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Urals Energy Public Company Limited

('Urals Energy' or the 'Company')

Interim Results

Urals Energy, a leading independent exploration and production company with operations in Russia, today announces its interim results for the six months to 30 June 2007.

Highlights

Strategy

- Acquisitions a key cornerstone of the Urals strategy.
- Continuing to assess complementary and value enhancing acquisitions as well as delivering on operational development plans
- Eastern Siberia now specifically being targeted as key growth area for Urals Energy with the aim of achieving critical mass in the region
- Assets actively being identified that will provide synergies with existing Dulisma field and capitalise on access to the Transneft ESPO and significant tax breaks.
- Confident of funding support when required

Operations

- Remain on track to reach 12,000 BOPD by end 2007 and 15,000 BOPD by mid year 2008.
- Production average for the period 8,859 BOPD. Currently 9,000 BOPD.
- Production stable with increases expected at Dulisma, Sakahlin and Komi.
- Subsequent to period end Russian Ministry of Natural Resources has confirmed Russian Registered Reserves higher than Urals SPE reserve figures.
- New senior management team in place combining both Russian and Western experts, with proven capability of operational delivery and financial experience.

Financial

- Revenues decreased to US$44.4 million following poor H1 07 weather, resulting in delay of shipment of cargoes. However, revenues expected to increase significantly in second half.

- Operating loss of US$13.2 million before non recurring items. Overall US$22.2 million loss primarily driven by non-recurring items and poor weather conditions delaying of shipment of cargoes by sea.

- Enhanced balance sheet via two debt financings including Dulisma development being funded through US$130 million Goldman Sachs project finance loan. Cash position at period end of US$55.9 million.

- Paid down US$63.1 million debt facility and secured pre-payment facility on attractive terms.

Outlook

- Production set to increase through new development wells, fraccing and recommencement of Dulisma production.

- 7 wells to be drilled in H2 07 including two exploration and completion of Urals Nord exploration well currently drilling with results expected shortly.

- At Dulisma major development and preparatory work including clearing of land, purchasing of rigs and installation of generators and powerlines is underway ahead of tie-in to Transneft ESPO pipeline.

- Growth through 2008 with ramping up of Dulisma production and execution of acquisition strategy.

Leonid Y. Dyachenko, Chief Executive, commented:

"Urals Energy continues to grow into a leading Russian independent E&P company with a unique exposure to Eastern Siberia – a region identified as being a key Russian oil and gas growth area.

The operational performance of the company has been sound throughout the first half and we have successfully rectified a number of operational issues which will ensure we finish the year in a stronger position.

The bolstering of our Board and senior management team reflects both the growth of Urals and the recognition of our intention to become a significant Russian independent oil and gas company.

Our focus is now on operational deliverability and execution of our plans specifically at Dulisma which, together with potential future acquisitions, will transform Urals Energy over the next 12 to 18 months."

28 September 2007

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Chief Executive's Statement

The first half of 2007 was characterized by positive progress through ongoing development work, combined with corrective work to reverse certain unexpected reservoir pressure maintenance problems. This was set against the backdrop of robust domestic and export prices. The company is now in a position to finish the year on a strong upward trajectory with production expected to grow significantly in 2008/09.

Operationally, the Company successfully increased average daily production at its brownfield sites from 8,982 barrels of oil per day (BOPD) at the beginning of 2007 to an average of 9,170 BOPD in June. A total of nine development wells, including side-track wells were completed, adding a net figure of 1,600 BOPD of additional average oil production.

This increase was offset by production declines during the first quarter of 2007 in some fields. The company began a program to augment pressure support systems to reverse the decline trend. A reassessment of our reservoir maintenance program was completed at two of the fields in particular where a total of six new injection wells in Dinyu and Petrosakh were added for pressure support which is anticipated to increase production in H2 07

Urals continues to develop infrastructure in its greenfield, Eastern Siberian subsidiary, Dulisma, with a focus on early infrastructure work, equipment procurement, development plan licensing, rig mobilization and initial drilling work while final detailed designs are being completed. The important Transneft oil pipeline, the Eastern Siberia to Pacific Ocean (ESPO), is also progressing as planned which will allow full scale production from Dulisma in H1 2009 targeting production of 30,000 by 2011. A temporary oil transport line to Ust Kut is once again operational and oil will flow through this shortly.

Eastern Siberia has some of the best reserves in Russia and, when combined with 10 year tax breaks in the region and a direct export route through Transneft's ESPO pipeline, there is a clear rational for our focus there.

Our acquisition strategy is to target assets in the region which are value enhancing and which will provide a step change opportunity through their reserve base and monetisation potential.

Financially the company was impacted by shipping delays and non recurring items. These were short term difficulties and the financial outlook for the second half is strong.

Operational Update

Timan-Pechora Basin

In Urals' subsidiaries in Komi and Nenets, in the Russian oil region known as the Timan-Pechora Basin, production for the H1 2007 increased from 4,971 BOPD at the beginning of the year to an average of 5,573 BOPD in June. The Company drilled and completed 5 wells, including two sidetracked from existing wellbores. The Company added 4 new water injection wells at its largest producing field in Komi, Dinyu-Savinoborskaya, to augment the reservoir pressure maintenance program and reverse a trend of declining production that was observed early in 2007. In H2 07 the Company plans to frac 16 additional wells which are anticipated to significantly lift production at year end.

The Company will drill 3 sidetrack wells this year. Two of the three are already producing crude oil of approximately 70 BOPD and the third will be drilled to a deeper horizon that had oil tested in a nearby wellbore.

At another of the Company's exploration plays in Timan-Pechora, the Urals Nord subsidiary spudded its first exploration well in the Nadezhdinskiy block in April and, as at the time of this release, had drilled to a depth of 3,650 metres in a 3,750 metre TD program. This well is targeting the Devonian limestone which found oil bearing pay in the analogous fields in the same basin.

