



ARAWAK ENERGY CORPORATION

FORM 51-101F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

April 28th, 2006

The effective date of the information being provided is December 31st, 2005. The following is a summary of reserves data and other oil and gas information of Arawak Energy Corporation ("Arawak" or the "Company"). The Company's reserves were evaluated by Ryder Scott Company, L.P. ("Ryder Scott") and McDaniel & Associates Consultants Ltd. ("McDaniel") pursuant to three separate reserves evaluations. Ryder Scott evaluated the Company's reserves in the South West Gobustan Exploration, Development and Production Sharing Agreement in the Azerbaijan Republic ("EDPSA") area in a report (the "Azerbaijan Ryder Scott Report") dated April 17th, 2006 and the Company's reserves in the Sotchemyu-Talyu fields in Russia in a report (the "Russia Ryder Scott Report") dated March 8th, 2006. McDaniel evaluated the Company's reserves in the Akzhar, Besbolek and Karataiky fields in Kazakhstan in a report (the "Kazakhstan McDaniel Report") dated March 22nd, 2006.

Ryder Scott and McDaniel were engaged by the Company to provide an evaluation of the Company's proved and proved plus probable reserves; no evaluation of possible reserves was undertaken. The pricing used in the forecast and constant price evaluations, together with other assumptions and qualifications applicable to the evaluation and contained in the Azerbaijan Ryder Scott Report, Russia Ryder Scott Report and Kazakhstan McDaniel Report (collectively, the "Reports"), are set forth in the notes to the tables. The Reports have been prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook").

This document contains forward-looking information. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include such things as volatility of oil and gas prices, commodity supply and demand, fluctuations in currency and interest rates, inherent risks associated in the exploration and development of oil and gas properties, environmental matters, ultimate recoverability of reserves, timing, results and costs of drilling activities and pipeline construction, availability of financing, new regulations and legislation, general economic and political conditions in the countries the Company carries on business and availability of capital. Certain information regarding the Company in this document including forecast capital expenditures, future development plans and production constitute forward-looking statements under applicable securities laws. Although Arawak believes that the expectations represented by these forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to place undue reliance on forward-looking statements.

All evaluations of future revenue are after the deduction of future income tax expenses, unless otherwise noted in the tables, royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenue contained in the following tables do not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the Reports will be attained and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the Reports. The recovery and reserves estimates of the Company's properties described herein are estimates only. The actual reserves of the Company's properties may be greater or less than those calculated.

All monetary figures are stated in U.S. dollars.

Definitions

bbl	barrel
km	kilometre
mcf	thousand cubic feet
mbbl	thousand barrels
mmcf	million cubic feet
bbl/d	barrels per day
mcf/d	thousand cubic feet per day
M\$	thousands of dollars
sq km	square kilometre

A barrel of oil equivalent (boe), derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil, may be misleading, particularly if used in isolation. A boe conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Principal Properties

The following is a description of Arawak's principal properties as at December 31st, 2005.

Akzhar, Besbolek and Karataiky fields, Kazakhstan

Arawak, through its wholly-owned subsidiary Altius Energy Corporation ("Altius"), holds licenses for subsurface use and contracts for exploration and production of hydrocarbons in four fields with the Government of Kazakhstan. Three fields, being the Akzhar, Besbolek and Karataiky fields, are currently producing.

The Akzhar field is a suprasalt field located approximately 70 km from the town of Kenkiyak, in the Aktyubinsk province of Western Kazakhstan. Originally, the contact area was divided into two parts separated by 2.5 km. However, following a successful application to the government, the contract area has been expanded to 71.5 sq km in order to allow full development of the field. Crude oil is processed through a temporary facility in the field and then trucked to the KazTransOil, the Kazakhstan national pipeline company, terminal at Kenkiyak before being transported onward for sale in export markets or sold in the domestic market. Crude oil destined for export is either sent by pipeline to a rail terminal at Bestamak, owned by CNPC-Aktobemunaigas, and then by train to Atyrau or, alternatively, it is sent directly by pipeline from Kenkiyak to Atyrau. From Atyrau, the crude oil is shipped through the KazTransOil export pipeline to Samara in Russia and delivered into the Transneft pipeline system. As provided by law and its contracts, Altius is allowed to export 85% of its production with the remainder being sold in the domestic market.

The Besbolek field is a suprasalt oil field located approximately 150 km from the city of Atyrau, a regional oil centre of the Caspian Sea, in the Atyrau province. The field has two parts: the west wing and the east wing, separated by 4 km.

The Karataikyz oil field is a suprasalt field located approximately 150 km from the city of Atyrau, and approximately 15 km south of Besbolek.

Alimbai field, Kazakhstan

In December 2005 the Company signed the Contract for the Exploration and Production of Hydrocarbons for the Alimbai block. The Alimbai block is located in the Pre-Caspian basin, approximately 150 km northeast of the city of Atyrau, and 60 km northeast of Besbolek and Karataikyz producing fields. The contract area is approximately 133 sq km. Oil was first discovered in the Alimbai block in 1944 in the suprasalt horizons. However, exploitation rights under the contract include the suprasalt and subsalt horizons, both of which are prospective in the contract area. This field is currently not producing. A work program will be initiated with re-interpretation of existing seismic data, followed by a 2D seismic shoot in the subsequent year. Existing wells will also be evaluated to identify potential re-entry candidates where Arawak can realize immediate production.

Sotchemyu-Talyu fields, Komi Republic of Russia

Arawak owns 50% of the outstanding shares of RF Energy Limited, the holding company of ZAO PechoraNefteGas ("PNG"). Arawak acquired these shares from PNG on January 7th, 2005. The main assets of PNG are the Sotchemyu-Talyu fields located in the prolific Timan-Pechora Basin, approximately 1,500 km northeast of Moscow in the Komi region west of the Ural Mountains.

The original license, granting the right to explore, develop and produce mineral resources in the area of the Sotchemyu-Talyu fields, was issued in 1990. In 1998, the original license was divided into two separate licenses (Sotchemyu and East Sotchemyu-Talyu) on the same conditions as the original license. The two licenses cover an aggregate area of approximately 130 sq km, expire in 2014 and are renewable at expiration.

