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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in MIE Holdings Corporation (the “Company”), you should at once hand this circular to the purchaser or the transferee or the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**MIE HOLDINGS CORPORATION**  
**MI能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1555)**

**MAJOR TRANSACTION RELATING TO  
THE ACQUISITION OF THE ISSUED AND OUTSTANDING  
PARTICIPATION INTERESTS OF EMIR-OIL, LLC**

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April 19, 2011

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## DEFINITIONS

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	Page
<b>Definitions</b> .....	1
<b>Letter From The Board</b> .....	6
<b>Appendix I – Financial Information of the Group</b> .....	56
<b>Appendix II – Financial Information of the Target Company</b> .....	58
<b>Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group</b> .....	123
<b>Appendix IV – Competent Person’s Report</b> .....	133
<b>Appendix V – Valuation Report</b> .....	318
<b>Appendix VI – General Information</b> .....	345

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## DEFINITIONS

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*In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:*

“Acquisition”	the acquisition of all right, title and interest in and to the Interests and the Seller Loans subject to the terms and conditions of the Purchase Agreement
“Announcement”	the announcement of the Company dated February 15, 2011 in relation to, <i>inter alia</i> , the Acquisition
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“BOE”	barrels of oil equivalent
“bcf”	billion cubic feet
“Closing”	closing of the Acquisition and the other transactions as contemplated under the Purchase Agreement
“Closing Date”	the date of the Closing as set out in the Purchase Agreement
“CNPC”	China National Petroleum Corporation
“Company”	MIE Holdings Corporation (stock code: 1555), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Competent Authority”	the central executive agency, from time to time designated by the government of Kazakhstan to act on behalf of Kazakhstan to exercise rights relating to the execution and performance of subsoil use contracts, except for contracts for exploration and production of commonly occurring minerals. Until recently this agency was the Ministry of Energy and Mineral Resources of Kazakhstan, which on 12 March 2010 was reorganised into the MOG with respect to the oil and gas industry
“Competent Evaluator”	Mr. Ian D. Buckingham of Jones Lang LaSalle Sallmanns Limited, who undertook the valuation contained in the Valuation Report

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## DEFINITIONS

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“Competent Person”	Chapman Petroleum Engineering Ltd., an independent appraisal firm located in Canada, and the Target Company’s independent petroleum engineering firm, which prepared the Competent Person’s Report
“Competent Person’s Report”	a report on the estimated reserves in the Contract Area under the Existing Exploration Contract as of December 31, 2010 issued by the Competent Person for inclusion in this circular
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Contract Area”	comprises four existing oilfields and six identified prospects with hydrocarbon potential, including (a) the ADE Block, including the Aksaz, Dolinnoe and Emir oilfields, (b) the Southeast Block, including the Kariman oil and gas field and the unexplored Borly and Yessen fields, and (c) the Northwest Block, including areas to the north and west of the exploration territory extending towards the Caspian Sea
“Controlling Shareholder” or “FEEL”	Far East Energy Limited, a company incorporated in Hong Kong and the Company’s controlling shareholder, holding 1,414,600,000 Shares representing approximately 53.6% of the issued share capital of the Company
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group immediately after Closing
“Existing Exploration Contract”	the contract for the exploration of hydrocarbons in the “Aksaz-Dolinnoe-Emir” Area in Tubkaraganskii Region in Mangystau Oblast between the Agency of the Republic of Kazakhstan for Investments, and “Zhanaozenskii Remontno-mechanicheskii Zavod” Limited Liability Partnership, being the contractor, dated June 9, 2000 (registration no. 482), and as amended from time to time
“EV/BOE”	enterprise value per barrel of oil equivalent
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards
“IFRS Financial Statements”	financial statements prepared in compliance with the International Financial Reporting Standards
“Independent Third Party(ies)”	independent third party(ies) who is (are) not connected person(s) of the Company and is (are) independent of the Company and connected persons of the Company
“Interests”	all the issued and outstanding participation interests of the Target Company
“KMG”	Kazmunaigaz, Kazakhstan’s national oil and gas company
“Latest Practicable Date”	April 13, 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“License No. 1552”	license series AI no. 1552, which was issued by the government of Kazakhstan on April 30, 1999 for exploration of raw hydrocarbons in the Aksaz-Dolinnoe-Emir area located in the territory of Tubkaraganskii Region, Mangystau Oblast, Kazakhstan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mcf”	thousand cubic feet
“MIE”	MI Energy Corporation, a company incorporated in the Cayman Islands on May 22, 2001 with limited liability and a direct wholly-owned subsidiary of the Company
“MMcf”	million cubic feet
“MOG”	the Ministry of Oil and Gas of the Republic of Kazakhstan

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## DEFINITIONS

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“Notes”	the 5.0% convertible senior notes due 2012 issued by the Seller pursuant to an indenture dated September 19, 2007 (as amended or supplemented)
“Note Restructuring Agreement”	the note restructuring agreement effective March 4, 2011 by and among the Seller and the holders of the Notes issued by the Seller
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Production Contract”	any agreement between the MOG and the Target Company for the performance of the production of hydrocarbons from any of Dolinnoe, Aksaz, Kariman or Emir as provided for under the Existing Exploration Contract
“Prospectus”	the prospectus issued by the Company dated December 1, 2010 in relation to the initial public offering of the Company on the Main Board of the Stock Exchange
“Purchase Agreement”	the participation interest purchase agreement dated February 14, 2011 entered into by the Seller, the Purchaser and the Company, as guarantor of the Purchaser’s obligations thereunder
“Purchaser”	Palaeontol B.V., a company organized under the laws of the Netherlands and a wholly-owned subsidiary of the Company
“ROK” or “Kazakhstan” or “State”	Republic of Kazakhstan
“Seller”	BMB Munai, Inc., a Nevada corporation, which is an Independent Third Party
“Seller Loans”	intercompany loans made by the Seller to the Target Company pursuant to certain intercompany loan agreements as identified in the Purchase Agreement, including all principal, interest and other amounts payable with respect thereto

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of US\$0.001 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsoil Use Law”	the Kazakhstan Law “On Subsoil and Subsoil Use” (no. 291, dated June 24, 2010, effective as of July 7, 2010, as amended)
“Target Company” or “Emir-Oil”	Emir-Oil, LLC, an entity organized under the laws of the ROK, an Independent Third Party
“Transition Services Agreement”	the agreement to be entered into by and between the Seller and the Company prior to the Closing to provide for the transition of the operations of the Target Company to the Company
“Tax Code”	the Tax Code of the ROK (Kazakhstan Law no. 100-IV, dated December 10, 2008, effective January 1, 2009, as amended)
“Valuation Report”	the valuation report on the oil and gas fields in the Contract Area under the Existing Exploration Contract as of December 31, 2010 issued by the Competent Evaluator for inclusion in this circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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LETTER FROM THE BOARD

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**MIE HOLDINGS CORPORATION**  
**MI能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1555)**

*Executive Directors*

Mr. Zhang Ruilin (*Chairman*)  
Mr. Zhao Jiangwei  
Mr. Forrest L. Dietrich  
Mr. Allen Mak

*Non-executive Director*

Mr. Wang Sing

*Independent Non-executive Directors*

Mr. Mei Jianping  
Mr. Jeffrey W. Miller  
Mr. Cai Rucheng

*Registered office*

Maples Corporate Services Limited  
P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

*Headquarters*

Suite 406  
Block C, Grand Place  
5 Hui Zhong Road  
Chaoyang District  
Beijing 100101  
China

*Principal place of business in Hong Kong*

Level 28, Three Pacific Place  
1 Queen's Road East  
Hong Kong

April 19, 2011

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION RELATING TO  
THE ACQUISITION OF THE ISSUED AND OUTSTANDING  
PARTICIPATION INTERESTS OF EMIR-OIL, LLC**

**INTRODUCTION**

Reference is made to the Announcement in relation to the Company's acquisition of all the issued and outstanding participation interests of Emir-Oil, LLC and the Seller Loans for an

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## LETTER FROM THE BOARD

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aggregate consideration of US\$170 million (subject to adjustment), which constitutes a major transaction of the Company under the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information on the details of the Acquisition and the Purchase Agreement; (ii) financial and other information of the Group; (iii) financial information of the Target Company; (iv) unaudited pro forma financial information of the Enlarged Group; (v) Competent Person's Report; (vi) Valuation Report; and (vii) other information as required under the Listing Rules.

### THE ACQUISITION

#### Purchase Agreement

##### *Date*

February 14, 2011

##### *Parties*

Seller: BMB Munai, Inc.

Purchaser: Palaeontol B.V., a wholly-owned subsidiary of the Company

Guarantor: the Company as guarantor of Palaeontol B.V.'s obligations thereunder

The principal activity of the Seller is to operate the Target Company, and the Seller's common stock is traded on the NYSE Amex. As at the date of this circular, the Target Company is the sole operating subsidiary of the Seller and is wholly-owned by it. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and its ultimate beneficial owners are Independent Third Parties.

#### Assets To Be Acquired

Pursuant to the Purchase Agreement, the Purchaser conditionally agreed to acquire, and the Seller conditionally agreed to sell all right, title and interest in and to the Interests and the Seller Loans, free and clear of all liens, other than the Permitted Liens (as defined in the Purchase Agreement). After the Acquisition, the Target Company will become an indirectly wholly-owned subsidiary of the Company. As of the date of this circular, the Target Company owns a 100% undivided interest in the Existing Exploration Contract, which allows the Target Company to conduct exploration drilling and oil production in the Contract Area in the Mangistau Oblast in the southwestern region of the ROK until January 2013. The Contract Area under the Existing Exploration Contract is approximately 850 square kilometers and comprises four existing oilfields (namely, the Azkaz, Dolinnoe, Emir and Kariman oilfields) and six identified prospects with hydrocarbon potential, which has estimated proved, probable and possible reserves, including both developed and undeveloped reserves, of approximately 23.6

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## LETTER FROM THE BOARD

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million, 61.5 million and 29.7 million barrels of crude oil, respectively, and 26,842, 36,821 and 34,155 MMcf of natural gas, respectively. Under the terms of the Existing Exploration Contract, the Target Company has the right to sell all oil and natural gas produced in the Contract Area and the exclusive right to apply for and negotiate a Production Contract. One of the primary conditions in order for Closing to occur is that the Target Company must have obtained Production Contracts from the MOG in relation to three of the four existing oilfields under the Existing Exploration Contract, and the Seller has further undertaken in the Purchase Agreement to assist the Purchaser in applying for a Production Contract for the remaining oilfield under the Existing Exploration Contract. Further details of the Interests are set out in the section headed “Information on the Target Company” below.

### **Consideration**

Pursuant to the Purchase Agreement, the Purchaser will acquire from the Seller all right, title and interest in and to the Interests and all right, title and interest in and to the Seller Loans for an aggregate consideration of US\$170 million (subject to adjustment) (the “**Consideration**”), out of which US\$36 million will be subject to a twelve-month escrow for indemnification purposes at Closing. Certain adjustments will be made to the Consideration both at and 90 days after Closing, the cumulative effect of which will be to reconcile certain specified changes to the Target Company’s balance sheet occurring between December 31, 2010 and the Closing Date. Such adjustments will decrease the Consideration by the sum of (without duplication) (a) any cash payments made by the Target Company to the Seller or its affiliates between December 31, 2010 and the Closing Date, (b) any liabilities incurred by the Target Company outside of the ordinary course of business between December 31, 2010 and the Closing Date, (c) any indebtedness of the Target Company incurred between December 31, 2010 and the Closing Date, (d) any off-balance sheet liabilities incurred by the Target Company between December 31, 2010 and the Closing Date, and (e) all expenses of the Target Company incurred in connection with the Acquisition between December 31, 2010 and the Closing Date. The Consideration is to be wholly-satisfied by the Company in cash.

The Company continues to explore different financing alternatives in order to fund the Acquisition. It is currently in discussions with a number of banks for new debt financing of a minimum of US\$200 million, and expects such financing to be completed by the end of the second quarter of 2011. Upon raising the new debt financing of a minimum of US\$200 million, the Company plans to pay the full amount of the Consideration with funds raised from such new debt financing. In the event that the Company does not complete the new debt financing of a minimum of US\$200 million, the Company will explore a variety of different financing means, including other bank loans, equity issuances, using up to HK\$381 million of the net proceeds from the initial public offering allocated for the expansion of the Company’s operations by acquiring interests in other oilfields and other internal resources.

### **Basis of the Consideration**

The Consideration was determined after arm’s length negotiations between the parties and with reference to numerous considerations, including without limitation, current production rate, cash flow, historical financial information of the Target Company and in particular, the economic value of the oil and gas reserves within the Contract Area under the Existing Exploration Contract.

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## LETTER FROM THE BOARD

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### **Representations, Warranties and Covenants**

The Purchaser and the Seller have made representations and warranties in the Purchase Agreement customary for a transaction of this nature, including, *inter alia*, a representation from the Seller that it is the record and beneficial owner of the Interests, and that it will transfer at Closing to the Purchaser good and marketable title to the Interests, in each case free and clear of all liens or any other restrictions on transfer. It is a condition to Closing that the representations and warranties made by the Seller are true and correct in all material respects as of the date of the Purchase Agreement and as of the Closing Date. The Seller has also agreed to various covenants in the Purchase Agreement, including, among other things, to conduct the business of the Target Company between signing and Closing in the ordinary course.

### **Conditions Precedent of the Purchase Agreement**

Closing of the Acquisition is conditional upon fulfillment or waiver (to the extent waivable) of, *inter alia*, the following conditions:

1. No order or decree issued by a court of competent jurisdiction or laws in any such jurisdiction shall have been in effect that prohibits the consummation of the Acquisition.
2. No proceedings shall be pending by any governmental authority that restrains or prohibits the consummation of the Acquisition, or renders unenforceable any material provision of the Purchase Agreement.
3. The parties shall have received the consent of the Agency of the ROK for Competition Protection (Antimonopoly Agency) for the consummation of the Acquisition.
4. The parties shall have received (i) the consent of the MOG to the transfer of the Interests under the Purchase Agreement; and (ii) the waiver of the priority right of the Government of the ROK to purchase the Interests in accordance with the laws of the ROK.
5. The Seller's shareholders' approval of the Acquisition, the Purchase Agreement and the transactions contemplated therein shall have been obtained.
6. The Purchaser's shareholders' approval of the Acquisition, the Purchase Agreement and the transactions contemplated therein shall have been obtained.
7. The Shareholders' approval of the Acquisition, the Purchase Agreement and the transactions contemplated therein shall have been obtained.
8. The Purchase Agreement and other transactions contemplated therein shall have been approved by the Stock Exchange in accordance with the Listing Rules.

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## LETTER FROM THE BOARD

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9. The Seller shall deliver to the Purchaser (i) by no later than March 31, 2011, the Competent Person's Report prepared in accordance with the Listing Rules; (ii) by no later than March 31, 2011, audited IFRS Financial Statements of the Target Company for the three financial years ended March 31, 2008, 2009 and 2010 and the nine-month period ended December 31, 2010 and comparable unaudited financial statements of the Target Company for the nine-month period ended December 31, 2009; and (iii) a working capital forecast for the Target Company for the 12-month period immediately following the date of delivery of the IFRS Financial Statements.
10. The Purchaser shall have received documentary evidence satisfactory to it that the Target Company has complied with specific Kazakhstan laws and regulations and certain provisions under the Existing Exploration Contract.
11. The Target Company shall have delivered to the Purchaser a written waiver of its preemptive right under applicable Kazakhstan law with respect to the sale of the Interests.
12. The Purchaser and the Seller shall have executed, delivered and notarized the act of transfer and all other necessary transfer documents required under the laws of the ROK, the Purchaser shall have approved, executed and notarized the charter, and the Seller shall have caused the act of transfer, the charter and all other required documents necessary for the transfer of the ownership of the Interests to the Purchaser to have been submitted to and, in the case of the charter, registered with the applicable office of the Ministry of Justice.
13. The Purchaser shall have received a valid work permit from the Ministry of Labor and Social Protection of the ROK for the appointment of a designee of the Purchaser as the new general manager of the Target Company effective as of Closing.
14. The Seller shall have registered with the National Bank of the Republic of Kazakhstan the assignment of the Seller Loans from the Seller to the Purchaser or an affiliate of the Purchaser.
15. The Target Company shall have entered into and duly registered a Production Contract with the MOG for production of petroleum for each of Kariman, Dolinnoe and Aksaz.
16. The Seller shall have received all necessary approvals regarding transactions involving equity or equity-linked securities, shares of capital stock of the Seller and trading of any such shares from the MOG.
17. The Purchaser shall have received the legal opinions of the U.S. counsel and the Kazakhstan counsel to the Seller, each dated as of the Closing Date.

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## LETTER FROM THE BOARD

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18. The Seller shall have obtained all consents (or waivers thereof) and made all notifications and filings required to be obtained or made by the Target Company in connection with the Acquisition, the Purchase Agreement and the transactions contemplated thereunder.
19. The Purchaser shall have received documentary evidence satisfactory to it of the Target Company's ownership of the assets as set out in the Purchase Agreement.
20. The Purchaser shall have received evidence of cancellation of a barter agreement in form and substance satisfactory to the Purchaser.
21. The approval of holders of the Notes shall have been obtained.

As of the Latest Practicable Date, conditions 6 and 21 above have been fulfilled and no condition has been waived.

### **Closing**

To the extent permitted by applicable law, conditions precedent (1) to (8) above can be waived by either the Purchaser or the Seller on its own behalf and conditions precedent (9) to (21) above can be waived by the Purchaser. Currently, neither the Company nor the Purchaser expects the Purchaser to waive any of the key conditions precedent under the Purchase Agreement, including the obtaining of Production Contracts for each of Kariman, Dolinnoe and Aksaz (condition precedent 15 above) and the assignment of the Seller Loans (condition precedent 14 above). Subject to all conditions precedent being fulfilled or waived (to the extent waivable), Closing shall take place on or before August 15, 2011, or, if certain specific regulatory conditions are the only conditions that remain unfulfilled then, no later than November 14, 2011.

**As Closing is subject to the fulfillment of a number of conditions precedent which are detailed above, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

### **Acquisition Proposals**

The Seller has agreed to not solicit or facilitate prior to Closing any bona fide offer or proposal of a transaction that if effected would result in the transfer or disposal of (a) 15% or more of the voting power of the Seller or the Target Company, or (b) the assets of or interests in the Seller or the Target Company representing 15% or more of the net revenues, net income or assets of the Seller or the Target Company, as applicable (an "Acquisition Proposal"). The Seller may, however, terminate the Purchase Agreement (subject to the termination conditions discussed below) and proceed with an alternative, unsolicited Acquisition Proposal if the Seller's board of directors determines in good faith, after consultation with its advisers, that the Acquisition Proposal would reasonably likely lead to a superior proposal and that the failure to take action with respect to such proposal would reasonably be expected to constitute a breach of the Seller's board of director's fiduciary duties.

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## LETTER FROM THE BOARD

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### Termination

The Purchase Agreement may be terminated:

- by mutual written consent of the parties;
- by either the Purchaser or the Seller, if the Closing has not occurred on or before August 15, 2011, or in the event that only certain regulatory requirements remain outstanding, on or before November 14, 2011 (as applicable, the “End Date”), as set out above;
- by the Purchaser if the Seller relinquishes any portion of the Contract Area, breaches its representations or warranties or fails to perform covenants or agreements that would result in the failure to satisfy the closing conditions (each a “Closing Condition Failure”);
- by the Seller if the Purchaser breaches its representations or warranties or fails to perform covenants or agreements that would result in the failure to satisfy the closing conditions;
- by either the Purchaser or the Seller, if any governmental authority in Kazakhstan, the United States or any other country takes any action restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by the Purchase Agreement and such order or other action is final and non-appealable (each a “Governmental Order”);
- by either the Purchaser or the Seller if the Seller’s stockholders’ approval is not obtained;
- by the Purchaser if the Seller changes its recommendation to its stockholders with respect to approval of the Purchase Agreement, fails to satisfy its obligations to distribute proxy materials and hold a stockholder meeting, pursues an Acquisition Proposal in breach of the terms of the Purchase Agreement, or authorizes or publicly proposes any of the foregoing (collectively, a “Proxy Solicitation Failure”);
- by the Seller in the event of a superior proposal;
- by either the Purchaser or the Seller if the Company’s stockholders’ approval is not obtained;
- by the Purchaser if the Seller fails to solicit and obtain approval from the noteholders of the Notes (the “Noteholder Approval”).

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## LETTER FROM THE BOARD

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The Seller will be required to pay a termination fee of US\$17 million and the Company's expenses (not to exceed US\$3.5 million) if the Purchase Agreement is terminated by the Seller due to a superior proposal. The Seller will be required to pay the termination fee (but not the Company's expenses) if the Purchaser terminates due to a Proxy Solicitation Failure, or due to a Closing Condition Failure while an Acquisition Proposal has been announced and not withdrawn, and within 12 months of such termination, the Seller enters into a letter of intent, an agreement or an agreement in principle that would reasonably be expected to lead to an Acquisition Proposal (an "Alternative Acquisition Agreement"). The Seller will be required to pay the Company's expenses (but not the termination fee) if (a) either party terminates due to the failure to satisfy certain regulatory conditions that results in the Closing not occurring by the End Date or a Governmental Order being issued; (b) the Purchaser terminates because the Seller fails to receive Noteholder Approval, or (c) either party terminates because the Closing has not occurred by the applicable End Date, or the Seller's stockholders have not approved of the Purchase Agreement, and an acquisition proposal has been announced and not withdrawn; provided, however, that if within 12 months of such termination, the Seller enters into an Alternative Acquisition Agreement, the Seller will also have to pay the termination fee.

### **Indemnification**

The representations, warranties and covenants of the parties survive only for a period of twelve months following the Closing Date, except in cases of fraud or criminal misconduct on the part of the Seller in which case survival is without limitation. The Seller will indemnify the Purchaser for losses arising from the Seller's breaches of representations and warranties, failure to perform covenants, ongoing litigation matters, compliance with (and validity of) its Existing Exploration Contract, transfer of certain payables, defects in ownership of certain facilities and pipelines, or violations of applicable environmental law. The maximum indemnification obligation of the Seller is limited to US\$39 million (US\$36 million of which will be funded into an escrow at Closing), except with respect to losses arising out of fraud or criminal misconduct. Other than with respect to certain specified representations, the Seller is not required to indemnify the Purchaser until the claims exceed US\$750,000 in the aggregate, at which point, the Seller will be obligated to pay the entire amount of such claims regardless of the threshold. The Seller's indemnification obligations are limited generally for a period of one year following the Closing Date. The parties have made provision for an extended indemnification obligation period with respect to one potential outstanding contingent matter that relates only to the Seller and should not in any instance impact the Target Company or the Group, and the extended period ends on the earlier of (a) 90 days following the final resolution of the matter such that it is not subject to judicial process or appeal or (b) the expiration of applicable statutes of limitations. The amount of the Seller's maximum indemnification obligation was negotiated at arm's length between the Company and the Seller and the Board believes that because such limit does not apply to losses arising out of fraud or criminal conduct on the part of the Seller and because most acquisitions where the seller is a public company do not provide for any indemnification to the purchaser, such amount provides the Company with sufficient protection against those losses for which it is entitled to indemnification under the Purchase Agreement.

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## LETTER FROM THE BOARD

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### **Voting Agreements**

In connection with the execution of the Purchase Agreement, certain principals of the Seller, who collectively own approximately 24% of the outstanding shares of the Seller's common stock, entered into voting agreements to vote their shares in favor of the Acquisition at the stockholder meeting. These principals also granted to the Company a proxy to vote their shares of common stock in favor of the Acquisition and agreed to not transfer their shares prior to the expiration of the voting agreement.

### **Obligation to Lend**

In the event that Closing does not occur on or before the End Date and on the End Date, the Target Company has obtained production contracts for each of Kariman, Dolinnoe and Aksaz with the MOG in accordance with the Purchase Agreement, and provided that the Seller is not then in material breach of its representations, warranties, covenants or agreements under the Purchase Agreement, the Seller has the right to require the Company to provide debt financing by purchasing US\$5 million of their existing Notes to provide available liquidity to pay the amounts that would then be owing to the Kazakhstan government in connection with its agreement to enter into Production Contracts covering the Aksaz, Dolinnoe and Kariman oilfields. In accordance with the Purchase Agreement, the Seller would issue to the Company convertible senior notes at a purchase price equal to par value on the same terms and conditions that govern the Notes and which would otherwise be *pari passu* with the outstanding Notes.

Based on a principal amount of US\$5 million and assuming full conversion at the initial conversion price of US\$7.2094 per share, the common shares the Company would hold will represent approximately 1.24% of the existing shares of the Seller and approximately 1.23% of the common shares of the Seller as enlarged by the issue of the conversion shares. Based on a principal amount of US\$5 million and assuming full conversion at the reduced conversion price of US\$2.00 per share, the common shares the Company would hold will represent approximately 4.48% of the existing shares of the Seller and approximately 4.29% of the common shares of the Seller as enlarged by the issue of the conversion shares. The reduction of the conversion price is described below.

### **Note Restructuring Agreement**

In September 2007, the Seller issued the original Notes. The amended Notes are due on July 13, 2013 and have an interest rate of 10.75% per annum on the outstanding principal amount, payable semi-annually in arrears on January 13 and July 13 of each year. The Notes are convertible into the Seller's common stock at an initial conversion price of US\$7.2094 per share, subject to certain adjustments. As required under the terms of the Note Restructuring Agreement, the Seller is seeking approval of its stockholders to a future reduction of the conversion price from US\$7.2094 per share to US\$2.00 per share, with a corresponding reduction in the minimum conversion price from US\$6.95 per share to US\$1.00 per share.

In connection with the Purchase Agreement, the Seller obtained a waiver with respect to its execution of the Purchase Agreement from the holders of the Notes. Closing of the Purchase

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## LETTER FROM THE BOARD

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Agreement, however, remains subject to approval by the holders of the Notes, which approval was granted on March 8, 2011 in connection with the execution of the Note Restructuring Agreement. The Note Restructuring Agreement, among other things:

- increased the coupon rate of the original Notes from 9.0% to 10.75%;
- made a US\$1.0 million cash payment to holders of the original Notes;
- increased the aggregate principal amount of the original Notes from US\$60.0 million to US\$61.4 million;
- extended the maturity date of the original Notes from July 13, 2012 to July 13, 2013;
- granted the holders of the original Notes a new put option, exercisable one year prior to the new maturity date;
- added covenant restrictions, including a limitation on indebtedness that may be incurred, a restriction on the capital expenditures, a prohibition on paying dividends on shares of common stock and a limitation on investments;
- requires semi-annual principal amortization payments of 30% of excess cash flow, if any; and
- granted the holders of the original Notes director nominee rights with respect to the Seller and the Target Company.

Certain aspects of the note restructuring will be subject to stockholder approval and may be subject to the regulatory approval of the MOG.

### **Related Party Waivers**

In connection with the Acquisition, Messrs. Toleush Tolmakov and Boris Cherdabayev agreed to contribute into an escrow at Closing (to form part of the US\$36 million in escrow funds for indemnification purposes as described above) the entirety of the stockholder cash distributions they would otherwise be entitled to receive from the Seller in the initial stockholder distribution in respect of their shares of the Seller's common stock, amounting to approximately US\$17,096,709. Mr. Tolmakov is the beneficial holder of 6,251,960 shares of common stock and is an executive officer of the Seller. Mr. Cherdabayev is the beneficial holder of 6,248,727 shares of common stock and is the chairman of the board of the Seller. The result is that these two stockholders have agreed to put at risk the entire value of their common stock for the Seller's indemnification purposes, deferring their initial stockholder distribution until the anticipated subsequent stockholder distribution, if any. By doing so, the Seller will be able to pay to the other stockholders at the initial distribution the amount of cash that otherwise would have been paid to Messrs. Tolmakov and Cherdabayev at such time. If the Acquisition is consummated, the Seller expects to redeem the Notes out of the proceeds from the Acquisition prior to making an initial cash distribution to its stockholders.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE TARGET COMPANY

#### Republic of Kazakhstan

Kazakhstan is the ninth largest country in the world by area. Located in Central Asia, it is situated on the northeast shore of the Caspian Sea and shares its borders with China, Russia, Turkmenistan, Uzbekistan, and Kyrgyzstan.

The following is a map of Kazakhstan and its neighbouring countries:

*Table 1*



\* *Contract Area under the Existing Exploration Contract.*

Kazakhstan has the largest proven oil reserves base in the Caspian Sea region and is the second largest oil producer within Central Asia. As of January 1, 2010, it had a proven oil reserves base of 30 billion barrels. Kazakhstan's oil production has been increasing rapidly since the early 1990s and has more than doubled in the past decade. Kazakhstan's oil production accounted for more than half of the region's oil and gas production, producing approximately 1.54 million and 1.57 million barrels per day in 2009 and 2010, respectively. The growing petroleum industry in Kazakhstan accounts for more than 30% of the country's gross domestic product and more than half of its export revenues. According to Business Monitor International's oil and gas industry report published in January 2010, it is forecasted that oil and gas liquids production in Kazakhstan will increase by 50% between 2009 and 2019. In its report, Business Monitor International has ranked Kazakhstan in first place in its upstream business environment rating, and has observed that the country's oil and gas production outlook, early stage of development of its oilfields, high production to reserves ratios and competitive landscape are very favorable to the country. Because of its strong macroeconomic performance and financial health, Kazakhstan became the first country comprising the former Soviet republic to repay all of its debt to the International Monetary

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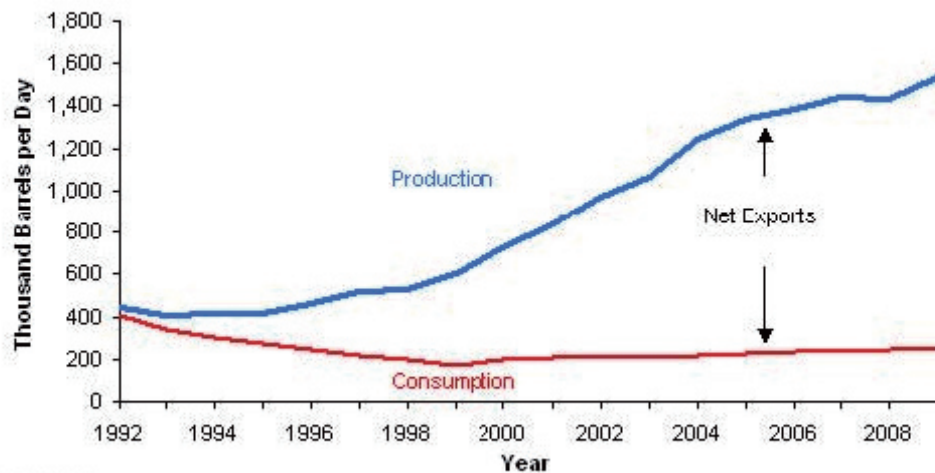
## LETTER FROM THE BOARD

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Fund (IMF) in 2000, 7 years ahead of schedule. In September 2002, Kazakhstan became the first country in the former Soviet Union to receive an investment-grade credit rating from a major international credit rating agency.<sup>2</sup> The following is a chart setting out the oil production and consumption in Kazakhstan during the period from 1992 to 2009:

*Table 2*

**Kazakhstan's Oil Production and Consumption, 1992-2009**



*Source: U.S. Energy Information Administration's website*

Kazakhstan's main oil reserves are located in the western part of the country and comprise the five largest onshore oilfields in the country, namely, Mangistau, Tengiz, Karachaganak, Aktobe and Uzen. The Mangistau region in Kazakhstan has numerous productive oilfields, including oilfields that are contracted for and operated by leading Chinese oil and gas companies, such as CNPC/PetroChina. Other Chinese companies active in Kazakhstan includes CNOOC (中國海洋石油總公司), CITIC (中國國際信託投資公司), China Zhenhua Oil Co., Ltd (中國振華石油控股有限公司) and Sinochem (中國化工進出口公司). The region's infrastructure is well-developed, allowing extracted oil to be conveniently and economically transported to the Black Sea by pipelines, to the Mediterranean Sea by barge<sup>3</sup> and pipeline<sup>3</sup>, to Batumi and Georgia by barge<sup>3</sup> and rail and to the PRC by pipeline<sup>3</sup>. The recently-completed 1,384 mile Kazakhstan-China oil pipeline makes exporting oil to the PRC especially attractive.<sup>3</sup>

<sup>2</sup> Source: U.S. State Department's website

<sup>3</sup> Source of information in relation to Kazakhstan: a brief summary analysis on the energy sector of Kazakhstan published by the U.S. Department of Energy in November 2010.

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## LETTER FROM THE BOARD

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### **Target Company**

The Target Company is an entity organized under the laws of the ROK on March 20, 2002 and is the sole operating subsidiary of the Seller and wholly-owned by it as at the date of this circular.

The Target Company's business activities focus on oil and natural gas exploration and production in Kazakhstan. It holds the Existing Exploration Contract, which allows it to conduct exploration drilling and test production in the Mangistau Oblast in the southwestern region of Kazakhstan, near Aktau city and the Caspian Sea. The Target Company currently operates under Licence No.1552 and the Existing Exploration Contract. When initially granted, the exploration and development stage of the Existing Exploration Contract had a five year term, with provision for two extensions for a period of two years each. On June 24, 2008 the Competent Authority agreed to extend the exploration stage of the Existing Exploration Contract until January 9, 2013. The exploration territory of the Target Company's contract area is approximately 850 square kilometers. The original contract area under the Existing Exploration Contract comprised the ADE Block. As a result of the Target Company's drilling and exploration activities, this block now contains the Aksaz, Dolinnoe and Emir oil and gas fields. On December 7, 2004, the Target Company was granted an area extension designated the Southeast Block, which now includes the Kariman oil and gas field and the unexplored Borly and Yessen structures. On October 15, 2008, the Target Company successfully negotiated a second area extension, designated the Northwest Block. The Target Company's exploration territory is contiguous. Under the terms of the Existing Exploration Contract, the Target Company has the right to sell all oil and natural gas produced in the Contract Area during the term of the Existing Exploration Contract and the exclusive right to apply for and negotiate a Production Contract with the MOG if its commercial discoveries are approved and put on balance with the State Reserves Committee of Kazakhstan.

## LETTER FROM THE BOARD

The following is a map showing the Contract Area under the Existing Exploration Contract and other oilfields in the Mangistau Oblast:

Table 3



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## LETTER FROM THE BOARD

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### Exploratory and Developmental Acreage

The following table summarizes the Target Company's gross and net developed and undeveloped mineral acreage by block as of March 31, 2010 and December 31, 2010.

	<b>As of March 31, 2010</b>					
	<b>Developed</b>		<b>Undeveloped</b>		<b>Total</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
	<i>(in Acres)</i>					
ADE Block Southeast Block	950	950	46,805	46,805	47,755	47,755
Northwest Block	670	670	65,245	65,245	65,915	65,915
	–	–	96,370	96,370	96,370	96,370

	<b>As of December 31, 2010</b>					
	<b>Developed</b>		<b>Undeveloped</b>		<b>Total</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
	<i>(in Acres)</i>					
ADE Block Southeast Block	970	970	46,785	46,785	47,755	47,755
Northwest Block	750	750	65,165	65,165	65,915	65,915
	–	–	96,370	96,370	96,370	96,370

### Development of Oil and Gas Properties in Kazakhstan and the Existing Exploration Contract

Under the statutory scheme in the ROK, prospective oilfields are developed in two stages. The first stage is an exploration and appraisal stage during which a private contractor is given a license to explore for oil and gas on a territory for a set term of years. During this stage the primary focus is on the search for a commercial discovery, i.e., a discovery of a sufficient quantity of oil and gas to make it commercially feasible to pursue execution of, or transition to, a commercial production contract with the government. Under the terms of an exploration contract, the contract holder has the right to sell all oil and natural gas produced during the term of the exploration contract.

The Target Company currently operates under Licence No.1552 and the Existing Exploration Contract. When initially granted, the exploration and development stage of the Existing Exploration Contract had a five year term, with provision for two extensions for a period of two years each. On June 24, 2008, the Competent Authority agreed to extend the exploration stage of the Existing Exploration Contract until January 9, 2013.

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## LETTER FROM THE BOARD

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Initially, the Existing Exploration Contract granted the Target Company the right to engage in exploration and development activities in an area of approximately 200 square kilometers referred to herein as the “ADE Block.” The ADE Block is comprised of three fields, the Aksaz, Dolinnoe and Emir fields. On December 7, 2004, the Existing Exploration Contract was expanded to include an additional 260 square kilometers of land adjacent to the ADE Block, which is referred to herein as the “Southeast Block”, which includes the Kariman oil and gas field and the Borly and Yessen structures. In October 2008, the Competent Authority granted a further extension of the territory covered under the Existing Exploration Contract to include an additional 390 square kilometer area, bringing the total Contract Area under the Existing Exploration Contract to 850 square kilometers. The additional territory is located to the north and west of the Target Company’s current exploration territory, extending the exploration territory toward the Caspian Sea and is referred to herein as the “Northwest Block.” The Southeast Block and the Northwest Block are governed by the terms of the Existing Exploration Contract.

In order to be assured that adequate exploration activities are undertaken during exploration stage, the MOG establishes an annual mandatory minimum work program to be accomplished in each year of an exploration contract. Under the minimum work program, the contractor is required to invest a minimum dollar amount in exploration activities within the contract area, which may include geophysical studies, construction of field infrastructure or drilling activities. During the exploration stage, the contractor is also required to drill sufficient wells in each field to establish the existence of commercially producible reserves in any field for which it seeks a commercial production license. Failure to complete the minimum work program requirements for any particular field during the term of the exploration contract could preclude the contractor from receiving a longer-term production contract for such field, regardless of the success of the contractor in proving commercial reserves during the partial fulfillment of the minimum work program.

The Existing Exploration Contract follows the above format. The Existing Exploration Contract sets the minimum dollar amount the Target Company must expend during each year of its work program. Through July 2009, the Target Company’s work program year ended on July 9 each year. As a result of certain changes to the Existing Exploration Contract, its work program year end has now changed to January 9 of each year through January 9, 2013. Therefore, the Target Company’s work program year does not coincide with its financial year. As a result of these timing differences, the amounts reflected in the table below as “Actually Made” may differ from amounts disclosed under the section headed “B. Management’s Discussion and Analysis of the Target Company” in Appendix II to this circular or the consolidated financial statements of the Target Company included in Appendix II to this circular, which present figures based on the Target Company’s financial year rather than its work program year.

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## LETTER FROM THE BOARD

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Amount of Expenditures	Mandated by Contract	Actually Made
Prior to July 2007	\$ 40,200,000	\$104,750,000
July 2007 to July 2008	\$ 8,480,000	\$115,040,000
July 2008 to July 2009	\$ 1,845,000	\$ 44,900,000
July 2009 to January 2010	\$ 8,565,000	\$ 15,970,000
January 2010 to January 2011	\$ 21,520,000	\$ 56,650,000*
January 2011 to January 2012	\$ 27,300,000	\$ –
January 2012 to January 2013	\$ 14,880,000	\$ –
	<hr/>	<hr/>
Total	<u>\$122,790,000</u>	<u>\$337,310,000</u>

\* Investment as of December 31, 2010

Under the rules of the Competent Authority and practice, which was established prior to introduction of the Subsoil Use Law, a process was provided whereby expenditures above the minimum requirements in one period may be carried over to meet minimum obligations in future periods. As the above chart shows, the Target Company has significantly exceeded the minimum capital expenditure requirement in each period of the Existing Exploration Contract and has more than doubled the total minimum capital expenditure requirement during the exploration stage.

In addition to mandatory minimum capital expenditures in each year, exploration contracts typically require the contract holder to drill a certain number of wells in each structure for which it plans to seek commercial production rights.

In Kazakhstan, typically, one exploratory well and two appraisal wells are sufficient to support a claim of commercially producible reserves in a particular field, although in some cases, commercial reserves have been demonstrated with fewer wells. The total number of wells the MOG requires during exploration stage is generally determined by the number of fields or structures identified by the seismic studies done on a territory. Three-dimensional (“3D”) seismic studies completed on the ADE Block the Southeast Block and the Northwest Block have identified six potential fields or structures.

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## LETTER FROM THE BOARD

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The Target Company drilled a total of 24 wells as of March 31, 2010 and December 31, 2010, as set forth in more detail below:

Structures	Aksaz	Dolinnoe	Emir	Kariman	Borly	Yessen	Northwest
							Block
<b>As of March 31, 2010</b>							
Exploratory Wells	1	1	1	1	1	1	3 <sup>(1)</sup>
Appraisal Wells	2	2	2	2	2	2	*
Existing Wells	5	6	3	10	0	0	0
Wells in Progress	0	0	0	0	0	0	0
<b>As of December 31, 2010</b>							
Exploratory Wells	1	1	1	1	1	1	3 <sup>(1)</sup>
Appraisal Wells	2	2	2	2	2	2	*
Existing Wells	5	6	3	10	0	0	0
Wells in Progress	0	0	0	0	0	0	0

1. Addendum No. 6 to the Existing Exploration Contract requires the drilling of three exploratory wells.

\* *Unknown at this time.*

Pursuant to the terms of the extensions of the Existing Exploration Contract, the Target Company will be required to drill at least nine additional new wells by January 9, 2013. The bottom half of the above chart shows current progress on drilling of exploratory and appraisal wells.

The Company believes that the Target Company has been conservative in its approach to exploration. It has been the Target Company's practice to drill its first few wells serially. Its first well was the Dolinnoe-2 well drilled in 2004. This was followed by the Dolinnoe-3 well, and then the Aksaz-4 and Kariman-1 wells. While the Target Company has verified the presence of oil and gas in all its wells thus far, not all its wells produce oil at commercial levels. The Target Company has expended substantial time and money to study its wells. Because of its limited funds available for drilling activities during the financial year 2011, the Target Company has attempted to increase production through drilling directional sidetracks at existing wells, which is less expensive than drilling new vertical wells.

The purpose of the exploration stage is to study the geology and geophysical characteristics of each field and individual well, with a view to qualifying for a longer-term production contract. Once drilling of a well is completed, the Target Company's emphasis focuses on an extended period of testing a well's production characteristics and capacities to determine the best method for producing oil from that well and to gain insight into the further development of the entire field. During exploration, oil production is subject to wide fluctuations caused by varying pressures commonly experienced in new wells and by significant periods of well closure to accommodate mandatory testing. Maximizing oil production only becomes the central focus during the post-exploration phase when exploiting the commercial discovery commences under a production contract.

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## LETTER FROM THE BOARD

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Under the Existing Exploration Contract, the Target Company has the exclusive right to apply for and negotiate a commercial production contract. According to the Subsoil Use Law, the MOG makes a decision to grant or to refuse to grant the subsoil use right through direct negotiations for the production contract on the basis of data evidencing that the applicant is able to perform its obligations under a proposed production contract. The decision of MOG cannot be controlled by the applicant, though a negative decision may be challenged in court. The government is required to negotiate the terms of these rights in good faith in accordance with the Law of Petroleum of Kazakhstan. Based on discussions with the MOG, the primary factors used by the MOG in determining whether to grant commercial production rights are whether the contract holder has fulfilled the minimum work program commitments, proved the existence of a commercial discovery and submitted and received approval of a development plan prepared by a third-party petroleum institute in Kazakhstan for the exploitation of the established commercial reserves. All the Target Company's efforts during exploration stage have and will continue to focus on meeting these criteria. The terms of the commercial production rights will be negotiated at the time the Target Company applies to transition to commercial production.

It is a condition precedent under the Purchase Agreement that the Target Company obtains Production Contracts for the Aksaz, Dolinnoe and Kariman oilfields, but there is no such condition concerning the Emir oilfield. During negotiations between the Company and the Seller and following extensive due diligence on the oilfields in the Contract Area, the Company concluded that, unlike the Aksaz, Dolinnoe and Kariman oilfields, obtaining a Production Contract for the Emir oilfield prior to the closing of the Acquisition was not feasible due to the amount of further investment and development still necessary. In the opinion of Jones Lang LaSalle Sallmanns, an independent professional valuer, only the oilfields with Production Contracts may be treated as petroleum assets under the valuation report included as Appendix V hereto, as business production is not permitted without a Production Contract. However, given the Company's intention to invest in and further develop the Emir oilfield, the economic value of the Emir oilfield's oil and gas reserves was taken into account by the Company when considering and negotiating the Purchase Agreement.

The Target Company became subject to a new tax code on January 1, 2009. Under the Tax Code, a mineral extraction tax replaces the royalties the Target Company previously paid. The rate of the mineral extraction tax depends on annual production output. The Tax Code currently provides for a minimum 5% mineral extraction tax rate (for production not exceeding 250,000 tons) on production sold to the export market, and a 2.5% tax rate (for production not exceeding 250,000 tons) on production of crude oil (gas condensate inclusive) sold to the domestic market. The mineral extraction tax expense is reported as part of oil and gas operating expense. In January 2009, the Target Company also became subject to a rent export tax, which is calculated based on the export sales price. This tax ranges from as low as 0% if the price is less than US\$40 per barrel to as high as 32% if the price per barrel exceeds US\$190.

### **Oil and Natural Gas Reserves**

As of December 31, 2010, the Target Company had 1,080 gross proved developed producing acres, 240 gross acres of proved undeveloped reserves and approximately 111,926 gross unproved, undeveloped acres. As of December 31, 2010, the Target Company drilled a total of 24 wells in the contract area under the Existing Exploration Contract with an average production rate of approximately 2,321 barrels per day for the nine months ended December 31, 2010, compared to 2,961 barrels and 2,784 barrels per day for the financial year ended

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## LETTER FROM THE BOARD

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March 31, 2009 and 2010, respectively. The Target Company produced approximately 1 million barrels of oil or oil equivalent in each of the financial years ended March 31, 2009 and 2010 (over 90% was crude oil).

According to the Competent Person's Report, as of December 31, 2010 the Contract Area had estimated proved, probable and possible reserves, including both developed and undeveloped reserves, of approximately 23.6 million, 61.5 million and 29.7 million barrels of crude oil, respectively, and 26,842, 36,821 and 34,155 MMcf of natural gas, respectively. Based on the Competent Person's Report, as of December 31, 2010, resource potential of 139.1 million barrels of oil and 156 bcf of natural gas were estimated for the two identified Triassic formations (Borly and Esen). Resource potential of 25.3 million of barrels of oil has been estimated for three structures in the original ADE Block (Aksaz, Dolinnoe, Emir) and two structures in the extended license territory (Borly, Kariman) for Jurassic formations. The probability of success has been determined to be 15% resulting in ultimate total risk-adjusted hydrocarbon resources of 28.6 million BOE for the Contract Area.

### **Proved Undeveloped Reserves**

The Target Company's reserve estimates as of March 31 and December 31, 2010 each included 2.6 million BOE as proved undeveloped reserves. There were no changes in proved undeveloped reserves during the year ended March 31, 2010 and the nine months ended December 31, 2010. The Target Company did not incur capital expenditures for conversion of proved undeveloped reserves to proved developed reserves during the year ended March 31, 2010 and the nine months ended December 31, 2010.

### **Drilling Operations, Well Performance and Production**

During the financial year ended March 31, 2010 and the nine months ended December 31, 2010, the Target Company had concentrated its operational efforts on stabilizing and maintaining production through continuous work with the existing wellstock, including drilling directional sidetracks. No new vertical wells were drilled over the past financial year as most of the Target Company's financial resources were diverted to alleviating working capital deficiencies.

The Target Company has also continued its preparatory work for the eventual transition of a portion of its existing assets to commercial production. It has retained the services of a third-party independent consulting company to prepare a geological model of the Kariman, Aksaz and Dolinnoe fields. This work is ongoing and is expected to be completed prior to the end of the 2011 calendar year. This step, in conjunction with the Kazakhstani Design Institute, should prepare the Target Company for eventual transition to commercial production.

During the financial year 2010, the Target Company signed a contract for the shooting and interpretation of 3D seismic over a portion of the Northwest Block with GeoSeismic LLP, a company affiliated with Mr. Toleush Tolmakov, an executive officer of the Seller. The results of the 3D seismic study are reflected in the Competent Person's Report.

The Target Company is continuing the process of researching various available options for using different design pumps at the Dolinnoe and Aksaz fields, both of which have higher natural gas content making it difficult to utilize the type of electronic submersible pumps currently used on the Kariman field.

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## LETTER FROM THE BOARD

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It expects to continue working with the existing wellstock for the remainder of the financial year 2011 with the intent of increasing and sustaining production rates from existing wells.

The following table sets forth the Target Company's gross and net working interests in exploratory and development wells drilled during the three years ended March 31, 2010 and the nine months ended December 31, 2010:

	For the Year Ended March 31,						For the Nine Months Ended December 31,	
	2008		2009		2010		2010	
	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
Exploratory	-	-	-	-	-	-	-	-
Productive	-	-	-	-	-	-	-	-
Oil	18	18	24	24	24	24	24	24
Gas	-	-	-	-	-	-	-	-
Dry wells	-	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>18</b>	<b>18</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Development	-	-	-	-	-	-	-	-
Productive	-	-	-	-	-	-	-	-
Oil	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-
Dry wells	-	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As of December 31, 2010, each of the 24 wells identified above was in test production, testing or under or awaiting workover.

According to the laws of the ROK, the Target Company is required to test every prospective target on its properties separately; this includes the completion of well surveys on different modes with various choke sizes on each horizon. In the course of well testing, when the transfer from target to target occurs, the well must be shut in; oil production ceases for the period of the testing during which the following actions were taken: mobilization/demobilization of the workover rig, pull out of the hole, run in the hole, perforation and packer installation time. This has the effect of artificially diminishing production rates averaged over a set period of time.

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## LETTER FROM THE BOARD

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### Key Operating Data

The table below sets forth key operating data for the Target Company for the three years ended March 31, 2010 and the nine months ended December 31, 2009 and 2010:

	For the Year Ended March 31,			For the Nine Months Ended December 31,	
	2008	2009	2010	2009	2010
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Net Production Data:					
Oil (Barrels)	907,823	1,080,895	1,016,221	751,648	638,335
Natural gas (Mcf)	–	–	–	–	967,688
Barrels of Oil equivalent (BOE)	907,823	1,080,895	1,016,221	751,648	799,615
Net Sales Data <sup>(1)</sup> :					
Oil (per barrel)	896,256	1,073,754	1,036,070	785,044	626,741
Natural gas (Mcf)	–	–	–	–	824,382
Barrels of Oil equivalent	896,256	1,073,754	1,036,070	785,044	764,137
Average Sales Price:					
Oil (per barrel)	67.16	64.84	55.28	53.16	64.92
Natural gas (per Mcf)	–	–	–	–	1,438
Equivalent price (per BOE)	67.16	64.84	55.28	53.16	54.49
Expenses (US\$ per BOE) <sup>(1)</sup> :					
Oil and gas operating <sup>(2)</sup>	6.15	7.01	8.27	8.58	8.66
Depreciation, depletion and amortization <sup>(3)</sup>	23.93	9.60	14.47	10.15	13.86

(1) The Target Company uses sales volume rather than production volume for calculation of per unit cost because not all volume produced was sold during the period. The related production costs were expensed only for the units sold, not produced, based on a matching principle of accounting. Oil and gas operating expense per BOE is calculated by dividing oil and gas operating expenses for the year by the volume of oil sold during the year.

(2) Includes transportation costs, production cost and ad valorem taxes (excluding rent export tax).

(3) Represents depletion of oil and gas properties only.

### Industry and Economic Factors

The Target Company's business is subject to many factors beyond its control. One such factor is the fluctuation of oil and gas prices. Historically, oil and gas markets have been cyclical and volatile. During the financial year 2010, world price for oil fluctuated widely, and the Target Company believes prices may continue to be difficult to predict.

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## LETTER FROM THE BOARD

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While the Target Company's revenues are a function of both production and prices, wide swings in commodity prices will likely continue to have a significant impact on its results of operations. It has not elected to engage in hedging transactions because it does not have the necessary infrastructure or the required flexibility in its rights to conduct export transactions as it needs to obtain approval of its export quotas on a monthly basis from the MOG.

The Target Company's operations entail significant complexities due to the depth and geological makeup of the structures it is entering. Advanced technologies requiring highly trained personnel are utilized in both exploration and development. Even when the technology is properly used, the Target Company still may not know conclusively whether hydrocarbons will be present or the rate at which they may be produced when wells are completed. Despite its best efforts to limit its risks, exploration drilling is a high-risk activity that may not yield commercial production or reserves.

### **Marketing and Sales to Major Customers**

There are a variety of factors that affect the market for oil and natural gas, including the extent of domestic production and imports, the availability, proximity and capacity of pipelines and other transportation facilities, demand, the marketing of competitive fuels and the effects of government regulations on oil and natural gas production and sales.

The Target Company exports nearly all of its test production for sale. During the financial year ended March 31, 2010 and the nine months ended December 31, 2010, the Target Company sold approximately 95% and 98%, respectively, of its crude oil production to Titan Oil (formerly Euro-Asian Oil AG). During these periods, revenue from oil sold to Titan Oil accounted for 97% of its revenue during the same periods, of its total revenue. Should the Target Company lose Titan Oil as a customer of the Target Company such loss may have a material adverse effect on its operations in the short-term. Based on current demand for crude oil and the fact that alternate purchasers are readily available, the Target Company believes, however, that such a loss of Titan Oil would not materially adversely affect its operations in the long-term.

The Target Company's crude oil exports are transported via the Aktau sea port. Pursuant to its agreement with Titan Oil, delivery is FCA (Incoterms 2000) at the railway station in Mangishlak. The oil is then shipped to the Aktau sea port via railway cars provided by Titan Oil. The volume and sales price are determined on a monthly basis, with all payments being covered by an irrevocable standby letter of credit opened through an international bank. Sales prices are based on the average quoted Brent crude oil price from Platt's Crude Oil Marketwire for the three days following the bill of lading date less a discount for transportation expenses, freight charges and other expenses. The quality of crude oil supplied must meet minimum quality specifications.

### **Competition**

The Target Company's competition in Kazakhstan and Central Asia includes other small oil and gas exploration companies, mid-size producers and major exploration and production

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## LETTER FROM THE BOARD

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companies. The Target Company competes for additional exploration and production properties with these companies, which in many cases have greater financial resources and more technical staffs.

The Target Company faces significant competition for capital from other exploration and production companies and companies in other industry sectors. At times, companies in other industry sectors may be more in favor with investors, limiting the Target Company's ability to obtain necessary capital.

The Target Company believes it has a competitive advantage in Kazakhstan in that its management team is comprised of Kazakh nationals who have developed trusted relationships with many of the relevant departments and ministries within the government of Kazakhstan. However, there is a risk that such employees may not stay on after the Acquisition. See "Risk Factors – Risks Relating to the Acquisition – Following the Acquisition, the Enlarged Group will have operations with which it has limited operational experience."

### **Senior Management**

Below is the existing senior management of the Target Company. The Company will work with the Target Company to finalise the management composition of the Target Company after the expiration of the Transition Services Agreement.

**Zhiyenbet M. Aristambayev**, aged 51, has been General Director of the Target Company since August 2008. Prior to joining the Target Company, Mr. Aristambayev held various positions, including, inter alia, Deputy Manager of Department of the Western-Kazakhstan Territorial Department of Geology and Subsoil from January 2008 to August 2008, General Director of ErkinOil LLP from December 2006 to January 2008, General Director of AralParker Joint Stock Company from October 2004 to December 2006, Executive Consultant to Director of Tengizchevroil Joint Venture from June 2000 to August 2004, Manager of Services Projects Department of KazakhOil National Oil and Gas Company (subsequently renamed as KazMunaiGaz) from September 1997 to May 2000, Deputy Director and Director of MangistauMunaiGaz (representation of Joint Stock Company) from December 1995 to August 1998, Deputy Manager of Economical Department, Head of Department and various other positions in MunaiGaz, a state holding company in Kazakhstan, from 1993 to 1995, Head of Department and various other positions in The Institute of Gosplan Economics (Soviet State planning agency) from December 1986 to November 1993. Mr. Aristambayev graduated as a hydrogeologist (mining engineer) from Kazakh Polytechnic Institute in 1981 with a bachelor's degree. He also obtained a master's degree in Petroleum Management from ENI Corporate University in 2002.

**Aktorgyn Nurmanbetova**, aged 36, has been Financial Director of the Target Company since July 1, 2005. He was also Financial Manager of the Target Company from March 1, 2002 to July 1, 2005. Prior to joining the Target Company, Mr. Nurmanbetova was Financial Manager for Zhana Uzen Mechanical Repair Plant from January 2000 to March 2002, Specialist of the Loan Indebtedness Department of National Bank of the Republic of Kazakhstan, Almaty

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## LETTER FROM THE BOARD

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Branch from July 1998 to November 1999, and Specialist of the Treasury Department of the Ministry of Finance of the Republic of Kazakhstan, Almaty from October 1996 to March 1998. Mr. Nurmanbetova obtained a bachelor's degree in Economy and Management from the Kazakhstan State Academy of Management in 1996 and a bachelor's degree in Legal Studies from the Adilet Academy of Law, Almaty in 2002.

*Sarsenbek Berdigulov*, aged 64, has been Deputy Director for Oil and Gas Production of the Target Company since May 1, 2008. Prior to joining the Target Company, Mr. Berdigulov held numerous position at the Kazakhstani Gas Processing Plant from 1974 to 2008, including First Deputy Director, Director, Lead Engineer, Chief Process Engineer, Deputy Head of the Production Department, Deputy Head of the Compressor Section, Head of Gas Processing Section, Shift Dispatcher, Head of Shift Department. He was also Director of the Gas Processing Department of UzenMunaiGaz from January 1997 to April 2007 and Director of the Gas Production and Processing Department of UzenMunaiGaz from August 1996 to January 1997. Further, Mr. Berdigulov was Technical Director for the "Ethylene" Joint Stock Company from March 1995 to August 1996 and Technical Director for AKPO, a company producing auto petroleum, from September 1994 to March 1995. Mr. Berdigulov obtained a bachelor's degree in Oil and Gas Refining from the State Polytechnic Institute of Russia in 1979.

*Gaziz Tulesinov*, aged 52, has been Deputy Director of Drilling and Workover of the Target Company since July 1, 2008. He was also Technical Director and Drilling Engineer of the Target Company from February 1, 2005 to July 1, 2008 and June 21, 2004 to February 1, 2005, respectively. Prior to joining the Target Company, Mr. Tulesinov held positions at various companies, including Drilling Engineer of KarakudukMunai Joint Stock Company from 2002 to 2004, Head of Workover Section of OTO Prom LLP from 2001 to 2002, Head of Drilling Rig Sky Top Brewster N-75 of Kazakoil Drilling from 2000 to 2001, Deputy Lead Engineer of Kaznishneft Project Institute from 1999 to 2000, Head of Drilling Team and Drilling Operations of HurricaneKumkolMunai from 1997 to 1999, and Drilling Specialist and Head of Drilling Team of Mangyshlak Drilling Department of a Soviet Stage Oil and Gas Company from 1980 to 1997. Mr. Tulesinov obtained a bachelor's degree in Oil and Gas Well Drilling from the Kazakh State Polytechnic Institute, Almaty in 1980.

### **Government Regulations**

The Target Company's operations are subject to central and local government controls and regulations in the ROK. Both central and local regulators operate under the same legislative framework in regulating the Target Company. Most of the Target Company's interactions with regulators are with the local departments of state agencies, such as the MOG. Such local departments from time to time inspect the Target Company and its operations to ensure regulatory compliance, while central state authorities generally only require the periodic submission of various reports. The Target Company focuses on compliance with all legal requirements in the conduct of its operations and employs business practices that it considers to be prudent under the circumstances in which it operates. It is not possible for the Target Company to separately calculate the costs of compliance with environmental and other governmental regulations as such costs are an integral part of its operations.

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## LETTER FROM THE BOARD

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In the ROK, legislation affecting the oil and gas industry is under constant review for amendment or expansion. Pursuant to such legislation, various governmental departments and agencies have issued extensive rules and regulations which affect the oil and gas industry, some of which carry substantial penalties for failure to comply. These laws and regulations can significantly impact and adversely affect the Target Company's profitability by increasing the cost of doing business or by imposing new taxes, tax rates and tax schemes. Inasmuch as the introduction of new legislation affecting the industry is commonplace and existing laws and regulations are frequently amended or reinterpreted, the Target Company is unable to predict the future cost or impact of complying with such laws and regulations.

The ROK requires that the Target Company obtain a number of licenses relating to its operations and the Target Company, as at the Latest Practicable Date, has obtained all relevant licenses necessary to the carrying out of its business. Under ROK law, general licenses are provided without any limitation as to their term and thus do not expire.

### **General**

In Kazakhstan, subsoil and minerals are owned by the state in accordance with the Constitution of the ROK. The state ensures access to the subsoil on the terms, conditions and within the limits as provided for by the Subsoil Use Law. Unless otherwise stipulated by Kazakhstan laws and subsoil use contracts, mineral raw materials, which include hydrocarbons such as oil and gas, shall be owned by the subsoil user under a right of ownership (or in the case of a state-owned enterprise, under a right of economic or day-to-day management). The competent authority formerly known as the Ministry of Energy and Mineral Resources of the ROK and recently reorganised into the MOG (the "Competent Authority") on behalf of the State grants exploration and production rights of the mineral raw materials. Subsoil use rights are granted for a determinable period but may be extended before the expiration of the applicable contract and license subject to certain limitations and conditions. Subsoil use rights may be terminated by the Competent Authority if, among other things, subsoil users do not satisfy their contractual obligations, which may include periodic payment of royalties and taxes to the government and the satisfaction of mining, environmental, and health and safety requirements.

The Subsoil Use Law is aimed at: (i) consolidation of the existing overlapping laws and regulations related to subsoil and subsoil use, including those in the sphere of oil and gas; (ii) clarifying areas of uncertainty by adding more procedures (specifically related to obtaining various consents/approvals/waivers from the Competent Authority); and (iii) eliminating stabilization of subsoil use contracts on a going forward basis.

Under the Subsoil Use Law, the subsoil use rights may be permanent or temporary, alienable or inalienable, payable or free of charge. Most types of subsoil operations shall be carried out on the basis of temporary and payable subsoil use (except for production of commonly occurring minerals for the subsoil user's own needs in the land plots which are held under the right of ownership or use, which shall be carried out under the right of permanent and free of charge subsoil use). Subsoil use rights shall be granted following a tender process with a number of exceptions.

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## LETTER FROM THE BOARD

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Subsoil use rights may be held by Kazakhstan and foreign individuals and legal entities. A subsoil user shall be guaranteed protection of its rights in accordance with Kazakhstan legislation. Any amendments and additions to legislation that worsen the results of a subsoil user's business activities under subsoil use contracts shall not apply to subsoil use contracts that were concluded prior to such amendments and additions. Such guarantees shall not apply to changes in Kazakhstan legislation in the areas of national security, defence capabilities, environmental protection, health, taxation and customs regulation.

The following important subsoil rights are held by the State:

- *Pre-emptive Right to Acquire Minerals* – The State has a priority right over other parties to acquire a subsoil user's minerals at prices not exceeding those applied by the subsoil user in transactions related to the relevant minerals which prevail on the date of any relevant transaction minus transportation and selling costs.
- *Right to Requisition Minerals* – In the event of martial law or a state of emergency, the government may requisition some or all of the minerals owned by a subsoil user. Requisition may be in any amount necessary to cover the needs of the state during the entire period of martial law or the state of emergency. The state shall guarantee compensation for requisitioned minerals either by payment in kind or by paying their monetary value to a foreign subsoil user in freely convertible currency and to a domestic subsoil user in the national currency at prices not exceeding those applied by subsoil users in transactions related to the relevant minerals which prevail on the date of requisition minus transportation and selling costs.
- *The State's Pre-Emptive Right* – The Subsoil Use Law differentiates between subsoil use rights and the objects related to the subsoil use rights ("Objects"), which are participatory interests (shares, securities confirming title to shares, securities convertible into shares) in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user (the "Controlling Legal Entity"), if the principal activity of such Controlling Legal Entity is related to subsoil use in the ROK. The State's Pre-Emptive Right applies retroactively to all existing contracts, as well as prospectively to future contracts.
- *Right to Grant Consents for Transfer of Subsoil Use Rights and Object, Related to Subsoil Use Rights* – The subsoil use right (or part thereof) and the Objects can only be transferred, including in cases of foreclosure (including pledge), with the permission of the Competent Authority in accordance with the procedure established by Article 37 of the Subsoil Use Law. A credit facility secured by pledge of the subsoil use right shall only be used for the purposes of subsoil use or for reorganizations or relocation of a subsoil user in a contract territory as provided by the relevant subsoil use contract, by the subsoil user itself or by its wholly-owned subsidiary.

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## LETTER FROM THE BOARD

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- *Consents for Establishment of Pledges over Subsoil Use Rights and the Objects* – The Subsoil Use Law explicitly requires that subsoil use rights and the Objects may be pledged only with the permission of the Competent Authority. The pledgor of subsoil use rights or an Object is responsible for obtaining the Competent Authority’s consent, which consent should be obtained in the manner and order and according to the procedures provided by the Subsoil Use Law for the Competent Authority’s consent for the transfer of the subsoil use right and/or the Objects. Any transactions or other related actions effected without such Competent Authority’s consent for the pledge will be deemed invalid as of the date of their conclusion or undertaking.
  
- *Termination of Subsoil Use Contracts* – According to the Subsoil Use Law, the Competent Authority may prematurely terminate a subsoil use contract on a unilateral basis:
  - (1) if the subsoil user fails to timely eliminate more than two violations of obligations under its subsoil use contract or project documents within the time set in the Competent Authority’s notice; and
  - (2) in the event of a transfer of a subsoil use right by the subsoil user and/or of the Objects without the Competent Authority’s permission when such permission was required under the New Subsoil Law.
  
- *Amendments to Subsoil Use Contracts in relation to Strategic Deposit Rights* – The State has the right to initiate reviews of the terms of a subsoil use contract and to demand amendments and/or additions to subsoil use contracts in circumstances where the activities of the subsoil user in “strategic deposits” lead to material changes in the economic interests of the State which jeopardise national security and, under these circumstances, the State has a right to unilaterally terminate the subsoil use contract as follows:
  - (1) if within a period of up to two months after the receipt of the Competent Authority’s notice of a required amendment and/or an addition to the relevant subsoil use contract, the subsoil user fails to give its consent in writing to the conduct of such negotiations or if it refuses to conduct them;
  - (2) if within a period of up to four months after the receipt of the subsoil user’s consent to negotiate a required amendment and/or addition to the relevant contract, the subsoil user and the Competent Authority fail to reach an agreement on the amendment and/or addition to the contract; or
  - (3) if within a period of up to six months after the date of achievement of a mutually agreed outcome of negotiations on the restoration of the economic interests of the State, the parties fail to sign the agreed amendments and/or additions to the contract to reflect the outcome.

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## LETTER FROM THE BOARD

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### **The Competent Authority and Other Regulatory Authorities**

The State plays a role in four areas of subsoil management. First, the State is responsible, among other things, for organizing and managing state-owned reserves, outlining deposits available for a tender, imposing restrictions on subsoil use for the purposes of national security, environmental security and the protection of life and health of the population, defining the procedures for the conclusion of contracts, approving model contracts, appointing the authority to regulate oil and gas export by imposing customs, protection, antidumping and compensation duties and quotes, establishing quotes for transportation of oil by various transport, appointing IDC members to exercise the State's Pre-Emptive Rights and approving a number of normative legal acts in the sphere of oil and gas. Second, the State executes, implements and monitors subsoil use contracts through the Competent Authority, which has the power to execute and implement oil and gas contracts, and through a number of other State's agencies. Third, the State's Pre-Emptive Rights are exercised through the national management holding (JSC National Welfare Fund Samruk-Kazyna), the national company (JSC National Company KazMunaiGas) and authorised state agencies. Finally, local executive authorities have responsibility for, among other things, granting land to subsoil users, supervising the protection of the land and participating in negotiations with subsoil users for environmental and social protection.

#### *Ministry of Oil and Gas*

According to the New Subsoil Law and other effective legislation, the MOG, among other things, is responsible for:

- implementing the state's policy in oil and gas, petrochemical and hydrocarbons transportation industries;
- representing the state's interests in production sharing agreements;
- organizing tenders for grants of subsoil use rights for oil and gas exploration and production and
- preparing for lists of blocks for tenders for consideration and approval by the government;
- executing and registering oil and gas contracts;
- approving working programs and annual working programs related to oil and gas contracts;
- monitoring compliance with the terms of oil and gas contracts;
- issuing permits for the transfer of subsoil use rights and registration of transactions involving pledges of subsoil use rights, as applicable to oil and gas projects;

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## LETTER FROM THE BOARD

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- suspending and terminating subsoil use contracts in oil and gas in accordance with the procedures set forth in the Subsoil Use Law;
- jointly with the Anti-monopoly Agency, regulating activities of natural monopolies and relevant investment programs;
- determining the amounts of oil and gas to be supplied by subsoil users to the domestic market;
- undertaking actions for equal access by subsoil users to the main pipelines;
- monitoring compliance of oil and gas subsoil users with requirements to purchase certain amounts of goods and services from local providers;
- approving gas utilization programs; and
- issuing permits for using money in the liquidation fund.

### *Other Regulatory Authorities*

Other governmental ministries and authorities which regulate aspects of hydrocarbon extraction in Kazakhstan include:

- the Ministry of Environmental Protection (the “MEP”), which is responsible for environmental protection and preservation of mineral resources;
- the Ministry of Industry and New Technologies (the “MINT”), which is the competent state body for geological study and use of the subsoil, and whose Committee for Standardisation, Metrology and Certification supervises compliance of oil and gas equipment with Kazakhstan quality and safety standards;
- the Ministry of Emergency Situations, which, among other things, supervises mining operations, and whose Committee on State Control of Emergency Situations and Industry Safety (under the Ministry of Emergency Situations) (the “CSCES”), among other things, supervises health and safety matters;
- various governmental authorities responsible for the approval of construction projects and the use of water and land resources;
- the Committee for State Sanitary and Epidemiological Supervision of the Ministry of Public Health, which is responsible for monitoring compliance with health standards;
- the Ministry of Labour and Social Protection of the Population, which is responsible for investigating labor disputes and complaints from individual employees and which monitors compliance with the obligations of subsoil users to give preference in hiring, including to employ a certain minimum percentage of, Kazakh nationals;

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## LETTER FROM THE BOARD

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- regional and municipal regulatory authorities, which are responsible for registering properties, pledges and mortgages; and
- national and regional tax authorities.

### **Environmental Matters**

Emir-Oil is subject to a variety of Kazakhstan environmental laws, regulations and requirements that govern air emissions, water use and disposal, waste management, the impact on wildlife and public wealth, as well as land use and reclamation. Specifically, the Target Company's oil and gas operations are subject to numerous Kazakhstan laws and regulations controlling the generation, use, storage and discharge of materials into the environment or otherwise relating to the protection of the environment.

The Environmental Code of the ROK (February 3, 2007) governs the protection, rehabilitation and conservation of the environment, the management of natural resources in the course of business and the general management of the environment and natural resources within the ROK. The Environmental Code regulates the activities of all entities in the ROK as they relate to the environment primarily by establishing the following:

- the rights and obligations for individuals and non-governmental organizations, as well as the authority of state bodies concerning environmental protection and the management of natural resources;
- environmental licensing requirements for certain activities, ecological standards, standards for assessing the impact of various activities on the environment, environmental audit standards, and the processes for obtaining environmental permits;
- environmental control and monitoring procedures;
- requirements for the treatment of industrial and consumption wastes;
- regulations of the emissions and absorption of greenhouse gases; and
- enforcement procedures for breaches of environmental legislation and settlement procedures environmental disputes.

The Regulations on Impact Assessments of Planned Business and Other Activity on the Environment for Working Out of Pre-Planned, Planned, Pre-Project and Project Documentation, approved by the ROK Minister of the Environment (June 28, 2007) were issued in accordance with Environmental Code. These regulations prevent damage to and exhaustion of the ROK's environment and natural resources by requiring environmental impact assessments of various construction projects and other planned business activities, in particular for the construction of objects and facilities deemed environmentally dangerous. These regulations require the Competent Authority to approve all environmental impact assessments prior to the commencement of such construction or planned business activity.

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## LETTER FROM THE BOARD

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The Rules for Limitation, Suspension and Reduction of Emissions of Greenhouse Gases into the Atmosphere (February 11, 2008), were developed in accordance with the Environmental Code. These rules set forth policies for limiting and reducing the emission of greenhouse gases into the atmosphere and apply to all individuals and legal entities. Under these rules, the Competent Authority establishes yearly quotas, which are to be reduced annually, for the amount of greenhouse gases that may be emitted into the atmosphere both generally and by emission source. In establishing such quotas, the Competent Authority takes into consideration both the total volume of emissions and the natural absorption of greenhouse gases by plants and forests.

Environmental permits that the operators of properties are required to possess may be subject to revocation, modification, and renewal by issuing authorities. Governmental authorities have the power to enforce compliance with their regulations and permits, and violations are subject to injunction, civil fines, and even criminal penalties. Changes in existing environmental laws and regulations or interpretations thereof could have a significant impact on the Target Company's operations as well as the oil and gas industry in general, and thus it is unable to predict the ultimate cost and effects of future changes in environmental laws and regulations.

The Target Company is not currently involved in any administrative, judicial or legal proceedings arising under environmental protection laws and regulations, which would have a material adverse effect on its respective financial positions or results of operations. ROK law requires the Target Company to set aside funds for environmental remediation, and prior to and as at the Latest Practicable Date the Target Company had complied with this requirement by making periodic restricted deposits, which deposits are reflected on its balance sheets as a restricted cash item. It does not maintain insurance against the costs of clean-up operations and it is not otherwise fully protected against all such risks. A serious incident of pollution may result in the suspension or cessation of operations in the affected area.

### **Legal Proceedings**

Notwithstanding the Legal Claims as defined and set out below, to the best of the Company's knowledge having made due enquiries, there are no legal claims or proceedings against the Target Company or that otherwise may affect the exploration right or mining right in respect of the Contract Area.

In 2005, Brian Savage, Thomas Sinclair and Sokol Holdings, Inc. (together, the "Plaintiffs") brought claims against the Seller, its founders and certain of its former directors (together, the "Defendants") in the United States District Court for the Southern District of New York (the "District Court"), in relation to the Seller's acquisition of a controlling interest in the Target Company (the "Legal Claims"). A summary judgment was granted by the District Court on September 27, 2010 in favor of the Defendants on each claim save the unfair competition claim. The unfair competition claim was subsequently abandoned by the Plaintiffs, given an earlier September 23, 2010 ruling by the District Court excluding much of the significant evidence of the Plaintiffs' damages on the unfair competition claim. On February

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## LETTER FROM THE BOARD

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9, 2011, the District Court entered final judgment in favour of the Defendants, thereby terminating proceedings before the District Court. On February 22, 2011, the Plaintiffs filed a Notice of Appeal, signaling their intention to pursue an appeal of the District Court's judgment to the United States Court of Appeals for the Second Circuit, pursuant to which they filed their appeal on April 6, 2011. The Seller's opposition memorandum is scheduled to be filed on May 16, 2011. As of the Latest Practicable Date, no oral argument before the Court of Appeals has been scheduled. The Seller has informed the Company that the relevant claims are for money damages only and the Plaintiffs have not asserted a direct claim to the underlying assets of the Target Company. The Seller has indicated that it will defend vigorously any legal proceedings arising from such appeal by the Plaintiffs.

### **Selected Financial Information**

According to the audited accounts of the Target Company prepared in accordance with IFRS, the Target Company recorded the following net profit for the financial years ended March 31, 2009 and 2010:

*Table 4*

	<b>Financial year ended March 31, 2009</b>	<b>Financial year ended March 31, 2010</b>
Before taxation and extraordinary items (US\$ millions)	29.4	10.3
After taxation and extraordinary items (US\$ millions)	27.2	12.9

Based on the audited accounts of the Target Company prepared in accordance with IFRS, the net asset value of the Target Company was approximately US\$42.3 million and US\$52.5 million as of March 31, 2010 and December 31, 2010, respectively. The amounts outstanding under the Seller Loans were approximately US\$115.9 million and US\$110.6 million as of March 31, 2010 and December 31, 2010, respectively.

### **RISK FACTORS**

The Directors consider the following risks and other factors to be material in respect of the Target Company for the Shareholders and potential investors of the Company. However, the risks listed do not purport to comprise all those risks associated with the Target Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or that the Directors currently deem to be immaterial may also have an adverse effect on the Target Company's business.

Furthermore, risks and other factors in relation to the Group (in particular in relation to the Group and its business before the Acquisition and in relation to its operations in the PRC) which the Directors believe are material are also set out in details in the Prospectus. The

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## LETTER FROM THE BOARD

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occurrence of any of the events set out below or in the Prospectus could have a material adverse effect on the Enlarged Group's business, financial condition, capital resources, results or future operations.

### **Risks Relating to the Acquisition**

*The Company may not be able to successfully acquire the Target Company.*

Closing of the Acquisition is subject to the satisfaction or waiver of a number of conditions, including regulatory approvals, other customary closing conditions and the following:

- approval by the stockholders of the Seller;
- approval of the holders of the Notes of the Seller;
- consent of the MOG for transfer of the participation interest in the Target Company in accordance with the Subsoil Use Law;
- waiver of the ROK's priority right to purchase participation interests in the Target Company in accordance with the Subsoil Use Law;
- satisfaction of Kazakhstan legal requirements with respect to the Target Company's Existing Exploration Contract in Kazakhstan;
- registration of the assignment of the intercompany notes with the National Bank of the Republic of Kazakhstan;
- the Target Company's entry into a duly registered production contract for production of petroleum at each of the Seller's Kariman, Dolinnoe and Aksaz fields; and
- the Company's receipt of a valid work permit from the Kazakhstan Ministry of Labor and Social Protection for the appointment of a new general manager of the Target Company.

The Company cannot assure that all of these conditions to closing will be met. In addition, the Purchase Agreement may also be terminated by the Company or the Seller in certain events, including when any governmental authority issues an order or takes any other action restraining, enjoining or otherwise prohibiting the consummation of the transactions, or if stockholders approval of the Seller is not obtained, or in the event of a superior proposal. There is no assurance that the transaction will be completed, or that in a termination event, the Company will receive sufficient reimbursement from the Seller to cover its expenses, or at all. If the Company does not complete the Acquisition under the circumstances as set out under the section headed "The Acquisition – Obligation to Lend" in this circular, the Seller has the right to require the Company to purchase up to US\$5 million of the Notes.

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## LETTER FROM THE BOARD

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*The Enlarged Group will assume liabilities in connection with the Acquisition of the Target Company and the Enlarged Group may face significant exposure from unknown liabilities as a result of the amount and time limitation of the indemnification from the Seller.*

The Enlarged Group will assume certain liabilities and obligations in connection with the Acquisition of the Target Company. These assumed liabilities include, subject to certain exceptions, all obligations and liabilities under health, safety and environmental laws caused by, arising from, incurred in connection with or relating in any way to the ownership of the Target Company. The representations, warranties and covenants of the parties survive only for a period of twelve months following the Closing Date, except in cases of fraud or criminal misconduct on the part of the Seller in which case survival is without limitation. The Seller will indemnify the Company for losses arising from the Seller's breaches of representations and warranties, failure to perform covenants, ongoing litigation matters, compliance with (and validity of) the Target Company's Existing Exploration Contract, transfer of certain payables, defects in ownership of certain facilities and pipelines, or violations of applicable environmental law. The Company is also subject to a cap and threshold on its indemnification from the Seller. The maximum indemnification obligation of the Seller is limited to US\$39 million (US\$36 million of which will be funded into escrow at the Closing), except with respect to losses arising out of fraud or criminal misconduct. Other than with respect to certain specified representations, the Seller is not required to indemnify the Company until its claims exceed US\$750,000 in the aggregate, at which point, the Seller will be obligated to pay the entire amount of such claims regardless of the threshold up until the cap amount. The Company cannot assure Shareholders that any unknown liabilities will be discovered within the 12 months indemnity period following the Closing Date or that the amount of indemnification it receives from the Seller will be sufficient to cover the liabilities it assumes or other losses incurred in connection with the Acquisition of the Target Company. The Company may also face significant exposure from unknown liabilities for which it has not obtained indemnification from the Seller. If liabilities are discovered after 12 months following the Closing Date or if losses exceed the limitations, such liabilities or losses may materially and adversely affect the Group's business, financial condition and results of operation.

*Following the Acquisition, the Enlarged Group will have operations with which it has limited operational experience.*

The Group currently does not have any operations in Kazakhstan. The Group does not have any historical experience dealing with Kazakhstan laws and practices and concerns with the Kazakhstan government and communities. However, based on the Group's experience in managing oilfields in China, the Group has worked closely with state-owned oil companies, such as PetroChina, with respect to production sharing contracts covering productive oilfields. The Group has also dealt with local government in China in relation with exploration, development and production of crude oil. Therefore, the Company has some experience dealing with regulatory issues and practices. In Kazakhstan, the Group will be dependent on the key management personnel of the Target Company with respect to their experience in and knowledge of these issues during the period of the Transition Services Agreement. The Group's future success will depend heavily upon the continued services of the Target Company's

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## LETTER FROM THE BOARD

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management during the period of the Transition Services Agreement, including its assistance of the Target Company with obtaining commercial production rights prior to the expiration of the Existing Exploration Contract with the relevant authorities. For more details see “– Risks Relating to the Target Company’s Business – There is substantial doubt as to whether the Target Company would be able to continue as a going concern if it is not able to meet minimum work program requirements and continue to engage in exploratory drilling and obtain a commercial production contract by 2013 or extend the Existing Exploration Contract.” If one or more of the Target Company’s management or key employees were unable or unwilling to continue in their present positions during the period of the Transition Services Agreement, this may impact the Target Company’s ability to obtain commercial production rights prior to the expiration of the Existing Exploration Contract. Moreover, the Company may have to incur additional expenses to recruit, train and retain personnel. The Company may not be able to attract or retain the replacement personnel that it will need to achieve its strategic objectives at costs similar to its current costs, and the Group’s business may be severely disrupted, its financial condition and results of operations may be materially and adversely affected.

*The Group may not realize the expected benefits of its acquisition of the Target Company.*

The successful integration of the Target Company’s business will require, among other things, the following:

- integration of the two companies’ exploration and production, sales and marketing, information and software systems and other operations;
- retention and integration of the Target Company’s management and other employees;
- development and maintenance of uniform standards, controls, procedures and policies with the Group;
- coordination of ongoing and future research and development efforts and marketing activities;
- retention of existing customers of both companies and attraction of additional customers;
- retention of strategic partners of each company and attraction of new strategic partners;
- minimization of disruption of the Group’s ongoing business and distraction of its management; and
- limitation of expenses related to integration.

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## LETTER FROM THE BOARD

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The successful integration of the Target Company will involve considerable risks and may not be successful. Such risks include:

- the impairment of relationships with employees, customers and business partners;
- the Enlarged Group's ability to attract and retain key management, sales, marketing and technical personnel;
- a delay in, or cancellation of, purchasing decisions by current and prospective customers and business partners;
- the potential disruption of the Enlarged Group's ongoing business and distraction of its management; and
- unanticipated expenses and potential delays related to the integration of the Target Company.

Furthermore, the diversion of the attention of management and any difficulties encountered in the process of integrating the Target Company could cause the disruption of, or a loss of momentum in, the activities of the Enlarged Group's business. The process of integrating the Target Company's business could also negatively affect employee morale and the Enlarged Group's ability to retain some key employees. If the anticipated benefits of the Acquisition are not realized or the Enlarged Group is unsuccessful in addressing the risks related to the integration, the Enlarged Group's business, financial condition and results of operations may be seriously harmed.

*The unaudited pro forma financial statements included in this circular are preliminary, make several assumptions that may prove inaccurate and the Enlarged Group's actual financial position and results of operations may differ materially from the unaudited pro forma financial data included in this circular.*

The unaudited pro forma financial data in this circular are presented for illustrative purposes only and are not necessarily indicative of what our the Enlarged Group's actual consolidated financial position or results of operations and cash flows as they would have been had the Acquisition and related financings discussed herein been actually completed on the dates indicated nor are they indicative of the Group's future consolidated financial condition, results of operation and cash flows. The unaudited pro forma financial data in this circular do not give effect to the Group's or the Target Company's results of operations or other transactions or developments after December 31, 2010 or the cost savings and related one-time charges expected to result from the Acquisition. The foregoing matters, any assumptions that were made in order to combine the financial statements of two unrelated companies (such as assuming there would be no cost savings or one-time charges resulting from the Acquisition), and other factors could cause both the Enlarged Group's pro forma financial position and results of operations, and its actual future financial position and results of operations, to differ materially from those presented in the unaudited pro forma financial data in this circular. Please refer to Appendix III of this circular for more information on the unaudited pro forma financial information of the Enlarged Group.

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## LETTER FROM THE BOARD

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### **Risks Relating to the Target Company's Business**

*If the Target Company is not able to meet minimum work program requirements and continue to engage in exploratory drilling, it may not be able to obtain a commercial production contract by 2013 or extend the Existing Exploration Contract, giving rise to substantial doubt that it would be able to continue as a going concern. As a result, the Group may lose its entire investment in the Acquisition.*

Under the Existing Exploration Contract, the Target Company has a right to produce oil and gas only within the limits of the Existing Exploration Contract and only until it expires in January 2013. The hydrocarbons approved as the commercial discoveries and put on balance with the State Reserves Committee, which account for approximately 76% of the Target Company's proved reserves, will be produced after January 2013 only if a production contract is successfully executed with the ROK. Under the Existing Exploration Contract and the Subsoil Use Law, the Target Company has the exclusive right to negotiate the production contract. Though the procedure for direct negotiations with the Competent Authority for entering into a production contract on the basis of commercial discoveries under the Subsoil Use Law is new and untested, the Target Company has learned from preliminary discussions with the MOG that the primary factors it uses in determining whether to grant commercial production rights are whether the contract holder has fulfilled its minimum work program commitments, proof of commercial discovery and submission of an approved development plan by a third-party petroleum institute in Kazakhstan. Under previously established practice, failure to obtain production rights under the production contract may result from a contractor not making a commercial discovery within the contract territory, abandoning the contractual territory or lacking sufficient funds to complete its minimum work program requirement and therefore being unable to meet its obligations to substantiate to the MOG the presence of commercially producible reserves.

In order to enter into the production contract, and therefore transition from the exploration stage to the production stage, the Target Company must prove the existence of commercially producible reserves in each field that it intends to turn to production use under the future production contract. To do so, the Target Company must drill and test a sufficient number of wells in each field to establish the existence of commercially producible reserves. As of December 31, 2010, the Target Company had spent in excess of US\$337 million dollars in exploratory drilling and testing to establish the existence of commercially producible reserves in four of the ten identified potential fields within its contract territory. If it is not acquired by the Purchaser, given the Target Company's current financial condition and outlook, it does not anticipate having the funds to engage in exploratory drilling in any of the remaining six fields prior to January 2013. The Target Company continues to suffer from cash shortages that inhibit its effective operation. The Target Company requires a significant amount of capital in order to fulfill its minimum work program obligations under the exploration contract and transition from exploration to commercial production, but may be unable to raise additional capital.

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## LETTER FROM THE BOARD

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If the Target Company is not granted commercial production rights under the production contract in the manner provided by the Subsoil Use Law and other applicable Kazakhstan laws, it may lose its right to conduct any subsoil use operations and to produce the reserves under the Existing Exploration Contract. If the Target Company loses its subsoil use rights and is unable to produce the reserves in the future, it will be unable to realize revenues and earnings and to fund operations and it would most likely be unable to continue as a going concern. As a result, the Group may lose its entire investment in the Acquisition, subject to any amounts it will receive through indemnifications provided under the Purchase Agreement.

*If the Target Company is unable to comply with the terms and conditions of the Existing Exploration Contract (and the Production Contract in the future, if any) and applicable laws, the Existing Exploration Contract (and the Production Contract in the future, if any) would be subject to amendment, suspension and/or termination by the Kazakhstan government.*

The authorities in Kazakhstan regularly inspect the Target Company's compliance with terms and conditions of the Existing Exploration Contract and applicable laws. Fines may be imposed on the Target Company and the Kazakhstan government can suspend or even terminate the Existing Exploration Contract (and the Production Contract in the future, if any) may be suspended or terminated if the Target Company fails to comply with its obligations under the Existing Exploration Contract (and the Production Contract in the future, as the case may be) or breaches requirements of the applicable laws. In the past, the Competent Authority has claimed that certain contractors breached their obligations under their subsurface use contracts and certain applicable laws and consequently suspended and, in certain instances, terminated their subsurface use contracts. Moreover, according to the Subsoil Use Law, the MOG, on behalf of the ROK, has the right to initiate reviews of subsurface use contract terms and to unilaterally terminate subsurface use contracts in respect of deposits of "strategic importance." Although the Company believe that the Target Company is in compliance with its obligations under the Existing Exploration Contract and applicable Kazakhstan law and that the areas under the Existing Exploration Contract are not currently considered strategic deposits, the Target Company could potentially face such governmental actions in the future, which actions could result in the termination of its Existing Exploration Contract and loss of its exploration and development licenses, which would have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations.

*Prospective properties that the Target Company expects to drill may not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet its targeted rate of return.*

The structures the Target Company has located on its territory are typically at a depth of 3,100 to 3,800 meters and some structures may be deeper. The rock is generally carbonates of limestone and dolomite, which can inhibit oil flow and well drainage and thereby results in higher risk drilling, reduced well drainage areas, lower production rates and higher than expected well decline rates. These factors in turn adversely affect the valuation of the Target Company's reserve base. If prospective properties that the Target Company decides to drill do

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## LETTER FROM THE BOARD

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not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet its targeted rate of return, the Target Company's business, prospects, financial condition and results of operations may be materially and adversely affected.

*Because of the Target Company's lack of asset and geographic diversification, adverse developments in its operating area would adversely affect its results of operations.*

Substantially all of the Target Company's assets are currently located in southwestern Kazakhstan. As a result, its business is disproportionately exposed to adverse developments affecting this region. These potential adverse developments could result from, among other things, changes in governmental regulation, capacity constraints with respect to storage facilities, transportation systems and pipelines, curtailment of production, natural disasters or adverse weather conditions in or affecting these regions. Due to the Target Company's lack of diversification in asset type and location, an adverse development in its business or the area in which it operates would have a significantly greater impact on its financial condition and results of operations than if it maintained more diverse assets and operating areas.

*The unavailability or high price of transportation could adversely affect the Target Company's ability to deliver its oil on terms that would allow it to operate profitably, or at all.*

Because of the remote location of the oilfields under the Existing Exploration Contract, the crude oil produced by the Target Company must be transported by truck or by rail. In the future it will likely also be transported by pipelines. These railways and pipelines are operated by state-owned entities or third-parties, which transportation tariffs and availability are, in certain instances, subject to governmental regulation, and there can be no assurance that these transportation systems will always be functioning and available in the capacity required for the Target Company, or that the transportation costs will be attractive and advantageous for the Target Company. In addition, any increase in the cost of transportation or reduction in its availability to the Target Company could have a material adverse effect on its results of operations. There is no assurance that the Target Company will be able to procure sufficient transportation capacity on economical terms, if at all, in Kazakhstan.