Udmurtia

At CNGDU production dropped, beginning the six-month period at 1,046 BOPD, and ending the period at 888 BOPD. The reason for the decrease is primarily due to reservoir pressure decline on the Potapovskoye field. The Company is now evaluating an enhanced oil recovery project with water injection for the reservoir and believe this will rectify the problem.

Sakhalin

At the Company's subsidiary, Petrosakh, operations were focused on intensive processing and interpretation of 3D seismic data as well as drilling one producing well and three injection wells to increase oil recovery from this geologically complex reservoir. This has resulted in the successful stabilization of production at 2,712 BOPD from 2,981 BOPD

The use of recently reprocessed 3D seismic is helping to pinpoint prospective areas in the onshore block and exploration plays in the offshore block.

We now expect to increase production as a result of positive trends noted thus far and additional wells to be drilled during the second half of 2007 and in 2008.

East Siberia

Production will resume shortly at Dulisma following repairs to the temporary oil evacuation route by the downstream operator.

Despite this, Dulisma remains on track to produce and ship oil to the Transneft ESPO in H1 2009 and preparatory work has continued as planned. A major regulatory milestone was reached in the first half of the year with Russia's Central Committee approving Dulisma's Field Development Plan.

Field work highlights include the successful mobilization and rig-up of the Company's new 160-tonne mobile drilling rig on the first completed drilling pad, where up to 9 wells can be drilled. The Company has also ordered a second 225 tonne mobile drilling rig for delivery during the 1st quarter of 2008. Besides drilling activities, the Company also constructed a new 100 man field camp and two -2.5 MW electric generators, cleared land for the Central Processing Facility (oil processing for shipment to Transneft) and cleared the area for the field camp.

Tendering for key advance procurement items has been made and the Company continues to add staff as we grow in the region.

Financial Results

Revenues for the first half were impacted as a result of late winter ice break-up and severe June weather resulting in the Company only being able to ship a limited amount of stored crude for export at its two large island producers. This represents only a timing delay in our mid-year accounting, as these inventories were subsequently cleared after the 30 June closing period. The prevailing high export price levels will be fully reflected in our 2007 full-year results. Partly as a result of these delays net revenues decreased by US$14.0 million as compared to the six months ended 20 June 2006.

Selling, General and Administrative expenses increased during the six months ended 30 June 2007 by US$16.1 million. This was primarily due to settlement of unvested stock for the former CEO who resigned during the first half. In addition, SG&A expenses increased as a result of full six months consolidation of Dulisma in the current financial statements. As a result of this and the aforementioned factors the Company reported a loss of US$22.2 million driven by non-recurring items and the poor weather conditions delaying shipment of cargoes by sea. Without these non-recuring items the loss is reduced to US$13 million.

The Company has successfully enhanced its balance sheet via two debt financings in the first half. In March, the Company received the final tranche of its US$130 million project financing for Dulisma, underwritten by Goldman Sachs, through a total return swap structure using Standard Bank as the lender of record. In addition, in June the Company restructured its senior borrowing base by repaying in full US$51.1 million outstanding under the five-year reserve-based loan facility and related US$12 million mezzanine note, and replaced it with a five-year, revolving pre-payment facility provided by the Company's export off-taker Petraco S.A. This has resulted in substantial savings to the Company, due to the non-amortizing nature of the revolver, and that it is at a cost lower than the debt that was retired.

Interest expenses increased primarily because of interest accrued for the Goldman Sachs loan of US$16.1 million and the accelerated accretion of the issuance costs under BNP Paribas RBL facility due to early prepayment as well as acceleration of the accretion and discount associated with the warrants under the BNP Paribas Subordinated Loan. Interest income increased during the six months of 2007 as compared to six months of 2006 primarily due to the large amount of cash on deposit at Dulisma from the project finance facility closed in the first quarter of the year.

Cash generated from operations decreased because of the decrease in net revenues and the increase in SG&A expense. Operating cash outflows before changes in working capital were improved by the cash received from Petraco under the 5 year revolving prepayment agreement and an increase in other taxes payable, which were fully paid in July 2007. The increase in outflows from investment activity primarily represents an increase in development activity in Dulisma of approximately US$14.4 million and exploration drilling of a first well on Nadezhdenskoye oil field of approximately US$3.0 million.

Proceeds from borrowings, net of borrowing costs, were composed of the US$130 million proceeds from the Goldman Sachs and Standard Bank loan, a US$14 million draw down under the BNP Paribas RBL facility, and US$2 million drawn from an overdraft facility organised by ZAO BNP Paribas Bank Moscow. This additional US$14 million draw down was used to repay a US$12 million subordinated BNP Paribas loan in June 2007. The remaining funds were used to settle the ZAO BNP Paribas overdraft in July 2007.

Management and Personnel

Key management changes have been made throughout the first half of the year reflecting the growth of the company and its focus on becoming a key Russian business. Two new members were admitted to the Board, Alexei Ogarev, the Company's VP for Government Relations, as an executive member, and a non-executive member, Robert Maguire, the former Global Head of Energy for Morgan Stanley and now Partner for International Oil and Gas investment at Carlysle -Riverstone. Chuck Pitman remains as Chairman of the Board.

As the Company matures, progressing from its start-up phase of asset consolidation and its IPO, to a company focused on developing its array of upstream assets and meeting further strategic acquisitions, strengthening of the Russian composition of the senior management has been emphasised. The company also employs first-class, experienced senior Western managers who have both Russian and international experience in delivering major oil projects. We now have a team capable of executing our aggressive development plans.

Following the resignations of William Thomas as CEO in April, and of Stephen Buscher as CFO in August, Leonid Dyachenko was appointed as the new CEO and Vladimir Sidorovich as CFO. Mr. Dyachenko is an original founder of the first Urals Energy and the current public company, and has acted as the General Director for all operations, with each unit head reporting to him on a daily basis. His appointment is, therefore, a logical step in the evolution of Urals Energy as a significant Russian operator. Mr. Sidorovich has long expertise in the Russian market, having acted as Finance Director for such companies as RAO UES, and most recently Tambeyneftegas. Given the rapid growth of the Russian capital markets, and in particular, the shift in dynamics of liquidity between

Western and Russian debt markets, his appointment reflects a natural change in focus by the Company toward tapping the increasingly robust Russian market.