The Sotchemyu-Talyu fields are located in the Timan-Pechora Basin, approximately 1,500 km northeast of Moscow in the Komi Republic of Russia. Komi Republic is a remote, forested area with climate in extremes and temperatures ranging from +40 to -50 degrees Celsius. The fields are approximately 100 km southwest of the city of Pechora and near the village of Zelenoborsk. The primary producing horizon is a shoestring Devonian carbonate reservoir draped over a shelf edge reef complex. The Sotchemyu-Talyu fields comprise four main southwest-northeast trending accumulations, which are denoted as the Sotchemyu, East Sotchemyu, Talyu, and North East Talyu areas. The entire complex is bounded by structural closure, which defines the hydrocarbon oil-water contacts. Reservoir pressure support is being provided by an almost infinite-acting water drive mechanism with aquifer influx believed to be primarily from the south side of the field.

The fields are favorably located in relation to main export system infrastructure, being within four km of rail and pipeline facilities. PNG has its own custody point for the transfer of its oil to Transneft (Russia's national pipeline company), allowing direct access from the field to the main export system. In 2005, PNG was able to export approximately 40% of its sales volumes. Exports of PNG's crude, which is around 29° API, 0.8% sulphur, are blended with other crudes in the Transneft system to emerge as Urals export blend at the Lithuanian export port of Butinge. The domestic market accounted for almost 50% of PNG's sales volumes with the balance of approximately 10% sold to 'near-abroad' destinations such as Belarus and Ukraine.

For financial reporting purposes Arawak's interest in PNG is proportionately consolidated in Arawak's consolidated financial statements. In accordance with the accounting treatment of the results of PNG, Arawak's proportionate share of PNG's reserves are included in the reserves and future net revenue information provided in this Form 51-101F1.

South West Gobustan EDPSA, Azerbaijan

The South West Gobustan fields are located within 50 km of the city of Baku, in the Republic of Azerbaijan. Azerbaijan is situated in southwestern Asia, bordering the Caspian Sea, between Iran and Russia. The EPDSA area consists of three separate blocks: Block A (the "Northern Block"), Block B (the "Central Block") and Block C (the "Coastal Block"), with a total area of 604 sq km.

Within the EPDSA area the fields that have been assigned proved and/or probable reserves are the following: Donguzdyk, Adzhiveli, Dashgil, Duvanny, Kyanizadag and Solakhay. All of these properties are located onshore.

Donguzdyk is located in the Northern Block 50 km northwest of Baku, accessible from the Baku-Shirmaki highway. Adzhiveli is situated in the Central Block about 50 km inland from Baku. Dashgil, Duvanny, Kyanizadag and Solakhay are located in the Coastal Block.

All of the blocks are accessible by roads. An oil pipeline runs along the coast to the refineries in Baku. Several gas pipelines pass through the Coastal Block area or are adjacent to it. Also, the export pipeline to Georgia and Turkey (BTC) runs between the Central and Coastal Blocks.

There are hydrocarbon reservoirs of several different geological ages encountered in the blocks. The main zones of interest are Pliocene sandstones (Surakhany and Balakhany suites) of primarily deltaic origin, as well as sandstones of the Oligocene and Miocene (Maykop and Chokrak suites). Discontinuous sandstones of the Paleocene and Eocene may also be hydrocarbon bearing, with additional potential in the Cretaceous and Jurassic limestones.

Arawak has a 37.17% interest in Commonwealth Gobustan Limited ("CGL") with the remaining 62.83% held by two affiliates of China National Petroleum Corporation group of companies. CGL in turn holds an 80% interest in the EDPSA with the remaining 20% being held by an affiliate of the State Oil Company of the Azerbaijan Republic ("SOCAR"). Gobustan Operating Company Ltd. ("GOCL"), a 100% owned subsidiary of CGL, is the operating entity for the EDPSA. Arawak's working interest in the fields is 29.736%, but the share of production from these properties varies periodically, according to the terms of the EDPSA.

For financial reporting purposes Arawak's interest in CGL is proportionately consolidated in Arawak's consolidated financial statements. In accordance with the accounting treatment of the results of CGL, Arawak's proportionate share of CGL's reserves are included in the reserves and future net revenue information provided in this Form 51-101F1.

Reserves and Future Net Revenue

SUMMARY OF OIL AND GAS RESERVES BASED ON CONSTANT PRICES AND COSTS⁽⁸⁾

Reserves Category	Light and Medium Crude Oil		Natural Gas	
	Gross ⁽¹⁾ (mdbl)	Net ⁽¹⁾ (mdbl)	Gross ⁽¹⁾ (mmcf)	Net ⁽¹⁾ (mmcf)
Proved Developed Producing ⁽²⁾⁽⁵⁾				
Kazakhstan	8,445	7,860	-	-
Russia	5,373	5,373	-	-
Azerbaijan	25	25	13	13
Total	13,843	13,258	13	13
Proved Developed Non-Producing ⁽²⁾⁽⁶⁾				
Kazakhstan	-	-	-	-
Russia	325	325	-	-
Azerbaijan	8	8	3,281	3,281
Total	333	333	3,281	3,281
Proved Undeveloped ⁽²⁾⁽⁷⁾				
Kazakhstan	3,518	3,228	-	-
Russia	3,951	3,951	-	-
Azerbaijan	4,086	4,086	21,066	21,066
Total	11,555	11,265	21,066	21,066
TOTAL PROVED ⁽²⁾				
Kazakhstan	11,963	11,088	-	-
Russia	9,649	9,649	-	-
Azerbaijan	4,119	4,119	24,360	24,360
Total	25,731	24,856	24,360	24,360
TOTAL PROBABLE ⁽³⁾				
Kazakhstan	15,432	14,148	-	-
Russia	3,528	3,528	-	-
Azerbaijan	11,989	11,989	37,357	37,357
Total	30,949	29,665	37,357	37,357
TOTAL PROVED PLUS PROBABLE ⁽²⁾⁽³⁾				
Kazakhstan	27,395	25,236	-	-
Russia	13,177	13,177	-	-
Azerbaijan	16,109	16,109	61,717	61,717
Total	56,681	54,522	61,717	61,717