*The Target Company depends on one customer for sales of crude oil. A reduction by this customer in the volumes of oil it purchases could result in a substantial decline in its revenues and net income.*

During the fiscal year ended March 31, 2010 and the nine months ended December 31, 2010, the Target Company sold approximately 95% and 98%, respectively, of its crude oil production to Titan Oil. Revenue from oil sold to Titan Oil made up 98% and 99% of its revenue during the same periods. The loss of Titan Oil as a customer would have a material adverse effect on the Target Company's operations in the short-term.

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## LETTER FROM THE BOARD

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*Ongoing litigation in which the Seller is the defendant could adversely affect the Seller's ownership rights in the Target Company and the Company's ability to acquire all of the interests in the Target Company from the Seller.*

As disclosed in the section headed "Legal Proceedings" above, on February 22, 2011, the Plaintiffs filed a Notice of Appeal against the Defendants (including the Seller), signaling their intention to pursue an appeal of the district court's judgment to the United States Court of Appeals for the Second Circuit. Although the Company understands from the Seller that it will defend vigorously any legal proceedings arising from such appeal by the Plaintiffs, there is no assurance that the Court of Appeals or any other court that hears the case will not rule in favor of the Plaintiffs, and that such ruling will not have an adverse effect on the Company's ability to acquire all of the interest in the Target Company from the Seller.

*The Target Company is subject to the risks inherent in international operations, including, but not limited to, adverse governmental actions, political risks, and expropriation of assets, loss of revenues and the risk of civil unrest or war.*

Though the Target Company has significant experience working in Kazakhstan and believes it has good relationships with government agencies at many levels, it remains subject to all the risks inherent in international operations, including adverse governmental actions, uncertain legal and political systems, and expropriation of assets, loss of revenues and the risk of civil unrest or war. The Target Company's primary oil and gas properties are located in Kazakhstan, which until 1990 was part of the Soviet Union. Kazakhstan retains certain legislative acts and customs of the former Soviet Union, but has and is continuing to develop its own legal, regulatory and financial systems. As the political and regulatory environment changes, the Target Company may face uncertainty about the interpretation of its agreements and in the event of dispute, it may have limited recourse within the legal and political system.

*The Target Company may incur substantial losses and be subject to substantial liability claims as a result of its operations for which it may not have adequate insurance coverage.*

The Target Company is not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect its business, financial condition or results of operations. The Target Company's oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oil field drilling and service tools and casing collapse;

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## LETTER FROM THE BOARD

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- fires and explosions;
- personal injuries and death; and
- natural disasters.

*The Target Company may incur substantial liabilities to comply with environmental laws and regulations.*

The Target Company's oil and natural gas operations are subject to governmental laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of permits before drilling commences, restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities and impose substantial liabilities for pollution resulting from the Target Company's operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of investigatory or remedial obligations or even injunctive relief. Changes in environmental laws and regulations occur frequently. Any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require the Target Company to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on its results of operations, competitive position or financial condition as well as on the industry in general. Under these environmental laws and regulations, the Target Company could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether it was responsible for the release or whether its operations were standard in the industry at the time they were performed.

### **Risks Relating to the Operations in Kazakhstan**

*The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and the Target Company may be affected by oil price volatility.*

Countries in the Central Asian region, including Kazakhstan, whose economies and state budgets rely on the export of oil and oil products and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by volatility in oil and other commodity prices and by any sustained fall in them or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries engaged in such projects. Kazakhstan's dependence on oil and oil products also has an indirect impact on its currency, the Tenge, which is indirectly correlated to the price of oil. In addition, any fluctuations in the value of the U.S. dollar relative to other currencies may cause volatility on earnings from U.S. dollar denominated oil exports. An oversupply of oil or other commodities overseas or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy, which would, in turn, have an adverse effect on the business, financial condition and results of operations of the Target Company.

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## LETTER FROM THE BOARD

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The oil and gas sector in Kazakhstan has recently experienced significant volatility. As oil and gas production and exports, to a large degree, form the foundation of the country's economy, the Kazakhstan economy is particularly sensitive to fluctuations in the price of oil and gas overseas. A decline in the price of oil and/or gas could therefore have a significant negative effect on the Kazakhstan economy. In turn, this could have a direct negative effect on the Target Company, whose primary source of revenue is crude oil sales.

In addition, terrorist activity and unrest in the Middle East and around the world have also had a significant effect on international finance and commodity markets. Any future national or international acts of terrorism or armed conflicts could have an adverse effect on the financial and commodities markets in Kazakhstan and the global economy. As Kazakhstan produces and exports large volumes of crude oil and gas, any acts of terrorism or unrest causing disruptions of Kazakhstan oil and gas exports could negatively affect the Kazakhstan economy and thereby materially adversely affect the Target Company's business, financial condition, results of operations or prospects.

*All the Target Company's assets are located in Kazakhstan and the Target Company is therefore susceptible to country-specific risk factors, such as political, social and economic instability.*

The Target Company is subject to Kazakhstan-specific risks, including, but not limited to, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, changes in energy prices, changes with respect to taxes, withholding taxes on distributions to foreign investors, changes in anti-monopoly legislation, nationalisation or expropriation of property, and interruption or blockage of hydrocarbons or other strategic materials exports. The occurrence of any of these factors could have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations. Kazakhstan's president, Nursultan Nazarbayev, has been in office since Kazakhstan became an independent sovereign state in 1991. Since 1991, Kazakhstan has pursued a programme of political and economic structural reform designed to establish a free market economy through the privatisation of state enterprises and deregulation of the economy. In addition, under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. As with any economy in transition, such reforms may not continue and may not achieve their intended aims. Since the dissolution of the Soviet Union, a number of former Soviet Republics have experienced periods of political instability, civil unrest, military action and popular changes in governments or incidents of violence. Commentators on Kazakhstan suggest that there is political in-fighting among the potential successors to President Nazarbayev, and there are concerns about possible dynastic succession. As there is currently no clear successor, the issue is a potential cause for instability in Kazakhstan. Further, if a future president is elected with a different political outlook, the business regime in Kazakhstan could change. Changes to Kazakhstan's property, tax or regulatory regimes or other changes could have a material adverse effect on Emir-Oil's business and results of operations. Furthermore, future political instability, civil unrest or violence in the region could affect the political or economic stability of Kazakhstan or the countries to which or through which the Target Company exports its products, and could have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations.

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## LETTER FROM THE BOARD

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Since the advent of the global economic crisis in 2007, Kazakhstan's economy has been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Kazakhstan and adversely affect the Kazakhstan economy. In addition, during such times, emerging market companies can face severe liquidity constraints as foreign funding resources are withdrawn. Thus, even if Kazakhstan's economy remains relatively stable, financial turmoil in any emerging market country, in particular countries in the Caspian Sea or Central Asian regions, which recently have experienced significant political instability (including terrorism), could seriously disrupt the Target Company's business, which would have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations.

Kazakhstan depends on neighbouring states to access foreign markets for a number of its major exports, including oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. For example, the rail cars used to export the Target Company's crude oil must use the Russian railway system. Kazakhstan therefore depends on good relations with its neighbours to ensure its access to export markets. Should access to these export routes be materially impaired, this could adversely impact Kazakhstan's economy. Adverse economic factors in the regional markets may also adversely impact Kazakhstan's economy.

*The Target Company is exposed to the risk of adverse sovereign action by the Kazakhstan government.*

The oil and gas industry is central to Kazakhstan's economy and its future prospects for development, and thus can be expected to be the focus of continuing attention and debate. In similar circumstances in other developing countries, petroleum companies have faced the risks of expropriation or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks. Although the Company believes that the Target Company is in compliance with its obligations under the Existing Exploration Contract and applicable Kazakhstan law, there are political and sovereign risks related to the Target Company's operations.

The Tax Code, which disregards the stability of the tax regime under subsoil use contracts, except for production sharing agreements, came into force on January 1, 2009. Through amendments to the Tax Code, Kazakhstan may influence operations of subsoil users.

Moreover, the Subsoil Use Law remains new and untested. Any complaints by the Kazakhstan government or the invocation or application by the Kazakhstan government of the New Subsoil Law in relation to the oilfields operated by the Target Company may have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations.

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## LETTER FROM THE BOARD

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*The laws and regulations of Kazakhstan are developing and uncertain. Any changes in laws, regulations and permit requirements to which the Target Company is subject could affect the cost, manner or feasibility of doing business and require it to make substantial expenditures or subject the Target Company to material liabilities or other sanctions.*

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, companies, customs, currency, capital markets, pensions, insurance, banking, taxation and competition are still developing and are uncertain. Many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. Furthermore, the judicial system may not be fully independent of social, economic and political forces. Court decisions can be difficult to predict and enforce, and the Target Company's best efforts to comply with applicable law may not always result in compliance as determined by regulators and/or the courts. Furthermore, because the recently introduced Subsoil Use Law does not define the course of action available to the Kazakhstan government by reference to the gravity of a breach, a minor breach could conceivably lead to severe consequences, such as suspensions or termination of the subsoil user rights. Because the Subsoil Use Law is new, there are no precedents that would make the consequences of a breach more predictable. The Target Company is required to obtain, on an ongoing basis, all permits as are required by the laws of Kazakhstan. Failure to obtain all such permits could have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations.

Exploration, development, production and sale of oil and natural gas are subject to extensive governmental regulation in Kazakhstan. The Target Company may be required to make large expenditures to comply with these regulations. Matters subject to regulation include:

- discharge permits for drilling operations;
- reports concerning operations;
- the spacing of wells;
- unitization and pooling of properties; and
- taxation.

Under these laws, the Target Company could be liable for personal injuries, property damage and other damages. Failure to comply with these laws may also result in the suspension or termination of the Target Company's licences or operations and could subject it to administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase the Target Company's costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially adversely affect the Target Company's financial condition and results of operations. The Company believes there is political and legal risks involved in doing business in Kazakhstan, as it has existed for less than two decades as a country and is still in the process of developing the stable and predictable laws required to underpin a free market economy and foster private enterprise.

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## LETTER FROM THE BOARD

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Given Kazakhstan's legislative, judicial and administrative history, it is not possible to predict the effect of current and future legislation on the Target Company's business. Moreover, the New Subsoil Law came into force and effect on June 24, 2010 and the application of this law is untested. The ongoing rights of the Target Company under the Existing Exploration Contract, the license to operate and other licenses, approvals and permits (if applicable) and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain. Any changes to the rights of the Target Company under the Existing Exploration Contract, the license to operate and other licenses (and any other relevant legislative changes) could have a material adverse effect on the Target Company's business, prospects, financial condition and results of operations.

*The Company cannot ensure the accuracy of official statistics and other data in this circular relating to Kazakhstan.*

Official statistics and other data published by Kazakhstan state authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. The Company has not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this offering memorandum is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, Shareholders should be aware that certain statistical information and other data contained in this circular has been extracted from official governmental sources in Kazakhstan and was not prepared in connection with the preparation of this circular.

In addition, certain information contained in this circular is based on the knowledge and research of management using information obtained from non-official sources. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this circular.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is one of the leading independent upstream oil companies operating onshore in the PRC as measured by gross production under production sharing contracts. The Group operates the Daan, Moliqing and Miao 3 oilfields in the Songliao Basin, PRC's most prolific oil-producing basin, under three separate production sharing contracts with PetroChina, the largest oil company in China. In addition, the Group pursues other development and production opportunities in China, and exploration, development and production opportunities internationally, both independently and in partnership with other major and independent oil companies.

Kazakhstan, as set out in the section headed "Information on the Target Company" above, has the largest oil reserves in the Caspian Sea region and is the second largest oil producer within Central Asia. It is expected that Kazakhstan will continue to lead the region in oil production, driven by production growth from existing fields and the development of recently discovered fields. The U.S. Department of Energy has forecasted that Kazakhstan will double its current oil production, demonstrating great potential in the oil and gas industry.

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## LETTER FROM THE BOARD

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As a neighbour country to the PRC, Kazakhstan is strategically important for the PRC in the supply of energy. The Chinese and Kazakhstan governments enjoy good relations and the Chinese government has been encouraging Chinese companies to invest in Kazakhstan (e.g. CNPC/PetroChina, CNOOC (中國海洋石油總公司), CITIC (中國國際信託投資公司), China Zhenhua Oil Co., Ltd (中國振華石油控股有限公司) and Sinochem (中國化工進出口公司)). In 2010, the gross oil production of oilfields operated by Chinese companies in Kazakhstan reached approximately 600,000 barrels of oil per day, accounting for approximately 38% of Kazakhstan's daily oil production in 2010. The potential in oil and gas industry in Kazakhstan and the good government relations between the PRC and Kazakhstan makes Kazakhstan an excellent investment location for the Group. By expanding the Group's operations into Central Asia, the Acquisition will enhance the Group's position as an international oil and gas company.

As set out in the Prospectus, the Group had net proved reserves of 29.4 million barrels, net proved + probable reserves of 47.7 million barrels, and net proved + probable + possible reserves of 61.2 million barrels as at June 30, 2010 and net production averaged at 10,042 barrels per day for the first half of 2010. Taking into consideration the Target Company's reserves as set out earlier in this circular, the Group's (a) total proved reserves, (b) total proved and probable reserves and (c) total proved, probable and possible reserves will increase by approximately 77% to 52.1 million barrels, 193% to 139.9 million barrels and 209% to 188.8 million barrels, respectively, after the Acquisition. Further, the Group's average production rate per day will increase by approximately 22% after taking into account the Target Company's production of approximately 2,170 barrels per day for the quarter ended September 30, 2010. The Target Company's assets are located in an oil rich basin in western Kazakhstan, which will form a strong base for the Group's international expansion strategy, in particular within and around the Central Asia region. The Target Company's assets allow for exploration upside as several prospects have been identified based on 3D seismic data. In addition, the reserves are considered as low-risk reserves as the reserve bearing area has all been covered by 3D seismic data which can justify the reservoir structure of reserve calculation. There are currently 24 existing wells in the Contract Area with no dry holes drilled.

Furthermore, the Contract Area with its existing production with significant proved + probable reserves for further development, together with established infrastructure of gas pipeline, gas processing plant, oil processing and transportation facilities, provides a favourable basis for future development and production. Furthermore, the Target Company's assets are already generating good revenues and cash flow. The Company believes that by combining the strong production rate, cash flow and well-trained workforce of the Target Company with the Group's strong management team and expertise in advanced drilling and production technologies, it will be able to increase oil production in the existing wells currently operated by the Target Company, and operate such wells more efficiently and more cost-effectively. In particular, as the Contract Area is a multizone oil reservoir which is similar to the three oilfields in the Jilin Province operated by the Group, the Group can utilize its expertise and advanced technologies in multizone oil reservoirs to increase production and profits after the Acquisition.

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## LETTER FROM THE BOARD

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The Target Company's assets are located close to a large joint venture oilfield project between CNPC/PetroChina and KazaMunaiGas (KMG), which is producing around 100,000 barrels of oil per day. Given the close proximity of the Target Company's assets and the joint venture oilfield of CNPC/PetroChina and KazaMunaiGas (KMG), the Group believes there is great potential and synergies for the Target Company's assets after the Acquisition. Taking into account CNPC/PetroChina's investments in Kazakhstan, the good relationship between CNPC/PetroChina and the Group in the PRC would also provide more synergies on the Group's operation of the Contract Area. Further, there are currently many Chinese oil drilling and oilfield servicing and construction companies operating in Kazakhstan such as CNPC Great Wall Drilling Company Ltd. (中國石油長城鑽探工程分公司), CNPC Xibu Drilling Engineering Company Ltd (中國石油西部鑽探工程有限公司), Drilling Company of Zhongyuan Petroleum Exploration Bureau (中原油田鑽井四公司), BGP, INC, China National Petroleum Corporation (中國石油集團東方地球物理勘探有限責任公司), CNPC logging services and CNPC pipeline companies. Given the Group's relationships with many Chinese oil drilling and oilfield servicing and construction companies in the PRC, the Group plans to leverage its relationships and experience working with Chinese oilfield drilling, servicing and construction companies and work together with such service providers in Kazakhstan.

Based on the Consideration of US\$170 million (without taking into account any adjustment), the EV/BOE for proved reserves, and proved + probable reserves is US\$7.49 and US\$1.84, respectively.

The following table sets out the economic value before income tax of the Target Company's reserves as of December 31, 2010, as estimated by the Competent Person's Report:

**Table 5**

<b>Reserves</b>	<b>Cumulative cash flow discounted at 5%/year (US\$ thousand)</b>	<b>Cumulative cash flow discounted at 10%/year (US\$ thousand)</b>	<b>Cumulative cash flow discounted at 15%/year (US\$ thousand)</b>
Total proved	756,198	566,735	450,668
Total proved and probable	2,038,263	1,312,485	937,252

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Purchase Agreement and the transactions contemplated thereunder (including the Acquisition and the Seller's Option) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE ACQUISITION

Upon Closing, the Target Company will become a wholly-owned subsidiary of the Company and their results will be consolidated with that of the Group. In light of the (i) valuation of the reserves in the Contract Area as set out in the Competent Person's Report and Valuation Report; (ii) the business potential of the Target Company; and (iii) the future prospect of the oil and gas industry, the Directors are of the view that the Acquisition would widen the earnings base of the Enlarged Group.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effect of the Acquisition on the assets and liabilities of the Group assuming Closing had taken place on December 31, 2010. Based on the unaudited pro forma financial information in Appendix III to this circular, the total assets of the Group would increase from RMB4.23 billion to RMB6.15 billion; and its total liabilities would increase from RMB2.27 billion to RMB3.95 billion, as a result of the Acquisition. Shareholders should note that the earnings contribution from the Target Company after Closing will depend on the future performance of the Target Company, and the actual effect of the Acquisition on the assets and liabilities of the Group will depend on the financial position of the Target Company as at the date of Closing, which cannot be quantified as at the Latest Practicable Date.

### FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Acquisition is an important first step for the Company towards becoming an international oil and gas company. Based on the Competent Person's Report, the Contract Area had estimated proved, probable and possible reserves, including both developed and undeveloped reserves, of approximately 23.6 million, 61.5 million and 29.7 million barrels of crude oil, respectively, and 26,842, 36,821 and 34,155 MMcf of natural gas, respectively.

In 2011, the Company plans to increase capital expenditures to support its production growth. As of December 31, 2010, the Group operated 1,366, 144 and 131 gross productive wells at the Daan, Moliqing and Miao 3 oilfields, respectively. The Company currently plans to spend net amounts of approximately RMB1.3 billion and plans to drill 367 gross wells in 2011 comprising 288 wells, 35 wells and 44 wells in the Daan, Moliqing and Miao 3 oilfields, respectively. As of December 31, 2010, the Group's net probable and possible reserves were 14.6 million barrels and 9.9 million barrels respectively in the Daan oilfield, 4.6 million barrels and 3.7 million barrels respectively in the Moliqing oilfield, and 0.4 million barrels and 0.3 million barrels respectively in the Miao 3 oilfield. The Daan, Moliqing and Miao 3 oilfields respectively accounted for approximately 76.9%, 17.9% and 5.2% of the Group's revenue in 2010. After 2011, there are 2,256 remaining proved, probable and possible well locations to be drilled as the Group continues to develop additional reserves. In particular, the Company commenced infill drilling on the Daan oilfield and successfully drilled six wells. Reserves attributable to infill drilling included in the reserves for the first time at December 31, 2010 are 3.3 million barrels, 1.0 million barrels and 0.9 million barrels of proved, probable and possible reserves, respectively. To develop these reserves, the Company plans to drill an additional 455 infill wells including 36 infill wells in 2011.

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## LETTER FROM THE BOARD

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On the basis above, the Company believes that its oilfields have strong growth potential.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with Listing Rule 14.07 of the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and thus requires the Shareholders' approval. As far as the Company is aware, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition, the Purchase Agreement, the Seller's Option and the transactions contemplated thereunder. The Acquisition, the Purchase Agreement, the Seller's Option and the transactions contemplated thereunder were approved by the Controlling Shareholder, who holds 53.6% of the issued share capital of the Company, by way of written shareholder's approval on February 14, 2011 in accordance with Listing Rule 14.44. In addition, TPG (including TPG Star Energy Ltd and TPG Star Energy Co-Invest LLC) and Harmony Energy Limited, holding approximately 8.7% and 9% of the issued share capital of the Company respectively, have also approved the Acquisition, the Purchase Agreement, the Seller's Option and the transactions contemplated thereunder by way of written Shareholders' approval.

### ACCOUNTING POLICIES

Historically, the Company has followed IFRS and the Target Company has followed U.S. Generally Accepted Accounting Principles for their respective accounting policies and principal assumptions. Following the Acquisition, the Group will adopt consistent accounting policies and principal assumptions, including the principal assumptions and valuation method of the valuation of intangible assets, to assess impairment and the fair value of intangible assets during the annual audit of its final results. For purposes of this circular, the reports prepared for the Target Company are in accordance with IFRS.

### ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to the circular.

By Order of the Board  
**MIE Holdings Corporation**  
**Zhang Ruilin**  
*Chairman and Executive Director*

**A. AUDITED CONSOLIDATED FINANCIAL INFORMATION**

The audited consolidated financial information of the Group (i) for the year ended December 31, 2010 is disclosed in the annual report of the Company for the year ended December 31, 2010 published on March 31, 2011, from pages 56 to 140; and (ii) for the year ended December 31, 2009 is disclosed in the Prospectus, in Appendix I, all of which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.mienergy.com.cn](http://www.mienergy.com.cn)).

**B. INDEBTEDNESS STATEMENT**

At the close of business on March 31, 2011, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following indebtedness:

**Borrowings**

At the close of business on March 31, 2011, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Enlarged Group had total bank borrowings from a financial institution of RMB1,281.7 million.

**Contingent Liabilities**

The ROK government conducted historical investment in exploration, drilling and infrastructure projects in the ADE Block, the Southeast Block and the Northwest Block of US\$5,994,200, US\$5,350,680 and US\$5,372,076, respectively, prior to the Target Company's interest in those properties. When and if, the Target Company applies for and, when and if, it is granted commercial production rights for the ADE Block, the Southeast Block or the Northwest Block, the Target Company will be required to begin repaying the ROK government for these historical investments. The terms of repayment are to be negotiated at the time the Target Company is granted commercial production rights.

**Capital Expenditure Commitment**

Prior to the extension of the exploration period granted to the Target Company in June 2008, the terms of its subsurface exploration contract required it to spend a total of USD48.8 million in exploration activities on the ADE Block by July 31, 2009. In connection with the extensions granted in June and in October 2008, the Target Company's capital expenditure requirements were revised. To retain its rights under the contract, the Target Company must have spent US\$9.1 million by January 9, 2010. In addition, the Target Company must spend US\$21.5 million between January 10, 2010 and January 9, 2011, US\$27.2 million between January 10, 2011 and January 9, 2012 and US\$14.8 million between January 10, 2012 and January 9, 2013.

Save as aforesaid and apart from intra-group liabilities, none of the companies in the Enlarged Group had outstanding at the close of business on March 31, 2011 any mortgages, charges or debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or any finance lease commitments, liabilities under acceptances or acceptances credits or any guarantees or other material contingent liabilities.

### **C. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since December 31, 2010, being the date to which the latest published audited financial statements of the Group were made up.

### **D. WORKING CAPITAL**

The Company is in discussion with a number of investment banks to raise new financing of a minimum of US\$200 million. Subject to the completion of the aforesaid new financing by May 2011 and taking into account the financial resources available to the Enlarged Group, including internally generated funds, the directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

### **E. MISCELLANEOUS**

#### **(a) Trade and other payables**

Accounts payable turnover days averaged 262 days in 2010. Inventory turnover days averaged 31 days in 2010.

#### **(b) Suppliers**

Purchases from the Group's largest supplier and Jilin Guotai Petroleum Development Company, a related party of the Group, accounted for approximately 15.6% and 15.1% of the Group's total purchases in 2010, respectively.

*The following is the text of accountants' report on the Target Company received from the independent reporting accountants, Baker Tilly Hong Kong Limited, Certified Public Accountants, for the purpose of inclusion in this circular.*

**BAKER TILLY****HONG KONG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

天職香港會計師事務所有限公司

12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong  
香港干諾道中168-200號信德中心招商局大廈12樓

April 18, 2011

**Baker Tilly Hong Kong Limited**

The Board of Directors

The Board of Directors

MIE Holdings Corporation

BMB Munai, Inc.

Dear Sirs,

**MIE Holdings Corporation (the “HK Listco”)****Palaeontol B.V. (the “Purchaser”)****BMB Munai, Inc. (the “Seller” and the “Parent Company”)****Emir-Oil, LLC (the “Company”)****Circular in relation to a Major Transaction of the HK Listco (the “Circular”)**

We set out below our report on the financial information regarding Emir-Oil, LLC (the “Company”) for each of the three years ended March 31, 2008, 2009 and 2010, and the nine months period ended December 31, 2010 (the “Relevant Periods”), prepared by the management of the Seller and the directors of the Company on the basis set out in note 2 of Section A, for inclusion in the Circular issued by the HK Listco dated April 19, 2011 in connection with the proposed acquisition by the HK Listco of all issued and outstanding participation interests of the Company from the Seller (the “Acquisition”), as set out in the HK Listco’s announcement of a “Major Acquisition relating to the Acquisition of All of the Issued and Outstanding Participation Interests of the Company and Discloseable Transaction relating to a Co-Invest Right granted to Acap Limited and Resumption of Trading” dated February 15, 2011. The Acquisition constitutes a major transaction by the HK Listco under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”).

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## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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The Company was incorporated in the Republic of Kazakhstan (or “Kazakhstan”) as a limited liability entity under the laws of Kazakhstan on March 20, 2002. The Company is the wholly owned subsidiary of the Seller.

The Company is the sole operating subsidiary of the Seller and is engaged in oil and gas exploration, production and sale. The Company operates four onshore oil fields near Aktau in the Caspian Sea area of Western Kazakhstan.

The Seller is a Nevada, USA Corporation originally incorporated in Utah, USA, in 1981.

The Seller is a public corporation with shares traded on the NYSE Amex (wording symbol KAZ) and on XETRA, the electronic trading platform of Deutsche Borse (SE code DL-, 001 DMW US09656A1051).

The Seller has its principal executive offices in Salt Lake City, Utah, USA, with an office in Almaty, Kazakhstan from where the operations and the Petroleum Depot base in Daulet Village near Aktau, Kazakhstan are monitored and managed.

The Company’s registered office and principal place of business is the Petroleum Depot in Daulet village.

Hansen, Barnett & Maxwell, P.C. (“HBM”) of Salt Lake City, a member firm of Baker Tilly International, has acted as the independent registered public accounting firm, under the Public Company Accounting Oversight Board (PCAOB) standards, of the Seller’s group of companies, including the Company, for each of the Relevant Periods under separate terms of engagement with the Seller.

The financial information set out in this report, including the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Company for the Relevant Periods, and the statements of financial position of the Company as at March 31, 2008, 2009 and 2010 and December 31, 2010 together with the notes thereto have been prepared by the directors of the Company and the management of the Seller based on the financial information of the Company audited by us.

The financial information of the Company for the Relevant Periods was extracted from the audited group financial statements audited by HBM which were accounted for in accordance with US Generally Accepted Accounting Principles (“US GAAP”) and used the Full Cost basis of accounting for its oil and gas assets.

The Company converted this original, audited financial information from compliance with US GAAP to compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accountant Standards Board (“IASB”) and from the “Full Cost” basis to the “Successful Efforts” basis in accordance with the terms of the Purchase Agreement.

The conversions of original financial information were reviewed and, where appropriate, audited by us.

This financial statements for the Relevant Periods audited by us form the basis of the “Underlying Financial Statements” which we report upon here.

The financial information has been prepared based on the Underlying Financial Statements, or, where appropriate, unaudited financial information of the Company. No adjustments were considered necessary in the preparation of the financial information, which has been prepared on the basis set out in note 2 of Section A below.

### **Directors’ responsibility for the financial information**

The directors of the Company and the management of the Seller are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the HK Listco are responsible for the contents of the Circular in which this report is included.

### **Reporting accountant’s responsibility**

Our responsibility is to form an independent opinion, based on our examination, on the financial information and to report our opinion solely to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the reporting accountant” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **Opinion**

In our opinion, the financial information, for the purposes of this report, give a true and fair view of the state of affairs of the Company as at March 31, 2008, 2009 and 2010 and at December 31, 2010 and of the Company’s results and cash flows for each of the Relevant Periods.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information set out in Section A below which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended December 31, 2009 and a summary of significant accounting policies and other explanatory notes.

The directors of the Company and the management of the Seller are responsible for the preparation and presentation of the stub period comparative financial information in accordance with the accounting policies set out in note 2 of Section A below which are in conformity with IFRS.

Our responsibility is to express a conclusion on the stub period comparative financial information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the stub period comparative financial information, for the purpose of the Circular, has not been prepared, in all material respects, in accordance with the accounting policies set out in note 2 of Section A below which are in conformity with IFRSs.

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**SECTION A:**

**Financial information**

The following is the financial information of the Company as at March 31, 2008, 2009 and 2010 and December 31, 2010 and for each of the years ended March 31, 2008, 2009 and 2010, and the nine months period ended December 31, 2010.

**Statement of financial position**

		As at March 31,			As at
	Notes	2008	2009	2010	December 31,
		USD	USD	USD	2010
					USD
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	128,585,815	178,765,039	174,395,286	179,724,828
Intangible asset	7	45,921	27,731	10,067	3,386
Inventories	10	11,002,684	13,989,643	13,714,952	13,894,381
Long term VAT recoverable	9	8,106,397	2,423,940	3,113,939	4,300,937
Trade and other receivables	8	11,893,451	122,040	141,312	843,697
Restricted cash	11	622,697	588,217	770,553	875,051
		<u>160,256,965</u>	<u>195,916,610</u>	<u>192,146,109</u>	<u>199,642,280</u>
<b>Current assets</b>					
Inventories	10	4,882	5,029	2,895	2,576
Trade and other receivables	8	8,149,710	6,022,719	10,266,062	11,629,097
Income tax recoverable		9,301	38,340	39,751	51,020
Cash and cash equivalents	12	2,122,730	2,393,216	3,448,001	3,000,565
		<u>10,286,623</u>	<u>8,459,304</u>	<u>13,756,709</u>	<u>14,683,258</u>
<b>TOTAL ASSETS</b>		<u><u>170,543,588</u></u>	<u><u>204,375,914</u></u>	<u><u>205,902,818</u></u>	<u><u>214,325,538</u></u>
<b>OWNER'S EQUITY</b>					
Charter capital	29	500	500	500	500
Other reserve		16,757,594	14,282,961	11,615,631	9,545,513
Retained earnings		831,182	27,985,108	40,871,634	39,543,853
		<u>17,589,276</u>	<u>42,268,569</u>	<u>52,487,765</u>	<u>49,089,866</u>
<b>Total owner's equity</b>		<u>17,589,276</u>	<u>42,268,569</u>	<u>52,487,765</u>	<u>49,089,866</u>

		As at March 31,			As at
	Notes	2008	2009	2010	December 31,
		USD	USD	USD	2010
					USD
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Asset retirement obligations	13	3,728,531	4,263,994	4,712,345	5,079,715
Deferred income tax liabilities, net	14	3,254,708	5,467,528	2,905,206	1,304,231
Amount due to parent company	16	115,473,193	118,519,920	115,901,015	110,647,375
Interest payable due to parent company	16	8,258,483	14,846,539	21,521,866	26,395,573
Obligations under finance lease	17	–	–	369,801	230,274
		<u>130,714,915</u>	<u>143,097,981</u>	<u>145,410,233</u>	<u>143,657,168</u>
<b>Current liabilities</b>					
Trade and other payables	15	22,239,397	19,009,364	7,819,801	21,371,377
Obligations under finance lease	17	–	–	185,019	207,127
		<u>22,239,397</u>	<u>19,009,364</u>	<u>8,004,820</u>	<u>21,578,504</u>
<b>Total liabilities</b>		<u>152,954,312</u>	<u>162,107,345</u>	<u>153,415,053</u>	<u>165,235,672</u>
<b>TOTAL EQUITY AND LIABILITIES</b>					
		<u>170,543,588</u>	<u>204,375,914</u>	<u>205,902,818</u>	<u>214,325,538</u>
Net current (liabilities)/assets		<u>(11,952,774)</u>	<u>(10,550,060)</u>	<u>5,751,889</u>	<u>(6,895,246)</u>
Total assets less current liabilities		<u>148,304,191</u>	<u>185,366,550</u>	<u>197,897,998</u>	<u>192,747,034</u>

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**Statement of comprehensive income**

	Notes	Year ended March 31,			Nine months period ended December 31,	
		2008 USD	2009 USD	2010 USD	2009 USD	2010 USD
<b>Revenue</b>	5	<u>60,196,625</u>	<u>69,616,875</u>	<u>57,274,526</u>	<u>41,735,735</u>	<u>41,638,143</u>
<b>Operating expenses</b>						
Purchases, services and other Geological and geophysical expense		1,957,645	2,723,331	3,935,482	3,173,563	2,894,172
Employee compensation costs	18	2,893,483	3,608,239	2,927,939	2,400,436	3,152,682
Depreciation, depletion and amortization		21,669,003	10,641,963	15,638,479	8,448,422	12,028,082
Operating lease expense		2,167,533	2,808,661	1,244,125	880,851	990,560
Administrative expenses		2,901,098	2,789,265	1,841,051	1,314,409	1,817,251
Taxes other than income taxes	19	1,557,388	9,509,744	13,542,468	9,502,812	11,500,033
Write-off of inventories		79,641	139,992	214,946	161,614	61,925
Other expense	20	<u>319,036</u>	<u>102,003</u>	<u>368,444</u>	<u>249,840</u>	<u>58,578</u>
Total operating expenses		<u>40,131,617</u>	<u>36,988,467</u>	<u>40,354,139</u>	<u>26,486,425</u>	<u>39,948,543</u>
<b>Profit from operations</b>		20,065,008	32,628,408	16,920,387	15,249,310	1,689,600
Finance income	21	78,988	3,233,948	272,809	150,859	282,017
Finance costs	21	<u>(5,403,172)</u>	<u>(6,495,610)</u>	<u>(6,868,992)</u>	<u>(5,246,824)</u>	<u>(4,900,373)</u>
<b>Finance costs – net</b>		<u>(5,324,184)</u>	<u>(3,261,662)</u>	<u>(6,596,183)</u>	<u>(5,095,965)</u>	<u>(4,618,356)</u>
<b>Profit/(loss) before income tax</b>		14,740,824	29,366,746	10,324,204	10,153,345	(2,928,756)
<b>Income tax (expense)/credit</b>	22	<u>(7,060,210)</u>	<u>(2,212,820)</u>	<u>2,562,322</u>	<u>865,068</u>	<u>1,600,975</u>
<b>Net profit/(loss) for the year/period</b>	23	<u>7,680,614</u>	<u>27,153,926</u>	<u>12,886,526</u>	<u>11,018,413</u>	<u>(1,327,781)</u>
<b>Total comprehensive income/(loss) for the year/period</b>		<u>7,680,614</u>	<u>27,153,926</u>	<u>12,886,526</u>	<u>11,018,413</u>	<u>(1,327,781)</u>

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**Statement of changes in equity**

	Charter capital USD	Other reserve USD	(Accumulated losses)/ retained earnings USD	Total equity USD
<b>As at April 1, 2008</b>	500	18,200,133	(6,849,432)	11,351,201
<b>Comprehensive income for the year</b>				
Deemed contribution from parent company	–	(1,442,539)	–	(1,442,539)
Net profit for the year	–	–	7,680,614	7,680,614
<b>As at March 31, 2008</b>	500	16,757,594	831,182	17,589,276
<b>Comprehensive income for the year</b>				
Deemed contribution from parent company	–	(2,474,633)	–	(2,474,633)
Net profit for the year	–	–	27,153,926	27,153,926
<b>As at March 31, 2009</b>	500	14,282,961	27,985,108	42,268,569
<b>Comprehensive income for the year</b>				
Deemed contribution from parent company	–	(2,667,330)	–	(2,667,330)
Net profit for the year	–	–	12,886,526	12,886,526
<b>As at March 31, 2010</b>	<u>500</u>	<u>11,615,631</u>	<u>40,871,634</u>	<u>52,487,765</u>
<b>Nine months period ended December 31, 2009 (Unaudited)</b>				
As at April 1, 2009	500	14,282,961	27,985,108	42,268,569
<b>Comprehensive income for the period</b>				
Deemed contribution from parent company	–	(1,981,498)	–	(1,981,498)
Net profit for the period	–	–	11,018,413	11,018,413
<b>As at December 31, 2009</b>	<u>500</u>	<u>12,301,463</u>	<u>39,003,521</u>	<u>51,305,484</u>
<b>Nine months period ended December 31, 2010</b>				
As at April 1, 2010	500	11,615,631	40,871,634	52,487,765
<b>Comprehensive loss for the period</b>				
Deemed contribution from parent company	–	(2,070,118)	–	(2,070,118)
Net loss for the period	–	–	(1,327,781)	(1,327,781)
<b>As at December 31, 2010</b>	<u>500</u>	<u>9,545,513</u>	<u>39,543,853</u>	<u>49,089,866</u>

*Notes:* Other reserve represents deemed contribution from the Parent Company arising from fair value adjustment fixed interest rate borrowings from the Parent Company. Details of this are set out in note 16.

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**Statement of cash flows**

	<i>Notes</i>	Year ended March 31,			Nine months period ended December 31,	
		2008	2009	2010	2009	2010
		USD	USD	USD	USD	USD
		(Unaudited)				
<b>Cash flows from operating activities</b>						
Cash generated from operations	24	56,764,295	55,952,958	22,585,509	17,498,985	32,438,609
Interest element of finance lease rentals paid		-	-	(23,060)	-	(66,843)
Income tax paid		(236)	(29,039)	(1,411)	-	(11,269)
Net cash generated from operating activities		<u>56,764,059</u>	<u>55,923,919</u>	<u>22,561,038</u>	<u>17,498,985</u>	<u>32,360,497</u>
<b>Investing activities</b>						
Purchase of property, plant and equipment		(64,589,199)	(34,826,543)	(10,371,160)	(7,748,722)	(16,502,480)
Purchase of intangible assets		(53,883)	-	(267)	(267)	(460)
Interest income received		78,988	244,166	272,809	150,859	282,017
Exploration costs		(6,586,790)	(4,665,269)	(641,205)	(354,478)	(7,445,260)
Increase in inventories and advances for inventories for capital projects		(28,866,559)	(17,485,787)	(554,094)	(557,748)	(1,959,833)
Increase in restricted cash		(319,000)	-	(182,336)	(175,843)	(104,498)
Net cash used in investing activities		<u>(100,336,443)</u>	<u>(56,733,433)</u>	<u>(11,476,253)</u>	<u>(8,686,199)</u>	<u>(25,730,514)</u>
<b>Financing activities</b>						
Loans from parent company		44,850,000	1,080,000	-	-	-
Capital element of finance lease rentals paid		-	-	-	-	(117,419)
Repayment of loans to parent company		-	-	(10,030,000)	(6,600,000)	(6,960,000)
Net cash generated from/(used in) financing activities		<u>44,850,000</u>	<u>1,080,000</u>	<u>(10,030,000)</u>	<u>(6,600,000)</u>	<u>(7,077,419)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>1,277,616</u>	<u>270,486</u>	<u>1,054,785</u>	<u>2,212,786</u>	<u>(447,436)</u>
Cash and cash equivalents at beginning of the year/period		<u>845,114</u>	<u>2,122,730</u>	<u>2,393,216</u>	<u>2,393,216</u>	<u>3,448,001</u>
<b>Cash and cash equivalents at end of the year/period</b>	12	<u><u>2,122,730</u></u>	<u><u>2,393,216</u></u>	<u><u>3,448,001</u></u>	<u><u>4,606,002</u></u>	<u><u>3,000,565</u></u>

## Notes to the financial information

### 1. GENERAL INFORMATION

The Company is an entity organized under the laws of Kazakhstan on March 20, 2002 and is the sole operating subsidiary of the Seller. The Company is engaged in oil and gas exploration, production and sale, and operates four onshore oil fields near Aktau in the Caspian Sea of Western Kazakhstan. The registered and principal addresses of the Company are the same, being the Petroleum Depot, Daulet Village, Munailinskiy Region, 130005, Mangistau Oblast, Republic of Kazakhstan.

The Company is the operator of a number of oil and gas fields in Western Kazakhstan close to the Caspian Sea. The Government of the Republic of Kazakhstan (the "Government") initially issued the licence to Zhanaozen Repair and Mechanical Plant ("Zhanaozen") on April 30, 1999 to explore the Aksaz, Dolinnoe and Emir oil and gas fields (the "ADE Block" or the "ADE Fields"). On June 9, 2000, a contract for exploration for the Aksaz, Dolinnoe and Emir oil and gas fields was entered into between the Agency of the Republic of Kazakhstan on Investments and Zhanaozen. On September 23, 2002, the contract was assigned to the Company. On September 10, 2004, the Government extended the term of the contract for exploration and licence from five years to seven years to July 9, 2007. On February 27, 2007, the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (the "MEMR") granted a second exploration period which was an extension to July 2009 for the entire exploration contract territory. On December 7, 2004, the Government assigned to the Company an exclusive right to explore an additional 260 square kilometres of land adjacent to the ADE Block, which is referred to as the "Southeast Block". The Southeast Block includes the Kariman field and the Yessen and Borly structures and is governed by the terms of the Company's original contract. On June 24, 2008, the MEMR agreed to extend the exploration stage of the Company's contract from July 2009 to January 2013 in order to permit the Company to conduct additional exploration drilling and testing activities within the ADE Block and the Southeast Block.

On October 15, 2008, the MEMR approved Addendum #6 to Contract No. 482 with the Company, dated June 9, 2000 extending Company's exploration territory from 460 square kilometres to a total of 850 square kilometres (approximately 210,114 acres). The additional territory is located to the north and west of the Company's current exploration territory, extending the exploration territory toward the Caspian Sea and is referred to herein as the "Northwest Block". The Northwest Block is governed by the terms of the Company's exploration stage contract on the ADE Block and the Southeast Block.

To move from the exploration stage to the commercial production stage, the Company must apply for and be granted a commercial production contract. The Company is legally entitled to apply for a commercial production contract and has an exclusive right to negotiate this contract. The Government is obligated to conduct these negotiations under the Law on Petroleum in Kazakhstan. If the Company does not move from the exploration stage to the commercial production stage, it has the right to produce and sell oil, including export oil, under the Law on Petroleum for the term of its existing contract.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The Company prepared the accompanying financial information in accordance with IFRS issued by the IASB.

The principal accounting policies used in preparation of the financial information are set out below. The policies have been consistently applied to all years presented unless otherwise stated. The financial information has been prepared under the historical cost convention.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial information are set out in note 4.

**(b) Recent accounting pronouncements**

*(i) New standards, amendments and interpretations to existing standards adopted by the Company*

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company financial information:

IFRSs (Amendments)	Improvements to IFRSs 2009
IFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
IFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

The above amendments to IFRSs have had no material impact on the Company's results of operations and financial position, or do not contain any additional disclosure requirements specifically applicable to the financial information.

*(ii) New standards, amendments and interpretations to existing standards not yet effective and not early adopted*

Up to the date of approval of this financial information, the IASB has issued a number of amendments, new standards and Interpretations which are not yet effective and which have not been adopted in the financial information. Of these developments, the following relates to matters that may be relevant to the Company's operation and financial information:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 <sup>(1)</sup>
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters <sup>(2)</sup>
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>(3)</sup>
IFRS 9	Financial Instruments <sup>(4)</sup>
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>(5)</sup>
IAS 24 (Revised)	Related Party Disclosures <sup>(6)</sup>
IAS 32 (Amendments)	Classification of Rights Issues <sup>(7)</sup>
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>(6)</sup>
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments <sup>(2)</sup>

(1) Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate.

(2) Effective for annual periods beginning on or after July 1, 2010.

(3) Effective for annual periods beginning on or after July 1, 2011.

(4) Effective for annual periods beginning on or after January 1, 2013.

(5) Effective for annual periods beginning on or after January 1, 2012.

(6) Effective for annual periods beginning on or after January 1, 2011.

(7) Effective for annual periods beginning on or after February 1, 2010.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of financial assets.

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## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial information.

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application but is not yet in a position to determine whether their adoption will have a significant impact on the Company's results of operations and financial position.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial information of the Company is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). While most assets and operations of the Company are located in the Republic of Kazakhstan, its primary economic environment is the oil and gas industry. The functional currency of the oil and gas industry is United States Dollars (USD). The Parent Company is a USA corporation engaged solely in the oil and gas industry and the Parent company is the sole provider of funds to the Company which are almost all sourced in USD. For these reasons the functional currency of the Company and the Parent Company is USD. The presentation currency of the financial information is USD.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Foreign exchange gains and losses are presented in the statement of comprehensive income within "finance income" or "finance costs" as appropriate.

### (d) Property, plant and equipment

Property, plant and equipment, including oil and gas properties, is stated at historical cost less accumulated depreciation, depletion, amortization and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting year in which they are incurred.

Except for oil and gas properties, depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Gas utilization facility	10 years
Buildings and improvements	7-10 years
Office equipment	3-5 years
Motor vehicles and production equipment	3-10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress is not depreciated until it is ready for its intended use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the statement of comprehensive income.

**(e) Oil and gas properties**

The successful efforts method of accounting is used for the oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Wells with proved developed reserves which are not in production are capitalized as oil and gas properties subject to impairment review. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalized as construction in progress pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes.

The cost of oil and gas properties is amortized at the field level based on the unit of production method. Unit of production rates are based on oil and gas proved developed producing reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements. The Company's reserves estimates represent crude oil and gas which management believes can be reasonably produced within the current terms of their production agreements.

**(f) Impairment of non-financial assets**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(g) Intangible asset**

Intangible asset represents computer software. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 3 to 4 years.

**(h) Loans and receivables**

The Company's loans and receivables comprise "trade and other receivables" in the statements of financial position.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with an expected realization longer than 12 months after the end of the reporting period. These are classified as non-current assets.

**(i) Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

**(i) Classification of assets leased to the Company**

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases.

(ii) *Operating lease charges*

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) **Inventories**

Inventories are crude oil and materials and supplies which are stated at the lower of cost and net realizable value. Materials and supplies costs are determined by the specific identification method. Crude oil costs are determined by the weighted average cost method. The cost of crude oil comprises direct labour, depreciation, other direct costs and related production overhead, but excludes borrowing costs.

(k) **Trade and other receivables**

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The factors the Company considers when assessing whether a trade receivable is impaired include, but are not limited to significant financial difficulties of the customer, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of comprehensive income.

(l) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks with original maturities of three months or less from the time of purchase.

(m) **Current and deferred income tax**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the territories where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**(n) Intra-group borrowings**

The Company's borrowings are all borrowings from the Parent Company and are recognized initially at fair value, net of transaction costs incurred. In subsequent years, intra-group borrowings are stated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the year of the borrowings using the effective interest method.

Costs on intra-group borrowings are recognized as an expense in the year in which they are incurred except for the portion eligible for capitalization as part of qualifying property, plant and equipment. Intra-group borrowings are classified as current liabilities unless the Company has unconditional rights to defer settlements of the liabilities for at least 12 months after the end of the reporting period.

**(o) Trade payables**

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(p) Provisions and contingent liabilities**

Provisions are recognized when the Company has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations, and reliable estimates of the amounts can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provision for future decommissioning and restoration is recognized in full on the installation of oil and gas properties. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the costs of the oil and gas properties. Any change in the present value of the estimated expenditure other than due to passage of time, which is regarded as interest expense, is reflected as an adjustment to the provision and oil and gas properties.

Asset retirement obligations which meet the criteria of provisions are recognized as provisions and the amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties. Interest expenses from the assets retirement obligations for each period are recognized with the effective interest method during the useful life of the related oil and gas properties.

If the conditions for the recognition of the provisions are not met, the expenditures for the decommissioning, removal and site cleaning will be expensed in the statement of comprehensive income when occurred.

**(q) Employee benefits**

The Company has defined contribution plans for mandatory pensions for employees and has other social/welfare obligations in accordance with the local law and practices in the Republic of Kazakhstan. A defined contribution plan is a pension and/or other social benefits plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions and welfare payments are recognized as employee benefit expenses in profit or loss when they are due.

**(r) Revenue recognition**

Revenue and associated costs from the sale of oil and gas are recognised in the period when persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, collectability is reasonably assured, delivery of oil and gas has occurred or when ownership title transfers.

**(s) Interest income recognition**

Interest income on financial assets that are classified as loans and receivables, and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

**(t) Repairs and maintenance**

Repairs and maintenance are recognized as expenses in the year in which they are incurred.

**(u) Liquidation fund**

The liquidation fund (site restoration and abandonment liability) is related primarily to the conservation and liquidation of the Company's wells and similar activities related to its oil and gas properties, including site restoration. Management assesses an obligation related to these costs with sufficient certainty based on internally generated engineering estimates, current statutory requirements and industry practices. The Company recognizes the estimated fair value of this liability. These estimated costs are recorded as an increase in the cost of oil and gas assets with a corresponding increase in the liquidation fund which is presented as a long-term liability. The oil and gas assets relating to the liquidation fund are depreciated on the unit of production basis separately for each field. An accretion expense, resulting from the changes in the liability due to passage of time by applying an effective interest method of allocation to the amount of the liability, is recorded as accretion expenses in the statement of comprehensive income.

The adequacies of the liquidation fund are periodically reviewed in the light of current laws and regulations and adjustments made as necessary.

**(v) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors. The Company operates as a single operating segment which is the production and sale of oil and gas. No geographical information has been presented as all of the Company's sales are generated from sales in Kazakhstan.

For the year ended March 31, 2008, 2009 and 2010, and nine months period ended December 31, 2009 and 2010, there was one customer for the production and sale of oil which bought USD57,626,429, USD65,721,241, USD56,135,606, USD40,596,215 and USD40,455,646, which accounted for over 90% of total sales of the Company.

The Company's gas is sold exclusively to Aktau Gas Producing Plant ("AGPP") the utility which provides gas to the Aktau region.

**(w) Related parties**

For the purposes of this financial information, a party is considered to be related to the Company if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- (ii) the Company and the party are subject to common control;
- (iii) the part is an associate of the Company or a joint venture in which the Company is a venture;
- (iv) the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

- (v) the part is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### **3. FINANCIAL RISK MANAGEMENT**

#### **3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk.

##### *(a) Foreign exchange risk*

Our functional currency is the USD (note 2(c)(i)) and to the extent that business transactions in Kazakhstan are denominated in the Kazakhstan Tenge we are exposed to transaction gains and losses that could result from fluctuations in the USD – Kazakhstan Tenge exchange rate. The Company does not engage in hedging transactions to protect itself from such risk, because management believes that the effects of foreign exchange risk is insignificant.

The foreign-denominated monetary assets and liabilities are revalued on a monthly basis with gains and losses on revaluation reflected in net income. A hypothetical 10% favourable or unfavourable change in the foreign currency exchange rate would have affected the Company's net profit/(loss) for the Relevant Periods by less than USD1 million.

##### *(b) Credit risk*

The majority of the cash at bank balance is placed with private banks and financial institutions. For banks and financial institutions, only high credit quality financial institutions are accepted. Therefore, the Company's credit risk arises primarily from trade and other receivables. Oil and gas sales are generally unsecured. Except for the write-off of other receivables of USD346,977 for the year ended March 31, 2009, the Company has not had any significant credit losses in the past and believes its accounts receivable are fully collectable. Accordingly, no allowance for doubtful accounts has been provided.

The Company is dependent on one customer for sales of crude oil. A reduction by this customer in the volumes of oil it purchases could result in a substantial decline in the Company's revenues and net profit/(loss).

Similarly, the Company is dependent on one customer for sales of crude gas. A reduction by this customer in the volumes of gas it purchases could result in a substantial decline in the Company's revenues and net profit/(loss).

During the years ended March 31, 2008, 2009 and 2010 and nine months period ended December 31, 2009 and 2010, the Company sold approximately 91%, 81%, 95%, 94% (unaudited) and 98% of the Company's crude oil production to Titan Oil Trading GmbH ("Titan Oil") respectively. Revenue from oil sold to Titan Oil made up 96%, 94%, 98%, 97% (unaudited) and 97% of the Company's revenue during the year ended March 31, 2008, 2009, 2010 and nine months period ended December 31, 2009 and 2010 respectively. The loss of Titan Oil could have a material adverse effect on the Company's operations in the short-term. Based on current demand for crude oil and the fact that alternate customers are readily available, the management is of the view that the loss of Titan Oil would not materially adversely affect the Company's operations in the medium and long-term.

The Company's gas is sold exclusively to Aktau Gas Producing Plant ("AGPP") the utility which provides gas to the Aktau region.

##### *(c) Liquidity risk*

As of March 31, 2008, 2009 and December 31, 2010, the Company had net current liabilities of approximately USD11,953,000, USD10,550,000 and USD6,895,000 respectively, which include trade and other payables of approximately USD22,239,000, USD19,009,000 and USD21,371,000 respectively. The directors of the Company closely monitor the cash flows of the Company and, upon maturity, would arrange bank loans, where necessary, to

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

enable the Company to carry on its operations in the foreseeable future. At the end of the reporting period, the Parent Company of the Company agreed to provide sufficient funds for the Company as needed. In this regard, the directors consider that the Company's liquidity risk is significantly reduced.

The Company's liquidity risk is managed on a group basis by the Parent Company. This management of the Company's liquidity risk involves maintaining sufficient cash and cash equivalents and an adequate availability of funding through an appropriate amount of committed credit facilities.

The table below analyses the Company's interest bearing liabilities and related interest and other long term and short term liabilities classified by maturity. The Company has based the analysis on the remaining years at the end of the relevant reporting period up to the contractual maturity date for each liability.

The amounts disclosed in the table are the contractual undiscounted cash flows of principal amounts and interest.

Balances due within 12 months are shown at their carrying amounts as the effect of discounting is not significant.

<b>At March 31, 2008</b>	<b>Less than 1 year USD</b>	<b>Between 1 and 2 years USD</b>	<b>Between 2 and 5 years USD</b>	<b>Over 5 years USD</b>
Amount due to parent company and interest payable	–	–	88,791,219	34,940,457
Trade and other payables	22,239,397	–	–	–
<b>At March 31, 2009</b>	<b>Less than 1 year USD</b>	<b>Between 1 and 2 years USD</b>	<b>Between 2 and 5 years USD</b>	<b>Over 5 years USD</b>
Amount due to parent company and interest payable	–	–	133,366,459	–
Trade and other payables	19,009,364	–	–	–
<b>At March 31, 2010</b>	<b>Less than 1 year USD</b>	<b>Between 1 and 2 years USD</b>	<b>Between 2 and 5 years USD</b>	<b>Over 5 years USD</b>
Amount due to parent company and interest payable	–	–	137,422,881	–
Trade and other payables	7,819,801	–	–	–
<b>At December 31, 2010</b>	<b>Less than 1 year USD</b>	<b>Between 1 and 2 years USD</b>	<b>Between 2 and 5 years USD</b>	<b>Over 5 years USD</b>
Amount due to parent company and interest payable	–	–	137,042,948	–
Trade and other payables	21,371,377	–	–	–

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

### 3.2 Capital risk management

Capital is managed at a group level by the Parent Company. The Parent Company's objectives when managing capital on behalf of the Company are to safeguard the Parent Company's and the Company's ability to continue as a going concern in order to provide returns for the Parent Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Parent Company monitors capital it supplies to the Company on the basis of the ratio between the Company's capital and its net debt. This ratio is calculated as "net debt" divided by total capital. Net debt is calculated as total intra-group borrowings less cash and cash equivalents. Total capital is calculated as owner's equity as shown in the statement of financial position plus net debt. The capital to net debt ratios at March 31, 2008, 2009 and 2010, and December 31, 2010 were as follows:

	As at March 31,			As at
	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>2010</i> <i>USD</i>
Total intra-group borrowings (note 16)	123,731,676	133,366,459	137,422,881	137,042,948
Less: cash and cash equivalents (note 12)	<u>(2,122,730)</u>	<u>(2,393,216)</u>	<u>(3,448,001)</u>	<u>(3,000,565)</u>
Net debt	121,608,946	130,973,243	133,974,880	134,042,383
Total owner's equity	<u>17,589,276</u>	<u>42,268,569</u>	<u>52,487,765</u>	<u>49,089,866</u>
Total capital	<u>139,198,222</u>	<u>173,241,812</u>	<u>186,462,645</u>	<u>183,132,249</u>
Ratio of capital to net debt	87%	76%	72%	73%

### 3.3 Fair value estimation

The methods and assumptions applied in determining the fair value of each class of financial assets and financial liabilities of the Company are disclosed in the respective accounting policies. The carrying amounts of the following financial assets and financial liabilities (with the exception of the intra-group borrowings from the Parent Company) approximate their fair value as all of them are short-term in nature: cash and cash equivalents, current portion of trade and other receivables, current portion of trade and other payables and current portion of borrowings.

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial information:

	Carrying amount			Fair value			
	As at March 31,		As at	As at March 31,			As at
	2008	2009	December 31,	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<b>Financial assets</b>							
Cash and cash equivalents	2,122,730	2,393,216	3,448,001	3,000,565	2,122,730	2,393,216	3,448,001
Trade and other receivables	6,342,314	3,328,229	7,703,944	9,470,186	6,342,314	3,328,229	7,703,944
<b>Financial liabilities</b>							
Trade and other payables	22,003,181	18,815,234	7,640,934	21,136,173	22,003,181	18,815,234	7,640,934
Amount and interest payable due to parent company	123,731,676	133,366,459	137,422,881	137,042,948	123,731,676	133,366,459	137,422,881

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the transactions. As at each reporting date, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are regularly evaluated and are based on the Company's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The matters described below are considered to be the most critical in understanding the estimates and judgements that are involved in preparing the Company's financial information.

##### **(a) Estimation of proved oil reserves**

Proved Reserves are those quantities of petroleum that by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. Economic conditions include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Proved Developed Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Proved Undeveloped Reserves are quantities expected to be recovered through future investments: from new wells on undrilled acreage in known accumulations, from extending existing wells to a different (but known) reservoir, or from infill wells that will increase recovery.

The Company's reserve estimates were prepared for each oilfield and include crude oil and gas that the Company believes can be reasonably produced within current economic and operating conditions.

Proved Reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgement. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, Proved Reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance. Well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life.

Proved Reserves are one of the key elements in the Company's investment decision-making process. They are also an important element in testing for impairment. The Company classified its Proved Reserves into Proved Developed Reserves and Proved Undeveloped Reserves. Proved Developed Reserves are the basis for the calculation of unit-of-production depreciation, depletion and amortization recorded in the Company's financial information for property, plant and equipment related to oil and gas production activities. A reduction in Proved Developed Reserves will increase depreciation, depletion and amortization charges (assuming constant production) and reduce net profit. Proved Reserve estimates are subject to revision, either upward or downward based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of oil reserves resulting from new information becoming available from development and production activities and change in oil price have tended to be the most significant causes of annual revisions.

##### **(b) Estimation of impairment of property, plant and equipment**

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as future prices of crude oil and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the Company's business plans. Favourable changes to some assumptions may allow the Company to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired (note 6).

##### **(c) Estimation of asset retirement obligations ("ARO")**

Provisions are recognized for the future decommissioning and restoration of oil and gas properties that will cease operation prior to the expiration of their exploration licence. The amounts of the provision recognized are the

present values of the estimated future expenditures that the Company is expected to incur. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also affected by the estimation of the economic lives of the oil and gas properties. Changes in any of these estimates will affect the operating results and the financial position of the Company over the remaining economic lives of the oil and gas properties.

**(d) Depreciation of property, plant and equipment**

The Company determines the estimated useful lives and related depreciation charges for the Company's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and function.

**(e) Impairment of trade, other and long term VAT receivables**

The policy for impairment of trade, other and long term VAT receivables of the Company is based on the evaluation of the collectability and aging analysis of trade, other and long term VAT receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation at each reporting period.

**(f) Provision for obsolete inventories**

Management reviews the condition of the inventories of the Company and makes provision for identified obsolete and slow-moving inventory items that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Company carries out an inventory review at the end of each reporting period and makes provision for obsolete items. Management reassesses the estimation at the end of each reporting period.

**5. REVENUE**

Revenue and associated costs from the sale of oil and gas are recognised in the period when persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, collectability is reasonably assured, delivery of oil and gas has been occurred or when ownership title transfers. Produced but unsold products are recorded as inventory until sold.

## 6. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties USD	Gas utilization facility USD	Construction in progress USD	Buildings and improvements USD	Office equipment USD	Motor vehicles and production equipment USD	Total USD
<b>Cost</b>							
At March 31, 2007	67,904,839	–	4,165,654	326,251	281,703	1,066,823	73,745,270
Additions	76,737,094	–	1,972,000	2,977,524	91,223	1,416,396	83,194,237
Disposals	–	–	–	–	(2,942)	(78,423)	(81,365)
Transfer in/(out)	1,395,458	–	1,123,907	(2,519,365)	–	–	–
At March 31, 2008	146,037,391	–	7,261,561	784,410	369,984	2,404,796	156,858,142
Additions	55,385,492	–	580,000	4,767,507	238,587	71,642	61,043,228
Disposals	–	–	–	–	(3,144)	(15,354)	(18,498)
Transfer (out)/in	(1,545,818)	13,470,631	(7,841,561)	(3,456,766)	–	(626,486)	–
At March 31, 2009	199,877,065	13,470,631	–	2,095,151	605,427	1,834,598	217,882,872
Additions	10,307,815	75,000	–	15,393	221,314	901,025	11,520,547
Disposals	–	–	–	–	(8,379)	(76,039)	(84,418)
Transfer in/(out)	–	24,107	–	–	(24,107)	–	–
At March 31, 2010	210,184,880	13,569,738	–	2,110,544	794,255	2,659,584	229,319,001
Additions	16,992,256	–	–	182	35,082	491,054	17,518,574
Disposals	–	–	–	–	(45)	(7,180)	(7,225)
At December 31, 2010	227,177,136	13,569,738	–	2,110,726	829,292	3,143,458	246,830,350
<b>Accumulated depreciation</b>							
At March 31, 2007	(6,186,254)	–	–	(50,147)	(81,023)	(242,158)	(6,559,582)
Charge for the year	(21,447,415)	–	–	(53,175)	(83,671)	(155,105)	(21,739,366)
Written back on disposals	–	–	–	–	1,773	24,848	26,621
At March 31, 2008	(27,633,669)	–	–	(103,322)	(162,921)	(372,415)	(28,272,327)
Charge for the year	(10,308,039)	–	–	(295,263)	(124,383)	(132,108)	(10,859,793)
Written back on disposals	–	–	–	–	1,957	12,330	14,287
At March 31, 2009	(37,941,708)	–	–	(398,585)	(285,347)	(492,193)	(39,117,833)
Charge for the year	(14,991,935)	–	–	(540,671)	(119,000)	(179,970)	(15,831,576)
Written back on disposals	–	–	–	–	3,594	22,100	25,694
At March 31, 2010	(52,933,643)	–	–	(939,256)	(400,753)	(650,063)	(54,923,715)
Charge for the period	(10,591,920)	(904,648)	–	(401,252)	(72,992)	(211,036)	(12,181,848)
Written back on disposals	–	–	–	–	41	–	41
At December 31, 2010	(63,525,563)	(904,648)	–	(1,340,508)	(473,704)	(861,099)	(67,105,522)
<b>Net book value</b>							
At March 31, 2008	118,403,722	–	7,261,561	681,088	207,063	2,032,381	128,585,815
At March 31, 2009	161,935,357	13,470,631	–	1,696,566	320,080	1,342,405	178,765,039
At March 31, 2010	157,251,237	13,569,738	–	1,171,288	393,502	2,009,521	174,395,286
At December 31, 2010	163,651,573	12,665,090	–	770,218	355,588	2,282,359	179,724,828

(Unaudited)

	Oil and gas properties USD	Gas utilization facility USD	Construction in progress USD	Buildings and improvements USD	Office equipments USD	Motor vehicles and production equipment USD	Total USD
<b>Cost</b>							
At March 31, 2009	199,877,065	13,470,631	–	2,095,151	605,427	1,834,598	217,882,872
Additions	8,024,096	75,000	–	15,393	48,158	122,460	8,285,107
Disposals	–	–	–	–	(8,379)	(61,064)	(69,443)
Transfer in/(out)	–	24,107	–	–	(24,107)	–	–
At December 31, 2009	207,901,161	13,569,738	–	2,110,544	621,099	1,895,994	226,098,536
<b>Accumulated depreciation</b>							
At March 31, 2009	(37,941,708)	–	–	(398,585)	(285,347)	(492,193)	(39,117,833)
Charge for the period	(7,968,192)	–	–	(404,071)	(88,902)	(132,168)	(8,593,333)
Written back on disposals	–	–	–	–	3,594	8,622	12,216
At December 31, 2009	(45,909,900)	–	–	(802,656)	(370,655)	(615,739)	(47,698,950)
<b>Net book value</b>							
At December 31, 2009	161,991,261	13,569,738	–	1,307,888	250,444	1,280,255	178,399,586

The additions of oil and gas properties of the Company for the years ended March 31, 2008 and 2009 included USD1,308,130 and USD86,438, respectively relating to the asset retirement obligations recognized during the year (note 13). Related depletion charges for the years ended March 31, 2008, 2009, 2010 and nine months ended December 2010 were amounted to USD254,572, USD449,025, USD448,351 and USD367,370 respectively.

Obligations under finance leases for motor vehicles are collateralized by the motor vehicles with net book values of USDnil, USDnil, USD738,363 and USD689,138 as at March 31, 2008, 2009, 2010 and December 31, 2010 respectively.

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**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

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**7. INTANGIBLE ASSET**

	<b>Software</b> <i>USD</i>
<b>Cost</b>	
At March 31, 2007	62,821
Additions	53,883
Disposals	<u>(4,338)</u>
At March 31, 2008	112,366
Additions	<u>–</u>
At March 31, 2009	112,366
Additions	<u>267</u>
At March 31, 2010	112,633
Additions	<u>460</u>
At December 31, 2010	<u>113,093</u>
<b>Accumulated amortization</b>	
At March 31, 2007	(40,634)
Charge for the year	(29,478)
Written back on disposals	<u>3,667</u>
At March 31, 2008	(66,445)
Charge for the year	<u>(18,190)</u>
At March 31, 2009	(84,635)
Charge for the year	<u>(17,931)</u>
At March 31, 2010	(102,566)
Charge for the period	<u>(7,141)</u>
At December 31, 2010	<u>(109,707)</u>
<b>Net book value</b>	
At March 31, 2008	<u>45,921</u>
At March 31, 2009	<u>27,731</u>
At March 31, 2010	<u>10,067</u>
At December 31, 2010	<u>3,386</u>

	<b>Software USD (Unaudited)</b>
<b>Cost</b>	
At March 31, 2009	112,366
Additions	<u>267</u>
At December 31, 2009	<u>112,633</u>
<b>Accumulated amortization</b>	
At March 31, 2009	(84,635)
Charge for the period	<u>(13,599)</u>
At December 31, 2009	<u><u>(98,234)</u></u>
<b>Net book value</b>	
At December 31, 2009	<u><u>14,399</u></u>

## 8. TRADE AND OTHER RECEIVABLES

### (a) Summary of trade and other receivables

	<b>2008</b>	<b>As at March 31, 2009</b>	<b>2010</b>	<b>As at December 31, 2010</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<b>Financial assets</b>				
<b>Current</b>				
Trade receivables	5,865,712	3,081,573	6,423,402	8,687,651
Advances to employees	372,124	105,339	440,159	640,712
Other receivables – others	<u>104,478</u>	<u>141,317</u>	<u>840,383</u>	<u>141,823</u>
	<u>6,342,314</u>	<u>3,328,229</u>	<u>7,703,944</u>	<u>9,470,186</u>
<b>Non-financial assets</b>				
<b>Current</b>				
Advances to suppliers	2,154,373	2,679,484	2,461,070	2,130,021
Less: Provision for impairment	<u>(346,977)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Advances to suppliers – net	1,807,396	2,679,484	2,461,070	2,130,021
Advances to suppliers – related party (note 26)	<u>–</u>	<u>15,006</u>	<u>101,048</u>	<u>28,890</u>
<b>Non-current</b>				
Advances for materials to be used in plant, property and equipment	<u>11,893,451</u>	<u>122,040</u>	<u>141,312</u>	<u>843,697</u>
	<u>13,700,847</u>	<u>2,816,530</u>	<u>2,703,430</u>	<u>3,002,608</u>
<b>Total</b>	<u><u>20,043,161</u></u>	<u><u>6,144,759</u></u>	<u><u>10,407,374</u></u>	<u><u>12,472,794</u></u>
Total current	8,149,710	6,022,719	10,266,062	11,629,097
Total non-current	<u>11,893,451</u>	<u>122,040</u>	<u>141,312</u>	<u>843,697</u>
<b>Total</b>	<u><u>20,043,161</u></u>	<u><u>6,144,759</u></u>	<u><u>10,407,374</u></u>	<u><u>12,472,794</u></u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(b) The fair values of trade and other receivables financial assets are as follows:

	As at March 31,		As at December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2010 <i>USD</i>
Trade receivables	5,865,712	3,081,573	6,423,402	8,687,651
Other receivables	476,602	246,656	1,280,542	782,535
	<u>6,342,314</u>	<u>3,328,229</u>	<u>7,703,944</u>	<u>9,470,186</u>

(c) The aging analysis of trade receivables is as follows:

As disclosed in note 3.1(b), over 90% of the trade receivables balance is related to Titan Oil. The Company has an established long term business relationship with this customer, therefore, the credit terms and credit period are determined in a flexible manner. The Company has continued monitoring the financial position of the customer to minimize the credit risk which may attach to its business. The following is an aging analysis of trade receivables (net of nil allowance for doubtful debts) based on the invoice date at the end of each reporting period.

	As at March 31,		As at December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2010 <i>USD</i>
0 – 30 days	4,265,874	2,033,143	4,362,077	5,518,365
31 – 60 days	–	–	1,012,633	1,000,102
61 – 90 days	1,599,838	1,048,430	1,048,692	2,169,184
	<u>5,865,712</u>	<u>3,081,573</u>	<u>6,423,402</u>	<u>8,687,651</u>

The maximum exposure to credit risk at the end of each reporting period is the fair value of each class of trade and other receivables referred to above. The Company does not hold any collateral as security.

(d) The aging analysis of other receivables overdue but not impaired is as follows:

	As at March 31,		As at December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2010 <i>USD</i>
< 1 year	476,602	246,656	1,280,542	782,535

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	As at March 31,		As at December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2010 <i>USD</i>
United States Dollars	13,442,166	2,706,571	3,793,324	4,023,682
Kazakhstan Tenge	6,600,995	3,438,188	6,614,050	8,449,112
	<u>20,043,161</u>	<u>6,144,759</u>	<u>10,407,374</u>	<u>12,472,794</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(f) Movements in the provision for impairment of other receivables are as follows:

	As at March 31,		As at December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2010 <i>USD</i>
<b>At beginning of the year/period</b>	(211,475)	(346,977)	–	–
Provision for receivable impairment	(135,502)	–	–	–
Receivables written-off during the year as uncollectible	–	346,977	–	–
<b>At end of the year/period</b>	<u>(346,977)</u>	<u>–</u>	<u>–</u>	<u>–</u>

As of March 31, 2008, 2009 and 2010 and December 31, 2010, there were no trade receivables past due which are impaired.

### 9. LONG TERM VAT RECOVERABLE

As of March 31, 2008, 2009, 2010 and December 31, 2010, the Company had long term VAT recoverable in the amount of USD8,106,397, USD2,423,940, USD3,113,939 and USD4,300,937 respectively. The VAT recoverable is denominated in Kazakhstan Tenge and is fully recoverable from the tax authority of the Republic of Kazakhstan. The VAT recoverable consists of VAT prepaid on local expenditures and imported goods incurred in the operations of the Company, which qualifies for refund in cash or by offset against the Company's fiscal obligations, including future income tax liabilities. Management is unable to estimate reliably when these amounts will be realized because: (1) of the unpredictability of future profit streams; and (2) all refund applications are subject to the tax authority's final approval. Therefore, the amounts are classified as non-current assets.

### 10. INVENTORIES

	As at March 31,		As at December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2010 <i>USD</i>
<b>Current asset:</b>				
Oil in tank	4,882	5,029	2,895	2,576
<b>Non-current asset:</b>				
Materials and supplies	<u>11,002,684</u>	<u>13,989,643</u>	<u>13,714,952</u>	<u>13,894,381</u>
<b>Total Inventories</b>	<u>11,007,566</u>	<u>13,994,672</u>	<u>13,717,847</u>	<u>13,896,957</u>
Included in inventories are amounts stated				
At cost	11,007,566	13,994,672	13,717,847	13,896,957
At net realizable value	–	–	–	–
	<u>11,007,566</u>	<u>13,994,672</u>	<u>13,717,847</u>	<u>13,896,957</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

### 11. RESTRICTED CASH

Under the laws of the Republic of Kazakhstan, the Company is required to set aside funds for environmental remediation relating to its operations. As of March 31, 2008, 2009, 2010 and December 31, 2010 the Company had restricted cash balances amounting to USD622,697, USD588,217, USD770,553 and USD875,051, respectively, set aside for this purpose. Management is unable to estimate reliably when these amounts will be utilized, and therefore, these amounts are classified as a non-current asset.

### 12. CASH AND CASH EQUIVALENTS

	As at March 31,			As at
	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>2010</i>
				<i>USD</i>
Cash in hand	16,264	538,221	8,280	51,997
Cash in bank	2,106,466	1,854,995	3,439,721	2,948,568
	<u>2,122,730</u>	<u>2,393,216</u>	<u>3,448,001</u>	<u>3,000,565</u>

As of March 31, 2008, 2009 and 2010 and December 31, 2010, cash and cash equivalents included USD14,203,574, USD2,371,558, USD1,321,774 and USD21,823 placed in money market funds, with a maturity of less than 3 months from the date of placement, which had 30 day single yields of 2.58%, 0.13%, 0.01% and 0.01%, respectively.

Cash and cash equivalents are denominated in the following currencies:

	As at March 31,			As at
	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>2010</i>
				<i>USD</i>
United States Dollars	443,041	1,705,276	541,461	1,636,441
Kazakhstan Tenge	1,678,006	687,940	2,371,976	830,869
European Union Euros	–	–	534,564	533,255
Russian Rubles	1,683	–	–	–
	<u>2,122,730</u>	<u>2,393,216</u>	<u>3,448,001</u>	<u>3,000,565</u>

### 13. ASSET RETIREMENT OBLIGATIONS

	As at March 31,			As at
	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>2010</i>
				<i>USD</i>
At beginning of the year/period	2,165,829	3,728,531	4,263,994	4,712,345
Liabilities incurred ( <i>Note 6</i> )	1,308,130	86,438	–	–
Accretion expenses	254,572	449,025	448,351	367,370
	<u>3,728,531</u>	<u>4,263,994</u>	<u>4,712,345</u>	<u>5,079,715</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

### 14. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. In the Company's case, its sole tax authority is that of the Republic of Kazakhstan.

The offset amounts are as follows:

	<b>2008</b>	<b>As at March 31, 2009</b>	<b>2010</b>	<b>As at December 31, 2010</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<b>Deferred tax assets:</b>				
Deferred tax assets to be recovered after 12 months	315,308	303,689	435,394	527,700
Deferred tax assets to be recovered within 12 months	—	—	—	—
	<u>315,308</u>	<u>303,689</u>	<u>435,394</u>	<u>527,700</u>
<b>Deferred tax liabilities:</b>				
Deferred tax liabilities to be settled after 12 months	(3,570,016)	(5,771,217)	(3,340,600)	(1,831,931)
Deferred tax liabilities to be settled within 12 months	—	—	—	—
	<u>(3,570,016)</u>	<u>(5,771,217)</u>	<u>(3,340,600)</u>	<u>(1,831,931)</u>
<b>Total – Deferred income tax liabilities – net</b>	<u><u>(3,254,708)</u></u>	<u><u>(5,467,528)</u></u>	<u><u>(2,905,206)</u></u>	<u><u>(1,304,231)</u></u>

The gross movements in the deferred tax account are as follows:

	<b>2008</b>	<b>As at March 31, 2009</b>	<b>2010</b>	<b>As at December 31, 2010</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
At beginning of the year/period	3,805,502	(3,254,708)	(5,467,528)	(2,905,206)
(Charged)/credited to the statement of comprehensive income	<u>(7,060,210)</u>	<u>(2,212,820)</u>	<u>2,562,322</u>	<u>1,600,975</u>
At end of the year/period	<u><u>(3,254,708)</u></u>	<u><u>(5,467,528)</u></u>	<u><u>(2,905,206)</u></u>	<u><u>(1,304,231)</u></u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The movement in deferred tax assets and liabilities during the year/period, without the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>Deferred tax assets (asset retirement obligation) USD</b>	<b>Deferred tax liabilities (property, plant and equipment) USD</b>	<b>Total USD</b>
<b>At April 1, 2007</b>	105,974	3,699,528	3,805,502
Charged to the statement of comprehensive income	<u>209,334</u>	<u>(7,269,544)</u>	<u>(7,060,210)</u>
<b>At March 31, 2008</b>	315,308	(3,570,016)	(3,254,708)
Charged to the statement of comprehensive income	<u>(11,619)</u>	<u>(2,201,201)</u>	<u>(2,212,820)</u>
<b>At March 31, 2009</b>	303,689	(5,771,217)	(5,467,528)
Credited to the statement of comprehensive income	<u>131,704</u>	<u>2,430,618</u>	<u>2,562,322</u>
<b>At March 31, 2010</b>	435,393	(3,340,599)	(2,905,206)
Credited to the statement of comprehensive income	<u>92,307</u>	<u>1,508,668</u>	<u>1,600,975</u>
<b>At December 31, 2010</b>	<u><u>527,700</u></u>	<u><u>(1,831,931)</u></u>	<u><u>(1,304,231)</u></u>

### 15. TRADE AND OTHER PAYABLES

#### (a) Summary of trade and other payables

	<b>As at March 31,</b>			<b>As at December 31,</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<b>Financial liabilities</b>				
Trade payables	21,224,757	17,690,492	3,295,970	16,690,608
Mineral extraction tax payable	613,980	436,165	1,125,040	1,081,588
Rent export tax payable	–	515,032	3,073,588	3,083,117
Other tax payable	52,174	125,387	135,778	228,704
Amount due to a related party	53,624	–	–	–
Other payables	58,646	48,158	10,558	52,156
<b>Non-financial liability</b>				
Salary and welfare payables	<u>236,216</u>	<u>194,130</u>	<u>178,867</u>	<u>235,204</u>
<b>Total</b>	<u><u>22,239,397</u></u>	<u><u>19,009,364</u></u>	<u><u>7,819,801</u></u>	<u><u>21,371,377</u></u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

### (b) Trade and other payables currency denomination

	As at March 31,			As at
	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
United States Dollars	665,972	467,664	98,522	460,872
Kazakhstan Tenge	21,573,425	18,507,466	7,719,648	20,910,505
European Union's Euros	–	–	1,631	–
Russian Rubles	–	34,234	–	–
	<u>22,239,397</u>	<u>19,009,364</u>	<u>7,819,801</u>	<u>21,371,377</u>

### (c) Trade payables aging analysis

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period.

	As at March 31,			As at
	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
0-30 days	8,129,902	476,399	881,171	310,101
31-60 days	8,533,298	472,170	340,531	326,021
61-90 days	1,206,489	420,668	248,928	487,368
Over 90 days	3,355,068	16,321,255	1,825,340	4,493,304
	<u>21,224,757</u>	<u>17,690,492</u>	<u>3,295,970</u>	<u>5,616,794</u>

The average credit period on purchase of goods is 80 days. The Company has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 16. AMOUNT AND INTEREST PAYABLE DUE TO PARENT COMPANY

### (a)

	As at March 31,			As at
	2008	2009	2010	December 31,
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Unsecured fixed interest rate borrowings from parent company				
Principal amount due to parent company	115,473,193	118,519,920	115,901,015	110,647,375
Interest payable due to parent company	8,258,483	14,846,539	21,521,866	26,395,573
	<u>123,731,676</u>	<u>133,366,459</u>	<u>137,422,881</u>	<u>137,042,948</u>
Total intra-group borrowings				

### (b)

During the years 2003, 2004, 2005 and 2007, the Company entered into several unsecured intra-group borrowings agreements with the Parent Company for unsecured fixed interest rate loans with maturity in 2013 and 2014. All of these intra-group loans bear interest of 5% per annum and are repayable on the contracted maturity dates stated in each of the agreements. Intra-group loans have been repaid as they mature and as of March 31, 2008, 2009,

2010 and December 31, 2010 the remaining amounts of intra-group loans payable to the Parent Company were USD115,473,193, USD118,519,920, USD115,901,015 and USD110,647,375 respectively. Accrued interest relating to these intra-group loans were USD8,258,483, USD14,846,539, USD21,521,866 and USD26,395,573 respectively and are payable with the principal at maturity. The amounts were recognized at fair value determined using cash flow discounted at an effective interest rate of 7%. The difference between the nominal value and the fair value of these intra-group loans and the interest were recognized as a deemed capital contribution from the Parent Company. None of the interest balances due at December 31, 2010 have been paid at the date of this report.

#### 17. OBLIGATIONS UNDER FINANCE LEASES

The Company entered into finance lease agreement with a vehicle leasing company for the lease of oil road-tankers. The agreement becomes effective upon the Company receiving delivery of the oil road-tankers with a lease term of 3 years. The lease has no terms of renewal or purchase options and escalation clauses. The Company had obligations under finance leases repayable as follows:

	2008		As at March 31, 2009		2010		As at December 31, 2010	
	Present value of the minimum lease payments USD	Total minimum lease payments USD	Present value of the minimum lease payments USD	Total minimum lease payments USD	Present value of the minimum lease payments USD	Total minimum lease payments USD	Present value of the minimum lease payments USD	Total minimum lease payments USD
Within 1 year	-	-	-	-	185,019	252,674	207,127	292,826
After 1 year but within 2 years	-	-	-	-	240,149	277,616	230,274	266,325
After 2 years but within 5 years	-	-	-	-	129,652	190,292	-	-
	-	-	-	-	369,801	467,908	230,274	266,325
	-	-	-	-	554,820	720,582	437,401	559,151
Less: Total future interest expenses		-		-		(165,762)		(121,750)
Present value of lease obligations		-		-		554,820		437,401

#### 18. EMPLOYEE COMPENSATION COSTS

	Year ended March 31,			Nine months period ended December 31,	
	2008 USD	2009 USD	2010 USD	2009 USD	2010 USD
Wages, salaries and allowances	2,000,468	2,877,501	2,301,326	1,931,199	2,548,454
Pension fund expenses	386,047	450,119	350,997	262,981	322,212
Welfare and other expenses	506,968	280,619	275,616	206,256	282,016
	2,893,483	3,608,239	2,927,939	2,400,436	3,152,682

In accordance with the legislative requirements of the Republic of Kazakhstan, the Company is required to pay into an employee pension fund an amount equivalent to 10% of each employee's wages, up to a maximum of approximately USD700 per month. Pension fund payments are deducted from employees' salaries and included with other salary costs in the statement of comprehensive income. The Company does not have any other liabilities related to any supplementary pensions, post retirement health care, insurance benefits or retirement indemnities.

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**(a) Directors' emoluments**

Name of director	Wages, Salaries and allowances <i>USD</i>	Pension fund expenses <i>USD</i>	Welfare and other expenses <i>USD</i>	Total <i>USD</i>
<b>For the year ended March 31, 2008</b>				
Toleush Tolmakov	<u>87,126</u>	<u>7,368</u>	<u>15,961</u>	<u>110,455</u>
<b>For the year ended March 31, 2009</b>				
Toleush Tolmakov	<u>99,726</u>	<u>8,658</u>	<u>40,156</u>	<u>148,540</u>
<b>For the year ended March 31, 2010</b>				
Toleush Tolmakov	<u>65,960</u>	<u>8,384</u>	<u>32,269</u>	<u>106,613</u>
<b>For the nine months ended December 31, 2009 (unaudited)</b>				
Toleush Tolmakov	<u>47,578</u>	<u>6,110</u>	<u>29,061</u>	<u>82,749</u>
<b>For the nine months ended December 31, 2010</b>				
Toleush Tolmakov (resigned December 1, 2010)	58,389	6,585	17,023	81,997
Zhienbet Aristambaev	<u>11,258</u>	<u>762</u>	<u>1,602</u>	<u>13,622</u>
	<u>69,647</u>	<u>7,347</u>	<u>18,625</u>	<u>95,619</u>

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Company for the years ended March 31, 2008, 2009 and 2010 and the nine months periods ended December 31, 2009 and 2010 are set out below:

	Year ended March 31,			Nine months period ended December 31,	
	2008	2009	2010	2009 (Unaudited)	2010
Directors	1	1	1	1	1
Non-director individuals	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The five highest paid individuals of the Company include one director during the years ended March 31, 2008, 2009 and 2010 and the nine months periods ended December 31, 2009 and 2010 details of which have been included in note 18 (a) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	Year ended March 31,			Nine months period ended December 31,	
	2008	2009	2010	2009	2010
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
				(Unaudited)	
Wages, salaries and allowances	535,925	421,202	226,847	173,783	245,822
Pension fund expenses	18,986	16,298	25,859	19,928	12,395
Welfare and other expenses	83,333	121,717	45,124	38,058	51,047
	<u>638,244</u>	<u>559,217</u>	<u>297,830</u>	<u>231,769</u>	<u>309,264</u>

Their emoluments were within the following bands:

	Year ended March 31,			Nine months period ended December 31,	
	2008	2009	2010	2009	2010
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
				(Unaudited)	
USDnil to USD120,000	3	1	4	4	4
USD120,000 to USD184,000	–	2	–	–	–
USD184,000 to USD248,000	–	1	–	–	–
Above USD248,000	1	–	–	–	–
	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the Relevant Periods, no director or the five highest paid individuals received any emolument from the Company as an inducement to join, upon joining the Company, to leave the Company or as compensation for loss of office.

### 19. TAXES OTHER THAN INCOME TAXES

	Year ended March 31,			Nine months period ended December 31,	
	2008	2009	2010	2009	2010
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
				(Unaudited)	
<b>Taxes other than income taxes:</b>					
Royalty	1,557,388	1,744,075	–	–	–
Mineral extraction tax	–	467,359	3,509,611	2,556,874	2,549,270
Rent export tax	–	515,032	10,032,857	6,945,938	8,214,750
Rent export duty expenditures	–	6,783,278	–	–	736,013
	<u>1,557,388</u>	<u>9,509,744</u>	<u>13,542,468</u>	<u>9,502,812</u>	<u>11,500,033</u>

Taxes other than income taxes represent special oil levies in the Republic of Kazakhstan which are paid or payable by petroleum exploration and development enterprises for the sale of crude oil and are calculated at rates which vary with the oil prices.

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**20. OTHER EXPENSE**

	Year ended March 31,			Nine months period ended December 31,	
	2008 USD	2009 USD	2010 USD	2009 USD	2010 USD
				(Unaudited)	
Gain/(loss) from sales other than oil and gas	275,065	15,947	(32,648)	68,558	55,974
Provision for impairment loss on other receivables	(135,502)	–	–	–	–
Loss on disposal of property, plant and equipment	(54,744)	(4,211)	(58,724)	(57,227)	(7,184)
Loss on disposal of intangible asset	(671)	–	–	–	–
Other expenses	(403,184)	(113,739)	(277,072)	(261,171)	(107,368)
<b>Total</b>	<u>(319,036)</u>	<u>(102,003)</u>	<u>(368,444)</u>	<u>(249,840)</u>	<u>(58,578)</u>

The gain or loss from sales other than oil (net of costs) comes from the sale of materials and supplies included in inventories of the Company to other organizations.

**21. FINANCE COSTS – NET**

	Year ended March 31,			Nine months period ended December 31,	
	2008 USD	2009 USD	2010 USD	2009 USD	2010 USD
				(Unaudited)	
<b>Finance income</b>					
Interest income from savings accounts	78,988	244,166	272,809	150,859	282,017
Exchange gain	–	2,989,782	–	–	–
<b>Total finance income</b>	<u>78,988</u>	<u>3,233,948</u>	<u>272,809</u>	<u>150,859</u>	<u>282,017</u>
<b>Finance costs</b>					
Interest expenses on intra- group borrowings	5,207,907	6,422,886	6,378,396	4,826,789	4,573,982
Finance lease interest expenses	–	–	23,060	–	66,843
Bank charges	134,690	72,724	71,207	58,562	53,270
Exchange loss	60,575	–	396,329	361,473	206,278
<b>Total finance costs</b>	<u>5,403,172</u>	<u>6,495,610</u>	<u>6,868,992</u>	<u>5,246,824</u>	<u>4,900,373</u>
<b>Finance costs – net</b>	<u>(5,324,184)</u>	<u>(3,261,662)</u>	<u>(6,596,183)</u>	<u>(5,095,965)</u>	<u>(4,618,356)</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

### 22. INCOME TAX (EXPENSE)/CREDIT

	Year ended March 31,			Nine months period ended December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>
				(Unaudited)	
Current income tax					
– domestic	–	–	–	–	–
Deferred income tax					
– domestic	(7,060,210)	(2,212,820)	2,562,322	865,068	1,600,975
<b>Total</b>	<b>(7,060,210)</b>	<b>(2,212,820)</b>	<b>2,562,322</b>	<b>865,068</b>	<b>1,600,975</b>

According to the exploration contracts with the Republic of Kazakhstan, for income tax purposes the Company can capitalize exploration and development costs and deduct all revenues received during the exploration stage in the calculation of taxable income. Therefore, the exploration contract permits the Company to be exempt from Kazakhstan corporate income tax for the period of its exploration phase.