Operationally, two critical appointments have been made. In August, Kerry Kendrick was named as COO. Mr. Kendrick has over 26 years of upstream oil and gas operations experience in the Middle East, South America, the US domestic and, most recently, in Western Siberia where he was Director General of a TNK-BP - Occidental Oil and Gas Corp joint venture. In February, Stephen Kirton was hired as Vice President for Subsurface Technical Services. Mr. Kirton has 26 years of total upstream oil and gas experience with 16 years in Russia and CIS countries.

Finally, in August Vyacheslav Rovneiko, also an original founder of Urals Energy, was appointed as Senior VP for Acquisition Strategy. Mr Rovneiko has been involved in the company's business development and identification of acquisition opportunities since the Company's inception.

Outlook

With a rebalancing of management and enhancement of our operational expertise in critical areas, the Company is well-positioned to execute its acquisition, development and exploration strategy. In the second half of 2007, the Company plans to drill seven wells, conduct a major fracture stimulation campaign in the Komi region, and complete the exploration well at Urals Nord.

Overall the company is in a strong position for growth with Dulisma set to significantly increase production once it ties in to the ESPO.

Importantly, we have received endorsement of our SPE reserve figures from the Russian Ministry of Natural Resources and can now focus on capitalising on our significant reserve base.

Further value enhancing acquisition opportunities continue to be explored in addition to a particular focus on ensuring operational effectiveness and execution of the development plan across all Urals assets.

Urals Energy Public Company Limited
Interim Condensed Consolidated Balance Sheets (unaudited)
(presented in US$ thousands)

	Note	**30 June 2007**	**31 December 2006**
Assets			
Current assets			
Cash and cash equivalents	4	55,930	33,082
Financial derivatives	9	19,130	-

Accounts receivable and prepayments		28,196	24,717
Current income tax prepayments		3,614	4,401
Inventories		42,763	26,679
Total current assets		149,633	88,879
Non-current assets			
Property, plant and equipment		630,963	595,800
Other non-current assets		11,325	16,073
Total non-current assets		642,288	611,873
Total assets		791,921	700,752
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses		16,950	10,033
Income tax payable		3,054	3,281
Other taxes payable		11,826	9,620
Short-term borrowings and current portion of long-term borrowings	9	144,132	22,965
Advances from customers		46,519	30,913
Current liabilities before warrants classified as liabilities		222,481	76,812
Warrants classified as liabilities		3,185	3,516
Total current liabilities		225,666	80,328
Long-term liabilities			
Long-term borrowings	9	-	40,844
Long term finance lease obligations		1,384	1,192
Dismantlement provision		3,614	3,327
Deferred tax liability		112,417	111,787
Other long term liabilities		347	298
Total long-term liabilities		117,762	157,448
Total liabilities		343,428	237,776
Equity			
Share capital		641	633
Share premium		408,135	401,448
Translation difference		30,294	22,445
Retained earnings		7,979	37,022
Equity attributable to shareholders of Urals Energy Public Company Limited		447,049	461,548
Minority interest		1,444	1,428
Total equity		448,493	462,976
		791,921	700,752

Total liabilities and equity		
MEMORANDUM NOTE:		
Total equity	448,493	462,976
Warrants classified as liabilities	3,185	3,516
	451,678	466,492

Approved on behalf of the Board of Directors on 27 September 2007

L.Y. Dyachenko
Chief Executive Officer

V.G. Sidorovich
Chief Financial Officer

The accompanying notes on pages 8 to 20 are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Interim Condensed Consolidated Statement of Income (unaudited)
(presented in US$ thousands)

		Six months ended 30 June:	
	Note	**2007**	**2006**
Gross revenues		56,922	78,444
Less: excise taxes		(539)	(430)
Less: export duties		(11,976)	(19,576)
Revenues		44,407	58,438
Operating costs			
Cost of production	7	(36,694)	(39,876)
Selling, general and administrative expenses	8	(29,910)	(13,785)
Total operating costs		(66,604)	(53,661)
Operating (loss) profit		(22,197)	4,777
Finance income (expense)			
Interest income	9	1,450	765
Interest expense	9	(12,531)	(4,250)
Foreign currency gains		2,846	4,319
Change in fair value of financial derivatives	9	1,112	(3,314)
Total finance expense		(7,123)	(2,480)
(Loss) profit before tax		(29,320)	2,297
Income tax benefit (charge)		265	(1,821)
(Loss) profit for the period		(29,055)	476
(Loss) profit for the period attributable to:			
- Minority interest		(12)	90
- Shareholders of Urals Energy Public Company Limited		(29,043)	386
(Loss) profit per share of profit attributable to shareholders of Urals Energy Public Company Limited:			
- Basic (loss) profit per share (in US dollar per share)		(0.2450)	0.0042
- Diluted (loss) profit per share (in US dollar per share)		(0.2450)	0.0041

Weighted average shares outstanding attributable to:		
- Basic shares	118,546,479	91,891,653
- Diluted shares	118,546,479	93,390,285

The accompanying notes on pages 8 to 20 are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Interim Condensed Consolidated Statements of Cash Flows (unaudited)
(presented in US$ thousands)