**NET PRESENT VALUES OF FUTURE NET REVENUE
BASED ON CONSTANT PRICES AND COSTS⁽⁸⁾**

	Before Deducting Income Taxes Discounted At					After Deducting⁽¹⁰⁾ Income Taxes Discounted At				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Proved Developed Producing⁽²⁾⁽⁵⁾										
Kazakhstan	209,358	172,255	145,813	126,252	111,318	103,765	84,144	70,287	60,124	52,425
Russia	83,181	70,395	60,305	52,256	45,765	66,467	56,637	48,843	42,598	37,542
Azerbaijan	86	9	(53)	(103)	(144)	86	9	(53)	(103)	(144)
Total	292,625	242,659	206,065	178,405	156,939	170,318	140,790	119,077	102,619	89,823
Proved Developed Non-Producing⁽²⁾⁽⁶⁾										
Kazakhstan	-	-	-	-	-	-	-	-	-	-
Russia	5,700	4,614	3,778	3,127	2,614	4,321	3,523	2,905	2,420	2,035
Azerbaijan	1,950	1,617	1,340	1,109	917	1,950	1,617	1,340	1,109	917
Total	7,650	6,231	5,118	4,236	3,531	6,271	5,140	4,245	3,529	2,952
Proved Undeveloped⁽²⁾⁽⁷⁾										
Kazakhstan	59,817	47,246	37,836	30,643	25,035	27,037	19,374	13,949	10,005	7,068
Russia	50,539	43,096	36,972	31,896	27,659	37,908	32,127	27,410	23,528	20,308
Azerbaijan	79,151	59,270	44,213	32,725	23,904	79,151	59,270	44,213	32,725	23,904
Total	189,507	149,612	119,021	95,264	76,598	144,096	110,771	85,572	66,258	51,280
TOTAL PROVED⁽²⁾										
Kazakhstan	269,175	219,501	183,649	156,895	136,353	130,802	103,517	84,237	70,129	59,492
Russia	139,420	118,105	101,055	87,279	76,037	108,696	92,288	79,158	68,546	59,885
Azerbaijan	81,187	60,987	45,500	33,731	24,676	81,187	60,897	45,500	33,731	24,676
Total	489,782	398,503	330,204	277,905	237,066	320,685	256,702	208,895	172,406	144,053
TOTAL PROBABLE⁽³⁾										
Kazakhstan	401,396	271,804	194,741	145,820	113,045	185,367	121,020	83,932	61,034	46,064
Russia	45,746	25,144	14,219	8,235	4,865	35,284	19,610	11,200	6,545	3,900
Azerbaijan	232,966	159,356	110,308	77,148	54,432	232,966	159,356	110,308	77,148	54,432
Total	680,108	456,304	319,268	231,203	172,342	453,617	299,986	205,440	144,727	104,396
TOTAL PROVED PLUS PROBABLE⁽²⁾⁽³⁾										
Kazakhstan	670,571	491,306	378,390	302,715	249,397	316,169	224,537	168,168	131,163	105,556
Russia	185,166	143,250	115,274	95,514	80,902	143,981	111,898	90,358	75,091	63,784
Azerbaijan	314,152	220,253	155,808	110,879	79,109	314,152	220,253	155,808	110,879	79,109
Total	1,169,889	854,809	49,472	509,108	409,408	774,302	556,688	414,334	317,133	248,449

**TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
BASED ON CONSTANT PRICES AND COSTS⁽⁸⁾**

	Revenue (M\$)	Royalties⁽¹¹⁾ (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Abandonment and Reclamation Costs⁽¹²⁾ (M\$)	Future Net Revenue Before Income Taxes (M\$)	Equivalent⁽¹²⁾ Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
TOTAL PROVED⁽²⁾								
Kazakhstan	449,266	32,657	85,641	59,381	1,868	269,175	138,374	130,802
Russia	284,255	-	27,220	17,331	708	139,420	30,724	108,696
Azerbaijan	222,362	-	34,631	61,627	1,799	124,305	43,119	81,187
Total	955,883	32,657	147,492	138,339	4,375	532,902	212,217	320,685
TOTAL PROVED PLUS PROBABLE⁽²⁾⁽³⁾								
Kazakhstan	1,028,651	80,672	173,260	100,550	2,758	670,571	354,403	316,169
Russia	391,445	-	51,430	17,371	1,489	185,166	41,185	143,981
Azerbaijan	824,970	-	79,844	191,218	4,683	549,225	235,073	314,152
Total	2,245,066	80,672	304,534	309,139	8,930	1,404,962	630,661	774,302

**FUTURE NET REVENUE BY PRODUCTION GROUP
BASED UPON CONSTANT PRICES AND COSTS⁽⁸⁾**

	Production Group	Future Net Revenue Before Income Taxes
		(Discounted at 10%/Year) (M\$)
TOTAL PROVED ⁽²⁾	Light and Medium Crude Oil	
	Kazakhstan	183,649
	Russia	101,055
	Azerbaijan	38,874
	Natural Gas	
	Kazakhstan	-
Russia	-	
Azerbaijan	6,626	
TOTAL PROVED PLUS PROBABLE ⁽²⁾⁽³⁾	Light and Medium Crude Oil	
	Kazakhstan	378,390
	Russia	115,274
	Azerbaijan	140,313
	Natural Gas	
	Kazakhstan	-
Russia	-	
Azerbaijan	15,495	

**SUMMARY OF OIL AND GAS RESERVES
BASED ON FORECAST PRICES AND COSTS⁽⁹⁾**

Reserves Category	Light and Medium Crude Oil		Natural Gas	
	Gross ⁽¹⁾ (mbl)	Net ⁽¹⁾ (mbl)	Gross ⁽¹⁾ (mmcf)	Net ⁽¹⁾ (mmcf)
Proved Developed Producing ⁽²⁾⁽⁵⁾				
Kazakhstan	8,455	7,866	-	-
Russia	5,369	5,369	-	-
Azerbaijan	26	26	14	14
Total	13,850	13,261	14	14
Proved Developed Non-Producing ⁽²⁾⁽⁶⁾				
Kazakhstan	-	-	-	-
Russia	325	325	-	-
Azerbaijan	8	8	3,355	3,355
Total	333	333	3,355	3,355
Proved Undeveloped ⁽²⁾⁽⁷⁾				
Kazakhstan	3,522	3,228	-	-
Russia	3,951	3,951	-	-
Azerbaijan	4,297	4,297	22,236	22,236
Total	11,770	11,476	22,236	22,236
TOTAL PROVED ⁽²⁾				
Kazakhstan	11,977	11,094	-	-
Russia	9,644	9,644	-	-
Azerbaijan	4,331	4,331	25,605	25,605
Total	25,952	25,069	25,605	25,605
TOTAL PROBABLE ⁽³⁾				
Kazakhstan	15,439	14,142	-	-
Russia	3,350	3,350	-	-
Azerbaijan	12,799	12,799	68,794	68,794
Total	31,588	30,291	68,794	68,794
TOTAL PROVED PLUS PROBABLE ⁽²⁾⁽³⁾				
Kazakhstan	27,416	25,236	-	-
Russia	12,995	12,995	-	-
Azerbaijan	17,131	17,131	94,399	94,399
Total	57,542	55,362	94,399	94,399