By reason of this exemption, the tax on the Company's profit before income tax differs from the theoretical amount that would be charged using the corporate income tax rates in the Republic of Kazakhstan applicable to the Company:

	Year ended March 31,			Nine months period ended December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>
				(Unaudited)	
Profit/(loss) before income tax	14,740,824	29,366,746	10,324,204	10,153,345	(2,978,756)
Statutory tax rate	30%	20%	20%	20%	20%
Tax calculated at the statutory tax rate	4,422,247	5,873,349	2,064,841	2,030,669	(595,751)
Effect of changes in tax rate	–	1,084,903	–	–	–
Effect of the exploration stage tax benefit	2,637,963	(4,745,432)	(4,627,163)	(2,895,737)	(1,005,224)
<b>Tax charge/(credit)</b>	<b>7,060,210</b>	<b>2,212,820</b>	<b>(2,562,322)</b>	<b>(865,068)</b>	<b>(1,600,975)</b>

### 23. NET PROFIT/(LOSS) FOR THE YEAR/PERIOD

	Year ended March 31,			Nine months period ended December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>
				(Unaudited)	
Auditor's remuneration	246,920	177,806	269,174	104,820	105,587
Cost of inventories recognized as an expense	79,641	139,992	214,946	161,614	61,925

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**24. CASH GENERATED FROM OPERATING ACTIVITIES**

	Year ended March 31,			Nine months period ended December 31,	
	2008 USD	2009 USD	2010 USD	2009 USD	2010 USD
<b>Profit/(loss) before income tax</b>	14,740,824	29,366,746	10,324,204	10,153,345	(2,928,756)
Depreciation, depletion and amortization	21,768,844	10,877,983	15,849,507	8,606,932	12,188,989
Accretion expenses	254,572	449,025	448,351	332,415	367,370
Geological and geophysical expense	6,586,790	4,665,269	641,205	354,478	7,445,260
Loss on disposal of property, plant and equipment	54,744	4,211	58,724	57,227	7,184
Loss on disposal of intangible asset	671	–	–	–	–
Provision for impairment loss on other receivables	135,502	–	–	–	–
Interest income from savings accounts	(78,988)	(244,166)	(272,809)	(150,859)	(282,017)
Finance leases interest expense	–	–	23,060	–	66,843
Interest expenses	5,207,907	6,422,886	6,378,396	4,826,789	4,573,982
Write-off of inventories	79,641	139,992	214,946	161,614	61,925
Unrealized foreign exchange (gain)/loss	60,575	(2,989,782)	396,329	361,473	206,278
<b>Operating cash flows before movements/changes in working capital</b>	48,811,082	48,692,164	34,061,913	24,703,414	21,707,058
Changes in working capital:					
Inventories	(72)	(147)	2,134	(293)	319
Trade and other receivables	(5,470,308)	3,863,241	(5,110,051)	(3,118,204)	(2,630,832)
Trade and other payables	13,423,593	3,397,700	(6,368,487)	(4,085,932)	13,362,064
<b>Cash generated from operations</b>	<u>56,764,295</u>	<u>55,952,958</u>	<u>22,585,509</u>	<u>17,498,985</u>	<u>32,438,609</u>

**25. COMMITMENTS AND CONTINGENCIES**

**(a) Historical investments by the Government of the Republic of Kazakhstan**

The Government of the Republic of Kazakhstan conducted historical investment in exploration, drilling and infrastructure projects in the ADE Block, the Southeast Block and the Northwest Block of USD5,994,200, USD5,350,680 and USD5,372,076, respectively prior to the Company's interest in those properties. When and if, the Company applies for and, when and if, it is granted commercial production rights for the ADE Block, the Southeast Block or the Northwest Block, the Company will be required to begin repaying the Government for these historical investments. The terms of repayment are to be negotiated at the time the Company is granted commercial production rights.

**(b) Capital expenditure commitment**

Prior to the extension of the exploration period granted to the Company in June 2008, the terms of its subsurface exploration contract required the Company to spend a total of USD48.8 million in exploration activities on the ADE Block by July 31, 2009.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

In connection with the extensions granted in June and in October 2008, the Company's capital expenditure requirements were revised. To retain its rights under the contract, the Company must have spent USD9.1 million by January 9, 2010. In addition, the Company must spend USD21.5 million between January 10, 2010 and January 9, 2011, USD27.2 million between January 10, 2011 and January 9, 2012 and USD14.8 million between January 10, 2012 and January 9, 2013.

During the years ended March 31, 2008, 2009 and 2010 and the nine months period ended December 31, 2010, the Company spent a total of USD182.8 million, USD259.5 million, USD289.4 million and USD337 million in exploration activity respectively.

### (c) Potential payments upon termination or change in control

The employment agreements with nine of the Company's employees provide for potential payments upon termination of the employment contract or change in control of the Company. The directors have estimated that if termination of employment occurred for all these contracts on December 31, 2010 the Company would be required to pay a total of USD658,600 including all other potential compensation.

### (d) Operating leases commitments

As of March 31, 2008, 2009 and 2010 and December 31, 2010, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008	As at March 31, 2009	2010	As at December 31, 2010
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Within one year	239,076	146,453	–	–
In second to fifth years inclusive	179,307	–	–	–
	418,383	146,453	–	–

Operating lease payments represented rentals payable by the Company for use of certain land, containers and buildings which expired in December 31, 2009. The Company has not committed to other material operating leases arrangement since then.

## 26. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) The followings transactions and balances were carried out with related parties:

	Year ended March 31,			Nine months period ended December 31,	
	2008	2009	2010	2009	2010
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Transactions with:					
Geo Seismic Service					
LLP	(i) –	–	–	–	5,699,099
Term Oil LLC	(ii) 96,541	221,903	254,427	72,703	73,384
	–	221,903	254,427	72,703	73,384

- (i) On March 31, 2010 BMB entered into an agreement for a 3D seismic survey to be conducted by Geo Seismic Service LLP (“Geo Seismic”). Mr. Toleush Tolmakov was the General Director of the Company (resigned December 1, 2010) and a holder of more than 10% of the outstanding common stock of the Parent Company, is a 30% owner of Geo Seismic.

The agreement provides that Geo Seismic will carry out 3D field seismic exploration activities of the Begesh, Aday, North Aday and West Aksaz structures, an area of approximately 96 square kilometers within the Company's Northwest Block. In exchange for these services, the Company will pay Geo

Seismic 570,000,000 Kazakhstan Tenge (USD3,800,000). In lieu of payment in Kazakhstan Tenge, the Company, at its sole election, may deliver restricted shares of common stock of the Parent Company at the agreed value of the higher of: (i) the average closing price of common shares of the Parent Company over the five days prior to final acceptance by the Company of the 3D seismic work; or (ii) \$2.00 per share. The maximum number of shares of the Parent Company which may be delivered as payment in full is contracted to not exceed 1,900,000 restricted common shares. The 3D seismic study was completed in July 2010.

- (ii) The Company leases ground fuel tanks and other oil fuel storage facilities warehouses and offices from Term Oil LLC. The Company had advances paid to Term Oil LLC of USDnil, USD15,006, USD101,048 and USD28,890 as of March 31, 2008, 2009 and 2010 and December 31, 2010 respectively. Toleush Tolmakov, the General Director of the Company for the Relevant Periods until December 1, 2010 is an owner of Term Oil LLC.
- (iii) On June 26, 2009, the Parent Company entered into a Debt Purchase Agreement with Simage Limited, a British Virgin Islands international business corporation (“Simage”). Simage is a company owned by Toleush Tolmakov. Prior to the date of the Debt Purchase Agreement, Simage had acquired by assignment, certain accounts payable owned to third-party creditors of the Company in the amount of USD5,973,185 (the “Obligations”). Pursuant to the terms of the Debt Purchase Agreement, Simage assigned to the Parent Company all rights, titles and interests in and to the Obligations in exchange for the issuance of 2,986,595 shares of common stock of the Parent Company.

On December 14, 2009, the Company entered into an additional agreement with the Parent Company. Since the Parent Company had liabilities to the Company in the amount of USD9,970,000 related to loan agreements and the Company had liabilities to the Parent Company in the amount of USD5,001,418 as a result of the additional agreement between Simage and the Parent Company, amounts were netted off and the Company included the amount of USD5,001,418 in the principal amount of the loans borrowed from the Parent Company during the year ended March 31, 2010.

As a result of these agreements, the Company has effectively been released from obligations relating to amounts payable amounting to USD5,973,185. The Company has treated this Debt Purchase Agreement as a related party transaction because Simage is owned by Toleush Tolmakov, the General Director of the Company for the relevant Periods until December 1, 2010.

**(b) Amount due from a related party included in trade and other receivables:**

	As at March 31,		As at December 31,	
	2008	2009	2010	2010
	USD	USD	USD	USD
Term Oil LLC	–	15,006	101,048	28,890
Maximum outstanding amount during the year/period	–	719,226	151,487	99,013

**(c) Amount due to a related party included in trade and other payables:**

	As at March 31,		As at December 31,	
	2008	2009	2010	2010
	USD	USD	USD	USD
Geo Seismic Service LLP	–	–	–	3,867,028
Term Oil LLC	53,624	–	–	–

The balances with Geo Seismic Service LLP arose mainly from the 3D seismic survey described in note 26 (a)(i). The Term Oil LLC balance relates mainly to the lease of ground fuel tanks and other oil fuel storage facilities, warehouses and offices. The amounts due from/(to) Term Oil LLC are unsecured, interest free and repayable on demand.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(d) **Key management compensation:**

	Year ended March 31,			Nine months period ended December 31,	
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>
				(Unaudited)	
<b>Expenses</b>					
Wages, salaries and allowances	243,398	350,358	286,504	216,752	258,582
Pension fund expenses	21,288	32,971	30,171	22,992	19,742
Welfare and other expenses	57,193	158,402	77,505	67,201	59,809
<b>Total</b>	<u>321,879</u>	<u>541,731</u>	<u>394,180</u>	<u>306,945</u>	<u>338,133</u>
<b>Accrued liability</b>	<u>28,046</u>	<u>48,151</u>	<u>28,653</u>	<u>13,159</u>	<u>70,778</u>

### 27. MAJOR NON-CASH TRANSACTIONS

During the years ended March 31, 2008, 2009 and 2010 and nine months period ended December 31, 2009 and 2010, the Company transferred certain materials and supplies (included in inventories) with carrying values of approximately USD17,537,750, USD17,316,685, USD524,694 and USD1,620,769 respectively to property, plant and equipment.

### 28. EVENT AFTER THE REPORTING PERIOD

On February 14, 2011, the Parent Company entered into the Purchase Agreement with HK Listco, and its subsidiary, the Purchaser, Palaeontol B.V., pursuant to which it agreed to sell all of its interest in its sole wholly-owned operating subsidiary, the Company, to the Purchaser. HK Listco, a Stock Exchange of Hong Kong listed company (SEHK: 1555), is one of the leading independent upstream oil companies operating onshore in the People's Republic of China (as measured by gross production under production sharing contracts). The initial purchase price is USD170 million and is subject to various closing adjustments. In connection with the sale, all intercompany notes of the Company in favour of the Parent Company will be transferred to the Purchaser.

### 29. CHARTER CAPITAL

	As at March 31,			As at December 31,
	2008 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2010 <i>USD</i>
Capital contribution by the parent company	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>

The Company is a Limited Liability Company with issued and outstanding paid participating interest of USD500 that is 100% owned by the Parent Company, BMB Munai, Inc.

**SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company have been prepared for the Company in respect of any period subsequent to December 31, 2010. Up to the date of this report, no dividend or distribution has been declared, made or paid by the Company in respect of any period subsequent to December 31, 2010.

Yours faithfully,  
**Baker Tilly Hong Kong Limited**  
*Certified Public Accountants*  
Hong Kong, April 18, 2011

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**

**B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY**

The selected historical consolidated financial data of Emir-Oil set forth below has been derived from the audited financial statements of Emir-Oil for the years ended March 31, 2008, 2009 and 2010, and for the nine months ended December 31, 2009 and 2010. Results for the interim periods should not be considered indicative of results for any other periods or for the full fiscal year. All data should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements included in this circular.

	For the Year Ended March 31,			For the Nine Months Ended December 31,	
	2008 USD	2009 USD	2010 USD	2009 USD	2010 USD
					(Unaudited)
<b>Statement of comprehensive income:</b>					
<b>Revenue</b>	<u>60,196,625</u>	<u>69,616,875</u>	<u>57,274,526</u>	<u>41,735,735</u>	<u>41,638,143</u>
<b>Operating expenses</b>					
Purchases, services and other	1,957,645	2,723,331	3,935,482	3,173,563	2,894,172
Geological and geophysical expense	6,586,790	4,665,269	641,205	354,478	7,445,260
Employee compensation costs	2,893,483	3,608,239	2,927,939	2,400,436	3,152,682
Depreciation, depletion and amortization	21,669,003	10,641,963	15,638,479	8,448,422	12,028,082
Operating lease expense	2,167,533	2,808,661	1,244,125	880,851	990,560
Administrative expenses	2,901,098	2,789,265	1,841,051	1,314,409	1,817,249
Taxes other than income taxes	1,557,388	9,509,744	13,542,468	9,502,812	11,500,033
Write-off of inventory	79,641	139,992	214,946	161,614	61,925
Other expense	<u>319,036</u>	<u>102,003</u>	<u>368,444</u>	<u>249,840</u>	<u>58,578</u>
Total operating expenses	<u>40,131,617</u>	<u>36,988,467</u>	<u>40,354,139</u>	<u>26,486,425</u>	<u>39,948,543</u>
<b>Profit from operations</b>	<u>20,065,008</u>	<u>32,628,408</u>	<u>16,920,387</u>	<u>15,249,310</u>	<u>1,689,600</u>
Finance income	78,988	3,233,948	272,809	150,859	282,017
Finance costs	<u>(5,403,172)</u>	<u>(6,495,610)</u>	<u>(6,868,992)</u>	<u>(5,246,824)</u>	<u>(4,900,373)</u>
<b>Finance (costs)/income – net</b>	<u>(5,324,184)</u>	<u>(3,261,662)</u>	<u>(6,596,183)</u>	<u>(5,095,965)</u>	<u>(4,618,356)</u>
<b>Profit/(loss) before income tax</b>					
	14,740,824	29,366,746	10,324,204	10,153,345	(2,928,756)
<b>Income tax (expense)/credit</b>	<u>(7,060,210)</u>	<u>(2,212,820)</u>	<u>2,562,322</u>	<u>865,068</u>	<u>1,600,975</u>
<b>Net (loss)/profit for the year/period</b>	<u><u>7,680,614</u></u>	<u><u>27,153,926</u></u>	<u><u>12,866,256</u></u>	<u><u>11,018,413</u></u>	<u><u>(1,327,781)</u></u>

	As of March 31,		As of	
	2008	2009	2010	December 31,
	USD	USD	USD	2010
<b>Statement of financial position:</b>				
Property, plant and equipment	128,585,815	178,765,039	174,395,286	179,724,828
Inventories	11,002,684	13,989,643	13,714,952	13,894,381
Non-current assets	160,256,965	195,916,610	192,146,109	199,642,280
Cash and cash equivalents	2,122,730	2,393,216	3,448,001	3,000,565
Current assets	10,286,623	8,459,304	13,756,709	14,683,258
Total assets	170,543,588	204,375,914	205,902,818	214,325,538
Total owner's equity	17,589,276	42,268,569	52,487,765	49,089,866
Amount due to parent company	115,473,193	118,519,920	115,901,015	110,647,375
Non-current liabilities	130,714,915	143,097,981	145,410,233	143,657,168
Current liabilities	22,239,397	19,009,364	8,004,820	21,578,504
Total liabilities	152,954,312	162,107,345	153,415,053	165,235,672
Total Equity and Liabilities	170,543,588	204,375,914	205,902,818	214,325,538

	For the Year Ended March 31,			For the Nine Months	
	2008	2009	2010	2009	2010
	USD	USD	USD	USD	USD
<b>Other financial information:</b>					
EBITDA <sup>(1)</sup>	41,734,011	43,270,371	32,558,866	23,697,732	13,717,682
Adjusted EBITDA <sup>(1)</sup>	48,845,931	48,528,868	33,922,092	24,603,466	21,599,421

(1) EBITDA refers to earnings before finance income, finance costs, income tax and depreciation, depletion and amortization. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash items such as loss on impairment of receivables, write-off of inventory, loss on disposal of property, plant and equipment and intangible assets, accretion expenses and geological and geophysical expenses because of their exploration nature.

Emir-Oil has included EBITDA and adjusted EBITDA as it believes EBITDA is a financial measure commonly used in the oil and gas industry. EBITDA and adjusted EBITDA are used as supplemental financial measures by management to assess Emir-Oil's operating performance, cashflow and return on capital as compared to those of other companies in Emir-Oil's industry, and Emir-Oil's ability to take on financing. However, EBITDA and adjusted EBITDA should not be considered in isolation or construed as alternatives to profit from operations or any other measure of performance or as an indicator of Emir-Oil's operating performance or profitability. EBITDA and adjusted EBITDA fail to account for tax, finance income, finance costs and other non-operating cash expenses. EBITDA and adjusted EBITDA do not consider any functional or legal requirements of the business that may require Emir-Oil to conserve and allocate funds for any purposes. Emir-Oil's EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate EBITDA or adjusted EBITDA in the same manner.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The following table presents a reconciliation of EBITDA and adjusted EBITDA to net profit for each year indicated:

	For the Year Ended March 31,			For the Nine Months Ended December 31,	
	2008	2009	2010	2009	2010
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<b>Net (loss)/profit for the year</b>	7,680,614	27,153,926	12,886,526	11,018,413	(1,327,781)
Add:					
Income tax benefit	7,060,210	2,212,820	(2,562,322)	(865,068)	(1,600,975)
Finance costs	5,324,184	3,261,662	6,596,183	5,095,965	4,618,356
Depreciation, depletion and amortization	<u>21,669,003</u>	<u>10,641,963</u>	<u>15,638,479</u>	<u>8,448,422</u>	<u>12,028,082</u>
<b>EBITDA</b>	<u><u>41,734,011</u></u>	<u><u>43,270,371</u></u>	<u><u>32,558,866</u></u>	<u><u>23,697,732</u></u>	<u><u>13,717,682</u></u>
Add:					
Geological and geophysical expense	6,586,790	4,665,269	641,205	354,478	7,445,260
Loss on impairment of accounts receivable	135,502	–	–		
Write-off of inventory	79,641	139,992	214,946	161,614	61,925
Loss on disposal of property, plant and equipment	54,744	4,211	58,724	57,227	7,184
Loss on disposal of intangible asset	671	–	–		
Accretion expenses on ARO	<u>254,572</u>	<u>449,025</u>	<u>448,351</u>	<u>332,415</u>	<u>367,370</u>
<b>Adjusted EBITDA</b>	<u><u>48,845,931</u></u>	<u><u>48,528,868</u></u>	<u><u>33,922,092</u></u>	<u><u>24,603,466</u></u>	<u><u>21,599,421</u></u>

### Factors Affecting Results of Operations

The primary factors affecting Emir-Oil's results of operations during the periods under review were the following:

- Emir-Oil's sales of crude oil have accounted for substantially all of its revenues during the periods under review. The revenue Emir-Oil receives for its crude oil is influenced by: (i) fluctuations in the price of international crude oil (i.e. Brent crude oil); and (ii) the discount to this price for transportation expenses, freight charges and other expense which, after such discount, represents the realized price for Emir-Oil's crude oil.

- Emir-Oil operates its exploration and production of crude oil pursuant to the Exploration Contract. The Exploration Contract has, and will continue to have, an effect on Emir-Oil's results of operations as a result of the contractual term and scope, expenditure commitments, ability to apply for a commercial production rights and repayment of government for any of its historical investments.
- All crude oil produced by Emir-Oil is sold. Emir-Oil exports nearly all of its test production for sale to Titan Oil. Consequently, the volume of crude oil that Emir-Oil is able to produce directly affects its revenues.
- As crude oil prices are based on quotation pricing, Emir-Oil's ability to control costs and expenses is critical to its profitability. Emir-Oil's cost of sales comprises various costs and expenses including purchases, services and other expenses, geological and geophysical expenses, employee compensation costs, depreciation, depletion and amortization, operating lease expense, administrative expenses, and taxes other than income taxes, such as rent export tax and duties, mineral extraction tax and royalties paid to the ROK government.

The oil and natural gas industry is cyclical and the demand for goods and services of oilfield companies, suppliers and others associated with the industry puts extreme pressure on the economic stability and pricing structure within the industry. Typically, as prices for oil and natural gas increase, so do all associated costs. Material changes in prices have an impact on revenue, estimates of future reserves, borrowing base calculations of bank loans and the value of properties in purchase and sale transactions. Material changes in prices can impact the value of oil and natural gas companies and their ability to raise capital, borrow money and retain personnel. In addition, political instability in the world, the economy, changes in local legislation and taxation, reductions in the amount of oil Emir-Oil is allowed to export overseas, weather and other factors outside Emir-Oil's control may also have an impact on both supply and demand of crude oil and on Emir-Oil's results of operations.

### **Critical Accounting Policies**

The policies described below are considered to be critical in understanding the estimates and judgments that are involved in preparing Emir-Oil's financial statements. The impact of these estimates and judgements and associated risks are discussed throughout Emir-Oil's management's discussion and analysis where such policies affect its reported and expected financial results. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Estimation of proved oil reserves*

Proved reserves are those quantities of petroleum that by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. Economic conditions include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Proved developed producing reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Proved undeveloped reserves are quantities expected to be recovered through future investments: from new wells on undrilled acreage in known accumulations, from extending existing wells to a different (but known) reservoir, or from infill wells that will increase recovery.

Emir-Oil's reserve estimates were prepared for each oilfield and include crude oil and gas that it believes can be reasonably produced within current economic and operating conditions.

Proved reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgement. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance. Well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life.

Proved reserves are one of the key elements in Emir-Oil's investment decision-making process. They are also an important element in testing for impairment. Emir-Oil classified its proved reserves into two categories: proved developed producing reserves and proved undeveloped reserves. Proved developed producing reserves is used for the calculation of unit-of-production depreciation, depletion and amortization recorded in Emir-Oil's financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed producing reserves will increase depreciation, depletion and amortization charges (assuming constant production) and reduce net profit. Proved reserve estimates are subject to revision, either upward or downward based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of oil reserves resulting from new information becoming available from development and production activities and change in oil price have tended to be the most significant causes of annual revisions.

*Estimated impairment of property, plant and equipment*

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as future prices of crude oil and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with Emir-Oil's business plans. Favourable changes to some assumptions may allow Emir-Oil to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired.

*Estimation of asset retirement obligations ("ARO")*

Provisions are recognized for the future decommissioning and restoration of oil and gas properties that will cease operation prior to the expiration of exploration license. The amounts of the provision recognized are the present values of the estimated future expenditures that Emir-Oil is expected to incur. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also affected by the estimation of the economic lives of oil and gas properties. Changes in any of these estimates will affect the operating results and the financial position of Emir-Oil over the remaining economic lives of the oil and gas properties.

**Review of Historical Results****Nine months ended December 31, 2010 compared to the nine months ended December 31, 2009***Revenues**Oil sales*

Emir-Oil generates revenue under its Existing Exploration Contract from the sale of oil recovered during test production. During the nine months ended December 31, 2010, Emir-Oil's oil production decreased 15% compared to the nine months ended December 31, 2009, as a result of natural decline rates of production, well downtime, and maintenance and improvement works at the oil storage facility.

During the nine months ended December 31, 2010, Emir-Oil realized revenue from oil sales of US\$40,687,364 compared to US\$41,735,735 during the nine months ended December 31, 2009. The significant contributing factor to this 3% decrease in revenue from oil sales was a 20% decrease in sales volume as a result of decreased production compared to the nine months ended December 31, 2009, which was only partially offset by a 22% increase in sales price realized for oil sold compared to the nine months ended December 31, 2009. During the nine months ended December 31, 2009 and 2010, Emir-Oil exported 94% and 98%,

respectively, of its oil overseas and realized international price for those sales. Revenue from oil sold overseas made up 97% and 99% of Emir-Oil's total revenue during the nine months ended December 31, 2009 and 2010, respectively.

The average realized oil price was US\$64.92 per barrel for the nine months ended December 31, 2010, compared to US\$53.16 per barrel for the nine months ended December 31, 2009. The average realized oil price for the nine months ended December 31, 2010 was US\$65.57 per barrel from export sales and US\$23.86 per barrel from domestic sales, compared to US\$55.05 per barrel from export sales and US\$23.96 per barrel from domestic sales for the nine months ended December 31, 2009. Emir-Oil's oil sales volume was 626,741 barrels for the nine months ended December 31, 2010, compared to 785,044 barrels for the nine months ended December 31, 2009. Emir-Oil's export sales volume was 617,028 barrels and domestic sales volume was 9,713 barrels for the nine months ended December 31, 2010 compared to export sales volume of 737,490 barrels and domestic sales volume of 47,554 barrels for the nine months ended December 31, 2009.

#### *Gas sales*

Emir-Oil began realizing revenue from natural gas sales to the domestic market in May 2010. Production of gas and sales volume for the nine months ended December 31, 2010 amounted to 27.4 thousand cubic meters and 23.3 thousand cubic meters, respectively. For the nine months ended December 31, 2010, Emir-Oil realized revenue from natural gas sales of US\$950,779. The average realized gas price was US\$40.73 per thousand cubic meter for the nine months ended December 31, 2010. Prior to May 2010, Emir-Oil did not realize revenue from natural gas sales, because the amounts realized from natural gas sales were insignificant and thus were included in revenue from oil sales.

#### *Expenses*

Emir-Oil's operating expenses increased by US\$13,462,118 or 51%, from US\$26,486,425 for the nine months ended December 31, 2009 to US\$39,948,543 for the nine months ended December 31, 2010, primarily due to increase in geological and geophysical expenses, depreciation, depletion and amortization and increase in taxes other than income taxes.

- *Purchases, services and other expenses.* Purchases, services and other expenses decreased by US\$279,391 or 9%, from \$3,173,563 for the nine months ended December 31, 2009 to US\$2,894,172 for the nine months ended December 31, 2010, primarily due to the decrease in production and sales volumes.
- *Geological and geophysical expenses.* Geological and geophysical expenses increased by US\$7,090,782 or 2,000%, from US\$354,478 for the nine months ended December 31, 2009 to US\$7,445,260 for the nine months ended December 31, 2010, primarily due to the cost of a 3D seismic survey conducted on North West territory during the nine months ended December 31, 2010.
- *Employee compensation costs.* Employee compensation costs increased by US\$752,246 or 31%, from US\$2,400,436 for the nine months ended December 31,

2009 to US\$3,152,682 for the nine months ended December 31, 2010, primarily due to a salary appraisal and the payment of bonuses to employees made during the nine months ended December 31, 2010.

- *Depreciation, depletion and amortization.* Depreciation, depletion and amortization increased by US\$3,579,660 or 42%, from US\$8,448,422 for the nine months ended December 31, 2009 to US\$12,028,082 for the nine months ended December, 2010, primarily due to a decrease in estimated reserves during the period ended December 31, 2010, coupled with a slight increase in oil and gas properties.
- *Operating lease expenses.* Operating expenses increased by US\$109,709 or 12%, from US\$880,851 for the nine months ended December 31, 2009 to US\$990,560 for the nine months ended December 31, 2010, primarily due to significant renovation and refurbishment works on oil storage facility conducted between August and November 2010, which required the lease of additional special machinery trucks.
- *Administrative expenses.* Administrative expenses increased by US\$502,842 or 38%, from US\$1,314,409 for the nine months ended December 31, 2009 to US\$1,817,251 for the nine months ended December 31, 2010, primarily due to incurred property taxes of US\$632,246, offset by a decrease of US\$159,364 in obligatory payments for environmental control due to a reduction in gas flaring (which is payable by all oil and gas companies in Kazakhstan according to Tax Law of Republic Kazakhstan for gas flaring).
- *Taxes other than income taxes.* Taxes other than income taxes increased by US\$1,997,221 or 21%, from US\$9,502,812 for the nine months ended December 31, 2009 to US\$11,500,033 for the nine months ended December 31, 2010, primarily due to an increase in oil prices which affected tax base calculation of rent export tax. In addition, the ROK government issued a resolution in July 2010 which re-enacted the export duty for several products, including crude oil.

Rent export tax is calculated based on the export sales price and ranges from as low as 0% if the export sales price is less than US\$40 per barrel to as high as 32% if the price per barrel exceeds US\$190. The tax rate applied during the nine month ended December 31, 2010 varied from 16% to 17%, according to changes in world oil prices. For the nine months ended December 31, 2010, rent export tax paid to the ROK amounted to US\$8,214,750 compared to US\$6,945,938 for the nine months ended December 31, 2009. The increase of US\$1,268,812 was due to the significant increase in world oil prices, which caused the increase in tax base by 26% between corresponding periods. In addition, tax committee provides fluctuating tax rate based on world prices. Accordingly, the 30% increase in oil price increased the tax rate from 11% for the nine months ended December 31, 2009 to 17% for the year ended March 31, 2010, which resulted in an increase of actual tax paid by 64%.

In July 2010 the government issued a resolution which reenacted the export duty for several products, including crude oil. Emir-Oil became subject to the export duty in

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**APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY**


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September 2010. The export duty is calculated based on a fixed rate of US\$20 per ton, or approximately US\$2.60 per barrel exported. As a result, Emir-Oil incurred export duty during the nine months ended December 31, 2010 of US\$736,013. Emir-Oil was not subject to export duty during the nine months ended December 31, 2009.

The following table summarizes taxes other than income taxes for the nine months ended December 31, 2009 and 2010:

	<b>For the Nine Months Ended</b>	
	<b>December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<i>USD</i>	<i>USD</i>
<b>Taxes other than income taxes:</b>		
Mineral extraction tax	2,556,874	2,549,270
Rent export tax	6,945,938	8,214,750
Rent export duty	—	736,013
	9,502,812	11,500,033
	9,502,812	11,500,033

- *Write-off of inventory.* Write-off of inventory decreased by US\$99,689 or 62%, from US\$161,614 for the nine months ended December 31, 2009 to US\$61,925 for the nine months ended December 31, 2010, mainly due to the fact that less expenses were incurred for repairs of automobiles for administrative personnel.
- *Other loss.* Other losses decreased by US\$191,262 or 77%, from US\$249,840 for the nine months ended December 31, 2009 to US\$58,578 for the nine months ended December 31, 2010, primarily due to decrease in other expenses and decrease in loss on disposal of the plant, property and equipment during the nine months ended December 31, 2010.

***Profit from operations***

Emir-Oil's profit from operations decreased by US\$13,559,710 or 89%, from US\$15,249,310 for the nine months ended December 31, 2009 to US\$1,689,600 for the nine months ended December 31, 2010. This decrease was due primarily to a significant increase in operating expenses.

***Finance costs, net***

Emir-Oil's finance net cost decreased by US\$477,609 or 9%, from US\$5,095,965 for the nine months ended December 31, 2009 to US\$4,618,356 for the nine months ended December 31, 2010. This decrease is primarily due to the decrease in interest expenses from loans to Emir-Oil from the Seller.

***Profit/loss before income tax***

Emir-Oil's loss before income tax for the nine months ended December 31, 2010 was US\$2,928,756 compared to profit before income tax in the amount of US\$10,153,345 for the nine months ended December 31, 2009. The change from profit before income tax for the nine months ended December 31, 2009 to loss before income tax for the nine months ended December 31, 2010 was due to an increase in geological and geophysical expenses, increase in depreciation, depletion and amortization and increase in taxes other than income taxes.

***Income tax benefit***

Emir-Oil's income tax benefit for the nine months ended December 31, 2010 and 2009 amounted to US\$1,600,975 and US\$865,068, respectively. The income tax benefit stated in Emir-Oil's income represents deferred tax benefit.

***Net profit/loss***

As a result of the foregoing, Emir-Oil's net loss for the nine months ended December 31, 2010 was US\$1,327,781 compared to net profit for the nine months ended December 31, 2009 of US\$11,018,413. The change from net profit for the nine months ended December 31, 2009 to net loss for the nine months ended December 31, 2010 amounted to US\$12,346,194 or 112%.

**Year ended March 31, 2010 compared to the year ended March 31, 2009.*****Revenues***

During the year ended March 31, 2010, Emir-Oil realized revenue from oil sales of US\$57,274,526 compared to US\$69,616,875 during the year ended March 31, 2009. The factors contributing to the 18% decrease in revenue for the year ended March 31, 2010 was a 15% decrease in the price per barrel Emir-Oil received for oil sales and a decrease in sales volume during the year ended March 31, 2010 compared to the year ended March 31, 2009. During the year ended March 31, 2010, Emir-Oil's oil production decreased by 64,674 barrels or 6% compared to the year ended March 31, 2009.

The average realized oil price was US\$55.28 per barrel for the year ended March 31, 2010, compared to US\$64.84 per barrel for the year ended March 31, 2009. The average realized oil price for the year ended March 31, 2010 was US\$56.79 per barrel from export sales and US\$23.96 per barrel from domestic sales, compared to US\$75.89 per barrel from export sales and US\$18.76 per barrel from domestic sales for the year ended March 31, 2009. Emir-Oil's total sales volume was 1,036,070 barrels for the year ended March 31, 2010, compared to 1,073,754 barrels for the year ended March 31, 2009 representing a 4% decline. Emir-Oil's export sales volume was 988,517 barrels and domestic sales volume was 47,554 barrels for the year ended March 31, 2010 compared to export sales volume of 866,055 barrels and domestic sales volume of 207,699 barrels for the year ended March 31, 2009 representing a 12% decline and a 337% increase, respectively.

During the years ended March 31, 2009 and 2010, Emir-Oil exported 81% and 95%, respectively, of its oil overseas and realized international prices for those sales. Revenue from oil sold overseas made up 94% and 98% of Emir Oil's total revenue, respectively, during the years ended March 31, 2010 and 2009.

As discussed above, Emir-Oil's revenue is sensitive to changes in prices received for Emir-Oil's oil. Political instability in the world, the economy, changes in local legislation and taxation, reductions in the amount of oil Emir-Oil is allowed to export overseas, weather and other factors outside Emir-Oil's control may also have an impact on both supply and demand and on revenue.

### *Expenses*

Emir-Oil's operating expenses increased by US\$3,365,672 or 9%, from US\$36,988,467 for the year ended March 31, 2009 to US\$40,354,139 for the year ended March 31, 2010, primarily due to increases in depreciation, depletion and amortization and increases in taxes other than income taxes. These increases were offset by decreases in geological and geophysical expenses and decreases in operating lease expenses.

- *Purchases, services and other expenses.* Purchases, services and other expenses increased by US\$1,212,151 or 45%, from US\$2,723,331 for the year ended March 31, 2009 to US\$3,935,482 for the year ended March 31, 2010, primarily due to the purchase of light crude oil for blending purposes from a third party in the amount of US\$877,603. In the quarters ended September 30 and December 31, 2010, extensive workover operations were performed on the wells with higher oil quality production, which resulted in an overall decrease in the quality of oil, so Emir-Oil purchased light crude oil to blend with the produced oil and bring the quality of crude oil in accordance with Brent standards. During the year ended March 31, 2009, the quality of oil produced complied with the Brent standards, thus there was no need to improve the quality of crude oil.
- *Geological and geophysical expenses.* Geological and geophysical expenses decreased by US\$4,024,064 or 86%, from US\$4,665,269 for the year ended March 31, 2009 to US\$641,205 for the year ended March 31, 2010, primarily because the drilling program was amended during the year ended March 31, 2010. Emir-Oil decreased geological and geophysical expenses, which were in line with the decrease in drilling program.
- *Employee compensation costs.* Employee compensation costs decreased by US\$680,300 or 19%, from US\$3,608,239 for the year ended March 31, 2009 to US\$2,927,939 for the year ended March 31, 2010, primarily due to a salary revision and non-management staff reduction of 41 employee made for the year ended March 31, 2009 due to the significant decrease in oil prices, curtailment of drilling operations, financial instability and other consequences of the world financial crisis.
- *Depreciation, depletion and amortization.* Depreciation, depletion and amortization increased by US\$4,996,516 or 47%, from US\$10,641,963 for the year ended March 31, 2009 to US\$15,638,479 for the year ended March 31, 2010, primarily due to an increase in depletion expenses, which increased due to a decrease in estimated oil reserves.

- *Operating lease expenses.* Operating expenses decreased by US\$1,564,536 or 56%, from US\$2,808,661 for the year ended March 31, 2009 to US\$1,244,125 for the year ended March 31, 2010, primarily due to decreased volume of oil produced and transported by Emir-Oil, as well as the consequences of a cost-cutting policy implemented by Emir-Oil under which Emir-Oil re-negotiated its service agreements with each of its operating lease service suppliers, resulting in an approximately 20% decrease in operating expenses.
- *Administrative expenses.* Administrative expenses decreased by US\$948,214 or 34%, from US\$2,789,265 for the year ended March 31, 2009 to US\$1,841,051 for the year ended March 31, 2010, primarily due to decreased obligatory payments for environmental controls, which decreased because the gas utilization facility commenced operations, which enabled Emir-Oil to significantly decrease gas flaring during the year ended March 31, 2010.
- *Taxes other than income taxes.* Taxes other than income taxes increased by US\$4,032,724 or 42%, from US\$9,509,744 for the year ended March 31, 2009 to US\$13,542,468 for the year ended March 31, 2010, primarily due to the introduction of rent export tax and mineral extraction tax by the ROK government in January 1, 2009.

The rent export tax rate applied in fiscal year 2010 varied from 11% to 16%, according to changes in world oil prices. During the year ended March 31, 2010 rent export tax the Target Company paid to the ROK government amounted to US\$10,032,857 compared to US\$515,032 for the year ended March 31, 2009. This increase was due to the increased realized price for oil during the fiscal year 2010, and the fact that Emir-Oil were not subject to rent export tax during the first three fiscal quarters of the year ended March 31, 2009.

The mineral extraction tax replaced royalties Emir-Oil was paying under the prior tax code. The rate of this tax depends on annual production output. The new code currently provides for a 5% mineral extraction tax rate on production sold to the export market, and a 2.5% tax rate on production sold to the domestic market. During the year ended March 31, 2010 mineral extraction tax paid to the government amounted to US\$3,509,611, which amounts to an increase of 581% compared to US\$467,359 paid during the year ended March 31, 2009. The increase was due to the fact that Emir-Oil was not subject to the mineral extraction tax during the first three fiscal quarters of the year ended March 31, 2009.

During the year ended March 31, 2009, prior to the introduction of rent export tax and mineral extraction tax Emir-Oil was subject to royalties and rent export duty. Emir-Oil became subject to the rent export duty in June 2008. However, in December 2008 the ROK government repealed the export duty effective January 26, 2009. As a result of the export duty being repealed, Emir-Oil paid no export duty during the year ended March 31, 2010 compared to US\$6,783,279 paid during year ended March 31, 2009. During the year ended March 31, 2009, Emir-Oil paid royalties in the amount of US\$1,744,075. Royalty rates are established by the taxing authorities of the ROK and are based on production rates, Emir-Oil has the right to

produce and sell oil and natural gas at a royalty rate of 2%. Royalties were replaced by the mineral extraction tax starting from January 1, 2009. Therefore, Emir-Oil was not subject to royalties for the year ended March 31, 2010.

The following table summarizes taxes other than income taxes for the years ended March 31, 2009 and 2010:

	<b>For the Year Ended March 31,</b>	
	<b>2009</b>	<b>2010</b>
	<i>USD</i>	<i>USD</i>
<b>Taxes other than income taxes:</b>		
Royalties	1,744,075	–
Mineral extraction tax	467,359	3,509,611
Rent export tax	515,031	10,032,857
Rent export duty	6,783,279	–
	<u>9,509,744</u>	<u>13,542,468</u>

- *Write-off of inventory.* Emir-Oil’s write-off of inventory increased by US\$74,954 or 54%, from US\$139,992 for the year ended March 31, 2009 to US\$214,946 for the year ended March 31, 2010, primarily due to repair of automobiles for administrative personnel.
- *Other loss.* Emir-Oil’s other losses increased by US\$266,441 or 261%, from US\$102,003 for the year ended March 31, 2009 to US\$368,444 for the year ended March 31, 2010, primarily due to increases in other expenses, losses realized from sales of inventories and increases in loss on disposal of plant, property and equipment during the fiscal year 2010.

***Profit from operations***

Emir-Oil’s profit from operations decreased by US\$15,708,021 or 48%, from US\$32,628,408 for the year ended March 31, 2009 to US\$16,920,387 for the year ended March 31, 2010. This decrease was due to a decrease in revenue, coupled with an increase in operating expenses.

***Finance costs, net***

Emir-Oil’s net finance cost increased by US\$3,334,521 or 102%, from US\$3,261,662 for the year ended March 31, 2009 to US\$6,596,183 for the year ended March 31, 2010. This increase is primarily due to the fact that Emir-Oil realized foreign exchange gain of US\$2,989,782 resulting mainly from the revaluation of accounts payable denominated in Kazakhstani Tenge during the fiscal year 2009, and there was no such revaluation during the fiscal year 2010.

***Profit before income tax***

Emir-Oil's profit before income tax for the years ended March 31, 2009 and 2010 was US\$29,366,746 and US\$10,324,204, respectively. The decrease of US\$19,042,542 in profit before income taxes was due to a significant decrease in realized revenue, coupled with an increase in taxes other than income taxes and an increase in depreciation, depletion and amortization.

***Income tax expense/benefit***

The income tax benefit for the year ended March 31, 2010 amounted to US\$2,562,322. The income tax expense for the year ended March 31, 2009 was US\$2,212,820. The income tax expense/benefit stated in Emir-Oil's income was a result of deferred tax expense/benefit.

***Net profit for the year***

As a result of the foregoing, Emir-Oil's net profit for the year decreased by US\$14,267,400 or 53%, from US\$27,153,926 for the year ended March 31, 2009 to US\$12,886,526 for the year ended March 31, 2010.

**Year ended March 31, 2009 compared to year ended March 31, 2008*****Revenues***

During the year ended March 31, 2009, Emir-Oil realized revenue from oil sales of US\$69,616,875 compared to \$60,196,625 during the year ended March 31, 2008. The 16% increase in revenue during the year ended March 31, 2009 compared to the period ended March 31, 2008 was due to a 20% increase in sales volume, which was partially offset by a 3% decrease in the price per barrel Emir-Oil received for oil sales during the year ended March 31, 2009 compared to the year ended March 31, 2008. Emir-Oil's oil production increased by 173,073 barrels or 19% during the year ended March 31, 2009 compared to the year ended March 31, 2008.

The average realized oil price was US\$64.84 per barrel for the year ended March 31, 2009, compared to US\$67.16 per barrel for the year ended March 31, 2008. For the year ended March 31, 2009 the average realized oil price was US \$75.89 per barrel from export sales and US\$18.76 per barrel from domestic sales, compared to US \$70.66 per barrel from export sales and US \$31.86 per barrel from domestic sales for the year ended March 31, 2008. Emir-Oil's sales volume was 1,073,754 barrels for the year ended March 31, 2009, compared to 896,256 barrels for the year ended March 31, 2008. Emir-Oil's export sales volume was 866,055 barrels and domestic sales volume was 207,699 barrels for the year ended March 31, 2009 compared to export sales volume of 815,588 barrels and domestic sales volume of 80,668 barrels for the year ended March 31, 2008.

During the years ended March 31, 2008 and 2009, Emir-Oil exported 91% and 81%, respectively, of its oil overseas and realized the international price for those sales. Revenue from oil sold overseas made up 96% and 94% of Emir-Oil's total revenue, respectively, during the years ended March 31, 2008 and 2009.

As discussed above, Emir-Oil's revenue is sensitive to changes in prices received for Emir-Oil's oil. Political instability in the world, the economy, changes in local legislation and taxation, reductions in the amount of oil Emir-Oil is allowed to export overseas, weather and other factors outside Emir-Oil's control may also have an impact on both supply and demand and on revenue.

### *Expenses*

Emir-Oil's operating expenses decreased by US\$3,143,150 or 8%, from US\$40,131,617 for the year ended March 31, 2008 to US\$36,988,467 for the year ended March 31, 2009, primarily due to a decrease in depreciation, depletion and amortization.

- *Purchases, services and other expenses.* Purchases, services and other expenses increased by US\$765,686 or 39%, from US\$1,957,645 for the year ended March 31, 2008 to US\$2,723,331 for the year ended March 31, 2009, primarily due to the increase in production and sales volumes.
- *Geological and geophysical expenses.* Geological and geophysical expenses decreased by US\$1,921,521 or 29%, from US\$6,586,790 for the year ended March 31, 2008 to US\$4,665,269 for the year ended March 31, 2009, primarily due to the decrease in seismic survey studies.
- *Employee compensation costs.* Employee compensation costs increased by US\$714,756 or 25%, from US\$2,893,483 for the year ended March 31, 2008 to US\$3,608,239 for the year ended March 31, 2009, primarily due to expanded operating activities on Emir-Oil's oilfields and an increase in non-management staff by 38 employees.
- *Depreciation, depletion and amortization.* Depreciation, depletion and amortization decreased by US\$11,027,040 or 51%, from US\$21,669,003 for the year ended March 31, 2008 to US\$10,641,963 for the year ended March 31, 2009, primarily due to a significant increase in estimated oil reserves and an increase in oil and gas properties.
- *Operating lease expenses.* Operating expenses increased by US\$641,128 or 30%, from US\$2,167,533 for the year ended March 31, 2008 to US\$2,808,661 for the year ended March 31, 2009, primarily due to an increase in production and sales volume, which increased the lease of oil trucks used for transporting oil produced.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

- *Administrative expenses.* Administrative expenses decreased by US\$111,833 or 4%, from US\$2,901,098 for the year ended March 31, 2008 to US\$2,789,265 for the year ended March 31, 2009, primarily due to decrease in obligatory payments for environmental control and a decrease in audit and consulting expenses.
- *Taxes other than income taxes.* Taxes other than income taxes increased by US\$7,952,356 or 511%, from US\$1,557,388 for the year ended March 31, 2008 to US\$9,509,744 for the year ended March 31, 2009, primarily due to the fact that Emir-Oil was subject to royalties and the export duty in 2009 and was not subject to rent export tax, mineral extraction tax or rent export duty but only royalties during the year ended March 31, 2008.

Rent export tax paid to the ROK government during the year ended March 31, 2009 amounted to US\$467,359. The mineral extraction tax paid to the ROK government during the year ended March 31, 2009 amounted to US\$515,032. Rent export duty paid to the ROK government during the year ended March 31, 2009 amounted to US\$6,783,278. The export duty was introduced in June 2008 and was cancelled by the ROK government in January 26, 2009.

Royalties paid to the ROK government during the year ended March 31, 2009 amounted to US\$1,744,075, compared to US\$1,557,388 paid during the year ended March 31, 2008. The increase of US\$186,687 or 12% was primarily due to an increase in production of 19% during the fiscal year 2009. Royalties were replaced by a mineral extraction tax starting from January 1, 2009.

The following table summarizes Emir-Oil's taxes other than income taxes for the years ended March 31, 2008 and 2009:

	<b>For the Year Ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
<b>Taxes other than income taxes:</b>		
Royalties	1,557,388	1,744,075
Mineral extraction tax	–	467,359
Rent export tax	–	515,031
Rent export duty	–	6,783,279
	1,557,388	9,509,744
	1,557,388	9,509,744

- *Write-off of inventory.* Write-off of inventory increased by US\$60,351 or 76%, from US\$79,641 for the year ended March 31, 2008 to US\$139,992 for the year ended March 31, 2009, mainly due to the repair of automobiles for administrative personnel.

- *Other loss.* Other losses decreased by US\$217,033 or 68%, from US\$319,036 for the year ended March 31, 2008 to US\$102,003 for the year ended March 31, 2009, primarily due to a decrease in gain realized from sales of inventory for the fiscal year 2009 and due to the fact that Emir-Oil did not have a loss on impairment on receivables during the fiscal year 2009, compared to a loss on impairment on receivables in the amount of \$135,502 during the fiscal year 2008.

#### ***Profit from operations***

Emir-Oil's profit from operations increased by US\$12,563,400 or 63%, from US\$20,065,008 for the year ended March 31, 2008 to US\$32,628,408 for the year ended March 31, 2009. This increase was primarily due to an increase in revenue, coupled with a significant decrease in operating expenses.

#### ***Finance costs, net***

Emir-Oil's net finance costs decreased by US\$2,062,522 or 39%, from US\$5,324,184 for the year ended March 31, 2008 to US\$3,261,662 for the year ended March 31, 2009. This increase is primarily due to the fact that Emir-Oil realized foreign exchange gain of US\$2,989,782 resulting mainly from the revaluation of accounts payable denominated in Kazakhstani Tenge during the fiscal year 2009.

#### ***Profit before income tax***

Emir-Oil's profit before income tax for years ended March 31, 2009 and 2008 was US\$29,366,746 and US\$14,740,824, respectively. The changes in profit before income taxes were primarily due to an increase in revenue, coupled with a decrease in depreciation, depletion and amortization and decrease in finance costs.

#### ***Income tax expense***

Emir-Oil's income tax expenses for the years ended March 31, 2008 and 2009 were US\$7,060,210 and US\$2,212,820, respectively. The income tax expense stated in Emir-Oil's income presents deferred tax expense.

#### ***Net profit for the year***

As a result of the foregoing, Emir-Oil's net profit for the years ended March 31, 2009 and 2008 amounted to US\$27,153,926 and US\$7,680,614, respectively, which represents an increase of US\$19,473,312 or 254%.

#### **Liquidity and Capital Resources**

Emir-Oil operates in an industry which requires significant capital expenditure at the exploration stage of a license contract. Emir-Oil funds its capital expenditure and working capital requirements principally from cash generated from operating activities and borrowings from the Seller.

As of March 31, 2008, 2009 and 2010 and December 31, 2010, Emir-Oil had interest bearing liabilities of US\$140,489,270, US\$147,649,420, US\$149,038,512 and US\$146,588,461, respectively, comprised solely of borrowings from the Seller. See “–Indebtedness”. As of March 31, 2008, 2009 and 2010 and December 31, 2010, Emir-Oil had cash and cash equivalents of US\$2,122,730, US\$2,393,216, US\$3,448,001 and US\$3,000,565. Cash and cash equivalents consists of cash on hand, cash in banks and bank deposits, which are primarily to be used to finance operating activities. See “Cash and Cash Equivalents”.

The below table sets forth Emir-Oil’s cash flows for each of the nine months ended December 31, 2010, 2009 and 2008:

	For the Year Ended March 31,			For the Nine Months Ended December 31,	
	2008	2009	2010	2009	2010
	USD	USD	USD	USD	USD
					(Unaudited)
Net cash generated from operating activities	56,782,472	59,157,867	22,437,518	17,288,370	32,436,235
Net cash used in investing activities	(100,415,431)	(56,733,434)	(11,772,122)	(8,837,058)	(26,012,530)
Net cash generated from/(used in) financing activities	44,850,000	1,080,000	(10,006,440)	(6,600,000)	(7,077,419)
Net increase/(decrease) in cash and cash equivalents	1,217,041	3,260,268	658,456	1,851,313	(653,714)
Exchange loss/(gain) on cash and cash equivalents	60,575	(2,989,782)	396,329	361,473	206,278
Cash and cash equivalents at beginning of the year/period	845,114	2,122,730	2,393,216	2,393,216	3,448,001
Cash and cash equivalents at end of the year/period	2,122,730	2,393,216	3,448,001	4,606,002	3,000,565

### Operating activities

Net cash generated from operating activities was US\$32.4 million during the nine months ended December 31, 2010. During this time period, Emir-Oil had loss before income tax of US\$2.9 million adjusted for, among other things, depreciation, depletion and amortization of US\$12.0 million, interest expenses from loans from the Seller of US\$4.6 million and geological and geophysical costs of US\$7.4 million. The cash movements during the nine months ended December 31, 2010 included an increase in trade and other payables of US\$13.4 million and an increase in trade and other receivables of US\$2.6 million.

Net cash generated from operating activities was US\$17.3 million during the nine months ended December 31, 2009. During this time period, Emir-Oil had profits before income tax of US\$10.2 million adjusted for, among other things, depreciation, depletion and amortization of US\$8.5 million and interest expenses from loans from the Seller of US\$4.8 million. The cash movements for the year ended March 31, 2009 included a decrease in trade and other payables of US\$4 million and a decrease in trade and other receivables of US\$3.1 million.

Net cash generated from operating activities was US\$22.4 million for the year ended March 31, 2010. In 2010, Emir-Oil had profits before income tax of US\$10.3 million adjusted for, among other things, depreciation, depletion and amortization of US\$15.8 million and interest expenses from loans from the Seller of US\$6.4 million. The cash movements for the year ended March 31, 2010 included a decrease in trade and other payables of US\$6.4 million and an increase in trade and other receivables of US\$5.1 million.

Net cash generated from operating activities was US\$59.2 million for the year ended March 31, 2009. In 2009, Emir-Oil had profits before income tax of US\$29.4 million adjusted for, among other things, depreciation, depletion and amortization of US\$10.6 million, interest expenses from loans from the Seller of US\$6.4 million and geological and geophysical costs of US\$4.7 million. The cash movements for the year ended March 31, 2009 included a decrease in trade and other payables of US\$3.4 million and a decrease in trade and other receivables of US\$3.9 million.

Net cash generated from operating activities was US\$56.8 million for the year ended March 31, 2008. In 2008, Emir-Oil had profit before income tax of US\$14.7 million adjusted for, among other things, depreciation, depletion and amortization of US\$21.7 million, interest expense from loans from the Seller of US\$5.2 million and geological and geophysical costs of US\$6.6 million. The cash movements for the year ended March 31, 2008 included an increase in trade and other payables of US\$13.4 million and an increase in trade and other receivables of US\$5.3 million.

### **Investing activities**

Net cash used in investing activities amounted to US\$26 million during the nine months ended December 31, 2010, mainly as a result of capital expenditures on Emir-Oil's oilfields in the amount of US\$16.5 million, purchases of and advances made for inventories to be used in capital projects in the amount of US\$2 million and an increase in exploration costs of US\$7.4 million.

Net cash used in investing activities amounted to US\$8.8 million during the nine months ended December 31, 2009, mainly as a result of capital expenditures on Emir-Oil's oilfields in the amount of US\$7.7 million.

Net cash used in investing activities amounted to US\$11.8 million for the year ended March 31, 2010, mainly as a result of capital expenditures on Emir-Oil's oilfields in the amount of US\$10.4 million.

Net cash used in investing activities amounted to US\$57 million for the year ended March 31, 2009, mainly as a result of capital expenditures on Emir-Oil's oilfields in the amount of US\$34.8 million and purchases of and advances made for inventories to be used in capital projects in the amount of US\$17.5 million and exploration costs of US\$4.7 million.

Net cash used in investing activities amounted to US\$100.4 million for the year ended March 31, 2008, mainly as a result of capital expenditures on Emir-Oil's oilfields in the amount of US\$64.6 million, purchases of and advances made for inventories to be used in capital projects in the amount of US\$28.9 million and exploration costs of US\$6.6 million.

### **Financing activities**

Net cash used in financing activities during the nine months ended December 31, 2009 and 2010 amounted to US\$6.6 million and US\$7.1 million, respectively, mainly due to repayment of the principal on loans borrowed from the Seller.

Net cash used in financing activities in the years ended March 31, 2008, 2009 and 2010 amounted to US\$44.9 million, US\$1.1 million and US\$10 million, respectively, mainly due to a repayment of the principal on loans borrowed from the Seller.

### **Indebtedness**

Between 2003 and 2007, Emir-Oil entered into several borrowing agreements with the Seller for a total amount of US\$135.7 million. All of the loans bear interest at the rate of 5% per annum and are to be repaid at their respective maturity dates, which occur in 2013 and 2014. The loans owed to the Seller will be assigned to the Purchaser at Closing.

As of December 31, 2010, Emir-Oil had loans payable due to parent Emir-Oil in the amount of \$109,350,109 denominated in U.S. dollars and \$1,297,266 denominated in Kazakhstani Tenge. Interest payable due to parent Emir-Oil for the related period amounted to \$25,979,069 denominated in U.S. dollars and \$416,504 denominated in Kazakhstani Tenge.

As of March 31, 2010, Emir-Oil had loans payable due to BMB Munai in the amount of \$114,559,136 denominated in U.S. dollars and \$1,341,879 denominated in Kazakhstani Tenge. Interest payable due to BMB Munai for the related period amounted to \$21,163,624 denominated in U.S. dollars and \$358,242 denominated in Kazakhstani Tenge.

As of March 31, 2009, Emir-Oil had loans payable due to BMB Munai in the amount of \$117,236,160 denominated in U.S. dollars and \$1,283,760 denominated in Kazakhstani Tenge. Interest payable due to BMB Munai for the related period amounted to \$14,576,228 denominated in U.S. dollars and \$270,311 denominated in Kazakhstani Tenge.

As of March 31, 2008, Emir-Oil had loans payable due to BMB Munai in the amount of \$113,909,162 denominated in U.S. dollars and \$1,564,031 denominated in Kazakhstani Tenge. Interest payable due to BMB Munai for the related period amounted to \$8,023,963 denominated in U.S. dollars and \$234,520 denominated in Kazakhstani Tenge.

**Cash and Cash Equivalents**

Cash and cash equivalents, consisting of cash on hand, cash in banks and bank deposits, are denominated in the following currencies as of the dates below:

	<b>As of March 31,</b>		<b>As of</b>	
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
United States Dollars	443,041	1,705,276	541,461	1,636,441
Kazakhstani Tenge	1,678,006	687,940	2,371,976	830,869
European Union Euro	–	–	534,564	533,255
Russian Rubles	1,683	–	–	–
	<u>2,122,730</u>	<u>2,393,216</u>	<u>3,448,001</u>	<u>3,000,565</u>

As almost 99% of Emir-Oil’s borrowings are denominated in U.S. dollars and the functional currency of Emir-Oil is also U.S. dollars, the fluctuations in the U.S. dollar to Kazakhstani Tenge exchange rate will have an insignificant impact on Emir-Oil. Therefore, Emir-Oil has not engaged in hedging transactions to protect it from such risk as the effect of foreign exchange risk is insignificant.

**Charges on Emir-Oil’s Assets**

As of March 31, 2008 and 2009 and December 31, 2010, Emir-Oil did not have any charges on its assets. As of March 31 and December 31, 2010, the fixed assets, which represent leased oil trucks, were collateralized by capital lease liability for the fair value of \$738,363 and \$689,138, respectively.

**Details of Future Plans for Material Investments and Sources of Funding**

Emir-Oil plans to invest at least \$35.1 million in its oil fields, including approximately US\$14.6 million for the Kariman oilfield, US\$5.5 million for the Aksaz oilfield, US\$7.3 million for the Dolinnoe oilfield, US\$7.7 million for the North West Block and nil for the Emir oilfield, for the year ended December 31, 2011. This represents the minimum investment necessary under the work programs under the Existing Exploration Contract in order for Emir-Oil to maintain all of its rights, including the right to apply for production contracts. After the Acquisition, the Group will further evaluate its allocation of investments among the various oilfields based upon the economic and production status of each field.

Emir-Oil does not hold any significant investments. Emir-Oil plans to continue to operate in the ordinary course of business. The drilling and workover operations on existing wells will be funded by Emir-Oil’s revenues generated from oil and gas sales.

**Material Acquisitions and Disposal of Subsidiaries and Associated Companies**

There were no material acquisitions or disposals of subsidiaries or associated companies in the periods under discussion.

### Segmentation

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors. Emir-Oil operates as a single operating segment which is the production and sale of oil and gas. No geographical information has been presented as all of Emir-Oil's sales are generated from sales in Kazakhstan.

### Capital Commitment and Contingent Liabilities

The following table lists Emir-Oil's significant commitments as of December 31, 2010:

	Payments Due by Period as of December 31, 2010				
	Total	Less than 1			After 5
		year	2-3 years	4-5 years	years
	USD	USD	USD	USD	USD
<b>Contractual obligations</b>					
Capital Expenditure					
Commitment <sup>(1)</sup>	42,080,000	27,240,000	14,840,000	–	–
Due to the Republic of					
Kazakhstan government <sup>(2)</sup>	16,716,956	–	1,671,696	3,343,391	11,701,869
Capital Lease Payments <sup>(3)</sup>	559,150	292,825	266,325	–	–
Liquidation Fund	5,079,715	–	5,079,715	–	–
Potential Payments Upon					
Termination of Employee					
Agreements <sup>(4)</sup>	658,600	658,600	–	–	–
Repayment of Principal and					
Interest on Loans from					
BMB Munai <sup>(5)</sup>	137,042,948	–	–	137,042,948	–
<b>Total</b>	<b>202,137,369</b>	<b>28,191,425</b>	<b>21,857,736</b>	<b>140,386,339</b>	<b>11,701,869</b>

- (1) Under the terms of Emir-Oil's Existing Exploration Contract, Emir-Oil was required to spend a total US\$42 million for the year ended December 31, 2010, for Emir-Oil's exploration and development activities on Emir-Oil's properties. As of December 31, 2010 Emir-Oil spent a total of US\$337 million in exploration and development activities. Emir-Oil expects to incur capital expenditures of at least US\$27.3 during the fiscal year 2011, which amount is the minimum amount required under the annual work program. Emir-Oil funds its capital expenditure and working capital requirements principally from cash generated from operating activities and borrowings from BMB Munai.

- (2) In connection with Emir-Oil's acquisition of the oil and gas, the Existing Exploration Contract covering the ADE Block and the Extended Territory, Emir-Oil was required to repay the ROK for historical costs incurred by it in undertaking geological and geophysical studies and infrastructure improvements. As of December 31, 2010, Emir-Oil's repayment obligation for the ADE Block was US\$5,994,200 and Emir-Oil's repayment obligation for the extended territory was US\$5,350,680. The terms of repayment of these obligations, however, will not be finalized until such time as Emir-Oil applies for and is granted commercial production rights by the ROK. Should Emir-Oil decide not to pursue a commercial production right, it can relinquish the ADE Block and/or the Extended Territory to the ROK in satisfaction of its associated obligations.

In addition to the above stated commitments, as of March 31, 2009 Emir-Oil was subject to additional payments for social projects of the Mangistau Oblast and Astana Fund. The recent addendum to Emir-Oil's Existing Exploration Contract which granted rights to the Northwest Block additionally required Emir-Oil to:

- make additional payments to the liquidation fund;
- make a one-time payment in the amount of US\$200,000 to the Astana Fund by the end of 2010; and
- make annual payments to social projects of the Mangistau Oblast in the amount of US\$50,000 per year from 2009 to 2012.

In connection with Emir-Oil's acquisition of the Existing Exploration Contract for territory extension covering the North West Block, during the fiscal year 2010, Emir-Oil was required to pay to the ROK government the additional one time sum for its historical costs in the amount of US\$5,372,076.

- (3) In December 2009 Emir-Oil entered into a capital lease agreement with a vehicle leasing company for the lease of six oil trucks. Under the terms of the lease Emir-Oil is required to make payments in the amount of US\$185,019 for the financial year 2011, US\$240,149 for the financial year 2012 and US\$129,652 for the financial year 2013.
- (4) The employment agreements of nine of Emir-Oil's employees provide for potential payments upon termination or change in control. It is assumed that in case the termination of employment occurred on December 31, 2010, Emir-Oil will become obligated to pay off total amount of US\$658,600 including all other compensations.
- (5) Between 2003 and 2007, Emir-Oil entered into borrowing agreements with the Seller for unsecured loans totalling US\$135.7 million that each mature in either 2013 or 2014. All of the loans bear interest at the rate of 5% per annum and are to be repaid upon maturity. The loans have been partially repaid and as of December 31, 2010 the remaining amount of loans payable to the Seller was US\$110,647,375. The amount of the interest accrued for the loans was US\$26,395,573 as of December 31, 2010, which amount has not been repaid at the date of this circular.

**Gearing Ratio**

BMB Munai monitors capital it supplies to Emir-Oil on the basis of the ratio between Emir-Oil's capital and its net debt. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total intra-group borrowings less cash and cash equivalents. Total capital is calculated as owner's equity as shown in the statement of financial position plus net debt. Emir-Oil's gearing ratio is as follows:

	As of March 31,		As of December 31,	
	2008	2009	2010	2010
	USD'000	USD'000	USD'000	USD'000
Total borrowings	133,732	133,366	137,423	137,043
Less: cash and cash equivalents	(2,123)	(2,393)	(3,448)	(3,001)
Net debt	121,609	130,973	133,975	134,042
Total equity	17,589	42,269	52,488	49,090
Total capital	139,198	173,242	186,463	183,132
Gearing ratio	87%	76%	72%	73%

**Employees**

As of March 31 and December 31, 2010 the Target Company employed a total of 341 persons and 341 persons, respectively. Total remuneration including employee benefits expense and bonuses for the nine months ended December 31, 2010 were US\$3,152,682. Total remuneration including employee benefits expense and bonuses for the years ended March 31, 2008, 2009, and 2010 were US\$2,893,483, US\$3,608,239 and US\$2,927,939, respectively. The increased expenses in the fiscal years 2008 and 2009 were due to expanded operating activities on the Target Company's oilfields. The decrease in salary expenses between fiscal years 2009 and 2010 was due to a significant decrease in oil prices, curtailment of drilling operations, financial instability and other consequences of the world financial crisis. The increased expenses during the nine months ended December 31, 2010 compared to that for the fiscal year ended March 31, 2010 were due to expanded operating activities on the Target Company's oilfields and year-end bonus paid to employees.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED  
GROUP**

The following is an illustrative and unaudited pro forma statement of assets and liabilities and statement of comprehensive income (“unaudited pro forma financial information”) of the Enlarged Group. The unaudited pro forma statement of assets and liabilities has been prepared based on the audited consolidated statement of financial position of the Group as at December 31, 2010 as set out in the 2010 annual report of the Company, after making pro forma adjustments as set out below, to illustrate the effects of the Transaction, as if the Transaction had taken place on December 31, 2010. The unaudited pro forma statement of comprehensive income has been prepared based on the audited consolidated statement of comprehensive income of the Group for the year ended December 31, 2010 as set out in the 2010 annual report of the Company, after making pro forma adjustments as set out below, to illustrate the effects of the Transaction, as if the Transaction had taken place on January 1, 2010. The unaudited pro forma financial information of the Enlarged Group have been prepared on the basis as set out in the notes below and is consistent with the accounting policies adopted by the Group.

The unaudited pro forma financial information of the Enlarged Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed on December 31, 2010, and comprehensive income of the Enlarged Group had the Transaction been completed on January 1, 2010, or any future date.

(a) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the  
Enlarged Group

Audited consolidated statement of assets and liabilities of the Group as at December 31, 2010 <i>RMB'000</i> <i>Note 1</i>	pro forma adjustments				Unaudited pro forma consolidated assets and liabilities of the Enlarged Group <i>RMB'000</i>
	Audited statement of assets and liabilities of Emir-Oil LLC as at December 31, 2010 <i>RMB'000</i> <i>Note 2</i>	Consideration paid for the acquisition and borrowings <i>RMB'000</i> <i>Note 5</i>	Fair value adjustments and related amortisation <i>RMB'000</i> <i>Note 6</i>	Consolidation entries <i>RMB'000</i> <i>Note 7</i>	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3,024,482	1,282,282	-	-	4,306,764
Intangible asset	1,677	23	-	481,457	483,157
Derivative financial instruments	20,285	-	-	-	20,285
Trade and other receivables	24,212	39,866	-	-	64,078
Investment in a subsidiary	-	-	1,125,859	-	(1,125,859)
	<u>3,070,656</u>	<u>1,322,171</u>	<u>1,125,859</u>	<u>481,457</u>	<u>(1,125,859)</u>
					<u>4,874,284</u>
<b>Current assets</b>					
Inventories	36,664	17	-	-	36,681
Derivative financial instruments	11,168	-	-	-	11,168
Trade and other receivables	398,294	77,354	-	-	475,648
Pledged deposits	29,916	-	-	-	29,916
Cash and cash equivalents	680,033	19,872	26,491	-	726,396
	<u>1,156,075</u>	<u>97,243</u>	<u>26,491</u>	<u>-</u>	<u>1,279,809</u>
<b>TOTAL ASSETS</b>	<u>4,226,731</u>	<u>1,419,414</u>	<u>1,152,350</u>	<u>481,457</u>	<u>(1,125,859)</u>
					<u>6,154,093</u>

	pro forma adjustments					
	Audited consolidated statement of assets and liabilities of the Group as at December 31, 2010 <i>RMB'000</i> <i>Note 1</i>	Audited statement of assets and liabilities of Emir-Oil LLC as at December 31, 2010 <i>RMB'000</i> <i>Note 2</i>	Consideration paid for the acquisition and borrowings <i>RMB'000</i> <i>Note 5</i>	Fair value adjustments and related amortisation <i>RMB'000</i> <i>Note 6</i>	Consolidation entries <i>RMB'000</i> <i>Note 7</i>	
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Asset retirement obligations	9,270	33,641	-	-	-	42,911
Deferred income tax liabilities – net	8,694	8,638	-	96,291	-	113,623
Trade and other payables	137,598	1,525	-	-	-	139,123
Amount due to parent company	-	907,594	-	-	(907,594)	-
Borrowings	1,191,862	-	1,324,540	-	-	2,516,402
	<u>1,347,424</u>	<u>951,398</u>	<u>1,324,540</u>	<u>96,291</u>	<u>(907,594)</u>	<u>2,812,059</u>
<b>Current liabilities</b>						
Trade and other payables	775,137	142,908	74,426	-	-	992,471
Current income tax liabilities	44,898	-	-	-	-	44,898
Borrowings	99,341	-	-	-	-	99,341
	<u>919,376</u>	<u>142,908</u>	<u>74,426</u>	<u>-</u>	<u>-</u>	<u>1,136,710</u>
<b>TOTAL LIABILITIES</b>	<u>2,266,800</u>	<u>1,094,306</u>	<u>1,398,966</u>	<u>96,291</u>	<u>(907,594)</u>	<u>3,948,769</u>
<b>NET ASSETS</b>	<u>1,959,931</u>	<u>325,108</u>	<u>(246,616)</u>	<u>385,166</u>	<u>(218,265)</u>	<u>2,205,324</u>

(b) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the  
Enlarged Group

	pro forma adjustments						Unaudited pro forma consolidated statement of comprehensive income the Enlarged Group RMB'000
	Audited consolidated statement of comprehensive income of the Group for the year December 31, 2010 RMB'000 Note 1	Audited statement of comprehensive income of Emir-Oil LLC for the nine months ended at December 31, 2010 RMB'000 Note 3	Unaudited statement of comprehensive income of Emir-Oil LLC for the three months ended at March 31, 2010 RMB'000 Note 4	Consideration paid for the acquisition, borrowings and related interest RMB'000 Note 5	Fair value adjustments and related amortisation RMB'000 Note 6	Consolidation entries RMB'000 Note 7	
<b>Revenue</b>	1,804,976	280,924	106,080	-	-	-	2,191,980
<b>Operating expenses</b>							
Purchases, services and other	(126,517)	(19,526)	(5,201)	-	-	-	(151,244)
Geological and geophysical expense	-	(50,232)	(1,957)	-	-	-	(52,189)
Employee compensation costs	(110,346)	(21,271)	(3,601)	-	-	-	(135,218)
Depreciation, depletion and amortization	(528,582)	(81,151)	(49,085)	-	(64,072)	-	(722,890)
Distribution expenses	(28,424)	-	-	-	-	-	(28,424)
Administrative expenses	(50,154)	(19,757)	(6,439)	(52,982)	-	-	(129,332)
Taxes other than income taxes	(289,296)	(77,588)	(27,578)	-	-	-	(394,462)
Other (losses)/gains	(37,644)	-	(810)	(74,426)	-	549,808	436,928
<b>Total operating expenses</b>	<b>(1,170,963)</b>	<b>(269,525)</b>	<b>(94,671)</b>	<b>(127,408)</b>	<b>(64,072)</b>	<b>549,808</b>	<b>(1,176,831)</b>
<b>Profit from operations</b>	<b>634,013</b>	<b>11,399</b>	<b>11,409</b>	<b>(127,408)</b>	<b>(64,072)</b>	<b>549,808</b>	<b>1,015,149</b>
Finance income	35,344	1,903	-	-	-	-	37,247
Finance costs	(86,788)	(33,062)	(10,242)	(119,208)	-	(10,337)	(259,637)
<b>Finance costs – net</b>	<b>(51,444)</b>	<b>(31,159)</b>	<b>(10,242)</b>	<b>(119,208)</b>	<b>-</b>	<b>(10,337)</b>	<b>(222,390)</b>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	pro forma adjustments						
	Audited	Unaudited					
	statement of	statement of					
	comprehensive	comprehensive					
	income of	income of					
	the Group	Emir-Oil					
	for the year	LLC for the					
	ended at	three					
	December	months					
	31, 2010	ended at					
	RMB'000	March 31,					
	Note 1	2010					
	Note 3	RMB'000					
	Note 4	Note 5					
	Note 6	Note 7					
	Consolidation						
	entries						
	RMB'000						
	Note 7						
<b>Profit/(loss) before income tax</b>	582,569	(19,760)	1,167	(246,616)	(64,072)	539,471	792,759
<b>Income tax (expense)/credit</b>	(161,705)	10,801	11,587	–	12,814	–	(126,503)
<b>Net profit/(loss) for the year/period</b>	420,864	(8,959)	12,754	(246,616)	(51,258)	539,471	666,256
<b>Other comprehensive income:</b>							
Currency translation difference	(10,941)	–	–	–	–	–	(10,941)
<b>Other comprehensive income for the year/period, net of tax</b>	(10,941)	–	–	–	–	–	(10,941)
<b>Total comprehensive income for the year/period</b>	409,923	(8,959)	12,754	(246,616)	(51,258)	539,471	655,315

**(c) Notes to Unaudited Pro Forma Financial Information of the Enlarged Group**

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at December 31, 2010 and the consolidated statement of comprehensive income of the Group for the year ended December 31, 2010 as set out in the Group's published annual report for the year ended December 31, 2010.
2. The adjustment represents the inclusion of the balances of assets and liabilities of Emir-Oil LLC as at December 31, 2010 as extracted from the accountant's report of Emir-Oil LLC as set out in Appendix II to the Circular. For the purpose of the unaudited pro forma statement of assets and liabilities, the balances denominated in United States Dollar ("USD" or "US\$") have been translated into Renminbi ("RMB") at US\$1 = RMB6.6227, the exchange rate prevailing as at December 31, 2010.
3. The adjustment represents the inclusion of the comprehensive income of Emir-Oil LLC for the nine months ended December 31, 2010 as extracted from the accountant's report of Emir-Oil LLC as set out in Appendix II of the Circular. For the purpose of the unaudited pro forma statement of comprehensive income, the amounts denominated in USD have been translated into RMB at US\$1 = RMB6.8268, the average exchange rate prevailing for the nine months ended December 31, 2010.
4. The adjustment represents the inclusion of the unaudited statement of comprehensive income of Emir-Oil LLC for the three months ended March 31, 2010 as prepared by management of Emir-Oil LLC. For the purpose of the unaudited pro forma statement of comprehensive income, the amounts denominated in USD have been translated into RMB at US\$1 = RMB6.7468, the average exchange rate prevailing for the three months ended March 31, 2010.
5. The adjustment represents the consideration paid for the acquisition, which is funded by new financing and the related interest expense.

The total estimated cost of the Transaction amounts to approximately US\$178 million, comprising the purchase consideration for Emir-Oil LLC of US\$170 million (equivalent to approximately RMB1,126 million) and costs directly attributable to the Transaction, including professional services fees and other expenses, of US\$8 million (equivalent to approximately RMB53 million).

As part of the Transaction, the Company has granted Acap Limited a right to co invest (the "Right"). The pro forma financial information includes the Right's fair value of RMB74 million which was estimated by an independent professional valuer, Jones Long LaSalle Sallmanns.

The cost directly attributable to the Transaction of US\$8 million and the fair value of the Right are charged to the consolidated statement of comprehensive income upon the completion of the Transaction. The fair value of the Right is assumed to remain unchanged for the year ended December 31, 2010.

The Transaction is assumed to be wholly financed by new financing of US\$200 million (equivalent to approximately RMB1,325 million). For purpose of the pro forma consolidated statement of comprehensive income, the financing is assumed had been raised on January 1, 2010 and interest paid on the financing is assumed to be US\$18 million (equivalent to approximately RMB119 million) representing an interest rate of 9% per annum.

6. Upon completion of the Transaction, the identifiable assets and liabilities of Emir-Oil LLC will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method of accounting as set out in International Financial Reporting Standard 3 (revised) “Business Combinations” (“IFRS 3”).

The pro forma adjustment represents fair value adjustments of approximately RMB481 million, the corresponding estimated deferred income tax liabilities of approximately RMB96 million. For the purpose of the pro forma consolidated statement of comprehensive income, additional amortization expenses of approximately RMB64 million and corresponding income tax credit impact of approximately RMB13 million resulting from the Transaction has been taken into account.

The fair value adjustments include the recognition of intangible assets (Production Contracts for the Aksaz, Dolinnoe and Kariman oilfields according to a condition precedent under the Purchase Agreement) of RMB481 million which are determined based on the fair values of the assets and liabilities of Emir-Oil LLC as at December 31, 2010 as estimated by an independent professional valuer, Jones Long LaSalle Sallmanns.

The Company has assessed the Group’s intangible assets as at December 31, 2010 and concluded that there is no impairment. With reference to the valuation report from independent professional valuer, Jones Long LaSalle Sallmanns, the Company is not aware of any indication of impairment on the intangible assets of Emir-Oil.

Upon the completion of the Acquisition and at the end of each reporting period, the Company will perform a review for impairment on the Enlarged Group’s intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the Group’s accounting policies and principal assumptions as described in the audited financial statements for the year ended December 31, 2010.

The additional amortization arising from the recognition of intangible assets for the year ended December 31, 2010 is computed based on unit of production method using proved developed producing reserves.

The fair value of the identifiable assets and liabilities of Emir-Oil LLC at the date of completion may be substantially different from the estimated fair value used in the preparation of this unaudited pro forma financial information. Accordingly, the actual amount of negative goodwill may be different from the amount as adopted in this unaudited pro forma financial information.

7. The pro forma adjustment represents the elimination of investment in Emir-Oil LLC held by the Company with the share capital and pre-acquisition reserves of Emir-Oil LLC, elimination of intercompany receivables from Emir-Oil LLC and the recognition of negative goodwill amounting to RMB550 million, representing the excess of the over the fair value of net assets of Emir-Oil LLC acquired of RMB 1,676 million cost of the Transaction of RMB1,126 million upon the completion of the Transaction.
8. Apart from the Transaction, no other adjustment has been made to reflect any trading result of the Group subsequent to December 31, 2010 and Emir-Oil LLC subsequent to December 31, 2010 for the purpose of this unaudited pro forma financial information.
9. Other than costs directly attributable to the Transaction (note 5 above) and the negative goodwill recognised (note 7 above), the pro forma adjustments set out in note 3, note 4, note 5 and note 6 above are expected to have continuing effect on the consolidated statement of comprehensive income of the Enlarged Group.

**B. REPORT FROM THE REPORTING ACCOUNTANT**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Supplemental Circular.*



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor, Prince's Building  
Central  
Hong Kong

**ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION TO THE DIRECTORS OF MIE HOLDINGS CORPORATION**

We report on the unaudited pro forma financial information set out on pages 123 to 130 under the heading of “Unaudited Pro Forma Financial Information of the Enlarged Group” (the “Unaudited Pro Forma Financial Information”) in Appendix III of the circular dated April 19, 2011 (the “Circular”) of MIE Holdings Corporation (the “Company”), in connection with the proposed acquisition of Emir-Oil, LLC (the “Transaction”) by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 123 to 130 of the Circular.

**Respective Responsibilities of Directors of the Company and the Reporting Accountant**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial

Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated statement of assets and liabilities of the Group as at December 31, 2010 and the audited statement of comprehensive income of the Group for the year ended December 31, 2010 with the audited financial statements of the Company for the year ended December 31, 2010 as set out in the 2010 annual report of the Company, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at December 31, 2010 or any future date, or
- the results of the Group for the year ended December 31, 2010 or any future periods.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, April 19, 2011

*The following is the text of the Competent Person's Report in respect of the estimate of reserves in the Contract Area received from the Competent Person, Chapman Petroleum Engineering, for the purpose of inclusion in this circular.*

The Competent Person confirms that no material changes had occurred since the effective date of the Competent Person's Report (i.e. December 31, 2010) to the Latest Practicable Date.

**RESERVE AND ECONOMIC EVALUATION  
OIL AND GAS PROPERTIES**

**ADEK BLOCK  
REPUBLIC OF KAZAKHSTAN**

**Owned by  
BMB MUNAI, INC.**

**Prepared For**

**MIE HOLDINGS CORPORATION**

**January 1, 2011  
(December 31, 2010)**

March 18, 2011

**MIE Holdings Corporation**

**MI Energy Corporation**

Suite 905, Block B, Grand Place

5 Hui Zhong Road

Chaoyang District

Beijing, 100101

P.R. China

**Attention: Mr. Forrest Dietrich – Senior VP and Director**

Dear Sir:

**Re: ADEK Block, Republic of Kazakhstan**

**Reserve and Economic Evaluation – January 1, 2011**

In accordance with your authorization we have performed a reserve and economic evaluation of an oil and gas property owned by BMB Munai, Inc. (the “Company”) through its subsidiary company Emir Oil LLP, in the ADEK Block (License Area), in Mangistau Oblast, Republic of Kazakhstan for an effective date of January 1, 2011 (as of December 31, 2010). This report has been prepared for MIE Holdings Corporation.

This evaluation has been carried out in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (“COGEH”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society) and standards of SPE-PRMS (2007). The report has been prepared and/or supervised by a “Qualified Reserves Evaluator” as demonstrated on the accompanying Certificate of Qualification of the author(s), and who are qualified “Competent Persons” under rules 18.21 and 18.22 under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The SCOPE OF REPORT contains the authorization and purpose of the report and describes the methodology and economic parameters used in the preparation of this report.

The EXECUTIVE SUMMARY contains the results of this reserve and economic evaluation presented in a form consistent with the requirements of Form 51-101 F1 Part 2, Item 2.1 (Forecast Prices and Costs). The Forecast Prices of our benchmark products are also presented.

The SUMMARY OF RESERVES AND ECONOMICS complements the Executive Summary, including values at the property level and the consolidated cash flows for each accumulating reserve category. The net present values presented in this report do not necessarily represent the fair market value of the reserves evaluated in this report. ALL MONETARY VALUES PRESENTED IN THIS REPORT ARE EXPRESSED IN TERMS OF US DOLLARS.

The DISCUSSION contains a description of the interests and burdens, reserves and geology, production forecasts, product prices, capital and operating costs and a map of each major property. The economic results and cash flow forecasts (before income tax) are also presented.

The Prospective Resources on the ADEK Block are summarized in Appendix A.

Short site visit report is presented in Appendix B.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be significant. We have no responsibility to update our report for events and circumstances which may have occurred since the date of this report.

Prior to public disclosure of any information contained in this report, or our name as author, our written consent must be obtained, as to the information being disclosed and the manner in which it is presented. This report may not be reproduced, distributed or made available for use by any other party without our written consent and may not be reproduced for distribution at any time without the complete context of the report, unless otherwise reviewed and approved by us.

We consent to the submission of this report, in its entirety, to securities regulatory agencies and stock exchanges, by the Companies, including by MIE Holdings Corporation to the Hong Kong Stock Exchange in accordance with its regulations and also for MIE Holdings Corporation in support of current and new financing activities.

We have given and have not withdrawn our written consent to the inclusion of our firm name and our report and references thereto in the circular of MIE Holding Corporation (the "Circular").

It has been a pleasure to prepare this report and the opportunity to have been of service is appreciated.

Yours very truly,  
**Chapman Petroleum Engineering Ltd.**

Original Signed By:  
  
*C.W. Chapman*  
C.W. Chapman, P. Eng.,  
President

The Report original is endorsed with  
APEGGA "PERMIT TO PRACTICE" STAMP  
signed by Mr. C.W. Chapman,  
dated April 5, 2011

Original Signed By:  
  
*Konstantin Zaitsev*  
Konstantin Zaitsev, T.T.  
Technologist

kvz/lml/5323

## CERTIFICATE OF QUALIFICATION

I, C. W. CHAPMAN, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 445, 708 – 11<sup>th</sup> Avenue S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta and a member of the Australasian Institute of Mining and Metallurgy.
2. THAT I graduated from the University of Alberta with a Bachelor of Science degree in Mechanical Engineering in 1971.
3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.
4. THAT I have in excess of 25 years in the conduct of evaluation and engineering studies relating to oil & gas fields in Canada and around the world.
5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for MIE Holdings Corporation, dated March 18, 2011 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date. I am the "responsible member" for this report under our APEGGA Permit to Practice #P4201.
6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of MIE Holdings Corporation or BMB Munai Inc., its participants or any affiliate thereof. I am independent of MIE Holdings Corporation or BMB Munai Inc. directors, senior management and advisers. Our fees are not contingent on the findings of this report.
7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

Original Signed By:

*C.W. Chapman*

C. W. Chapman, P.Eng.  
President

The Report original is endorsed with  
APEGGA "PERMIT TO PRACTICE" STAMP  
signed by Mr. C.W. Chapman,  
dated April 5, 2011

## CERTIFICATE OF QUALIFICATION

I, KONSTANTIN ZAITSEV, of the City of Calgary, Alberta, Canada, officing at Suite 445, 708 – 11<sup>th</sup> Avenue S.W., hereby certify:

1. THAT I am a registered Technologist-In-Training in the Province of Alberta.
2. THAT I graduated from the Kazak National Technical University, Kazakhstan, Almaty with a Bachelor of Science degree in Mechanical Engineering in 1996.
3. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for MIE Holdings Corporation, dated March 18, 2011 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
4. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of MIE Holdings Corporation, its participants or any affiliate thereof. I am independent of MIE Holdings Corporation or BMB Munai Inc. directors, senior management and advisers. My fees are not contingent on the findings of this report.
5. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
6. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

Original Signed By:

*Konstantin Zaitsev*

Konstantin Zaitsev, T.T.  
Technologist

**CERTIFICATE OF QUALIFICATION**

I, D. J. BRIERE, P. Eng., Professional Engineer of the City of Calgary, Alberta, Canada, officing at Suite 445, 708 – 11th Avenue S.W., hereby certify:

1. THAT I am a registered Professional Engineer in the Province of Alberta.
2. THAT I graduated from the University of Calgary with a Bachelor of Science degree in Electrical Engineering in 1978.
3. THAT I have been employed in the petroleum industry since graduation by various companies and have been directly involved in reservoir engineering, petrophysics, operations, and evaluations during that time.
4. THAT I have in excess of 30 years experience in engineering studies relating to oil & gas fields in Canada and around the world.
5. THAT I participated directly in the evaluation of these assets and properties and preparation of this report for MIE Holdings Corp., dated March 18, 2011 and the parameters and conditions employed in this evaluation were examined by me and adopted as representative and appropriate in establishing the value of these oil and gas properties according to the information available to date.
6. THAT I have not, nor do I expect to receive, any direct or indirect interest in the properties or securities of MIE Holdings Corp., its participants or any affiliate thereof. I am independent of MIE Holdings Corporation or BMB Munai Inc. directors, senior management and advisers. My fees are not contingent on the findings of this report.
7. THAT I have not examined all of the documents pertaining to the ownership and agreements referred to in this report, or the chain of Title for the oil and gas properties discussed.
8. A personal field examination of these properties was considered to be unnecessary because the data available from the Company's records and public sources was satisfactory for our purposes.

Original Signed By:

*D.J. Brière*

D. J. Brière, P.Eng.  
General Manager International

**RESERVE AND ECONOMIC EVALUATION  
OIL AND GAS PROPERTIES**

**ADEK BLOCK  
REPUBLIC OF KAZAKHSTAN**

**Owned by  
BMB MUNAI, INC.**

**Prepared For  
MIE HOLDINGS CORPORATION**

**January 1, 2011  
(December 31, 2010)**

## TABLE OF CONTENTS

<b>Scope of Report</b> .....	141
Authorization .....	141
Purpose .....	141
Reserve Definitions .....	141
Resource Definitions .....	144
Barrels of Oil Equivalent .....	146
Sources of Information .....	146
Product Prices .....	147
Royalties .....	147
Capital Expenditures and Operating Costs .....	147
Income Tax Parameters .....	148
Abandonment and Restoration .....	148
Environmental Liabilities .....	148
Economics .....	148
<b>Executive Summary</b> .....	150
Orientation Map .....	152
<b>Summary of Company Reserves and Economics</b> .....	159
<b>Discussion</b> .....	170
<b>ADEK Block, Republic of Kazakhstan</b>	
Aksaz Field .....	170
Dolinnoe Field .....	201
Emir Field .....	236
Kariman Field .....	260
<b>Appendix A – ADEK Block, Prospective Resources</b> .....	303
<b>Appendix B – ADEK Block, Site Visit</b> .....	311
<b>Glossary</b> .....	314
<b>Company Representation Letter</b> .....	316

## **SCOPE OF REPORT**

### **AUTHORIZATION**

This evaluation has been authorized by Mr. Forrest Dietrich, on behalf of MIE Holdings Corporation. The engineering analysis has been performed over the months of February and March 2011.

### **PURPOSE**

The purpose of this report was to prepare a third party independent appraisal of the oil and gas reserves owned by BMB Munai, Inc. through its subsidiary company Emir Oil LLP. in the ADEK Block for MIE Holdings Corporation in support of its filing on the Hong Kong Stock exchange as a major acquisition and inclusion in the Circular.

The values in this report do not include the value of the Company's undeveloped land holdings nor the tangible value of their interest in associated plant and well site facilities they may own.

### **RESERVE DEFINITIONS**

The following definitions, extracted from Sections 5.4 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1) published by the Petroleum Society of CIM and the Calgary Chapter of the Society of Petroleum Evaluation Engineers (SPEE) as specified by NI 51-101 have been used in preparing this report. These definitions are compliant with the PRMS. Reserves, as presented in this report, have been prepared using a deterministic method.

#### **5.4 Definitions of Reserves**

The following definitions and guidelines are designed to assist evaluators in making reserves estimates on a reasonably consistent basis, and assist users of evaluation reports in understanding what such reports contain and, if necessary, in judging whether evaluators have followed generally accepted standards.

The guidelines outline

- General criteria for classifying reserves,
- Procedures and methods for estimating reserves,
- Confidence levels of individual entity and aggregate reserves estimates,
- Verification and testing of reserves estimates.

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable, and possible

reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgement combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions. The concepts are presented and discussed in greater detail within the guidelines of Section 5.5 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

The following definitions apply to both estimates of individual Reserves Entities and the aggregate of reserves for multiple entities.

#### *5.4.1 Reserves Categories*

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- Analysis of drilling, geological, geophysical, and engineering data;
- The use of established technology;
- Specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates.

- a. 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.
- b. 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 + probable reserves.
- c. Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5.4 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

#### *5.4.2 Development and Production Status*

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories.

- a. 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. The developed category may be subdivided into producing and non-producing.

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.

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.

- b. Undeveloped Reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., 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, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

#### *5.4.3 Levels of Certainty for Reported Reserves*

The qualitative certainty levels contained in the definitions in Section 5.4.1 are applicable to "individual reserves entities," which refers to the lowest level at which reserves calculations are performed, and to "reported reserves," which refers to the highest level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- At least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves,
- At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable reserves,

- At least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved + probable + possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5.5.3 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1).

## RESOURCE DEFINITIONS

The following definitions, extracted from Section 5.2 of the Canadian Oil and Gas Evaluation Handbook, Volume 1 – Second Edition (COGEH-1) published by the Petroleum Society of CIM, and the Calgary chapter of the Society of Petroleum Evaluation Engineers (SPEE), as specified by Canadian Securities Regulations NI 51-101. These definitions relate to the subdivisions in the resources classification framework of Figure 1 which follows and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS.

Total Petroleum Initially-In-Place (PIIP) is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

Discovered Petroleum Initially-In-Place (equivalent to “discovered resources”) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable.

### a) **Production**

Production is the cumulative quantity of petroleum that has been recovered at a given date.

### b) **Reserves**

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.