	Note	Six months ended 30 June: 2007	2006
Cash flows from operating activities			
(Loss) profit before income tax		(29,320)	2,297
Adjustments for:			
Depreciation and depletion		7,900	7,784
Change in fair value of financial derivatives	9	(1,112)	3,314
Share-based payments		6,695	2,285
Interest income	9	(1,450)	(765)
Interest expense	9	12,531	4,250
Foreign currency gains		(2,846)	(4,319)
Other		(124)	373
Operating cash flows before changes in working capital		(7,726)	15,219
(Increase) in inventories		(11,122)	(3,680)
(Increase)/decrease in accounts receivables and prepayments		(1,944)	1,427
Increase/(decrease) in accounts payable and accrued expenses		7,079	(1,608)
Increase in advances from customers		15,606	146
Increase in other taxes payable		2,465	268
Cash generated from operations		4,358	11,772
Interest received		579	685
Interest paid		(3,208)	(4,949)
Income tax paid		(876)	(1,151)
Net cash generated from operating activities		853	6,357
Cash flows from investing activities			

Purchase of property, plant and equipment		(33,780)	(18,958)
Purchase of intangible assets		(822)	-
Acquisitions of subsidiaries, net of cash acquired		-	(127,735)
Net cash used in investing activities		(34,602)	(146,693)
Cash flows from financing activities			
Proceeds from borrowings, net of borrowing costs		142,289	12,000
Repayment of borrowings		(65,054)	(18,165)
Repayment of promissory notes		-	(15,088)
Purchase of financial derivative	9	(20,457)	-
Finance lease principal payments		(211)	(207)
Cash proceeds from issuance of ordinary shares, net of associated costs		-	197,988
Net cash generated from financing activities		56,567	176,528
Effect of exchange rate changes on cash and cash equivalents		30	221
Net increase in cash and cash equivalents		22,848	36,413
Cash and cash equivalents at the beginning of the period		33,082	32,334
Cash and cash equivalents at the end of the period		55,930	68,747

The accompanying notes on pages 8 to 20 are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(presented in US$ thousands)

	Share capital	**Share premium**	**Cumulative Translation Adjustment**	**Retained earnings**	**Equity attributable to Shareholders of Urals Energy Public Company Limited**	**Minority interest**	**Total equity**
Balance at 1 January 2006	460	201,355	(2,296)	2,714	202,233	1,199	203,432
Effect of currency translation	-	-	13,991	-	13,991	77	14,068
Profit for the period	-	-	-	386	386	90	476
Total recognized income (loss)	-	-	13,991	386	14,377	167	14,544
Issuance of shares	173	194,961	-	-	195,134	-	195,134
Share-based payment	-	2,285	-	-	2,285	-	2,285
Balance at 30 June 2006	**633**	**398,601**	**11,695**	**3,100**	**414,029**	**1,366**	**415,395**
Balance at 1 January 2007	**633**	**401,448**	**22,445**	**37,022**	**461,548**	**1,428**	**462,976**
Effect of currency translation	-	-	7,849	-	7,849	28	7,877
Loss for the period				(29,043)	(29,043)	(12)	(29,055)

Total recognized income (loss)	-	-	7,849	(29,043)	(21,194)	16	(21,178)
Issuance of restricted stock	8	(8)	-	-	0	-	0
Exercise of options	-	20	-	-	20	-	20
Share-based payment	-	6,675	-	-	6,675	-	6,675
Balance at 30 June 2007	**641**	**408,135**	**30,294**	**7,979**	**447,049**	**1,444**	**448,493**

The accompanying notes on pages 8 to 20 are an integral part of these interim condensed consolidated financial information

(in US dollars, tabular amounts in US$ thousands, except as indicated)

Note 1: Activities

Urals Energy Public Company Limited ("Urals Energy" or the "Company" or "UEPCL") was incorporated as a limited liability company in Cyprus on 10 November 2003. 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.

The registered office of Urals Energy is at 31 Evagorou Avenue, Suite 34, CY-1066, Nicosia, Cyprus. UEPCL's shares are traded on the AIM Market operated by the London Stock Exchange.

The Group comprises UEPCL and the following subsidiaries:

		Effective ownership at:			
		30 June 2007	**31 December 2006**	**30 June 2006**	**31 December 2005**
Exploration and production					
ZAO Petrosakh ("Petrosakh")	Sakhalin	97.2%	97.2%	97.2%	97.2%
ZAO Arcticneft ("Arcticneft")	Nenetsky	100.0%	100.0%	100.0%	100.0%
OOO CNPSEI ("CNPSEI")	Komi	100.0%	100.0%	100.0%	100.0%
ZAO Chepetskoye NGDU ("Chepetskoye")	Udmurtia	100.0%	100.0%	100.0%	100.0%
OOO Dinyu ("Dinyu")	Komi	100.0%	100.0%	100.0%	100.0%
OOO Michayuneft ("Michayuneft")	Komi	100.0%	100.0%	100.0%	100.0%
OOO Oil Company Dulisma ("Dulisma")	Irkutsk	100.0%	100.0%	100.0%	-
OOO Lenskaya Transportnaya Kompaniya ("LTK")	Irkutsk	100.0%	100.0%	100.0%	-
OOO Nizhneomrinskaya Neft	Komi	100.0%	100.0%	-	-
Management company					
OOO Urals Energy	Moscow	100.0%	100.0%	100.0%	100.0%
Urals Energy (UK) Limited	United Kingdom	100.0%	100.0%	100.0%	100.0%
Exploration					
OOO Urals-Nord ("Urals-Nord")	Nenetsky	100.0%	100.0%	100.0%	100.0%

Trading					
UENEXCO Limited ("UENEXCO")	Cyprus	100.0%	100.0%	100.0%	100.0%

UENEXCO Limited only operated during the first quarter of 2006 after which all trading operations were transferred to UEPCL.