**NET PRESENT VALUES OF FUTURE NET REVENUE
BASED ON FORECAST PRICES AND COSTS⁽⁹⁾**

	Before Deducting Income Taxes Discounted At					After Deducting Income Taxes ⁽¹⁰⁾ Discounted At				
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)
Proved Developed Producing ⁽²⁾⁽⁵⁾										
Kazakhstan	131,471	114,169	100,934	90,525	82,148	67,225	56,947	49,291	43,409	38,769
Russia	71,526	61,323	53,184	46,620	41,267	57,596	49,679	43,340	38,211	34,016
Azerbaijan	5	(56)	(106)	(148)	(182)	5	(56)	(106)	(148)	(182)
Total	203,002	175,436	154,012	136,997	123,233	124,826	106,570	92,525	81,472	72,603
Proved Developed Non-Producing ⁽²⁾⁽⁶⁾										
Kazakhstan	-	-	-	-	-	-	-	-	-	-
Russia	4,762	3,894	3,220	2,690	2,269	3,607	2,971	2,473	2,079	1,764
Azerbaijan	1,935	1,591	1,308	1,074	880	1,935	1,591	1,308	1,074	880
Total	6,697	5,485	4,528	3,764	3,149	5,542	4,562	3,781	3,153	2,644
Proved Undeveloped ⁽²⁾⁽⁷⁾										
Kazakhstan	26,879	21,425	17,143	13,728	10,966	10,613	7,170	4,642	2,750	1,309
Russia	43,306	37,176	32,092	27,847	24,277	32,379	27,556	23,604	20,339	17,619
Azerbaijan	60,065	43,057	30,404	20,935	13,811	60,065	43,057	30,404	20,935	13,811
Total	130,250	101,658	79,639	62,510	49,054	103,057	77,783	58,650	44,024	32,739
TOTAL PROVED ⁽²⁾										
Kazakhstan	158,350	135,594	118,077	104,254	93,114	77,838	64,116	53,934	46,159	40,078
Russia	119,593	102,393	88,497	77,157	67,813	93,582	80,205	69,418	60,629	53,399
Azerbaijan	62,005	44,593	31,606	21,861	14,509	62,005	44,593	31,606	21,861	14,509
Total	339,948	282,580	238,180	203,272	175,436	233,425	188,914	154,958	128,649	107,986
TOTAL PROBABLE ⁽³⁾										
Kazakhstan	239,020	169,576	125,955	97,023	76,949	111,062	73,811	51,725	37,803	28,564
Russia	29,596	16,784	9,703	5,707	3,409	22,967	13,192	7,711	4,579	2,759
Azerbaijan	217,594	145,464	97,889	66,110	44,637	217,594	145,464	97,889	66,110	44,637
Total	486,210	331,824	233,547	168,840	124,995	351,623	232,467	157,325	108,492	75,960
TOTAL PROVED PLUS PROBABLE ⁽²⁾⁽³⁾										
Kazakhstan	397,370	305,170	244,032	201,277	170,063	188,901	137,928	105,658	83,962	68,641
Russia	149,190	119,177	98,200	82,864	71,222	116,549	93,398	77,128	65,209	56,158
Azerbaijan	279,598	190,057	129,495	87,971	59,146	279,598	190,057	129,495	87,971	59,146
Total	826,158	614,404	471,727	372,112	300,431	585,048	421,383	312,281	237,142	183,945

**TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
BASED ON FORECAST PRICES AND COSTS⁽⁹⁾**

	Revenue (M\$)	Royalties ⁽¹¹⁾ (M\$)	Operating Costs (M\$)	Development Costs (M\$)	Abandonment and Reclamation Costs (M\$)	Future Net Revenue Before Income Taxes (M\$)	Equivalent ⁽¹²⁾ Taxes (M\$)	Future Net Revenue After Income Taxes (M\$)
TOTAL PROVED ⁽²⁾								
Kazakhstan	343,796	25,335	96,535	61,215	1,872	158,350	80,512	77,838
Russia	252,112	-	28,957	17,653	806	119,593	26,011	93,582
Azerbaijan	195,989	-	38,539	64,798	2,287	90,365	28,360	62,005
Total	791,897	25,335	164,031	143,666	4,965	368,308	134,883	233,425
TOTAL PROVED PLUS PROBABLE ⁽²⁾⁽³⁾								
Kazakhstan	779,903	62,048	209,871	107,141	2,761	397,370	208,470	188,901
Russia	338,500	-	57,043	17,700	1,838	149,190	32,640	116,549
Azerbaijan	813,991	-	100,136	234,857	7,829	471,168	191,570	279,598
Total	1,932,394	62,048	367,050	359,698	12,428	1,017,728	432,680	585,048

**FUTURE NET REVENUE BY PRODUCTION GROUP
BASED ON FORECAST PRICES AND COSTS⁽⁹⁾**

	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M\$)
TOTAL PROVED ⁽²⁾	Light and Medium Crude Oil	
	Kazakhstan	118,077
	Russia	88,497
	Azerbaijan	26,116
	Natural Gas	
	Kazakhstan	-
	Russia	-
	Azerbaijan	5,489
TOTAL PROVED PLUS PROBABLE ⁽²⁾⁽³⁾	Light and Medium Crude Oil	
	Kazakhstan	244,032
	Russia	98,200
	Azerbaijan	96,922
	Natural Gas	
	Kazakhstan	-
	Russia	-
	Azerbaijan	32,573

**RECONCILIATION OF COMPANY NET RESERVES BY PRINCIPAL PRODUCT TYPE
BASED ON CONSTANT PRICES AND COSTS⁽⁸⁾**

As at December 31, 2004, Arawak's oil and gas properties were located solely in Azerbaijan. Arawak acquired its interest in oil and gas properties in Kazakhstan and Russia during 2005. Unless otherwise indicated the reconciliation of the changes in Arawak's reserves presented below reflects changes in oil and gas reserves in Azerbaijan only with the exception of crude oil and gas reserves attributable to the oil and gas properties acquired in Kazakhstan and Russia during 2005 that are set forth under the heading "Acquisitions":