**c) Contingent Resources**

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

**d) Unrecoverable**

Unrecoverable is that portion of Discovered or Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

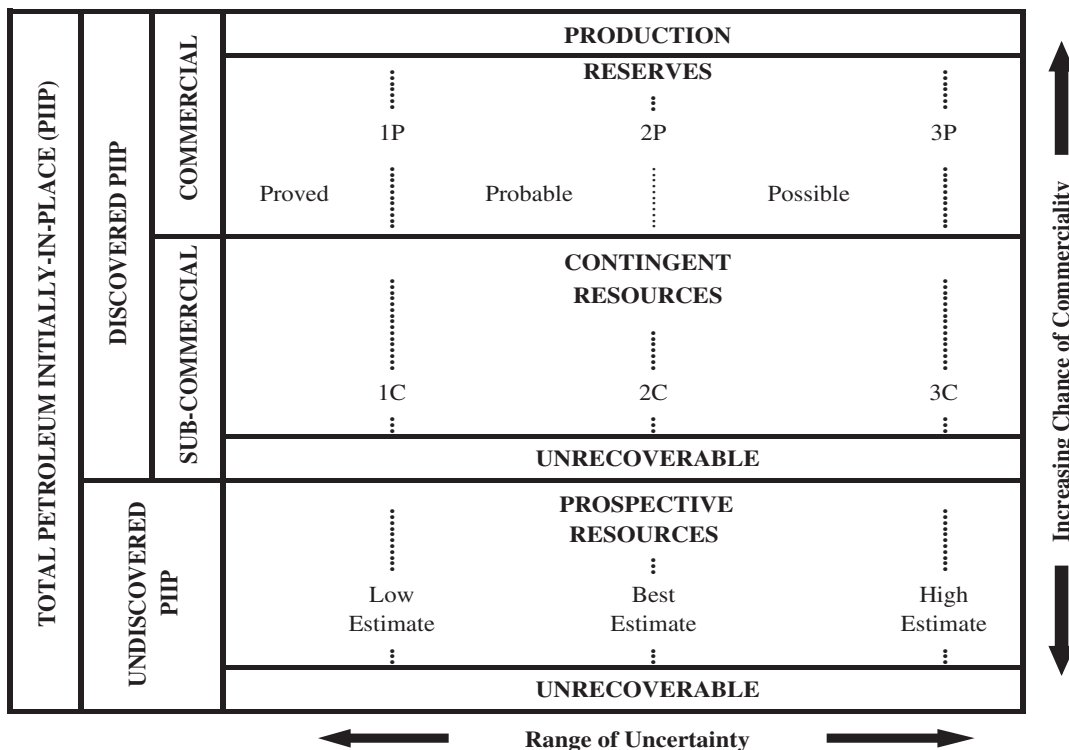
Undiscovered Petroleum Initially In Place (equivalent to “undiscovered resources”) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as “prospective resources”, the remainder as “unrecoverable”.

**a) Prospective Resources**

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Figure 1 – Resources classification framework (SPE-PRMS, Figure 1.1).



**BARRELS OF OIL EQUIVALENT**

If at any time in this report reference is made to “Barrels of Oil Equivalent” (BOE), the conversion used is 6 Mscf: 1 STB (6 Mcf: 1 bbl).

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the well head.

**SOURCES OF INFORMATION**

Source of the data used in the preparation of this report are as follows:

- i) Ownership and Burdens have been derived from information from the Company’s records and our correspondence with the Company;
- ii) Production data is acquired from the Company’s files directly;
- iii) Well data is accessed from the Company’s well files;

- iv) Operating Costs are based on discussions with the Company and our experience in the area for new properties;
- v) Price differentials are derived by the Company regarding transportation tariffs, point of sales and domestic requirements;
- vi) Timing of Development Plans and Capital estimates are determined by discussions with the Company together with our experience and judgment.

### **PRODUCT PRICES**

Forecast oil prices utilized for this report, to meet NI 51-101 and PRMS criteria are based on the following:

- i) The export price is established using the forecasted Brent price less a transportation discount of \$16.37/STB, export duty of \$5.20/STB and the corresponding Export Rent Tax (ERT);
- ii) The domestic price is legislated by the government to be \$26.72/STB, reduced by the Value Added Tax (VAT) of 12%, resulting in \$23.45/STB;
- iii) A gas price of \$1.16/Mscf (after VAT) has been used in this report;
- iv) We have assumed an export/domestic sales split of 90/10 for the first three years and 80/20 thereafter.

The price forecast and basic criteria are presented in Table 5 of the Executive Summary.

### **ROYALTIES**

The royalty scheme of Kazakhstan has been incorporated into this evaluation as discussed in the body of this report.

### **CAPITAL EXPENDITURES AND OPERATING COSTS**

Operating costs and capital expenditures have been based on historical experience and analogy where necessary and are expressed in current year dollars and escalated as follows:

2011 – No Escalation  
2012-2026 – 2.0% per year  
Thereafter – No Escalation

**INCOME TAX PARAMETERS**

We have prepared an “after tax” analysis of the cash flows in this report based on information from the Company and a review of the Tax Code for the Republic of Kazakhstan.

The corporate income tax rate for Kazakhstan is 20% until January 1, 2013m 17.5% for 2013 and 15% from January 1, 2014 and thereafter.

Capital expenditures for oil and gas wells, facilities and plants are depreciated straight line, over four years.

Excess profit taxes have also been accounted for, based on calculation methods from a bulletin published by a worldwide accounting firm.

**ABANDONMENT AND RESTORATION**

Abandonment and restoration costs, net of salvage, have been included in the cash flows for the final event of any particular well. The abandonment cost does not impact the economic limit and is included in the final year of production automatically by ERGO.

**ENVIRONMENTAL LIABILITIES**

We have been advised by the Company that they are in material compliance with all Environmental Laws and do not have any Environmental Claims pending, as demonstrated in the Representation Letter attached.

**ECONOMICS**

The results of the before tax economic analysis, which are presented for each entity and property summary, are in a condensed form presented on one page for simplicity in analyzing the cash flows, however, if for any reason more extensive breakdown of the cash flow is required, a separate schedule can be provided showing the full derivation and breakdown of any or all of the columns on the summary page.

The economic presentation shows the gross property and company gross and net (before and after royalty) production of oil, gas and each NGL product along with the product prices adjusted for oil quality and heating value of gas. Oil prices also include the deduction for trucking costs where applicable for royalty deductions.

The second level includes the revenues, royalties, operating costs, processing income, abandonment costs, capital and cash flow of the property. Operating costs are presented for the gross property and the company share, split between variable and fixed costs, and the effective cost per BOE.

Net revenues are presented annually and as a net back in \$/BOE. Revenue from custom processing of oil or gas is presented separately.

The third level of data presents the cumulative cash flow values (present worth) for various discount rates. Also, the net cash flow breakdown is presented. The project profitability criteria are summarized on the bottom right of the page. These data are not relevant in the case of corporate evaluations but are useful in assessing individual capital projects.

The income tax and excess profits tax calculations are presented on a second page.

In this report, no economic values have been assigned for Possible Reserves or Prospective Resources.

**EXECUTIVE SUMMARY  
INDEX**

**Forecast Prices and Costs**

Introduction

Orientation Map

Table 1: Summary of Oil & Gas Reserves

Table 2: Summary of Net Present Values

Table 3: Total Future Net Revenue (Undiscounted)

Table 4: Future Net Revenue – By Production Group

Table 4A: Reserves and Net Present Values – By Production Group

Table 5: Product Price Forecasts

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
ADEK BLOCK  
EXECUTIVE SUMMARY**

**INTRODUCTION**

The Company owns a 100 percent working interest in a “License” and “Exploration Contract” referred to as the ADEK Block which is located onshore in Kazakhstan in the Mangistau Oblast, approximately 50 kilometers from Aktau in the Republic of Kazakhstan (ROK).

Initially, the exploration contract granted us the right to engage in exploration and development activities in an area of approximately 200 square kilometers referred to herein as the “ADE Block.”

The ADE Block is comprised of three fields, the Aksaz, Dolinnoe and Emir fields. During the 2006 fiscal year the exploration contract was expanded to include an additional 260 square kilometers of land adjacent to the ADE Block, which we refer to herein as the “Southeast Block”, which includes the Kariman oil and gas field and the Borly and Yessen structures.

The following table summarizes the Target Company’s gross and net developed and undeveloped land by block as of December 31, 2010:

	<b>As at December 31, 2010</b>					
	<b>Developed</b>		<b>Undeveloped</b>		<b>Total</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
	<i>(in Acres)</i>					
ADE Block	970	970	46,785	46,785	47,755	47,755
Southeast Block	750	750	65,165	65,165	65,915	65,915

To date, there are 24 existing wells, 16 of which are currently producing at total rate of 2,572 STB/day.

The ADEK Block is located at the edge of the Mangistau Ustyrt Central High which contains several producing oilfields in the area. The main producing horizon is the Middle Triassic carbonate.

The Jurassic is a secondary opportunity for hydrocarbon potential as indicated by log analysis. Resource potential has been identified, but reserves have not been assigned or evaluated in this report.

A map of the ADEK block is presented on the next page.

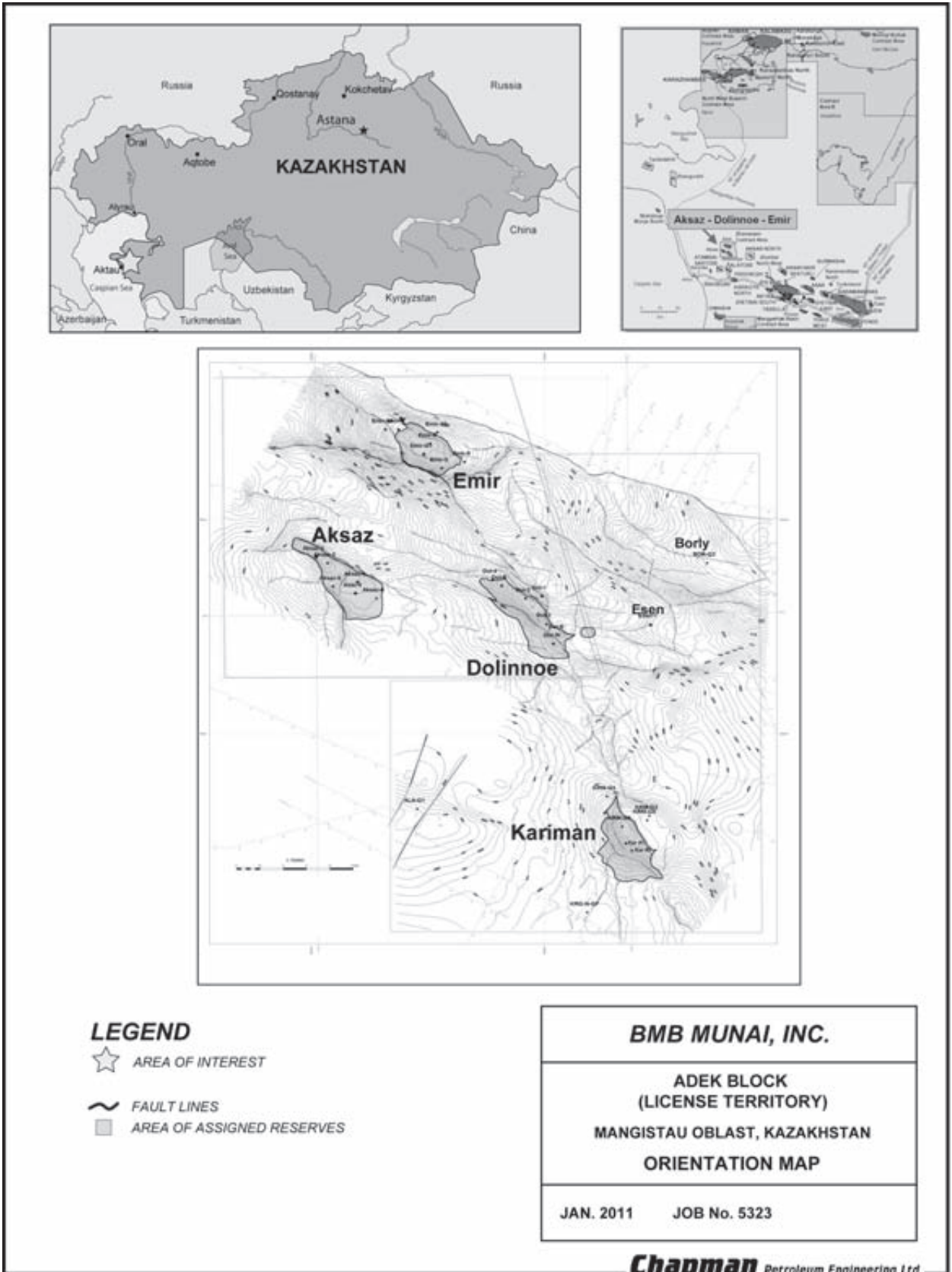


Table 1

**BMB Munai, Inc.**  
**Summary of Oil and Gas Reserves**  
**January 1, 2011**  
**(as of December 31, 2010)**

**Forecast Prices and Costs**

<b>Reserves Category</b>	<b>Company Reserves</b>							
	<b>Light and</b>		<b>Heavy Oil</b>		<b>Natural Gas 1</b>		<b>Natural Gas</b>	
	<b>Medium Oil</b>						<b>Liquids</b>	
	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
	<i>MSTB</i>	<i>MSTB</i>	<i>MSTB</i>	<i>MSTB</i>	<i>MMscf</i>	<i>MMscf</i>	<i>Mbbl</i>	<i>Mbbl</i>
<b>PROVED</b>								
Developed								
Producing	8,030	8,030	0	0	6,322	6,322	0	0
Developed Non-								
Producing	12,919	12,919	0	0	16,526	16,526	0	0
Undeveloped	2,590	2,590	0	0	3,994	3,994	0	0
<b>TOTAL PROVED</b>	<b>23,539</b>	<b>23,539</b>	<b>0</b>	<b>0</b>	<b>26,842</b>	<b>26,842</b>	<b>0</b>	<b>0</b>
<b>PROBABLE</b>	61,451	61,451	0	0	36,821	36,821	0	0
<b>TOTAL PROVED PLUS PROBABLE</b>	<b>84,990</b>	<b>84,990</b>	<b>0</b>	<b>0</b>	<b>63,663</b>	<b>63,663</b>	<b>0</b>	<b>0</b>
<b>POSSIBLE</b>	29,714	29,714	0	0	34,155	34,155	0	0
<b>TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE</b>	<b>114,704</b>	<b>114,704</b>	<b>0</b>	<b>0</b>	<b>97,818</b>	<b>97,818</b>	<b>0</b>	<b>0</b>

Reference: Item 2.1

(1) Form 51-101F1

Columns may not add precisely due to accumulative rounding of values throughout the report.

Notes: 1 Includes associated, non-associated and solution gas where applicable.

Table 2

**BMB Munai, Inc.**  
**Summary of Net Present Values**  
**January 1, 2011**  
**(as of December 31, 2010)**

**Forecast Prices and Costs**

**Before Income Tax**

Reserves Category	Net Present Values of Future Net Revenue				
	Discounted at				
	0%/yr.	5%/yr.	10%/yr.	15%/yr.	20%/yr.
	M\$	M\$	M\$	M\$	M\$
<b>PROVED</b>					
Developed Producing	386,500	271,250	210,125	172,886	147,851
Developed Non-Producing	624,071	414,395	303,747	237,412	193,736
Undeveloped	96,314	70,553	52,863	40,370	31,331
<b>TOTAL PROVED</b>	<b>1,106,885</b>	<b>756,198</b>	<b>566,735</b>	<b>450,668</b>	<b>372,918</b>
<b>PROBABLE</b>	<b>2,675,462</b>	<b>1,282,065</b>	<b>745,750</b>	<b>486,584</b>	<b>341,172</b>
<b>TOTAL PROVED PLUS PROBABLE</b>	<b>3,782,347</b>	<b>2,038,263</b>	<b>1,312,485</b>	<b>937,252</b>	<b>714,090</b>

**After Income Tax**

Reserves Category	Net Present Values of Future Net Revenue				
	Discounted at				
	0%/yr.	5%/yr.	10%/yr.	15%/yr.	20%/yr.
	M\$	M\$	M\$	M\$	M\$
<b>PROVED</b>					
Developed Producing	287,967	221,343	177,114	149,175	130,098
Developed Non-Producing	395,997	284,518	210,939	166,225	137,063
Undeveloped	73,876	54,786	41,474	31,921	24,907
<b>TOTAL PROVED</b>	<b>757,839</b>	<b>560,648</b>	<b>429,527</b>	<b>347,321</b>	<b>292,068</b>
<b>PROBABLE</b>	<b>1,971,887</b>	<b>1,116,799</b>	<b>667,740</b>	<b>435,840</b>	<b>304,367</b>
<b>TOTAL PROVED PLUS PROBABLE</b>	<b>2,729,727</b>	<b>1,677,447</b>	<b>1,097,267</b>	<b>783,161</b>	<b>596,434</b>

Reference: Item 2.1 (2) Form 51-101F1

**M\$ means thousands of dollars**

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 3

**BMB Munai, Inc.**  
**Total Future Net Revenue (Undiscounted)**  
**January 1, 2011**  
**(as of December 31, 2010)**

**Forecast Prices and Costs**

Reserve Category	Revenue <i>M\$</i>	Royalties <i>M\$</i>	Operating Development Abandonment			Well	Future Net	Income	Future Net
			Costs <i>M\$</i>	Costs <i>M\$</i>	Costs <i>M\$</i>	Revenues BIT <i>M\$</i>	Taxes Plus EPT <i>M\$</i>	Revenues AIT <i>M\$</i>	
Total Proved	1,425,697	92,495	185,282	39,390	1,645	1,106,885	-349,046	757,839	
Proved Plus									
Probable	5,369,176	422,317	692,620	468,271	3,622	3,782,347	-1,052,620	2,729,727	

Reference: Item 2.1 (3)(b) NI 51-101F1

**M\$ means thousands of dollars**

Table 4

**BMB Munai, Inc.**  
**Future Net Revenue**  
**By Production Group**  
**January 1, 2011**  
**(as of December 31, 2010)**

**Forecast Prices and Costs**

<b>Reserve Category</b>	<b>Production Group</b>	<b>Future Net Revenue Before Income Taxes Discounted at 10%/yr. M\$</b>
Total Proved	Light and Medium Oil (including solution gas and other by-products)	566,735
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0
Proved Plus Probable	Light and Medium Oil (including solution gas and other by-products)	1,312,485
	Heavy Oil (including solution gas and other by-products)	0
	Natural Gas (including by-products but not solution gas)	0

Reference: Item 2.1 (3)(c) NI 51-101F1

**M\$ means thousands of dollars**

Table 4A

**BMB Munai, Inc.**  
**Oil and Gas Reserves and Net Present Values**  
**by Production Group**  
**January 1, 2011**  
**(as of December 31, 2010)**

**Forecast Prices and Costs**

Reserve Group by Category	Reserves						Net Present Value (BIT) 10% M\$	Unit Values @ 10%/yr. \$/STB
	Oil		Gas		NGL			
	<i>Gross MSTB</i>	<i>Net MSTB</i>	<i>Gross MMscf</i>	<i>Net MMscf</i>	<i>Gross Mbbbl</i>	<i>Net Mbbbl</i>		
<b>Light and Medium Oil 1 Proved</b>								
Developed								
Producing	8,030	8,030	6,322	6,322	0	0	210,125	26.17
Developed Non-								
Producing	12,919	12,919	16,526	16,526	0	0	303,747	23.51
Undeveloped	2,590	2,590	3,994	3,994	0	0	52,863	20.41
<b>Total Proved</b>	<b>23,539</b>	<b>23,539</b>	<b>26,842</b>	<b>26,842</b>	<b>0</b>	<b>0</b>	<b>566,735</b>	<b>24.08</b>
Probable	61,451	61,451	36,821	36,821	0	0	745,750	12.14
<b>Proved Plus Probable</b>	<b>84,990</b>	<b>84,990</b>	<b>63,663</b>	<b>63,663</b>	<b>0</b>	<b>0</b>	<b>1,312,485</b>	<b>15.44</b>

Reference: Item 2.1 (3)(c) NI 51-101F1

**M\$ means thousands of dollars**

Columns may not add precisely due to accumulative rounding of values throughout the report.

Notes: 1 Includes solution gas.

TP	23,539	23,539	26,842	26,842	0	0	566,735
PR	84,990	84,990	63,663	63,663	0	0	1,312,485
<b>Total Proved</b>	<b>23,539</b>	<b>23,539</b>	<b>26,842</b>	<b>26,842</b>	<b>0</b>	<b>0</b>	<b>566,735</b>
<b>Proved Plus Probable</b>	<b>84,990</b>	<b>84,990</b>	<b>63,663</b>	<b>63,663</b>	<b>0</b>	<b>0</b>	<b>1,312,485</b>

Table 5

**CHAPMAN PETROLEUM ENGINEERING LTD.**  
**CRUDE OIL & NATURAL GAS**  
**HISTORICAL, CONSTANT, CURRENT AND FUTURE PRICES**  
**January 1, 2011**

Date	International Brent (Dated) \$US/STB 1	Kazakhstan Export price \$US/STB 2	Kazakhstan Domestic sales \$US/STB 3	Kazakhstan Blended sales price Kaz-Oil \$US/STB 4	ERT tax rate %	Kazakhstan Gas sales price Kaz- Gaz \$US/Mscf 5
<b>HISTORICAL PRICES</b>						
2004	38.03	-	-	-	-	-
2005	55.28	-	-	-	-	-
2006	66.09	-	-	-	-	-
2007	72.74	-	-	-	-	-
2008	98.33	-	-	-	-	-
2009	62.52	-	-	-	-	-
2010	77.28	-	-	-	-	-
<b>CURRENT YEAR FORECAST</b>						
2011	89.56	67.99	26.72	<b>53.17</b>	17%	1.16
<b>FUTURE FORECAST</b>						
2012	91.74	70.17	26.72	<b>53.54</b>	19%	1.16
2013	93.92	72.35	26.72	<b>55.13</b>	19%	1.16
2014	96.10	74.53	26.72	<b>53.07</b>	19%	1.16
2015	99.38	77.81	26.72	<b>55.19</b>	19%	1.16
2016	102.65	81.08	26.72	<b>56.01</b>	21%	1.16
2017	104.83	83.26	26.72	<b>57.39</b>	21%	1.16
2018	107.01	85.44	26.72	<b>58.77</b>	21%	1.16
2019	109.20	87.63	26.72	<b>60.15</b>	21%	1.16
2020	111.51	89.94	26.72	<b>60.89</b>	22%	1.16
2021	113.87	92.30	26.72	<b>62.37</b>	22%	1.16
2022	116.27	94.70	26.72	<b>63.87</b>	22%	1.16
2023	118.73	97.16	26.72	<b>65.40</b>	22%	1.16
2024	121.23	99.66	26.72	<b>66.16</b>	23%	1.16
2025	123.79	102.22	26.72	<b>67.74</b>	23%	1.16
2026	126.39	104.82	26.72	<b>69.34</b>	23%	1.16

Constant thereafter

Notes:

- 1 The Brent Dated price is estimated based on historical trends.
- 2 Export price is estimated discount US\$16.37 and export duty USD5.20 less than Brent Dated Price
- 3 Kazakhstan domestic oil price is based on latest posting data
- 4 Kaz-Oil price=90%\*export price\*(1-ERT)+10%\*domestic price/(1+VAT) up to 2013 (VAT=12%);  
Kaz-Oil price=80%\*export price\*(1-ERT)+20%\*domestic price/(1+VAT) from 2014 (VAT=12%);
- 5 Kazakhstan domestic Gas price is based on latest posting data.

**SUMMARY OF COMPANY RESERVES AND ECONOMICS****INDEX****Forecast Prices and Costs**

Table 1: Summary of Company Reserves and Economics (Before Income Tax)

Table 1T: Summary of Company Reserves and Economics (After Income Tax)

Consolidated Cash Flows

Table 2: Total Proved Developed Producing

Table 3: Total Proved Developed

Table 4: Total Proved

Table 5: Total Proved Plus Probable

**Table 1**  
Summary of Company Reserves and Economics  
Before Income Tax  
January 1, 2011  
BRB Mund, Inc.

Forecast Prices & Costs

Description	Reserves								Cumulative Cash Flow (BIT) - \$M				
	Light and Medium Oil NHTB		Sales Gas Mscf		BOE Mbs		Undisc.	20%year	Discounted at:				
	Gross	Net	Gross	Net	Gross	Net			10%year	15%year	20%year		
<b>Proved Developed Producing</b>													
Akasz	280	280	2,351	2,351	681	681	13,177	11,385	10,360	9,390	8,605		
Dolince	1,715	1,715	1,980	1,980	2,041	2,041	90,272	99,470	47,180	36,183	33,580		
Karman	6,026	6,026	2,010	2,010	6,361	6,361	293,052	290,984	152,582	124,312	105,065		
<b>Total Proved Developed Producing</b>	<b>8,021</b>	<b>8,021</b>	<b>6,322</b>	<b>6,322</b>	<b>8,884</b>	<b>8,884</b>	<b>396,501</b>	<b>371,250</b>	<b>210,122</b>	<b>172,856</b>	<b>147,251</b>		
<b>Proved Developed Non-Producing</b>													
Akasz	1,264	1,264	8,203	8,203	2,631	2,631	61,427	46,062	36,203	29,427	24,545		
Dolince	3,227	3,227	5,262	5,262	4,104	4,104	184,009	106,629	79,677	62,939	51,724		
Emr	24	24	3	3	24	24	582	544	511	481	454		
Karman	8,405	8,405	3,028	3,028	8,815	8,815	408,052	283,221	187,356	144,546	117,014		
<b>Total Proved Developed Non-Producing</b>	<b>12,919</b>	<b>12,919</b>	<b>16,528</b>	<b>16,528</b>	<b>15,674</b>	<b>15,674</b>	<b>624,071</b>	<b>474,386</b>	<b>303,747</b>	<b>237,412</b>	<b>192,734</b>		
<b>Total Proved Developed</b>	<b>20,940</b>	<b>20,940</b>	<b>22,850</b>	<b>22,850</b>	<b>24,558</b>	<b>24,558</b>	<b>1,020,572</b>	<b>845,636</b>	<b>513,872</b>	<b>410,268</b>	<b>341,987</b>		
<b>Proved Undeveloped</b>													
Akasz	19	19	370	370	80	80	526	444	377	320	272		
Dolince	2,571	2,571	3,625	3,625	3,175	3,175	95,789	70,109	52,467	40,090	31,659		
<b>Total Proved Undeveloped</b>	<b>2,590</b>	<b>2,590</b>	<b>3,994</b>	<b>3,994</b>	<b>3,255</b>	<b>3,255</b>	<b>96,314</b>	<b>70,553</b>	<b>52,845</b>	<b>40,370</b>	<b>31,931</b>		
<b>Total Proved</b>	<b>23,530</b>	<b>23,530</b>	<b>26,844</b>	<b>26,844</b>	<b>27,813</b>	<b>27,813</b>	<b>1,116,886</b>	<b>716,189</b>	<b>566,717</b>	<b>450,638</b>	<b>373,918</b>		
<b>Probable</b>													
<b>Probable Developed Producing</b>													
Akasz	182	182	2,106	2,106	633	633	8,688	7,348	6,170	5,255	4,522		
Dolince	742	742	854	854	886	886	32,182	24,274	19,581	16,218	13,943		
Karman	4,109	4,109	1,337	1,337	4,321	4,321	195,315	195,879	98,748	80,068	68,917		
<b>Total Probable Developed Producing</b>	<b>5,032</b>	<b>5,032</b>	<b>4,307</b>	<b>4,307</b>	<b>5,790</b>	<b>5,790</b>	<b>337,185</b>	<b>337,500</b>	<b>164,499</b>	<b>141,541</b>	<b>123,382</b>		
<b>Probable Developed Non-Producing</b>													
Akasz	557	557	4,719	4,719	1,344	1,344	27,245	22,355	18,572	15,804	13,245		
Dolince	1,198	1,198	2,256	2,256	1,565	1,565	51,201	42,826	34,906	28,328	23,120		
Emr	5,072	5,072	887	887	8,220	8,220	247,709	181,520	106,816	81,149	64,979		
Karman	10,498	10,498	3,870	3,870	11,093	11,093	526,520	299,754	191,264	135,797	95,684		
<b>Total Probable Developed Non-Producing</b>	<b>17,325</b>	<b>17,325</b>	<b>11,881</b>	<b>11,881</b>	<b>19,222</b>	<b>19,222</b>	<b>852,794</b>	<b>616,554</b>	<b>351,267</b>	<b>280,867</b>	<b>197,038</b>		
<b>Probable Undeveloped</b>													
Akasz	837	837	6,028	6,028	1,675	1,675	15,767	8,347	5,623	567	(1,432)		
Dolince	6,425	6,425	9,009	9,009	7,938	7,938	247,043	157,268	104,908	72,565	51,703		
Emr	26,258	26,258	3,663	3,663	28,809	28,809	1,983,396	326,061	110,957	34,548	7,286		
Karman	5,573	5,573	3,282	3,282	6,137	6,137	229,025	125,226	85,420	49,472	31,085		
<b>Total Probable Undeveloped</b>	<b>39,993</b>	<b>39,993</b>	<b>21,131</b>	<b>21,131</b>	<b>42,815</b>	<b>42,815</b>	<b>1,883,291</b>	<b>627,912</b>	<b>298,894</b>	<b>159,136</b>	<b>88,742</b>		
<b>Total Probable</b>	<b>61,481</b>	<b>61,481</b>	<b>36,821</b>	<b>36,821</b>	<b>67,987</b>	<b>67,987</b>	<b>2,679,442</b>	<b>1,392,965</b>	<b>745,790</b>	<b>498,584</b>	<b>341,172</b>		
<b>Total Proved Plus Probable</b>	<b>84,990</b>	<b>84,990</b>	<b>63,662</b>	<b>63,662</b>	<b>95,800</b>	<b>95,800</b>	<b>3,782,347</b>	<b>2,028,293</b>	<b>1,312,485</b>	<b>912,252</b>	<b>714,990</b>		
<b>Possible</b>													
Akasz	1,351	1,351	10,232	10,232	3,056	3,056							
Dolince	13,611	13,611	19,244	19,244	16,825	16,825							
Emr	9,893	9,893	1,473	1,473	15,139	15,139							
Karman	4,859	4,859	3,106	3,106	5,377	5,377							
<b>Total Possible</b>	<b>29,714</b>	<b>29,714</b>	<b>34,155</b>	<b>34,155</b>	<b>35,406</b>	<b>35,406</b>							
<b>Total Proved Plus Probable Plus Possible</b>	<b>114,704</b>	<b>114,704</b>	<b>97,818</b>	<b>97,818</b>	<b>131,206</b>	<b>131,206</b>							

MS means thousands of dollars

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 11 Summary of Company Reserves and Economics After Income Tax January 1, 2011 BMB Monal, Inc.										Forecast Prices & Costs			
Description	Net To Appraised Interest						Cumulative Cash Flow - M\$						
	Oil MSTB		Sales Gas MMcf		NGL Mbls		Undisc.	Discounted at:					
	Gross	Net	Gross	Net	Gross	Net		8%/year	10%/year	15%/year	20%/year		
<b>Proved Developed Producing</b>													
Total Proved Developed Producing (BIT)	8,030	8,030	6,322	6,322	9,084	9,084	388,500	271,250	210,125	172,880	147,851		
Corporate Income Tax	-	-	-	-	-	-	(36,141)	(20,841)	(14,538)	(11,019)	(8,711)		
Excess profits Tax	-	-	-	-	-	-	(59,262)	(29,066)	(18,473)	(12,602)	(9,041)		
<b>Total Proved Developed Producing (AIT)</b>	<b>8,030</b>	<b>8,030</b>	<b>6,322</b>	<b>6,322</b>	<b>9,084</b>	<b>9,084</b>	<b>287,987</b>	<b>221,243</b>	<b>177,114</b>	<b>149,178</b>	<b>130,098</b>		
<b>Proved Developed Non-Producing</b>													
Total Proved Developed Non-Producing (BIT)	12,919	12,919	16,526	16,526	15,674	15,674	624,071	414,295	303,747	237,412	193,720		
Corporate Income Tax	-	-	-	-	-	-	(98,791)	(51,806)	(47,350)	(38,572)	(32,426)		
Excess profits Tax	-	-	-	-	-	-	(126,284)	(68,070)	(45,458)	(32,615)	(24,237)		
<b>Total Proved Developed Non-Producing (AIT)</b>	<b>12,919</b>	<b>12,919</b>	<b>16,526</b>	<b>16,526</b>	<b>15,674</b>	<b>15,674</b>	<b>398,997</b>	<b>288,518</b>	<b>210,939</b>	<b>166,225</b>	<b>137,063</b>		
<b>Total Proved Developed (AIT)</b>	<b>20,949</b>	<b>20,949</b>	<b>22,848</b>	<b>22,848</b>	<b>24,758</b>	<b>24,758</b>	<b>683,963</b>	<b>509,841</b>	<b>388,053</b>	<b>315,403</b>	<b>267,161</b>		
<b>Proved Undeveloped</b>													
Total Proved Undeveloped (BIT)	2,590	2,590	3,994	3,994	3,256	3,256	86,314	70,553	52,863	40,370	31,331		
Corporate Income Tax	-	-	-	-	-	-	(14,647)	(11,012)	(8,500)	(6,712)	(5,404)		
Excess profits Tax	-	-	-	-	-	-	(7,791)	(4,754)	(2,898)	(1,737)	(1,000)		
<b>Total Proved Undeveloped (AIT)</b>	<b>2,590</b>	<b>2,590</b>	<b>3,994</b>	<b>3,994</b>	<b>3,256</b>	<b>3,256</b>	<b>73,876</b>	<b>54,786</b>	<b>41,474</b>	<b>31,921</b>	<b>24,907</b>		
<b>Total Proved (AIT)</b>	<b>23,539</b>	<b>23,539</b>	<b>26,842</b>	<b>26,842</b>	<b>28,013</b>	<b>28,013</b>	<b>757,839</b>	<b>564,648</b>	<b>429,527</b>	<b>347,321</b>	<b>292,068</b>		
<b>Probable</b>													
Total Probable (BIT)	61,451	61,451	36,821	36,821	67,587	67,587	2,675,462	1,282,065	745,750	486,584	341,172		
Corporate Income Tax	-	-	-	-	-	-	(403,552)	(158,050)	(99,545)	(71,712)	(54,450)		
Excess profits Tax	-	-	-	-	-	-	(300,023)	(6,211)	21,535	20,969	17,845		
<b>Total Probable (AIT)</b>	<b>61,451</b>	<b>61,451</b>	<b>36,821</b>	<b>36,821</b>	<b>67,587</b>	<b>67,587</b>	<b>1,971,887</b>	<b>1,116,799</b>	<b>667,740</b>	<b>436,840</b>	<b>304,567</b>		
<b>Total Proved Plus Probable (AIT)</b>	<b>84,990</b>	<b>84,990</b>	<b>63,663</b>	<b>63,663</b>	<b>95,600</b>	<b>95,600</b>	<b>2,729,727</b>	<b>1,677,447</b>	<b>1,097,267</b>	<b>783,161</b>	<b>596,634</b>		
<b>Possible</b>													
Total Possible (BIT)	29,714	29,714	34,155	34,155	35,406	35,406	-	-	-	-	-		
Corporate Income Tax	-	-	-	-	-	-	-	-	-	-	-		
Excess profits Tax	-	-	-	-	-	-	-	-	-	-	-		
<b>Total Possible (AIT)</b>	<b>29,714</b>	<b>29,714</b>	<b>34,155</b>	<b>34,155</b>	<b>35,406</b>	<b>35,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Total Proved Plus Probable Plus Possible (AIT)</b>	<b>114,704</b>	<b>114,704</b>	<b>97,818</b>	<b>97,818</b>	<b>131,006</b>	<b>131,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		

MS means thousands of dollars

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

Table 1

EVALUATION OF: BMS HUNAI, Inc.  
 \*\*\*\*\* Grand Total Proved Developed Producing

ERCO v7.41 92 ENERGY SOLUTIONS  
 GLOBAL : 25-MAR-2011 5378  
 EFF:05-JAN-2011 DISC:01-JAN-2011  
 RUN DATE: 28-MAR-2011 TIME: 14:32  
 FILE:

GRAND TOTAL

EVALUATED BY -  
 COMPANY EVALUATED - BMS Hunai, Inc.  
 APPEARING FOR -  
 PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 3304 -M\$-  
 TOTAL ABANDONMENT - 965 -M\$-

Year	Oil NSTR					Sales Gas NCF						
	# of Wells	Pool		Company Share		# of Wells	Pool		Company Share			
		\$/STR	STR/D	Vol	Gross		\$/NCF	NCF/D	Vol	Gross	Net	
2011	16	53.17	2166.5	791	791	791	0	1.16	2283.2	833	833	833
2012	14	53.54	2711.9	990	990	990	0	1.16	3641.2	1110	1110	1110
2013	14	55.13	2276.7	831	831	831	0	1.16	3558.0	934	934	934
2014	13	53.07	1761.6	643	643	643	0	1.16	1851.7	603	603	603
2015	11	55.19	1414.2	516	516	516	0	1.16	1157.3	422	422	422
2016	11	56.93	1344.8	454	454	454	0	1.16	974.8	357	357	357
2017	11	57.39	1195.7	404	404	404	0	1.16	831.4	303	303	303
2018	11	58.77	963.8	352	352	352	0	1.16	678.6	248	248	248
2019	9	60.15	857.3	313	313	313	0	1.16	586.6	214	214	214
2020	9	60.89	783.1	286	286	286	0	1.16	515.4	188	188	188
2021	9	62.37	730.9	259	259	259	0	1.16	452.7	165	165	165
2022	8	63.87	626.2	229	229	229	0	1.16	363.2	132	132	132
2023	7	65.40	572.3	209	209	209	0	1.16	283.9	103	103	103
2024	7	66.16	526.7	192	192	192	0	1.16	257.0	94	94	94
2025	6	67.74	460.0	168	168	168	0	1.16	214.5	78	78	78
SUB				6434	6434	6434			5785	5785	5785	
RM				1394	1394	1394			537	537	537	
TOT				8030	8030	8030			6322	6322	6322	

\* P/T \*

Year	Capital Aband Costs -M\$-	Future Revenue (FR)				Royalties			Operating Costs			FR After Roy & Oper -M\$-	Net back -M\$-	Frock Other Income -M\$-	Cap'l Costs -M\$-	Aband Costs -M\$-	Future Net Rev Undisc -M\$-	Future Net Rev Disc 10.0% -M\$-	
		Oil Sales -M\$-	Products -M\$-	Total -M\$-	Crown -M\$-	Other -M\$-	Mineral -M\$-	Fixed -M\$-	Variable -M\$-	\$/BOE									
2011	3200	42045	967	0	43012	0	0	2043	4.7	1578	3222	5.16	36170	38.91	0	2100	100	33970	32389
2012	304	52997	1288	0	54285	0	0	2577	4.7	1517	4256	4.74	46333	39.27	0	204	0	45929	39811
2013	52	45813	1063	0	46876	0	0	2673	5.7	1501	3468	5.04	39254	39.79	0	0	11	39265	38851
2014	106	36124	699	0	36823	0	0	2184	4.3	1389	2700	5.50	28541	38.39	0	0	184	28415	25160
2015	0	28487	490	0	28977	0	0	1826	6.3	1364	2175	5.86	23713	40.42	0	0	0	23713	15442
2016	0	25449	414	0	25862	0	0	1629	4.3	1190	1937	6.28	21004	40.88	0	0	0	21004	13436
2017	0	23161	351	0	23512	0	0	1481	6.3	1316	1742	6.73	18974	41.78	0	0	0	18974	10212
2018	115	20674	287	0	20961	0	0	1321	6.3	1218	1832	4.99	16892	42.98	0	0	115	16778	8209
2019	0	18821	248	0	19069	0	0	1301	6.3	1120	1380	7.17	15368	44.09	0	0	0	15368	6836
2020	0	17485	218	0	17703	0	0	1110	6.3	1142	1379	7.63	14091	44.42	0	0	0	14091	5698
2021	41	16183	192	0	16375	0	0	1032	6.3	1143	1178	8.08	13425	45.38	0	0	41	12984	4765
2022	62	14598	153	0	14751	0	0	929	6.3	1003	1046	8.18	11773	46.98	0	0	62	11711	3914
2023	0	13659	120	0	13779	0	0	888	6.3	943	967	8.45	11401	48.64	0	0	0	11401	3242
2024	45	12720	109	0	12829	0	0	808	6.3	954	905	8.94	10163	48.88	0	0	45	10097	2789
2025	0	11373	91	0	11464	0	0	722	6.3	842	796	9.04	9105	50.32	0	0	0	9105	2286
SUB	2865	377508	6711	0	384239	0	0	22416	5.8	18212	28384		313207		0	2304	561	312342	193188
RM	454	36460	623	0	37183	0	0	4128	6.3	3935	4657		74562		0	0	494	74118	19736
TOT	3369	434169	7333	0	421422	0	0	26544	5.9	22147	33041		389769		0	2304	965	386560	212925

NET PRESENT VALUE (-M\$)-								PROFITABILITY			
Discount Rate	.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	COMPANY SHARE BASIS			
FR After Roy & Oper.	389769	374022	312671	175296	150181	133033	118285	Before Tax			
Frock & Other Income	0	0	0	0	0	0	0	Rate of Return (%)			
Capital Costs	3304	3239	2179	2124	2072	2024	1979	Profit Index (undisc.)			
Abandonment Costs	965	533	367	286	238	204	183	(disc. @ 10.0%)			
Future Net Revenue	386500	371250	316125	172886	147953	129603	116133	(disc. @ 5.0%)			
								First Payout (years)			
								Total Payout (years)			
								Cost of Finding (\$/BOE)			
								NPV @ 10.0% (\$/BOE)			
								NPV @ 5.0% (\$/BOE)			

COMPANY SHARE							
1st Year Average	Royalties	Oper Costs	FR After	Capital	Future		
% Interest	100.0	100.0	5.9	13.1	80.9	.5	80.3
% of Future Revenue							

**Chapman** Petroleum Engineering Ltd.

Table 2T							
BMB Munai, Inc.							
Corporate Income Tax (CIT) and Excess Profit Tax (EPT)							
January 1, 2011							
(As of December 31, 2010)							
ADE Block and Extended Territory, Republic of Kazakhstan							
Total Proved Developed Producing							
Deductible Costs							
Year	Gross Income \$M	Operating Costs \$M	Mineral Extraction Tax \$M	Deductible Capital \$M	Total Deductions \$M	Taxable Income \$M	Corporate Income Tax \$M
2011	43,012	4,796	2043	33,457	40,298	2,714	543
2012	54,286	5,573	2579	33,508	41,660	12,625	2,525
2013	46,896	4,989	2673	33,521	41,163	5,733	1,003
2014	34,823	4,089	2194	28,540	34,823	0	0
2015	28,977	3,439	1826	5,098	10,363	18,614	2,792
2016	25,802	3,227	1629	40	4,896	20,907	3,145
2017	23,513	3,058	1481	27	4,566	18,948	2,842
2018	20,901	2,748	1321	29	4,098	16,803	2,529
2019	19,069	2,500	1201	29	3,730	15,339	2,301
2020	17,623	2,421	1110	29	3,560	14,063	2,109
2021	16,375	2,319	1032	44	3,395	12,980	1,947
2022	14,751	2,049	929	31	3,009	11,742	1,761
2023	13,779	1,910	868	31	2,809	10,970	1,646
2024	12,828	1,859	808	47	2,714	10,114	1,517
2025	11,464	1,637	722	32	2,391	9,073	1,361
Sub total	384,220	46,597	22,416	134,461	203,472	180,746	28,022
Remainder	97,283	16,592	5,129	437	23,158	74,126	11,119
Total	481,502	63,189	28,545	134,898	226,630	254,871	39,141

Year	Net Income \$M	Total Deductions \$M	Ratio	EPT Amount \$M
2011	2,171	40,298	0.05	0
2012	10,100	41,660	0.24	0
2013	4,730	41,163	0.11	0
2014	0	34,823	0.00	0
2015	15,822	10,363	1.53	681
2016	17,822	4,896	3.64	6,409
2017	16,105	4,566	3.53	5,666
2018	14,334	4,098	3.50	5,015
2019	13,038	3,730	3.50	4,559
2020	11,954	3,560	3.36	4,057
2021	11,033	3,395	3.25	3,649
2022	9,981	3,009	3.32	3,356
2023	9,325	2,809	3.32	3,137
2024	8,597	2,714	3.17	2,783
2025	7,712	2,391	3.23	2,535
Sub total	152,724	203,472		41,851
Remainder	63,007	23,158	2.72	17,541
Total	215,730	226,630		59,392

Net Present Values	Discount Factors - %/yr.				
	0	5	10	15	20
Corporate Income Tax	30,141	20,841	14,538	11,019	8,711
Excess Profits Tax	59,392	29,066	18,473	12,692	9,041

Chapman Petroleum Engineering Ltd.

Table 3

EVALUATION OF: BMS Hunai, Inc.  
 \*\*\*\*\* Grand Total Proved Developed

ENCO v7.41 PJ ENERGY SOLUTIONS GRAND TOTAL  
 GLOBAL : 25-MAR-2011 5278  
 EFF (01-JAN-2011 DISC:01-JAN-2011  
 RUN DATE: 28-MAR-2011 TIME: 14:32  
 FILE:

EVALUATED BY -  
 COMPANY EVALUATED - BMS Hunai, Inc.  
 APPROPRIAL FOR -  
 PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 7850 -M\$-  
 TOTAL ABANDONMENT - 1402 -M\$-

Year	Oil MSTB					Sales Gas MCF				
	# of Wells	Price \$/STB	Pool		Company Share	# of Wells	Price \$/MCF	Pool		Company Share
			STB/D	Vol				MCF/D	Vol	
2011	17	53.17	2342.9	855	855	0	1.14	2.5	912	912
2012	21	53.54	7146.4	2626	2626	0	1.14	10.3	3777	3777
2013	20	55.13	6016.7	2196	2196	0	1.14	8.7	3183	3183
2014	19	53.07	4799.2	1752	1752	0	1.14	6.6	2396	2396
2015	17	55.19	3894.8	1422	1422	0	1.14	4.9	1782	1782
2016	17	56.01	3377.5	1233	1233	0	1.14	4.0	1456	1456
2017	16	57.39	2957.7	1080	1080	0	1.14	3.4	1233	1233
2018	17	58.77	2687.8	981	981	0	1.14	3.0	1089	1089
2019	15	60.15	2344.6	856	856	0	1.14	2.6	942	942
2020	15	60.89	2083.7	761	761	0	1.14	2.2	821	821
2021	14	62.37	2358.2	861	861	0	1.14	2.1	784	784
2022	13	63.87	2045.4	747	747	0	1.14	1.8	690	690
2023	13	65.40	1785.5	652	652	0	1.14	1.7	605	605
2024	13	66.16	1467.6	587	587	0	1.14	1.5	551	551
2025	12	67.74	1422.9	519	519	0	1.14	1.2	437	437
SUB				17115	17115	17115			20658	20658
RM				3834	3834	3834			2190	2190
TOT				20949	20949	20949			22848	22848

= P/T = \*\*\*\*\* COMPANY SHARE FUTURE NET REVENUE \*\*\*\*\*

Year	Capital Aband Cost	Future Revenue (FM)					Royalties				Operating Costs			FR After Roy/Oper	Net back	Prod Other Income	Cap'l Costs	Aband Costs	Future Net Rev
		Oil Sales	Products	Total	Crown	Other	Mineral	Fixed	Variable	\$/BOE	Net	Udial	10.0%						
2011	10600	48470	1058	0	46527	0	0	3210	4.7	1480	3502	5.15	39132	38.86	0	10500	180	28532	27084
2012	295	140051	4381	0	144432	0	0	9430	6.5	3350	11510	4.58	120142	37.02	0	204	51	119887	123217
2013	52	121071	3693	0	124764	0	0	8591	6.3	3289	9854	4.81	103049	37.78	0	0	52	103975	81140
2014	104	92963	2779	0	95742	0	0	7128	7.4	3192	7989	5.20	77432	34.00	0	0	104	77124	55359
2015	0	78858	2967	0	89525	0	0	5073	6.3	3194	6569	5.63	65779	38.28	0	0	0	65779	43837
2016	55	69048	1689	0	70737	0	0	4454	6.2	3112	5784	6.03	57382	38.89	0	0	55	57327	33939
2017	430	41920	1431	0	43351	0	0	3993	6.3	3130	5153	6.43	51130	39.79	0	430	0	50680	27274
2018	115	57656	1263	0	58919	0	0	3712	6.3	3168	4767	6.83	47272	40.66	0	0	115	47157	23073
2019	0	51475	1093	0	52568	0	0	3312	6.3	2972	4233	7.12	42050	41.52	0	0	0	42050	18704
2020	1195	46310	952	0	47262	0	0	2974	6.2	2919	3829	7.52	37534	41.83	0	1195	0	16241	14695
2021	61	53688	910	0	54597	0	0	3440	6.3	3044	4413	7.52	43702	44.08	0	0	61	43441	16642
2022	124	47689	800	0	48489	0	0	3055	6.3	2830	3900	7.81	38705	44.92	0	0	124	38580	12893
2023	0	42422	792	0	43214	0	0	2729	6.3	2623	3467	8.09	24504	45.85	0	0	0	24504	10483
2024	65	38821	639	0	39461	0	0	2484	6.2	2402	3182	8.52	21190	45.94	0	0	65	21124	8356
2025	0	19181	587	0	19768	0	0	2248	6.2	2404	2858	8.84	28178	47.59	0	0	0	28178	1075
SUB	13079	98248	23963	0	1006421	0	0	64841	6.4	43382	81612		81785		0	12350	739	804104	481287
RM	673	265860	2541	0	268282	0	0	14908	6.2	23167	23149		20117		0	472	28444	30588	
TOT	13752	1248208	26503	0	1274802	0	0	81749	6.4	46549	102182		102432		0	12350	1462	1018570	513872

***** NET PRESENT VALUE (-M\$) *****										***** PROFITABILITY *****				
Discount Rate	.04	5.04	10.04	15.04	20.04	25.04	30.04	COMPANY SHARE BASIS						
FR After Roy & Oper	1074322	697885	525269	421123	351882	303790	265967	Rate of Return (%)					89.9	
Prod & Other Income	0	0	0	0	0	0	0	Profit Index (undisc.)					73.5	
Capital Costs	12350	11516	10914	10455	10059	9787	9527	(disc. @ 10.0%)					45.1	
Abandonment Costs	1402	724	482	370	306	264	234	(disc. @ 5.0%)					56.0	
Future Net Revenue	1010571	645645	513872	410298	341587	292741	254204	First Payout (years)					.3	
								Total Payout (years)					.4	
								Cost of Finding (\$/BOE)					.56	
								NPV @ 10.0% (\$/BOE)					29.76	
								NPV @ 5.0% (\$/BOE)					73.69	
***** COMPANY SHARE *****														
1st Year Average								Oper FR After Capital Future						
% Interest	100.0	100.0						Costs Roy/Oper Coets NetRev						
% of Future Revenue				6.4	13.2	80.6	1.0							

Table 3T  
BMB Munal, Inc.  
Corporate Income Tax (CIT) and Excess Profit Tax (EPT)  
January 1, 2011  
(As of December 31, 2010)

ADE Block and Extended Territory, Republic of Kazakhstan

Total Proved Developed

Year	Gross Income \$M	Deductible Costs				Taxable Income \$M	Corporate Income Tax \$M
		Operating Costs \$M	Mineral Extraction Tax \$M	Deductible Capital \$M	Total Deductions \$M		
2011	46,527	5,185	2210	35,557	42,952	3,575	715
2012	144,432	14,860	9430	35,621	59,911	54,521	16,904
2013	124,704	13,123	8991	35,634	57,348	57,418	11,790
2014	95,742	11,181	7128	35,660	53,969	41,773	6,206
2015	80,525	9,073	5073	503	14,849	65,676	9,851
2016	70,737	8,698	4456	53	13,407	57,330	8,599
2017	63,365	8,283	3993	153	12,409	50,977	7,847
2018	58,919	7,935	3712	155	11,802	47,117	7,088
2019	52,568	7,206	3312	155	10,673	41,895	6,284
2020	47,202	6,748	2978	440	10,166	37,096	5,564
2021	54,597	7,457	3440	343	11,240	43,357	6,504
2022	48,489	6,730	3005	345	10,130	38,359	5,754
2023	43,324	6,060	2729	345	9,164	34,160	5,124
2024	39,401	5,784	2486	83	8,333	31,129	4,669
2025	35,688	5,202	2248	47	7,557	28,131	4,220
Sub total	1,006,421	124,396	64,841	144,674	333,909	672,512	106,967
Remainder	288,391	44,336	16,908	706	81,950	206,432	20,895
Total	1,274,802	168,732	81,749	145,381	395,859	878,943	137,831

Year	Net Income \$M	Total Deductions \$M	Ratio	EPT Amount \$M
2011	2,890	42,952	0.07	0
2012	67,617	59,911	1.13	0
2013	55,618	57,348	0.97	0
2014	35,507	53,969	0.66	0
2015	55,824	14,849	3.76	20,502
2016	48,730	13,407	3.63	17,507
2017	43,331	12,409	3.49	15,141
2018	40,049	11,802	3.39	13,703
2019	35,611	10,673	3.34	12,028
2020	31,532	10,166	3.10	10,024
2021	36,854	11,240	3.28	12,277
2022	32,605	10,130	3.22	10,660
2023	29,036	9,164	3.17	9,403
2024	26,459	8,333	3.18	8,585
2025	23,911	7,557	3.16	7,734
Sub total	565,545	333,909		137,602
Remainder	175,467	81,950	2.83	51,074
Total	741,012	395,859		188,676

Net Present Values	Discount Factors - %/yr				
	0	5	10	15	20
Corporate Income Tax	137,931	82,647	61,868	49,591	41,147
Excess Profits Tax	188,676	97,136	63,931	45,307	33,279

**Chapman** Petroleum Engineering Ltd.

Table 4

EVALUATION OF: **BNS Monai, Inc.** ERGO v7.41 P2 ENERGY SOLUTIONS **GRAND TOTAL**  
 \*\*\*\*\* **Grand Total Forecast** GLOBAL : 25-MAR-2011 5278  
EFF: 01-JAN-2011 DISC: 01-JAN-2011  
R0W DATE: 28-MAR-2011 TIME: 14:32  
FILE:

EVALUATED BY: **-**  
 COMPANY EVALUATED: **BNS Monai, Inc.**  
 APPRAISAL FOR: **-**  
 PROJECT: **FORECAST PRICES & COSTS**

TOTAL CAPITAL COSTS - 14380 -NS-  
 TOTAL ABANDONMENT - 1592 -NS-

Year	Wells	Oil			Sales Gas			Oil			Sales Gas		
		Wells	Price	Pool	Wells	Price	Pool	Wells	Price	Pool	Wells	Price	Pool
		\$/STB	STB/D	Company	\$/WCF	MMCF/D	Company	\$/STB	STB/D	Company	\$/WCF	MMCF/D	Company
				Share			Share			Share			Share
				Vol			Vol			Vol			Vol
				Gross			Gross			Gross			Gross
				Net			Net			Net			Net
2011	17	53.17	2342.9	855	855	855	0	1.16	3.5	812	812	812	
2012	21	53.54	7146.6	2616	2616	2616	0	1.16	10.3	3777	3777	3777	
2013	23	55.13	4873.3	2509	2509	2509	0	1.16	10.8	3959	3959	3959	
2014	22	53.07	4340.5	2278	2278	2278	0	1.16	8.6	3146	3146	3146	
2015	20	55.19	5194.8	1896	1896	1896	0	1.16	6.7	2451	2451	2451	
2016	20	56.01	4386.1	1601	1601	1601	0	1.16	5.4	1975	1975	1975	
2017	19	57.39	3751.5	1351	1351	1351	0	1.16	4.4	1616	1616	1616	
2018	20	58.77	3236.3	1181	1181	1181	0	1.16	3.8	1371	1371	1371	
2019	18	60.15	2749.1	1003	1003	1003	0	1.16	3.2	1150	1150	1150	
2020	18	60.89	2382.0	869	869	869	0	1.16	2.7	974	974	974	
2021	19	61.37	2078.3	941	941	941	0	1.16	2.5	897	897	897	
2022	18	61.87	1807.9	806	806	806	0	1.16	2.1	773	773	773	
2023	16	65.40	1896.4	692	692	692	0	1.16	1.8	662	662	662	
2024	13	66.16	1607.6	587	587	587	0	1.16	1.5	551	551	551	
2025	12	67.74	1422.9	519	519	519	0	1.16	1.2	437	437	437	
SUB				19705	19705	19705				24632	24632	24632	
RM				3834	3834	3834				2190	2190	2190	
TOT				23539	23539	23539				26842	26842	26842	

----- COMPANY SHARE FUTURE NET REVENUE -----

Year	Capital Aband	Future Revenue (FR)				Royalties			Operating Costs			FR After Net Roy&Oper	Frock Income	Other Cap'l Costs	Aband Costs	Future Net Rev			
		Oil	SaleGas	Products	Total	Crown	Other	Mineral	Fixed	Variable	1/BOC					Undisc	10.0%		
	-NS-	-NS-	-NS-	-NS-	-NS-	-NS-	-NS-	-	-NS-	-NS-	\$/BOC	-NS-	-NS-	-NS-	-NS-	-NS-	-NS-		
2011	10609	45470	1058	0	48527	0	0	2220	4.7	2683	3980	5.15	39132	38.86	0	10500	100	28532	27204
2012	765	140051	4381	0	144432	0	0	9420	6.5	3350	11510	4.58	120142	37.02	0	714	51	119777	181474
2013	26892	138208	4582	0	142900	0	0	9969	7.0	3649	12335	4.70	118051	37.26	0	26330	12	91468	72076
2014	159	120882	2450	0	124532	0	0	9460	7.4	3537	10435	4.99	103100	36.08	0	0	159	100941	72309
2015	0	104646	2843	0	107489	0	0	7357	6.8	3449	8917	5.32	87966	38.17	0	0	0	87966	57286
2016	55	89664	2291	0	91258	0	0	5793	6.3	3464	7565	5.71	75137	38.93	0	0	55	75081	44450
2017	450	79536	1875	0	79411	0	0	5003	6.3	3468	6491	4.15	64449	39.77	0	450	0	63998	34444
2018	115	69422	1591	0	71013	0	0	4474	6.3	3534	5774	6.60	57231	40.40	0	0	115	57116	27946
2019	0	60357	1334	0	61691	0	0	3887	6.3	3346	4991	6.98	49468	41.39	0	0	0	49468	22503
2020	1199	52940	1130	0	54070	0	0	3406	6.7	3305	4399	7.45	42965	41.64	0	1199	0	41770	16890
2021	61	58896	1041	0	59737	0	0	3743	6.3	3432	4841	7.59	47701	43.74	0	0	61	47640	17512
2022	124	51471	897	0	52268	0	0	3299	6.3	3226	4222	7.97	41621	44.83	0	0	124	41496	13867
2023	190	45270	768	0	46038	0	0	2920	6.3	2993	3691	8.33	36453	45.42	0	0	190	36263	11017
2024	65	38821	619	0	39441	0	0	2486	6.3	2602	3182	8.52	31190	45.94	0	0	65	31126	8596
2025	0	35181	507	0	35688	0	0	2248	6.3	2404	2858	8.88	28178	47.59	0	0	0	28178	7075
SUB	40362	1138719	28596	0	1157216	0	0	75587	6.5	47333	93613		948783		0	39390	872	900420	526150
RM	873	265848	3541	0	268182	0	0	16908	6.3	23247	21169		207137		0	0	473	266464	30585
TOT	41035	1394560	31137	0	1428697	0	0	92495	6.5	70580	114782		1147920		0	39390	1445	1104885	566736

----- NET PRESENT VALUE (-NS-) -----

Discount Rate	.04	5.04	10.04	15.04	20.04	25.04	30.04
FR After Roy & Oper.	1147920	792544	599575	480679	405068	343033	299737
Proc & Other Income	0	0	0	0	0	0	0
Capital Costs	39390	35474	32261	29575	27296	25334	23640
Abandonment Costs	1645	872	578	436	354	300	262
Future Net Revenue	1106885	756198	566735	450468	372918	317394	275835

----- COMPANY SHARE -----

1st Year Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev
% Interest	100.0	100.0	6.5	13.8	60.5
% of Future Revenue			2.8		77.6

----- PROFITABILITY -----

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	899.9
Profit Index (undisc.)	27.0
(disc. @ 10.0%)	17.3
(disc. @ 5.0%)	28.8
First Payoff (years)	1.6
Total Payoff (years)	1.0
Cost of Finding (\$/BOE)	1.46
NPV @ 10.04 (1/BOE)	22.23
NPV @ 5.04 (1/BOE)	28.99

**Chapman** Petroleum Engineering Ltd.

Table 4T  
BMB Munai, Inc.  
Corporate Income Tax (CIT) and Excess Profit Tax (EPT)  
January 1, 2011  
(As of December 31, 2010)  
ADE Block and Extended Territory, Republic of Kazakhstan  
Total Proved

Year	Gross Income \$M	Deductible Costs				Total Deductions \$M	Taxable Income \$M	Corporate Income Tax \$M
		Operating Costs \$M	Mineral Extraction Tax \$M	Deductible Capital \$M				
2011	48,527	5,185	2210	35,557	42,952	3,575	715	
2012	144,432	14,860	9430	35,748	60,038	84,394	16,879	
2013	142,900	14,860	9980	42,394	67,243	75,657	13,240	
2014	124,531	13,972	9490	42,434	65,896	58,655	8,800	
2015	107,489	12,205	7257	6,877	26,400	81,090	12,163	
2016	91,959	11,029	5790	6,699	23,521	68,438	10,265	
2017	79,411	9,959	5003	168	15,128	64,283	9,642	
2018	71,013	9,308	4474	155	13,937	57,076	8,581	
2019	61,891	8,337	3887	155	12,379	49,512	7,397	
2020	54,070	7,699	3406	440	11,545	42,525	6,379	
2021	59,737	8,273	3763	343	12,379	47,358	7,104	
2022	52,368	7,448	3299	345	11,092	41,276	6,191	
2023	45,038	6,684	2900	390	9,977	36,062	5,409	
2024	39,461	5,784	2468	110	8,380	31,081	4,862	
2025	35,668	5,262	2248	85	7,605	28,063	4,212	
Sub total	1,157,316	140,947	75,587	171,910	388,440	768,875	121,621	
Remainder	268,381	44,336	16,908	753	61,997	206,384	30,958	
Total	1,425,697	185,283	92,495	172,664	450,437	975,259	152,579	

Year	Net Income \$M	Total Deductions \$M	Ratio	EPT Amount \$M
2011	2,860	42,952	0.07	0
2012	67,515	60,038	1.12	0
2013	62,417	67,243	0.93	0
2014	49,865	65,896	0.76	0
2015	68,926	26,400	2.61	18,266
2016	58,172	23,521	2.47	14,323
2017	54,641	15,128	3.61	19,547
2018	48,515	13,937	3.48	16,914
2019	41,915	12,379	3.39	14,317
2020	38,148	11,545	3.31	11,586
2021	40,255	12,379	3.25	13,321
2022	35,085	11,092	3.16	11,345
2023	30,852	9,977	3.07	9,662
2024	26,419	8,380	3.15	8,519
2025	23,871	7,605	3.14	7,668
Sub total	647,254	388,440		145,459
Remainder	175,426	61,997	2.83	51,008
Total	822,681	450,437		196,467

Net Present Values	Discount Factors - %/yr				
	0	5	10	15	20
Corporate Income Tax	152,579	93,660	70,389	56,303	46,551
Excess Profits Tax	196,467	101,891	68,819	47,044	34,299

**Chapman** Petroleum Engineering Ltd.

Table 1

EVALUATION OF: BMS Manal, Inc. ERGO v7.41 PG ENERGY SOLUTIONS GRAND TOTAL  
 \*\*\*\*\* Grand Total Proved Plus Probable GLOBAL : 25-MAR-2011 5:18  
 EPV-01-JAN-2011 DISC-01-JAN-2011  
 MOD DATE: 28-MAR-2011 TIME: 14:33  
 FILE:

EVALUATED BY: TOTAL CAPITAL COSTS - 456768 -M\$-  
 COMPANY EVALUATED: BMS Manal, Inc. TOTAL ABANDONMENT - 3569 -M\$-  
 APPRAISAL FOR: FORECAST PRICES & COSTS  
 PROJECT:

Year	Oil					Sales Gas				
	# of Wells	Price \$/STB	MSTB/D	Vol	Company Share	# of Wells	Price \$/MCF	MCF/D	Vol	Company Share
2011	17	53.17	2.4	866	866	0	1.16	2.4	874	874
2012	24	53.54	8.8	3208	3208	0	1.16	13.1	4418	4418
2013	41	55.13	11.2	4079	4098	0	1.16	20.3	7397	7358
2014	40	53.07	14.8	5404	5409	0	1.16	20.4	7440	7526
2015	45	55.19	13.7	4983	4983	0	1.16	16.0	5824	5824
2016	48	56.01	15.8	5752	5752	0	1.16	16.7	6080	6080
2017	44	57.39	13.7	4994	4994	0	1.16	12.7	5009	5009
2018	44	58.77	12.3	4493	4493	0	1.16	11.3	4127	4127
2019	43	60.15	10.9	3990	3990	0	1.16	9.2	3344	3344
2020	43	62.89	9.9	3608	3608	0	1.16	7.6	2766	2766
2021	43	63.37	9.5	3453	3453	0	1.16	6.5	2383	2383
2022	43	63.87	8.6	3136	3136	0	1.16	5.5	2015	2015
2023	42	65.40	8.2	2995	2995	0	1.16	4.6	1691	1691
2024	36	65.16	7.4	2694	2694	0	1.16	3.5	1266	1266
2025	55	67.74	6.7	2437	2437	0	1.16	3.1	1113	1113
SUB				56093	56115				53751	54196
ERM				28875	28875				7467	7467
TOT				84968	84990				63218	63663

\* P/T \* COMPANY SHARE FUTURE NET REVENUE

Year	Capital & Aband Costs	Future Revenue (FR)					Royalties			Operating Costs			FR After Roy & Oper	Net Income	Proc'd Other Income	Cap'l Costs	Aband Costs	Future Net Rev Undisc 10.0%	
		Oil	Sales Gas	Producers	Total	Crown	Other	Mineral	Fixed	Variable	1/BOE	Net							Bank
2011	18950	46033	1816	0	47037	0	0	2234	4.7	1483	3733	5.36	39386	18.95	0	10992	50	28436	27113
2012	29422	171773	5125	0	176898	0	0	33379	7.6	3563	14282	4.22	145074	26.93	0	29432	0	116242	100757
2013	40725	225897	8799	0	234696	0	0	20932	8.5	4050	18966	4.38	193268	35.48	0	80631	104	120513	87898
2014	29624	287041	8730	0	295771	0	0	36583	9.0	5603	25067	4.62	238518	35.80	0	28918	104	209494	150891
2015	92384	275019	6756	0	281775	0	0	25339	9.0	5885	23366	4.92	227194	38.16	0	92311	54	134809	87791
2016	56639	322166	7052	0	329219	0	0	39605	9.0	4801	27410	5.06	265403	29.23	0	56639	0	208764	123593
2017	19877	386580	5810	0	392390	0	0	36295	9.0	7838	24228	5.50	234029	40.15	0	19820	55	214152	113258
2018	19815	264043	4787	0	268830	0	0	24178	9.0	8945	22168	4.01	219538	41.20	0	19757	57	193724	94765
2019	20738	240023	3881	0	243904	0	0	21328	9.0	8915	20026	4.26	193826	42.44	0	20680	58	172288	76633
2020	21781	219959	3209	0	222956	0	0	20851	9.0	9011	18422	6.74	175431	43.11	0	21751	0	153480	62142
2021	20967	215373	2764	0	216137	0	0	17663	8.1	9321	17933	7.08	179320	44.99	0	20967	0	152253	55964
2022	22443	200274	2218	0	202492	0	0	16408	8.1	9454	16581	7.50	160168	46.14	0	22381	62	137725	46025
2023	22131	195887	1962	0	197849	0	0	16024	8.1	9383	16109	7.78	156331	47.70	0	21814	317	134201	49770
2024	22315	178257	1469	0	179726	0	0	14558	8.1	8839	14729	8.11	141602	48.74	0	22350	65	119287	23945
2025	0	165091	1392	0	166483	0	0	13474	8.1	8968	13579	8.60	130321	49.70	0	0	0	136331	33721
SUB	469202	2293114	45188	0	2358303	0	0	249754	8.6	104857	276579		2685113		0	448271	931	2115809	1133671
ERM	2492	209221	8662	0	2030875	0	0	134561	6.7	144285	162900		1569129		0	0	2492	1564437	138414
TOT	471894	5295336	73849	0	5349178	0	0	422317	7.9	253142	439478		4254240		0	448271	3622	3782346	1313485

NET PRESENT VALUE (-M\$) ----- PROFITABILITY -----

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	COMPANY SHARE BASIS	Before Tax
FR After Roy & Oper.	4254240	2394852	1553271	1165268	903868	739586	604440	Rate of Return (%)	999.9
Proc & Other Income	0	0	0	0	0	0	0	Profit Index (undisc.)	8.0
Capital Costs	468271	359363	280201	237580	189463	160879	138818	(disc. @ 10.0%)	4.7
Abandonment Costs	3422	1126	643	436	326	248	206	(disc. @ 5.0%)	5.7
Future Net Revenue	3782347	2038243	1312485	937252	714090	568468	467418	First Payout (years)	9
								Total Payout (years)	3.4
								Cost of Finding (\$/BOE)	4.94
								NPV @ 10.0% (\$/BOE)	13.73
								NPV @ 5.0% (\$/BOE)	21.32

COMPANY SHARE

1st Year	Average	Royalties	Oper Costs	FR After Roy	Capital Costs	Future Net Rev
% Interest	100.0	109.1				
% of Future Revenue			7.9	12.9	79.2	8.7

**Chapman** Petroleum Engineering Ltd.

Table 5T							
BMB Muna, Inc.							
Corporate Income Tax (CIT) and Excess Profit Tax (EPT)							
January 1, 2011							
(As of December 31, 2010)							
ADE Block and Extended Territory, Republic of Kazakhstan							
Total Proved Plus Probable							
Deductible Costs							
Year	Gross Income \$M	Operating Costs \$M	Mineral Extraction Tax \$M	Deductible Capital \$M	Total Deductions \$M	Taxable Income \$M	Corporate Income Tax \$M
2011	47,037	5,416	2234	35,645	43,295	3,742	748
2012	176,898	17,844	13379	43,003	74,226	102,672	20,534
2013	234,896	23,596	20022	63,186	106,814	128,082	22,414
2014	295,771	30,670	26583	70,442	127,695	168,076	25,211
2015	281,775	29,251	25330	57,894	112,475	169,300	25,305
2016	329,219	34,211	28605	84,896	128,512	200,707	30,106
2017	292,360	32,066	26295	49,482	107,843	184,516	27,682
2018	268,830	31,113	24178	47,179	102,470	166,360	24,054
2019	243,905	28,941	21938	29,267	80,146	163,759	24,564
2020	222,916	27,433	20051	26,545	68,029	154,887	23,233
2021	218,137	27,254	17663	20,818	65,735	152,402	22,890
2022	202,611	26,035	16408	21,475	63,918	138,693	20,804
2023	197,849	25,492	16026	21,823	63,341	134,508	20,176
2024	178,726	23,567	14558	21,964	60,089	119,637	17,946
2025	166,343	22,547	13474	16,722	52,743	113,600	17,040
Sub total	3,258,302	355,436	287,756	584,142	1,257,331	2,100,972	323,668
Remainder	2,010,875	307,185	134,581	19,392	461,128	1,549,747	232,482
Total	5,369,176	662,621	422,317	603,523	1,718,459	3,650,719	556,150

Year	Net Income \$M	Total Deductions \$M	Ratio	EPT Amount \$M
2011	2,994	43,295	0.07	0
2012	82,138	74,226	1.11	0
2013	105,667	106,814	0.99	0
2014	142,864	127,695	1.12	0
2015	143,905	112,475	1.28	331
2016	170,601	128,512	1.33	1,350
2017	196,865	107,843	1.45	4,462
2018	141,408	102,470	1.38	2,151
2019	139,195	80,146	1.74	13,389
2020	131,654	68,029	1.94	19,467
2021	129,542	65,735	1.97	20,207
2022	117,889	63,918	1.84	14,606
2023	114,332	63,341	1.81	13,176
2024	101,691	60,089	1.69	8,483
2025	96,550	52,743	1.83	11,786
Sub total	1,777,304	1,257,331		109,606
Remainder	1,317,285	461,128	2.86	380,884
Total	3,094,589	1,718,459		490,490

Net Present Values	Discount Factors - %/yr.				
	0	5	10	15	20
Corporate Income Tax	556,130	252,715	169,934	128,016	101,001
Excess Profits Tax	490,490	108,101	45,284	26,075	16,654

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
AKSAZ FIELD**

**INDEX**

**Discussion**

Ownership  
Geology  
Petrophysical Data and Analysis  
Reserves  
Production  
Product Prices  
Capital Expenditures  
Operating Costs  
Economics

**Attachments**

Table 1: Schedule of Lands, Interests and Royalty Burdens

Figure 1: Field Map and Structure Top-Middle Triassic

Figure 2: Log Analysis Presentation

- a) Aksaz-1
- b) Aksaz-2
- c) Aksaz-3
- d) Aksaz-4
- e) Aksaz-6

Table 2: Summary of Gross Reserves

Figure 3: Production History Graphs

- a) Aksaz-1, Triassic
- b) Aksaz-2, Triassic
- c) Aksaz-3, Triassic
- d) Aksaz-4, Triassic
- e) Aksaz-6, Triassic
- f) Group Production Plot, Triassic

Table 3: Summary of Anticipated Capital Expenditures

- a) Development
- b) Abandonment and Restoration

Table 4: Summary of Company Reserves and Economics

Consolidated Cash Flows

- a) Total Proved Developed Producing
- b) Total Proved Developed
- c) Total Proved
- d) Total Proved Plus Probable
- e) Total Proved Plus Probable Plus Possible

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
AKSAZ FIELD**

**DISCUSSION**

**OWNERSHIP**

The Company owns a 100 percent working interest in a “License” and “Exploration Contract” referred to as the ADEK Block which is located onshore in Kazakhstan in the Mangistau Oblast, approximately 50 kilometers from Aktau in the Republic of Kazakhstan (ROK).

The License originated in 1999 and the Exploration Contract was entered into on June 9, 2000 by a preceding company. The License and Contract Area were assigned to the Company on September 23, 2002.

The License and Exploration Contract granted the right to engage in exploration and development activities on the block. Originally the Exploration contract had a five year term but it has since been extended and now expires on January 9, 2013.

The terms of the extension require minimum capital expenditures of \$7,000,000 in 2004, \$9,300,000 in 2005 and \$5,000,000 in 2006, \$6,790,000 from July 9, 2009 to December 31, 2009, \$12,690,000 in 2010, all of which have been satisfied or even exceeded. And in addition, a minimum work program requires \$27,240,000 in 2011 and \$14,840,000 in 2012.

Once commercial production is established within the ADEK Block, the Company can make application for an “Exploration and Production Contract”, the terms of which would be negotiated. The Company has the right to produce and sell oil under the Law of Petroleum for the term of the existing Exploration Contract at a royalty rates presented on Table 1. Provided that the Company can show evidence of a commercial discovery, has fulfilled its minimum work commitments and presents a development plan acceptable to the MEMR, there is no reason to believe the Exploration and Production Contract would not be granted.

Under the Production and Exploration contract royalty rates are negotiated and vary depending on the reserves and production rates. It is estimated that a royalty (Mineral Extraction Tax) rate of 9.9 percent would not be exceeded for this Block, with the anticipated reserves and production rates.

There are two general forms of production contracts in Kazakhstan, production-sharing contracts and tax and royalty based contracts. We have utilized a royalty based contract as mentioned.

The Aksaz field is one of four known fields already discovered on the ADEK Block. Aksaz is a gas-condensate field, but for the purposes of this report is treated as an oil field with a high gas-oil ratio. The Company has re-entered Aksaz-1, placed it on production and is

currently producing from one zone. Well Aksaz-4 has also been re-entered and placed on production from two zones. Well Aksaz-3 has been drilled, tested and placed on production from three zones, but currently producing from only one. Well Aksaz-2 has been drilled, tested and placed on production from two zones. Also, well Aksaz-6 has been drilled, tested and placed on production from two zones.

A map of the field, showing the well location and reservoir structure is presented on Figure 1 and a brief description of the ownership is presented in Table 1.

## **GEOLOGY**

The ADEK Block is located at the edge of the Mangistau Ustyrt Central High which contains several producing oilfields in the area. The main producing horizon is the Middle Triassic carbonate. The Aksaz structure lies in the articulation zone where the Beke-Bashkudsky high and Karagiin saddle transits into the Zhetbay-Uzen tectonic zone. In the north the structure aligns with the line of a regional fault, interpreted as a thrust. The productive Middle Triassic consists of mostly limestone in this structure.

The ADE Block is covered by several vintages of 2D seismic plus a recent 3-D survey. The Middle Triassic structure top is represented by the reflection horizon V2<sup>IV</sup>, which is presented on Figure 1.

The Jurassic, a clastic sand shale sequence with some carbonate, lies about 950m above the Triassic throughout the block. The Jurassic is a secondary opportunity for hydrocarbon potential as indicated by log analysis. Resource potential has been identified, but reserves have not been assigned or evaluated in this report.

## **PETROPHYSICAL DATA AND ANALYSIS**

Russian GIS logs were run in the shallow formations and Baker Atlas logs over the Triassic.

The Chapman digital log analysis was made using HDS software over the Triassic reservoir.

The Gamma Ray was used as a shale indicator in the Modified Simandoux water saturation equation with a carbonate selection for a, m and n.

Sw cutoff was 40% along with a shale volume cutoff of 30%.

Net pay was identified in the Triassic as shown in the interpreted log.

**RESERVES**

Proved developed producing oil reserves of 289 MSTB and marketable solution gas reserves of 2,351 MMscf have been estimated for the Triassic zone (completed intervals that are currently producing) in wells Aksaz-1, Aksaz-3, Aksaz-4 and Aksaz-6 based on reservoir parameters determined from digital log analysis and production data from the wells, with assigned drainage areas and recovery factors which are different for every well: Aksaz-1 and Aksaz-6 – recovery factor of 10 percent and drainage area of 60 acres; Aksaz-3 and Aksaz-4 – recovery factor of 35 percent and drainage area of 80 acres. These assumptions are based on the well performance.

Additional proved developed non-producing oil reserves of 681 MSTB and marketable solution gas reserves of 5,363 MMscf have been estimated for wells Aksaz-1, Aksaz-2 (Sidetrack A), Aksaz-3 and Aksaz-4, of which 126 MSTB are incremental reserves assigned to the same completed intervals based on the increased recovery factor: Aksaz-1 – recovery factor is increased to 15 percent.

Also, proved developed non-producing oil reserves of 583 MSTB and marketable solution gas reserves of 2,840 MMscf have been assigned for two intervals in well Aksaz-3. These intervals have been on production for six months, but are currently not producing.

Proved undeveloped oil reserves of 19 MSTB and marketable solution gas reserves of 370 MMscf have been assigned for one zone in well Aksaz-2 which is currently abandoned because of the nearby drilled Sidetrack 2A.

Probable developed oil reserves of 739 MSTB and marketable solution gas reserves of 6,824 MMscf have been assigned for the additional intervals in the existing wells Aksaz-1, 2A, 3, 4 and 6 based on the reservoir parameters determined from well log analysis and assuming recovery factor and drainage area: 15 percent and 60 acres for wells Aksaz-1, 2 and 6, and 20 percent and 80 acres for wells Aksaz-3 and 4, and actual gas-oil ratio for each well.

Additional Probable Undeveloped oil reserves of 837 MSTB and marketable solution gas reserves of 5,400 MMscf have been estimated for one interval in well Aksaz-2 and two locations based on analogy of the reservoir parameters to the existing wells assuming a recovery factor of 15 present and drainage area of 60 acres for one and 20 percent and 80 acres for the second location.

Possible oil reserves of 1,350 MSTB and marketable solution gas reserves of 10,221 MMscf have been estimated for five locations based on analogy to the existing wells.

Reserves assigned in this report have been restricted to the fault blocks which have been encountered by wells Aksaz-1, 2, 3, 4 and 6. Additional resource potential may exist on the surrounding fault block (Figure 1), which have not yet been drilled. This has not been accounted for in this report.

Also, the Jurassic has indicated significant possible reserves potential, based on log analysis, which has not been evaluated herein, but will be tested with the next well drilled.

There is insufficient data at present to accurately quantify reserves, however log analysis on Aksaz-1 demonstrates potential hydrocarbon as discussed above.

A summary of the reserves for this area is presented in Table 2.

## **PRODUCTION**

Well Aksaz-1 commenced production in 2005 at an initial rate of 180 STB/d but was shut off in the middle of 2005 and after workovers and stimulation, came on production in December of 2007 at a rate of 205 STB/d. The well Aksaz-1 is currently producing at a rate of 33 STB/d with a gas-oil ratio of 8,818 scf/STB.

Well Aksaz-2 commenced production in the beginning of 2009 at a rate of 9 STB/d and is currently abandoned. A new sidetrack well, Aksaz-2A, was drilled in 2010 and expected to be placed on production in 2011 at an initial production rate of 50 STB/d from one zone.

Well Aksaz-3 commenced production in October 2007 at a rate of 360 STB/d and is currently producing at a rate of 328 STB/d with a gas-oil ratio of 5,242 scf/STB.

Well Aksaz-4 commenced production during late 2005 at an initial rate of up to about 100 STB/d and is currently producing at a rate of about 53 STB/d with a gas-oil ratio of 4,500 scf/STB.

Well Aksaz-6 commenced production in the beginning of 2009 at a rate of 40 STB/d, and currently producing at the rate of 26 STB/d and a gas-oil ratio of 12,466 scf/STB.

The two offset probable locations have been anticipated to commence production by January 2013 at a rate averaging 250 STB/d each with a gas-oil ratio of 4,785 scf/STB.

Four possible locations are expected to be drilled and commence production by June 2014 at an average initial rate of 100 STB/d per zone and a gas-oil ratio as presented in Table 2.

Initial rates for proved undeveloped, probable and possible locations are based on earlier tests in well Aksaz-1 where rates as high as 300 STB/d were achieved flowing against a back pressure of 800 psi. These wells will be drilled and completed with modern technology as opposed to the Aksaz -1 and 4 wells which are reentries of older wells.

The offset wells for the probable plus possible category have been scheduled to commence production at rates from 100 to 400 STB/d per well.

Production history graphs for individual wells and a Group Production Plot are presented on Figures 3a through 3e.

**PRODUCT PRICES**

The Company has secured an export permit for oil sales which allows all of the Company's production to be exported. During the exploration stage exports are subject to "export rent tax" (ERT), which would be until January 9, 2013 with the expected extension in the exploration license. During this period the ERT is based on the New Tax Law of ROK and its values are presents in the Attachment 1. Exported oil is exempt from VAT.

A forecast price used for this project is based on the Chapman's forecast utilizing Forecast Brent crude price less \$16.37/STB (transportation discount), export duty of \$5.20/STB, ERT (values are presented in the Attachment 1), domestic price of \$26.72/STB (before VAT), VAT (12 percent) and an export/domestic sales split of 90/10 percent for the first three years and 80/20 percent thereafter.

A natural gas price of \$1.16/Mscf has been utilized for solution gas sales and assumed to be constant throughout the report.

**CAPITAL EXPENDITURES**

Total capital expenditures of \$64,400,000 have been estimated for the development of the proved, probable and possible reserves in this field.

Detailed brake down of the capital expenses required for full development of the assigned reserves is presented in Table 3a.

Abandonment and lease restoration costs of \$600,000 (\$50,000 per well) net of salvage have been included after the depletion of the reserves, as presented in Table 3b.

**OPERATING COSTS**

Field operating costs of \$8,850/well/month (fixed), \$4.15/STB, and \$0.15/Mscf have been estimated for this project, based on field estimates provided by the Company, which we consider to be reasonable.

**ECONOMICS**

The economic analysis performed for this evaluation, presented here, reflects future cash flows from this property before consideration of income taxes and other taxes which apply under the "royalty and tax contract".

The cash flow forecasts have been prepared under a "forecast prices and costs" assumption based on Chapman Petroleum Engineering price forecast.

A summary of the economic results are presented in Table 4 and the consolidated cash flows forecasts are presented in Tables 4a through 4e.

Table 1

**Schedule of Lands, Interests and Royalty Burdens  
January 1, 2011**

**BMB Munai, Inc.**

**Aksaz, Republic of Kazakhstan**

Description	Rights		Appraised Interest		Royalty Burdens	
	Owned	Gross Acres	Working %	Royalty %	Basic %	Overriding %
License AI No.1552 & Contract No.482	A	N/A	100.0000	–	1	–

*General Notes:* 1 According to the New Tax Law of ROK:

Annual Production tons	MSTB	Royalty (Mineral Extraction Tax) for OIL, %								
		2011-2012		2013			2014 and after			
		Export	Domestic	Blend	Export	Domestic	Blend	Export	Domestic	Blend
up to 250,000	up to 1,964	5.00	2.50	<b>4.75</b>	6.00	3.00	<b>5.70</b>	7.00	3.50	<b>6.30</b>
up to 500,000	up to 3,928	7.00	3.50	<b>6.65</b>	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.10</b>
up to 1,000,000	up to 7,856	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.00</b>
up to 2,000,000	up to 15,711	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>9.90</b>
up to 3,000,000	up to 23,567	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>10.80</b>
up to 4,000,000	up to 31,423	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>11.70</b>
up to 5,000,000	up to 39,278	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>12.60</b>
up to 7,000,000	up to 54,990	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>13.30</b>	15.00	7.50	<b>13.50</b>
up to 10,000,000	up to 78,557	15.00	7.50	<b>14.25</b>	16.00	8.00	<b>15.20</b>	17.00	8.50	<b>15.30</b>
over 10,000,000	over 78,558	18.00	9.00	<b>17.10</b>	19.00	9.50	<b>18.05</b>	20.00	10.00	<b>18.00</b>

2011-2013 – production split will be 90/10 (90 percent of production – for export and 10 percent for domestic sales)

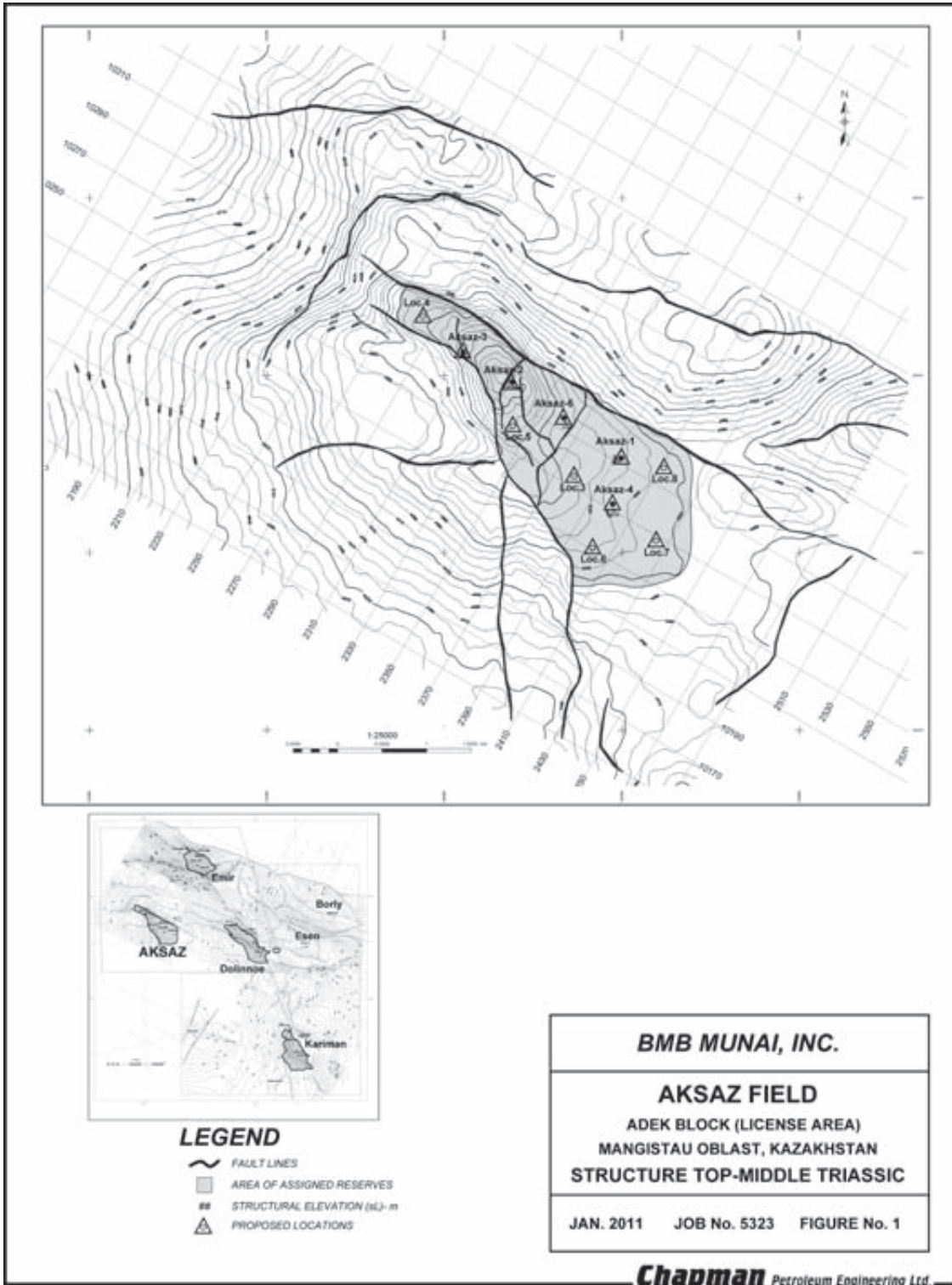
after 2013 – production split will be 80/20 (80 percent of production – for export and 20 percent for domestic sales)

10 <sup>6</sup> m <sup>3</sup>	Annual Production	MMscf	Royalty (Mineral Extraction Tax) for GAS, %	
			Export	Domestic
up to 1000		up to 35,490	10.00	0.50
up to 2000		up to 70,980	10.00	1.00
over 2000		over 70,980	10.00	1.50

Corporate Income Tax	
Year	Rate, %
2011-2012	20.00
2013	17.50
2014 and after	15.00

*Rights Owned:*

A Aksaz Field located in blocks XXXVI-10-C(partially), F(partially), XXXVI-11-A(partially).