Note 2: Seasonality

The Group's largest producing subsidiaries, ZAO Petrosakh and ZAO Arcticneft, operate on Sakhalin and Kolguev Islands, respectively, and are not connected to the State owned pipeline monopoly, Transneft. Accordingly, the majority of their production is exported by tanker. Due to severe weather conditions, shipping tankers can generally only load during the period of June through early December. Outside this period, oil is either stored or processed and sold on the local market. During the six months ended 30 June 2007, Petrosakh and Arcticneft produced 66.9 and 20.4 thousand tons of crude oil, respectively, and sold 51.9 and 0.6 thousand tons of crude oil and oil products, respectively. During the six months ended 30 June 2006, Petrosakh and Arcticneft produced 74.5 and 23.8 thousand tons of crude oil, respectively, and sold 66.0 and 22.0 thousand tons of crude oil and oil products, respectively. During 2007 crude oil export sales from ZAO Petrosakh in June 2007 and from ZAO Arcticneft began in July 2007. Crude oil and oil products in stock at 30 June 2007 were 21.6 thousand tons and 32.5 thousand tons in Petrosakh and Arcticneft, respectively, and 8.6 thousand tons and 11.2 thousand tons, respectively, at 31 December 2006.

Note 3: 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 consolidated financial statements as of and for the year ended 31 December 2006 prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as discussed below, the 31 December 2006 consolidated balance sheet data has been derived from audited financial statements.

At 31 December 2006, the consolidated balance sheet included a current liability of $2.367 million for other taxes. In this interim condensed consolidated financial information, this amount has been included within other taxes payable as management believes that such classification more appropriately represents the nature of this balance.

For the six months ended 30 June 2006, the Group reclassified $0.258 million of payroll expense into selling, general and administrative expenses that were formerly incorrectly classified as cost of production.

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, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities as of the reporting date and during the reporting period. Estimates have principally been made in respect to fair values of assets and liabilities, impairment provisions, asset retirement obligation and deferred income taxes. Actual results may differ from such estimates.

Exchange rates. The official rate of exchange of the Russian rouble to the US dollar ("USD") at 30 June 2007 and 31 December 2006 was 25.82 and 26.33 Russian roubles to USD 1.00, respectively. Any translation of Russian rouble amounts to US dollars or any other hard currency should not be construed as a representation that such Russian rouble amounts have been, could be, or will in the future be converted into hard currency at the exchange rate shown or at any other exchange rate.

Through early 2006, the Russian rouble was not a convertible currency in most countries outside of the former Soviet Union and, further, the Group was required to convert 10 percent of its hard currency proceeds into Russian roubles. During the first half of 2006, substantially all restrictions for hard currency transactions were lifted and the rights of the government of the Russian Federation and those of the Central Bank of the Russian Federation to impose such restrictions were waived.

Note 4: Liquidity

Restrictions on cash and cash equivalents. As discussed in Note 9, at 30 June 2007, $48.2 million of the Group's cash and cash equivalents is restricted for use by its subsidiary, Dulisma, and is therefore unavailable for use for other general corporate purposes. Dulisma may use such cash and cash equivalents for both operating and investing purposes.

Liquidity. In the first quarter of 2007, production at certain of the Group's subsidiaries fell below the assumptions embedded in the BNP Paribas Reserve Based Facility (Note 9). As a result of the drop in production, principal repayments under the BNP Paribas Reserve Based Facility were accelerated. In June 2007, the Group committed to repay the BNP Paribas Reserve Based Facility and to repurchase the warrants issued in connection with the subordinated loan from Paribas.

As a result of the issues outlined above and others, during and subsequent to the six months ended 30 June 2007, the Group experienced liquidity issues that impacted its ability to make settlements with its vendors and to execute its development plan. The Group recognized an operating loss of $22.2 million for the six months ended 30 June 2007 and net cash from operations of $0.9 million for the same period. Net cash from operations included $15.6 million of advances from customers. Additionally, at 30 June 2007, the Group's current liabilities exceeded its current assets by $76.0 million. As a result, the Group was not in compliance with a financial covenant under its loan agreement with Standard Bank plc. Although the Group received an extension of the period allowed to correct the noncompliance in September 2007, such borrowings were classified as current at 30 June 2007. Finally, as discussed above, of the Group's cash and cash equivalents balance of $55.9 million at 30 June 2007, $48.2 million is not available for general corporate purposes.

To address these matters, management has reviewed its investment program for 2007 and decreased its investment activity in exploration and infrastructure improvements. Simultaneously, management is actively negotiating with commercial lending institutions and other investors to secure additional general purpose financing. In September 2007, the Group restructured short-term advances from customers of $46.5 million at 30 June 2007 into a long-term borrowing arrangement (Note 9). Additionally, in September 2007, the Group obtained a non-binding commitment to extend $40 million (RR 1.02 billion) in credit from a customer (Note 9). Management believes that the steps taken as outlined above are sufficient to ensure that the Group has sufficient resources to continue as a going concern for at least twelve months from 30 June 2007.

Note 5: Accounting Policies

Except as discussed below, the principal accounting policies followed by the Group are consistent with those disclosed in the financial statements for the year ended 31 December 2006.

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods and which the Group has not early adopted.

Adoption of IFRS 7. Effective 1 January 2007, the Group adopted IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). IFRS 7 introduces new requirements and guidelines regarding the disclosures of financial instruments. The Group will disclose in its annual consolidated financial statements the complete information required by IFRS 7. The adoption of IFRS 7 does not have any impact on the classification and valuation of the Group's financial instruments.

Adoption of IFRIC 8. Effective 1 January 2007, the Group adopted IFRIC 8, *Scope of IFRS 2* ("IFRIC 8"). IFRIC 8 introduces guidance for accounting for transactions in which the entity cannot identify specifically some or all of the goods or services received in exchange for equity instruments. The adoption of IFRIC 8 did not have any impact on the Group's disclosures, financial position or results of operations.

Adoption of IFRIC 10. Effective 1 January 2007, the Group adopted IFRIC 10, *Interim Financial Reporting and Impairment* ("IFRIC 10"). IFRIC 10 prohibits reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The adoption of IFRIC 10 did not have any impact on the Group's disclosures, financial position or results of operations.

Other new standards and interpretations that did not significantly affect the Group's financial position and results of operations when adopted on 1 January 2007 are: IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for annual periods beginning on or after 1 March 2006); and IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006).