	Light and Medium Crude Oil			Associated and Non-Associated Gas		
	Net Proved (mbbls)	Net Probable (mbbls)	Net Proved Plus Probable (mbbls)	Net Proved (mmcf)	Net Probable (mmcf)	Net Proved Plus Probable (mmcf)
At December 31, 2004	3,937	11,315	15,252	42,855	46,399	89,254
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions	(27)	(9)	(37)	(3,906)	(1,318)	(5,224)
Discoveries	-	-	-	-	-	-
Acquisitions						
Kazakhstan	11,088	14,148	25,236	-	-	-
Russia	9,649	3,528	13,177	-	-	-
Dispositions	-	-	-	-	-	-
Economic Factors	217	684	901	(14,589)	(7,724)	(22,313)
Production	(8)	-	(8)	-	-	-
At December 31, 2005	24,856	29,665	54,522	24,360	37,357	61,717

**RECONCILIATION OF CHANGES IN NET PRESENT VALUES OF FUTURE NET REVENUE
DISCOUNTED AT 10% BASED ON CONSTANT PRICES AND COSTS ⁽⁸⁾**

As at December 31st, 2004, Arawak's oil and gas properties were located solely in Azerbaijan. Arawak acquired its interest in oil and gas properties in Kazakhstan and Russia during 2005. The following table sets forth changes between future net revenue estimates attributable to net proved reserves in Azerbaijan as at December 31st, 2005 against such reserves as at December 31st, 2004 based on constant prices and costs and future net revenue estimates attributable to net proved reserves in Kazakhstan and Russia acquired during 2005 as at December 31st, 2005.

	Azerbaijan 2005 (M\$)	Kazakhstan 2005 (M\$)	Russia 2005 (M\$)
Estimated Future Net Revenue at December 31, 2004	38,208	-	-
Sales and Transfers of Oil and Gas Produced, Net of Production Costs and Royalties	(748)	-	-
Net Change in Prices, Production Costs and Royalties Related to Future Production	11,363	-	-
Changes in Previously Estimated Future Development Costs	459	-	-
Changes in Estimated Future Development Costs	(6,517)	-	-
Extensions and Improved Recovery	-	-	-
Discoveries	-	-	-
Acquisitions of Reserves	-	84,237	79,158
Dispositions of Reserves	-	-	-
Net Change Resulting from Revisions in Quantity Estimates	(1,086)	-	-
Accretion of Discount	3,821	-	-
Net Change in Income Taxes	-	-	-
Estimated Future Net Revenue at December 31, 2005	<u>45,500</u>	<u>84,237</u>	<u>79,158</u>

Notes:

- (1) "Gross Reserves" are Arawak's working interest (operating or non-operating) share before deducting of royalties and without including any royalty interests of Arawak. "Net Reserves" are Arawak's working interest (operating or non-operating) share after deduction of royalty obligations, plus Arawak's royalty interests in reserves.
- (2) "Proved" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (3) "Probable" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (4) "Developed" reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.
- (5) "Developed Producing" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- (6) "Developed Non-Producing" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
- (7) "Undeveloped" reserves are those reserves expected to be recovered from know accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.
- (8) The blended crude oil product price used in the constant price and cost evaluations in the Kazakhstan McDaniel Report was US\$37.48, which is based on 85% sales to the export market (US\$40.66 for Akzhar crude oil and US\$42.74 for Besbolek and Karataiky crude oil) and 15% sales to the domestic market (US\$17.19 for Akzhar crude oil and US\$18.14 for Besbolek and Karataiky crude oil).

The blended crude oil product price used in the constant price and cost evaluations in the Russia Ryder Scott Report was US\$34.50/bbl which is based on 45% sales to the domestic market (US\$22.41/bbl), 40% sales to the export market (US\$50.52/bbl) and 15% sales to the near abroad market (US\$28.06/bbl). Domestic price is reduced for VAT.

The product prices used in the constant price and cost evaluations in the Azerbaijan Ryder Scott Report were as follows:

Light and medium crude Oil (\$US/bbl)	Natural Gas (\$US/mcf)
46.12	1.33

- (9) The forecast prices used in the Kazakhstan McDaniel Report, Russia Ryder Scott Report and Azerbaijan Ryder Scott Report are based on Ryder Scott WTI/Brent pricing policy in effect as of January 1st, 2006.

The pricing assumptions used in the Kazakhstan McDaniel Report with respect to net present values of future net revenue (forecast) are set forth below. As a result of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. The Kazakhstan McDaniel Report assumes 85% of Arawak's production is sold at the export price and 15% is sold at the domestic price; the Akzhar export price without new pipeline was used in the proved producing and total proved cases and the Akhaz export price with the new pipeline was used in the proved plus probable case. The domestic price excludes VAT. McDaniel is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

Crude Oil										
Year	WTI Crude Oil (\$US/bbl)	Brent Crude Oil (\$US/bbl)	Akzhar Export Price Differential (\$2005 US/bbl)	Akzhar Export Price Without New Pipeline (\$US/bbl)	Akzhar Export Price With New Pipeline (\$US/bbl)	Akzhar Domestic Price (\$US/bbl)	Besbolek & Karataikz Export Price Differential (\$2005 US/bbl)	Besbolek & Karataikz Export Price (\$US/bbl)	Besbolek & Karataikz Domestic Price (\$US/bbl)	Inflation Forecast (%)
2006	59.00	56.00	17.20	38.80	38.80	16.85	15.80	40.20	14.50	3.25
2007	58.00	55.00	15.00	37.24	37.24	17.40	15.80	38.69	14.97	2.50
2008	55.00	52.00	15.00	33.80	36.13	17.83	15.80	35.28	15.35	2.00
2009	50.00	47.00	15.00	28.43	30.81	18.19	15.80	29.94	15.65	2.00
2010	48.00	45.00	15.00	26.06	28.48	18.55	15.80	27.60	15.97	2.00
2011	47.00	44.00	15.00	24.68	27.15	18.92	15.80	26.26	16.28	2.00
2012	46.50	43.50	15.00	23.80	26.32	19.30	15.80	25.40	16.61	2.00
2013	46.00	43.00	15.00	22.90	25.47	19.69	15.80	24.54	16.94	2.00
2014	46.75	43.75	15.00	23.25	25.87	20.28	15.80	24.92	17.28	2.00
To 2023 and constant thereafter	+2%	+2%	15.00 and constant thereafter	+2%	+2%	+2%	15.80 and constant thereafter	+2%	+2%	+2%

The Company's average price per barrel during 2005 for crude oil produced from its Kazakhstan properties was US\$42.10. The average export price per barrel was US\$49.49 and the average domestic price per barrel was US\$18.58.