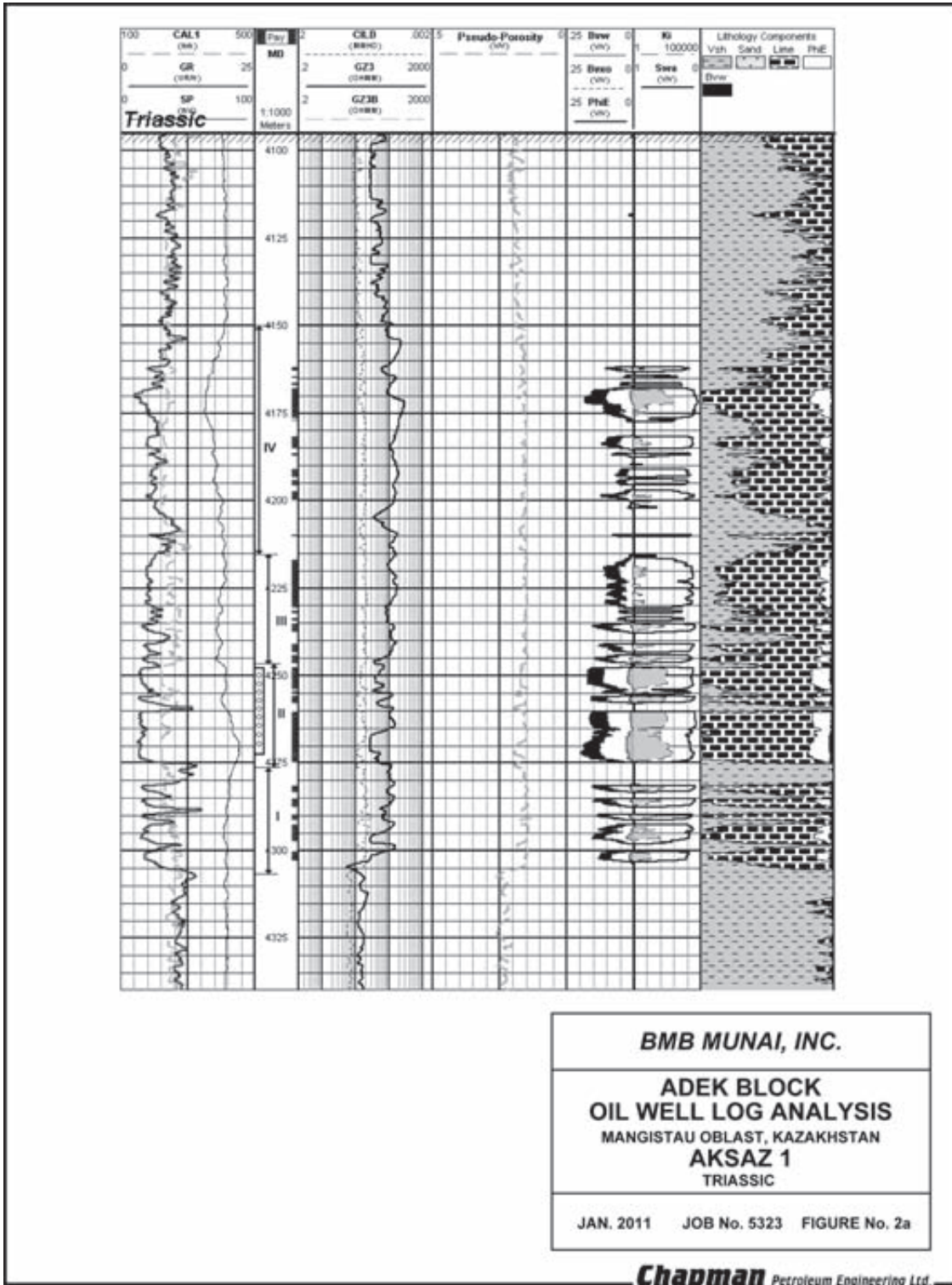


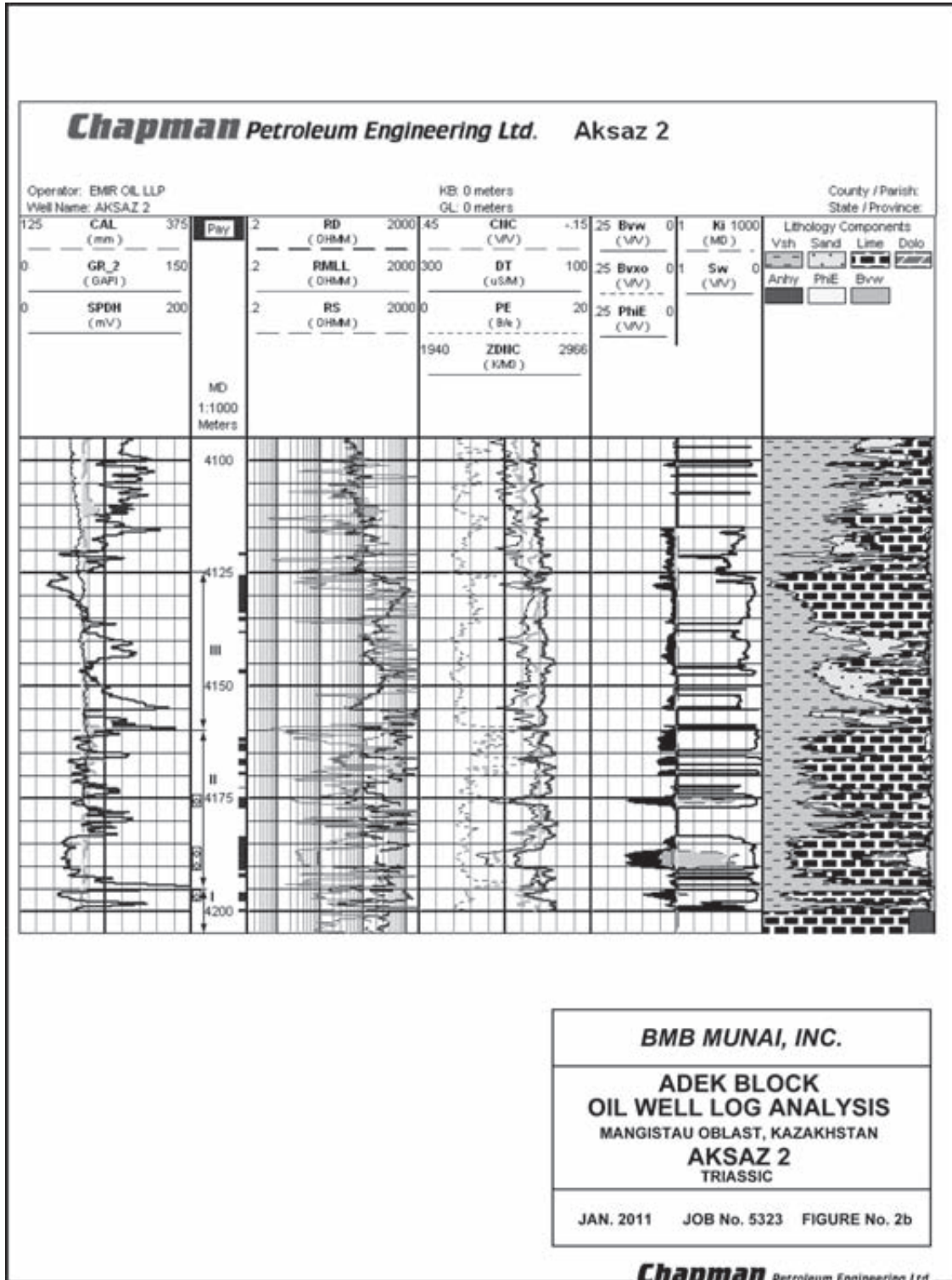
**BMB MUNAI, INC.**

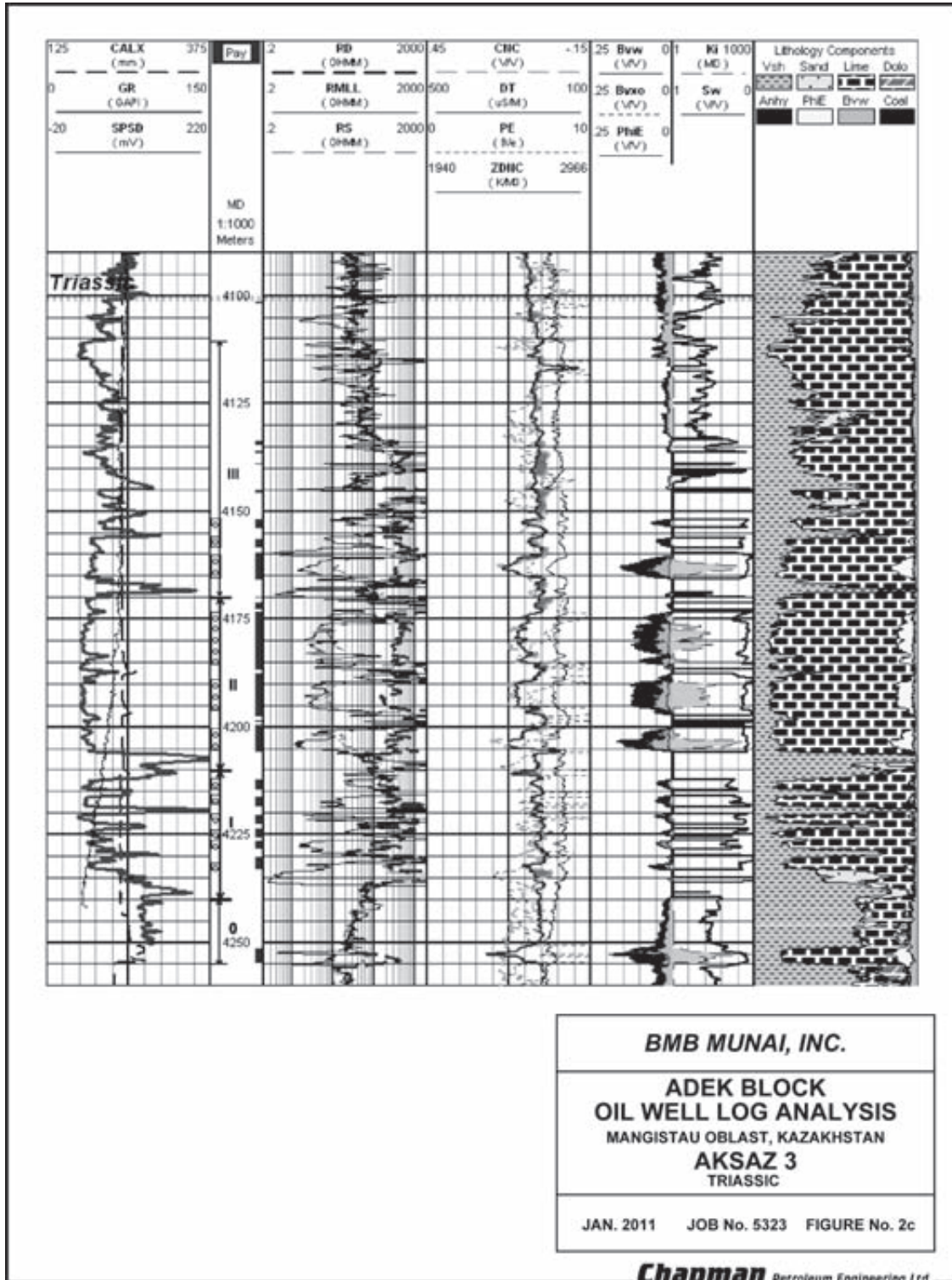
**AKSAZ FIELD**  
 ADEK BLOCK (LICENSE AREA)  
 MANGISTAU OBLAST, KAZAKHSTAN  
 STRUCTURE TOP-MIDDLE TRIASSIC

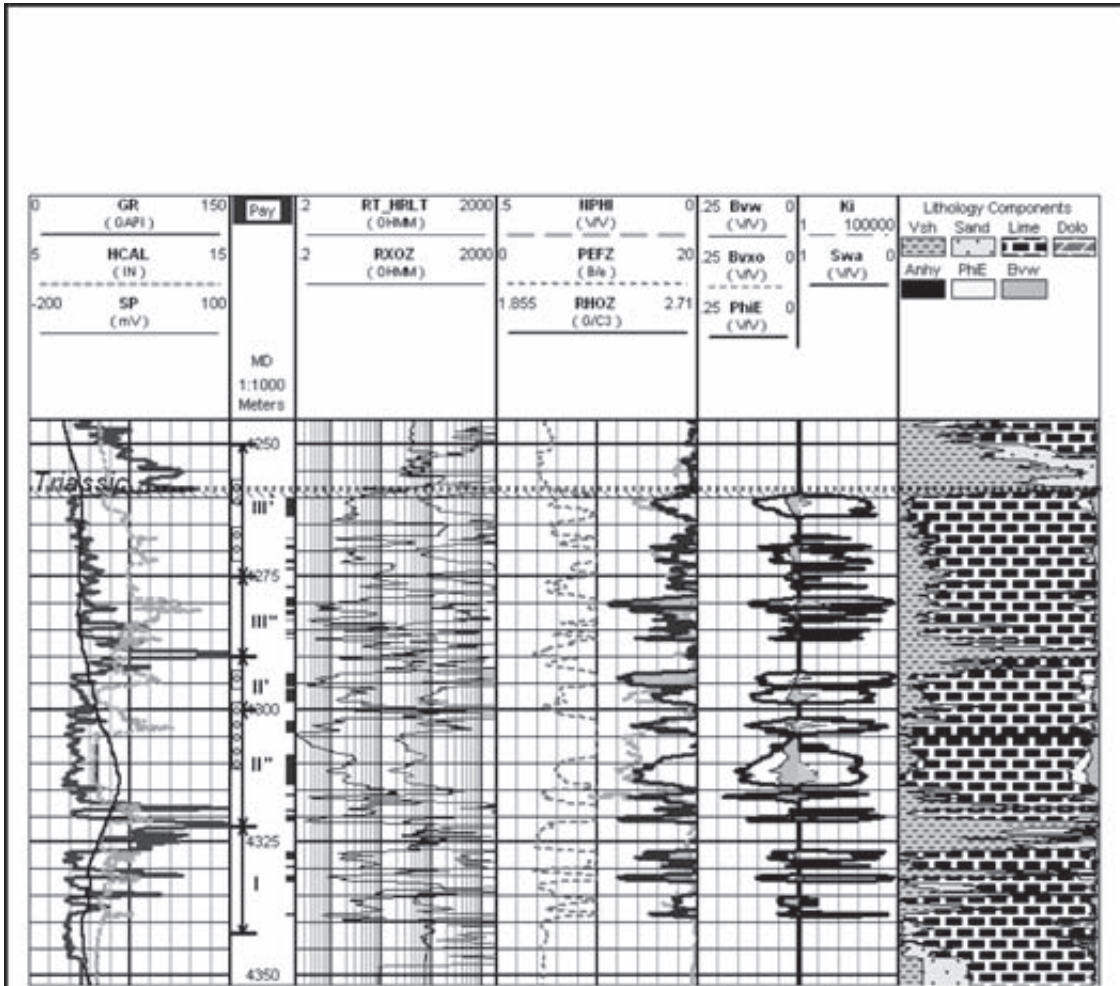
JAN. 2011    JOB No. 5323    FIGURE No. 1

**Chapman** Petroleum Engineering Ltd.









**BMB MUNAI, INC.**

**ADEK BLOCK  
OIL WELL LOG ANALYSIS**  
MANGISTAU OBLAST, KAZAKHSTAN  
**AKSAZ 4**  
TRIASSIC

JAN. 2011    JOB No. 5323    FIGURE No. 2d

**Chapman** Petroleum Engineering Ltd.

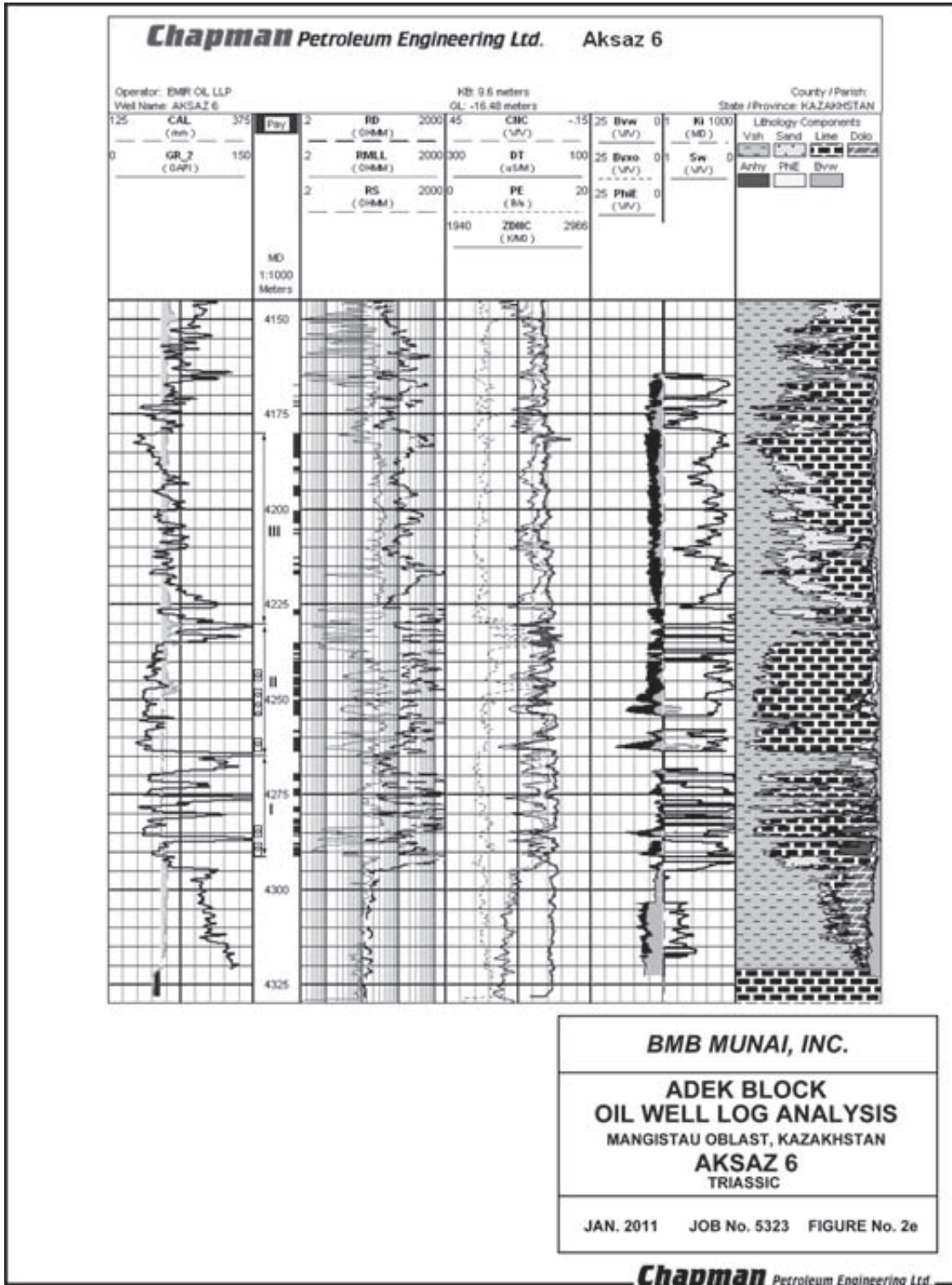


Table 2

**Summary of Gross Reserves  
January 1, 2011**

**BMB Munai, Inc.**

**Aksaz, Republic of Kazakhstan**

Description		Current or Initial Rate <i>STB/d</i>	API Gravity <i>(Deg)</i>	Ultimate ROIP <i>(MSTB)</i>	Cumulative Production <i>(MSTB)</i>	Remaining ROIP <i>(MSTB)</i>
<b>LIGHT &amp; MEDIUM OIL</b>						
<b>Proved Developed Producing</b>						
Aksaz-1	Triassic (Zone II)	33	55	251	92	159
Aksaz-3	Triassic (Zone III)	328	55	313	271	42
Aksaz-4	Triassic (Zones III')	53	55	98	73	24
Aksaz-6	Triassic (Zones II & I)	26	55	87	23	64
<b>Total Proved Developed Producing</b>		<b>439</b>		<b>749</b>	<b>460</b>	<b>289</b>
<b>Proved Developed Non-producing</b>						
Aksaz-1	Triassic (Zone III)	50	55	156	0	156
Aksaz-1	Triassic (Zone II)	(incr.) 50	55	126	0	126
Aksaz-2A	Triassic (Zone II)	100	55	93	3	89
Aksaz-3	Triassic (Zones II & I)	200	55	628	45	583
Aksaz-4	Triassic (Zones III'' & II'')	100	55	225	0	225
Aksaz-4	Triassic (Zone II')	40	55	128	42	86
<b>Total Proved Developed Non-producing</b>		<b>540</b>		<b>1,355</b>	<b>91</b>	<b>1,264</b>
<b>Total Proved Developed</b>		<b>979</b>		<b>2,104</b>	<b>550</b>	<b>1,553</b>
<b>Proved Undeveloped</b>						
Aksaz-2	Triassic (Zone I)	50	55	21	1	19
<b>Total Proved Undeveloped</b>		<b>50</b>		<b>21</b>	<b>1</b>	<b>19</b>
<b>Total Proved</b>		<b>1,029</b>		<b>2,123</b>	<b>551</b>	<b>1,572</b>
<b>Probable</b>						
<b>Probable Developed Producing</b>						
Aksaz-6	Triassic (Zone III)	100	55	81	0	81
Aksaz-6	Triassic (Zones II & I)	(incr.) 50	55	101	0	101
<b>Total Probable Developed Producing</b>		<b>150</b>		<b>182</b>	<b>0</b>	<b>182</b>
<b>Probable Developed Non-Producing</b>						
Aksaz-1	Triassic (Zones IV & I)	200	55	384	0	384
Aksaz-2A	Triassic (Zones III)	50	55	34	0	34
Aksaz-2A	Triassic (Zone II)	(incr.) 50	55	16	0	16
Aksaz-3	Triassic (Zones 0)	50	55	89	0	89
Aksaz-4	Triassic (Zone I)	50	55	34	0	34
<b>Total Probable Developed Non-Producing</b>		<b>400</b>		<b>557</b>	<b>0</b>	<b>557</b>
<b>Total Probable Developed</b>		<b>550</b>		<b>739</b>	<b>0</b>	<b>739</b>

Description		Current or Initial Rate <i>STB/d</i>	API Gravity <i>(Deg)</i>	Ultimate ROIP <i>(MSTB)</i>	Cumulative Production <i>(MSTB)</i>	Remaining ROIP <i>(MSTB)</i>
<b>Probable Undeveloped</b>						
Aksaz-2	Triassic (Zone I)	(incr.) 50	55	5	0	4
Location 3	Triassic (Zones II & I)	200	55	188	0	188
Location 4	Triassic (Zones III, II & I)	300	55	645	0	645
<b>Total Probable Undeveloped</b>		<b>550</b>		<b>838</b>	<b>0</b>	<b>837</b>
<b>Total Probable</b>		<b>950</b>		<b>1,577</b>	<b>0</b>	<b>1,576</b>
<b>Total Proved Plus Probable</b>		<b>1,979</b>		<b>3,699</b>	<b>551</b>	<b>3,148</b>
<b>Possible</b>						
Location 3	Triassic (Zone III)	100	55	81	0	81
Location 5	Triassic (Zones III, II & I)	100	55	162	0	162
Location 6	Triassic (Zones III', III'', II' & II'')	400	55	373	0	373
Location 7	Triassic (Zones III', III'', II' & II'')	400	55	373	0	373
Location 8	Triassic (Zones III & II)	250	55	361	0	361
<b>Total Possible</b>		<b>1,250</b>		<b>1,349</b>	<b>0</b>	<b>1,350</b>
<b>Total Proved Plus Probable Plus Possible</b>		<b>3,229</b>		<b>5,048</b>	<b>551</b>	<b>4,497</b>

Table 2

**Summary of Gross Proved Reserves  
January 1, 2011**

**BMB Munai, Inc.**

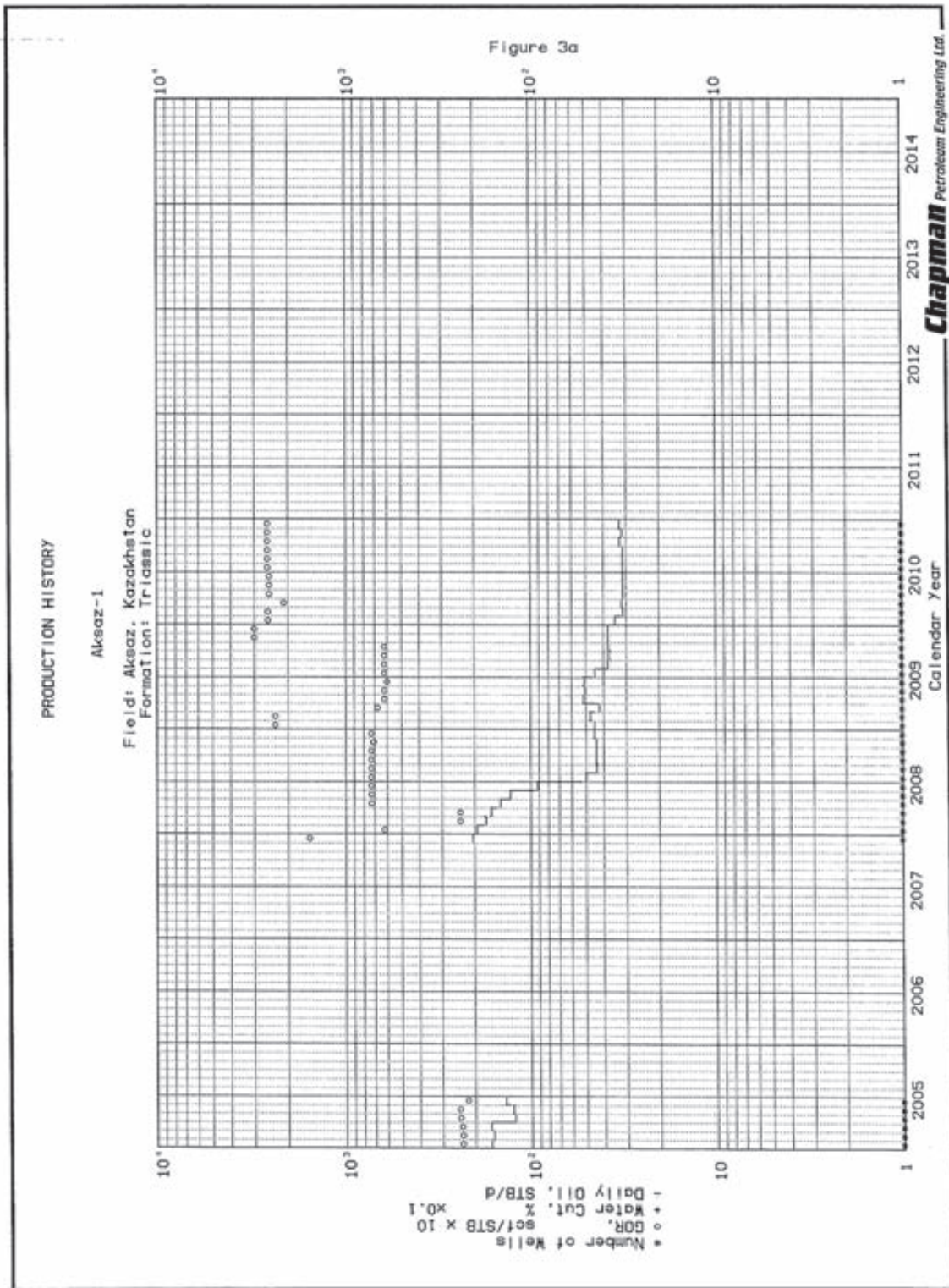
**Aksaz, Republic of Kazakhstan**

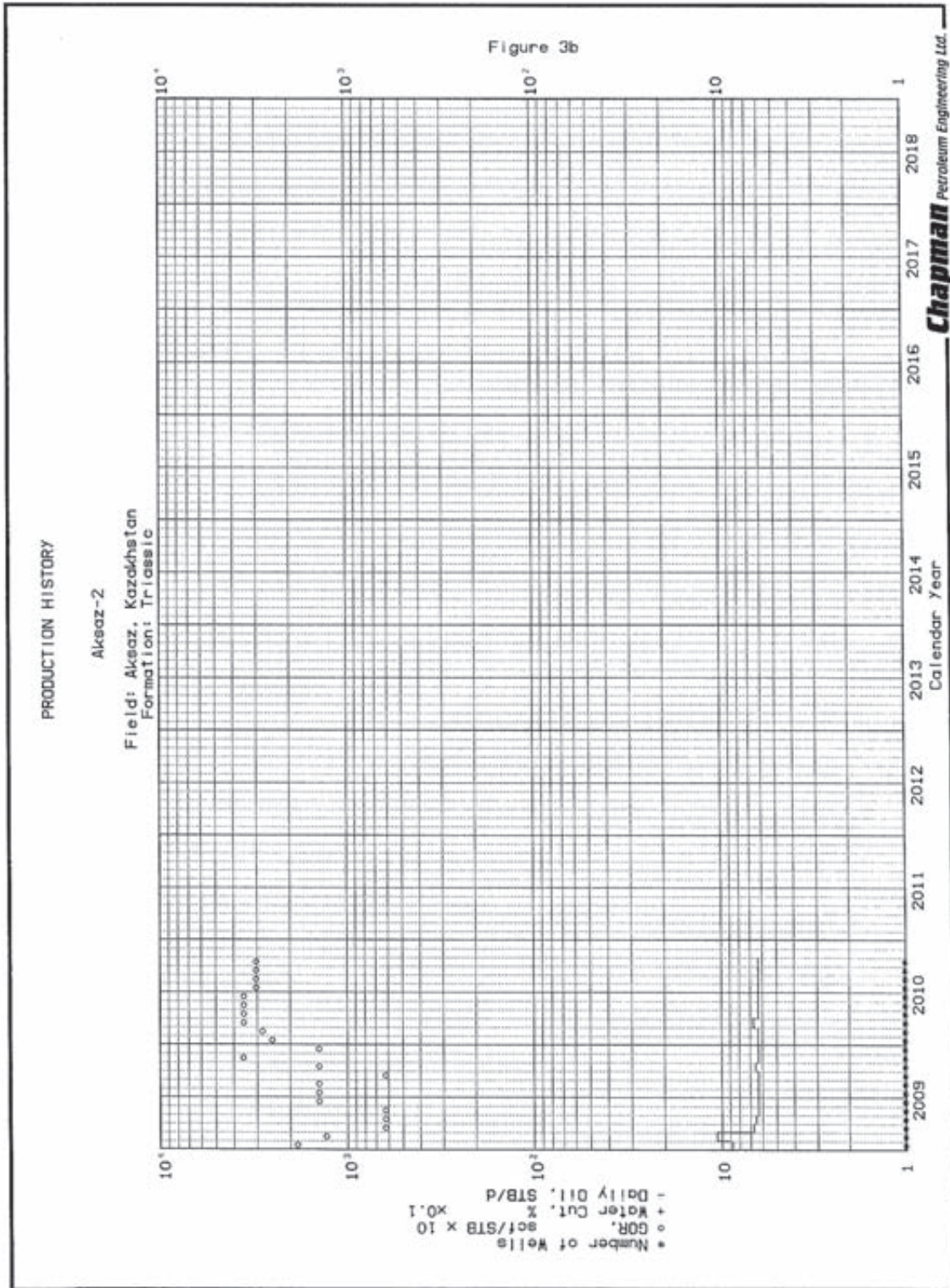
Description		Ultimate	Cumulative	Remaining	Remaining	Reference	GOR	sloss	NGL Ratio	Sulphur Ratio	GOR
		RGIP (MMscf)	Production (MMscf)	RGIP (raw) (MMscf)	RGIP (sales) (MMscf)						
<b>SOLUTION GAS</b>											
<b>Proved Developed Producing</b>											
Aksaz-1	Triassic (Zone II)	2,216	814	1,402	1,304	GOR: 8,818 scf/STB	7	0	0	0	8,818
Aksaz-3	Triassic (Zone III)	1,640	1,419	220	205	GOR: 5,242 scf/STB	7	0	0	0	5,242
Aksaz-4	Triassic (Zones III')	440	330	110	102	GOR: 4,500 scf/STB	7	0	0	0	4,500
Aksaz-6	Triassic (Zones II & I)	1,083	287	797	741	GOR: 12,466 scf/STB	7	0	0	0	12,466
<b>Total Proved Developed Producing</b>		<b>5,379</b>	<b>2,851</b>	<b>2,528</b>	<b>2,351</b>						
<b>Proved Developed Non-producing</b>											
Aksaz-1	Triassic (Zone III)	1,371	0	1,371	1,275	GOR: 8,818 scf/STB	7	0	0	0	8,818
Aksaz-1	Triassic (Zone II)	1,108	0	1,108	1,030	GOR: 8,818 scf/STB	7	0	0	0	8,818
Aksaz-2A	Triassic (Zone II)	1,956	70	1,887	1,755	GOR: 21,230 scf/STB	7	0	0	0	21,230
Aksaz-3	Triassic (Zones II & I)	3,291	237	3,054	2,840	GOR: 5,242 scf/STB	7	0	0	0	5,242
Aksaz-4	Triassic (Zones III' & II')	1,013	0	1,013	943	GOR: 4,500 scf/STB	7	0	0	0	4,500
Aksaz-4	Triassic (Zone II')	578	190	387	360	GOR: 4,500 scf/STB	7	0	0	0	4,500
<b>Total Proved Developed Non-producing</b>		<b>9,318</b>	<b>498</b>	<b>8,820</b>	<b>8,203</b>						
<b>Total Proved Developed</b>		<b>14,697</b>	<b>3,348</b>	<b>11,349</b>	<b>10,554</b>						
<b>Proved Undeveloped</b>											
Aksaz-2	Triassic (Zone I)	418	20	398	370	GOR: 21,230 scf/STB	7	0	0	0	21,230
<b>Total Proved Undeveloped</b>		<b>418</b>	<b>20</b>	<b>398</b>	<b>370</b>						
<b>Total Proved</b>		<b>15,115</b>	<b>3,369</b>	<b>11,746</b>	<b>10,924</b>						
<b>Probable</b>											
<b>Probable Developed Producing</b>											
Aksaz-6	Triassic (Zone III)	1,005	0	1,005	935	GOR: 12,466 scf/STB	7	0	0	0	12,466
Aksaz-6	Triassic (Zones II & I)	1,260	0	1,260	1,171	GOR: 12,466 scf/STB	7	0	0	0	12,466
<b>Total Probable Developed Producing</b>		<b>2,265</b>	<b>0</b>	<b>2,265</b>	<b>2,106</b>						

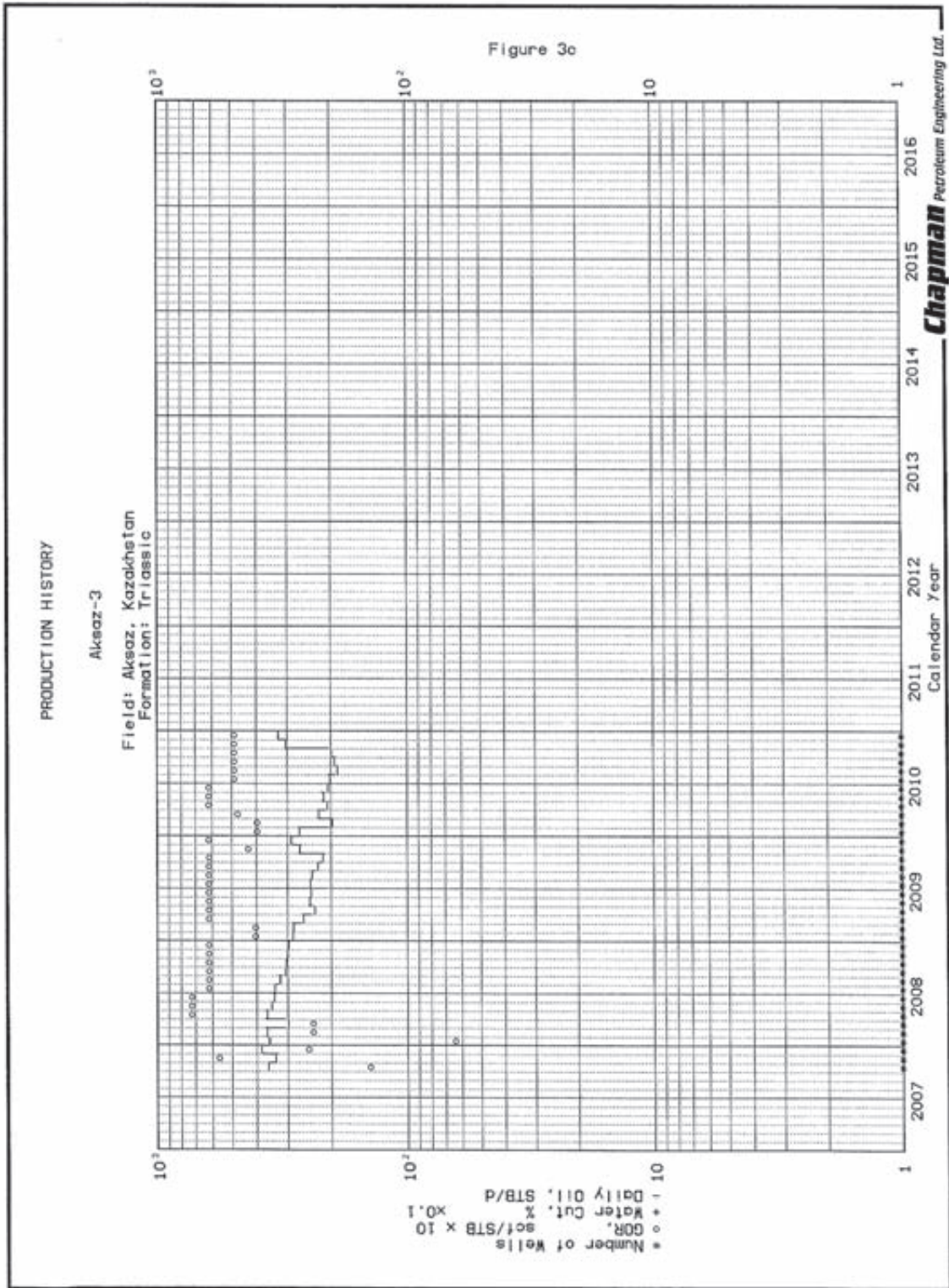
**APPENDIX IV**

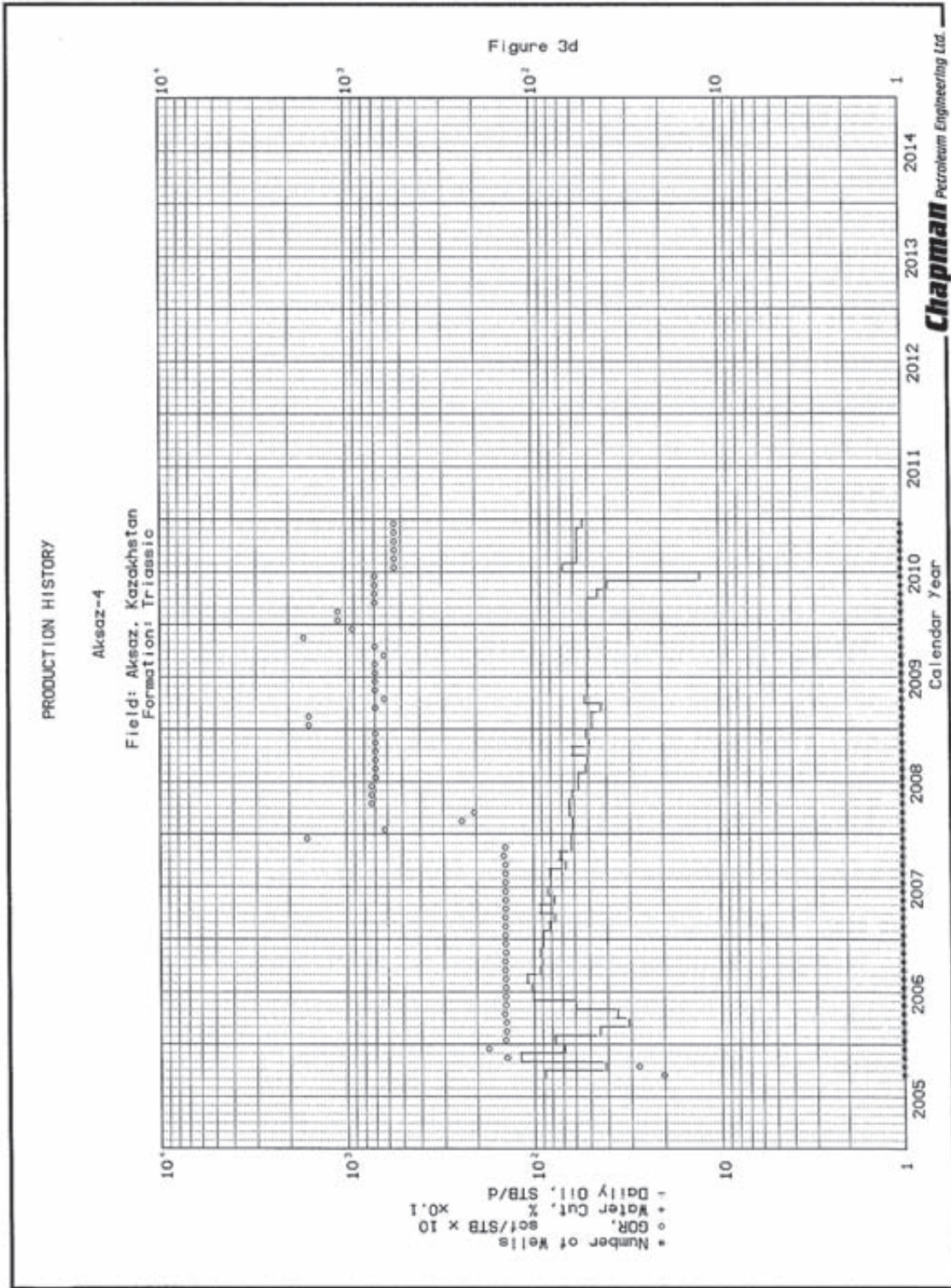
**COMPETENT PERSON'S REPORT**

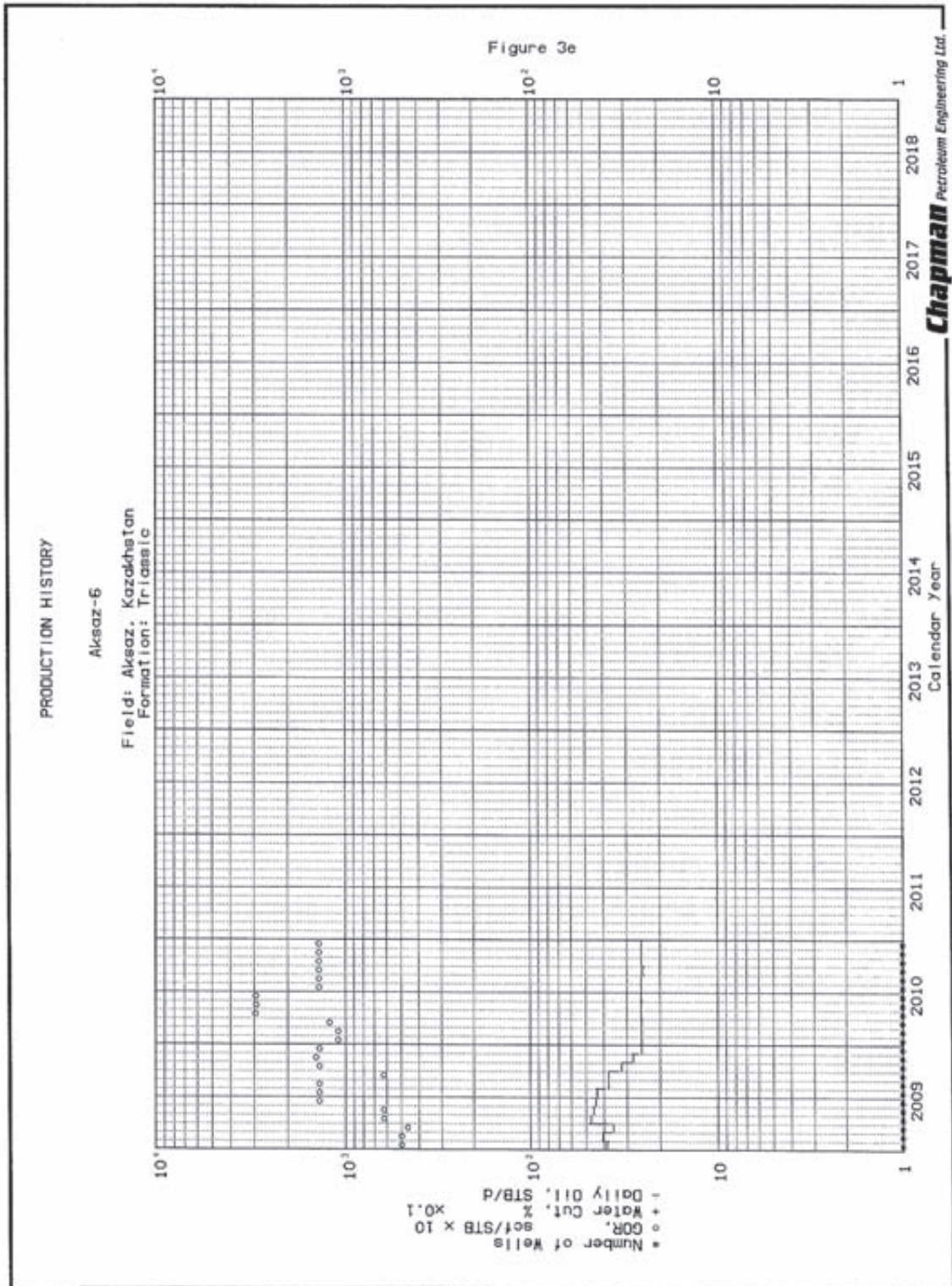
Description		Ultimate RGIP (MMscf)	Cumulative Production (MMscf)	Remaining		Reference	Loss %	NGL Ratio Bbls/MMscf	Sulphur Ratio LT/MMscf	GOR Scf/STB
				RGIP (raw) (MMscf)	RGIP (sales) (MMscf)					
<b>Probable Developed Non-Producing</b>										
Aksaz-1	Triassic (Zones IV & I)	3,384	0	3,384	3,147	GOR: 8,818 scf/STB	7	0	0	8,818
Aksaz-2A	Triassic (Zones III)	728	0	728	677	GOR: 21,230 scf/STB	7	0	0	21,230
Aksaz-2A	Triassic (Zone II)	343	0	343	319	GOR: 21,230 scf/STB	7	0	0	21,230
Aksaz-3	Triassic (Zones 0)	465	0	465	433	GOR: 5,242 scf/STB	7	0	0	5,242
Aksaz-4	Triassic (Zone I)	153	0	153	142	GOR: 4,500 scf/STB	7	0	0	4,500
<b>Total Probable Developed Non-Producing</b>		<b>5,074</b>	<b>0</b>	<b>5,074</b>	<b>4,718</b>					
<b>Total Probable Developed</b>		<b>7,339</b>	<b>0</b>	<b>7,339</b>	<b>6,824</b>					
<b>Probable Undeveloped</b>										
Aksaz-2	Triassic (Zone I)	82	0	82	76	GOR: 21,230 scf/STB	7	0	0	21,230
Location 3	Triassic (Zones II & I)	2,343	0	2,343	2,178	GOR: 12,466 scf/STB	7	0	0	12,466
Location 4	Triassic (Zones III, II & I)	3,382	0	3,382	3,146	GOR: 5,242 scf/STB	7	0	0	5,242
<b>Total Probable Undeveloped</b>		<b>5,807</b>	<b>0</b>	<b>5,807</b>	<b>5,400</b>					
<b>Total Probable</b>		<b>13,146</b>	<b>0</b>	<b>13,146</b>	<b>12,225</b>					
<b>Total Proved Plus Probable</b>		<b>28,261</b>	<b>3,369</b>	<b>24,892</b>	<b>23,149</b>					
<b>Possible</b>										
Location 3	Triassic (Zone III)	1,005	0	1,005	935	GOR: 12,466 scf/STB	7	0	0	12,466
Location 5	Triassic (Zones III, II & I)	3,446	0	3,446	3,205	GOR: 21,230 scf/STB	7	0	0	21,230
Location 6	Triassic (Zones III', III'', II' & II'')	1,677	0	1,677	1,559	GOR: 4,500 scf/STB	7	0	0	4,500
Location 7	Triassic (Zones III', III'', II' & II'')	1,677	0	1,677	1,559	GOR: 4,500 scf/STB	7	0	0	4,500
Location 8	Triassic (Zones III & II)	3,186	0	3,186	2,963	GOR: 8,818 scf/STB	7	0	0	8,818
<b>Total Possible</b>		<b>10,990</b>	<b>0</b>	<b>10,990</b>	<b>10,221</b>					
<b>Total Proved Plus Probable Plus Possible</b>		<b>39,251</b>	<b>3,369</b>	<b>35,882</b>	<b>33,370</b>					











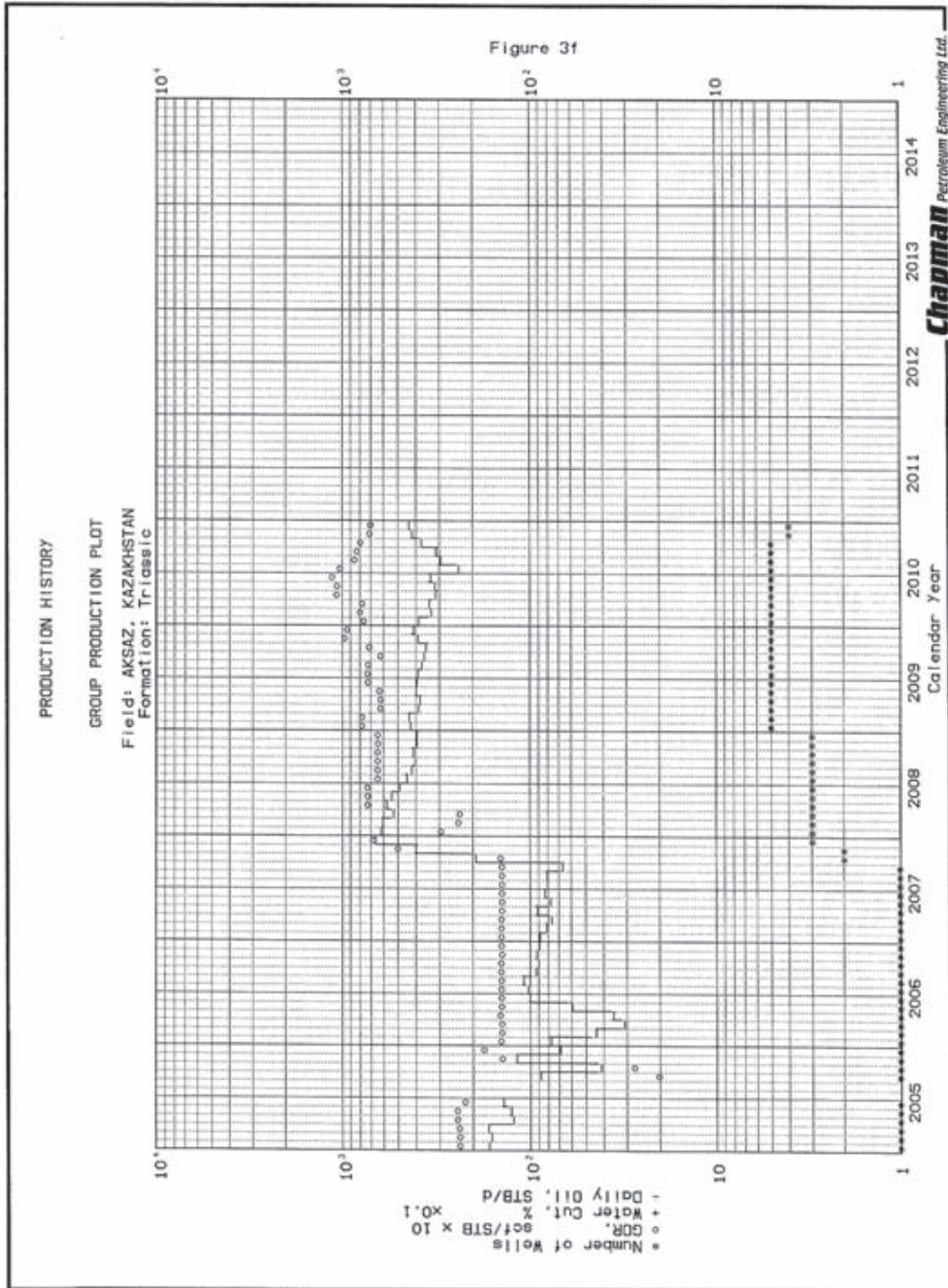


Table 3a

**Summary of Anticipated Capital Expenditures  
Development  
January 1, 2011**

**BMB Munai, Inc.**

**Aksaz, Republic of Kazakhstan**

Description	Date	Operation	Capital Interest %	Gross Capital M\$	Net Capital M\$
<b>Proved Developed Producing</b>					
Aksaz-1	2011	Stimulate Producing Intervals	100.0000	200	200
Aksaz-6	2011	Stimulate Producing Intervals	100.0000	200	200
<b>Total Proved Developed Producing</b>				<b>400</b>	<b>400</b>
<b>Proved Developed Non-producing</b>					
Aksaz-1	2011	Recomplete and tie-in additional intervals	100.0000	600	600
Aksaz-2A	2011	Recomplete and tie-in additional intervals	100.0000	600	600
Aksaz-3	2011	Recomplete and tie-in additional intervals	100.0000	600	600
Aksaz-4	2011	Recomplete and tie-in additional intervals	100.0000	600	600
<b>Total Proved Developed Non-Producing</b>				<b>2,400</b>	<b>2,400</b>
<b>Proved Undeveloped</b>					
Aksaz-2	2012	Recomplete and tie-in additional intervals	100.0000	500	500
<b>Total Proved Undeveloped</b>				<b>500</b>	<b>500</b>
<b>Total Proved</b>				<b>3,300</b>	<b>3,300</b>
<b>Probable Developed</b>					
Aksaz-1	2012	Complete and tie-in additional intervals	100.0000	600	600
Aksaz-2A	2012	Complete and tie-in additional intervals	100.0000	300	300
Aksaz-3	2012	Complete and tie-in additional intervals	100.0000	300	300
Aksaz-4	2012	Complete and tie-in additional intervals	100.0000	300	300
Aksaz-6	2012	Complete and tie-in additional intervals	100.0000	600	600
<b>Total Probable Developed</b>				<b>2,100</b>	<b>2,100</b>
<b>Probable Undeveloped</b>					
Aksaz-2	2012	Complete and tie-in additional intervals	100.0000	100	100
Gas Gathering Facilities	2012	Build and Tie-in Gas Gathering Facilities	100.0000	7,500	7,500
Two Locations	2013	Drill, Complete and Tie-in for Production	100.0000	17,000	17,000
<b>Total Probable Undeveloped</b>				<b>24,600</b>	<b>24,600</b>
<b>Total Probable</b>				<b>26,700</b>	<b>26,700</b>
<b>Total Proved Plus Probable</b>				<b>30,000</b>	<b>30,000</b>
<b>Possible</b>					
One Location	2013	Complete and tie-in additional intervals	100.0000	400	400
Four Locations	2014/2015	Drill, Complete and Tie-in for Production	100.0000	34,000	34,000
<b>Total Possible</b>				<b>34,400</b>	<b>34,400</b>
<b>Total Proved Plus Probable Plus Possible</b>				<b>64,400</b>	<b>64,400</b>

*Note:* The above capital values are expressed in terms of current dollar without escalation.

Table 3b

**Summary of Anticipated Capital Expenditures  
Abandonment and Restoration  
January 1, 2011**

**BMB Munai, Inc.**

**Aksaz, Republic of Kazakhstan**

Description	Year	Well Parameters	Capital Interest %	Gross Capital M\$	Net Capital M\$
Aksaz-1		Multiple zone oil producing well	100.0000	50	50
Aksaz-2		Multiple zone oil producing well	100.0000	50	50
Aksaz-2A		Multiple zone oil producing well	100.0000	50	50
Aksaz-3		Multiple zone oil producing well	100.0000	50	50
Aksaz-4		Multiple zone oil producing well	100.0000	50	50
Aksaz-6		Multiple zone oil producing well	100.0000	50	50
Six Locations		Multiple zone oil producing wells	100.0000	300	300
<b>Total Abandonment and Restoration</b>				<b>600</b>	<b>600</b>

Description	Net To Appraised Interest												
	Reserves						Cumulative Cash Flow (\$M) - M\$						
	Light and Medium Oil MSTB		Sales Gas MMscf		NGL Mbbbls		Undisc.	Discounted at:					
	Gross	Net	Gross	Net	Gross	Net		8%/year	10%/year	15%/year	20%/year		
<b>Proved Developed Producing</b>													
Aksaz-1	Triassic (Zone II)	159	159	1,304	1,304	0	0	7,179	5,951	5,042	4,203	3,811	
Aksaz-3	Triassic (Zone III)	42	42	205	205	0	0	2,061	2,011	1,965	1,922	1,881	
Aksaz-4	Triassic (Zone III')	24	24	102	102	0	0	902	806	833	804	777	
Aksaz-6	Triassic (Zones II & I)	64	64	741	741	0	0	3,035	2,758	2,520	2,315	2,136	
<b>Total Proved Developed Producing</b>		<b>289</b>	<b>289</b>	<b>2,351</b>	<b>2,351</b>	<b>0</b>	<b>0</b>	<b>13,177</b>	<b>11,585</b>	<b>10,360</b>	<b>9,390</b>	<b>8,605</b>	
<b>Proved Developed Non-Producing</b>													
Aksaz-1	Triassic (Zones III & I)	281	281	2,306	2,306	0	0	13,741	9,945	7,519	5,891	4,750	
Aksaz-2A	Triassic (Zone II)	89	89	1,755	1,755	0	0	4,487	3,922	3,453	3,060	2,727	
Aksaz-3	Triassic (Zones II & I)	583	583	2,840	2,840	0	0	28,980	20,410	15,258	11,942	9,579	
Aksaz-4	Triassic (Zones III', II' & I')	311	311	1,303	1,303	0	0	14,220	11,815	9,973	8,534	7,389	
<b>Total Proved Developed Non-Producing</b>		<b>1,264</b>	<b>1,264</b>	<b>8,203</b>	<b>8,203</b>	<b>0</b>	<b>0</b>	<b>61,427</b>	<b>46,592</b>	<b>36,303</b>	<b>29,427</b>	<b>24,648</b>	
<b>Total Proved Developed</b>		<b>1,553</b>	<b>1,553</b>	<b>10,554</b>	<b>10,554</b>	<b>0</b>	<b>0</b>	<b>74,604</b>	<b>57,677</b>	<b>46,663</b>	<b>38,817</b>	<b>33,160</b>	
<b>Proved Undeveloped</b>													
Aksaz-2	Triassic (Zone I)	19	19	370	370	0	0	526	444	377	320	272	
<b>Total Proved Undeveloped</b>		<b>19</b>	<b>19</b>	<b>370</b>	<b>370</b>	<b>0</b>	<b>0</b>	<b>526</b>	<b>444</b>	<b>377</b>	<b>320</b>	<b>272</b>	
<b>Total Proved</b>		<b>1,572</b>	<b>1,572</b>	<b>10,924</b>	<b>10,924</b>	<b>0</b>	<b>0</b>	<b>75,130</b>	<b>58,121</b>	<b>48,040</b>	<b>39,138</b>	<b>33,432</b>	
<b>Probable</b>													
<b>Probable Developed Producing</b>													
Aksaz-6	Triassic (Zones III & I)	Incr.	182	182	2,106	2,106	0	0	8,888	7,346	6,170	5,255	4,532
<b>Total Probable Developed Producing</b>			<b>182</b>	<b>182</b>	<b>2,106</b>	<b>2,106</b>	<b>0</b>	<b>0</b>	<b>8,888</b>	<b>7,346</b>	<b>6,170</b>	<b>5,255</b>	<b>4,532</b>
<b>Probable Developed Non-Producing</b>													
Aksaz-1	Triassic (Zones IV, III & I)	Incr.	384	384	3,147	3,147	0	0	19,542	15,969	13,204	11,017	9,287
Aksaz-2A	Triassic (Zones III & I)	Incr.	90	90	990	990	0	0	3,025	2,651	2,336	2,068	1,840
Aksaz-3	Triassic (Zones II & I)	Incr.	88	88	433	433	0	0	3,554	2,675	2,068	1,672	1,365
Aksaz-4	Triassic (Zones III', II' & I')	Incr.	34	34	142	142	0	0	1,125	1,040	943	845	754
<b>Total Probable Developed Non-Producing</b>			<b>606</b>	<b>606</b>	<b>4,712</b>	<b>4,712</b>	<b>0</b>	<b>0</b>	<b>27,246</b>	<b>22,355</b>	<b>18,572</b>	<b>15,604</b>	<b>13,245</b>
<b>Total Probable Developed</b>			<b>788</b>	<b>788</b>	<b>6,818</b>	<b>6,818</b>	<b>0</b>	<b>0</b>	<b>36,133</b>	<b>29,701</b>	<b>24,742</b>	<b>20,869</b>	<b>17,777</b>
<b>Probable Undeveloped</b>													
Aksaz-2	Triassic (Zone I)	Incr.	4	4	76	76	0	0	68	48	32	20	11
Two Locations	Triassic (Zones III & I)		833	833	4,582	4,902	0	0	23,349	15,409	10,222	6,749	4,376
Gas Gathering Facilities			0	0	0	0	0	(7,690)	(7,115)	(6,831)	(6,203)	(5,820)	
<b>Total Probable Undeveloped</b>			<b>837</b>	<b>837</b>	<b>4,658</b>	<b>4,978</b>	<b>0</b>	<b>0</b>	<b>15,767</b>	<b>8,347</b>	<b>3,623</b>	<b>667</b>	<b>(1,433)</b>
<b>Total Probable</b>			<b>1,576</b>	<b>1,576</b>	<b>11,884</b>	<b>11,884</b>	<b>0</b>	<b>0</b>	<b>81,500</b>	<b>59,048</b>	<b>48,365</b>	<b>31,426</b>	<b>18,344</b>
<b>Total Proved Plus Probable</b>			<b>3,148</b>	<b>3,148</b>	<b>22,778</b>	<b>22,778</b>	<b>0</b>	<b>0</b>	<b>127,630</b>	<b>96,169</b>	<b>75,305</b>	<b>60,562</b>	<b>49,766</b>
<b>Possible</b>													
One Location	Triassic (Zones III & I)		82	82	946	946	0	0					
Four Locations	Triassic (All Zones)		1,209	1,209	9,286	9,286	0	0					
<b>Total Possible</b>			<b>1,291</b>	<b>1,291</b>	<b>10,232</b>	<b>10,232</b>	<b>0</b>	<b>0</b>					
<b>Total Proved Plus Probable Plus Possible</b>			<b>4,439</b>	<b>4,439</b>	<b>33,010</b>	<b>33,010</b>	<b>0</b>	<b>0</b>					

Table 4a

EVALUATION OF: Akkas, Kazakhstan  
 \*\*\*\*\* Total Proved Developed Producing

ENGO v7.41 PD ENERGY SOLUTIONS  
 GLOBAL : 31-MAR-2011 0978  
 EFF:01-MAR-2011 DISC:01-MAR-2011  
 RUN DATE: 28-MAR-2011 TIME: 9:05  
 FILE:

TOTAL  
 404 -MS-  
 217 -MS-

EVALUATED BY -  
 COMPANY EVALUATED - SIB Muzi, Inc.  
 APPRAISAL FOR -  
 PROJECT - FORECAST PRICES & COSTS

Year	Oil						Sales Gas					
	STB			MCF			STB			MCF		
	# of Wells	Price \$/STB	STB/D	Pool Vol	Company Share Gross	Company Share Net	# of Wells	Price \$/MCF	MCF/D	Pool Vol	Company Share Gross	Company Share Net
2011	4	53.17	213.3	77837	77837	77837	0	1.16	1297.3	473	473	473
2012	3	53.54	170.5	62234	62234	62234	0	1.16	1353.4	567	567	567
2013	3	55.13	137.1	50055	50055	50055	0	1.16	1239.5	474	474	474
2014	2	53.07	77.5	28289	28289	28289	0	1.16	786.4	256	256	256
2015	1	55.19	47.0	17147	17147	17147	0	1.16	385.3	141	141	141
2016	1	56.01	37.8	13791	13791	13791	0	1.16	309.9	113	113	113
2017	1	57.28	36.4	11092	11092	11092	0	1.16	249.2	91	91	91
2018	1	58.77	24.4	8921	8921	8921	0	1.16	200.4	73	73	73
2019	1	60.15	19.7	7175	7175	7175	0	1.16	161.2	59	59	59
2020	1	60.89	15.8	5771	5771	5771	0	1.16	129.7	47	47	47
2021	1	62.37	12.7	4643	4643	4643	0	1.16	104.3	38	38	38
2022	1	63.87	6.3	2316	2316	2316	0	1.16	52.0	19	19	19
SUB				289270	289270	289270				2351	2351	2351
RM				0	0	0				0	0	0
TOT				289270	289270	289270				2351	2351	2351

\* P/T - COMPANY SHARE FUTURE NET REVENUE

Year	Capital Aband Costs	Future Revenue (FR)				Royalties				Operating Costs				FR After Roy&Oper	Net back	Other Income Costs	Cap-1	Aband Costs	Future Net Rev	
		Oil	Sales Gas	Products	Total	Crown	Other	Mineral	Fixed	Variable	FR	Net	Undisc						10.0%	
2011	250	4139	549	0	4688	0	0	323	4.7	356	199	4.82	3710	23.67	0	300	90	3460	3399	
2012	204	3332	658	0	3990	0	0	190	4.8	325	357	4.35	3118	19.90	0	304	0	2914	2936	
2013	52	2766	550	0	3310	0	0	189	5.7	286	296	4.51	2539	19.67	0	0	52	2487	1960	
2014	51	1581	297	0	1798	0	0	113	6.3	186	168	5.00	1320	18.76	0	0	53	1277	915	
2015	0	946	163	0	1109	0	0	70	6.3	115	102	5.34	823	20.28	0	0	0	823	936	
2016	0	772	131	0	904	0	0	57	6.3	117	83	6.15	666	19.79	0	0	0	666	383	
2017	0	637	106	0	743	0	0	47	6.3	120	68	7.16	507	19.33	0	0	0	507	273	
2018	0	524	85	0	609	0	0	38	6.3	122	54	8.43	393	18.60	0	0	0	393	192	
2019	0	432	68	0	500	0	0	31	6.3	124	46	10.04	288	17.54	0	0	0	288	133	
2020	0	351	55	0	406	0	0	26	6.3	127	38	12.04	216	15.82	0	0	0	216	87	
2021	0	289	44	0	334	0	0	21	6.3	129	31	14.60	152	13.86	0	0	0	152	56	
2022	0	148	22	0	170	0	0	11	6.3	78	16	17.19	65	11.86	0	0	62	3	1	
SUB	421	15831	2720	0	18553	0	0	1015	5.5	2886	1661		13798		0	404	217	13177	10360	
RM	0	0	0	0	0	0	0	0	0	0	0		0		0	0	0	0	0	
TOT	421	15831	2720	0	18553	0	0	1015	5.5	2886	1661		13798		0	404	217	13177	10360	

NET PRESENT VALUE (-MS-)

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper.	13798	12145	10875	9871	9058	8388	7821
Prod & Other Income	0	0	0	0	0	0	0
Capital Costs	404	385	368	352	338	326	313
Abandonment Costs	217	175	147	128	114	104	95
Future Net Revenue	13177	11845	10360	9390	8605	7957	7412

COMPANY SHARE

1st Year Average	Royalties	Oper Costs	FR After Capital	Future NetRev
100.0	100.0	5.5	20.2	74.3
2.2	71.0			

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undisc.)	21.2
(disc. @ 10.0%)	20.7
(disc. @ 5.0%)	22.7
First Payout (years)	2
Total Payout (years)	2
Cost of Finding (\$/BOE)	.91
NPV @ 10.0% (\$/BOE)	15.21
NPV @ 5.0% (\$/BOE)	17.01

**Chapman** Petroleum Engineering Ltd.

Table 4b

EVALUATION OF: Akkaz, Kazakhstan  
 \*\*\*\*\* Total Proved Developed

ERGO v7.41 F2 ENERGY SOLUTIONS  
 GLOBAL : 25-MAR-2013 5378  
 EPP 01-JAN-2013 DISC:91-JAN-2013  
 RUN DATE: 28-MAR-2013 TIME: 9:08  
 FILE:

EVALUATED BY: \*\*\*\*\*  
 COMPANY EVALUATED: - SHS Masal, Inc.  
 APPRAISAL FOR: \*\*\*\*\*  
 PROJECT: - FORECAST PRICES & COSTS

TOTAL  
 TOTAL CAPITAL COSTS - 2204 -M\$-  
 TOTAL ABANDONMENT - 272 -M\$-

Year	Oil MSTB						Sales Gas MBCF					
	# of Wells	Price \$/STB	Pool			Company Share	# of Wells	Price \$/MCF	Pool			Company Share
			STR/D	Vol	Gross				MCF/D	Vol	Gross	
2011	4	53.17	213.3	78	78	78	0	1.16	1297.3	473	473	473
2012	4	53.54	760.0	278	278	278	0	1.16	5962.4	2176	2176	2176
2013	4	55.13	637.1	233	233	233	0	1.16	5017.6	1831	1831	1831
2014	5	53.07	486.4	178	178	178	0	1.16	3570.6	1303	1303	1303
2015	4	55.19	380.5	139	139	139	0	1.16	2485.2	907	907	907
2016	4	54.01	310.0	113	113	113	0	1.16	1880.5	686	686	686
2017	3	57.39	259.5	95	95	95	0	1.16	1512.4	552	552	552
2018	3	58.77	224.1	82	82	82	0	1.16	1339.7	482	482	482
2019	3	62.15	189.6	66	66	66	0	1.16	1059.5	401	401	401
2020	3	62.89	144.6	53	53	53	0	1.16	919.5	334	334	334
2021	3	62.37	131.4	48	48	48	2	1.16	831.6	304	304	304
2022	3	63.87	115.8	43	43	43	0	1.16	725.4	265	265	265
2023	2	65.40	101.0	37	37	37	0	1.16	623.4	228	228	228
2024	2	66.36	93.2	34	34	34	0	1.16	577.4	211	211	211
2025	2	67.74	65.9	24	24	24	0	1.16	370.4	130	130	130
Sub				1499	1499	1499			10289	10289	10289	
REM				34	34	34			266	266	266	
TOT				1533	1533	1533			10554	10554	10554	

\*\*\*\*\* COMPANY SHARE FUTURE NET REVENUE \*\*\*\*\*

Year	Capital Aband Costs -M\$-	Future Revenue (FR)					Royalties			Operating Costs			FR After Roy & Oper -M\$-	Net Back \$/BOE	Procs Other Income -M\$-	Cap'l Costs -M\$-	Aband Costs -M\$-	Future Net Rev	
		Oil -M\$-	Sales Gas -M\$-	Products -M\$-	Total -M\$-	Crown -M\$-	Other -M\$-	Mineral -M\$-	Fixed -M\$-	Variable -M\$-	\$/BOE	Undisc						10.0%	
2011	3650	4139	549	0	4688	0	0	222	4.7	356	399	4.82	3710	33.67	0	3600	50	1060	1010
2012	294	14862	2524	0	17386	0	0	1208	6.9	758	1533	3.58	13887	21.69	0	304	0	13683	11860
2013	52	12821	2124	0	14945	0	0	1073	7.3	728	1332	3.79	11833	22.00	0	0	52	11781	9283
2014	53	9461	1512	0	10973	0	0	856	7.8	637	1008	4.16	8472	21.42	0	0	53	8419	4931
2015	0	7665	1052	0	8717	0	0	543	6.3	575	782	4.68	6813	23.48	0	0	0	6811	4435
2016	55	6338	796	0	7134	0	0	449	6.3	533	641	5.16	5511	24.22	0	0	55	5456	3230
2017	0	5436	640	0	6077	0	0	383	6.3	478	543	5.47	4672	25.02	0	0	0	4672	2515
2018	0	4807	559	0	5365	0	0	338	6.3	488	479	5.97	4060	25.05	0	0	0	4060	1987
2019	0	3965	466	0	4431	0	0	279	6.3	443	396	6.32	3312	24.94	0	0	0	3312	1473
2020	0	3213	388	0	3601	0	0	227	6.3	381	336	6.52	2667	24.59	0	0	0	2667	1078
2021	0	2992	352	0	3344	0	0	211	6.3	388	302	7.01	2443	24.78	0	0	0	2443	858
2022	62	2700	307	0	3007	0	0	189	6.3	343	273	7.10	2204	25.51	0	0	62	2142	716
2023	0	2420	264	0	2674	0	0	168	6.3	289	241	6.82	1996	26.69	0	0	0	1996	654
2024	0	2249	244	0	2494	0	0	157	6.3	275	227	7.25	1834	26.55	0	0	0	1834	557
2025	0	1629	157	0	1786	0	0	113	6.3	198	160	7.71	1315	28.22	0	0	0	1315	330
Sub	3076	84688	11935	0	96623	0	0	4423	6.6	6850	8421		74728		0	2804	272	71612	45960
REM	0	3797	358	0	4085	0	0	257	6.3	514	362		2952		0	0	0	2952	403
TOT	3076	88485	12293	0	100708	0	0	4681	6.6	7364	8983		77680		0	2804	272	74564	46363

\*\*\*\*\* MET PRESENT VALUE (-M\$-) \*\*\*\*\*

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper	77680	60621	49399	41560	35614	31434	27991
Procs & Other Income	0	0	0	0	0	0	0
Capital Costs	2804	2727	2656	2590	2529	2471	2418
Abandonment Costs	272	317	380	454	535	628	738
Future Net Revenue	74604	57679	46563	38817	33150	28843	25445

\*\*\*\*\* COMPANY SHARE \*\*\*\*\*

1st Year Average	Royalties	Oper Costs	FR After Roy/Oper	Capital Costs	Future Net Rev	
% Interest	100.0	100.0				
% of Future Revenue		6.6	16.2	77.1	2.8	74.1

\*\*\*\*\* PROFITABILITY \*\*\*\*\*

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undisc)	24.3
(disc @ 10.0%)	16.4
(disc @ 5.0%)	19.4
First Payout (years)	.7
Total Payout (years)	.8
Cost of Finding (\$/BOE)	.92
NPV @ 10.0% (\$/BOE)	14.05
NPV @ 5.0% (\$/BOE)	17.41

**Chapman** Petroleum Engineering Ltd.

Table 4c

EVALUATION OF: Aktau, Kazakhstan  
 \*\*\*\*\* Total Proved

ERGO v7.41 P2 ENERGY SOLUTIONS  
 GLOBAL v 25-MAR-2011 12:28  
 EFP-01-JAN-2011 DISC-01-JAN-2011  
 RUN DATE: 28-MAR-2011 TIME: 9:05  
 FILE:

EVALUATED BY: \*\*\*\*\*  
 COMPANY EVALUATED: - SNG Hccal, Inc.  
 APPRAISAL FOR: \*\*\*\*\*  
 PROJECT: \*\*\*\*\* FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS: 2204 -M\$  
 TOTAL ABANDONMENT: 272 -M\$

Year	Oil MMBB						Sales Gas MCF					
	# of Wells	Price \$/STB	STB/D	Pool		Company Share	# of Wells	Price \$/MCF	MCF/D	Pool		Company Share
				Vol	Gross					Vol	Gross	
2011	4	53.17	213.3	78	78	78	0	1.16	1297.1	473	473	473
2012	6	53.54	760.5	278	278	278	0	1.16	5962.4	2176	2176	2176
2013	6	55.13	687.1	251	251	251	0	1.16	6004.8	2192	2192	2192
2014	5	53.07	489.7	179	179	179	0	1.16	3594.5	1313	1313	1313
2015	4	55.19	380.5	139	139	139	0	1.16	3485.2	997	997	997
2016	4	56.02	310.0	113	113	113	0	1.16	1880.5	686	686	686
2017	3	57.39	259.5	95	95	95	0	1.16	1512.4	552	552	552
2018	3	58.77	224.3	82	82	82	0	1.16	1319.7	482	482	482
2019	3	60.15	180.6	66	66	66	0	1.16	1099.5	401	401	401
2020	3	60.89	144.4	53	53	53	0	1.16	915.5	334	334	334
2021	3	62.37	131.4	48	48	48	0	1.16	832.4	304	304	304
2022	3	63.87	115.8	42	42	42	0	1.16	725.4	265	265	265
2023	2	65.40	101.0	37	37	37	0	1.16	623.4	228	228	228
2024	2	66.16	93.2	34	34	34	0	1.16	577.4	211	211	211
2025	2	67.74	65.9	24	24	24	0	1.16	370.4	135	135	135
SUM				1517	1517	1517			10659	10659	10659	
REM				54	54	54			246	246	246	
TOT				1572	1572	1572			10924	10924	10924	

- P/T - COMPANY SHARE FUTURE NET REVENUE

Year	Capital Aband Costs -M\$	Future Revenue (FR)				Royalties				Operating Costs				FR After Roy&Oper -M\$	Net Back Income -M\$	PROC& Other Costs -M\$	Cap'l Costs -M\$	Aband Costs -M\$	Future Net Rev	
		Oil Sales -M\$	Gas Sales -M\$	Products -M\$	Total -M\$	Total -M\$	Cross -M\$	Other -M\$	Mineral -M\$	Fixed -M\$	Variable -M\$	\$/BOE	\$/BOE						Undisc 10.0%	10.0%
2011	2650	4139	549	0	4688	0	0	223	4.7	356	399	4.82	3710	33.49	0	2600	50	1060	1010	
2012	714	14862	2524	0	17386	0	0	1208	6.8	798	1533	3.58	13887	21.69	0	714	0	13173	11418	
2013	52	12827	2542	0	16369	0	0	1181	7.3	838	1451	3.72	12899	20.94	0	0	53	12847	10123	
2014	106	9487	1523	0	11099	0	0	859	7.8	643	1012	4.16	8495	21.37	0	0	104	8391	6099	
2015	0	7665	1052	0	8717	0	0	549	6.3	575	782	4.68	6811	23.48	0	0	0	6811	4435	
2016	55	6338	794	0	7134	0	0	449	6.3	533	641	5.16	5511	24.22	0	0	55	5456	3230	
2017	0	5436	640	0	6077	0	0	383	6.3	478	543	5.47	4672	23.02	0	0	0	4672	2515	
2018	0	4827	559	0	5386	0	0	334	6.3	488	479	5.37	4060	25.95	0	0	0	4060	1987	
2019	0	3965	455	0	4422	0	0	279	6.3	443	396	6.32	3312	24.34	0	0	0	3312	1473	
2020	0	3213	388	0	3602	0	0	227	6.3	381	324	6.52	2667	24.59	0	0	0	2667	1078	
2021	0	2992	352	0	3344	0	0	211	6.3	388	302	7.01	2443	24.38	0	0	0	2443	898	
2022	82	2760	327	0	3087	0	0	189	6.3	343	271	7.15	2204	25.51	0	0	62	2142	716	
2023	0	2420	264	0	2674	0	0	148	6.3	369	241	6.83	1994	26.49	0	0	0	1994	606	
2024	0	2249	244	0	2494	0	0	157	6.3	275	227	7.25	1834	26.55	0	0	0	1834	507	
2025	0	1629	197	0	1786	0	0	133	6.3	198	160	7.71	1315	28.22	0	0	0	1315	330	
SUM	3640	85719	12364	0	98083	0	0	6535	6.7	6967	8764		75817		0	3314	326	72178	46320	
REM	0	3777	308	0	4085	0	0	257	6.3	514	362		2952		0	0	0	2952	603	
TOT	3640	89496	12672	0	102169	0	0	6792	6.6	7481	9126		78770		0	3314	326	75130	46940	

NET PRESENT VALUE [-M\$-]

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper	78770	61584	50256	42336	36502	32055	28554
Proc & Other Income	0	0	0	0	0	0	0
Capital Costs	3214	3281	3098	3003	2917	2836	2762
Abandonment Costs	326	242	218	184	163	144	129
Future Net Revenue	75130	58121	46940	39136	33422	29074	25662

COMPANY SHARE

1st Year	Average	Royalties	Oper Costs	FR After Roy&Oper	Capital Costs	Future NetRev	
% Interest	100.0	100.0					
% of Future Revenue			6.6	16.3	77.1	3.3	73.5

PROFITABILITY

Before Tax	After Tax
Rate of Return (%)	999.9
Profit Index (undisc.)	20.6
(disc. @ 10.0%)	14.3
(disc. @ 5.0%)	16.8
First Payout (years)	.8
Total Payout (years)	1.0
Cost of Finding (\$/BOE)	1.87
NPV @ 10.0% (\$/BOE)	11.84
NPV @ 5.0% (\$/BOE)	17.13

**Chapman** Petroleum Engineering Ltd.

Table 44

EVALUATION OF: Aksoz, Kazakhstan  
 \*\*\*\*\* Total Proved Plus Probable

ERGO w7.41 P2 ENERGY SOLUTIONS TOTAL  
 GLOBAL : 25-MAR-2011 5:37E  
 RFF-01-JAN-2011 DISC-01-JAN-2011  
 RSM DATE: 28-MAR-2011 TIME: 9:06  
 FILE:

EVALUATED BY -  
 COMPANY EVALUATED - BMS Menai, Inc.  
 APPRAISAL FOR -  
 PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 29377 -M\$-  
 TOTAL ABANDONMENT - 403 -M\$-

Year	Oil MSTB					Sales Gas MCF						
	# of Wells	Pool		Company Share		# of Wells	Pool		Company Share			
		\$/STB	STB/D	Vol	Gross		\$/MCF	MCF/D	Vol	Gross	Net	
2011	4	53.17	213.3	78	78	78	0	1.16	3.3	473	473	473
2012	4	53.54	860.5	314	314	314	0	1.16	7.1	2599	2599	2599
2013	8	55.13	1479.2	540	558	558	0	1.16	12.9	4579	4939	4939
2014	7	53.07	1425.8	520	525	525	0	1.16	10.9	3975	4040	4040
2015	6	55.19	1047.0	382	382	382	0	1.16	6.9	2532	2532	2532
2016	4	56.01	823.9	300	300	300	0	1.16	5.4	1981	1981	1981
2017	4	57.39	651.0	228	228	228	0	1.16	4.3	1558	1558	1558
2018	4	58.77	516.0	188	188	188	0	1.16	3.4	1229	1229	1229
2019	4	60.15	380.5	135	135	135	0	1.16	2.5	908	908	908
2020	3	60.89	300.7	110	110	110	0	1.16	1.9	689	689	689
2021	3	62.37	243.7	90	90	90	0	1.16	1.5	562	562	562
2022	3	63.87	200.8	73	73	73	0	1.16	1.2	448	448	448
2023	4	65.40	144.4	53	53	53	0	1.16	.9	314	314	314
2024	1	66.16	57.7	21	21	21	0	1.16	.3	103	103	103
2025	1	67.74	51.4	19	19	19	0	1.16	.3	92	92	92
SUB				2066	2088	2088			23042	22487	22487	
REM				60	60	60			290	290	290	
TOT				3126	3148	3148			23332	22778	22778	

\* P/T \*

Year	COMPANY SHARE FUTURE NET REVENUE																		
	Capital Aband Costs	Future Revenue (FR)				Royalties			Operating Costs			FR After Roy	Net Income	Proc's Other Income	Cap'l Aband Costs	Future Net Rev Undisc	Future Net Rev 10.0%		
	-M\$-	Oil -M\$-	Sales Gas -M\$-	Products -M\$-	Total -M\$-	Crown -M\$-	Other -M\$-	Mineral -M\$-	Fixed -M\$-	Variable -M\$-	S/BOE	-M\$-	\$/BOE	-M\$-	-M\$-	-M\$-	-M\$-		
2013	2650	4139	549	0	4688	0	0	223	4.8	356	399	4.82	3710	23.67	0	3680	50	1660	1010
2012	10408	16816	3015	0	19831	0	0	1442	7.3	758	1727	3.37	15874	21.24	0	15690	0	5266	4564
2011	17739	30791	5730	0	36501	0	0	3069	8.4	949	2239	3.03	29244	21.17	0	17687	52	11505	5964
2014	104	27847	4709	0	32557	0	0	2894	8.9	925	3096	3.27	25721	21.42	0	106	25625	18357	
2015	0	21891	2937	0	24828	0	0	2133	8.9	805	2159	3.48	18932	23.94	0	0	18932	13329	
2016	0	16823	2298	0	19121	0	0	1697	8.9	831	1729	4.04	14875	23.59	0	0	0	14875	8806
2017	0	13627	1808	0	15435	0	0	1370	8.9	837	1294	4.49	12844	23.81	0	0	0	12844	6375
2018	0	11069	1425	0	12495	0	0	1108	8.9	846	1125	5.01	9415	23.95	0	0	0	9415	4607
2019	59	8383	1053	0	9406	0	0	832	8.9	703	847	5.34	7024	24.21	0	59	6965	3896	
2020	0	6682	799	0	7481	0	0	642	8.9	635	677	5.84	5507	24.52	0	0	0	5507	2227
2021	0	5639	652	0	6291	0	0	504	8.0	647	568	6.60	4572	24.84	0	0	0	4572	1681
2022	62	4682	520	0	5262	0	0	418	8.0	607	468	7.26	3709	26.06	0	0	62	3647	1219
2023	127	3447	364	0	3810	0	0	309	8.1	460	342	7.64	2700	25.73	0	0	127	2574	782
2024	0	1292	119	0	1411	0	0	122	8.1	127	134	7.12	1117	29.29	0	0	0	1117	305
2025	0	1272	166	0	1438	0	0	112	8.1	140	122	7.73	1004	29.50	0	0	0	1004	252
SUB	31351	173660	26085	0	199745	0	0	16895	8.5	9623	17966		150258		0	38695	456	122908	74681
REM	0	4128	337	0	4465	0	0	342	7.7	601	396		3122		0	0	0	3122	625
TOT	31351	177788	26422	0	204210	0	0	17237	8.4	10220	18362		150381		0	38695	456	127030	75355

NET PRESENT VALUE (-M\$)-								PROFITABILITY							
Discount Rate	.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	COMPANY SHARE BASIS							
FR After Roy & Oper.	188381	124549	101166	84265	71589	61813	54085	Before Tax							
Proc & Other Income	0	0	0	0	0	0	0	Rate of Return (%)							
Capital Costs	30825	28063	25611	23497	21656	20048	18616	Profit Index (undisc.)							
Abandonment Costs	456	327	250	201	168	144	127	(disc. @ 10.0%)							
Future Net Revenue	127935	96189	75305	60562	49766	41627	35342	First Payout (years)							
								Total Payout (years)							
								Cost of Finding (\$/BOE)							
								NPV @ 10.0% (\$/BOE)							
								NPV @ 5.0% (\$/BOE)							

COMPANY SHARE							
1st Year Average	Royalties	Oper Costs	FR After Roy	Capital Costs	Future Net Rev	% Interest	% of Future Revenue
100.0	101.4	8.4	14.0	77.6	19.1	62.2	

**Chapman** Petroleum Engineering Ltd.

Table 66

EVALUATION OF: Abassi, Kazakhstan  
 \*\*\*\*\* Total Proved Plus Probable Plus Possible

ENNO v7.41 PD ENERGY SOLUTIONS  
 GLOBAL : 28-MAR-2011 13:29  
 EFX:01-JAN-2011 DISC:01-JAN-2011  
 RUN DATE: 28-MAR-2011 TIME: 9:06  
 FILE:

EVALUATED BY -  
 COMPANY EVALUATED - ENM Musai, Inc.  
 APPRAISAL FOR -  
 PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 65819 -M\$-  
 TOTAL ABANDONMENT - 632 -M\$-

Year	Oil						Sales Gas					
	Pool			Company Share			Pool			Company Share		
	# of Wells	Price \$/STB	STB/D	Vol	Gross	Net	# of Wells	Price \$/MCF	MCF/D	Vol	Gross	Net
2011	4	53.17	213.3	78	78	78	0	1.16	1.3	433	473	473
2012	6	53.54	860.5	314	314	314	0	1.16	7.1	2599	2599	2599
2013	8	55.13	1529.6	558	577	577	0	1.16	13.1	4792	5153	5153
2014	9	53.07	1762.8	643	648	648	0	1.16	13.7	5068	5093	5093
2015	10	55.19	2215.5	809	809	809	0	1.16	15.8	5763	5763	5763
2016	10	54.01	1832.1	669	669	669	0	1.16	12.9	4708	4708	4708
2017	10	57.39	1541.0	562	562	562	0	1.16	10.8	3936	3936	3936
2018	10	58.77	760.0	277	277	277	0	1.16	5.2	1880	1880	1880
2019	4	60.15	380.5	139	139	139	0	1.16	2.5	908	908	908
2020	5	60.89	300.7	110	110	110	0	1.16	1.9	689	689	689
2021	5	62.37	247.7	90	90	90	0	1.16	1.5	562	562	562
2022	5	63.87	200.6	73	73	73	0	1.16	1.2	448	448	448
2023	4	65.49	144.4	53	53	53	0	1.16	.9	314	314	314
2024	3	66.16	57.7	21	21	21	0	1.16	.3	103	103	103
2025	1	67.74	51.4	19	19	19	0	1.16	-.3	92	92	92
SUB				4416	4438	4438				32274	32720	32720
ADM				60	60	60				290	290	290
TOT				4476	4498	4498				32564	33010	33010

\* P/T \*

Year	Capital Costs		Future Revenue (FR)				Royalties				Operating Costs				FR After Roy/Oper	Net Back	Procs	Other	Cap'l	Aband	Future Net Rev
	-M\$-	-M\$-	Oil	SaleGas	Products	Total	Grown	Other	Mineral	Fixed	Variable	\$/BOE	-M\$-	-M\$-							
2011	2650	4139	549	0	4688	0	0	233	4.8	354	399	4.82	3710	23.67	0	2600	50	1060	1010		
2012	10408	16818	3015	0	19833	0	0	1442	7.3	758	1757	3.27	15874	21.04	0	10408	0	3244	4564		
2013	18158	31785	5977	0	37763	0	0	2477	8.4	1059	3354	3.07	30172	21.02	0	18103	52	12017	9469		
2014	18147	34376	5968	0	40284	0	0	3590	8.9	1284	3725	3.33	31705	21.19	0	18041	106	13559	9713		
2015	18402	44639	6685	0	51323	0	0	4835	9.4	1494	4644	3.47	40351	22.81	0	18402	0	21949	14294		
2016	0	37455	5461	0	42916	0	0	4052	9.4	1363	3904	3.43	33594	23.12	0	0	0	33594	19889		
2017	0	32280	4564	0	36844	0	0	3489	9.5	1316	3247	3.83	28694	23.55	0	0	0	28694	15444		
2018	230	16200	2181	0	18484	0	0	1701	9.2	1199	1672	4.86	13912	23.55	0	0	230	13682	6494		
2019	59	8353	1053	0	9406	0	0	833	8.9	703	847	5.34	7024	24.21	0	0	59	6965	3098		
2020	0	6482	799	0	7481	0	0	662	8.9	635	677	5.84	5927	24.52	0	0	0	5927	2227		
2021	0	5639	682	0	6321	0	0	584	8.0	647	648	4.60	4572	24.84	0	0	0	4572	1681		
2022	62	4682	520	0	5202	0	0	418	8.0	607	668	7.26	3709	25.06	0	0	62	3447	1219		
2023	127	3647	364	0	3810	0	0	309	8.1	460	342	5.44	2950	25.73	0	0	127	2574	782		
2024	0	1392	119	0	1511	0	0	122	8.1	137	134	7.12	1117	29.29	0	0	0	1117	309		
2025	0	1272	106	0	1378	0	0	112	8.1	140	132	7.71	1004	29.50	0	0	0	1004	252		
SUB	68438	349261	37955	0	287216	0	0	25468	8.9	12138	25963		223644		0	67753	683	155208	90444		
ADM	0	4128	337	0	4465	0	0	342	7.7	405	296		3122		0	0	0	3122	428		
TOT	68438	353389	38292	0	291681	0	0	25810	8.8	12543	26259		226766		0	67753	683	158330	91269		

NET PRESENT VALUE (-M\$-)							PROFITABILITY						
Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	COMPANY SHARE BASIS	Before Tax					
FR After Roy & Oper.	226769	177368	142477	117046	97928	83207	Rate of Return (%)	999.9					
Procs & Other Income	0	0	0	0	0	0	Profit Index (undisc)	2.3					
Capital Costs	67753	50403	50846	44663	39551	35282	(disc @ 10.0%)	1.8					
Abandonment Costs	685	487	362	281	226	188	(disc @ 5.0%)	2.0					
Future Net Revenue	158330	118416	91269	72101	58251	47037	First Payout (years)	1.0					
							Total Payout (years)	3.6					
							Cost of Funding (\$/BOE)	6.84					
							NPV @ 10.0% (\$/BOE)	9.13					
							NPV @ 5.0% (\$/BOE)	11.84					

COMPANY SHARE						
1st Year Average	Royalties	Oper Costs	FR After Oper	Capital Costs	Future	NetRev
% Interest	100.0	101.0	8.8	13.4	77.7	23.2
% of Future Revenue						

**Chapman** Petroleum Engineering Ltd.

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
DOLINNOE FIELD**

**INDEX**

**Discussion**

Ownership  
Geology  
Petrophysical Data and Analysis  
Reserves  
Production  
Product Prices  
Capital Expenditures  
Operating Costs  
Economics

**Attachments**

Table 1: Schedule of Lands, Interests and Royalty Burdens

Figure 1: Field Map and Structure Top-Middle Triassic

Figure 2: Log Analysis Presentation

- a) Dolinnoe-1
- b) Dolinnoe-2
- c) Dolinnoe-3
- d) Dolinnoe-5
- e) Dolinnoe-6
- f) Dolinnoe-7

Table 2: Summary of Gross Reserves

Figure 3: Production History Graph

- a) Dolinnoe-1, Middle Triassic T2
- b) Dolinnoe-2, Middle Triassic T2
- c) Dolinnoe-3, Middle Triassic T2
- d) Dolinnoe-5, Middle Triassic T2
- e) Dolinnoe-6, Middle Triassic T2
- f) Group Production Plot, Middle Triassic T2

- Table 3: Summary of Anticipated Capital Expenditures
- a) Development
  - b) Abandonment and Restoration

- Table 4: Summary of Company Reserves and Economics

Consolidated Cash Flows

- a) Total Proved Developed Producing
- b) Total Proved Developed
- c) Total Proved
- d) Total Proved Plus Probable
- e) Total Proved Plus Probable Plus Possible

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
DOLINNOE FIELD  
DISCUSSION**

**Ownership**

The Company owns a 100 percent working interest in a “License” and “Exploration Contract” referred to as the ADEK Block which is located onshore in Kazakhstan in the Mangistau Oblast, approximately 50 kilometers from Aktau in the Republic of Kazakhstan (ROK).

