



URALS ENERGY

This document is important and requires your immediate attention.

If you have any questions, please call the shareholder helpline on: +44 (0)207 183 8215

The Board unanimously recommends that shareholders
VOTE AGAINST ALL THE RESOLUTIONS
proposed by the requisitioners at the EGM.

2 January 2014

Dear Urals Energy Investor,

Urals Energy PCL (“Urals Energy” or the “Company”)

Your Immediate Action is Requested

As you will be aware, the Company posted a notice on 25 October 2013, convening an Extraordinary General Meeting of the Company’s shareholders to be held at 11.00 a.m. (Cyprus time) on Monday, 27 January 2014 at the Evagoras Building, Office 34, 3rd floor, 31 Evagorou Avenue, Nicosia, CY-1066, Cyprus (the “EGM”). We are writing to you to inform you of the latest developments since our previous letter to you which was dated 25 October 2013.

One of the requisitioners is no longer a Urals Energy shareholder

Of the two requisitioners (the one that was the most familiar with the Company’s operations), Alpcot Capital Management Ltd, has sold all of its shareholding in the Company. Mr. Torbjorn Ranta, the representative of Alpcot Capital Management Ltd on Urals Energy board of directors (the “Board”) has resigned and left the Board.

The shares owned by Alpcot Capital Management Ltd have been acquired by Adler Impex S.A. (“Adler”), who have recently announced that they are the beneficial owner of 25.08% of the issued share capital of the Company and that they fully support the existing management team.

Petraco Loan has been repaid

It was announced on 10 December 2013 that the loan from Petraco Oil Company to the Company has been repaid in full and Petraco Oil Company’s charge over Arcticneft, one the producing assets of Urals Energy has been released.

Alleged debt repayment agreement

On 21 November 2013, the Company announced that a company owned by a former director of the Company, Mr. Rovneiko, has claimed that it is owed \$41,652,000 pursuant to an alleged debt repayment agreement. Following an investigation conducted by the non-executive directors of Urals Energy, the Board has concluded that Urals Energy has no liability under the alleged debt repayment agreement as the Company had not entered into any such an agreement and the alleged debt repayment agreement itself appears to be a forgery.

The Board also believes that any attempt to use this forged document by Mr. Rovneiko, and/or any other party, directly or indirectly, constitutes a detrimental action against the Company and the interests of shareholders. Your Board believes that it is no coincidence that this alleged debt repayment agreement appeared shortly after the requisition of the EGM and following assertive

attempts by the Company to enforce the decision of the Court of Arbitration in London against Mr. Rovneiko in several jurisdictions.

Shareholders will note the announcement by the Company on 16 December 2013 that its Moscow office had been visited by the police and that certain files had been removed. The Board has reason to believe that this visit was a crude attempt by certain parties to intimidate the Board into acting against the best interests of shareholders. The Board are continuing to try to determine the reasons behind the police visit.

The Company announced on 19 December 2013 that the potential offer for the Company by an unnamed third party would now not be proceeding. The Board believes that the third party's reasons for withdrawing are, in part, due to the uncertainty created by the alleged debt repayment document and the recent police visit referred to above.

Key Reasons for the Board's Recommendation to Vote AGAINST ALL the Resolutions

No Strategy

- The remaining requisitioner (Fire East Corporation) does not possess a strategy for the Company, as was set out in a recent statement by them, and has little knowledge of the Company and its operations.
- Voting in favour of the resolutions will:
 - (i) undermine all of the current management team's efforts of the last several years to cleanse the Company of its legacy issues;
 - (ii) risk the Company's current stability and future progress; and
 - (iii) will result in a major upheaval at the Company with the risk of the departure of key technical and operational staff.

The remaining requisitioner is planning on using the Company to acquire a high risk asset and dilute existing shareholders

- Mr. Bosov (whom the Board believe is connected to Fire East Corporation) has previously, in 2010 and 2013, approached the Company (through Mr. Barskiy) with proposals concerning the acquisition of Prizalivnyj license on Sakhalin Island (which is owned by Pacific Oil Company). These proposals have been rejected by the Board as not being in the best interests of the Company's shareholders..
- The Board also believes that the 2013 proposal, which also proposed a merger with Matra Petroleum of which Mr. Barskiy is the CEO, would not protect the minority Urals Energy shareholders.
- An Independent recommendation on these proposals led the Board to reject them due to geological and financial risks.
- There is a real danger that shareholders will have their interests in the Company significantly diluted if the Resolutions are passed.

The Resolutions proposed are not in the interests of shareholders

- Fire East Corporation and its backers intend to take control of the Company without having to make an offer for all the shares or make any other commitment to the Company or its shareholders.
- The Board believes that the appearance of the alleged debt repayment agreement is an attempt to blackmail the Board and influence Urals Energy shareholders. If allowed to vote, Mr. Rovneiko will vote "for" the resolutions. The Board believes that if the resolutions are approved the new board will waive the US\$7.5 million owed to the Company by Mr. Rovnieko. Do you really want to side with him?
- Voting AGAINST the proposals is the only way to protect the rights of all shareholders.

Board Recommendation

For the reasons listed above, the Board unanimously recommends that shareholders **VOTE AGAINST ALL THE RESOLUTIONS** proposed by Fire East Corporation at the EGM.

Instructions

In order to support the Board in respect of the forthcoming EGM by voting AGAINST all resolutions, please contact your broker (or other registered holder) directly in order to instruct them how to vote on your behalf, or sign and date the enclosed “**Letter of Instruction**” and return it in the stamped, addressed envelope as soon as possible and in any event, so as to be received by no later than **16 January 2014**. By doing so, you will be instructing the registered holder of the relevant Urals Energy shares in which you have invested to vote all the shares held by it on your behalf **AGAINST** of each of the proposed resolutions.

If you do not wish to support the Board in this way you can instruct the registered holder to act according to your specific instructions.

Assistance

If you require assistance or have any questions about procedures for voting, please contact Boudicca Proxy Consultants, the Proxy Solicitation and Information Agent to Urals Energy, on:

- **Shareholder helpline: +44 (0)207 183 8215**

The helpline is open between 9.00 a.m. and 5.00 p.m. (London Time) Monday to Friday. Alternatively, you may email your enquiries to **info@boudiccaproxy.com**.

Thank you for your continued support.

Yours faithfully,

Andrew Shrager
Chairman