The pricing assumptions used in the Russia Ryder Scott Report with respect to net present values of future net revenue (forecast) are set forth below. As a result of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. Ryder Scott is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

Crude Oil						
Year	WTI (\$US/bbl)	Brent (\$US/bbl)	Export (\$US/bbl)	Domestic (\$US/bbl)	Near (\$US/bbl)	Blend (\$US/bbl)
2006	59.00	56.00	50.52	22.41	28.06	34.50
2007	58.00	55.00	49.60	22.01	27.56	33.88
2008	55.00	52.00	46.84	20.81	26.06	32.01
2009	50.00	47.00	42.24	18.81	23.55	28.89
2010	48.00	45.00	40.40	18.01	22.55	27.65
2011	47.00	44.00	39.48	17.60	22.05	27.02
2012	46.50	43.50	39.02	17.41	21.80	26.71
2013	46.00	43.00	38.56	17.20	21.55	26.40
2014	46.75	43.75	39.25	17.51	21.92	26.87
To 2023 and constant thereafter	+2%	+2%	+2%	+2%	+2%	+2%

The Company's average price per barrel during 2005 for crude oil was US\$34.37. The average export price per barrel was US\$48.46, the average near-abroad price per barrel was US\$29.15 and the average domestic price per barrel was US\$23.88.

The pricing assumptions used in the Azerbaijan Ryder Scott Report with respect to net present values of future net revenue (forecast) are set forth below. As a result of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. Ryder Scott is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

Year	Crude Oil			Natural Gas ^{(10) (13)}
	WTI Cushing Oklahoma (\$US/bbl)	Brent (\$US/bbl)	Export (\$US/bbl)	SW Gobustan (\$US/mcf)
2006	59.00	56.00	46.12	1.33
2007	58.00	55.00	45.02	1.33
2008	55.00	52.00	42.13	2.22
2009	50.00	47.00	37.41	2.22
2010	48.00	45.00	35.45	2.22
2011	47.00	44.00	34.42	2.22
2012	46.50	43.50	33.83	2.22
2013	46.00	43.00	33.25	2.22
2014	46.75	43.75	33.81	2.22
To 2023 and constant thereafter	+2%	+2%	+2%	2.22 and constant thereafter

(10) In the Azerbaijan, after tax income is equal to before tax income as the State Oil Company of the Azerbaijan Republic ("SOCAR") pays taxes on behalf of the Company.

(11) Under the terms of the EDPSA, there are no royalties payable to the Azerbaijan Government and there are no royalties paid to the Russian Government.

(12) In Azerbaijan, equivalent taxes are Arawak's share of taxes. These taxes are subtracted from a back-calculated, before tax revenue to yield the true income after tax.

(13) For the proved case, the forecast price of natural gas for the SW Gobustan EDPSA was held constant at US\$1.33/mcf.

Undeveloped Reserves

Ryder Scott and McDaniel have attributed 11,476 mbbbls of crude oil and 22,236 mmcf of natural gas as proved undeveloped reserves, relating to undeveloped portions of Arawak's properties in Kazakhstan (3,228 mbbbl), Russia (3,951 mbbbl) and Azerbaijan (4,297 mbbbls and 22,236 mmcf). These proved undeveloped reserves are expected to be developed between 2006 and 2010.

In Kazakhstan, an additional 29 wells are forecasted to be drilled to complete the development of the proved reserves. These additional wells are mainly infill drilling to the appropriate well spacing.

In Azerbaijan, an additional 68 wells are forecasted to be drilled, after the completion of a 3D seismic program over the main producing fields and 2D seismic over the smaller accumulations. These wells will be infill wells required to drain individual fault blocks.

In Russia, the development program going forward has 33 locations. Thirteen wells will be drilled in 2006 and three wells drilled in late 2005 will be completed in 2006. Nine wells will be drilled in 2007 and the remaining nine wells will be drilled in 2008. There will be five recompletions in existing producers to behind pipe zones and there will be four recompletions in future undeveloped wells in the future. All recompletions and new wells will be completed in the Devonian.

As at December 31st, 2004, Ryder Scott attributed 4,116 mbbbls of crude oil and 41,922 mmcf of natural gas as proved undeveloped reserves relating to Arawak's Azerbaijan EDPSA. While the proved undeveloped reserves of crude oil remained virtually unchanged, the proved undeveloped reserves of natural gas were reduced as of December 31st, 2005 because of the reclassification of reserves to probable reserves due to economic factors related to higher capital costs.

As at December 31st, 2005, Ryder Scott have attributed 12,975 mbbbls of crude oil and 68,987 mmcf of natural gas probable undeveloped reserves, relating to Arawak's properties in Russia (189 mbbbl) and Azerbaijan (12,786 mbbbl and 68,987 mmcf). These probable undeveloped reserves are expected to be developed between 2006 and 2013.

For Azerbaijan, the probable undeveloped reserves relate to portions of fault blocks that are believed to contain hydrocarbons based on present structural interpretations, but due to lack of well control do not have the certainty of the proved undeveloped classification. The increase in probable undeveloped natural gas reserves is due to the increase in the forecasted natural gas price in 2008. As at December 31st, 2004, Ryder Scott attributed 12,332 mbbbls of crude oil and 50,674 mmcf of natural gas probable undeveloped reserves relating to Arawak's Azerbaijan EDPSA. The probable undeveloped reserves of crude oil remained virtually unchanged. The probable undeveloped reserves of natural gas increased due to the reason noted above.

In Russia, probable producing, behind pipe and undeveloped reserves consist of the incremental production after the license expiration date of December 31st, 2013. Subsequent to this expiration date, all reserves are categorized as probable reserves. Upon extension of the field license agreement, probable reserves will be reclassified to proven.

The development of the probable reserves in Kazakhstan is related to both better performance and the implementation of a pressure maintenance scheme by water injection and infill drilling. It is forecasted that to develop the probable reserves, an additional 31 oil wells and 15 water injection wells will be drilled between 2006 and 2010.