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning after 1 January 2007 or later periods and which the Group has not early adopted. These new standards and interpretations are not expected to significantly affect the Company's financial statements when adopted:

IAS 23, *Borrowing Costs* (revised March 2007; effective for annual periods beginning on or after 1 January 2009); IFRS 8, *Operating Segments* (effective for annual periods beginning on or after 1 January 2009); IFRIC 11, *IFRS 2—Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007); IFRIC 13, *Customer Loyalty Programs* (effective for annual periods beginning on or after 1 July 2008); and IFRIC 14, *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

IFRIC 12*, Service Concession Arrangements* ("IFRIC 12")*,* is effective for annual periods beginning on or after 1 January 2008). IFRIC 12 is not expected to significantly affect the Group's financial statements.

(in US dollars, tabular amounts in US$ thousands, except as indicated)

Note 6: Equity

Share-based payments. In February 2006, the Group's Board of Directors approved a Restricted Stock Plan (the "Plan") authorizing the Compensation Committee of the Board of Directors to issue restricted stock of up to five percent of the outstanding shares of the Group. Restricted stock grants entitle the holder to shares of stock for no consideration upon vesting. There are no performance conditions beyond continued employment with the Group. Upon adoption, the Group granted awards of 1,332,360 shares of restricted stock.

In January 2007, the Group granted an additional 2,074,944 shares of restricted stock.

The total costs associated with the restricted stock granted during the six months ended 30 June 2007 and 2006 were $14.48 million and $6.58 million, respectively, based upon the market value of the Group's shares on the date of grant. Such amounts are being recognized over the vesting period of the respective awards. During the six months ended 30 June 2007 and 2006, $6.70 million and $2.29 million, respectively, of expense related to share-based payments were recognized in the consolidated statements of income. Such expense for the six months ended 30 June 2007 includes $3.0 million of expense related to restricted stock granted to the Group's former chief executive officer, who resigned in April 2007 (Note 10). As part of the former chief executive officer's severance package, all unvested restricted stock grants were immediately vested.

As of 30 June 2007, unvested restricted stock grants and their respective vesting dates are presented in the table below.

Date of Grant	**January 2008**	**January 2009**	**January 2010**	**Total**
February 2006	260,625	260,625	-	521,250
January 2007	548,268	548,267	548,265	1,644,800
Total	808,893	808,892	548,265	2,166,050

At 30 June 2007, restricted stock grants for 811,105 shares were fully vested and issued. At 31 December 2006, no restricted stock grants were vested.

Earnings per share. For the six months period ended 30 June 2007, basic and diluted earnings per share and the corresponding weighted average shares outstanding used in each calculation are identical as all potentially dilutive instruments are antidilutive for the periods presented.

For the six months period ended 30 June 2006, the diluted number of share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: restricted stock, warrants and share options.

(in US dollars, tabular amounts in US$ thousands, except as indicated)

Note 7: Cost of Production

	Six months ended 30 June:	
	2007	**2006**
Unified production tax	14,203	16,744
Depreciation and depletion	7,900	7,784
Wages and salaries including payroll taxes	6,614	6,788
Materials	3,165	2,702
Cost of purchased crude oil	34	2,324
Other taxes	1,075	968
Other	3,703	2,566
Total cost of production	36,694	39,876

Note 8: Selling, General and Administrative Expenses

	Six months ended 30 June:	
	2007	**2006**
Wages and salaries	13,362	4,506
Share-based payments	6,695	2,285
Audit and professional consultancy fees	3,114	2,024
Transport, loading and storage services	3,057	2,517
Office rent and other expenses	1,566	596
Other	2,116	1,857
Total selling, general and administrative expenses	29,910	13,785

Included within wages and salaries and share-based payments for the six months ended 30June 2007 are $5.3 million and $2.5 million, respectively, related to severance costs for a key executive (Note 10).

(in US dollars, tabular amounts in US$ thousands, except as indicated)

Note 9: Borrowings

Long-term borrowings. Long-term borrowings were as follows at 30 June 2007 and 31 December 2006:

	30 June 2007	**31 December 2006**
Standard Bank plc	127,944	-
BNP Paribas Reserve Based Loan Facility	14,000	51,054
BNP Paribas Subordinated Loan	-	10,570
Other	188	185
Subtotal	142,132	61,809
Less: current portion of long-term borrowings	(142,132)	(20,965)
Total long-term borrowings	-	40,844

Standard Bank plc.. In January 2007, the Group entered into a new loan agreement to fund the development of the Dulisminskoye field in Irkutsk Region, Eastern Siberia. Goldman Sachs, as Arranger, and Standard Bank plc, as the funding bank, have committed to provide a total of US$130 million in financing. The debt facility is secured by 100 percent of the Group's ownership of Dulisma. This debt financing is dedicated to fund in Urals Energy's commitment to develop the oil reserves at its Dulisminskoye field. The Company incurred additional loan organisation fees, which are recorded net in the financial statements and which are amortised over the life of the loan.

The terms of the loan include an interest rate of 725 basis points over the three month LIBOR rate of which LIBOR plus 300 basis points are payable quarterly, with the remainder accruing and being capitalized to loan principal until the loan matures in 2011 or when all principal and accrued interest is due in a single payment. The loan may be prepaid at any time with certain penalties if it is repaid before January 2009.

Concurrent with entering into the loan agreement, the Group entered into an agreement with Goldman Sachs under which Goldman Sachs agreed to make payments to the Group equal to the cash portion of the interest under the loan agreement from 9 February 2007 to 9 February 2009. The Group paid Goldman Sachs $20.4 million for agreeing to make these payments to the Group as the interest comes due. Goldman Sach's assumption of this liability was recognized as a financial derivative asset in the Group's consolidated balance sheet, valued at inception at its cost of $20.4 million.

The Group recognizes interest expense on the principal balance of the loan agreement at the coupon rate of LIBOR plus 7.25 percent per annum. Amortization of loan organisation fees is also recorded within interest expense. Additionally, at each balance sheet date, the carrying value of the financial derivative is adjusted to its fair value by reference to current market rates for similar instruments. Any change in the fair value of the financial derivative, other than those caused by cash payments received, is recorded within the consolidated income statement.