The License originated in 1999 and the Exploration Contract was entered into on June 9, 2000 by a preceding company. The License and Contract Area were assigned to the Company on September 23, 2002.

The License and Exploration Contract granted the right to engage in exploration and development activities on the block. Originally the Exploration contract had a five year term but it has since been extended and now expires on January 9, 2013.

The terms of the extension require minimum capital expenditures of \$7,000,000 in 2004, \$9,300,000 in 2005 and \$5,000,000 in 2006, \$6,790,000 from July 9, 2009 to December 31, 2009, \$12,690,000 in 2010, all of which have been satisfied or even exceeded. And in addition, a minimum work program requires \$27,240,000 in 2011 and \$14,840,000 in 2012.

Once commercial production is established within the ADEK Block, the Company can make application for an “Exploration and Production Contract”, the terms of which would be negotiated. The Company has the right to produce and sell oil under the Law of Petroleum for the term of the existing Exploration Contract at a royalty rates presented on Table 1. Provided that the Company can show evidence of a commercial discovery, has fulfilled its minimum work commitments and presents a development plan acceptable to the MEMR, there is no reason to believe the Exploration and Production Contract would not be granted.

Under the Production and Exploration contract royalty rates are negotiated and vary depending on the reserves and production rates. It is estimated that a royalty (Mineral Extraction Tax) rate of 9.9 percent would not be exceeded for this Block, with the anticipated reserves and production rates.

There are two general forms of production contracts in Kazakhstan, production-sharing contracts and tax and royalty based contracts. We have utilized a royalty based contract as mentioned.

The Dolinnoe field is one of four known fields already discovered on the ADEK Block. The Company has re-entered well Dolinnoe-1, and has drilled Dolinnoe-2, Dolinnoe-3, Dolinnoe-5, Dolinnoe-6 and Dolinnoe-7. Dolinnoe-1 and 2 have been thoroughly tested and

placed on production from two and one zones respectively. Wells Dolinnoe-3 and Dolinnoe-6 are on production from two zones. Well Dolinnoe-5 was on production for a few months, but was shut-in for further stimulation, than placed on production and shut-in again. Well Dolinnoe-7 have been drilled, tested and placed on production from two zones.

A map of the field, showing the well location and reservoir structure is presented on Figure 1 and a brief description of the ownership is presented in Table 1.

### **Geology**

The ADEK Block is located at the edge of the Mangistau Ustyrt Central High which contains several producing oilfields in the area. The Dolinnoe field is a faulted anticline comprising several faulted blocks. The main producing horizon is the Middle Triassic carbonate.

Hydrocarbon traps are formed within the transition zone of the Beke-Bashkudsky high and Karagiin saddle. Dolinnoe borders upon regional fault which separates these two large tectonic elements.

The productive Middle Triassic consists of limestone in the upper portion and dolomite in the lower portion. We have referred to these intervals as Upper Triassic and Lower Triassic for the purposes of this report.

The ADE Block is covered by several vintages of 2D seismic plus a recent 3-D survey. The middle Triassic structure top is represented by the reflection horizon V2<sup>IV</sup>, which is presented on Figure 1.

The Jurassic, a clastic sand shale sequence with some carbonate, lies about 950m above the Triassic throughout the block. The Jurassic is a secondary opportunity for hydrocarbon potential as indicated by log analysis in Dolinnoe – 1 well. Resource potential has been identified but reserves have not been assigned or evaluated in this report.

### **Petrophysical Data and Analysis**

Russian GIS logs were run in the shallow formations and Baker Atlas logs over the Triassic.

The Chapman digital log analysis was made using HDS software over the Upper and Lower Triassic reservoirs.

The Gamma Ray was used as a shale indicator in the Dual water saturation equation with a carbonate selection for a, m, and n.

Sw cutoff was 40% along with a shale volume cutoff of 30%.

Net pay was identified in the Upper and Lower Triassic reservoirs as shown in the interpreted log.

**Reserves**

Proved developed producing reserves of 1,715 MSTB of oil and 1,960 MMscf of solution gas have been estimated for producing intervals in the Middle Triassic T2 zones in wells Dolinnoe-1, 2, 3 and 7, based on reservoir parameters determined from digital log analysis, assuming 60 acre drainage area and a recovery factor of 30 percent for wells: Dolinnoe-1 and 2; 50 acres drainage area and recovery factor of 30 percent for wells Dolinnoe-3 and 7, and actual gas-oil ratio, as shown in Table 2. We have been advised that recovery factors in the 30 to 45 percent range are being achieved in surrounding pools. This is a good quality reservoir that is highly over-pressured and contains light oil (45-56° API). The likely depletion will be by edge water drive, based on the typical Triassic reservoirs in the area.

Fluid property correlations have been utilized to determine the oil formation volume factor and solution gas oil ratio based on known oil density and reservoir pressure and temperature along with early production performance of the well.

Additional proved developed non-producing oil reserves of 3,227 MSTB and marketable solution gas reserves of 5,262 MMscf have been estimated for additional Triassic intervals in wells Dolinnoe-1, 3, 6 and 7.

Reservoir parameters have been determined on the basis of detailed digital log analysis from each well as discussed earlier.

Proved undeveloped oil reserves of 2,571 MSTB and 3,625 MMscf of marketable solution gas have been assigned to three direct offset locations to be drilled directly adjacent to wells Dolinnoe-1 and 2, based on the same well bore parameters as wells 1 and 2, assuming a recovery factor of 20 percent and a drainage area of 60 acres.

Incremental probable developed oil reserves of 1,592 MSTB and marketable solution gas reserves of 2,157 MMscf have been assigned predominantly for producing and non-producing intervals in the existing wells Dolinnoe-1, 2, 3, 6 and 7 assuming a higher recovery factor than for the Proved case (35 percent).

Additional probable developed oil reserves of 315 MSTB and marketable solution gas reserves of 877 MMscf have been assigned to the Middle Triassic T2 zones II and III in the well Dolinnoe-5. This well commenced production in March 2008; produced for five days and was shut in for future workover. These reserves are based on the reservoir parameters derived from independent log analysis assuming a recovery factor of 30 percent and a drainage area of 60 acres.

Also, additional probable developed oil reserves of 32 MSTB and marketable solution gas reserves of 39 MMscf have been assigned to the Middle Triassic T2 zone I in the well Dolinnoe-3, based on the reservoir parameters derived from independent log analysis assuming a recovery factor of 30 percent and a drainage area of 60 acres.

Incremental probable undeveloped oil reserves of 1,285 MSTB and marketable solution gas reserves of 1,812 MMscf have been assigned to three direct locations assuming a higher recovery factor than for the proved undeveloped case (30 percent).

Additional probable undeveloped oil reserves of 5,140 MSTB and marketable solution gas reserves of 7,247 MMscf have been estimated for six additional locations to be drilled on the same accumulation as encountered by Dolinnoe-1, 2, 3, 5, 6 and 6 based on 3D seismic mapping as shown on Figure 1. These reserves have been based on the analogy to the proved undeveloped locations with the assumption of a 20 percent recovery factor and 60 acres of drainage area.

Incremental possible oil reserves of 696 MSTB and marketable solution gas reserves of 1,054 MMscf have been assigned to the existing well number 5 and three locations reflecting an increase in recovery factor.

Additional possible oil reserves of 12,915 MSTB and marketable solution gas reserves of 18,291 MMscf have been assigned to one interval in the well number 5 and additional eighteen locations that have to be drilled outside of the proved and probable area, but within the defined accumulation.

Reserves assigned to the eighteen additional locations are based on analogy to the proved undeveloped location, assuming equal drainage area and recovery factor.

Reserves in this report have been assigned to the accumulation which has been encountered by wells Dolinnoe-1, 2, 3, 5, 6 and 7 as presented by the geological and geophysical consultants responsible for the 3-D seismic interpretation as shown on Figure 1. Additional resource potential may exist on the surrounding fault blocks which have not yet been drilled.

Also, the Jurassic has indicated significant possible reserves potential, based on log analysis, which has not been evaluated herein. There is insufficient data at present to accurately quantify reserves however log analysis demonstrates hydrocarbon potential as discussed above.

A summary of the reserves for this area is presented in Table 2.

## **Production**

Well Dolinnoe-1 is currently producing 159 STB/d from the Triassic I and II zones. Well Dolinnoe-2 is currently producing 75 STB/d from all four Triassic T2 zones (IV, III, II & I). Well Dolinnoe-3 is currently producing 121 STB/d from the Triassic IV zone. Well Dolinnoe-6 is not on production due to preparation for re-entry. Well Dolinnoe-7 is on production since September 2008 and the current rate is 82 STB/d.

All four wells have been produced from isolated intervals during the testing phase. They are expected to eventually be produced from combined zones.

We have made the assumption that gas conservation and sales would be implemented by January 1, 2012. An average producing gas-oil ratio of 1,334 scf/STB has been predicted based on production to date.

Production history graphs for individual wells and a Group Production Plot are presented in Figures 3a through 3f. Initial rates for the non-producing wells are shown on Table 2.

**Product Prices**

The Company has secured an export permit for oil sales which allows all of the Company's production to be exported. During the exploration stage exports are subject to "export rent tax" (ERT), which would be until January 9, 2013 with the expected extension in the exploration license. During this period the ERT is based on the current Tax Law of ROK and its values are presents in the Attachment 1. Exported oil is exempt from VAT.

A forecast price used for this project is based on the Chapman's forecast utilizing Forecast Brent crude price less \$16.37/STB (transportation discount), export duty of \$5.20/STB, ERT (values are presented in the Attachment 1), domestic price of \$26.72/STB (before VAT), VAT (12 percent) and an export/domestic sales split of 90/10 for the first three years and 80/20 percent thereafter.

A natural gas price of \$1.16/Mscf has been utilized for solution gas sales and assumed to be constant throughout the report.

**Capital Expenditures**

Total capital expenditures of \$201,200,000 have been estimated for the development of the proved, probable and possible reserves in this field.

Detailed brake down of the capital expenses required for full development of the assigned reserves is presented in Table 3a.

Abandonment and lease restoration costs of \$1,350,000 (\$50,000 per well) net of salvage have been included after the depletion of the reserves, as presented in Table 3b.

**Operating Costs**

Field operating costs of \$8,850/well/month (fixed), \$4.15/STB, and \$0.15/Mscf have been estimated for this project, based on field estimates provided by the Company, which we consider to be reasonable.

**Economics**

The economic analysis performed for this evaluation, presented here, reflects future cash flows from this property before consideration of income taxes and other taxes which apply under the "royalty and tax contract".

The cash flow forecasts have been prepared under a "forecast prices and costs" assumption based on Chapman Petroleum Engineering price forecast.

A summary of the economic results are presented in Table 4 and the consolidated cash flows forecasts are presented in Tables 4a through 4e.

Table 1

**Schedule of Lands, Interests and Royalty Burdens  
January 1, 2011**

**BMB Munai, Inc.**

**Dolinnoe, Republic of Kazakhstan**

Description	Rights Owned	Gross Acres	Appraised Interest		Royalty Burdens	
			Working %	Royalty %	Basic %	Overriding %
License AI No.1552 & Contract No.482	A	N/A	100.0000	–	1	–

*General Notes:* 1 According to the New Tax Law of ROK:

Annual Production tons	MSTB	Royalty (Mineral Extraction Tax) for OIL, %								
		2011-2012			2013			2014 and after		
		Export	Domestic	Blend	Export	Domestic	Blend	Export	Domestic	Blend
up to 250,000	up to 1,964	5.00	2.50	<b>4.75</b>	6.00	3.00	<b>5.70</b>	7.00	3.50	<b>6.30</b>
up to 500,000	up to 3,928	7.00	3.50	<b>6.65</b>	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.10</b>
up to 1,000,000	up to 7,856	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.00</b>
up to 2,000,000	up to 15,711	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>9.90</b>
up to 3,000,000	up to 23,567	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>10.80</b>
up to 4,000,000	up to 31,423	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>11.70</b>
up to 5,000,000	up to 39,278	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>12.60</b>
up to 7,000,000	up to 54,990	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>13.30</b>	15.00	7.50	<b>13.50</b>
up to 10,000,000	up to 78,557	15.00	7.50	<b>14.25</b>	16.00	8.00	<b>15.20</b>	17.00	8.50	<b>15.30</b>
over 10,000,000	over 78,558	18.00	9.00	<b>17.10</b>	19.00	9.50	<b>18.05</b>	20.00	10.00	<b>18.00</b>

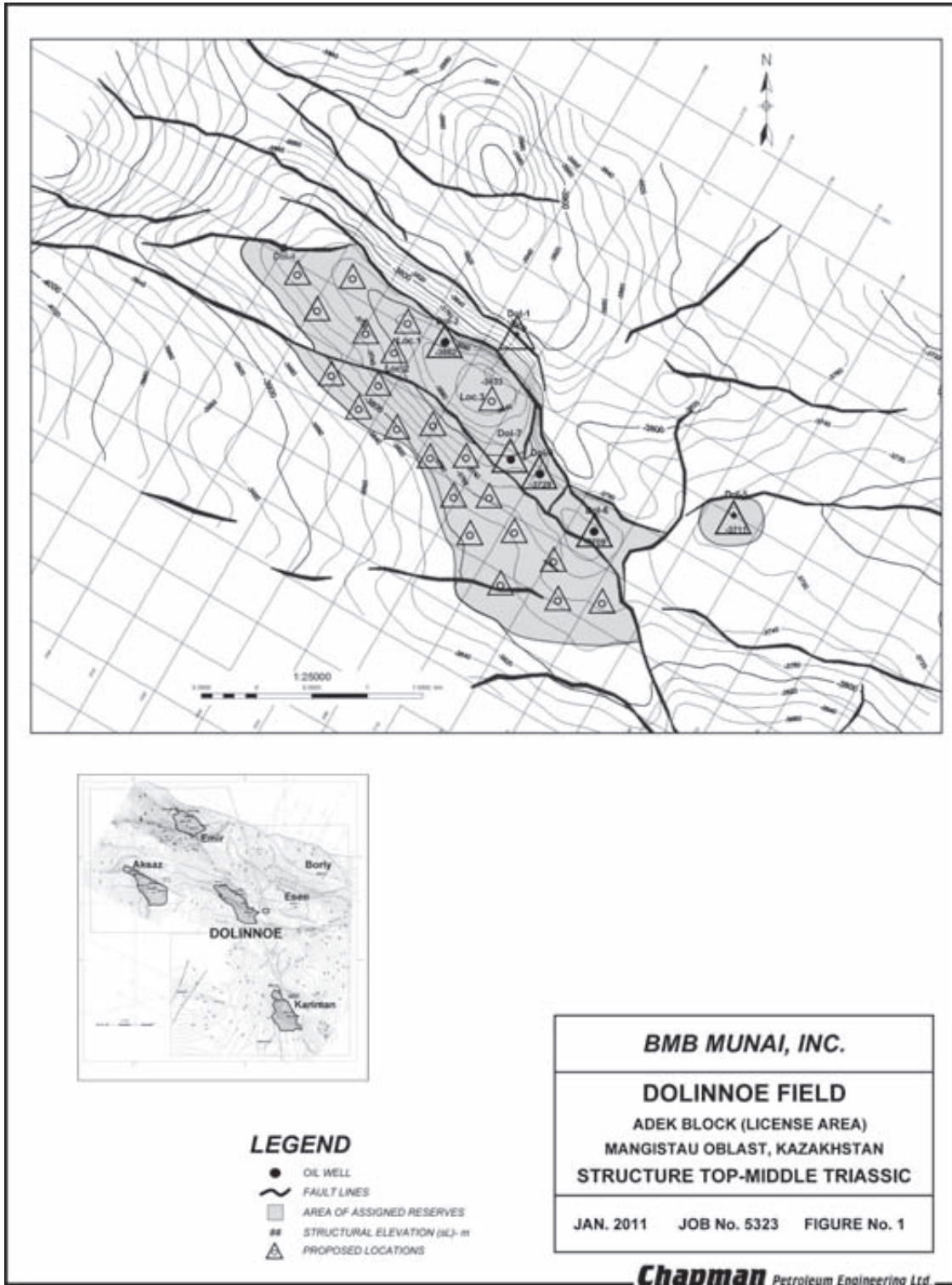
2011-2013 – production split will be 90/10 (90 percent of production – for export and 10 percent – for domestic sales)

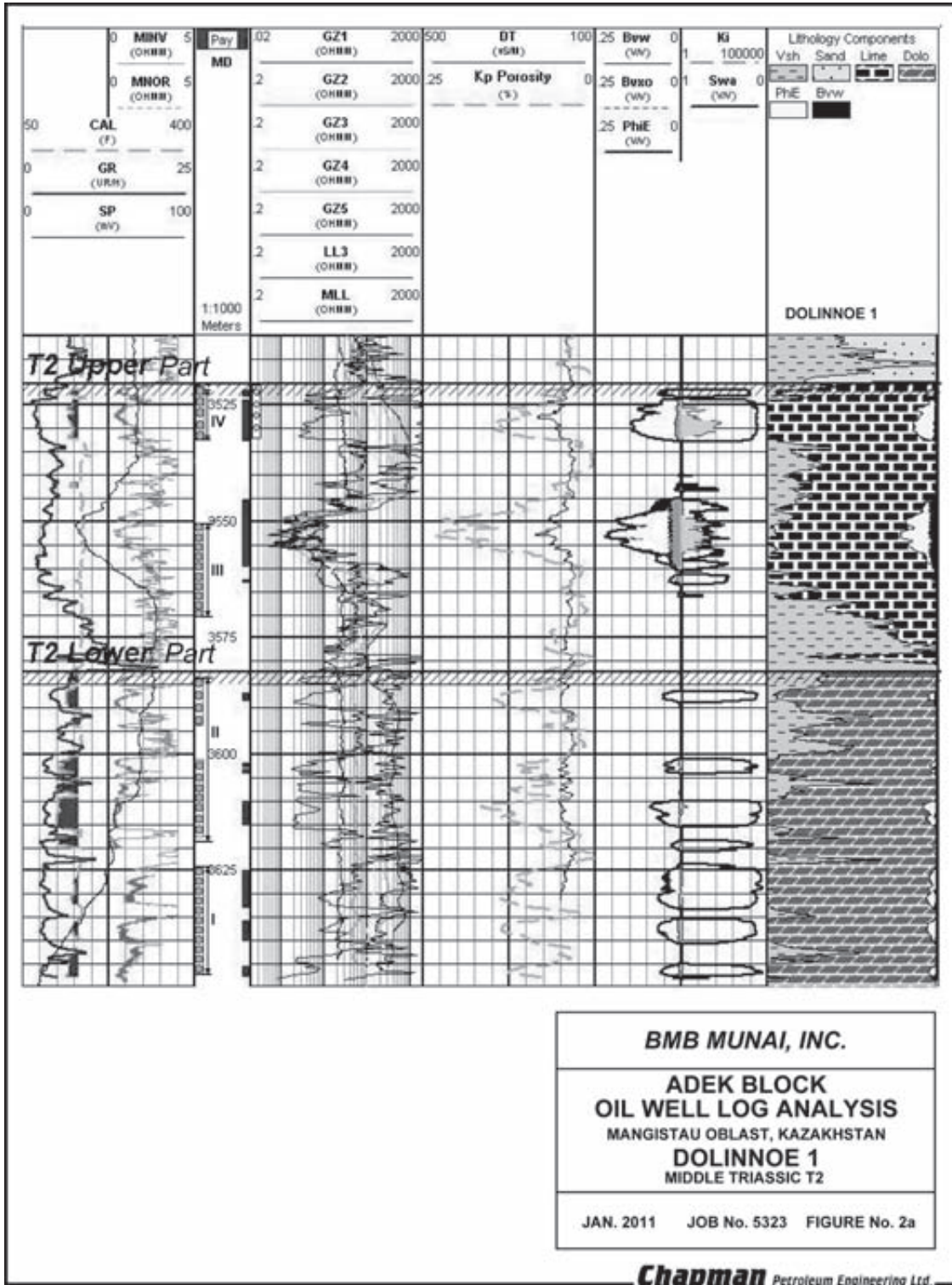
after 2013 – production split will be 80/20 (80 percent of production – for export and 20 percent – for domestic sales)

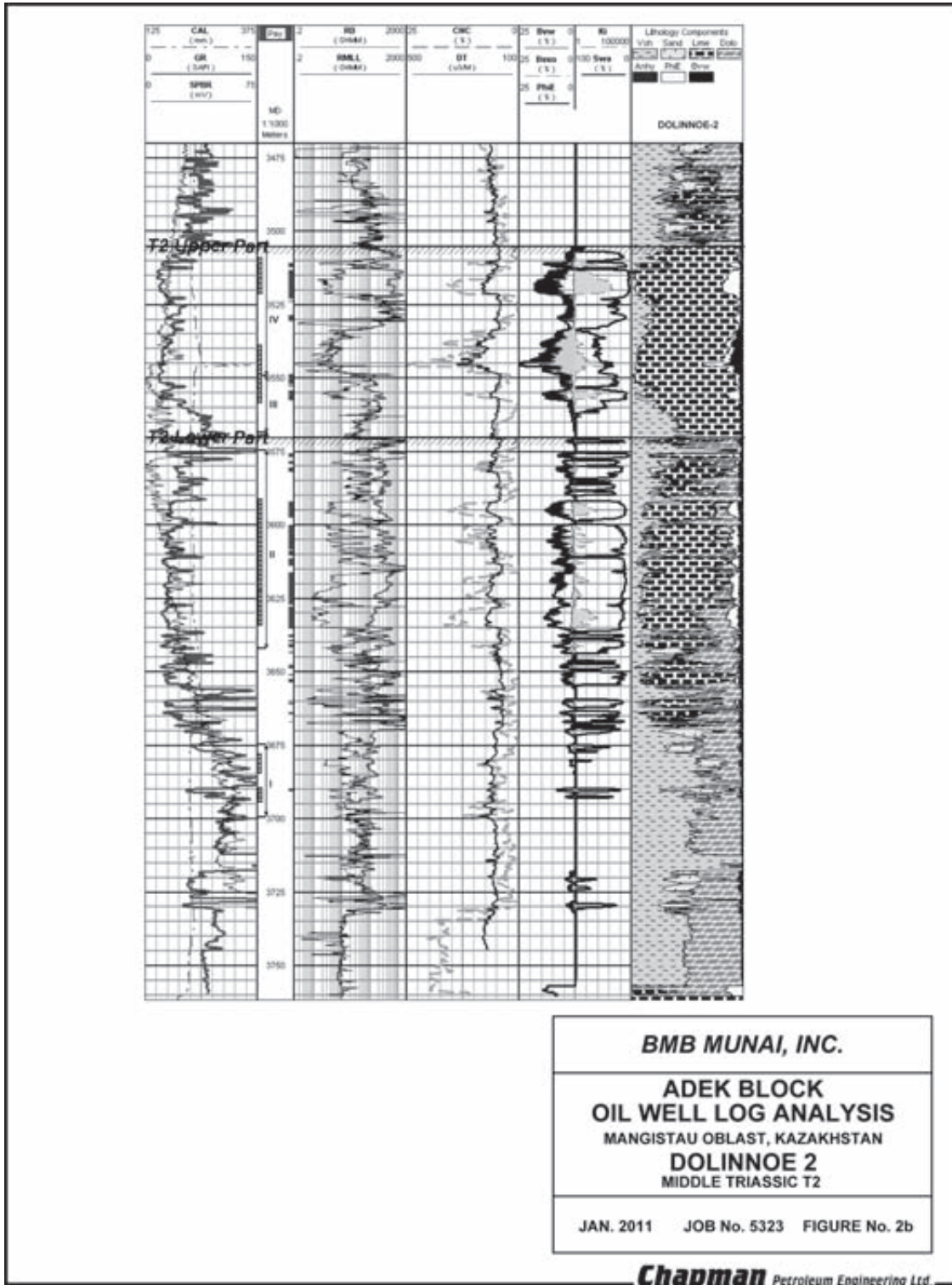
10 <sup>6</sup> m <sup>3</sup>	Annual Production		Royalty (Mineral Extraction Tax) for GAS, %	
		MMscf	Export	Domestic
up to 1000		up to 35,490	10.00	0.50
up to 2000		up to 70,980	10.00	1.00
over 2000		over 70,980	10.00	1.50

Corporate Income Tax	
Year	Rate, %
2011-2012	20.00
2013	17.50
2014 and after	15.00

*Rights Owned:* A Dolinnoe Field located in blocks XXXVI-10-C(partially), D(partially).





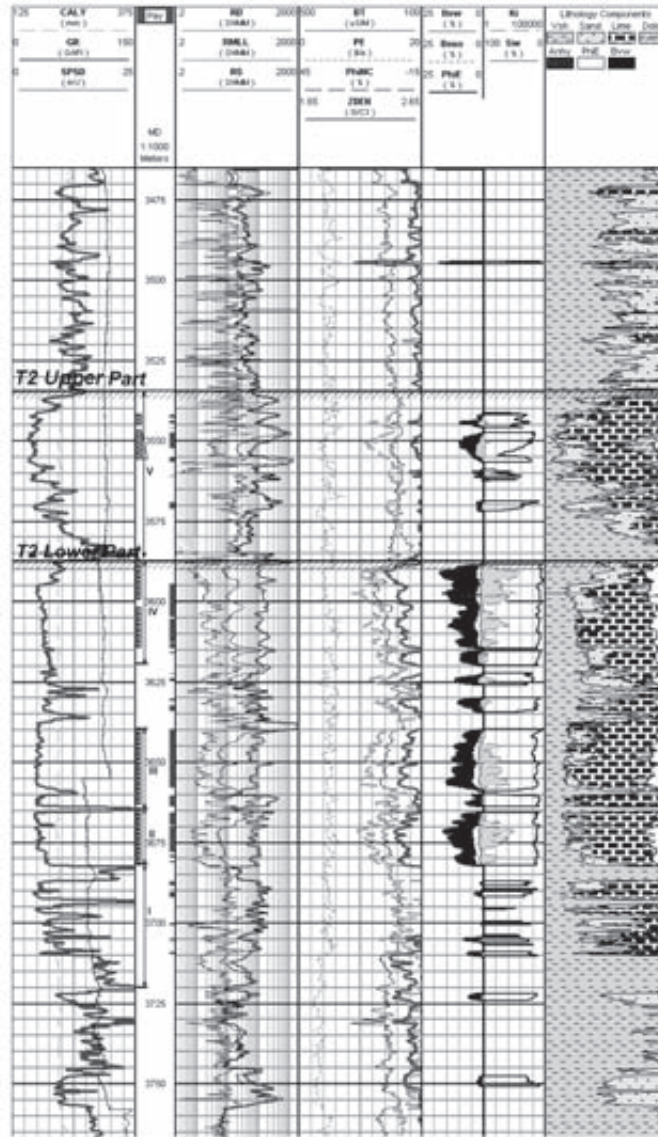


**BMB MUNAI, INC.**

**ADEK BLOCK  
OIL WELL LOG ANALYSIS**  
MANGISTAU OBLAST, KAZAKHSTAN  
**DOLINNOE 2**  
MIDDLE TRIASSIC T2

JAN. 2011    JOB No. 5323    FIGURE No. 2b

**Chapman** Petroleum Engineering Ltd.

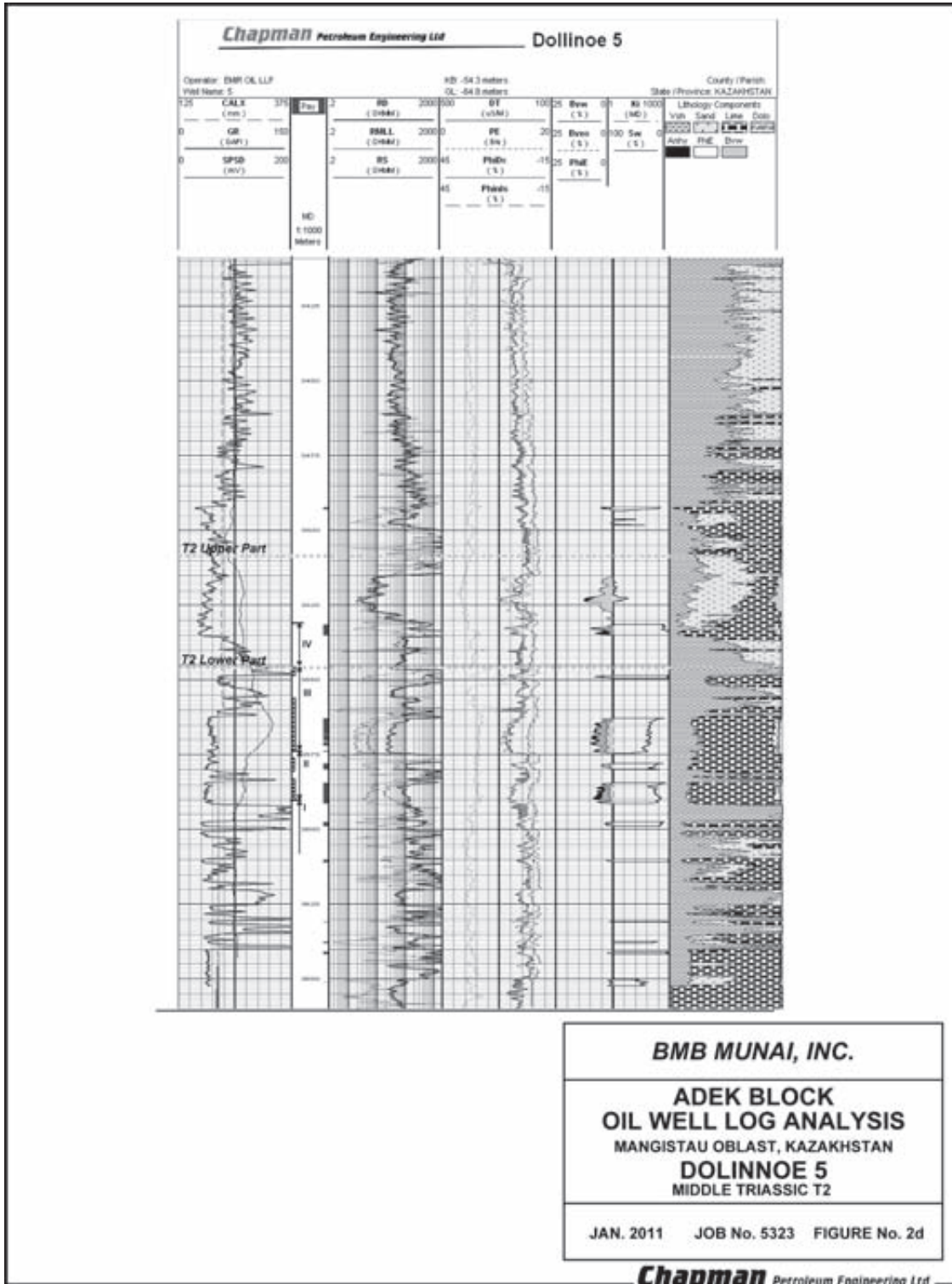


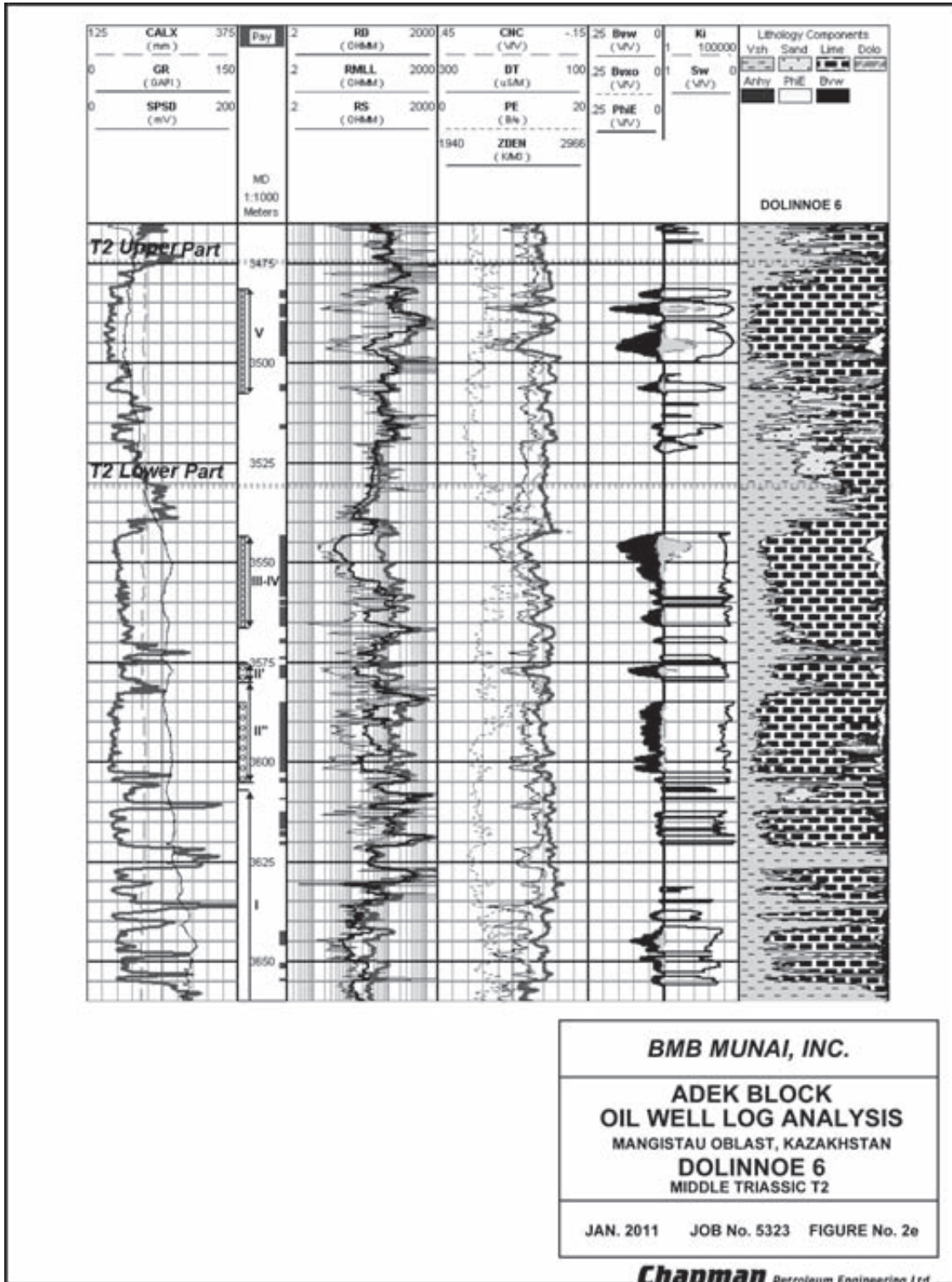
**BMB MUNAI, INC.**

**ADEK BLOCK  
OIL WELL LOG ANALYSIS**  
MANGISTAU OBLAST, KAZAKHSTAN  
**DOLINNOE 3**  
MIDDLE TRIASSIC T2

JAN. 2011    JOB No. 5323    FIGURE No. 2c

**Chapman** Petroleum Engineering Ltd.





**BMB MUNAI, INC.**

**ADEK BLOCK  
OIL WELL LOG ANALYSIS**  
MANGISTAU OBLAST, KAZAKHSTAN  
**DOLINNOE 6**  
MIDDLE TRIASSIC T2

JAN. 2011    JOB No. 5323    FIGURE No. 2e

**Chapman** Petroleum Engineering Ltd.

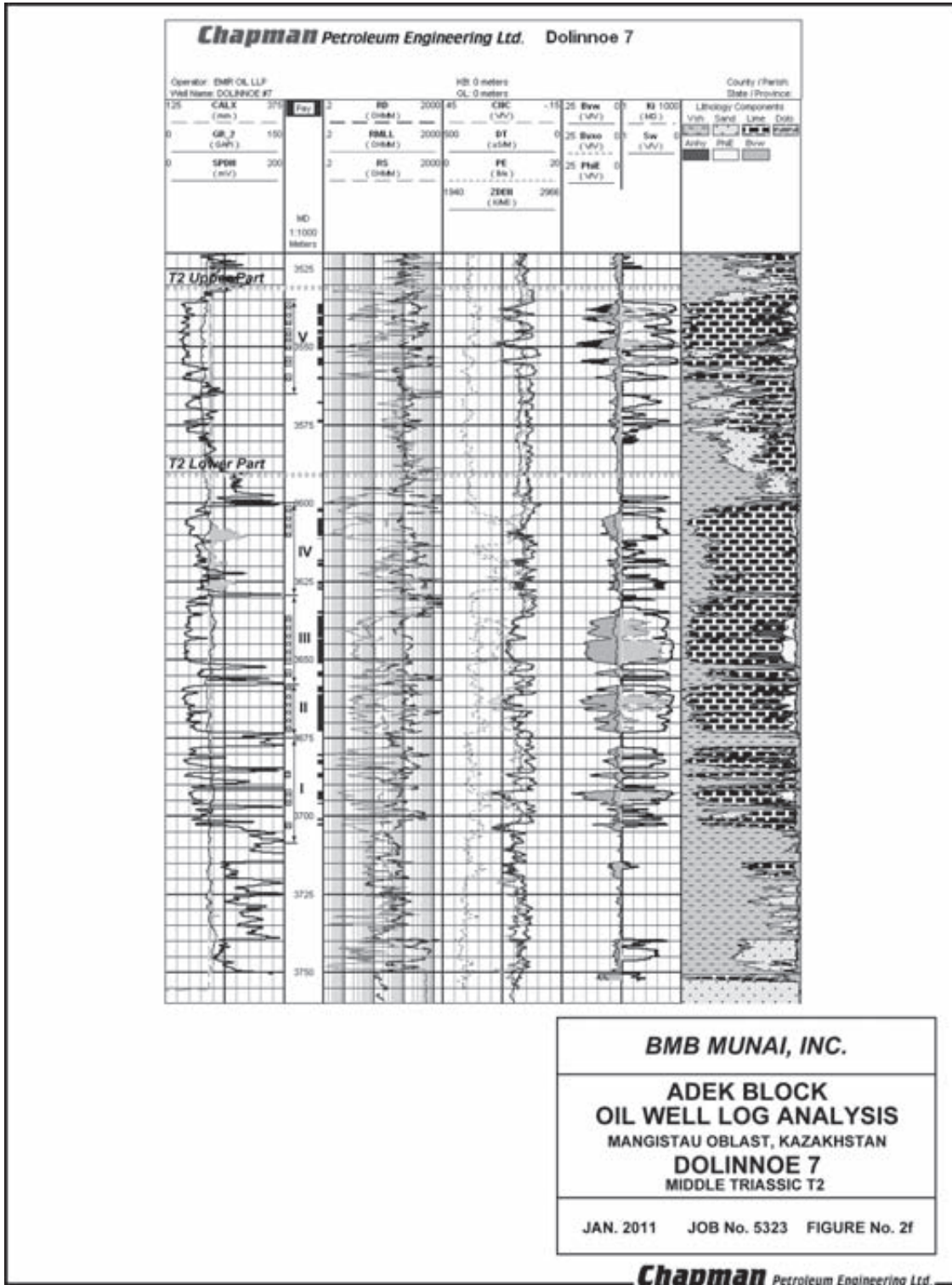


Table 2

**Summary of Gross Reserves  
January 1, 2011**

**BMB Munai, Inc.**

**Dolinnoe, Republic of Kazakhstan**

Description		Current or Initial Rate <i>STB/d</i>	API Gravity <i>(Deg)</i>	Ultimate ROIP <i>(MSTB)</i>	Cumulative Production <i>(MSTB)</i>	Remaining ROIP <i>(MSTB)</i>
<b>LIGHT &amp; MEDIUM OIL</b>						
<b>Proved Developed Producing</b>						
Dolinnoe-1	Middle Triassic T2 (Zones II & I)	159	55	451	155	296
Dolinnoe-2	Middle Triassic T2 (Zones IV, III, II & I)	75	45	1,105	149	955
Dolinnoe-3	Middle Triassic T2 (Zone IV)	121	56	402	380	22
Dolinnoe-7	Middle Triassic T2 (Zone IV)	82	56	470	28	442
	<b>Total Proved Developed Producing</b>	<b>437</b>		<b>2,428</b>	<b>713</b>	<b>1,715</b>
<b>Proved Developed Non-Producing</b>						
Dolinnoe-1	Middle Triassic T2 (Zones IV & III)	150	55	653	102	551
Dolinnoe-3	Middle Triassic T2 (Zones V, III & II)	300	56	822	50	772
Dolinnoe-6	Middle Triassic T2 (Zones V, IV, III, II', II" & I)	400	45	1,239	95	1,144
Dolinnoe-7	Middle Triassic T2 (Zones V, III, II & I)	300	56	835	74	761
	<b>Total Proved Developed Non-Producing</b>	<b>1,150</b>		<b>3,548</b>	<b>322</b>	<b>3,227</b>
	<b>Total Proved Developed</b>	<b>1,587</b>		<b>5,977</b>	<b>1,035</b>	<b>4,942</b>
<b>Proved Undeveloped</b>						
Locations 1, 2 & 3	Middle Triassic T2 (Upper Part)	800	45	1,036	0	1,036
Locations 1, 2 & 3	Middle Triassic T2 (Lower Part)	800	45	1,535	0	1,535
	<b>Total Proved Undeveloped</b>	<b>1,600</b>		<b>2,571</b>	<b>0</b>	<b>2,571</b>
	<b>Total Proved</b>	<b>3,187</b>		<b>8,547</b>	<b>1,035</b>	<b>7,513</b>

Description			Current or	API	Ultimate	Cumulative	Remaining
			Initial				
			Rate	(Deg)	(MSTB)	(MSTB)	(MSTB)
			STB/d				
<b>Probable</b>							
<b>Probable Developed Producing</b>							
Dolinnoe-1	Middle Triassic T2 (Zones II & I)	(incr.)	100	55	75	0	75
Dolinnoe-2	Middle Triassic T2 (Zones IV, III, II & I)	(incr.)	100	45	317	0	317
Dolinnoe-3	Middle Triassic T2 (Zone IV)	(incr.)	100	56	161	0	161
Dolinnoe-7	Middle Triassic T2 (Zone IV)	(incr.)	100	56	188	0	188
<b>Total Probable Developed Producing</b>			<b>400</b>		<b>742</b>	<b>0</b>	<b>742</b>
<b>Probable Developed Non-Producing</b>							
Dolinnoe-1	Middle Triassic T2 (Zones IV & III)	(incr.)	100	55	109	0	109
Dolinnoe-3	Middle Triassic T2 (Zones V, III & II)		100	56	329	0	329
Dolinnoe-3	Middle Triassic T2 (Zone I)		100	56	32	0	32
Dolinnoe-5	Middle Triassic T2 (Zones III & II)		200	56	318	3	315
Dolinnoe-6	Middle Triassic T2 (Zones V, IV, III, II', II" & I)	(incr.)	200	56	206	0	206
Dolinnoe-7	Middle Triassic T2 (Zones V, III, II & I)	(incr.)	300	56	206	0	206
<b>Total Probable Developed Non-Producing</b>			<b>1,000</b>		<b>1,201</b>	<b>3</b>	<b>1,198</b>
<b>Total Probable Developed</b>			<b>1,400</b>		<b>1,943</b>	<b>3</b>	<b>1,940</b>
<b>Probable Undeveloped</b>							
Locations 1, 2, 3	Middle Triassic T2 (Upper Part)	(incr.)	500	45	518	0	518
Locations 1, 2, 3	Middle Triassic T2 (Lower Part)	(incr.)	500	45	767	0	767
Six Location	Middle Triassic T2 (Upper Part)		1,200	45	2,070	0	2,070
Six Location	Middle Triassic T2 (Lower Part)		1,200	45	3,070	0	3,070
<b>Total Probable Undeveloped</b>			<b>3,400</b>		<b>6,425</b>	<b>0</b>	<b>6,425</b>
<b>Total Probable</b>			<b>4,800</b>		<b>8,368</b>	<b>3</b>	<b>8,365</b>
<b>Total Proved Plus Probable</b>			<b>7,987</b>		<b>16,916</b>	<b>1,038</b>	<b>15,878</b>
<b>Possible</b>							
Locations 1, 2 & 3	Middle Triassic T2 (Upper Part)	(incr.)	500	45	259	0	259
Locations 1, 2 & 3	Middle Triassic T2 (Lower Part)	(incr.)	500	45	384	0	384
Dolinnoe-5	Middle Triassic T2 (Zone IV)		50	56	60	0	60
Dolinnoe-5	Middle Triassic T2 (Zones III & II)	(incr.)	100	56	53	0	53
Six Location	Middle Triassic T2 (Upper Part)		1200	45	1,038	0	1,038
Six Location	Middle Triassic T2 (Lower Part)		1200	45	1,535	0	1,535
Twelve Location	Middle Triassic T2 (Upper Part)		2400	45	4,142	0	4,142
Twelve Location	Middle Triassic T2 (Lower Part)		2400	45	6,140	0	6,140
<b>Total Possible</b>			<b>8,350</b>		<b>13,611</b>	<b>0</b>	<b>13,611</b>
<b>Total Proved Plus Probable Plus Possible</b>			<b>16,337</b>		<b>30,526</b>	<b>1,038</b>	<b>29,488</b>

**APPENDIX IV**

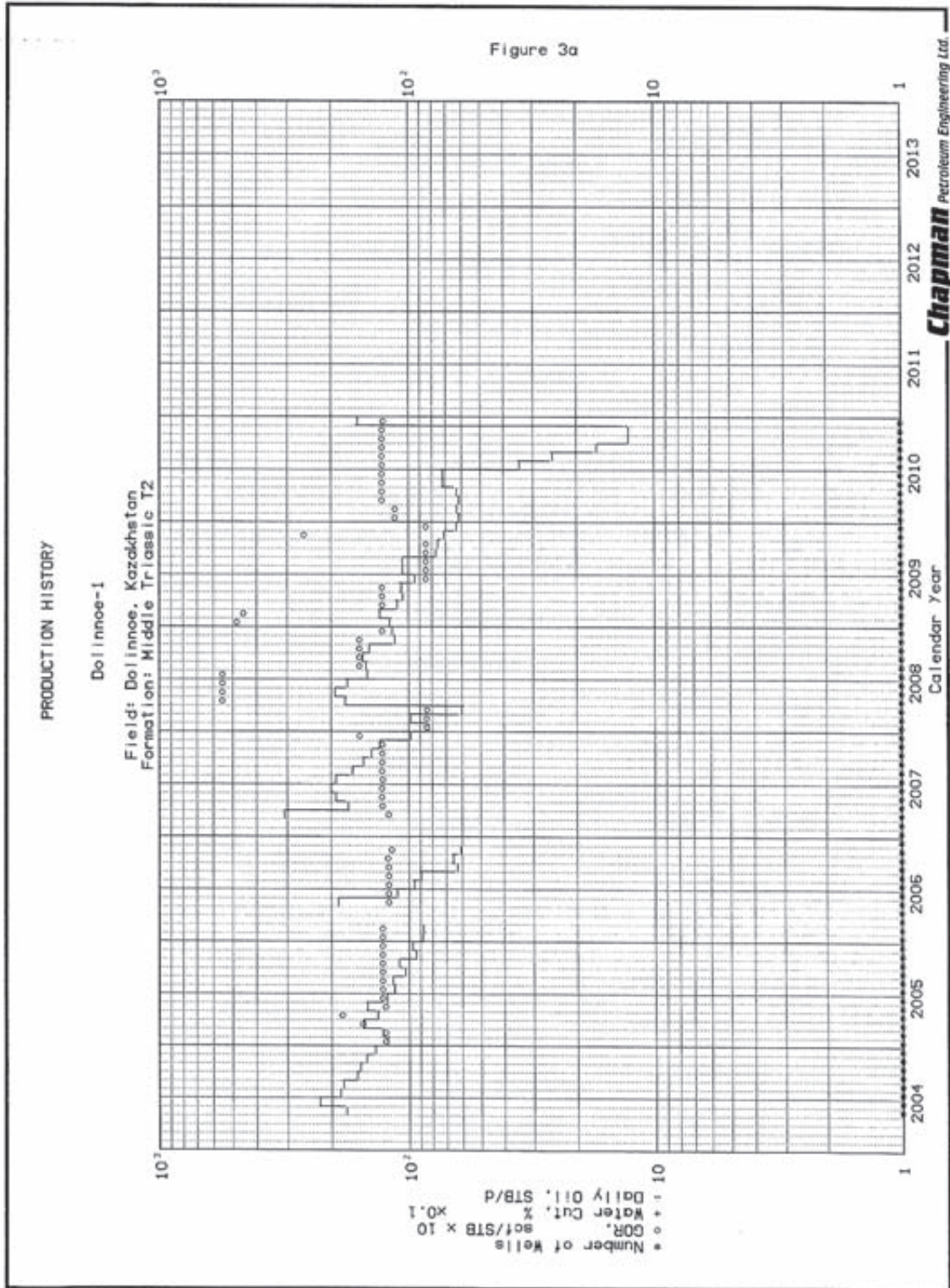
**COMPETENT PERSON'S REPORT**

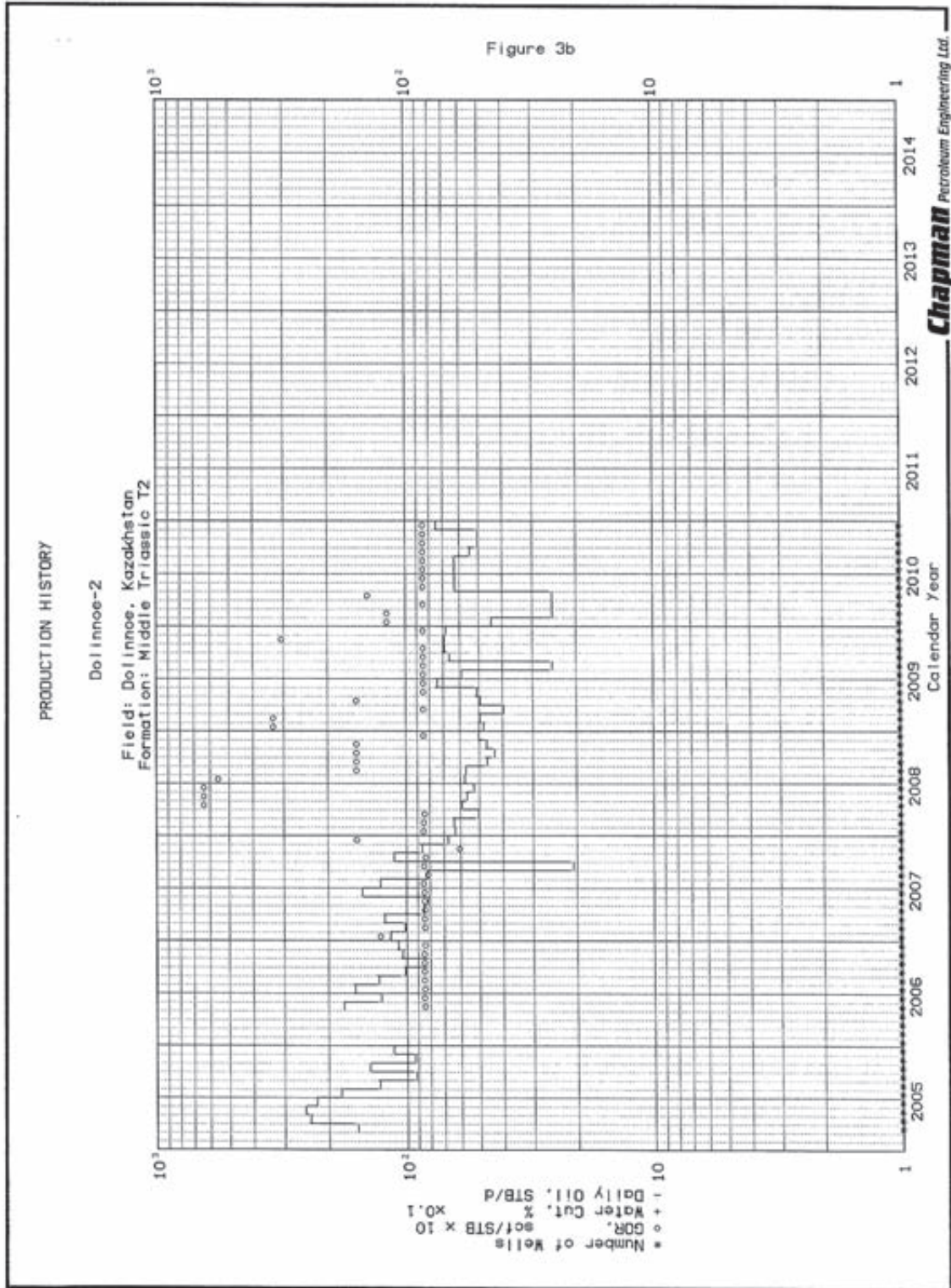
Description	Current or Initial Rate <i>Mscf/d</i>	Ultimate RGIP <i>(MMscf)</i>	Cumulative Production <i>(MMscf)</i>	Remaining		Reference	Loss % <i>Bbls/MMscf</i>	NGL Ratio <i>LT/MMscf</i>	Sulphur Ratio <i>LT/MMscf</i>	GOR <i>Scf/STB</i>	
				RGIP <i>(MMscf)</i>	RGIP <i>(MMscf)</i>						
<b>SOLUTION GAS</b>											
<b>Proved Developed Producing</b>											
Dolinnoe-1	Middle Triassic T2 (Zones II & I)	241	684	236	449	417	GOR: 1,516 scf/STB	7	0	0	1,516
Dolinnoe-2	Middle Triassic T2 (Zones IV, III, II & I)	75	1,117	151	966	898	GOR: 1,012 scf/STB	7	0	0	1,012
Dolinnoe-3	Middle Triassic T2 (Zone IV)	158	525	497	28	26	GOR: 1,306 scf/STB	7	0	0	1,306
Dolinnoe-7	Middle Triassic T2 (Zone IV)	124	707	42	664	618	GOR: 1,502 scf/STB	7	0	0	1,502
	<b>Total Proved Developed Producing</b>	<b>598</b>	<b>3,034</b>	<b>926</b>	<b>2,108</b>	<b>1,960</b>					
<b>Proved Developed Non-Producing</b>											
Dolinnoe-1	Middle Triassic T2 (Zones IV & III)	227	990	155	835	777	GOR: 1,516 scf/STB	7	0	0	1,516
Dolinnoe-3	Middle Triassic T2 (Zones V, III & II)	392	1,073	65	1,008	937	GOR: 1,306 scf/STB	7	0	0	1,306
Dolinnoe-6	Middle Triassic T2 (Zones V, IV, III, II', II" & I)	935	2,895	222	2,673	2,486	GOR: 2,337 scf/STB	7	0	0	2,337
Dolinnoe-7	Middle Triassic T2 (Zones V, III, II & I)	451	1,254	112	1,142	1,062	GOR: 1,502 scf/STB	7	0	0	1,502
	<b>Total Proved Developed Non-Producing</b>	<b>2,005</b>	<b>6,212</b>	<b>554</b>	<b>5,658</b>	<b>5,262</b>					
	<b>Total Proved Developed</b>	<b>2,602</b>	<b>9,246</b>	<b>1,480</b>	<b>7,766</b>	<b>7,222</b>					
<b>Proved Undeveloped</b>											
Locations 1, 2 & 3	Middle Triassic T2 (Upper Part)	1,213	1,571	0	1,571	1,461	GOR: 1,516 scf/STB	7	0	0	1,516
Locations 1, 2 & 3	Middle Triassic T2 (Lower Part)	1,213	2,327	0	2,327	2,164	GOR: 1,516 scf/STB	7	0	0	1,516
	<b>Total Proved Undeveloped</b>	<b>2,426</b>	<b>3,898</b>	<b>0</b>	<b>3,898</b>	<b>3,625</b>					
	<b>Total Proved</b>	<b>5,028</b>	<b>13,143</b>	<b>1,480</b>	<b>11,663</b>	<b>10,847</b>					

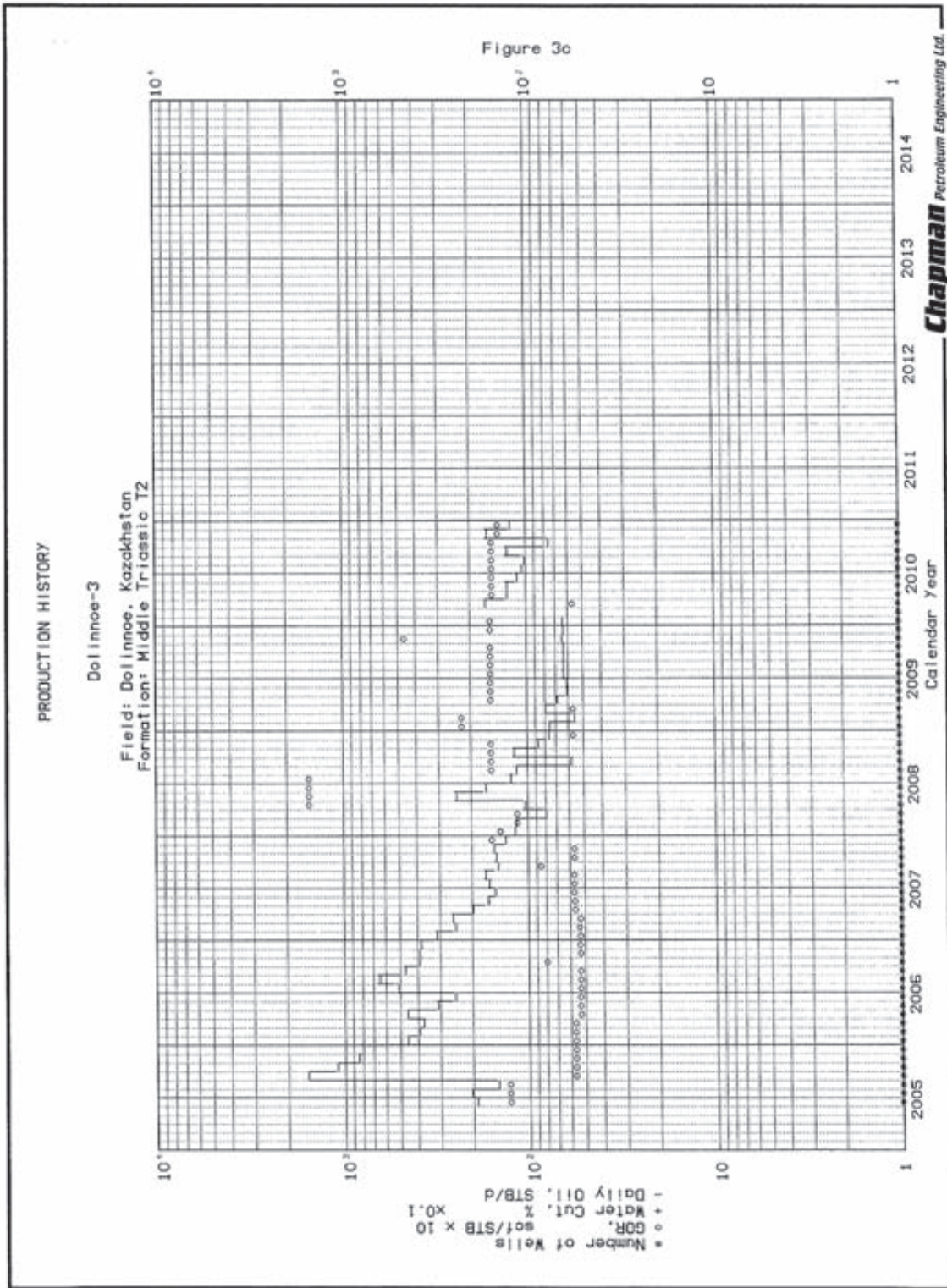
**APPENDIX IV**

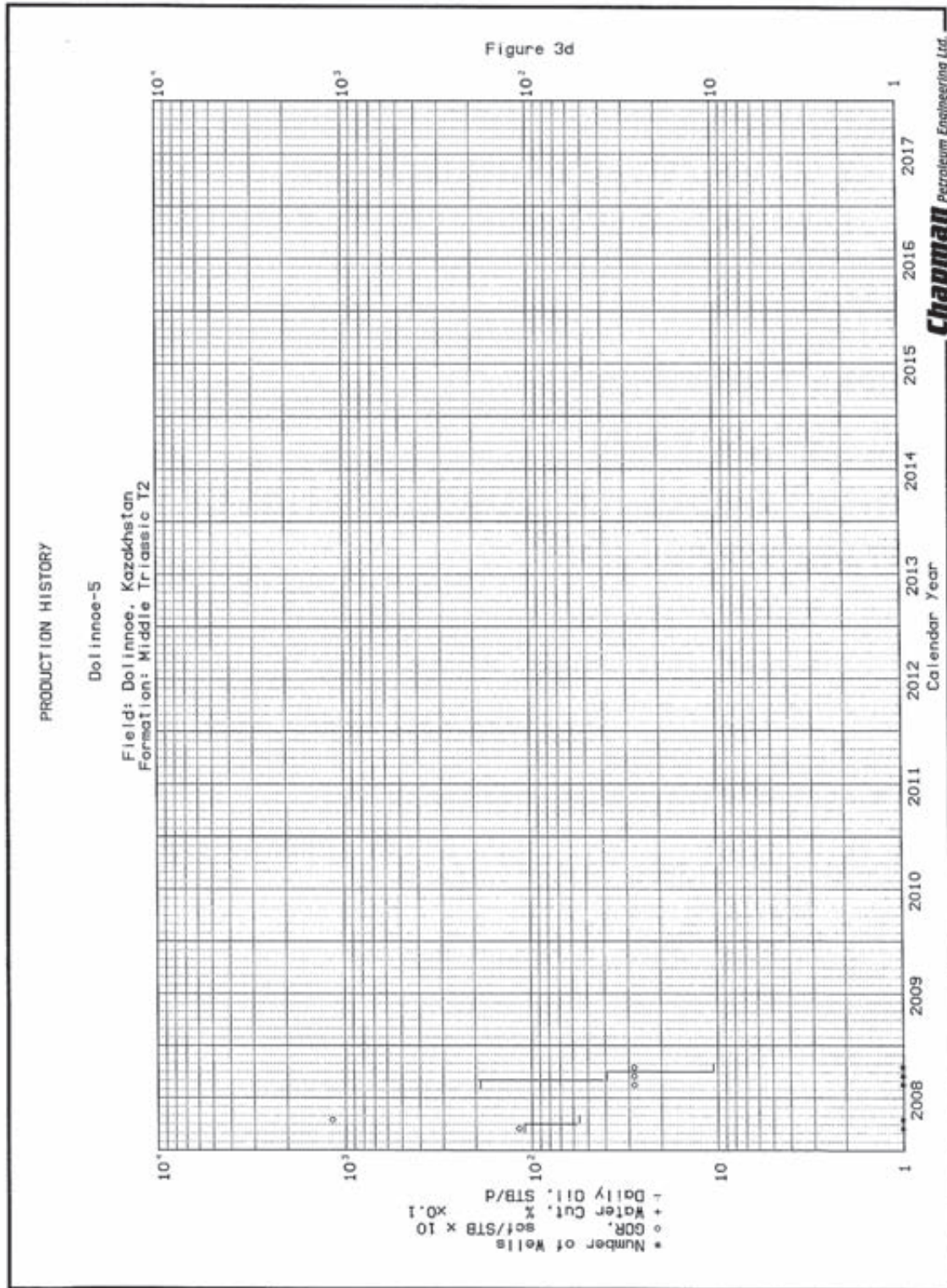
**COMPETENT PERSON'S REPORT**

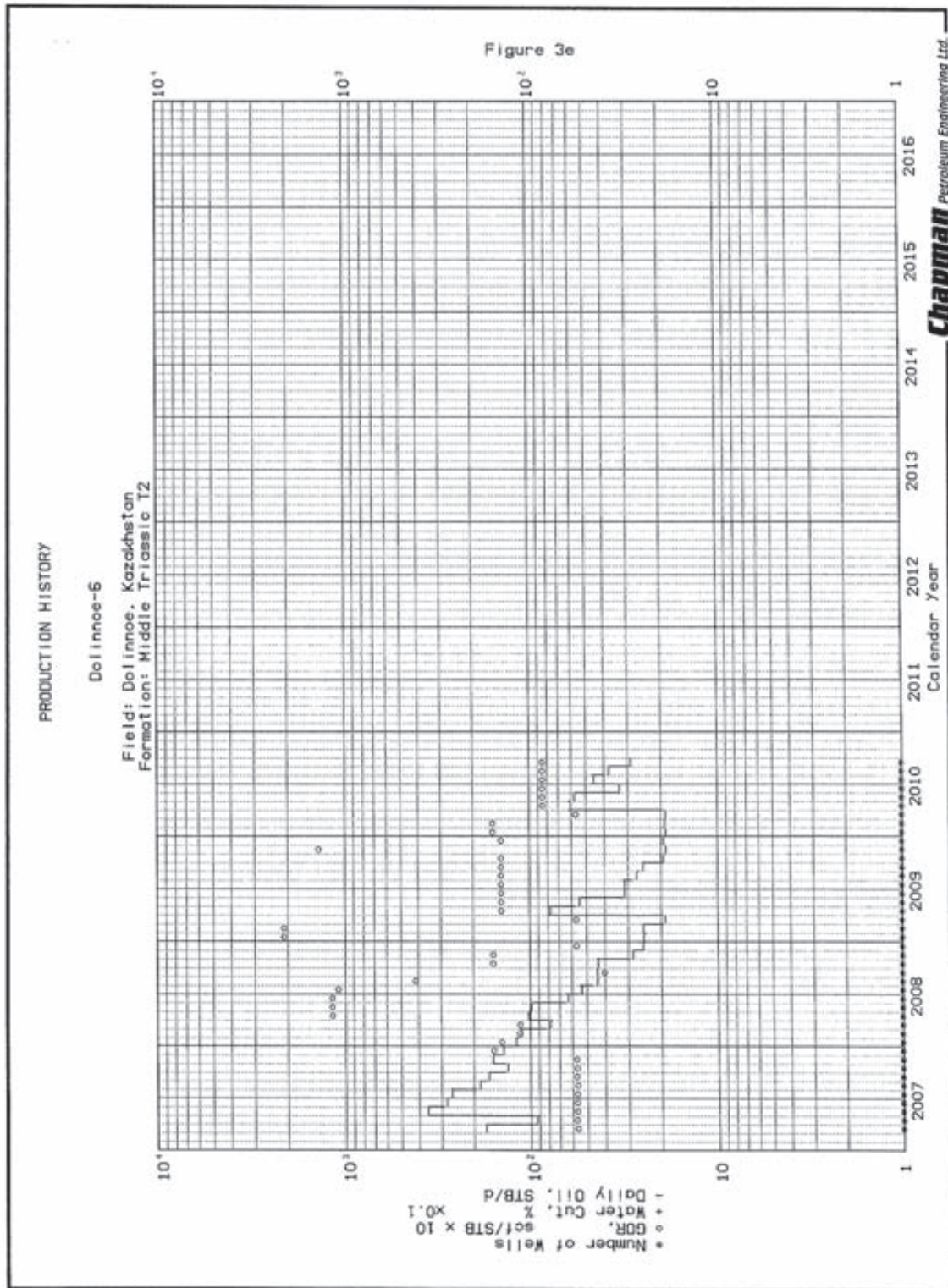
Description	Current or Initial Rate <i>Mscf/d</i>	Ultimate RGIP <i>(MMscf)</i>	Cumulative Production <i>(MMscf)</i>	Remaining		Reference	Loss % <i>Bbls/MMscf</i>	NGL Ratio <i>LT/MMscf</i>	Sulphur Ratio <i>LT/MMscf</i>	GOR <i>Scf/STB</i>
				RGIP <i>(MMscf)</i>	RGIP <i>(MMscf)</i>					
<b>Probable</b>										
<b>Probable Developed Producing</b>										
Dolinnoe-1	Middle Triassic T2 (Zones II & I)	114	0	114	107	GOR: 1,516 scf/STB	7	0	0	1,516
Dolinnoe-2	Middle Triassic T2 (Zones IV, III, II & I)	321	0	321	298	GOR: 1,012 scf/STB	7	0	0	1,012
Dolinnoe-3	Middle Triassic T2 (Zone IV)	210	0	210	195	GOR: 1,306 scf/STB	7	0	0	1,306
Dolinnoe-7	Middle Triassic T2 (Zone IV)	287	5	283	263	GOR: 1,502 scf/STB	7	0	0	1,502
<b>Total Probable Developed Producing</b>		<b>932</b>	<b>5</b>	<b>928</b>	<b>864</b>					
<b>Probable Developed Non-Producing</b>										
Dolinnoe-1	Middle Triassic T2 (Zones IV & III)	164	0	165	153	GOR: 1,516 scf/STB	7	0	0	1,516
Dolinnoe-3	Middle Triassic T2 (Zones V, III & II)	433	0	430	400	GOR: 1,306 scf/STB	7	0	0	1,306
Dolinnoe-3	Middle Triassic T2 (Zone I)	46	4	42	39	GOR: 1,306 scf/STB	7	0	0	1,306
Dolinnoe-5	Middle Triassic T2 (Zones III & II)	942	0	943	877	GOR: 2,990 scf/STB	7	0	0	2,990
Dolinnoe-6	Middle Triassic T2 (Zones V, IV, III, II', II" & I)	481	0	482	449	GOR: 2,337 scf/STB	7	0	0	2,337
Dolinnoe-7	Middle Triassic T2 (Zones V, III, II & I)	310	0	310	289	GOR: 1,502 scf/STB	7	0	0	1,502
<b>Total Probable Developed Non-Producing</b>		<b>2,376</b>	<b>4</b>	<b>2,372</b>	<b>2,205</b>					
<b>Total Probable Developed</b>		<b>3,309</b>	<b>9</b>	<b>3,300</b>	<b>3,069</b>					
<b>Probable Undeveloped</b>										
Locations 1, 2, 3	Middle Triassic T2 (Upper Part)	785	0	785	730	GOR: 1,516 scf/STB	7	0	0	1,516
Locations 1, 2, 3	Middle Triassic T2 (Lower Part)	1,163	0	1,163	1,082	GOR: 1,516 scf/STB	7	0	0	1,516
Six Location	Middle Triassic T2 (Upper Part)	3,138	0	3,138	2,919	GOR: 1,516 scf/STB	7	0	0	1,516
Six Location	Middle Triassic T2 (Lower Part)	4,654	0	4,654	4,328	GOR: 1,516 scf/STB	7	0	0	1,516
<b>Total Probable Undeveloped</b>		<b>9,741</b>	<b>0</b>	<b>9,741</b>	<b>9,059</b>					
<b>Total Probable</b>		<b>13,050</b>	<b>9</b>	<b>13,040</b>	<b>12,128</b>					
<b>Total Proved Plus Probable</b>		<b>26,193</b>	<b>1,489</b>	<b>24,704</b>	<b>22,975</b>					
<b>Possible</b>										
Locations 1, 2 & 3	Middle Triassic T2 (Upper Part)	393	0	393	365	GOR: 1,516 scf/STB	7	0	0	1,516
Locations 1, 2 & 3	Middle Triassic T2 (Lower Part)	582	0	582	541	GOR: 1,516 scf/STB	7	0	0	1,516
Dolinnoe-5	Middle Triassic T2 (Zone IV)	179	0	179	167	GOR: 2,990 scf/STB	7	0	0	2,990
Dolinnoe-5	Middle Triassic T2 (Zones III & II)	159	0	159	148	GOR: 2,990 scf/STB	7	0	0	2,990
Six Location	Middle Triassic T2 (Upper Part)	1,574	0	1,574	1,464	GOR: 1,516 scf/STB	7	0	0	1,516
Six Location	Middle Triassic T2 (Lower Part)	2,327	0	2,327	2,164	GOR: 1,516 scf/STB	7	0	0	1,516
Twelve Location	Middle Triassic T2 (Upper Part)	6,279	0	6,279	5,840	GOR: 1,516 scf/STB	7	0	0	1,516
Twelve Location	Middle Triassic T2 (Lower Part)	9,308	0	9,308	8,657	GOR: 1,516 scf/STB	7	0	0	1,516
<b>Total Possible</b>		<b>20,801</b>	<b>0</b>	<b>20,801</b>	<b>19,344</b>					
<b>Total Proved Plus Probable Plus Possible</b>		<b>46,994</b>	<b>1,489</b>	<b>45,505</b>	<b>42,319</b>					

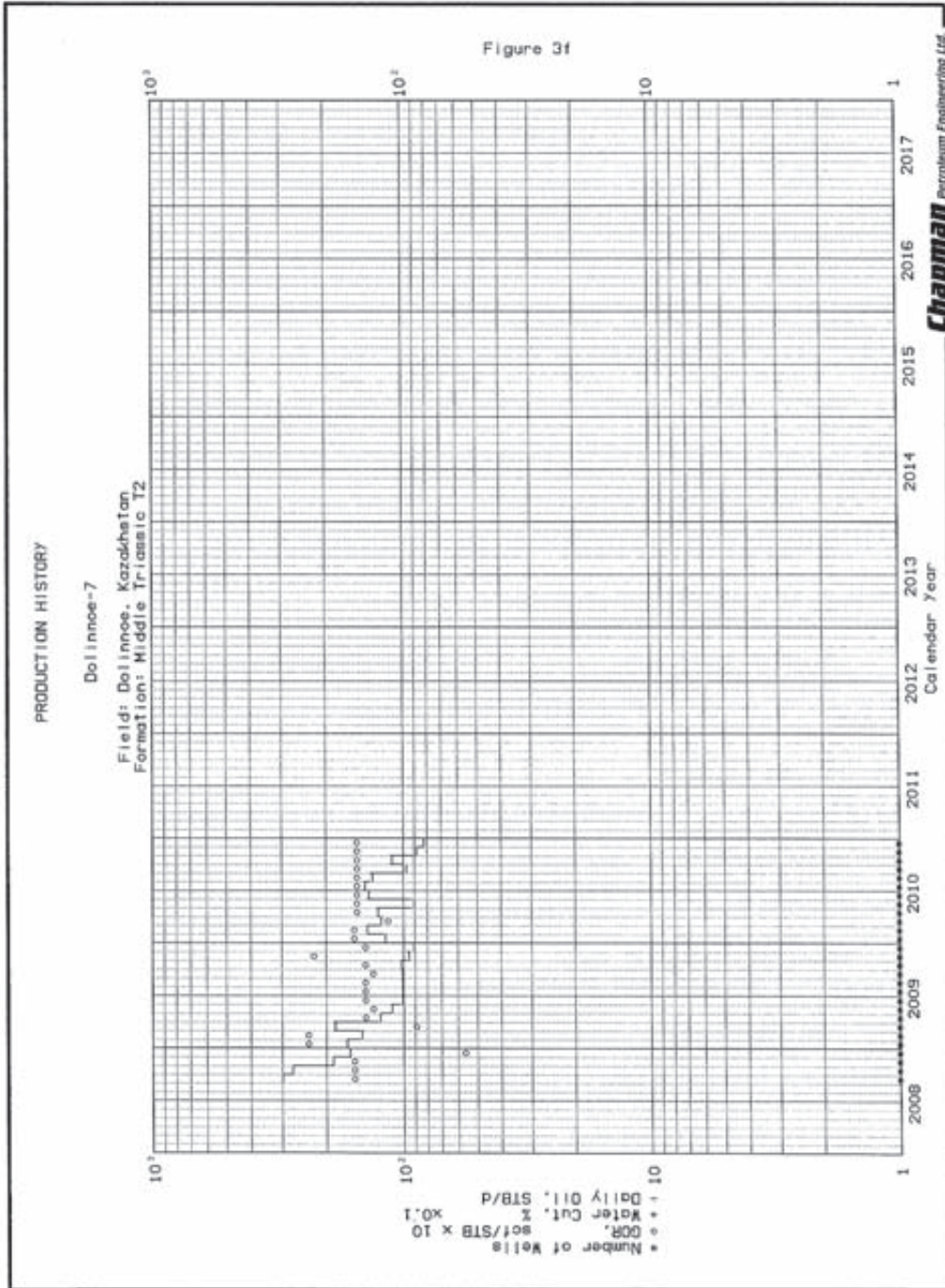












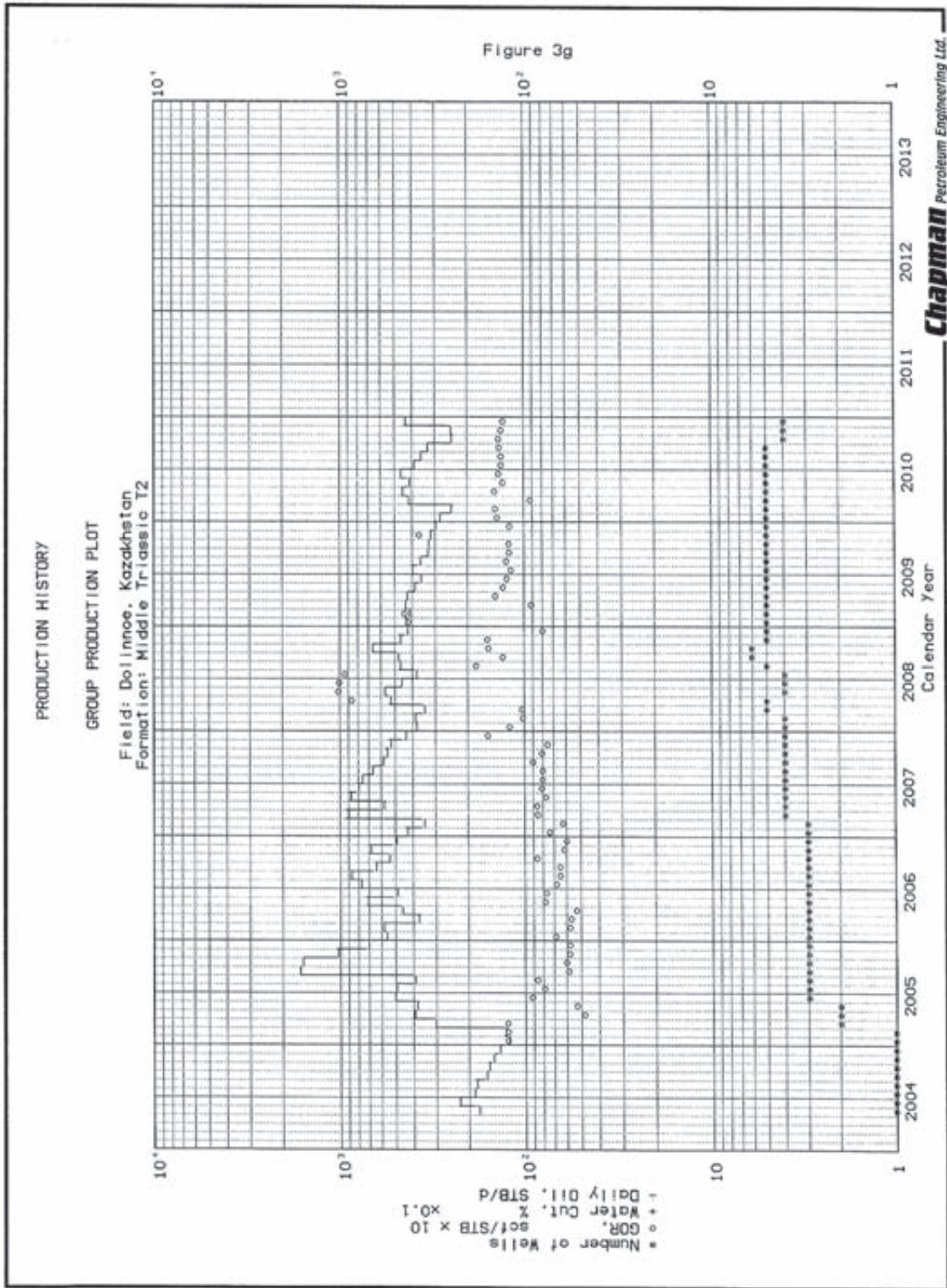


Table 3a

**Summary of Anticipated Capital Expenditures Development  
January 1, 2011**

**BMB Munai, Inc.**

**Dolinnoe, Republic of Kazakhstan**

Description	Date	Operation	Capital Interest %	Gross Capital M\$	Net Capital M\$
<b>Proved</b>					
<b>Proved Developed</b>					
<b>Producing</b>					
Dolinnoe-1	2011	Stimulate Producing Intervals	100.0000	300	300
Dolinnoe-2	2011	Stimulate Producing Intervals	100.0000	300	300
Dolinnoe-3	2011	Stimulate Producing Intervals	100.0000	150	150
Dolinnoe-7	2011	Stimulate Producing Intervals	100.0000	150	150
<b>Total Proved Developed Non-Producing</b>				<b>900</b>	<b>900</b>
<b>Proved Developed</b>					
<b>Non-Producing</b>					
Dolinnoe-1	2011	Complete, Tie-in and Place on Production Additional Intervals	100.0000	300	300
Dolinnoe-3	2011	Complete, Tie-in and Place on Production Additional Intervals	100.0000	600	600
Dolinnoe-6	2011	Re-complete, Tie-in and Place on Production	100.0000	800	800
Dolinnoe-7	2011	Complete, Tie-in and Place on Production Additional Intervals	100.0000	600	600
<b>Total Proved Developed Non-Producing</b>				<b>2,300</b>	<b>2,300</b>
<b>Total Proved Developed</b>				<b>3,200</b>	<b>3,200</b>
<b>Proved</b>					
<b>Undeveloped</b>					
Three Locations	2013	Drill, Complete, Tie-in and Place on Production	100.0000	25,500	25,500
<b>Total Proved Undeveloped</b>				<b>25,500</b>	<b>25,500</b>
<b>Total Proved</b>				<b>28,700</b>	<b>28,700</b>

**APPENDIX IV**

**COMPETENT PERSON'S REPORT**

<b>Description</b>	<b>Date</b>	<b>Operation</b>	<b>Capital Interest %</b>	<b>Gross Capital M\$</b>	<b>Net Capital M\$</b>
<b>Probable</b>					
<b>Probable Developed</b>					
Dolinnoe-1	2012	Complete, Tie-in and Place on Production Additional Intervals	100.0000	800	800
Dolinnoe-2	2012	Complete, Tie-in and Place on Production Additional Intervals	100.0000	600	600
Dolinnoe-3	2012	Complete, Tie-in and Place on Production Additional Intervals	100.0000	1,400	1,400
Dolinnoe-6	2012	Complete, Tie-in and Place on Production Additional Intervals	100.0000	400	400
Dolinnoe-7	2012	Complete, Tie-in and Place on Production Additional Intervals	100.0000	1,000	1,000
Dolinnoe-5	2014	Complete, Tie-in and Place on Production Additional Intervals	100.0000	1,000	1,000
<b>Total Probable Developed</b>				<b>5,200</b>	<b>5,200</b>
<b>Probable Undeveloped</b>					
Gas Gathering Facilities	2012	Build and Tie-in Gas Gathering Facilities	100.0000	7,500	7,500
Three Locations	2013	Complete and Tie-in Additional Intervals	100.0000	1,500	1,500
Six Locations	2015-2016	Drill, complete and Tie-in	100.0000	51,000	51,000
<b>Total Probable Undeveloped</b>				<b>60,000</b>	<b>60,000</b>
<b>Total Probable</b>				<b>65,200</b>	<b>65,200</b>
<b>Total Proved Plus Probable</b>				<b>93,900</b>	<b>93,900</b>
<b>Possible</b>					
Three Locations	2013	Complete and Tie-in Additional Intervals	100.0000	1,500	1,500
Dolinnoe-5	2014	Complete and Tie-in Additional Intervals	100.0000	800	800
Six Locations	2015-2016	Complete and Tie-in Additional Intervals	100.0000	3,000	3,000
Twelve Locations	2017-2020	Drill, complete and Tie-in	100.0000	102,000	102,000
<b>Total Possible</b>				<b>107,300</b>	<b>107,300</b>
<b>Total Proved Plus Probable Plus Possible</b>				<b>201,200</b>	<b>201,200</b>

*Note:* The above capital values are expressed in terms of current dollar without escalation.