Future Development Costs

	Total Proved Estimated Using Constant Prices and Costs (M\$)	Total Proved Estimated Using Forecast Prices and Costs (M\$)	Total Proved Plus Probable Estimated Using Forecast Prices and Costs (M\$)
2006			
Kazakhstan	31,420	31,420	31,367
Russia	8,439	8,439	8,439
Azerbaijan	6,304	6,422	14,188
2007			
Kazakhstan	10,813	11,176	16,794
Russia	4,224	4,330	4,330
Azerbaijan	36,092	37,730	43,453
2008			
Kazakhstan	6,099	6,458	15,550
Russia	4,568	4,775	4,775
Azerbaijan	12,460	13,222	26,777
2009			
Kazakhstan	3,891	4,180	11,523
Russia	40	43	43
Azerbaijan	4,818	4,818	57,472
2010			
Kazakhstan	2,807	3,066	5,745
Russia	40	44	44
Azerbaijan	1,967	2,171	34,213
Total for all years (2006+) undiscounted			
Kazakhstan	59,381	61,215	107,141
Russia	17,331	17,653	17,700
Azerbaijan	61,627	64,798	234,857
Total for all years (2006+) discounted at 10%/year			
Kazakhstan	50,931	52,183	80,611
Russia	15,519	15,283	15,304
Azerbaijan	51,836	54,423	168,314

Arawak intends to fund its share of future development costs by a combination of equity, loans and future revenue from its share of oil and gas sales.

Significant Factors or Uncertainties

Reserves included in this report are estimates only and should not be construed as being exact quantities. They may or may not actually be recovered, and if recovered, revenues therefrom and actual costs related thereto could be more or less than estimated amounts. Moreover, estimates of reserves may increase or decrease as a result of future operations.

The reserves were estimated using performance methods such as decline curve analysis in those situations where the historical data indicated a definitive trend. In those situations where the historical data were insufficient to establish a definitive trend, or where there were no production data, reserves were estimated using the volumetric method or by analogy.

As a result of both economic and political forces there is significant uncertainty regarding the forecasting of future hydrocarbon prices. Recoverable reserves and the income attributable thereto have a direct relationship with hydrocarbon prices actually received; therefore, volumes of reserves actually recovered and amounts of income actually received may differ significantly from the estimated quantities presented.

Oil and Gas Properties and Wells

The following table sets forth the number of wells in the principal properties in which Arawak held a working interest as at December 31st, 2005:

	Oil		Natural Gas	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
Producing				
Kazakhstan	14	14	-	-
Russia	48	24	-	-
Azerbaijan	4	1.5	-	-
Total	66	39.5		
Non-producing				
Kazakhstan	1	1	-	-
Russia	10	5	-	-
Azerbaijan	-	-	7	2.6
Total	11	6	7	2.6

Note:

- (1) "Gross" wells are the total number of wells in which Arawak had an interest and "net" wells are the number of wells obtained by aggregating Arawak's working interest in each of the gross wells.

Costs Incurred

The following table summarizes the capital expenditures made by Arawak on crude oil and natural gas properties for the year ended December 31st, 2005.

	Property Acquisition Costs (M\$)		Exploration Costs (M\$)	Development Costs (M\$)
	Proved Properties	Unproved Properties		
Kazakhstan	63.8	1.0	-	15.2
Russia	45.6	-	-	6.1
Azerbaijan	-	-	8.1	-
Total	109.4	1.0	8.1	21.3

Exploration and Development Activities

The following table sets forth the number of exploratory and development wells which Arawak completed during its 2005 financial year:

	Exploratory Wells		Development Wells	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
Oil Wells				
Kazakhstan	-	-	13	13
Russia	-	-	8	4
Azerbaijan	-	-	-	-
Gas Wells				
Kazakhstan	-	-	-	-
Russia	-	-	-	-
Azerbaijan	2	1	-	-
Service Wells				
Kazakhstan	-	-	-	-
Russia	-	-	-	-
Azerbaijan	-	-	-	-
Dry Holes				
Kazakhstan	-	-	2	2
Russia	-	-	-	-
Azerbaijan	-	-	-	-
Total Completed Wells				
Kazakhstan	-	-	15	15
Russia	-	-	8	4
Azerbaijan	2	1	-	-

Note:

- (1) "Gross" wells are the total number of wells in which Arawak had an interest and "net" wells are the number of wells obtained by aggregating Arawak's working interest in each of the gross wells.

Kazakhstan

As of December 31st, 2005, there were 19 active producers in the Akzhar field. All wells in the Besbolek and Karataikyz fields were shut in as of that date pending resolution of the regulatory problems. As of the date of this Form 51-101F1, the Besbolek field has been put back on production with Karataikyz production expected to recommence in May 2006.

The 2006 Budget for Kazakhstan includes a 3D seismic survey over the entire enlarged area of the Akzhar field (effective December 2005, the Akzhar contract area was expanded from 3.8 sq km to 71.5 sq km), drilling of 11 development wells in the Besbolek and Karataikyz fields and between 3-5 exploration/appraisal wells in the Akzhar field. In addition, the 2006 budget includes commissioning of Akzhar CPF and installation of additional production facilities in all three fields. It is expected that in 2007, the Company will build a spur line from the Akzhar field to the Kenkiyak to Atyrau pipeline to eliminate trucking requirements.

Russia

As of December 31st, 2005, there were 48 active producers and ten shut in wells.

Recent drilling activity in the Sotchemyu field by PNG, the operator, has resulted in the drilling of eight new wells in 2005. PNG's 2006 budget that sanctions the commencement of the drilling of 13 wells, completion of three wells drilled in 2005 and the sidetracking to new locations of three previously shut in or abandoned wells.

Azerbaijan

As of December 31st, 2005, there were four active proved producers in the EDPSA area (Dashgil, Adzhiveli, Donguzdyk) and seven shut-in proved producers (Duvanny). The Kyanizadag 101 well was drilled during 2005, but was not producing as of year end as it was being drilled to a deeper exploratory target. The Duvanny 108 well was successfully drilled to its target in the Balakhany VII main pay. All shut in wells are awaiting completion of construction of gas processing facilities and tie-ins to allow gas sales to commence.

Based on the development schedule the proved undeveloped reserves are expected to be developed between 2005 and 2010. There are two proved undeveloped locations scheduled for this year in the 2006 budget. There are also nine contingent proved undeveloped locations which would be the result of a seismic program currently underway.

In 2006, a 3D seismic survey is planned over the Coastal Block and a 2-D seismic program is planned for the Central and Northern Blocks. The seismic programs are expected to provide an improved interpretation of the fault patterns in the various fields.