Included within the Group's cash balance of $55.9 million at 30 June 2007 is $48.2 million received under the agreement with Standard Bank plc. This amount is designated exclusively for expenditures at the Group's subsidiary Dulisma. Accordingly, such amount is not available for general corporate expenditures.

Note 9: Borrowings (Continued)

At 30 June 2007, the Group was not in compliance with a financial covenant requiring the maintenance of a minimum current ratio under its loan agreement with Standard Bank plc. Although the Group received a
waiver for this covenant violation in September 2007 (Note 4), IFRS requires that such borrowings be classified as current at 30 June 2007 as the waiver had not yet been obtained on that date.

BNP Paribas Reserve Based Loan Facility. In November 2005, the Group entered into a five year, revolving Reserve Based Loan Facility with BNP Paribas, underwritten to a maximum commitment of $100.0 million. The facility is divided into a senior tranche of $59.0 million that bears interest at LIBOR plus 5.0 % and a junior tranche of $10.0 million priced at LIBOR plus 6.25 %. The weighted average interest rate of the facility at 30 June 2007 and 31 December 2006 was 11.20% and 10.82%, respectively. Both tranches are payable on quarterly basis and mature in December 2010. The facility is collateralized by liens on property, plant and equipment of subsidiaries and includes certain financial and other covenants under the facility, including the maintenance of a minimum current ratio and a maximum ratio of total borrowings to EBITDA. At 30 June 2007, the Group was in compliance with all its covenants under the facility.

In August 2007, the Group fully repaid the Reserve Based Loan. As part of the agreement reached with BNP Paribas to settle the loan in full, the Group also committed to repurchase the warrants issued in connection with the Subordinated Loan at a price equal to 1.02046 times the U.S. dollar to British Pound exchange rate times the higher of either one British Pound or the difference between GBP 3.03 and the average market price of the Group's shares during the period from 19 June 2007 to the date of repurchase. No warrants were repurchased at the date of these financial statements.

(in US dollars, tabular amounts in US$ thousands, except as indicated)

BNP Paribas Subordinated Loan. In January 2006, the Group obtained a $12.0 million subordinated loan from BNP Paribas (the "Subordinated Loan"). The Subordinated Loan bears interest at LIBOR plus 5.0% (10.34% percent and 10.37% percent at 30 June 2007 and 31 December 2006, respectively) and is repayable on 10 November 2010. Attached to the Subordinated Loan were warrants to purchase up to two million of the Group's common stock for £3.03. The warrants are exercisable at any time and expire in November 2010. The Group used the proceeds from the Subordinated Loan to repay a loan from Bank Zenit of $12.0 million. In June 2007 the Group repaid the Subordinated Loan in full.

Management estimated the value of the warrants to be $1.75 million at issuance. As the exercise price of the warrants is denominated in a currency other than the Group's functional currency, the warrants are classified as a liability and adjusted to fair value at each reporting date, with the change in fair value recorded within the consolidated income statement. As the warrants are exercisable at any time, this amount was recorded within current liabilities in the Group's consolidated balance sheet. During the six months periods ended 30 June 2007 and 2006, respectively, the change in the fair value of outstanding warrants resulted in a gain of $0.33 million and an expense of $3.31 million, respectively.

Note 9: Borrowings (Continued)

Scheduled maturities of long-term borrowings outstanding were as follows:

	Scheduled maturities at	
	30 June 2007	**31 December 2006**
One year	142,132	20,965
Two to five years	-	40,844
Thereafter	-	-
Total long-term borrowings	142,132	61,809

Short-term borrowings. Short-term borrowings were as follows at 30 June 2007 and 31 December 2006:

(in US dollars, tabular amounts in US$ thousands, except as indicated)

	30 June 2007	31 December 2006
BNP Paribas Revolving Facility	2,000	2,000
Current portion of long-term borrowings	142,132	20,965
Total short-term borrowings and current portion of long-term	144,132	22,965

Note 9: Borrowings (Continued)

BNP Paribas Revolving Facility. In November 2006, the Group entered into a revolving loan agreement with BNP Paribas for a maximum of $2 million with a maximum maturity of 3 months and bearing interest of LIBOR plus 4.0% (9.37% percent). This facility was repaid in full in July 2007.***Petraco Revolving Prepayment Agreement.*** In July 2007, the Group entered into a five year revolving prepayment agreement with Petraco. Under the terms of the agreement, prepayments shall be made in one or more advances against specified future deliveries of agreed volumes of crude oil to be sold to Petraco. The total aggregate amount of all prepayments outstanding at any given time shall not exceed the lower of 70% of the estimated value of the aggregate estimated deliveries under the off-take contract for the next succeeding eight month period or $50 million. Each individual prepayment advance must be reimbursed via the specified deliveries which must occur within eight months from the date of the relevant advance. All prepayment amounts outstanding as of 1 January 2009 shall be reimbursed in full before any additional prepayments may be requested or made, provided that following the full reimbursement of such outstanding prepayments, additional prepayments may be requested and made thereafter through expiration of the agreement in July 2012. The agreement does not have any financial covenants but does contain cross-default provisions in the event the Group is in default of any of its other borrowing agreements. Interest on the prepayments accrues at LIBOR plus 4.75% on prepayments for which the related volumes have not been delivered, and LIBOR plus 1.00% on prepayments for which the related volumes have been delivered, in order to mirror normal commercial payment terms. The maximum amount of the facility may not exceed the lower of 70% of the estimated value of the aggregate estimated deliveries under the off-take contract for the next succeeding eight month period or $50 million.

ImpexOil. In September 2007, the Group entered into a revolving credit line for up to RR 1.02 billion with Impex Oil, a customer of the Group on the Russian domestic market. Borrowings under the credit line accrue interest at 12.0 percent per annum, payable monthly, are due in full in February 2009, and are secured by a pledge of the Group's production from its subsidiaries Chepetskoye, Dinyu, Michayuneft, CNPSEI, and OOO Nizhneomrinskaya Neft.