Table 3b

**Summary of Anticipated Capital Expenditures  
Abandonment and Restoration  
January 1, 2011**

**BMB Munai, Inc.**

**Dolinnoe, Republic of Kazakhstan**

Description	Year	Well Parameters	Capital Interest %	Gross Capital M\$	Net Capital M\$
<b>Light &amp; Medium Oil</b>					
Dolinnoe-1		Multiple zone oil producing well	100.0000	50	50
Dolinnoe-2		Multiple zone oil producing well	100.0000	50	50
Dolinnoe-3		Multiple zone oil producing well	100.0000	50	50
Dolinnoe-5		Multiple zone oil producing well	100.0000	50	50
Dolinnoe-6		Multiple zone oil producing well	100.0000	50	50
Dolinnoe-7		Multiple zone oil producing well	100.0000	50	50
Three Locations		Multiple zone oil producing well	100.0000	150	150
Six Locations		Multiple zone oil producing well	100.0000	300	300
Twelve Locations		Multiple zone oil producing well	100.0000	600	600
			<b>Total</b>	<b><u>1,350</u></b>	<b><u>1,350</u></b>

**Table 4**  
**Summary of Company Reserves and Economics**  
**Before Income Tax**  
**January 1, 2011**  
**BMB Mineral, Inc.**  
**Delaware, Massachusetts**

Forecast Prices & Costs

**Net To Approver Interest**

Description	Reserves						Cumulative Cash Flow (\$M) - Bill				
	Light and Medium Oil NGL		Sour Gas MMscf		NGL Mscf		Discounted at:				
	Gross	Net	Gross	Net	Gross	Net	Units	15%/Year	15%/Year	15%/Year	15%/Year
<b>Proved Developed Producing</b>											
Delonee-1 Middle Triassic T2(Zones II & I)	296	266	417	417	0	0	13,131	11,627	10,412	8,416	8,367
Delonee-2 Middle Triassic T2(AI Zone)	955	850	898	898	0	0	48,279	31,303	23,143	18,206	14,554
Delonee-3 Middle Triassic T2(Zone IV)	22	22	25	25	0	0	794	796	748	732	716
Delonee-7 Middle Triassic T2(Zone IV)	442	442	818	818	0	0	22,077	15,775	12,878	10,800	9,333
<b>Total Proved Developed Producing</b>	<b>1,715</b>	<b>1,580</b>	<b>1,958</b>	<b>1,958</b>	<b>0</b>	<b>0</b>	<b>84,277</b>	<b>59,475</b>	<b>47,181</b>	<b>38,184</b>	<b>33,000</b>
<b>Proved Developed Non-Producing</b>											
Delonee-1 Middle Triassic T2(Zones IV & II)	851	851	777	777	0	0	25,979	18,536	11,806	8,795	8,860
Delonee-3 Middle Triassic T2(Zones V,II & I)	772	772	937	937	0	0	36,290	25,985	16,905	15,799	13,833
Delonee-6 Middle Triassic T2(AI Zone)	1,144	1,144	2,486	2,486	0	0	58,324	38,250	28,276	22,138	18,542
Delonee-7 Middle Triassic T2(Zones V,II & I)	761	761	1,062	1,062	0	0	35,230	25,727	19,361	16,226	13,855
<b>Total Proved Developed Non-Producing</b>	<b>3,327</b>	<b>3,327</b>	<b>5,262</b>	<b>5,262</b>	<b>0</b>	<b>0</b>	<b>154,868</b>	<b>108,829</b>	<b>78,817</b>	<b>62,859</b>	<b>51,724</b>
<b>Total Proved Developed</b>	<b>4,942</b>	<b>4,942</b>	<b>7,220</b>	<b>7,220</b>	<b>0</b>	<b>0</b>	<b>239,145</b>	<b>168,304</b>	<b>126,000</b>	<b>101,043</b>	<b>84,724</b>
<b>Proved Undeveloped</b>											
Three Local Middle Triassic T2(AI Zone)	2,571	2,571	3,625	3,625	0	0	95,788	70,109	52,487	40,890	31,658
<b>Total Proved Undeveloped</b>	<b>2,571</b>	<b>2,571</b>	<b>3,625</b>	<b>3,625</b>	<b>0</b>	<b>0</b>	<b>95,788</b>	<b>70,109</b>	<b>52,487</b>	<b>40,890</b>	<b>31,658</b>
<b>Total Proved</b>	<b>7,513</b>	<b>7,513</b>	<b>10,845</b>	<b>10,845</b>	<b>0</b>	<b>0</b>	<b>334,933</b>	<b>238,413</b>	<b>178,487</b>	<b>141,933</b>	<b>116,382</b>
<b>Probable</b>											
<b>Probable Developed Producing</b>											
Delonee-1 Middle Triassic T2(Zones II & I)	inc.	75	75	107	107	0	0	3,363	2,890	2,790	2,507
Delonee-2 Middle Triassic T2(AI Zone)	inc.	317	317	299	299	0	0	14,145	9,005	6,248	4,933
Delonee-3 Middle Triassic T2(Zone IV)	inc.	161	161	196	196	0	0	8,873	6,389	5,751	5,201
Delonee-7 Middle Triassic T2(Zone IV)	inc.	188	188	263	263	0	0	9,120	6,218	4,882	3,918
<b>Total Probable Developed Producing</b>	<b>742</b>	<b>742</b>	<b>864</b>	<b>864</b>	<b>0</b>	<b>0</b>	<b>35,501</b>	<b>24,521</b>	<b>19,681</b>	<b>16,559</b>	<b>14,643</b>
<b>Probable Developed Non-Producing</b>											
Delonee-1 Middle Triassic T2(Zones IV & II)	inc.	109	109	133	133	0	0	4,074	4,025	4,162	3,521
Delonee-3 Middle Triassic T2(Zones V,II & I)	inc.	329	329	400	400	0	0	16,369	9,797	6,719	4,859
Delonee-6 Middle Triassic T2(AI Zone)	inc.	206	206	449	449	0	0	7,743	9,027	8,237	6,174
Delonee-7 Middle Triassic T2(Zones V,II & I)	inc.	204	204	299	299	0	0	9,406	10,194	9,445	8,211
Delonee-5 Middle Triassic T2(Zone I)		32	32	39	39	0	0	990	909	831	761
Delonee-5 Middle Triassic T2(Zones II & I)		313	313	877	877	0	0	15,721	8,364	6,412	5,077
<b>Total Probable Developed Non-Producing</b>	<b>1,199</b>	<b>1,199</b>	<b>2,369</b>	<b>2,369</b>	<b>0</b>	<b>0</b>	<b>61,301</b>	<b>42,824</b>	<b>34,906</b>	<b>28,328</b>	<b>23,130</b>
<b>Total Probable Developed</b>	<b>1,940</b>	<b>1,940</b>	<b>3,099</b>	<b>3,099</b>	<b>0</b>	<b>0</b>	<b>96,802</b>	<b>67,345</b>	<b>54,587</b>	<b>44,887</b>	<b>37,773</b>
<b>Probable Undeveloped</b>											
Three Local Middle Triassic T2(AI Zone)	inc.	1,295	1,295	1,812	1,812	0	0	98,279	49,023	36,410	29,867
Six Local Middle Triassic T2(AI Zone)		6,140	6,140	7,247	7,247	0	0	188,114	118,491	71,129	48,882
Gas Gathering Facilities		0	0	0	0	0	0	(7,802)	(7,125)	(6,621)	(6,202)
<b>Total Probable Undeveloped</b>	<b>6,435</b>	<b>6,435</b>	<b>9,059</b>	<b>9,059</b>	<b>0</b>	<b>0</b>	<b>247,044</b>	<b>157,048</b>	<b>104,908</b>	<b>72,556</b>	<b>51,767</b>
<b>Total Probable</b>	<b>8,365</b>	<b>8,365</b>	<b>12,528</b>	<b>12,528</b>	<b>0</b>	<b>0</b>	<b>383,804</b>	<b>264,843</b>	<b>189,395</b>	<b>147,200</b>	<b>118,770</b>
<b>Total Proved Plus Probable</b>	<b>15,878</b>	<b>15,878</b>	<b>23,373</b>	<b>23,373</b>	<b>0</b>	<b>0</b>	<b>618,737</b>	<b>433,247</b>	<b>315,382</b>	<b>248,243</b>	<b>195,494</b>
<b>Possible</b>											
Delonee-6 Middle Triassic T2(Zones IV,II & I)	inc.	113	113	314	314	0	0				
Three Local Middle Triassic T2(AI Zone)		649	649	906	906	0	0				
Six Local Middle Triassic T2(AI Zone)	inc.	2,579	2,579	3,827	3,827	0	0				
Twelve Local Middle Triassic T2(AI Zone)		10,292	10,292	14,496	14,496	0	0				
<b>Total Possible</b>	<b>13,631</b>	<b>13,631</b>	<b>19,543</b>	<b>19,543</b>	<b>0</b>	<b>0</b>					
<b>Total Proved Plus Probable Plus Possible</b>	<b>29,489</b>	<b>29,489</b>	<b>42,916</b>	<b>42,916</b>	<b>0</b>	<b>0</b>					

MS means thousands of dollars.

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

**Chapman** Petroleum Engineering Ltd.

Table 4a

EVALUATION OF: Dolomoo, Kazakhstan  
 \*\*\*\*\* Total Proved Developed Producing

ERGO v7.41 P3 ENERGY SOLUTIONS  
 GLOBAL 25-MAR-2011 5:29  
 STP 01 JAN-2011 DISC 01-JAN-2011  
 RUN DATE: 27-MAR-2011 TIME: 12:07  
 FILE:

EVALUATED BY -  
 COMPANY EVALUATED - SNE Musat, Inc.  
 APPRAISAL FOR -  
 PROJECT - PURCHASE PRICES & COSTS

TOTAL CAPITAL COSTS - 308 -M\$  
 TOTAL ABANDONMENT - 242 -M\$

Year	Wells	Oil				Sales Gas						
		Pool		Company Share		Pool		Company Share				
		# of Wells	Price \$/STB	Vol	Gross	# of Wells	Price \$/MCF	Vol	Gross			
2011	4	53.17	375.6	127	127	127	0	1.16	481.7	176	176	176
2012	3	53.94	788.5	254	254	254	0	1.16	843.7	194	194	194
2013	3	55.13	595.0	217	217	217	0	1.16	717.1	243	243	243
2014	3	53.07	429.7	157	157	157	0	1.16	514.3	188	188	188
2015	7	55.19	342.7	132	132	132	0	1.16	425.6	155	155	155
2016	3	56.01	387.6	112	112	112	0	1.16	356.8	139	139	139
2017	3	57.29	284.7	97	97	97	0	1.16	302.7	118	118	118
2018	3	58.77	286.7	78	78	78	0	1.16	325.4	82	82	82
2019	2	60.15	182.7	67	67	67	0	1.16	199.7	73	73	73
2020	2	60.89	185.2	60	60	60	0	1.16	178.5	65	65	65
2021	2	62.37	148.7	54	54	54	0	1.16	159.7	58	58	58
2022	2	63.87	133.9	49	49	49	0	1.16	142.1	52	52	52
2023	2	65.42	122.8	44	44	44	0	1.16	128.2	47	47	47
2024	2	66.16	109.0	40	40	40	0	1.16	115.1	42	42	42
2025	2	67.74	98.4	36	36	36	0	1.16	103.6	38	38	38
SUM				1533	1533	1533			1787	1787	1787	
MM				182	182	182			173	173	173	
TOT				1715	1715	1715			1560	1560	1560	

\* P/T - \*\*\*\*\* COMPANY SHARE FUTURE NET REVENUE \*\*\*\*\*

Year	Capital Aband Costs	Future Revenue (FR)					Royalties				Operating Costs			FR After Buy/Oper	Net	Frac	Cap'l Aband Costs	Future Net Rev	
		Oil	Gas	Prodn	Total	Crown	Other	Miscel	Fixed	Variable	\$/BOE	\$/BOE	\$/BOE						
2011	350	7290	304	0	7494	0	0	366	4.8	371	597	5.83	6370	37.07	0	990	50	5220	4377
2012	0	13679	357	0	14037	0	0	467	4.7	325	1122	4.75	11922	38.83	0	0	0	12912	10226
2013	0	11973	284	0	12258	0	0	700	5.7	321	982	5.93	10284	39.25	0	0	0	10284	8588
2014	0	8323	218	0	8541	0	0	538	4.3	318	723	5.64	6942	34.90	0	0	0	6942	4973
2015	0	7219	180	0	7409	0	0	479	6.3	345	620	6.11	6025	38.13	0	0	0	6025	3923
2016	0	6289	151	0	6440	0	0	406	6.3	352	528	6.64	5145	38.45	0	0	0	5145	3646
2017	0	5545	128	0	5673	0	0	397	6.3	359	472	7.22	4486	38.99	0	0	0	4486	2414
2018	97	4412	95	0	4509	0	0	284	6.3	249	373	7.41	3402	40.54	0	0	57	3545	1720
2019	0	4033	82	0	4117	0	0	259	6.3	249	340	7.42	2869	41.28	0	0	0	2869	1494
2020	0	3471	70	0	3547	0	0	236	6.3	254	312	7.95	2945	41.40	0	0	0	2945	1191
2021	0	3285	68	0	3453	0	0	217	6.3	259	284	8.52	2690	42.84	0	0	0	2690	989
2022	0	3122	61	0	3183	0	0	203	6.3	264	263	9.25	2456	42.44	0	0	0	2456	822
2023	0	2883	54	0	2937	0	0	185	6.3	269	242	9.85	2241	43.20	0	0	0	2241	682
2024	0	2632	49	0	2681	0	0	169	6.3	275	222	10.63	2025	43.94	0	0	0	2025	554
2025	0	2434	44	0	2477	0	0	156	6.3	280	205	11.45	1834	43.50	0	0	0	1834	462
SUM	327	86912	2873	0	89028	0	0	5301	5.8	4520	7386		70988		0	990	107	70991	45624
MM	135	17615	291	0	17816	0	0	407	4.3	1539	1854		9416		0	0	115	9281	1549
TOT	1342	95567	2274	0	101844	0	0	6009	5.9	6060	9240		81414		0	990	242	81272	47173

\*\*\*\*\* NET PRESENT VALUE (-M\$) \*\*\*\*\*

Discount Rate	.04	5.04	10.04	15.04	20.04	25.04	30.04
FR After Buy & Oper	81414	60488	48136	40098	34468	30256	27879
Frac & Other Income	0	0	0	0	0	0	0
Capital Costs	900	876	858	839	822	805	789
Abandonment Costs	342	340	337	334	331	328	325
Future Net Revenue	80272	59479	47183	39285	33686	29432	26336

\*\*\*\*\* PROFITABILITY \*\*\*\*\*

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (undiscounted)	70.3
(disc. @ 10.0%)	49.6
(disc. @ 5.0%)	18.4
First Payout (years)	2
Total Payout (years)	2
Cost of Financing (1/BOE)	.56
NPV @ 10.0% (1/BOE)	21.11
NPV @ 5.0% (1/BOE)	29.12

\*\*\*\*\* COMPANY SHARE \*\*\*\*\*

1st Year Average	Royalties	Oper Costs	FR After Capital	Future	
% Interest	180.0	180.0			
% of Future Revenue	5.9	14.2	79.9	.9	78.8

**Chapman** Petroleum Engineering Ltd.

Table 4b

EVALUATION OF: Dolinoo, Kazakhstan  
 ----- Total Proved Developed

EMCO v7.43 P2 ENERGY SOLUTIONS  
 GLOBAL - 25-MAR-2011 1378  
 EPY/01-JAN-2012 DIOC/01-JAN-2011  
 RUN DATE: 27-MAR-2011 TIME: 11:23  
 FILE:

EVALUATED BY -  
 COMPANY EVALUATED - BMR Mineral, Inc.  
 APPRAISAL FOR -  
 PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 1760 -M-\$  
 TOTAL ABANDONMENT - 359 -M-\$

Year	Oil										Sales Gas										
	Wells					Pools					Wells					Pools					
	# of Wells	Price \$/STB	STB/D	Vol	Gross	# of Wells	Price \$/MCF	MCF/D	Vol	Gross	# of Wells	Price \$/MCF	MCF/D	Vol	Gross	# of Wells	Price \$/MCF	MCF/D	Vol	Gross	
2011	4	53.17	526.9	192	192	192	0	1.16	692.0	253	253	253									
2012	4	51.54	1025.0	444	444	444	0	1.16	1055.4	374	374	374									
2013	4	55.13	1040.0	542	542	542	0	1.16	1254.4	424	424	424									
2014	4	53.07	1230.0	452	452	452	0	1.16	1859.2	471	471	471									
2015	4	55.19	987.2	362	361	361	0	1.16	1444.7	527	527	527									
2016	4	54.01	877.1	320	320	320	0	1.16	1281.8	468	468	468									
2017	4	57.39	781.5	285	285	285	0	1.16	1142.3	417	417	417									
2018	4	58.77	674.8	246	244	244	0	1.16	989.1	361	361	361									
2019	3	60.16	409.7	223	223	223	0	1.16	892.7	324	324	324									
2020	3	45.89	552.2	202	202	202	0	1.16	806.3	295	295	295									
2021	3	62.37	550.5	183	183	183	0	1.16	732.4	267	267	267									
2022	3	63.87	451.8	146	146	146	0	1.16	664.9	242	242	242									
2023	3	65.40	421.8	135	135	135	0	1.16	602.2	220	220	220									
2024	3	66.16	373.8	124	124	124	0	1.16	546.4	200	200	200									
2025	3	67.74	339.6	124	124	124	0	1.16	496.4	181	181	181									
SUB				4369	4369	4369				6226	6226	6226									
EM				473	473	473				694	694	694									
TOT				4842	4842	4842				7222	7222	7222									

\* P/V \* ----- COMPANY SHARE FUTURE NET REVENUE -----

Year	Capital Aband	Future Revenue (FR)										Royalties					Operating Costs					FR After Roy/Oper	Net	From Other Income	Cap-1 Costs	Aband	Future Net Rev		
		Oil	Salinose	Products	Total	Crown	Other	Mineral	Fixed	Variable	Other	Other	Other	Other	Other	Other	Other	Other	Other	10-04	10-04								
2011	3250	10235	295	0	10518	0	0	500	4.7	424	828	5.39	8756	37.34	0	3200	50	5596	5349										
2012	0	35444	1130	0	36795	0	0	2394	6.0	758	2980	4.51	30463	39.01	0	0	0	30660	26576										
2013	0	39989	958	0	31344	0	0	2394	6.0	773	2565	4.77	24411	37.76	0	0	0	24611	20811										
2014	0	24901	779	0	24778	0	0	1823	7.5	785	2107	5.19	20039	29.51	0	0	0	20039	14349										
2015	0	19927	612	0	20528	0	0	1794	6.3	805	1714	5.41	16728	27.20	0	0	0	16728	12092										
2016	0	17932	543	0	18474	0	0	1144	6.3	821	1550	5.74	14533	27.52	0	0	0	14533	8945										
2017	0	16370	484	0	16854	0	0	1042	6.3	827	1409	6.13	13544	24.19	0	0	0	13544	7291										
2018	57	14474	418	0	14894	0	0	938	6.3	727	1242	6.48	11978	20.09	0	0	57	11921	5812										
2019	0	12284	378	0	12744	0	0	867	6.3	747	1144	6.83	11004	19.76	0	0	0	11004	4846										
2020	0	12273	342	0	12615	0	0	795	6.3	762	1057	7.25	10062	18.89	0	0	0	10062	4545										
2021	0	11283	310	0	11763	0	0	727	6.3	757	977	7.72	9212	18.54	0	0	0	9212	3384										
2022	0	10580	281	0	10841	0	0	684	6.3	792	903	8.23	8481	18.16	0	0	0	8481	2934										
2023	0	9829	258	0	10084	0	0	635	6.3	808	834	8.80	7885	17.75	0	0	0	7885	2371										
2024	0	9028	231	0	9259	0	0	582	6.3	824	774	9.42	7077	17.00	0	0	0	7077	1955										
2025	0	8397	210	0	8607	0	0	542	6.3	841	727	10.22	6387	16.24	0	0	0	6387	1634										
SUB	3387	244448	7222	0	251491	0	0	10244	6.5	11495	20813		22318		0	3300	187	194610	120605										
EM	292	46464	1156	0	47819	0	0	3013	6.3	8179	1875		34652		0	0	302	34451	1895										
TOT	3589	290912	8378	0	299310	0	0	13257	6.4	13674	24787		23770		0	3300	389	214181	122560										

----- NET PRESENT VALUE (NPV) -----

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper	237790	169280	130014	105204	88280	76064	64828
From & Other Income	0	0	0	0	0	0	0
Capital Costs	3200	3223	3261	3284	3282	3267	
Abandonment Costs	309	359	392	41	44	53	
Future Net Revenue	234281	165799	126560	102142	85354	73146	63566

----- PROFITABILITY -----

Rate of Return (%)	10.0%	15.0%	20.0%	25.0%	30.0%
Rate of Return (%)	999.9				
Profit Index (undisc'd)	64.3				
(Disc'd @ 10.0%)	50.2				
(Disc'd @ 15.0%)	32.6				
(Disc'd @ 20.0%)	21.4				
(Disc'd @ 25.0%)	14.8				
(Disc'd @ 30.0%)	10.0				
NPV @ 10.0% (1/BOE)	20.44				
NPV @ 15.0% (1/BOE)	17.03				

----- COMPANY SHARE -----

1st Year Average	Royalties	Oper Costs	FR After Roy/Oper	Capital Costs	Future Net Rev	
100.0	100.0	6.4	14.2	79.4	1.1	79.2

% of Future Revenue

**Chapman** Petroleum Engineering Ltd.

Table 4c

EVALUATION OF: Dolomite, Kazakhstan  
 \*\*\*\*\* Total Proved

REGD v7.41 01 ENERGY SOLUTIONS  
 GLOBAL - 29-MAR-2011 03:28  
 E27-01-2011 DISC:01-2011  
 SIM DATE: 27-MAR-2011 TIME: 12:08  
 FILE:

EVALUATED BY: -  
 COMPANY EVALUATED: - BMS Rasat, Inc.  
 APPROVAL FOR: -  
 PROJECT: - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS = 28220 -M\$  
 TOTAL AMBARDMENT = 550 -M\$

Year	Oil NUTS				Sales Gas MCF			
	# of Wells	Price \$/WTB	WTB/D	Vol	# of Wells	Price \$/MCF	MCF/D	Vol
2011	4	53.37	924.9	192	390	390	0	1.16 493.0
2012	4	53.54	1025.0	646	646	646	0	1.16 1069.4
2013	7	55.33	1346.8	897	897	897	0	1.16 1393.6
2014	7	53.27	2479.0	978	978	978	0	1.16 1849.4
2015	7	55.19	2289.2	836	836	836	0	1.16 1277.5
2016	7	56.21	1885.8	688	688	688	0	1.16 2703.8
2017	7	57.28	1528.2	357	357	357	0	1.16 1191.2
2018	7	58.77	1323.4	447	447	447	0	1.16 1761.3
2019	6	60.15	1014.2	370	370	370	0	1.16 1483.0
2020	6	60.89	850.5	310	310	310	0	1.16 1228.9
2021	6	62.37	720.5	263	263	263	0	1.16 1043.8
2022	6	63.87	614.1	225	225	225	0	1.16 892.7
2023	6	65.40	523.7	191	191	191	0	1.16 756.7
2024	3	66.16	373.8	116	116	116	0	1.16 566.6
2025	3	67.74	339.6	124	124	124	0	1.16 496.4
SUM				6840	6840	6840		3951
RM				473	473	473		394
TOP				7513	7513	7513		10847

\*\*\*\*\* COMPANY SHARE FUTURE NET REVENUE \*\*\*\*\*

Year	Capital				Future Revenue (FR)				Royalties				Operating Costs				FR After				Profit			
	Costs	Oil	SalesGas	Products	Total	Crown	Other	Mineral	Fixed	Variable	Royalty	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	Per BOE	
2011	3050	18225	293	0	10518	0	0	580	4.7	434	839	5.39	8756	37.24	0	1200	50	9506	5249					
2012	0	39464	1510	0	34795	0	0	2396	6.5	798	2980	4.51	30860	37.01	0	0	0	30660	26576					
2013	26510	47219	1437	0	48096	0	0	3485	7.1	939	3308	4.58	40346	37.96	0	26510	0	13814	13887					
2014	0	51894	1618	0	53332	0	0	4182	7.8	1137	4548	4.68	43675	36.00	0	0	0	43675	11287					
2015	0	46124	1388	0	47562	0	0	3478	7.3	1150	3942	4.96	38913	37.00	0	0	0	38913	25341					
2016	0	38583	1148	0	39687	0	0	2501	6.3	1173	3329	5.28	33094	38.34	0	0	0	32694	19355					
2017	0	31951	928	0	32879	0	0	2071	6.3	1196	2747	5.71	28864	38.93	0	0	0	28864	14459					
2018	57	26243	746	0	26989	0	0	1700	6.3	1103	2148	6.09	21938	39.63	0	0	87	21880	19709					
2019	0	22367	619	0	22886	0	0	1443	6.3	1120	1903	6.58	18424	40.12	0	0	0	18424	13990					
2020	0	18903	520	0	19423	0	0	1224	6.3	1182	1426	7.19	15431	40.06	0	0	0	15431	12440					
2021	0	16401	441	0	16843	0	0	1061	6.3	1165	1405	7.87	13211	40.48	0	0	0	13211	10557					
2022	0	14362	378	0	14740	0	0	929	6.3	1188	1226	8.85	11397	40.83	0	0	0	11397	9809					
2023	190	12478	321	0	12799	0	0	806	6.3	1178	1061	9.45	9794	41.18	0	0	190	9543	7905					
2024	0	1028	231	0	1259	0	0	583	6.3	824	774	9.42	7077	41.70	0	0	0	7077	5951					
2025	0	8397	210	0	8607	0	0	542	6.3	843	717	10.15	6597	42.21	0	0	0	6597	5624					
SUM	30228	389698	11427	0	401225	0	0	24881	6.7	13229	52270		325646		0	29720	298	295618	173453					
RM	202	46664	3194	0	47939	0	0	3013	6.3	6379	3975		34653		0	0	202	34451	1899					
TOP	30228	436362	13543	0	449164	0	0	27894	6.7	13166	57245		360299		0	29720	500	330069	175352					

\*\*\*\*\* NET PRESENT VALUE (NPV) \*\*\*\*\*

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper	340298	243996	203464	163899	134188	115487	100035
Free & Other Income	0	0	0	0	0	0	0
Capital Costs	39720	34627	23956	21691	19740	18049	16676
Amendment Costs	500	363	241	111	85	70	60
Future Net Revenue	310078	218177	179347	142192	116563	97568	83400

\*\*\*\*\* COMPANY SHARE \*\*\*\*\*

1st Year Average	Royalties	Costs	FR After	Capital	Future
\$100.0	100.0	6.7	33.1	89.3	6.6
% of Future Revenue					

\*\*\*\*\* PROFITABILITY \*\*\*\*\*

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	900.9
Profit Index (unitless)	18.9
COIAC @ 10.0%	7.4
COIAC @ 5.0%	8.8
First Payout (years)	5
Total Payout (years)	5.7
Cost of Financing (F/BOE)	3.24
NPV @ 10.0% (F/BOE)	19.24
NPV @ 5.0% (F/BOE)	25.13

**Chapman** Petroleum Engineering Ltd.

Table 48

EVALUATION OF: Dolinow, Kazakhstan  
 \*\*\*\*\* Total Proved Plus Probable

EROC v7.41 FE ENERGY SOLUTIONS  
 GLOBAL - 25-MAR-2013 13:28  
 EFF-01-JAN-2012 DISC-01-JAN-2011  
 ROW DATE: 27-MAR-2011 TIME: 13:08  
 FILE:

EVALUATED BY -  
 COMPANY EVALUATED - BMR Metal, Inc.  
 APPRAISAL FOR -  
 PROJECT - FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS - 94296 -M\$  
 TOTAL ABANDONMENT - 949 -M\$

Year	Oil						Sales Gas					
	Pool			Company Share			Pool			Company Share		
	# of Wells	Price \$/STB	STB/D	Vol	Gross	Net	# of Wells	Price \$/MCF	MCF/D	Vol	Gross	Net
2011	4	93.17	437.0	180	180	180	0	1.16	596.3	203	203	203
2012	5	53.54	2128.3	789	789	789	0	1.16	2067.9	2128	2128	2128
2013	8	55.13	4145.1	1520	1520	1520	0	1.16	5993.1	2168	2168	2168
2014	8	52.07	4625.4	1688	1688	1688	0	1.16	6733.2	2458	2458	2458
2015	14	55.19	4464.4	1630	1630	1630	0	1.16	4545.5	2387	2387	2387
2016	13	56.01	5345.0	1951	1951	1951	0	1.16	7739.5	2825	2825	2825
2017	13	57.39	4369.3	1595	1595	1595	0	1.16	4326.7	2389	2389	2389
2018	13	58.77	3477.1	1349	1349	1349	0	1.16	3241.3	1848	1848	1848
2019	13	60.15	2805.4	1024	1024	1024	0	1.16	4072.8	1487	1487	1487
2020	13	60.89	2282.7	833	833	833	0	1.16	3319.5	1252	1252	1252
2021	13	62.27	1872.0	683	683	683	0	1.16	2720.7	996	996	996
2022	13	63.87	1544.1	564	564	564	0	1.16	2253.9	823	823	823
2023	13	65.40	1254.5	458	458	458	0	1.16	1832.7	659	659	659
2024	10	66.18	979.4	358	358	358	0	1.16	1426.4	524	524	524
2025	10	67.74	837.4	306	306	306	0	1.16	1229.2	449	449	449
SUB				14820	14820	14820				21487	21487	21487
ROM				1058	1058	1058				1487	1487	1487
TOT				15878	15878	15878				22974	22974	22974

\* P/T \*

Year	Capital Aband		Future Revenue (FR)						Royalties				Operating Costs			FR After Roy & Oper		Profit		Aband		Future Net Rev	
	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	
2011	3600	8481	236	0	8716	0	0	424	4.8	425	695	5.79	7183	37.15	0	3600	0	3583	3414				
2012	11534	41787	1299	0	43084	0	0	3276	7.6	954	3463	4.44	25495	36.70	0	11534	0	23969	28776				
2013	25143	83812	2038	0	84349	0	0	7383	8.4	1319	4884	4.10	71146	37.70	0	25143	0	43001	31884				
2014	1461	89957	2855	0	92448	0	0	8320	9.0	1071	7819	4.24	75243	35.87	0	1461	0	74181	51239				
2015	27656	89977	2768	0	92747	0	0	8347	9.0	1402	7795	4.49	75293	37.22	0	27656	0	47617	21022				
2016	28194	109272	3277	0	113549	0	0	10129	9.0	1709	9414	4.61	91249	37.68	0	28194	0	63881	37552				
2017	0	91928	2678	0	94214	0	0	9479	9.0	1794	7854	4.87	76088	38.43	0	0	0	76088	49951				
2018	0	74587	2328	0	76723	0	0	4905	9.0	1820	6277	5.21	61850	39.10	0	0	0	61850	20144				
2019	0	61591	1725	0	63316	0	0	5408	9.0	1868	5358	5.68	50553	39.71	0	0	0	50553	22463				
2020	0	50724	1405	0	52139	0	0	4693	9.0	1994	4358	6.05	41184	39.79	0	0	0	41184	16653				
2021	0	43617	1154	0	43771	0	0	3545	8.1	1943	3448	6.58	34634	40.79	0	0	0	34634	12732				
2022	0	36243	974	0	35998	0	0	2987	8.1	1981	3074	7.28	28944	41.27	0	0	0	28944	9573				
2023	198	29946	774	0	30723	0	0	3488	8.1	1928	2545	7.84	23769	41.78	0	198	0	33579	7143				
2024	0	23455	608	0	24243	0	0	1965	8.1	1647	3029	8.27	18620	41.85	0	0	0	18620	5143				
2025	0	20789	530	0	21239	0	0	1726	8.1	1482	1770	9.83	14039	42.21	0	0	0	14039	4832				
SUB	100134	654344	34925	0	673272	0	0	74335	8.7	23025	73881		707016		0	100034	294	604444	328145				
ROM	473	73343	3725	0	73868	0	0	5581	7.4	8474	4231		54583		0	473	0	53920	18079				
TOT	101003	927687	34651	0	954340	0	0	81940	8.6	21499	78111		761599		0	100034	949	648393	318742				

NET PRESENT VALUE (-M\$)								PROFITABILITY							
Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	Before Tax							
FR After Roy & Oper	741578	544900	409941	329464	268138	212948	179143	Rate of Return (%)							
Free & Other Income	0	0	0	0	0	0	0	Profit Index (Index@1)							
Capital Costs	100034	83474	70961	60930	52903	46387	41042	(Disc @ 10.0%)							
Abandonment Costs	949	451	232	143	96	71	35	(Disc @ 5.0%)							
Future Net Revenue	640595	460775	338742	259393	206139	164500	138846	First Payout (years)							
								Total Payout (years)							
								Cost of Finding (\$/BOE)							
								NPV @ 10.0% (\$/BOE)							
								NPV @ 5.0% (\$/BOE)							

COMPANY SHARE					
1st Year Average	Royalties	Oper Costs	FR After Roy & Oper	Capital Costs	Future Net Rev
100.0	100.0				
% of Future Revenue		8.6	11.6	79.8	10.0

**Chapman** Petroleum Engineering Ltd.

Table 4a

EVALUATION OF: Dolinoo, Kazakhstan  
 \*\*\*\*\* Total Proved Plus Probable Plus Possible

EROC v7.41 PJ ENERGY SOLUTIONS  
 GLOBAL - 25-MAR-2011 0278  
 EPP-01-DM-2011 ETRC-01-DM-2011  
 RUN DATE: 27-MAR-2011 TIME: 14:54  
 FILE:

EVALUATED BY: MMR Mutual, Inc.  
 COMPANY EVALUATED: MMR Mutual, Inc.  
 APPRAISAL FOR: FORECAST PRICES & COSTS  
 PROJECT:

TOTAL CAPITAL COSTS - 228788 -M\$-  
 TOTAL ABANDONMENT - 1774 -M\$-

Year	Oil				Sales Gas			
	Wells	\$/WTR	\$/D	\$/D	Wells	\$/WCF	\$/D	\$/D
2011	4	53.17	437.0	160	0	1.16	8	203
2012	8	53.34	2138.3	780	0	1.16	3.1	1130
2013	8	55.13	4649.2	1704	0	1.16	6.7	2447
2014	8	53.07	5551.0	2026	0	1.16	8.1	2972
2015	14	55.19	5633.4	2043	0	1.16	8.3	3045
2016	17	56.01	3744.9	2827	0	1.16	11.3	4139
2017	20	57.39	3315.1	2597	0	1.16	10.3	3767
2018	25	58.37	3709.1	2467	0	1.16	10.6	3842
2019	25	60.15	3017.9	2562	0	1.16	10.1	3674
2020	25	60.89	6975.3	2544	0	1.16	10.9	3635
2021	25	62.37	5538.1	2021	0	1.16	7.9	2885
2022	25	63.87	4465.1	1630	0	1.16	6.4	2324
2023	25	65.42	3585.7	1389	0	1.16	5.1	1864
2024	22	66.16	2630.8	1033	0	1.16	4.0	1462
2025	21	67.34	3313.5	844	0	1.16	3.3	1187
SUB			26754	26754			38544	38544
MM			2734	2734			3776	3776
TOT			29488	29488			42319	42319

\* P/T \* \*\*\*\*\* COMPANY SHARE FUTURE NET REVENUE \*\*\*\*\*

Year	Capital				Future Revenue (FR)				Royalties				Operating Costs				FR After				PVCA				Future Net Rev	
	Aband	Oil	SalesGas	Products	Total	Crown	Other	Misc	Mineral	Fixed	Variable	\$/BOE	Net	Other	Cap'l	Aband	Income	Costs	Unlied	10.0%	10.0%					
2011	3600	8481	236	0	8716	0	0	434	4.8	426	495	0.78	7183	37.15	0	3620	0	3583	3416							
2012	11526	41787	1299	0	43096	0	0	3278	7.6	854	3487	4.46	35495	34.70	0	11526	0	23989	20776							
2013	20703	92956	2828	0	96794	0	0	8276	8.8	1105	7722	4.18	75622	37.33	0	20703	0	43989	33390							
2014	1810	107836	3447	0	110974	0	0	9988	9.2	1409	9393	4.38	90187	35.77	0	1810	0	88276	63237							
2015	29280	113077	3523	0	136480	0	0	13840	9.3	1597	9700	4.42	94473	34.96	0	29280	0	63393	42456							
2016	23810	158314	4778	0	163094	0	0	15581	9.6	1759	13857	4.39	132096	37.40	0	23810	0	102286	48587							
2017	28717	149042	4369	0	153412	0	0	14751	9.6	2512	13802	4.75	123347	38.25	0	28717	0	94610	58930							
2018	28291	154767	4657	0	161234	0	0	15430	9.7	2294	13414	5.05	128897	38.99	0	28291	0	99620	48730							
2019	25873	154277	4261	0	158139	0	0	14280	9.6	3348	12140	5.20	127389	40.30	0	25873	0	97721	42462							
2020	30475	154935	4216	0	159151	0	0	14324	9.0	3427	13314	5.33	128087	40.66	0	30475	0	97423	39470							
2021	0	154074	1347	0	129421	0	0	11471	8.9	3495	10784	5.71	103444	41.43	0	0	0	101444	30308							
2022	0	104093	1493	0	104788	0	0	9444	8.9	3565	8872	6.17	84887	42.08	0	0	0	84887	28368							
2023	190	80395	2142	0	87787	0	0	7782	8.9	3536	7268	6.67	69272	42.71	0	190	0	68962	20957							
2024	43	68259	1494	0	70006	0	0	6223	8.3	3220	5852	7.10	54761	42.89	0	43	0	54694	18104							
2025	0	57021	1377	0	58579	0	0	5128	8.3	3223	4877	7.77	45281	43.44	0	0	0	45281	13369							
SUB	224445	1579288	44711	0	1623999	0	0	147455	9.1	16778	114953		1304813		0	224445	0	1080367	524336							
MM	1413	189635	4279	0	193984	0	0	15498	7.9	16838	14092		145645		0	1413	0	144232	27344							
TOT	225858	1768923	49090	0	1643983	0	0	162853	9.0	16438	116445		1456457		0	225858	0	1224599	551680							

\*\*\*\*\* NET PRESENT VALUE (M\$) \*\*\*\*\*

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper.	1450453	967961	684988	506265	388879	307948	250086
Prod & Other Income	0	0	0	0	0	0	0
Capital Costs	238084	168479	130237	103216	83640	69229	58546
Abandonment Costs	1774	766	372	203	124	84	42
Future Net Revenue	1224539	798468	552480	403447	305125	238716	191878

\*\*\*\*\* PROFITABILITY \*\*\*\*\*

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (and/or)	5.4
(Disc. @ 10.0%)	4.2
(Disc. @ 5.0%)	4.7
First Payout (years)	1.0
Total Payout (years)	4.1
Cost of Finding (\$/BOE)	6.18
NPV @ 10.0% (M\$)	15.15
NPV @ 5.0% (M\$)	21.84

\*\*\*\*\* COMPANY SHARE \*\*\*\*\*

1st Year Average	Royalties	Costs	FR After	Capital	Future
% Increment	100.0	100.0	9.8	11.3	79.8
% of Future Revenue				13.3	67.8

**Chapman** Petroleum Engineering Ltd.

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
EMIR FIELD**

**INDEX**

**Discussion**

Ownership  
Geology  
Petrophysical Data and Analysis  
Reserves  
Production  
Product Prices  
Capital Expenditures  
Operating Costs  
Economics

**Attachments**

Table 1:	Schedule of Lands, Interests and Royalty Burdens
Figure 1:	Structure Top-Middle Triassic
Figure 2:	Log Analysis Presentation
	a) Emir-1
	b) Emir-2
	c) Emir-6
Table 2:	Summary of Gross Reserves
Figure 3:	Production History Graphs
	a) Emir-1, Middle Triassic T2
	b) Emir-2, Upper Triassic T3 and Middle Triassic T2
	c) Emir-6, Middle Triassic T2
	d) Group Production Plot, Upper Triassic T3 and Middle Triassic T2

Table 3: Summary of Anticipated Capital Expenditures

- c) Development
- d) Abandonment and Restoration

Table 4: Summary of Company Reserves and Economics

Consolidated Cash Flows

- a) Emir-2, Upper Triassic T3 (Zone IV) – Proved Developed Non-Producing
- b) Total Proved Plus Probable
- c) Total Proved Plus Probable Plus Possible

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
EMIR FIELD**

**DISCUSSION**

**Ownership**

The Company owns a 100 percent working interest in a “License” and “Exploration Contract” referred to as the ADEK Block which is located onshore in Kazakhstan in the Mangistau Oblast, approximately 50 kilometers from Aktau in the Republic of Kazakhstan (ROK).

The License originated in 1999 and the Exploration Contract was entered into on June 9, 2000 by a preceding company. The License and Contract Area were assigned to the Company on September 23, 2002.

The License and Exploration Contract granted the right to engage in exploration and development activities on the block. Originally the Exploration contract had a five year term but it has since been extended and now expires on January 9, 2013.

The terms of the extension require minimum capital expenditures of \$7,000,000 in 2004, \$9,300,000 in 2005 and \$5,000,000 in 2006, \$6,790,000 from July 9, 2009 to December 31, 2009, \$12,690,000 in 2010, all of which have been satisfied or even exceeded. And in addition, a minimum work program requires \$27,240,000 in 2011 and \$14,840,000 in 2012.

Once commercial production is established within the ADEK Block, the Company can make application for an “Exploration and Production Contract”, the terms of which would be negotiated. The Company has the right to produce and sell oil under the Law of Petroleum for the term of the existing Exploration Contract at a royalty rates presented on Table 1. Provided that the Company can show evidence of a commercial discovery, has fulfilled its minimum work commitments and presents a development plan acceptable to the MEMR, there is no reason to believe the Exploration and Production Contract would not be granted.

Under the Production and Exploration contract royalty rates are negotiated and vary depending on the reserves and production rates. It is estimated that a royalty (Mineral Extraction Tax) rate of 9.9 percent would not be exceeded for this Block, with the anticipated reserves and production rates.

There are two general forms of production contracts in Kazakhstan, production-sharing contracts and tax and royalty based contracts. We have utilized a royalty based contract as mentioned.

The Emir field is one of four known fields already discovered on the ADEK Block. The Company has re-entered well Emir-1, which was placed on production but currently is shut-in waiting on a workover and stimulation. Well Emir-2 was drilled, tested in one zone and placed

on production from this zone at the rate of 50 STB/d, and currently is shut-in. Well Emir-6 commenced production in August 2007 at a rate of 30 STB/d and currently is shut-in. The Company has plans to work over and stimulate all three wells.

A map of the field, showing the well location and reservoir structure is presented on Figure 1 and a brief description of the ownership is presented in Table 1.

### **Geology**

The ADEK Block is located at the edge of the Mangistau Ustyrt Central High which contains several producing oilfields in the area. The main producing horizon is the Middle Triassic carbonate.

The Emir structure is an articulation zone where the Beke-Bashkudsky high and Karagiin saddle transits into the Zhetybay-Uzen tectonic zone. In the north the structure aligns with the line of a regional fault, interpreted as a thrust.

The productive Middle Triassic consists of limestone in the upper portion and dolomite in the lower portion. We have referred to these intervals as Upper Triassic and Lower Triassic for the purposes of this report.

The ADEK Block is covered by several vintages of 2D seismic plus a recent 3-D survey. The Middle Triassic structure top is represented by the reflection horizon V2<sup>IV</sup>, which is presented on Figure 1.

The Jurassic, a clastic sand shale sequence with some carbonate, lies about 950m above the Triassic throughout the block. The Jurassic is a secondary opportunity for hydrocarbon potential as indicated by log analysis. Resource potential has been identified but reserves have not been assigned or evaluated in this report.

### **Petrophysical Data and Analysis**

Russian GIS logs were run in the shallow formations and Baker Atlas logs over the carbonate.

The Chapman digital log analysis was made using HDS software over the carbonate reservoirs.

The Gamma Ray was used as a shale indicator in the Modified Simandoux water saturation equation with a carbonate selection for a, m, and n.

Sw cutoff was 40% along with a shale volume cutoff of 30%.

Net pay was identified in the carbonate reservoirs as shown in the interpreted log.

### **Reserves**

Proved developed non-producing oil reserves of 24 MSTB have been estimated for the Upper Triassic zone IV in well Emir-2 based on reservoir parameters determined from digital

log analysis and production data from the wells, with assigned recovery factor of 20 percent and drainage area of 80 acres. These assumptions are based on the well performance.

Incremental Probable Developed reserves of 270 MSTB have been estimated for well Emir-2 in the same interval as the Proved Reserves based on increased recovery factor from 20 to 30 percent.

Additional Probable developed oil reserves of 4,802 MSTB have been estimated for the Triassic zones in wells Emir-1, 2 and 6 based on reservoir parameters determined from digital log analysis, assuming an 80 acre drainage area and a recovery factor of 20 percent.

The upper Triassic interval covering over 200 feet of pay has been produced however, the interval was damaged during drilling operations and is currently unproductive. Remedial well work is being planned.

Fluid property correlations have been utilized to determine the oil formation volume factor and solution gas oil ratio based on known oil density and reservoir pressure and temperature along with early production performance of the well.

There are numerous hydrocarbon zones in this well of which only the currently producing interval has been effectively production tested.

Proved Developed Non-Producing marketable gas reserves of 3 MMscf have been assigned to Upper Triassic zone IV in well Emir-2 based on a gas-oil ratio of 130 scf/STB.

Probable Developed Non-producing Marketable Gas reserves of 887 MMscf have been assigned to three existing wells based on each well's gas-oil ratio.

Probable undeveloped oil reserves of 10,192 MSTB and marketable solution gas of 1,422 MMscf have been estimated for the interval which had produced in wells Emir-1 and Emir-6 and are producing in well Emir-2 in twelve locations directly adjacent to Emir-1, Emir-2 and Emir-6.

Additional Probable undeveloped reserves of 16,066 MSTB and 2,241 MMscf of marketable solution gas have been estimated for sixteen additional locations to be drilled on the same fault block as encountered by Emir-1, Emir-2 and Emir-6, based on 3-D mapping, as shown on Figure 1. These reserves have been based on the same interval and reservoir parameters as for the completed interval in the existing well, applied to the area of the structure not assigned to the other probable drainage area. We have accepted the area of the accumulation as presented by the geological and geophysical consultants responsible for the 3-D seismic interpretation as shown on Figure 1.

Incremental possible reserves of 9,893 MSTB of oil and 1,473 MMscf of solution marketable gas have been assigned to the overall field reflecting an increase in recovery factor from 20 percent to 30 percent in existing wells, and from 30 to 35 – in future locations.

As mentioned above, reserves assigned in this report have been restricted to the fault block which has been encountered by wells Emir-1, Emir-2 and Emir-6. Additional resource potential may exist on the surrounding fault blocks (Figure 1) which has not yet been drilled. This has not been accounted for in this report.

Also, the Jurassic has indicated significant possible reserves potential, based on log analysis, which has not been evaluated herein, but will be tested with additional wells. There is insufficient data at present to accurately quantify reserves, however log analysis on Emir-1 demonstrates potential hydrocarbon as discussed above.

A summary of the reserves for this area is presented in Table 2.

### **Production**

Emir-1 was placed on production in 2004 flowing at average of 100 STB/d against a wellhead back pressure of greater than 500 psi from a 45 meter perforated interval. During the drilling and testing phase of this well the well was killed with heavy mud of unknown chemical content which caused damage to the formation in the immediate wellbore. The well eventually became unproductive, likely due to the damage and is shut-in waiting on remedial action. Prior to killing the well it had flowed at a rate of 2,377 STB/d (378 m<sup>3</sup>/d) of oil and mud, for a short time before it was killed with heavy fluid.

For this report we are required to schedule rates in accordance with actual performance demonstrated to date. With a successful stimulation, rates of over 2,000 STB/d might be achievable, which would make the values presented in this report greatly conservative.

For Probable case we have assumed that a successful workover could result in an initial rate of 450 STB/d for Emir-1, 600 STB/d for Emir-2 and 300 STB/d for Emir-6. These wells are expected to be placed on production by January 2010. For probable plus possible cases initial rates of 750 STB/d have been predicted for well Emir-1, 950 STB/d – for well Emir-2 and 400 STB/d for well Emir-6.

For the twelve adjacent probable undeveloped locations, initial rates of 150 STB/d per well have been assumed for Probable case, and 225 STB/d – for Probable Plus Possible case.

For the sixteen step-out probable undeveloped locations, initial rates of 150 STB/d per well have been assumed for Probable case, and 225 STB/d – for Probable Plus Possible case.

The analog field to the Company's oil fields is Alatobe, which has exhibited initial production rates varying from a few hundred STB/d up to over 10,000 STB/d. Our estimated rates are consciously conservative in anticipation of performance data with modern drilling and completion techniques.

Production history graphs for individual wells and a Group Production Plot are presented on Figures 3a through 3d.

**Product Prices**

The Company has secured an export permit for oil sales which allows all of the Company's production to be exported. During the exploration stage exports are subject to "export rent tax" (ERT), which would be until January 9, 2013 with the expected extension in the exploration license. During this period the ERT is based on the current Tax Law of ROK and its values are presents in the Attachment 1. Exported oil is exempt from VAT.

A forecast price used for this project is based on the Chapman's forecast utilizing Forecast Brent crude price less \$16.37/STB (transportation discount), export duty of \$5.20/STB, ERT (values are presented in the Attachment 1), domestic price of \$26.72/STB (before VAT), VAT (12 percent) and an export/domestic sales split of 90/10 percent for the first three years and 80/20 percent thereafter.

A natural gas price of \$1.16/Mscf has been utilized for solution gas sales and assumed to be constant throughout the report.

**Capital Expenditures**

Total capital expenditures of \$249,455,000 have been estimated for the development of the proved, probable and possible oil and gas reserves in this filed.

Detailed brake down of the capital expenses required for full development of the assigned reserves is presented in Table 3a.

Total abandonment and restoration costs (net of salvage) of \$1,550,000 (\$50,000 per well) have been estimated for this property as presented in Table 3b.

**Operating Costs**

Field operating costs of \$8,850/well/month (fixed), \$4.15/STB, and \$0.15/Mscf have been estimated for this project, based on field estimates provided by the Company, which we consider to be reasonable.

**Economics**

The economic analysis performed for this evaluation, presented here, reflects future cash flows from this property before consideration of income taxes and other taxes which apply under the "royalty and tax contract".

The cash flow forecasts have been prepared under a "forecast prices and costs" assumption based on Chapman Petroleum Engineering price forecast.

A summary of the economic results are presented in Table 4 and the consolidated cash flows forecasts are presented in Tables 4a through 4c.

Table 1

**Schedule of Lands, Interests and Royalty Burdens  
January 1, 2011**

**BMB Munai, Inc.**

**Emir, Republic of Kazakhstan**

Description	Rights Owned	Gross Acres	Appraised Interest		Royalty Burdens	
			Working %	Royalty %	Basic %	Overriding %
License AI No.1552 & Contract No.482	A	N/A	100.0000	–	1	–

*General Notes:*

1 According to the New Tax Law of ROK:

Annual Production tons	MSTB	Royalty (Mineral Extraction Tax) for OIL, %								
		2011-2012		2013				2014 and after		
		Export	Domestic	Blend	Export	Domestic	Blend	Export	Domestic	Blend
up to 250,000	up to 1,964	5.00	2.50	<b>4.75</b>	6.00	3.00	<b>5.70</b>	7.00	3.50	<b>6.30</b>
up to 500,000	up to 3,928	7.00	3.50	<b>6.65</b>	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.10</b>
up to 1,000,000	up to 7,856	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.00</b>
up to 2,000,000	up to 15,711	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>9.90</b>
up to 3,000,000	up to 23,567	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>10.80</b>
up to 4,000,000	up to 31,423	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>11.70</b>
up to 5,000,000	up to 39,278	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>12.60</b>
up to 7,000,000	up to 54,990	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>13.30</b>	15.00	7.50	<b>13.50</b>
up to 10,000,000	up to 78,557	15.00	7.50	<b>14.25</b>	16.00	8.00	<b>15.20</b>	17.00	8.50	<b>15.30</b>
over 10,000,000	over 78,558	18.00	9.00	<b>17.10</b>	19.00	9.50	<b>18.05</b>	20.00	10.00	<b>18.00</b>

2011-2013 – production split will be 90/10 (90 percent of production – for export and 10 percent for domestic sales)

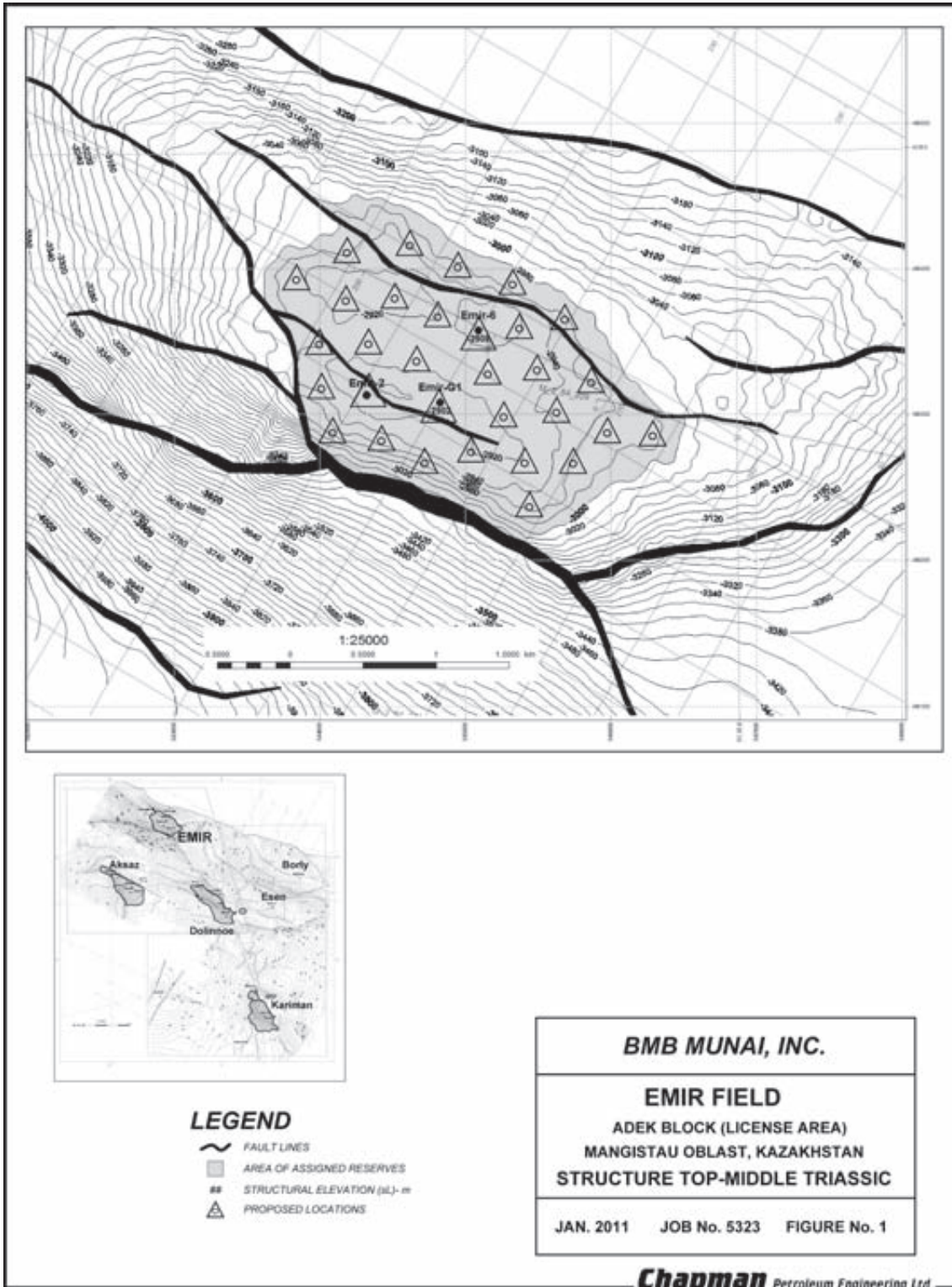
after 2013 – production split will be 80/20 (80 percent of production – for export and 20 percent for domestic sales)

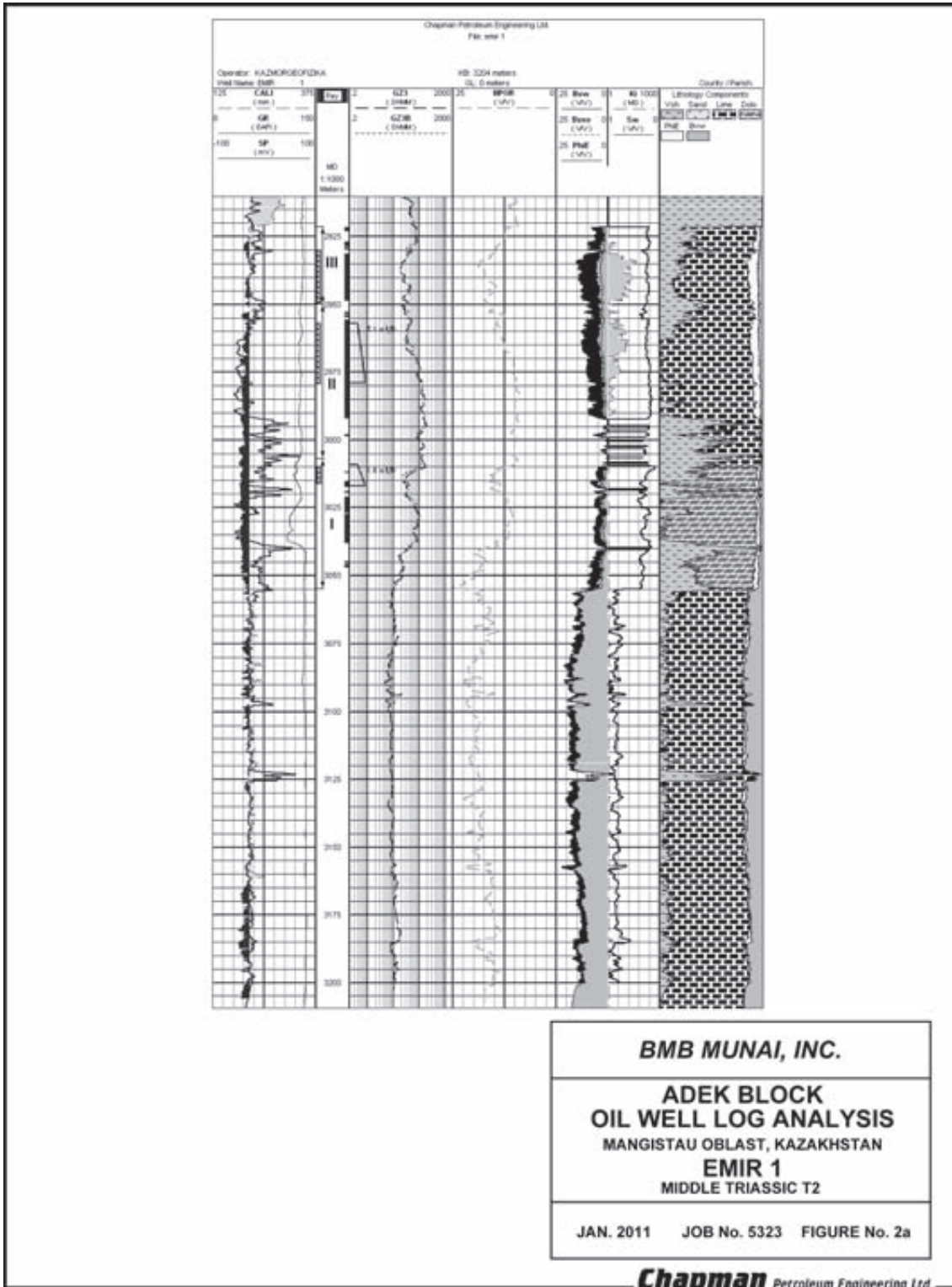
Annual Production 10 <sup>6</sup> m <sup>3</sup>	MMscf	Royalty (Mineral Extraction Tax) for GAS, %	
		Export	Domestic
up to 1000	up to 35,490	10.00	0.50
up to 2000	up to 70,980	10.00	1.00
over 2000	over 70,980	10.00	1.50

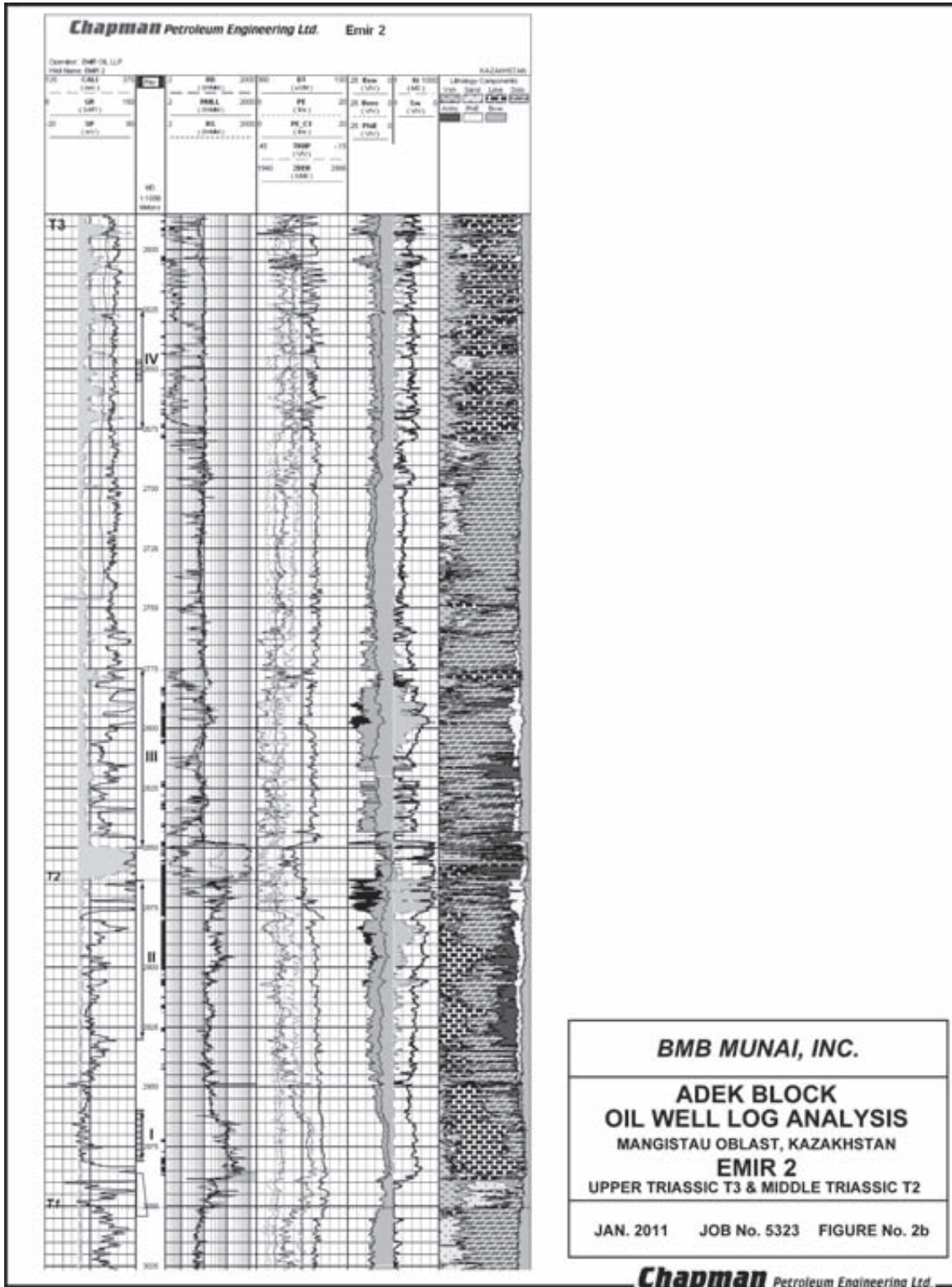
Corporate Income Tax	
Year	Rate, %
2011-2012	20.00
2013	17.50
2014 and after	15.00

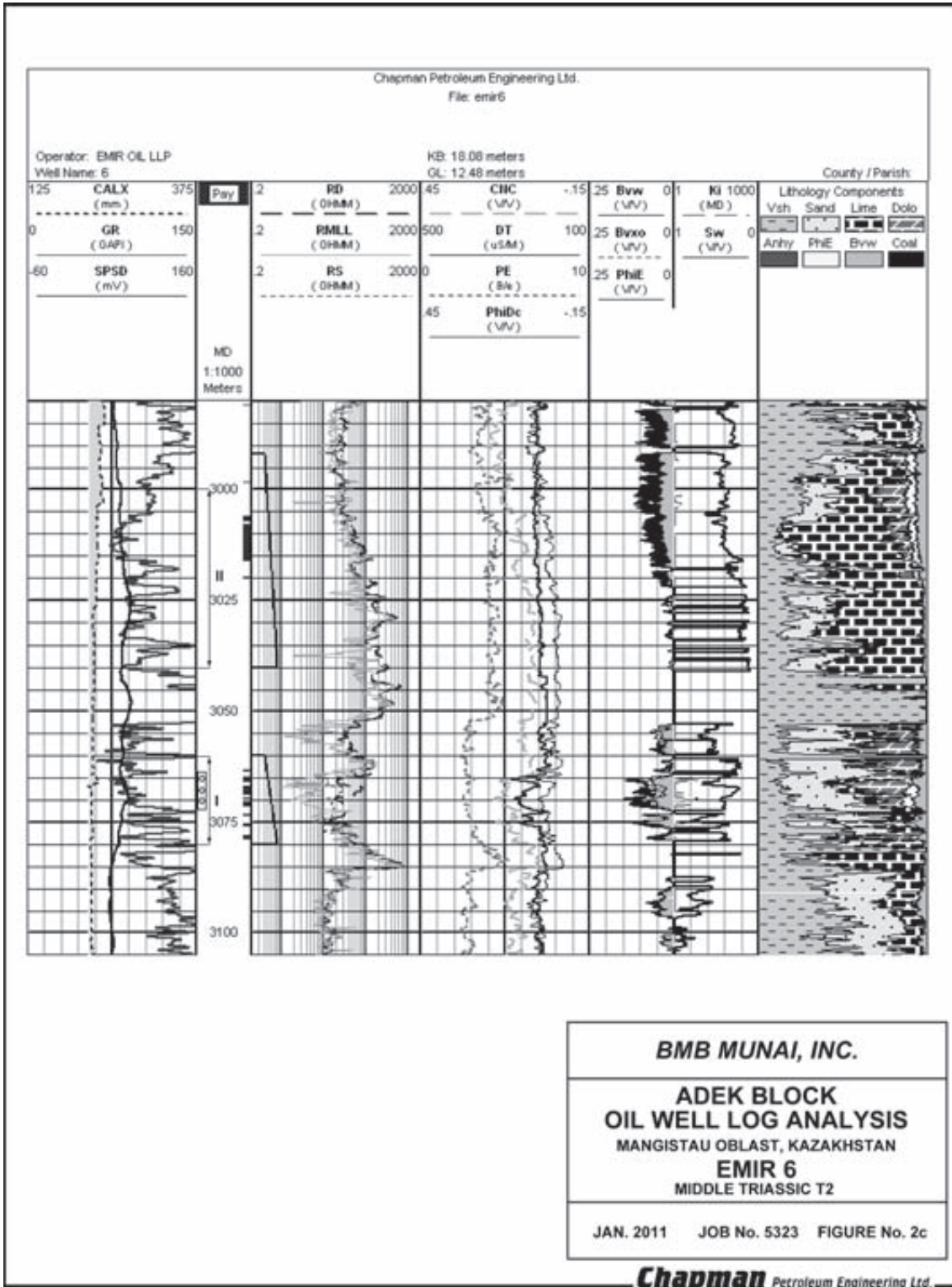
*Rights Owned:*

A Emir Field located in blocks XXXVI-10-C(partially) and XXXVI-11-A(partially).









**Table 2**  
**Summary of Gross Reserves**  
**January 1, 2011**

**BMB Munai, Inc.**

**Emir, Republic of Kazakhstan**

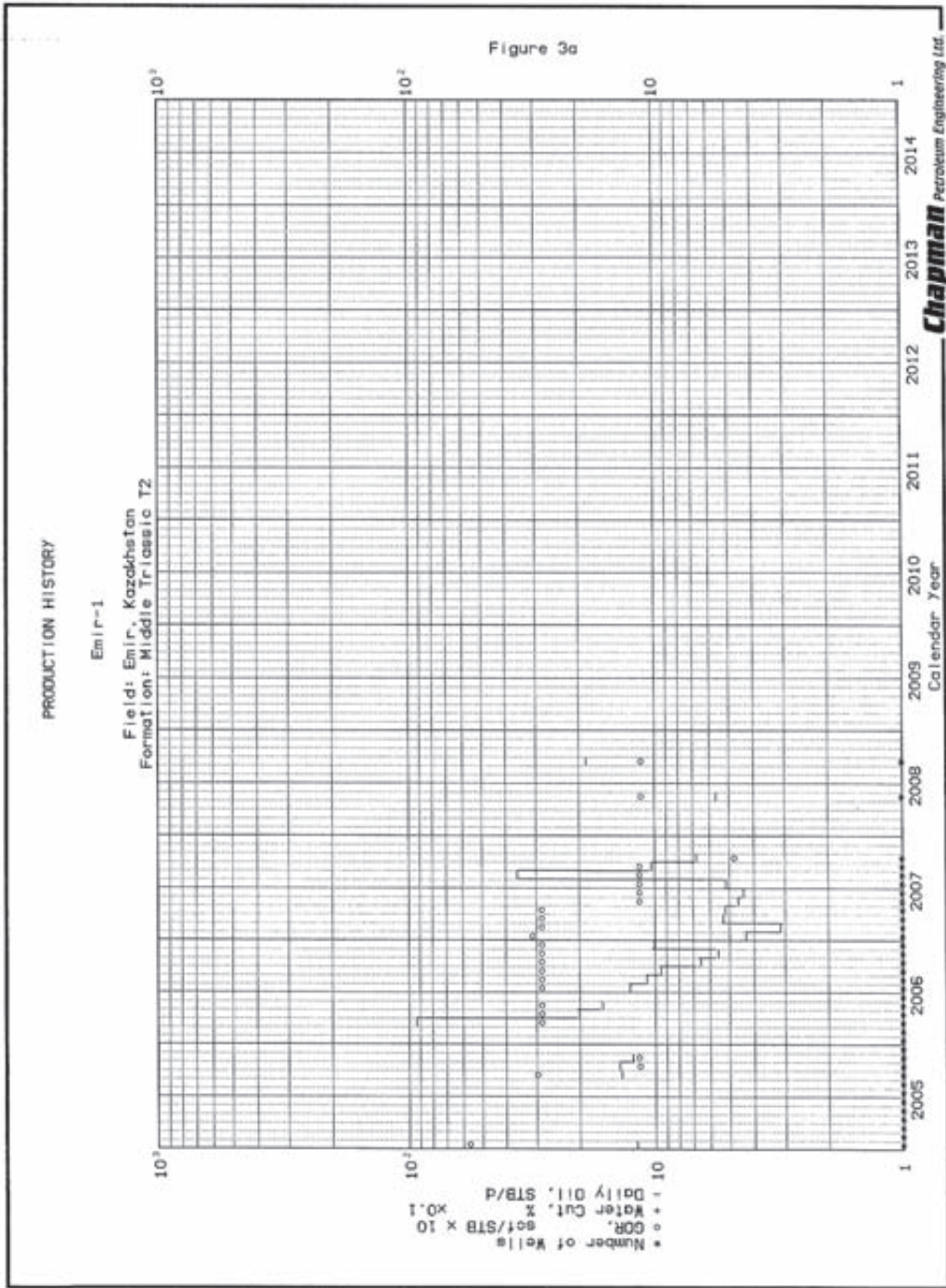
Description		Current or Initial Rate <i>STB/d</i>	API Gravity <i>(Deg)</i>	Ultimate ROIP <i>(MSTB)</i>	Cumulative Production <i>(MSTB)</i>	Remaining ROIP <i>(MSTB)</i>
<b>LIGHT &amp; MEDIUM OIL</b>						
<b>Proved Developed Non-Producing</b>						
Emir-2	Upper Triassic T3 (Zone IV)	shut-in	40	25	1	24
<b>Total Proved Developed Producing</b>				<b>25</b>	<b>1</b>	<b>24</b>
<b>Total Proved</b>				<b>25</b>	<b>1</b>	<b>24</b>
<b>Probable Developed Non-Producing</b>						
Emir-1	Middle Triassic T2 (Zones III, II & I)	450	40	2,197	5	2,192
Emir-2	Upper Triassic T3 (Zone IV) (incr.)	150	40	270	1	270
Emir-2	Upper Triassic T3 (Zone III)	150	40	849	1	849
Emir-2	Middle Triassic T2 (Zones II & I)	300	40	1,364	0	1,364
Emir-6	Middle Triassic T2 (Zones II & I)	300	40	400	2	398
<b>Total Probable Developed Non-producing</b>		<b>1,350</b>		<b>5,080</b>	<b>8</b>	<b>5,072</b>
<b>Probable Undeveloped</b>						
Twelve Adjacent Locations	Upper Triassic T3 & Middle Triassic T2	1,800	40	10,192	0	10,192
Sixteen Step-out locations	Middle Triassic T2 (Zones III, II & I)	2,400	40	16,066	0	16,066
<b>Total Probable Undeveloped</b>		<b>4,200</b>		<b>26,258</b>	<b>0</b>	<b>26,258</b>
<b>Total Probable</b>		<b>5,550</b>		<b>31,338</b>	<b>8</b>	<b>31,330</b>
<b>Total Proved Plus Probable</b>		<b>5,550</b>		<b>31,363</b>	<b>9</b>	<b>31,354</b>
<b>Possible</b>						
Emir-1	Middle Triassic T2 (Zones III, II & I) (incr.)	300	40	1,098	0	1,098
Emir-2	Upper Triassic T3 (Zone III) (incr.)	100	40	424	0	424
Emir-2	Middle Triassic T2 (Zones II & I) (incr.)	200	40	682	0	682
Emir-6	Middle Triassic T2 (Zones II & I) (incr.)	100	40	200	0	200
Twelve Adjacent Locations	Upper Triassic T3 & Middle Triassic T2 (incr.)	900	40	4,810	0	4,810
Sixteen Step-out locations	Middle Triassic T2 (Zones III, II & I) (incr.)	1,200	40	2,678	0	2,678
<b>Total Possible</b>		<b>2,800</b>		<b>9,893</b>	<b>0</b>	<b>9,893</b>
<b>Total Proved Plus Probable Plus Possible</b>		<b>8,350</b>		<b>41,256</b>	<b>9</b>	<b>41,247</b>

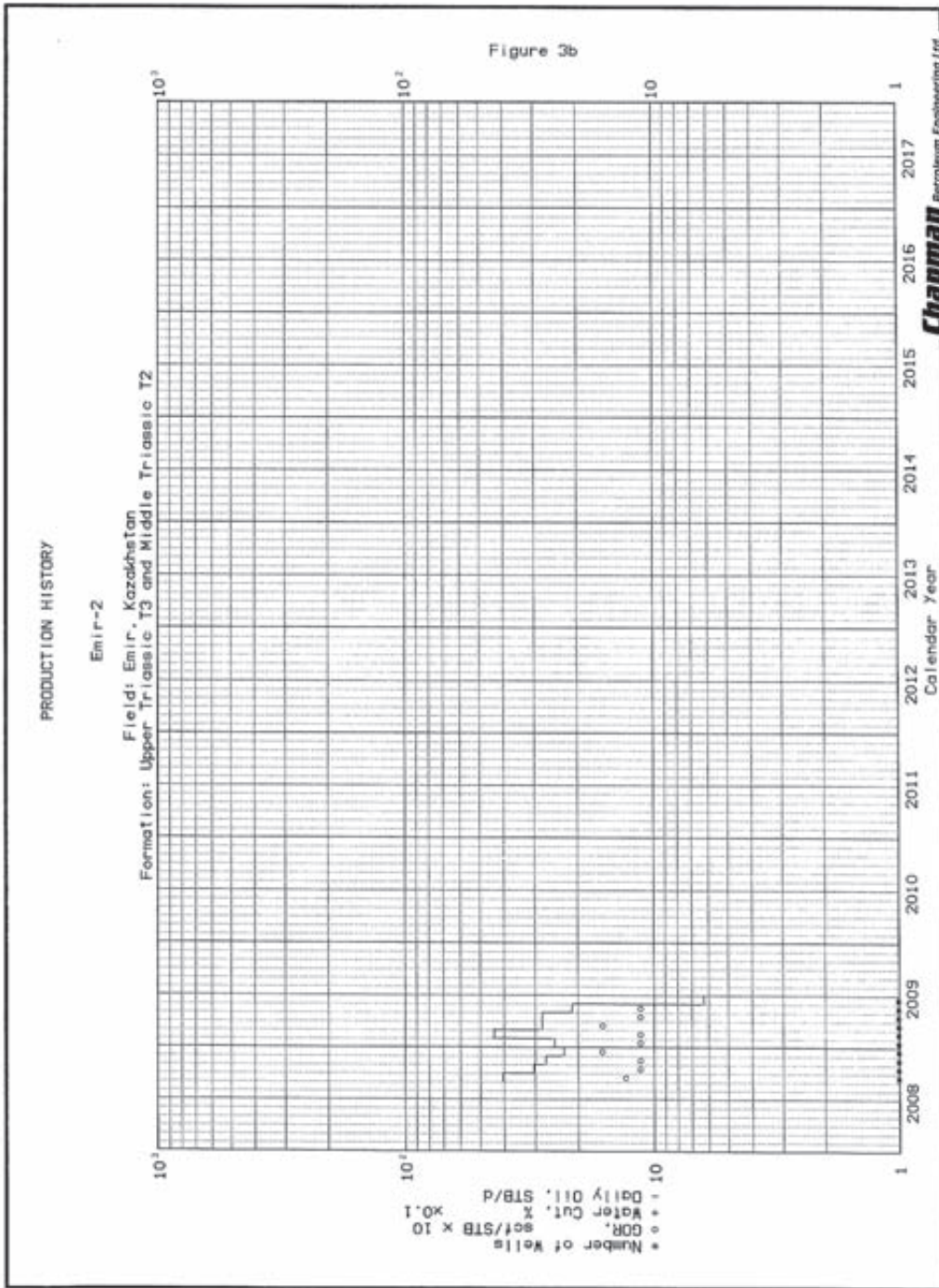
Table 2

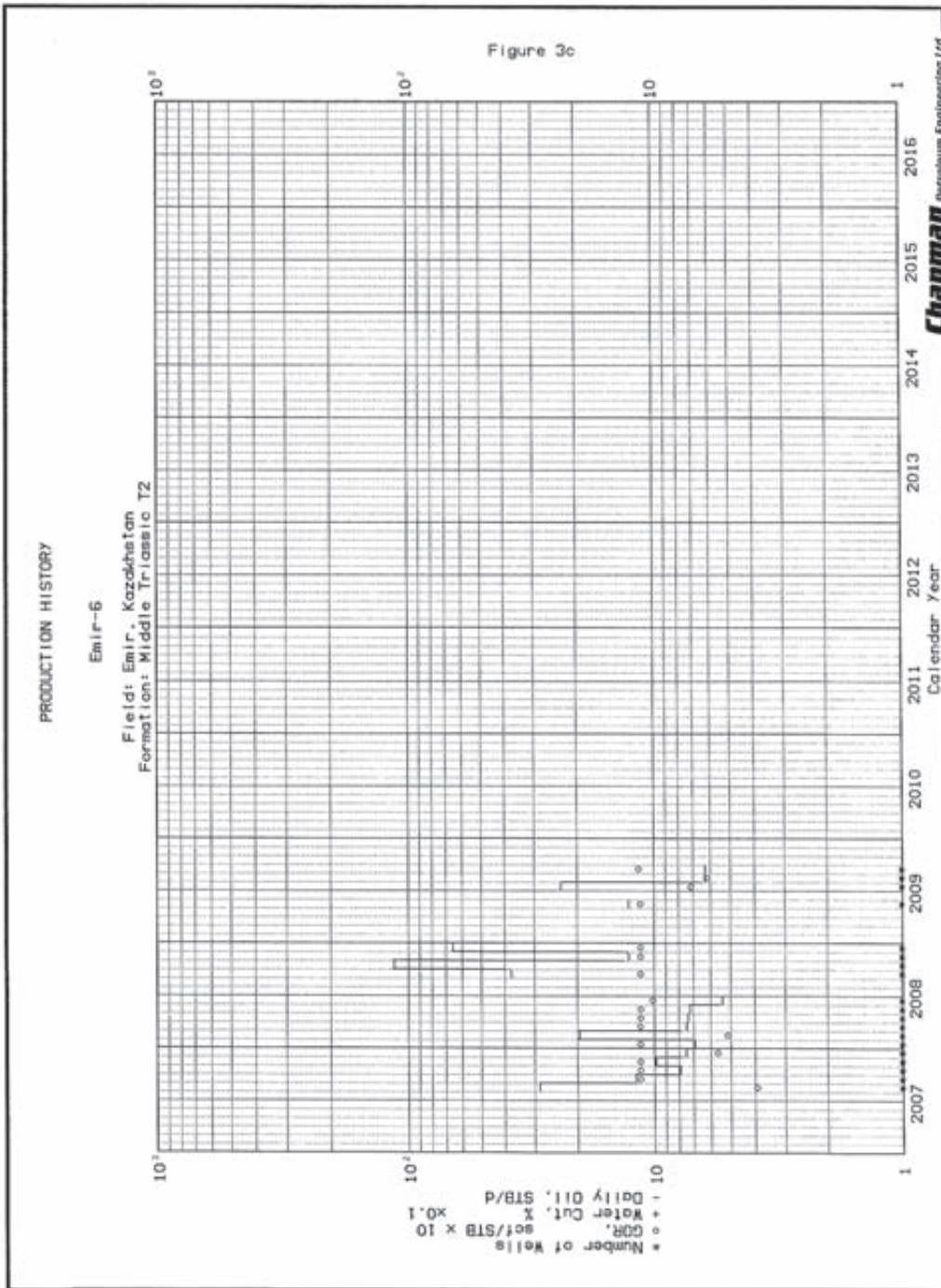
**Summary of Gross Reserves  
January 1, 2011  
BMB Munai, Inc.**

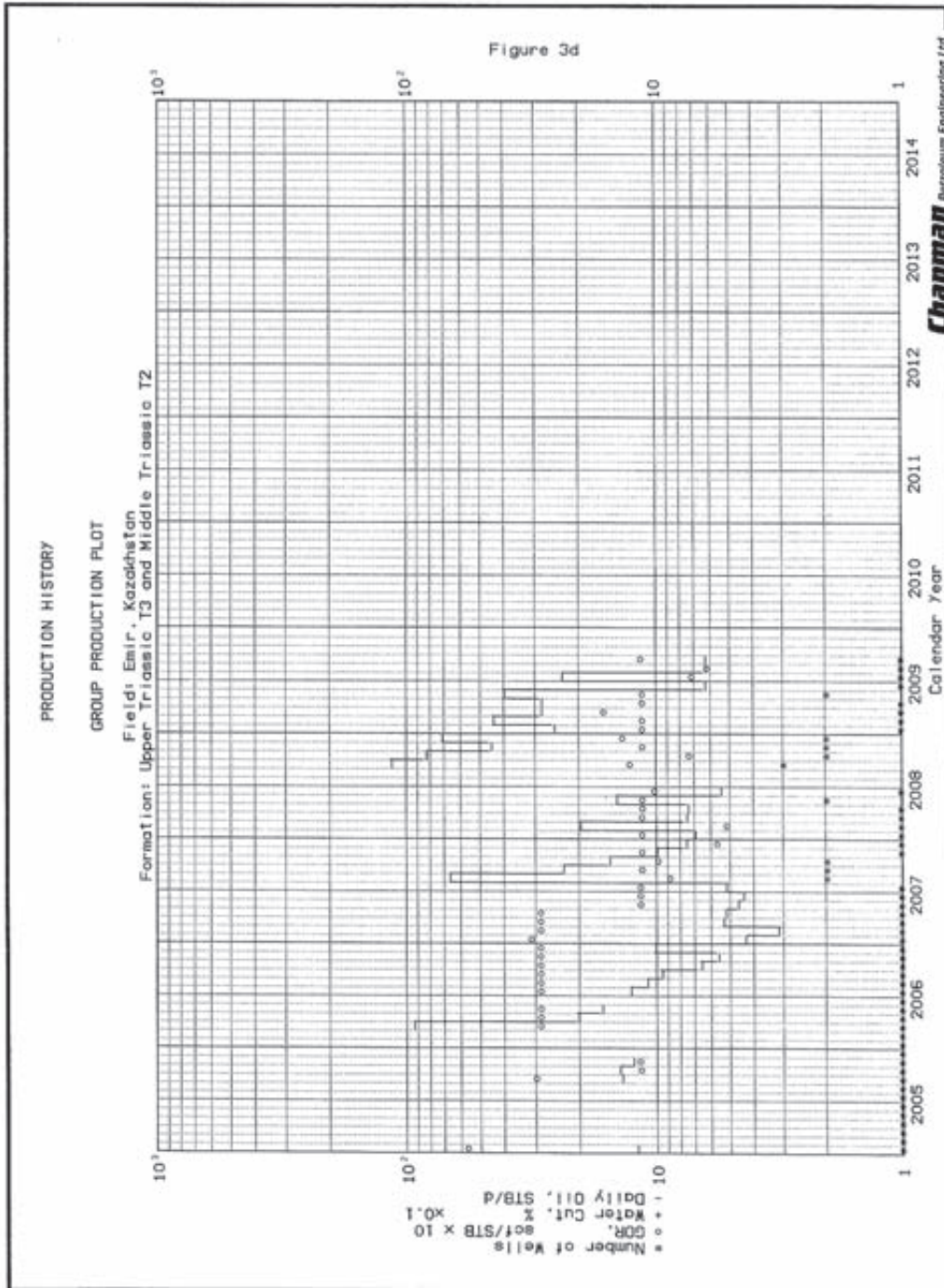
**Emir, Republic of Kazakhstan**

Description	Ultimate RGIP (MMscf)	Cumulative Production (MMscf)	Remaining	Remaining	Reference	GOR %	NGL Ratio Bbls/MMscf	Sulphur Ratio LT/MMscf	GOR Scf/STB	
			RGIP (raw) (MMscf)	RGIP (sales) (MMscf)						
<b>SOLUTION GAS</b>										
<b>Proved Developed Non-Producing</b>										
Emir-2	Upper Triassic T3 (Zone IV)	3	0	3	3	GOR: 130 scf/STB	7	0	0	130
<b>Total Proved Developed Non-Producing</b>		<b>3</b>	<b>0</b>	<b>3</b>	<b>3</b>					
<b>Total Proved</b>		<b>3</b>	<b>0</b>	<b>3</b>	<b>3</b>					
<b>Probable Developed Non-Producing</b>										
Emir-1	Middle Triassic T2	592	0	592	550	GOR: 270 scf/STB	7	0	0	270
Emir-2	Upper Triassic T3 and Middle Triassic T2	323	0	323	300	GOR: 130 scf/STB	7	0	0	130
Emir-6	Middle Triassic T2	40	0	40	37	GOR: 100 scf/STB	7	0	0	100
<b>Total Probable Developed Non-producing</b>		<b>954</b>	<b>0</b>	<b>954</b>	<b>887</b>					
<b>Probable Undeveloped</b>										
Twelve Adjacent Locations	Middle Triassic T2	1,529	0	1,529	1,422	GOR: 150 scf/STB	7	0	0	150
Sixteen Step-out locations	Middle Triassic T2	2,410	0	2,410	2,241	GOR: 150 scf/STB	7	0	0	150
<b>Total Probable Undeveloped</b>		<b>3,939</b>	<b>0</b>	<b>3,939</b>	<b>3,663</b>					
<b>Total Probable</b>		<b>4,893</b>	<b>0</b>	<b>4,893</b>	<b>4,550</b>					
<b>Total Proved Plus Probable</b>		<b>4,896</b>	<b>0</b>	<b>4,896</b>	<b>4,553</b>					
<b>Possible</b>										
Emir-1	(incr.) Middle Triassic T2	297	0	297	276	GOR: 270 scf/STB	7	0	0	270
Emir-2	(incr.) Upper Triassic T3 and Middle Triassic T2	144	0	144	134	GOR: 130 scf/STB	7	0	0	130
Emir-6	(incr.) Middle Triassic T2	20	0	20	19	GOR: 100 scf/STB	7	0	0	100
Twelve Adjacent Locations	(incr.) Middle Triassic T2	722	0	722	671	GOR: 150 scf/STB	7	0	0	150
Sixteen Step-out locations	(incr.) Middle Triassic T2	402	0	402	374	GOR: 150 scf/STB	7	0	0	150
<b>Total Possible</b>		<b>1,584</b>	<b>0</b>	<b>1,584</b>	<b>1,473</b>					
<b>Total Probable Plus Possible</b>		<b>6,480</b>	<b>0</b>	<b>6,480</b>	<b>6,026</b>					









**Table 3a**  
**Summary of Anticipated Capital Expenditures**  
**Development**  
**January 1, 2011**

**BMB Munai, Inc.**

**Emir, Republic of Kazakhstan**

Description	Date	Operation	Capital Interest %	Gross Capital M\$	Net Capital M\$
<b>Proved</b>					
<b>Proved Developed</b>					
Emir-2	2011	Workovers	100.0000	300	300
<b>Total Proved</b>				<b>300</b>	<b>300</b>
<b>Probable</b>					
<b>Probable Developed</b>					
Emir-1	2012	Recomplete and tie-in additional intervals	100.0000	700	700
Emir-2	2012	Recomplete and tie-in additional intervals	100.0000	700	700
Emir-6	2012	Capital Repair of the well	100.0000	155	155
Emir-6	2012	Recomplete and tie-in additional intervals	100.0000	600	600
<b>Total Probable Developed</b>				<b>2,155</b>	<b>2,155</b>
<b>Probable Undeveloped</b>					
Twelve Adjacent Locations	2013-2016	Drill, complete and Tie-in	100.0000	102,000	102,000
Twelve Adjacent Locations	2013-2016	Gas Gathering Facilities and Tie-in	100.0000	1,200	1,200
Sixteen Step-out locations	2017-2024	Drill, complete and Tie-in	100.0000	136,000	136,000
Sixteen Step-out locations	2017-2024	Gas Gathering Facilities and Tie-in	100.0000	1,600	1,600
<b>Total Probable Undeveloped</b>				<b>240,800</b>	<b>240,800</b>
<b>Total Probable</b>				<b>242,955</b>	<b>242,955</b>
<b>Total Proved Plus Probable</b>				<b>243,255</b>	<b>243,255</b>
<b>Possible</b>					
Emir-1	2012	Recomplete and tie-in additional intervals	100.0000	200	200
Emir-2	2012	Recomplete and tie-in additional intervals	100.0000	200	200
Emir-6	2012	Recomplete and tie-in additional intervals	100.0000	200	200
Twelve Adjacent Locations	2013-2016	Recomplete and tie-in additional intervals	100.0000	2,400	2,400
Sixteen Step-out locations	2017-2024	Recomplete and tie-in additional intervals	100.0000	3,200	3,200
<b>Total Possible</b>				<b>6,200</b>	<b>6,200</b>
<b>Total Proved Plus Probable Plus Possible</b>				<b>249,455</b>	<b>249,455</b>

Note: The above capital values are expressed in terms of current dollar values without escalation.