Properties with No Attributed Reserves

Kazakhstan

In December 2005, the Company signed the Contract for the Exploration and Production of Hydrocarbons for the Alimbai block. The Alimbai block is located in the Pre-Caspian Basin, approximately 210 km northeast of the city of Atyrau, and 60 km northeast of Besbolek and Karataikyz producing fields. The contract area is approximately 133 sq km. Exploitation rights under the contract include the suprasalt and subsalt horizons, both of which are prospective in the contract area. The work program will be initiated with re-interpretation of existing seismic data, followed by a 2D seismic shoot in the subsequent year. Existing wells will also be evaluated to identify potential re-

entry candidates where Arawak can realize immediate production. The terms include a signature bonus of \$0.43 million and a spending commitment of \$4.9 million over a 6-year Exploration Phase. Upon declaration of commercial discovery, the Exploration Phase will be followed by a 25-year production period.

Russia

Arawak owns a 50% interest in the Kadzherom exploration area covering a gross area of 17 square kilometres (8.5 sq km net) located in the immediate vicinity of the Sotchemyu – Talyu fields in Komi Republic. The Kadzherom license was issued in 2003 and expires in 2008. There are no existing work commitments.

Forward Contracts

Information in respect of a hedging contract in Kazakhstan is included in the Notes to the 2005 consolidation financial statement, Note 13.

Abandonment and Reclamation Costs

For Kazakhstan, the abandonment and reclamation costs were included as annual contributions to the liquidation fund, as required in each of the contracts and by Kazakhstani legislation. These contributions to the liquidation fund are deductible as an operating expense in the year incurred and are estimated to be \$20,000 per well. When actual well abandonments are incurred, costs are paid out of the liquidation fund. The total abandonment and reclamation costs are allocated annually and evenly over the life of the fields. The total abandonment and reclamation cost is estimated to be US\$1.92 million for the total proved case and US\$2.84 million for the proved plus probable case, undiscounted. The total abandonment and reclamation cost discounted at 10% is estimated to be US\$1.10 million for the total proved case and US\$1.29 million for the proved plus probable case. There were no abandonments expected in the next three financial years.

In Russia, the estimated net cost of abandonment after salvage was included only for entities with assigned remaining reserves. Abandonment and reclamation costs for shut-in and suspended wells were not included in the Russia Ryder Scott Report. Abandonment costs associated with facilities, pipelines and site reclamation are included with well abandonment cost net of salvage. An average cost of \$36,325 per well was used in the Russia Ryder Scott Report. Abandonment and reclamation costs were applied on an individual well basis and were charged one year after each individual well's economic life. The total abandonment and reclamation cost is estimated to be US\$0.81 million for the total proved case and US\$1.84 million for the proved plus probable case, undiscounted. The total abandonment and reclamation cost discounted at 10% is estimated to be US\$0.47 million for the total proved case and US\$0.66 million for the proved plus probable case.

In Azerbaijan, an average cost of \$50,000 was used for each well's abandonment and \$500,000 for each major facility abandonment. These costs were forecasted to be incurred at the end of the life of each field. The total abandonment and reclamation cost is estimated to be US\$2.29 million for the total proved case and US\$7.83 million for the proved plus probable case, undiscounted. The total abandonment and reclamation cost discounted at 10% is estimated to be US\$0.81 million for the total proved case and US\$2.04 million for the proved plus probable case. There were no abandonments expected in the next three financial years.

Tax Horizon

In respect of Arawak's interest in the EDPSA in Azerbaijan, Arawak does not pay income tax for the profits received. According to the terms of the EPDSA, income taxes are deemed to be paid on Arawak's behalf out of SOCAR's share of profit oil. Based on current estimates, beginning April 1st, 2009, SOCAR will pay income tax on Arawak's behalf.

During 2005, the Company paid income tax in Russia and Kazakhstan related to net income generated from reserves produced from the Company's fields in Russia and Kazakhstan.

Production Estimates

The following table sets forth the volume of production estimated for 2006, in the proved plus probable reserves case:

	Oil (mbl)	Natural Gas (mmcf)
Kazakhstan	1,564	-
Russia	1,641	-
Azerbaijan	106	1,173
Total	3,311	1,173

	Oil (mbl)	Natural Gas (mmcf)
Kazakhstan - Akzhar	1,287	-
Kazakhstan - Other	277	-
Russia	1,641	-
Azerbaijan	106	1,173
Total	3,311	1,173

Production History

Production from the Kazakhstan and Russian operations amounted to 2,069 mbls for the year ended December 31st, 2005 or 5,667 bbl/d on average. In addition, small amounts of oil were produced in Azerbaijan in 2005, amounting to approximately 30,352 bbls (gross).

For the year ended December 31st, 2005	Kazakhstan	Russia	Total
Production - mbl	969	1100	2,069
Average daily production - mbl	3	3	6

The following table sets forth certain information in respect of production, product prices received, royalties, production costs and netbacks received by the Company for each quarter of its most recently completed financial year:

	<u>Three Months Ended March 31, 2005</u>	<u>Three Months Ended June 30, 2005</u>	<u>Three Months Ended September 30, 2005</u>	<u>Three Months Ended December 31, 2005</u>
Average Daily Production				
Light and Medium Oil (bbl/d)				
Kazakhstan	2,003	2,686	3,212	2,703
Russia	2,795	3,044	3,032	3,175
Azerbaijan	27	38	32	27
Average Net Prices Received				
Light and Medium Oil (\$/bbl)				
Kazakhstan	28.78	30.56	41.65	34.62
Russia	26.07	31.28	38.54	35.66
Azerbaijan	37.23	46.28	48.10	48.69
Royalties				
Light and Medium Oil (\$/bbl)				
Kazakhstan	0.76	0.89	1.06	1.15
Russia	-	-	-	-
Azerbaijan	-	-	-	-
Production Costs				
Light and Medium Oil (\$/bbl)				
Kazakhstan	3.73	3.39	2.59	2.21
Russia	3.22	1.82	3.08	3.19
Azerbaijan	0.01	0.01	0.05	0.02
Netback Received				
Light and Medium Oil (\$/bbl)				
Kazakhstan	24.29	26.28	38.00	31.26
Russia	22.85	29.46	34.56	32.47
Azerbaijan	37.22	46.27	48.05	48.57

Information in respect of production, product prices received, royalties, production costs and netbacks received by the Company is also included in the Management's Discussion and Analysis relating to the 2005 annual and interim financial statements of the Company.