(in US dollars, tabular amounts in US$ thousands, except as indicated)

Note 9: Borrowings (Continued)

Interest expense and income. Interest expense and income for the six months ended 30 June 2007 and 2006 comprised the following:

	Six months ended 30 June:	
	2007	**2006**
Short-term borrowings		
Bank Zenit	-	127
BNP Paribas Moscow	56	-
Total interest expense associated with short-term borrowings	56	127
Long-term borrowings		
BNP Paribas Subordinated Loan		
- interest at coupon rate	628	492
- commitment fees	26	-
- accretion of issuance costs and discount associated with warrants	1,694	174
BNP Paribas Reserve Based Loan Facility		
- interest at coupon rate	2,176	3,330
- commitment fees	348	-
- accretion of issuance costs	2,127	374
Goldman Sachs		
- interest at coupon rate	5,567	-
- accretion of issuance costs	457	-
Total interest expense associated with long-term borrowings	13,023	4,370
Finance leases	136	80
Less: capitalised borrowing costs	(1,267)	(793)
Other interest	583	466
Total interest expense	12,531	4,250
Total interest income	(1,450)	(765)
Total finance costs, net	11,081	3,485

(in US dollars, tabular amounts in US$ thousands, except as indicated)

Capitalized borrowing costs. *The rate used for capitalization of borrowing costs for the six months periods ended 30 June 2007 and 2006 were 12.11 percent and 10.31 percent, respectively.*

Note 10: Balances and Transactions with Related Parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, Related Party Disclosures, which also treats key management personnel as related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Balances and transactions with related parties.

	Six months ended 30 June:	
	2007	**2006**
Interest expense (income), net	(64)	(64)
Rental fees paid	-	259

	As of:	
	30 June 2007	**31 December 2006**
Accounts and notes receivable	712	708
Loans and advances receivable	1,148	1,983
Interest receivable	269	206
Accounts payable to contractors	291	863

Accounts receivable and accounts payable. The Group purchases certain geological and other technical services from and leases office space to companies owned by directors and management. The resulting accounts receivable and payable balances are unsecured and are expected to be settled in cash or, in the case of accounts receivable, by the provision of services.

Loans and advances receivable. Loans receivable comprise balances denominated in U.S. dollars and are receivable from companies owned by directors or management.

Loans receivable bear interest at 10 percent per annum. Advances receivable comprises a $0.8 million advance to an executive of the Group.

***Compensation to senior managem*ent**. The Group's senior management team comprises 10 people whose compensation totalled $16.049 million and $6.778 million for the six months periods ended 30 June 2007 and 2006, respectively, including salary and bonuses of $9.374 million and $4.493 million respectively, and stock compensation of $6.675 million and $2.285 million, respectively, and no other compensation was paid for both periods. Additionally, included in loans and advances receivable at 30 June 2007 and 31 December 2006 were loans receivable of $0.06 million and $0.955 million, from the Group's senior management team.

Resignation of key executive. In April 2007, one of the Group's key executives resigned. In connection with his resignation, the executive received termination benefits totalling approximately $7.8 million, comprising approximately $2.5 million of expense associated with accelerating the vesting of 430,140 shares of restricted stock originally scheduled to vest between 2007 and 2010 and termination payments and other miscellaneous cash benefits totalling approximately $5.3 million.

The expenses associated with accelerated vesting and the other miscellaneous cash benefits were recorded within share-based payments and wages and salaries in selling, general and administrative expenses in the interim condensed consolidated financial information (Note 8).

Note 11: Contingencies, Commitments and Operating Risks

Operating environment. The Russian Federation continues to display some characteristics of an emerging market economy. These characteristics include, but are not limited to, the existence of a currency that is not yet fully convertible in most countries outside of the Russian Federation, and relatively high inflation. The tax and customs legislation within the Russian Federation is subject to varying interpretations and changes that can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Sales and royalty commitments. In accordance with the sale purchase agreement to acquire Petrosakh, the Group agreed to pay a perpetual royalty to the previous shareholders of $0.25 per ton of crude oil produced from the currently unproved off-shore licensed area. There was no production from the area in 2006.

Oilfield licenses. The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oil field licenses.

Management of the Group correspond with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitations, suspension or revocations. Management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group.

Management believes that proved reserves should include quantities, which are expected to be produced after the expiry dates of the Group's production licenses. These licenses expire between 2008 and 2067, with the most significant licenses expiring between 2012 and 2067.

The principal licenses of the Group and their expiry dates are:

Field	License holder	License expiry date
Okruzhnoye	Petrosakh	2012
Peschanozerskoye	Arcticneft	2067
Dinyu-Savinoborskoe	Dinyu	2018
Dulisminskoye	Dulisma	2019

Management believes the licenses may be extended at the initiative of the Company and management intends to extend such licenses for properties expected to produce subsequent to their license expiry dates.

Management currently does not believe that any of its significant exploration or production licenses are at risk of being withdrawn by the licensing authorities. Additionally, management currently plans to complete all the required exploration or development work, as appropriate, within the timetables established in the licenses.

Note 11: Contingencies, Commitments and Operating Risks (continued)

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

Insurance policies. In August 2006, the Group insured all of its major assets, including oil in stock, against a variety of risks and purchased insurance in respect of certain personnel, including casualty, medical and travel insurance for losses of up to $90 million. Also, a liability insurance policy covering hazardous objects was put in place, including environmental liability, with a total limit of $7.8 million. The associated expenses are included within selling, general and administrative expenses in the consolidated income statement.

Restoration, rehabilitation and environmental costs. The Group companies have operated in the upstream and refining oil industry in the Russian Federation for many years and its activities have had an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligation related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated at present, but could be material. Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Legal proceedings. The Group is involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Other capital commitments. At 30 June 2007, the Company had no significant contractual commitments for capital expenditures.