then ended presented on pages 1 through 12. This condensed consolidated interim financial information is the responsibility of the Group's management. Our responsibility is to issue a report on this condensed consolidated interim financial information based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the condensed consolidated interim financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

4. As described in Note 2, this interim condensed consolidated financial information has been restated to give effect to certain items which were improperly reflected in the interim condensed consolidated financial information as originally issued, our report on which was dated 23 September 2005.

Moscow, Russian Federation
8 February 2006