Table 3b

**Summary of Anticipated Capital Expenditures  
Abandonment and Restoration  
January 1, 2011**

**BMB Munai, Inc.**

**Emir, Republic of Kazakhstan**

Description	Year	Well Parameters	Capital Interest %	Gross Capital M\$	Net Capital M\$
<b>Light &amp; Medium Oil</b>					
Emir # 1		Oil well Abandonment and Restoration	100.0000	50	50
Emir # 2		Oil well Abandonment and Restoration	100.0000	50	50
Emir # 6		Oil well Abandonment and Restoration	100.0000	50	50
Twelve Adjacent Locations		Oil wells Abandonment and Restoration	100.0000	600	600
Sixteen Step-out locations		Oil wells Abandonment and Restoration	100.0000	800	800
<b>Total Abandonment and Restoration</b>				<b>1,550</b>	<b>1,550</b>

Table 4  
Summary of Company Reserves and Economics  
Before Income Tax  
January 1, 2011  
BMS Muski, Inc.  
Emir, Kazakhstan

Forecast Prices & Costs

**Net To Appraised Interest**

Description	Reserves						Cumulative Cash Flow (\$M) - MS					
	Light and Medium Oil MSTR		Sales Gas MMScfd		NGL MMBbls		Undisc.	Discounted at:				
	Gross	Net	Gross	Net	Gross	Net		5%/year	10%/year	15%/year	20%/year	
<b>Proved Developed Non-Producing</b>												
Emir-2 Upper Trassic T3 (Zone IV)	24	24	3	3	0	0	582	544	511	481	454	
<b>Total Proved Developed Non-Producing</b>	<b>24</b>	<b>24</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>582</b>	<b>544</b>	<b>511</b>	<b>481</b>	<b>454</b>	
<b>Probable</b>												
<b>Probable Developed Non-Producing</b>												
Emir-2 Upper & Middle Trassic (Zones IV, III & I)	Inc.	2,492	2,492	300	300	0	0	120,919	78,758	56,834	43,838	35,372
Emir-1 Middle Trassic T2 (Zones II, I & I)	Inc.	2,192	2,192	550	550	0	0	110,223	58,825	37,879	27,193	20,802
Emir-6 Middle Trassic T2 (Zones I & I)	Inc.	399	399	37	37	0	0	16,657	13,927	11,803	10,109	8,745
<b>Total Probable Developed Non-Producing</b>		<b>4,872</b>	<b>4,872</b>	<b>887</b>	<b>887</b>	<b>0</b>	<b>0</b>	<b>247,799</b>	<b>151,529</b>	<b>105,516</b>	<b>81,140</b>	<b>64,919</b>
<b>Probable Undeveloped</b>												
Six Adjacent Locations Upper Trassic T3 and Middle Trassic T2	Inc.	10,192	10,192	1,422	1,422	0	0	266,589	153,796	63,292	24,779	6,746
Eight Seepout Locations Middle Trassic T2 (Zones II, I & I)	Inc.	16,066	16,066	2,241	2,241	0	0	689,857	173,255	47,665	11,267	640
<b>Total Probable Undeveloped</b>		<b>26,258</b>	<b>26,258</b>	<b>3,663</b>	<b>3,663</b>	<b>0</b>	<b>0</b>	<b>1,053,396</b>	<b>326,991</b>	<b>110,957</b>	<b>36,046</b>	<b>7,386</b>
<b>Total Probable</b>		<b>31,330</b>	<b>31,330</b>	<b>4,550</b>	<b>4,550</b>	<b>0</b>	<b>0</b>	<b>1,321,195</b>	<b>478,481</b>	<b>217,473</b>	<b>117,686</b>	<b>72,365</b>
<b>Total Proved Plus Probable</b>		<b>31,354</b>	<b>31,354</b>	<b>4,553</b>	<b>4,553</b>	<b>0</b>	<b>0</b>	<b>1,321,687</b>	<b>478,925</b>	<b>217,984</b>	<b>118,167</b>	<b>72,819</b>
<b>Possible</b>												
Emir-2 Upper & Middle Trassic (Zones IV, III & I)	Inc.	1,100	1,100	134	134	0	0					
Emir-1 Upper & Middle Trassic (Zones III & I)	Inc.	1,099	1,099	276	276	0	0					
Emir-6 Middle Trassic T2 (Zones II & I)	Inc.	200	200	18	18	0	0					
Six Adjacent Locations Upper Trassic T3 and Middle Trassic T2	Inc.	4,810	4,810	671	671	0	0					
Eight Seepout Locations Middle Trassic T2 (Zones III & I)	Inc.	2,878	2,878	374	374	0	0					
<b>Total Possible</b>		<b>9,885</b>	<b>9,885</b>	<b>1,473</b>	<b>1,473</b>	<b>0</b>	<b>0</b>					
<b>Total Proved Plus Probable Plus Possible</b>		<b>41,247</b>	<b>41,247</b>	<b>6,026</b>	<b>6,026</b>	<b>0</b>	<b>0</b>					

MS means thousands of dollars.

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owned by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owned by others.

Columns may not add precisely due to accumulative rounding of values throughout the report.

**Chapman** Petroleum Engineering Ltd.

Table 4a

EVALUATION OF: Inir, Kazakhstan - Proved Developed Non-Producing

\*\*\*\*\*

WELL/LOCATION - Inir-20 (per Tyiasaie TS (zone IV))  
 EVALUATED BY - BMS Humal, Inc.  
 COMPANY EVALUATED - BMS Humal, Inc.  
 APPRAISED FOR - FORECAST PRICES & COSTS  
 PROJECT -

EROD 47.41 P2 ENERGY SOLUTIONS PAGE 1  
 GLOBAL - 16-MAR-2011 5:27  
 EPF 01-JAN-2011 DIOC 01-JAN-2011 WROD-01-JUL-2011  
 RUN DATE: 14-MAR-2011 TIME: 15:01  
 FILE: Oms92.DAT

TRACT FACTOR - 100.0000 %  
 ULY POOL RESERVE - 23486 STB  
 PRODUCTION TO DATE - N/A  
 DECLINE INDICATOR - EXPONENTIAL  
 TOTAL CAPITAL COSTS - 300 -M\$  
 TOTAL ABANDONMENT - 51 -M\$ (2012)

INTEREST - STATE - AVG TAX 6.18%

AVG W: 100.0000%

Year	Wells	Oil STB			Sales Gas MCF		
		\$ of Price	Pool	Company Share	\$ of Price	Pool	Company Share
2011	1	53.17	8200	8200	0	1.16	6.5
2012	1	52.54	14486	14486	0	1.16	5.2
SUB			23686	23686		2	11.7
SDM			0	0		0	0
TOT			23686	23686		2	11.7

\*\*\*\*\* CONSMY SHARE FUTURE NET REVENUE \*\*\*\*\*

Year	Capital Aband	Future Revenue (F\$)		Royalties			Operating Costs			FX After Roy/Oper	Net Back	Profit	Cap'l Costs	Aband Costs	Future Net Rev				
		Oil	Sales Gas	State	Other	Mineral	Fixed	Variable	\$/STB							\$/STB	\$/STB		
2011	300	489	1	0	491	0	0	33	4.8	53	38	9.24	376	48.83	0	300	0	76	73
2012	51	778	2	0	779	0	0	39	7.6	100	42	11.15	557	38.46	0	51	51	306	439
SUB	351	1268	4	0	1268	0	0	82	6.5	153	80		933		0	351	51	582	511
SDM	0	0	0	0	0	0	0	0	0	0	0		0		0	0	0	0	0
TOT	351	1268	4	0	1268	0	0	82	6.5	153	80		933		0	351	51	582	511

\*\*\*\*\* NET PRESENT VALUE (-M\$) \*\*\*\*\*

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FX After Roy & Oper	333	284	241	202	167	135	105
Profit & Other Income	0	0	0	0	0	0	0
Capital Costs	300	293	286	280	276	268	263
Abandonment Costs	51	47	44	41	39	36	34
Future Net Revenue	382	344	311	281	256	235	212

\*\*\*\*\* PROFITABILITY \*\*\*\*\*

Company Share Basis	Before Tax
Rate of Return (%)	399.0
Profit Index (undisc.)	1.7
(Disc. @ 5.0%)	1.5
(Disc. @ 10.0%)	1.4
First Payout (years)	0
Total Payout (years)	0
Cost of Finding (\$/BBL)	14.50
NPV @ 10.0% (\$/STB)	21.57
NPV @ 5.0% (\$/STB)	22.98

\*\*\*\*\* COMPANY SHARE \*\*\*\*\*

Let Year	Average	Royalties	Costs	Net After	Capital	Future
% Investment	100.0	100.0	4.5	20.0	73.5	23.7
% of Future Revenue						48.9

**Chapman** Petroleum Engineering Ltd.

Table 46

EVALUATION OF: Enir, Kazakhstan  
 \*\*\*\*\* Total Proved Plus Probable

ERGO #7.41 P2 ENERGY NEGOTIATIONS  
 GLOBAL : 25-MAR-2011 5:27H  
 RFP-11-JAN-2011 SEC-02-JUN-2011  
 RCM SMTN: 20-MAR-2011 TIME: 15:41  
 FILE:

EVALUATED BY :  
 COMPANY EVALUATED : ENR Kazakh, Inc.  
 APPRAISAL FOR :  
 PROJECT : FORECAST PRICES & COSTS

TOTAL CAPITAL COSTS : 279384 -M\$-  
 TOTAL ABANDONMENT : 1334 -M\$-

Year	Oil NETS						Sales Gas MCF					
	# of Wells		Pool		Company Share		# of Wells		Pool		Company Share	
	S/STR	STR/D	Vol	Gross	Net	Mells	S/MCF	MCF/D	Vol	Gross	Net	
2011	1	53.17	25.2	0	0	0	0	1.18	3.0	1	1	1
2012	3	53.54	1096.1	480	480	480	0	1.18	187.8	38	38	38
2013	13	55.13	1544.8	960	140	940	0	1.18	235.8	86	86	86
2014	15	53.87	2023.0	735	735	735	0	1.18	299.0	189	189	189
2015	15	55.19	2197.6	882	882	882	0	1.18	323.5	118	118	118
2016	15	56.01	2321.7	847	847	847	0	1.18	341.4	125	125	125
2017	21	57.33	2504.8	895	895	895	0	1.18	358.1	120	120	120
2018	12	58.77	2445.9	906	906	906	0	1.18	365.5	113	113	113
2019	30	60.15	2579.0	941	941	941	0	1.18	381.0	139	139	139
2020	30	60.89	2678.3	979	979	979	0	1.18	394.0	144	144	144
2021	30	62.37	2755.7	1006	1006	1006	0	1.18	403.9	147	147	147
2022	30	63.83	2813.7	1027	1027	1027	0	1.18	413.1	150	150	150
2023	30	65.48	2857.1	1043	1043	1043	0	1.18	418.3	152	152	152
2024	30	66.18	2895.4	1053	1053	1053	0	1.18	429.8	153	153	153
2025	30	67.74	2714.8	991	991	991	0	1.18	394.9	144	144	144
SUM				12182	12182	12182				1779	1779	1779
SEM				18253	18253	18253				2774	2774	2774
TOT				31254	31254	31254				4553	4553	4553

- P/T - COMPANY SHARE FUTURE NET REVENUE

Year	Capital Aband		Future Revenue (M\$)					Royalties					Operating Costs					PR After Roy & Oper	Net back	Proc	Cap'l	Aband	Future Net Rev				
	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-	-M\$-						-M\$-	-M\$-	-M\$-	-M\$-	-M\$-
2011	300	489	1	0	490	0	0	23	4.8	53	38	9.74	376	62.63	0	308	0	76	72								
2012	2598	21420	87	0	22487	0	0	1633	7.4	217	1705	4.69	17974	43.78	0	2198	0	15736	13660								
2013	26842	31126	100	0	31226	0	0	2678	8.6	294	2452	5.95	25110	43.37	0	16482	0	-1732	-1265								
2014	27379	38953	120	0	39120	0	0	3521	9.0	1681	1255	6.57	18654	49.72	0	17278	0	1275	2344								
2015	27927	44269	137	0	44406	0	0	3997	9.0	1724	1424	6.51	18862	43.66	0	17927	0	7314	4444								
2016	28483	47464	145	0	47609	0	0	4285	9.0	1759	1900	6.52	17460	43.28	0	18484	0	3175	5423								
2017	19370	46227	139	0	46366	0	0	4173	9.0	2751	3784	7.52	35656	43.20	0	19370	0	15284	8763								
2018	13613	52895	155	0	53050	0	0	4775	9.0	3789	4315	8.70	45713	43.45	0	17577	57	28638	18800								
2019	20255	56622	162	0	56784	0	0	5310	9.0	3723	4603	8.64	43216	44.93	0	20255	0	21184	28322								
2020	20958	59923	167	0	59632	0	0	5372	9.0	3868	4874	8.67	45616	45.57	0	20958	0	25981	15142								
2021	20667	62733	171	0	62804	0	0	5695	8.1	3884	5113	8.74	48464	47.17	0	20667	0	27441	15235								
2022	21284	65595	174	0	65769	0	0	5327	8.1	3961	5329	8.83	51153	48.62	0	21284	0	27765	1947								
2023	21814	68261	176	0	68377	0	0	5519	8.1	4043	5520	8.95	53278	49.88	0	21814	0	31465	9529								
2024	22350	69479	178	0	69556	0	0	5658	8.1	4123	5685	9.09	54391	50.42	0	22350	0	32248	1877								
2025	0	67123	187	0	67280	0	0	5450	8.1	4204	5457	9.52	52179	51.43	0	0	0	52179	12161								
SUM	279441	132360	2664	0	134428	0	0	42428	8.5	48647	58647		571482		0	279384	57	392041	123707								
SEM	1077	323453	3218	0	323815	0	0	47851	4.6	183446	108231		1940723		0	1077	1839446	102279									
TOT	180518	284723	5282	0	2872575	0	0	150479	7.1	142093	167798		1823205		0	179384	1134	1331687	217884								

NET PRESENT VALUE (M\$)

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
PR After Roy & Oper	1412205	674798	361043	204686	157727	117932	91864
Proc & Other Income	0	0	0	0	0	0	0
Capital Costs	379284	195564	143000	104433	84892	68156	51905
Abandonment Costs	1134	209	58	26	14	11	8
Future Net Revenue	1331487	479825	227884	118147	72819	49706	35851

COMPANY SHARE

1st Year Average	Royalties	Oper Costs	PR After Roy	Capital Costs	Future Revenue		
% Interest	100.0	100.0	7.3	15.0	77.8	12.5	84.3
% of Future Revenue							

PROFITABILITY

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	99.3
Profit Index (undisc.)	4.7
(disc. @ 10.0%)	1.3
(disc. @ 5.0%)	2.4
First Payout (years)	1.0
Total Payout (years)	3.3
Cost of Finding (\$/BOE)	8.74
NPV @ 10.0% (\$/BOE)	4.79
NPV @ 5.0% (\$/BOE)	14.92

**Chapman** Petroleum Engineering Ltd.

Table 4c

EVALUATION OF: **Eliz, Kazakhstan** ENGO v7.43 P2 ENERGY SOLUTIONS TOTAL  
 ----- Total Proved Plus probable Plus Possible GLOBAL - 25-MAR-2011 13:39  
EPF-01-JAN-2011 DISC-01-JAN-2011  
RUM DATE: 25-MAR-2011 TIME: 13:41  
FILE:

EVALUATED BY: **---**  
 COMPANY EVALUATED: **IMR Murat, Inc.**  
 APPRAISAL FOR: **---**  
 PROJECT: **FORECAST PRICES & COSTS**

TOTAL CAPITAL COSTS - 286435 -M\$  
 TOTAL ABANDONMENT - 1136 -M\$

Year	Oil NETS						Sales Gas					
	Pool			Company Share			Pool			Company Share		
	# of Wells	Price	STB/D	Wd	Grwth	Net Wells	# of Wells	Price	MCY/D	Wd	Grwth	Net
2011	1	53.17	25.2	0	0	0	0	1.16	3.0	1	1	1
2012	3	57.04	1597.7	583	583	583	0	1.16	256.8	84	84	84
2013	15	55.13	2295.3	838	838	838	0	1.16	381.7	132	132	132
2014	15	53.07	3005.8	1037	1037	1037	0	1.16	457.0	167	167	167
2015	15	55.19	3245.3	1192	1192	1192	0	1.16	488.3	178	178	178
2016	15	56.01	3489.8	1274	1274	1274	0	1.16	520.6	190	190	190
2017	15	57.39	3755.5	1323	1323	1323	0	1.16	560.3	204	204	204
2018	15	58.77	4056.8	1371	1371	1371	0	1.16	598.7	220	220	220
2019	15	60.15	4391.0	1427	1427	1427	0	1.16	637.2	231	231	231
2020	15	60.89	4678.4	1464	1464	1464	0	1.16	679.0	244	244	244
2021	30	63.37	4115.0	1502	1502	1502	0	1.16	605.8	221	221	221
2022	30	61.87	4198.2	1532	1532	1532	0	1.16	615.4	226	226	226
2023	30	65.48	4257.8	1564	1564	1564	0	1.16	621.9	227	227	227
2024	30	66.16	4298.9	1569	1569	1569	0	1.16	625.9	228	228	228
2025	30	67.74	4319.4	1464	1464	1464	0	1.16	584.0	213	213	213
SUM			18099	18099	18099					2684	2684	2684
R25			23148	23148	23148					3342	3342	3342
TOT			41247	41247	41247					6026	6026	6026

\* F/T \*

Year	COMPANY SHARE FUTURE NET REVENUE																		
	Capital Aband				Future Revenue (FR)				Royalties				Operating Costs				Profit		
Costs	Old	Saleses	Products	Total	Crown	Other	Mineral	Fixed	Variable	FR After	Net	Other	Cap'l	Aband	Future Net Rev				
-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$				
2011	300	489	1	0	490	0	0	23	4.8	53	38	9.74	376	45.23	0	305	0	76	72
2012	2810	31223	100	0	31322	0	0	2381	7.5	217	2683	4.52	26243	43.92	0	2619	0	2343	2011
2013	27467	46147	133	0	46340	0	0	1362	8.5	304	3639	5.39	37144	43.90	0	27467	0	10277	8098
2014	28016	58209	194	0	58403	0	0	5254	9.0	3691	4889	5.82	46594	41.43	0	28016	0	18909	13310
2015	28576	65795	207	0	65993	0	0	4533	9.9	1734	5384	5.82	53346	42.85	0	28576	0	13772	15483
2016	29148	71340	228	0	71563	0	0	7085	9.9	1759	5870	5.84	58847	43.55	0	29148	0	27706	16399
2017	19820	70284	217	0	70396	0	0	4969	9.0	2751	5749	4.78	54927	43.83	0	19820	0	20147	18895
2018	20217	80587	217	0	80823	0	0	4002	9.0	1742	6174	7.37	62464	44.45	0	20217	0	42849	30671
2019	20621	85843	245	0	86088	0	0	7748	9.0	1857	6979	7.41	67083	46.18	0	20621	0	46882	20831
2020	21893	89321	251	0	89382	0	0	8044	9.0	1829	7102	7.42	70267	46.41	0	21893	0	49114	19849
2021	21454	93689	267	0	93946	0	0	8415	9.0	1884	7443	7.49	73064	46.06	0	21454	0	52510	19393
2022	22883	97869	261	0	98130	0	0	8822	9.0	1951	7952	7.59	77385	49.30	0	22883	0	55621	18548
2023	23121	101827	243	0	101960	0	0	9173	9.0	4041	8224	7.73	80683	50.54	0	23121	0	58242	17864
2024	23769	103821	265	0	104074	0	0	9347	9.0	4122	8471	7.84	82114	51.09	0	23769	0	59248	18393
2025	0	99257	247	0	99405	0	0	8966	9.0	4294	8061	8.18	78193	52.18	0	0	0	78193	19433
SUM	286435	1195139	3113	0	1198253	0	0	100774	9.3	48868	89231		847386		0	286435	60	588885	345489
R25	1977	1405870	1879	0	1408947	0	0	112524	7.8	39406	139014		1267519		0	0	1977	1265942	137736
TOT	287571	2700209	4990	0	2707199	0	0	213288	7.9	140266	219245		2154399		0	286435	1136	1446827	383324

NET PRESENT VALUE (-M\$)-										PROFITABILITY									
										M\$C/W									
Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%												
FR After Roy & Oper	2134299	966934	530985	338879	236468	174878	136333												
FR & Other Income	0	0	0	0	0	0	0												
Capital Costs	286435	200427	144896	111464	87384	70336	57077												
Abandonment Costs	1136	298	55	22	12	7	5												
Future Net Revenue	1846827	750994	381325	224611	149510	106727	80731												
										COMPANY SHARE									
										1st Year Average									
										Costs									
										Royalties									
										Oper									
										FR After									
										Capital									
										Future									
										Net Rev									
										NPV @ 10.0% (1/100)									
										NPV @ 5.0% (1/200)									
										%									
										of Future Revenue									
										180.6									
										360.0									
										7.9									
										13.3									
										76.8									
										10.6									
										68.3									

**Chapman** Petroleum Engineering Ltd.

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
KARIMAN FIELD**

**INDEX**

**Discussion**

Ownership  
Geology  
Petrophysical Data and Analysis  
Reserves  
Production  
Product Prices  
Capital Expenditures  
Operating Costs  
Economics

**Attachments**

Table 1: Schedule of Lands, Interests and Royalty Burdens

Figure 1: Field Map and Structure Top-Middle Triassic

Figure 2: Log Analysis Presentation

- a) Kariman-1
- b) Kariman-2
- c) Kariman-3
- d) Kariman-4
- e) Kariman-5
- f) Kariman-6
- g) Kariman-7
- h) Kariman-8
- i) Kariman-10
- j) Kariman-11

Table 2: Summary of Gross Reserves

Figure 3: Production History Graphs

- a) Kariman-1, Middle Triassic T2
- b) Kariman-2, Middle Triassic T2
- c) Kariman-3, Middle Triassic T2
- d) Kariman-4, Middle Triassic T2
- e) Kariman-5, Middle Triassic T2
- f) Kariman-6, Middle Triassic T2
- g) Kariman-7, Middle Triassic T2
- h) Kariman-8, Middle Triassic T2
- i) Kariman-10, Middle Triassic T2
- j) Kariman-11, Middle Triassic T2
- k) Group Production Plot, Middle Triassic T2

Table 3: Summary of Anticipated Capital Expenditures

- e) Development
- f) Abandonment and Restoration

Table 4: Economic Summary

Consolidated Cash Flows

- a) Total Proved Developed Producing
- b) Total Proved Developed
- c) Total Proved Plus Probable
- d) Total Proved Plus Probable Plus Possible

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
KARIMAN FIELD**

**DISCUSSION**

**Ownership**

The Company owns a 100 percent working interest in a “License” and “Exploration Contract” referred to as the ADEK Block which is located onshore in Kazakhstan in the Mangistau Oblast, approximately 50 kilometers from Aktau in the Republic of Kazakhstan (ROK).

The License originated in 1999 and the Exploration Contract was entered into on June 9, 2000 by a preceding company. The License and Contract Area were assigned to the Company on September 23, 2002.

The License and Exploration Contract granted the right to engage in exploration and development activities on the block. Originally the Exploration contract had a five year term but it has since been extended and now expires on January 9, 2013

The terms of the extension require minimum capital expenditures of \$7,000,000 in 2004, \$9,300,000 in 2005 and \$5,000,000 in 2006, \$6,790,000 from July 9, 2009 to December 31, 2009, \$12,690,000 in 2010, all of which have been satisfied or even exceeded. And in addition, a minimum work program requires \$27,240,000 in 2011 and \$14,840,000 in 2012.

Once commercial production is established within the ADEK Block, the Company can make application for an “Exploration and Production Contract”, the terms of which would be negotiated. The Company has the right to produce and sell oil under the Law of Petroleum for the term of the existing Exploration Contract at a royalty rates presented on Table 1. Provided that the Company can show evidence of a commercial discovery, has fulfilled its minimum work commitments and presents a development plan acceptable to the MEMR, there is no reason to believe the Exploration and Production Contract would not be granted.

Under the Production and Exploration contract royalty rates are negotiated and vary depending on the reserves and production rates. It is estimated that a royalty (Mineral Extraction Tax) rate of 9.9 percent would not be exceeded for this Block, with the anticipated reserves and production rates.

There are two general forms of production contracts in Kazakhstan, production-sharing contracts and tax and royalty based contracts. We have utilized a royalty based contract as mentioned.

Three fields already have been discovered on the ADEK Block which are on production from the Triassic formation. The Kariman Field has 2D seismic coverage from which, so far, four structures have been identified, which, if hydrocarbon productive, are expected to be analogous to the Dolinnoe Field.

The Kariman field, earlier known as an Extended Territory, is the one of the fields of the ADEK Block. The Company has drilled ten wells: Kariman-1, 2, 3, 4, 5, 6, 7, 8, 10 and 11. Currently, all wells are on production from one zone: wells 3 and 5 – from zone I, wells 2, 4, 6, 7, 8, 10 and 11 – from Zone II, and well 1 – from zone 4.

### **Geology**

The ADEK Block is located at the edge of the Mangistau Ustyrt Central High which contains several producing oilfields in the area. The Kariman field which contains 64,247 acres (260 km<sup>2</sup>) lies to the east adjacent to the original Block. The typical reservoir is a faulted anticline comprising several faulted blocks. The main producing horizon is the Middle Triassic carbonate.

Hydrocarbon traps are formed within the transition zone of the Beke – Bashkudsky high and Karagiin saddle.

The productive Middle Triassic consists of limestone in the upper portion and dolomite in the lower portion. In this area sandstone has been encountered in the Upper Triassic. The Triassic is located at a depth between 3,150 and 3,500 meters.

### **Petrophysical Data and Analysis**

Russian GIS logs were run in the shallow formations and Baker Atlas logs over the Triassic.

The Chapman digital log analysis was made using HDS software over the Upper and Lower Triassic reservoirs.

For Kariman-7, The Gamma Ray was used as a shale indicator in the Dual water saturation equation with a carbonate selection for a, m, and n.

Sw cutoff was 40% along with a shale volume cutoff of 50%.

Net pay was identified in the Upper and Lower Triassic reservoirs as shown in the interpreted log.

### **Reserves**

Proved developed producing oil reserves of 6,026 MSTB and marketable solution gas reserves of 2,010 MMscf have been estimated for the Middle Triassic T2 Zones (completed producing intervals) in existing wells based on reservoir parameters determined from digital log analysis and production data. Assumptions for the drainage area and recovery factor were made as follows: Kariman-1B – 50 acres and 20 percent; Kariman-2, 4, 5, 6 – 80 acres and 20 percent; Kariman-3A, 7, 8, 10 and 11 – 60 acres and 20 percent.

Additional proved developed non-producing oil reserves of 8,405 MSTB and marketable solution gas reserves of 3,058 MMscf have been estimated for additional Triassic intervals in wells Kariman-2, 3, 4, 5, 6, 6A, 7, 8, 10 and 11.

Probable developed oil reserves of 14,606 MSTB and marketable solution gas reserves of 4,907 MMscf have been assigned to existing wells for producing and non-producing intervals.

Marketable solution gas reserves have been estimated for existing wells based on each well's actual gas-oil ratio as presented in Table 2.

Probable undeveloped oil reserves of 5,573 MSTB have been estimated for four locations directly adjacent to wells Kariman-4 and 5 based on the reservoir parameters, drainage areas and recovery factors of these wells.

Probable undeveloped marketable solution gas reserves of 3,382 MMscf have been assigned to four adjacent probable locations based on the gas-oil ratio of wells Kariman-4 and 5.

Possible oil reserves of 4,859 MSTB have been estimated for one interval in well Kariman-3A and six adjacent locations based on analogy to the adjacent locations and the wells Kariman-4 and 5 based on reservoir parameters, drainage area and a recovery factor of these wells and locations.

Possible marketable solution gas reserves of 3,106 MMscf have been estimated for well Kariman-3A and six adjacent locations based on the gas-oil ratio wells Kariman-3, 4 and 5.

A summary of the reserves for this area is presented in Table 2.

### **Production**

Well Kariman-1 Sidetrack B is currently producing at a rate of 468 STB/d from three zones, but after workover and completing of additional intervals we assume that it will produce up to 610 STB/d.

Well Kariman-2 commenced production during early 2007 at an initial rate of up to 2,000 STB/d and is currently producing at a rate of 554 STB/d with a gas-oil ratio of 315 scf/STB.

Well Kariman-3 Sidetrack A was drilled and placed on production in 2010, and is currently producing at a rate of 145 STB/d from two zones.

Well Kariman-4 is currently producing at a rate of 85 STB/d. This well was placed on production in August 2007 at an initial rate of 1,600 STB/d.

Well Kariman-5 is currently producing at a rate of 47 STB/d, but after workover and completing of additional intervals we assume that it will produce up to 550 STB/d. The well commenced production in January 2008 with an initial rate of 210 STB/d.

Well Kariman-6 Sidetrack A was drilled in 2010 and is expected to be placed on production at 200 STB/d from only one zone.

Well Kariman-7 commenced production in April 2008 at an initial rate of 800 STB/d and is currently shut-in for re-work and stimulation. It is planned to be placed on production in the first half of 2011 at a rate of 400 STB/d from two zones.

Well Kariman-8 commenced production in June 2008 at an initial rate of 400 STB/d and is currently producing at a rate of 206 STB/d from only one zone.

Well Kariman-10 commenced production in June 2008 at an initial rate of 420 STB/d and is currently producing at a rate of 131 STB/d from only one zone, but after workover and completing of additional intervals we assume that it will produce up to 600 STB/d.

Well Kariman-11 commenced production in January 2009 at an initial rate of 220 STB/d and is currently producing at a rate of 60 STB/d.

Additional zones in all existing wells are expected to be completed and placed on production by January 2012. Rates for the additional zones are shown in Table 2.

Four probable locations have been anticipated to commence production by January 2015 at a total initial rate of 2,100 STB/d.

Two possible locations have been anticipated to commence production by January 2017 at a total initial rate of 900 STB/d.

These initial rates have been based on the existing wells production performance analysis.

Production history graphs for individual wells and the Group Production Plot are presented in Figures 3a through 3k.

### **Product Prices**

The Company has secured an export permit for oil sales which allows all of the Company's production to be exported. During the exploration stage exports are subject to "export rent tax" (ERT), which would be until January 9, 2013 with the expected extension in the exploration license. During this period the ERT is based on the current Tax Law of ROK and its values are presented in the Attachment 1. Exported oil is exempt from VAT.

A forecast price used for this project is based on the Chapman's forecast utilizing Forecast Brent crude price less \$16.37/STB (transportation discount), export duty of \$5.20/STB, ERT (values are presented in the Attachment 1), domestic price of \$26.72/STB (before VAT), VAT (12 percent) and an export/domestic sales split of 90/10 percent for the first three years and 80/20 percent thereafter.

A natural gas price of \$1.16/Mscf has been utilized for solution gas sales and assumed to be constant throughout the report.

### **Capital Expenditures**

Total capital expenditures of \$73,600,000 have been estimated for the development of the proved, probable and possible reserves in this field.

Detailed break down of the capital expenses required for full development of the assigned reserves is presented in Table 3a.

Total abandonment and restoration costs (net of salvages) of \$900,000 (\$50,000 per well) have been estimated for this property as presented in Table 3b.

### **Operating Costs**

Field operating costs of \$8,850/well/month (fixed), \$4.15/STB, and \$0.15/Mscf have been estimated for this project, based on field estimates provided by the Company, which we consider to be reasonable.

### **Economics**

The economic analysis performed for this evaluation, presented here, reflects future cash flows from this property before consideration of income taxes and other taxes which apply under the “royalty and tax contract”.

The cash flow forecasts have been prepared under a “forecast prices and costs” assumption based on Chapman Petroleum Engineering price forecast.

A summary of the economic results are presented in Table 4 and the consolidated cash flows forecasts are presented in Tables 4a through 4d.

Table 1

**Schedule of Lands, Interests and Royalty Burdens  
January 1, 2011**

**BMB Munai, Inc.**

**Kariman, Republic of Kazakhstan**

Description	Rights Owned	Gross Acres	Appraised Interest		Royalty Burdens	
			Working %	Royalty %	Basic %	Overriding %
License AI No.1552 & Contract No.482	A	N/A	100.0000	–	1	–

*General Notes:*

1 According to the New Tax Law of ROK:

Annual Production tons	MSTB	Royalty (Mineral Extraction Tax) for OIL, %								
		2011-2012		2013			2014 and after			
		Export	Domestic	Blend	Export	Domestic	Blend	Export	Domestic	Blend
up to 250,000	up to 1,964	5.00	2.50	<b>4.75</b>	6.00	3.00	<b>5.70</b>	7.00	3.50	<b>6.30</b>
up to 500,000	up to 3,928	7.00	3.50	<b>6.65</b>	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.10</b>
up to 1,000,000	up to 7,856	8.00	4.00	<b>7.60</b>	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.00</b>
up to 2,000,000	up to 15,711	9.00	4.50	<b>8.55</b>	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>9.90</b>
up to 3,000,000	up to 23,567	10.00	5.00	<b>9.50</b>	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>10.80</b>
up to 4,000,000	up to 31,423	11.00	5.50	<b>10.45</b>	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>11.70</b>
up to 5,000,000	up to 39,278	12.00	6.00	<b>11.40</b>	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>12.60</b>
up to 7,000,000	up to 54,990	13.00	6.50	<b>12.35</b>	14.00	7.00	<b>13.30</b>	15.00	7.50	<b>13.50</b>
up to 10,000,000	up to 78,557	15.00	7.50	<b>14.25</b>	16.00	8.00	<b>15.20</b>	17.00	8.50	<b>15.30</b>
over 10,000,000	over 78,558	18.00	9.00	<b>17.10</b>	19.00	9.50	<b>18.05</b>	20.00	10.00	<b>18.00</b>

2011-2013 – production split will be 90/10 (90 percent of production – for export and 10 percent for domestic sales)

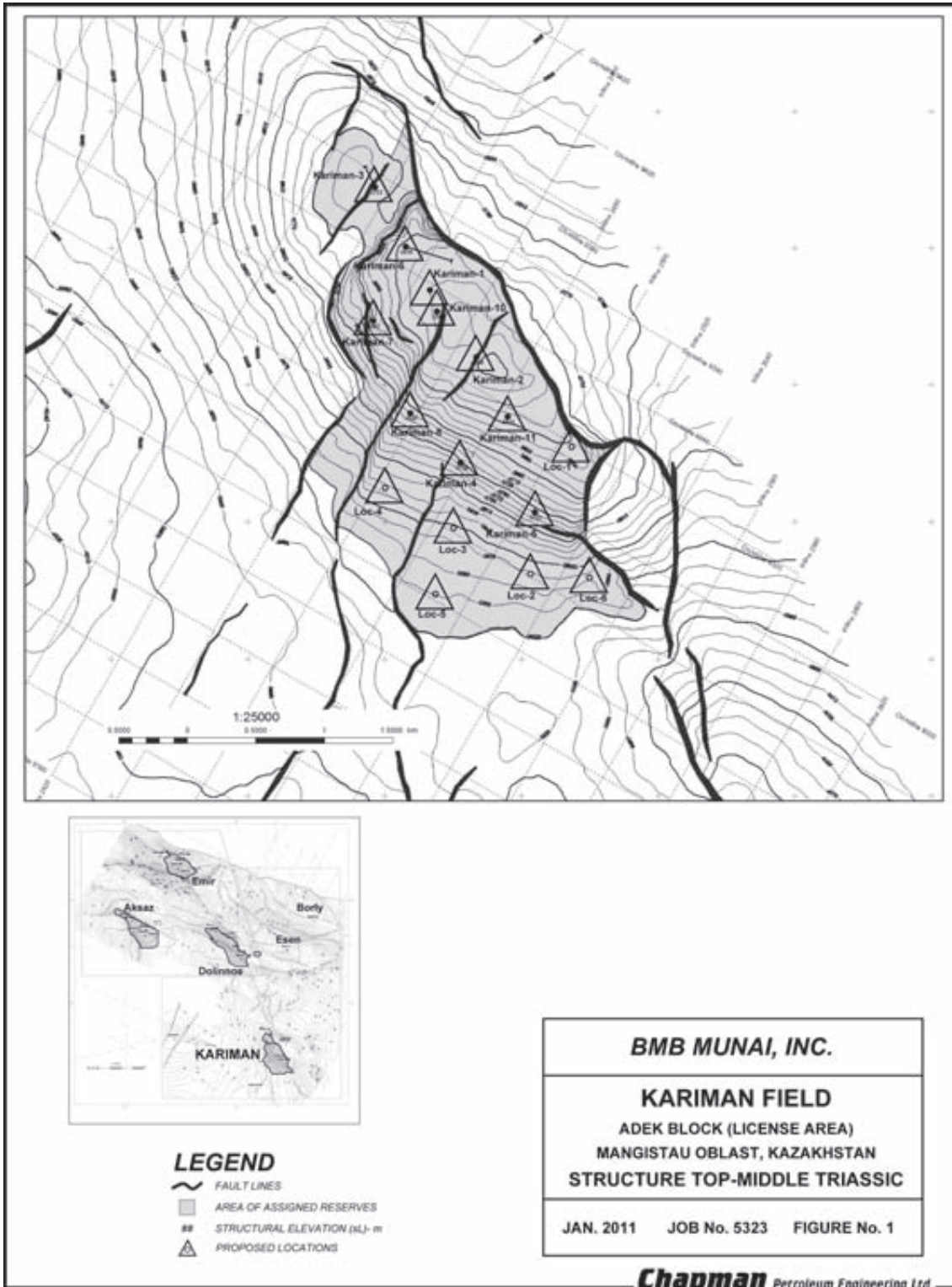
after 2013 – production split will be 80/20 (80 percent of production – for export and 20 percent for domestic sales)

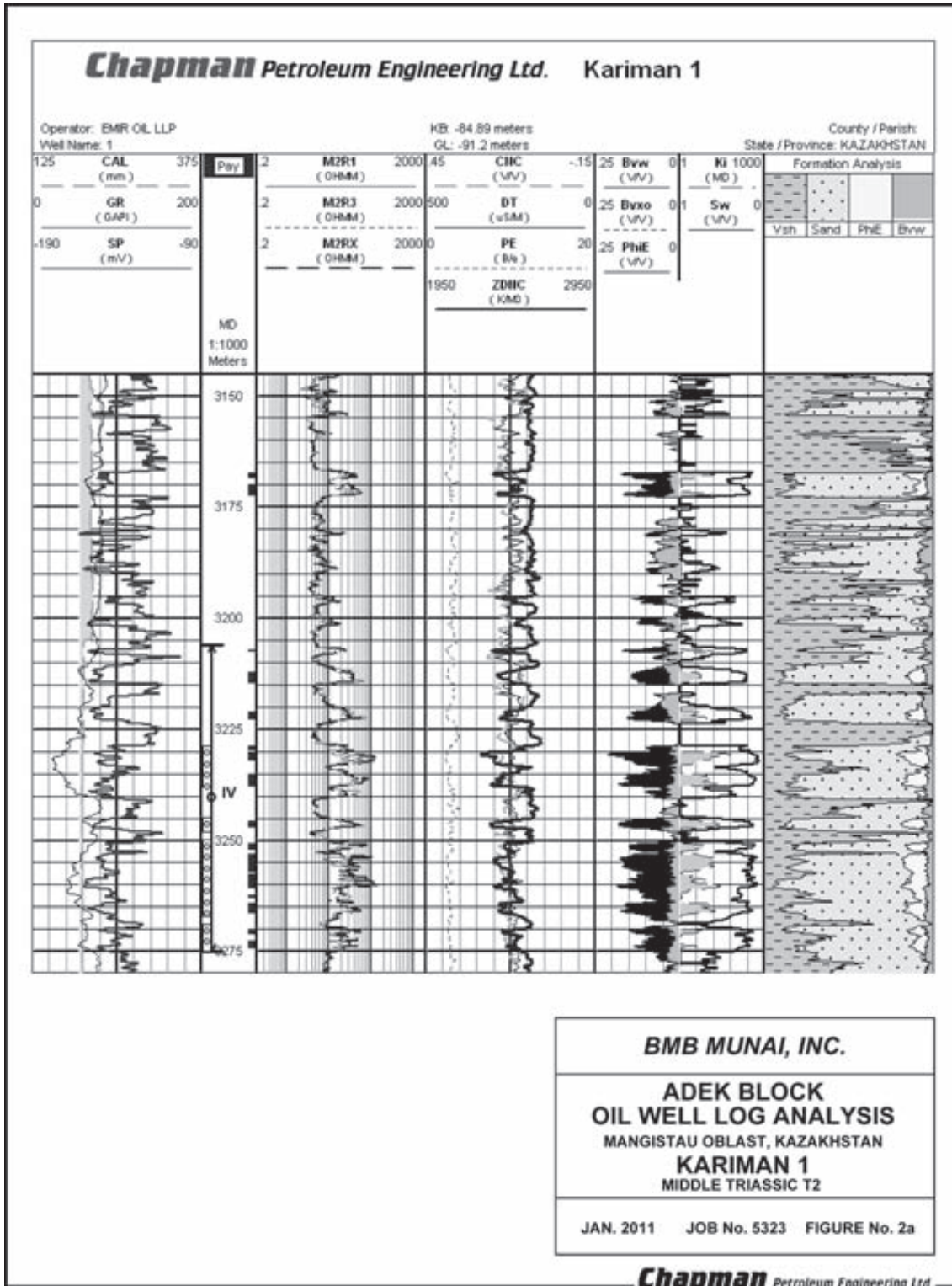
Annual Production 10 <sup>6</sup> m <sup>3</sup>	MMscf	Royalty (Mineral Extraction Tax) for GAS, %	
		Export	Domestic
up to 1000	up to 35,490	10.00	0.50
up to 2000	up to 70,980	10.00	1.00
over 2000	over 70,980	10.00	1.50

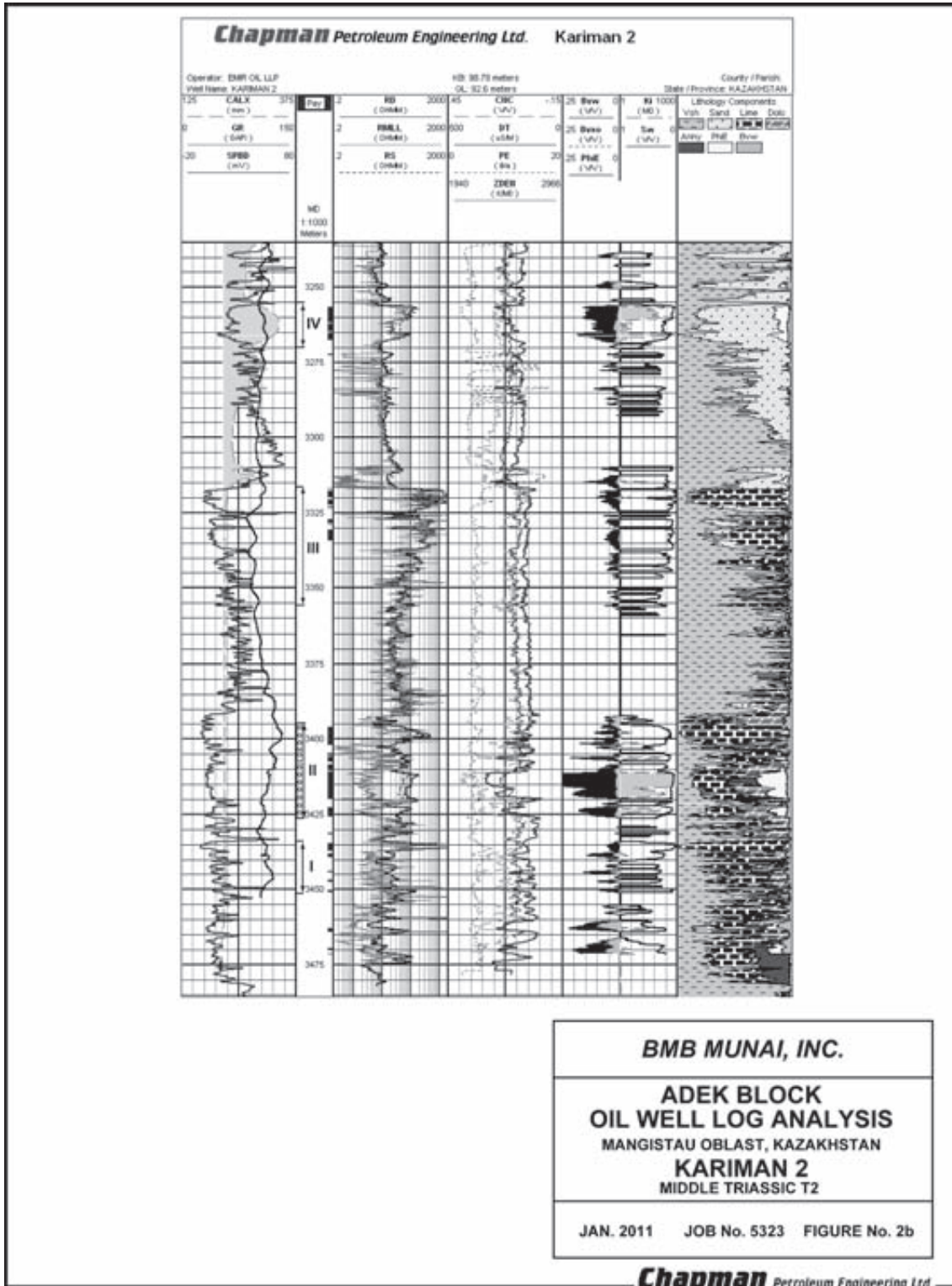
Corporate Income Tax	
Year	Rate, %
2011-2012	20.00
2013	17.50
2014 and after	15.00

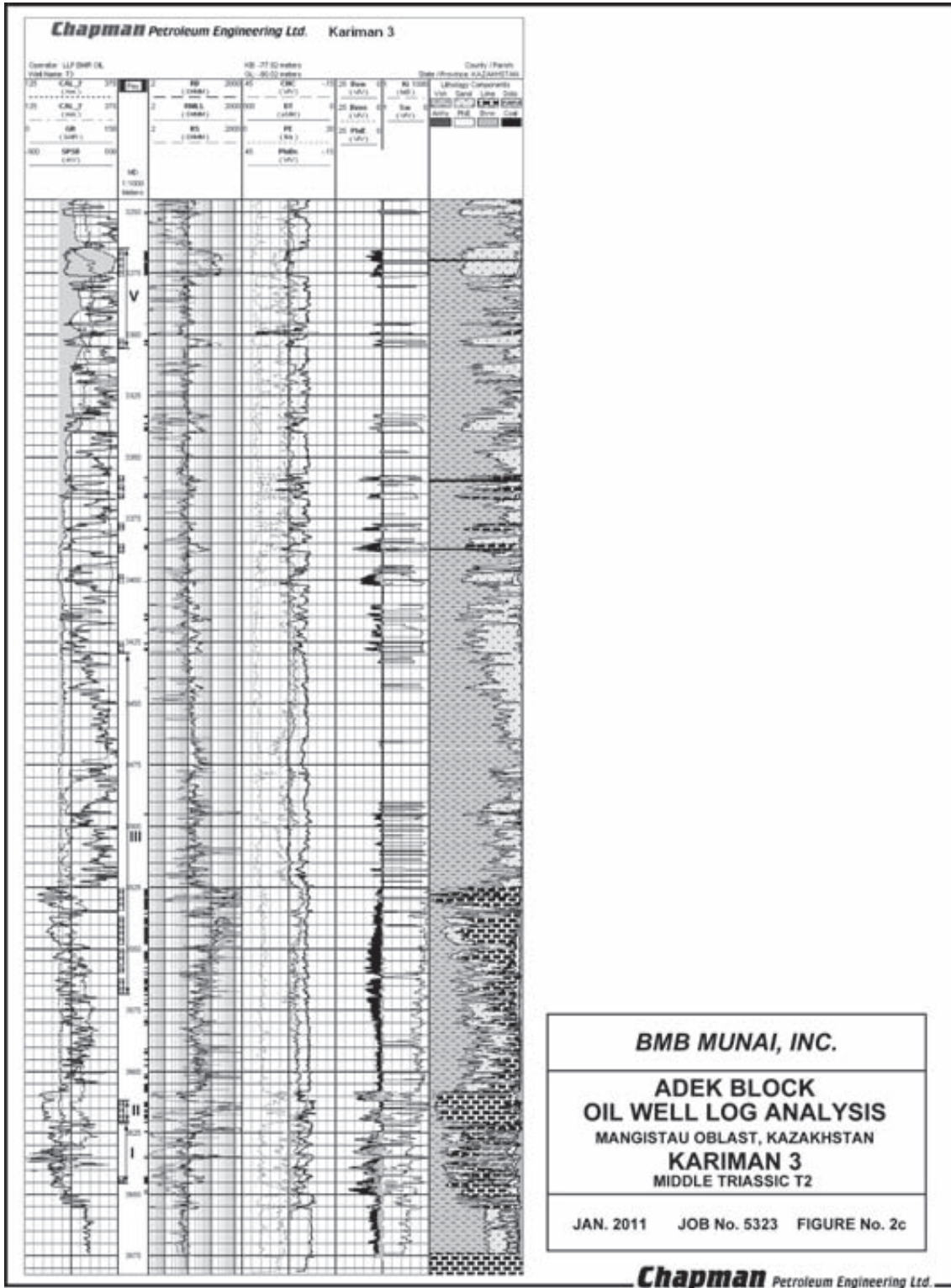
*Rights Owned:*

A Kariman Field located in blocks XXXVI-11-D(partially), E(partially).









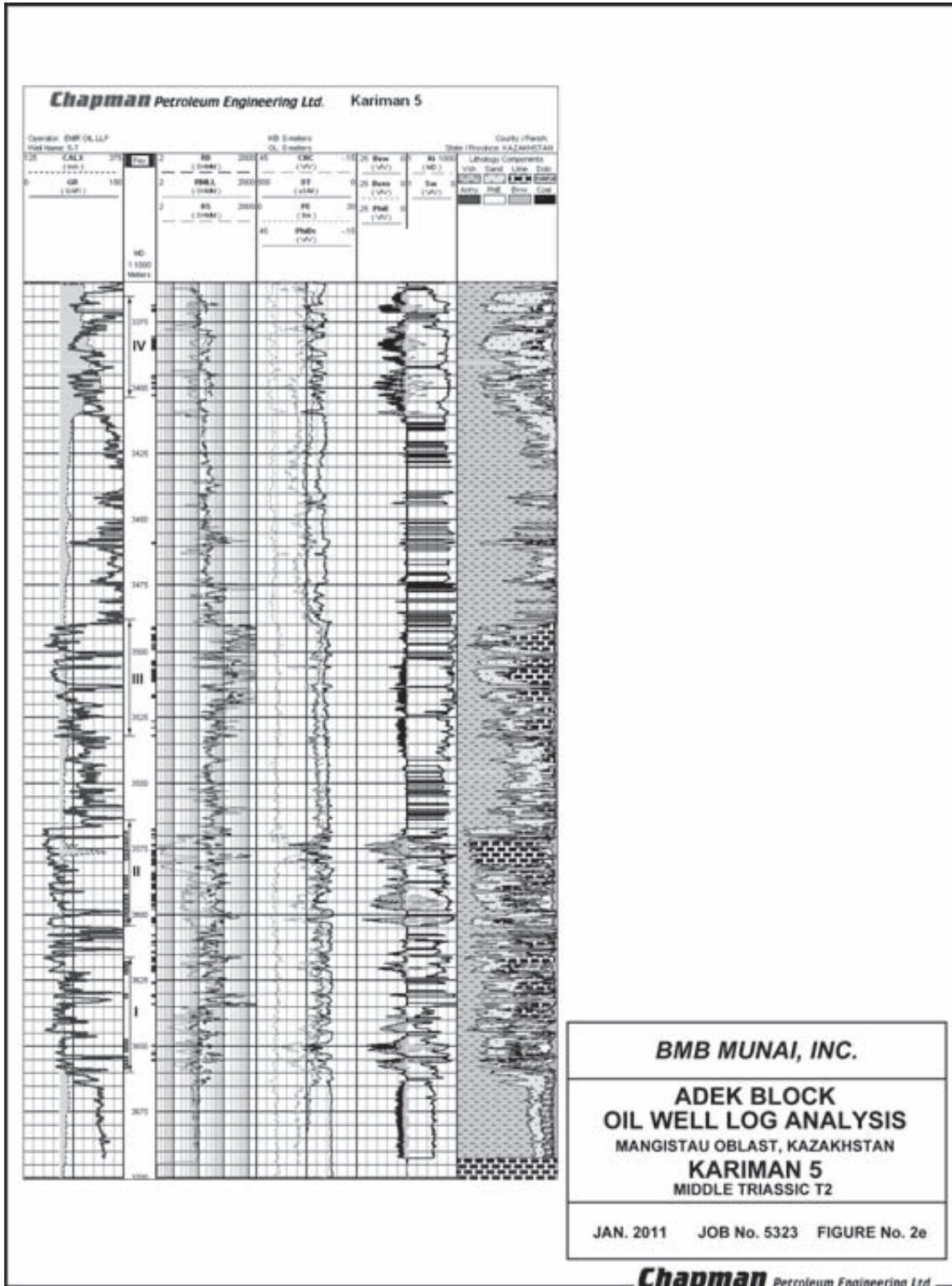
**BMB MUNAI, INC.**

**ADEK BLOCK  
OIL WELL LOG ANALYSIS**  
MANGISTAU OBLAST, KAZAKHSTAN  
**KARIMAN 3**  
MIDDLE TRIASSIC T2

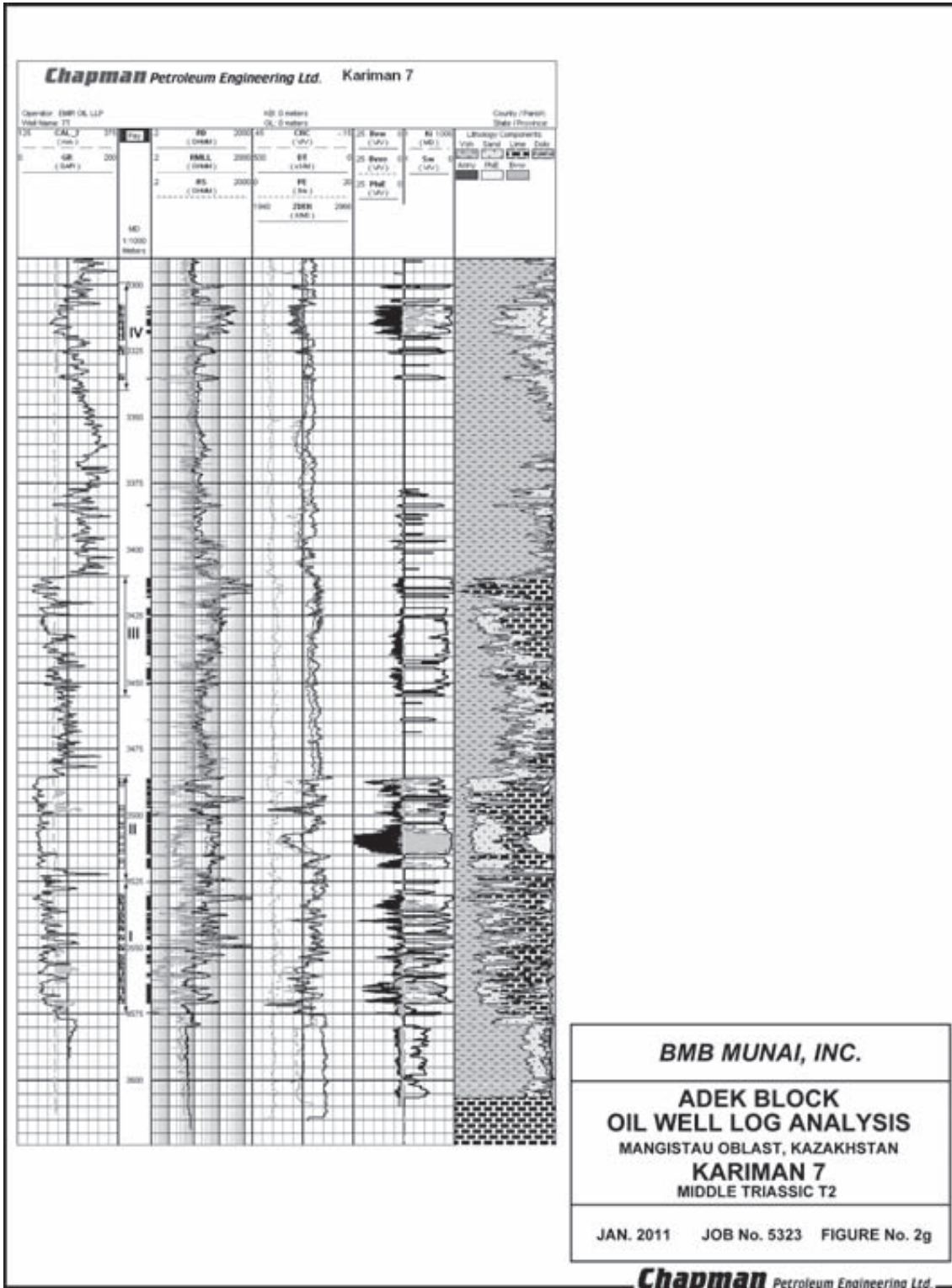
JAN. 2011    JOB No. 5323    FIGURE No. 2c

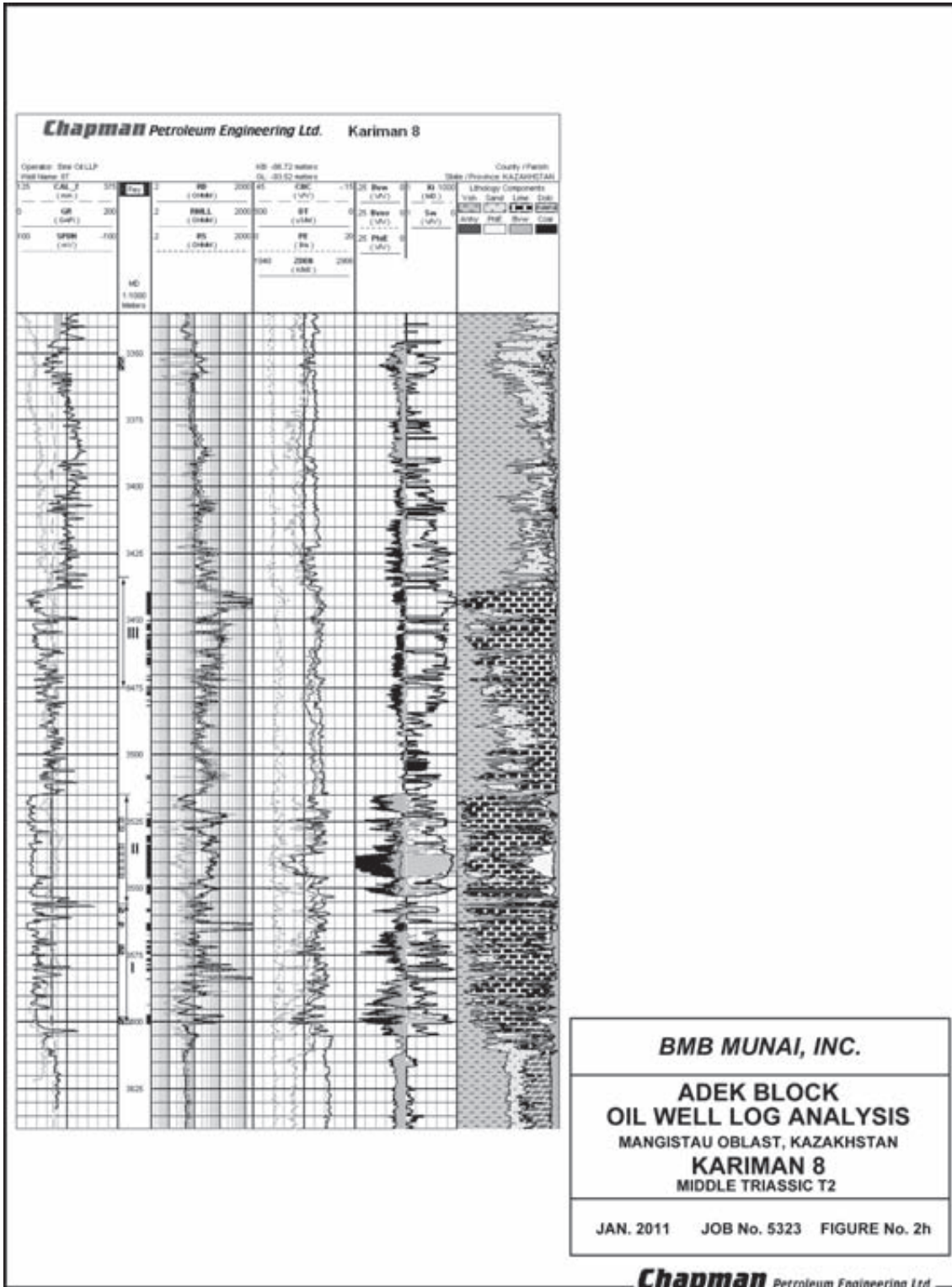
**Chapman** Petroleum Engineering Ltd.











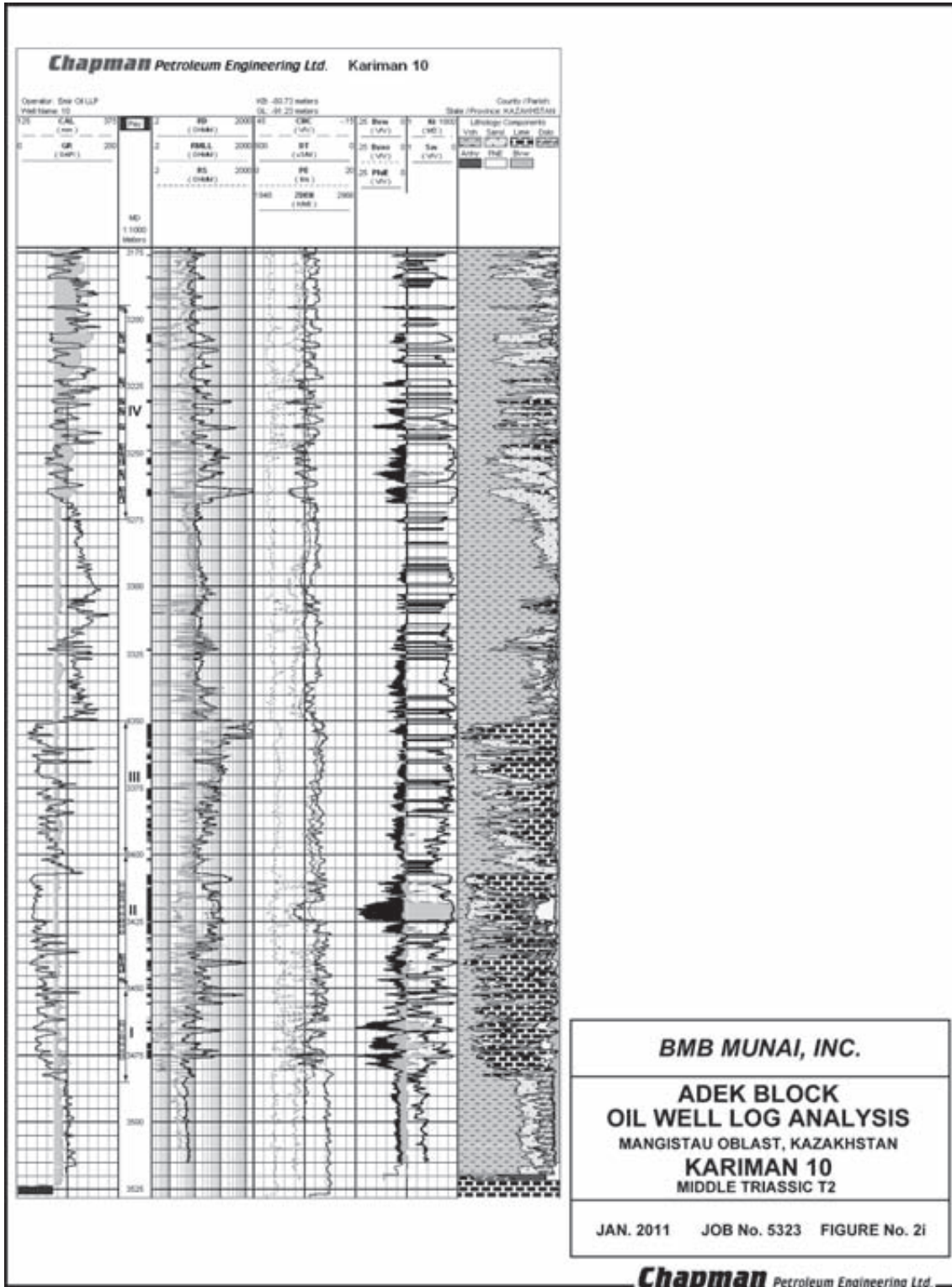




Table 2

**Summary of Gross Reserves  
January 1, 2011**

**BMB Munai, Inc.**

**Kariman, Republic of Kazakhstan**

Description		Current or Initial Rate <i>STB/d</i>	API Gravity <i>(Deg)</i>	Ultimate ROIP <i>(MSTB)</i>	Cumulative Production <i>(MSTB)</i>	Remaining ROIP <i>(MSTB)</i>	
<b>LIGHT &amp; MEDIUM OIL</b>							
<b>Proved Developed Producing</b>							
Kariman-1							
Sidetrack B	Middle Triassic T2 (Zones IV, II & I)	468	36	2,211	81	2,129	
Kariman-2	Middle Triassic T2 (Zone II)	554	36	1,512	1,047	465	
Kariman-3							
Sidetrack A	Middle Triassic T2 (Zones II & I)	145	36	243	20	224	
Kariman-4	Middle Triassic T2 (Zone II')	85	36	971	409	562	
Kariman-5	Middle Triassic T2 (Zone IV)	47	36	348	1	347	
Kariman-8	Middle Triassic T2 (Zone II)	206	36	721	324	397	
Kariman-10	Middle Triassic T2 (Zone II)	131	36	977	99	878	
Kariman-11	Middle Triassic T2 (Zone II)	60	36	1,174	150	1,024	
<b>Total Proved Develop Producing</b>		<b>1,696</b>		<b>8,158</b>	<b>2,132</b>	<b>6,026</b>	
<b>Proved Developed Non-Producing</b>							
Kariman-2	Middle Triassic T2 (Zones IV & I)	300	36	576	0	576	
Kariman-3	Middle Triassic T2 (Zone V)	100	36	136	2	134	
Kariman-4	Middle Triassic T2 (Zones IV, II" & I)	600	36	1,080	0	1,080	
Kariman-5	Middle Triassic T2 (Zones II & I)	400	36	1,316	47	1,269	
Kariman-6							
Sidetrack A	Middle Triassic T2 (Zone IV)	200	36	795	0	795	
Kariman-6	Middle Triassic T2 (Zones II & I)	500	36	2,008	315	1,693	
Kariman-7	Middle Triassic T2 (Zones II & I)	400	36	1,874	297	1,577	
Kariman-8	Middle Triassic T2 (Zone I)	100	36	276	0	276	
Kariman-10	Middle Triassic T2 (Zones IV & I)	400	36	645	36	609	
Kariman-11	Middle Triassic T2 (Zones IV & I)	300	36	396	0	396	
<b>Total Proved Developed Non-Producing</b>		<b>3,300</b>		<b>9,102</b>	<b>697</b>	<b>8,405</b>	
<b>Total Proved</b>		<b>4,996</b>		<b>17,260</b>	<b>2,829</b>	<b>14,431</b>	
<b>Probable Probable Developed Producing</b>							
Kariman-1							
Sidetrack B	Middle Triassic T2 (Zones IV, II & I)	150	(incr.)	36	1,309	0	1,309
Kariman-2	Middle Triassic T2 (Zone II)	50	(incr.)	36	756	0	756
Kariman-3							
Sidetrack A	Middle Triassic T2 (Zones II & I)	100	(incr.)	36	104	0	104
Kariman-4	Middle Triassic T2 (Zone II')	100	(incr.)	36	412	0	412
Kariman-5	Middle Triassic T2 (Zone IV)	50	(incr.)	36	159	0	159
Kariman-8	Middle Triassic T2 (Zone II)	150	(incr.)	36	451	0	451
Kariman-10	Middle Triassic T2 (Zone II)	150	(incr.)	36	332	0	332
Kariman-11	Middle Triassic T2 (Zone II)	200	(incr.)	36	587	0	587
<b>Total Probable Developed Producing</b>		<b>950</b>	<b>288</b>	<b>4,110</b>	<b>0</b>	<b>4,109</b>	

Description		Current or Initial Rate <i>STB/d</i>		API Gravity <i>(Deg)</i>	Ultimate ROIP <i>(MSTB)</i>	Cumulative Production <i>(MSTB)</i>	Remaining ROIP <i>(MSTB)</i>
<b>Probable Developed Non-Producing</b>							
Kariman-1							
Sidetrack B	Middle Triassic T2 (Zone III)	150		36	427	0	427
Kariman-2	Middle Triassic T2 (Zones IV & I)	100	(incr.)	36	288	0	288
Kariman-2	Middle Triassic T2 (Zone III)	100		36	409	0	409
Kariman-3	Middle Triassic T2 (Zone V)	50	(incr.)	36	68	0	68
Kariman-4	Middle Triassic T2 (Zones IV, II" & I)	300	(incr.)	36	540	0	540
Kariman-4	Middle Triassic T2 (Zone III)	100		36	839	0	839
Kariman-5	Middle Triassic T2 (Zone III)	150		36	323	0	323
Kariman-5	Middle Triassic T2 (Zones II & I)	150	(incr.)	36	658	0	658
Kariman-6	Middle Triassic T2 (Zone III)	100		36	391	0	391
Kariman-6	Middle Triassic T2 (Zones II & I)	300	(incr.)	36	1,004	0	1,004
Kariman-6							
Sidetrack A	Middle Triassic T2 (Zone IV)	100	(incr.)	36	397	0	397
Kariman-6							
Sidetrack A	Middle Triassic T2 (Zones III & II)	300		37	475	0	475
Kariman-7	Middle Triassic T2 (Zone VI)	100		36	275	0	275
Kariman-7	Middle Triassic T2 (Zone III)	100		36	513	0	513
Kariman-7	Middle Triassic T2 (Zones II & I)	300	(incr.)	36	1,223	0	1,223
Kariman-8	Middle Triassic T2 (Zone III)	100		36	498	0	498
Kariman-8	Middle Triassic T2 (Zone I)	100	(incr.)	36	192	0	192
Kariman-10	Middle Triassic T2 (Zones IV & I)	150	(incr.)	36	361	0	361
Kariman-10	Middle Triassic T2 (Zone III)	100		36	629	0	629
Kariman-11	Middle Triassic T2 (Zones IV & I)	150	(incr.)	36	198	0	198
Kariman-11	Middle Triassic T2 (Zone III)	100		36	789	0	789
	<b>Total Probable Developed Non-Producing</b>	<b>3,100</b>			<b>10,498</b>	<b>0</b>	<b>10,498</b>
	<b>Total Probable Developed</b>	<b>4,050</b>			<b>14,608</b>	<b>0</b>	<b>14,606</b>
<b>Probable Undeveloped</b>							
Location 1	Middle Triassic T2 (Zones IV, II & I)	450		36	1,248	0	1,248
Location 2	Middle Triassic T2 (Zones IV, II & I)	450		36	1,248	0	1,248
Location 3	Middle Triassic T2 (Zones IV, II", II' & I)	600		36	1,538	0	1,538
Location 4	Middle Triassic T2 (Zones IV, II", II' & I)	600		36	1,538	0	1,538
	<b>Total Probable Undeveloped</b>	<b>2,100</b>			<b>5,573</b>	<b>0</b>	<b>5,573</b>
	<b>Total Probable</b>	<b>6,150</b>			<b>20,180</b>	<b>0</b>	<b>20,179</b>
	<b>Total Proved Plus Probable</b>	<b>11,146</b>			<b>37,440</b>	<b>2,829</b>	<b>34,611</b>
<b>Possible</b>							
Kariman-3A	Middle Triassic T2 (Zone III)	150		36	620	0	620
Location 1	Middle Triassic T2 (Zone III)	150		36	242	0	242
Location 2	Middle Triassic T2 (Zone III)	150		36	242	0	242
Location 3	Middle Triassic T2 (Zone III)	150		36	630	0	630
Location 4	Middle Triassic T2 (Zone III)	150		36	630	0	630
Location 5	Middle Triassic T2 (Zones IV, II & I)	450		36	1,248	0	1,248
Location 6	Middle Triassic T2 (Zones IV, II & I)	450		36	1,248	0	1,248
	<b>Total Possible</b>	<b>1,650</b>			<b>4,860</b>	<b>0</b>	<b>4,859</b>
	<b>Total Proved Plus Probable Plus Possible</b>	<b>12,796</b>			<b>42,300</b>	<b>2,829</b>	<b>39,470</b>

**APPENDIX IV**

**COMPETENT PERSON'S REPORT**

Description	Current or Initial Rate <i>Mscf/d</i>	Ultimate RGIP <i>(MMscf)</i>	Cumulative Production <i>(MMscf)</i>	Remaining		Reference	Loss %	NGL Ratio <i>Bbls/MMscf</i>	Sulphur Ratio <i>LT/MMscf</i>	GOR <i>Scf/STB</i>	
				RGIP (raw) <i>(MMscf)</i>	RGIP (sales) <i>(MMscf)</i>						
<b>SOLUTION GAS</b>											
<b>Proved Developed</b>											
<b>Producing</b>											
Kariman-1 Sidetrack B	Middle Triassic T2 (Zones IV, II & I)	131	619	23	596	554	GOR=280 scf/STB	7	0	0	280
Kariman-2	Middle Triassic T2 (Zone II)	175	476	330	147	136	GOR=315 scf/STB	7	0	0	315
Kariman-3 Sidetrack A	Middle Triassic T2 (Zones II & I)	59	99	8	91	84	GOR=406 scf/STB	7	0	0	406
Kariman-4	Middle Triassic T2 (Zone II')	44	505	213	292	272	GOR=520 scf/STB	7	0	0	520
Kariman-5	Middle Triassic T2 (Zone IV)	38	284	1	283	263	GOR=816 scf/STB	7	0	0	816
Kariman-8	Middle Triassic T2 (Zone II)	68	239	107	132	122	GOR=331 scf/STB	7	0	0	331
Kariman-10	Middle Triassic T2 (Zone II)	45	338	34	304	283	GOR=346 scf/STB	7	0	0	346
Kariman-11	Middle Triassic T2 (Zone II)	19	364	46	317	295	GOR=310 scf/STB	7	0	0	310
<b>Total Proved Develop Producing</b>		<b>579</b>	<b>2,924</b>	<b>762</b>	<b>2,162</b>	<b>2,010</b>					
<b>Proved Developed Non-Producing</b>											
Kariman-2	Middle Triassic T2 (Zones IV & I)	95	181	0	181	169	GOR=315 scf/STB	7	0	0	315
Kariman-3	Middle Triassic T2 (Zone V)	41	55	1	54	51	GOR=406 scf/STB	7	0	0	406
Kariman-4	Middle Triassic T2 (Zones IV, II' & I)	312	561	0	561	522	GOR=520 scf/STB	7	0	0	520
Kariman-5	Middle Triassic T2 (Zones II & I)	326	1,074	38	1,036	963	GOR=816 scf/STB	7	0	0	816
Kariman-6 Sidetrack A	Middle Triassic T2 (Zone IV)	52	207	0	207	192	GOR=260 scf/STB	7	0	0	260
Kariman-6	Middle Triassic T2 (Zones II & I)	130	522	82	440	409	GOR=260 scf/STB	7	0	0	260
Kariman-7	Middle Triassic T2 (Zones II & I)	97	455	72	383	356	GOR=243 scf/STB	7	0	0	243
Kariman-8	Middle Triassic T2 (Zone I)	33	91	0	91	85	GOR=331 scf/STB	7	0	0	331
Kariman-10	Middle Triassic T2 (Zones IV & I)	138	223	12	211	196	GOR=346 scf/STB	7	0	0	346
Kariman-11	Middle Triassic T2 (Zones IV & I)	93	123	0	123	114	GOR=310 scf/STB	7	0	0	310
<b>Total Proved Developed Non- Producing</b>		<b>1,317</b>	<b>3,494</b>	<b>206</b>	<b>3,288</b>	<b>3,058</b>					
<b>Total Proved</b>		<b>1,896</b>	<b>6,418</b>	<b>968</b>	<b>5,449</b>	<b>5,068</b>					

**APPENDIX IV**

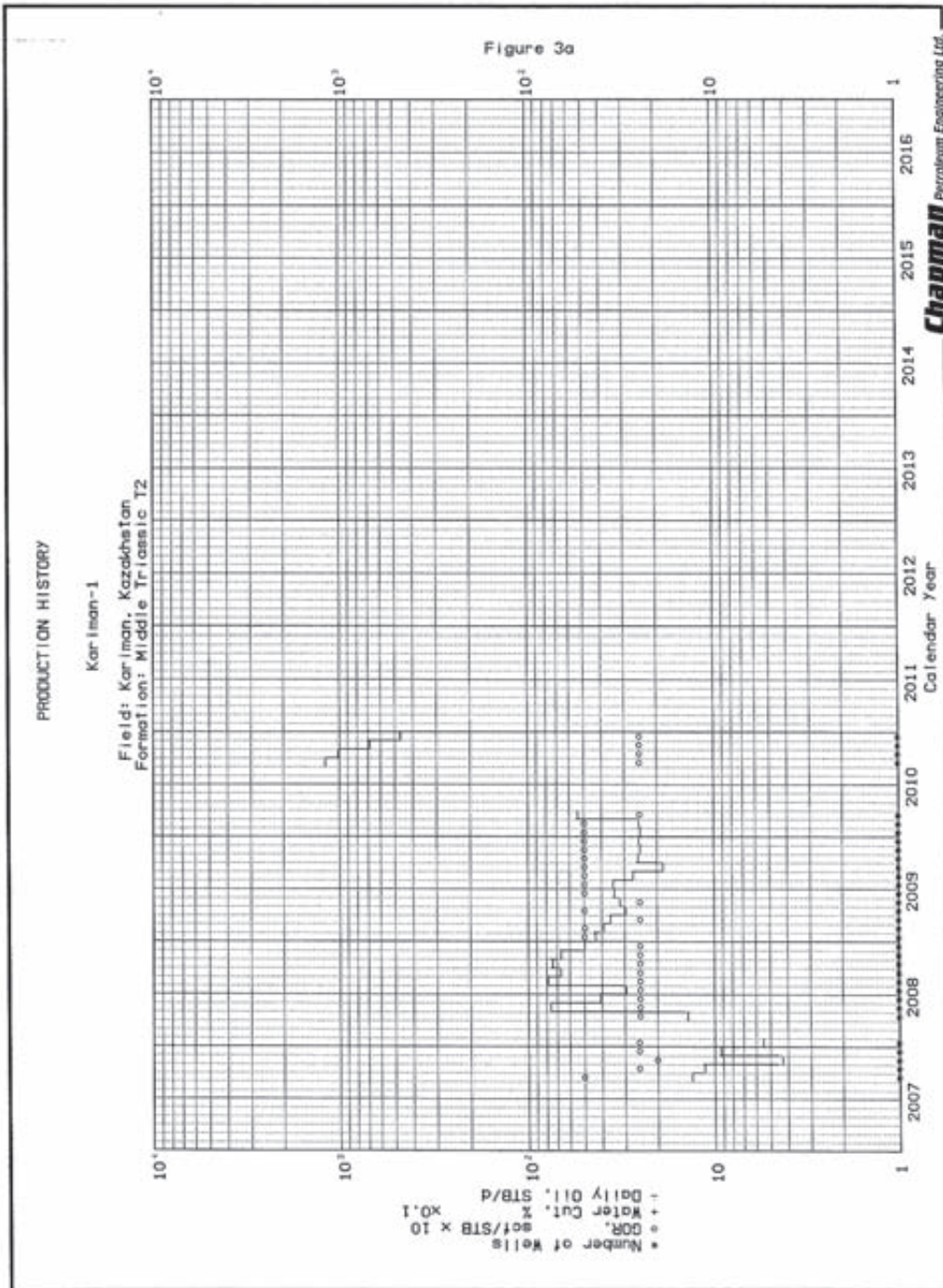
**COMPETENT PERSON'S REPORT**

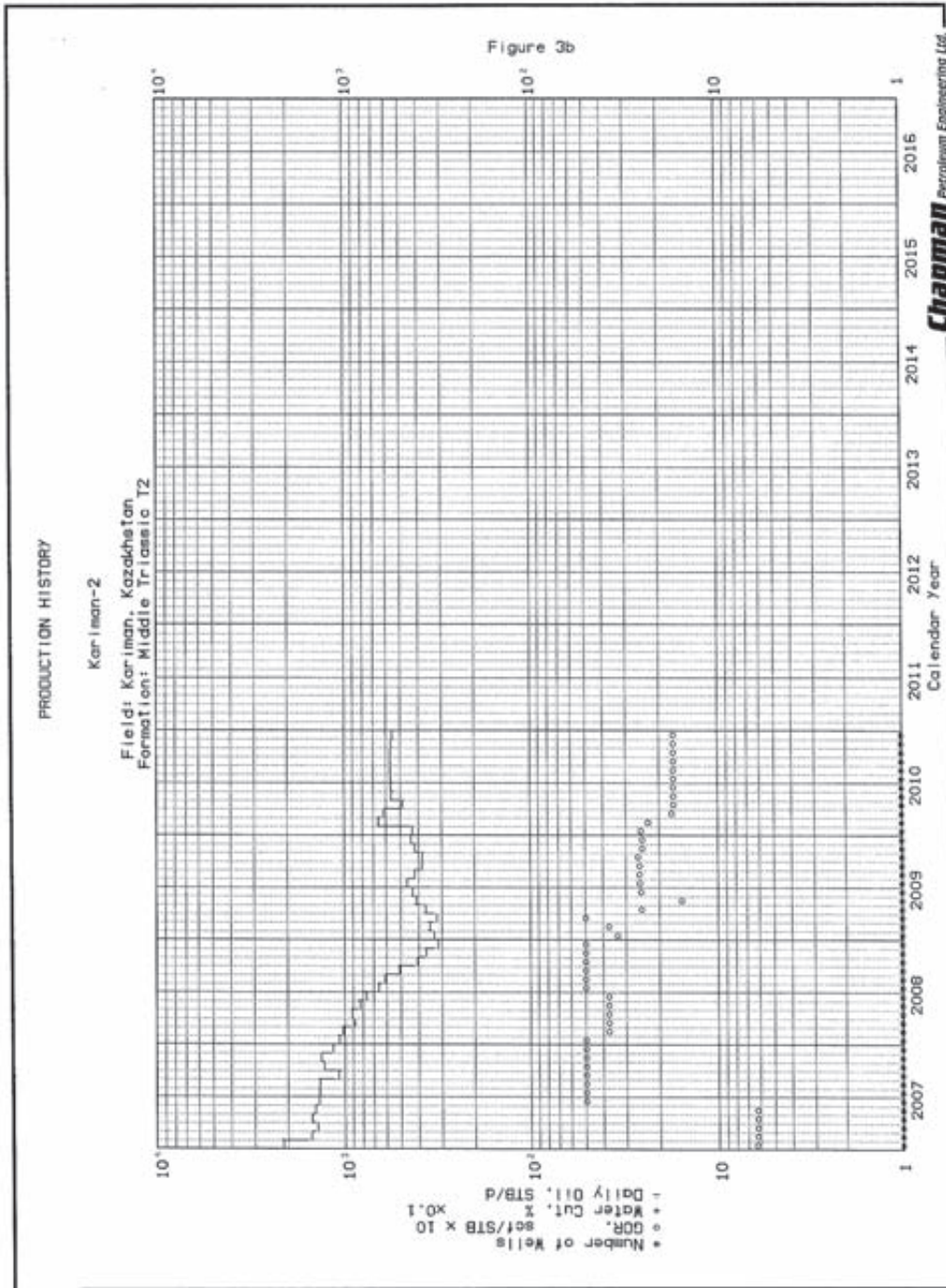
Description	Current or Initial Rate <i>Mscf/d</i>	Ultimate RGIP <i>(MMscf)</i>	Cumulative Production <i>(MMscf)</i>	Remaining		Reference	Loss % <i>Bbls/MMscf</i>	NGL Ratio <i>LT/MMscf</i>	Sulphur Ratio <i>LT/MMscf</i>	GOR <i>Scf/STB</i>
				RGIP (raw) <i>(MMscf)</i>	RGIP (sales) <i>(MMscf)</i>					
<b>Probable</b>										
<b>Probable Developed</b>										
<b>Producing</b>										
Kariman-1 Sidetrack B	Middle Triassic T2 (Zones IV, II & I)	42	367	0	367	341 GOR=280 scf/STB	7	0	0	280
Kariman-2	Middle Triassic T2 (Zone II)	16	238	0	238	222 GOR=315 scf/STB	7	0	0	315
Kariman-3 Sidetrack A	Middle Triassic T2 (Zones II & I)	41	42	0	42	40 GOR=406 scf/STB	7	0	0	406
Kariman-4	Middle Triassic T2 (Zone II')	52	214	0	214	199 GOR=520 scf/STB	7	0	0	520
Kariman-5	Middle Triassic T2 (Zone IV)	41	130	0	130	121 GOR=816 scf/STB	7	0	0	816
Kariman-8	Middle Triassic T2 (Zone II)	50	149	0	149	139 GOR=331 scf/STB	7	0	0	331
Kariman-10	Middle Triassic T2 (Zone II)	52	115	0	115	106 GOR=346 scf/STB	7	0	0	346
Kariman-11	Middle Triassic T2 (Zone II)	62	182	0	182	169 GOR=310 scf/STB	7	0	0	310
<b>Total Probable Developed Producing</b>		<b>355</b>	<b>1,437</b>	<b>0</b>	<b>1,437</b>	<b>1,337</b>				
<b>Probable Developed</b>										
<b>Non-Producing</b>										
Kariman-1 Sidetrack B	Middle Triassic T2 (Zone III)	42	120	0	120	111 GOR=280 scf/STB	7	0	0	280
Kariman-2	Middle Triassic T2 (Zones IV & I)	32	91	0	91	84 GOR=315 scf/STB	7	0	0	315
Kariman-2	Middle Triassic T2 (Zone III)	32	129	0	129	120 GOR=315 scf/STB	7	0	0	315
Kariman-3	Middle Triassic T2 (Zone V)	20	28	0	28	25 GOR=406 scf/STB	7	0	0	406
Kariman-4	Middle Triassic T2 (Zones IV, II' & I)	156	281	0	281	261 GOR=520 scf/STB	7	0	0	520
Kariman-4	Middle Triassic T2 (Zone III)	52	437	0	437	406 GOR=520 scf/STB	7	0	0	520
Kariman-5	Middle Triassic T2 (Zone III)	122	264	0	264	245 GOR=816 scf/STB	7	0	0	816
Kariman-5	Middle Triassic T2 (Zones II & I)	122	537	0	537	499 GOR=816 scf/STB	7	0	0	816
Kariman-6	Middle Triassic T2 (Zone III)	26	102	0	102	94 GOR=260 scf/STB	7	0	0	260
Kariman-6	Middle Triassic T2 (Zones II & I)	78	261	0	261	243 GOR=260 scf/STB	7	0	0	260
Kariman-6 Sidetrack A	Middle Triassic T2 (Zone IV)	26	103	0	103	96 GOR=260 scf/STB	7	0	0	260
Kariman-6 Sidetrack A	Middle Triassic T2 (Zones III & II)	78	123	0	123	115 GOR=260 scf/STB	7	0	0	260
Kariman-7	Middle Triassic T2 (Zone VI)	24	67	0	67	62 GOR=243 scf/STB	7	0	0	243
Kariman-7	Middle Triassic T2 (Zone III)	24	125	0	125	116 GOR=243 scf/STB	7	0	0	243
Kariman-7	Middle Triassic T2 (Zones II & I)	73	297	0	297	276 GOR=243 scf/STB	7	0	0	243
Kariman-8	Middle Triassic T2 (Zone III)	33	165	0	165	153 GOR=331 scf/STB	7	0	0	331
Kariman-8	Middle Triassic T2 (Zone I)	33	64	0	64	59 GOR=331 scf/STB	7	0	0	331
Kariman-10	Middle Triassic T2 (Zones IV & I)	52	125	0	125	116 GOR=346 scf/STB	7	0	0	346
Kariman-10	Middle Triassic T2 (Zone III)	35	218	0	218	202 GOR=346 scf/STB	7	0	0	346
Kariman-11	Middle Triassic T2 (Zones IV & I)	47	61	0	61	57 GOR=310 scf/STB	7	0	0	310
Kariman-11	Middle Triassic T2 (Zone III)	31	245	0	245	227 GOR=310 scf/STB	7	0	0	310
<b>Total Probable Developed Non-Producing</b>		<b>1,138</b>	<b>3,840</b>	<b>0</b>	<b>3,840</b>	<b>3,570</b>				
<b>Total Probable Developed</b>		<b>1,847</b>	<b>6,714</b>	<b>0</b>	<b>6,714</b>	<b>4,907</b>				

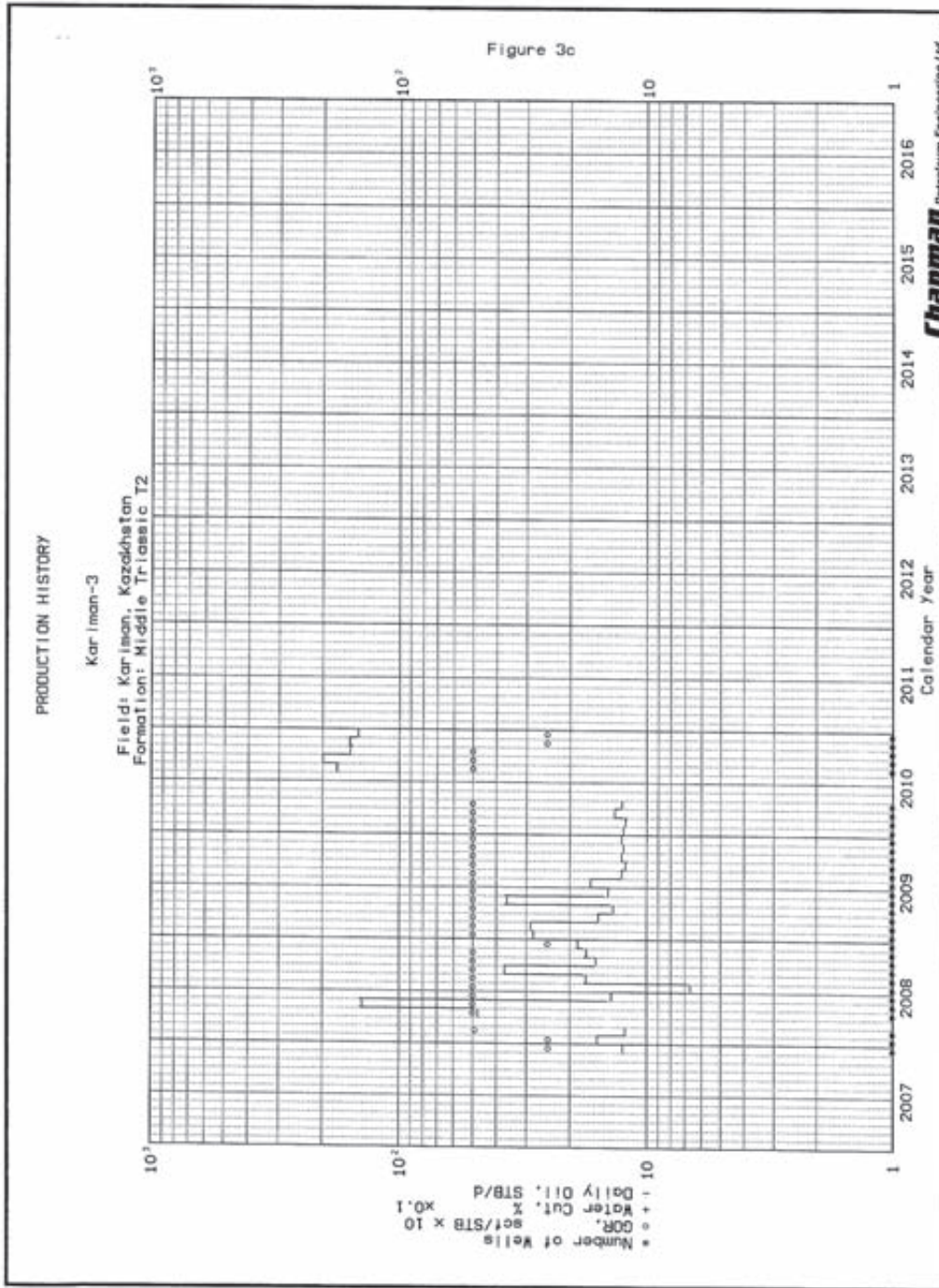
**APPENDIX IV**

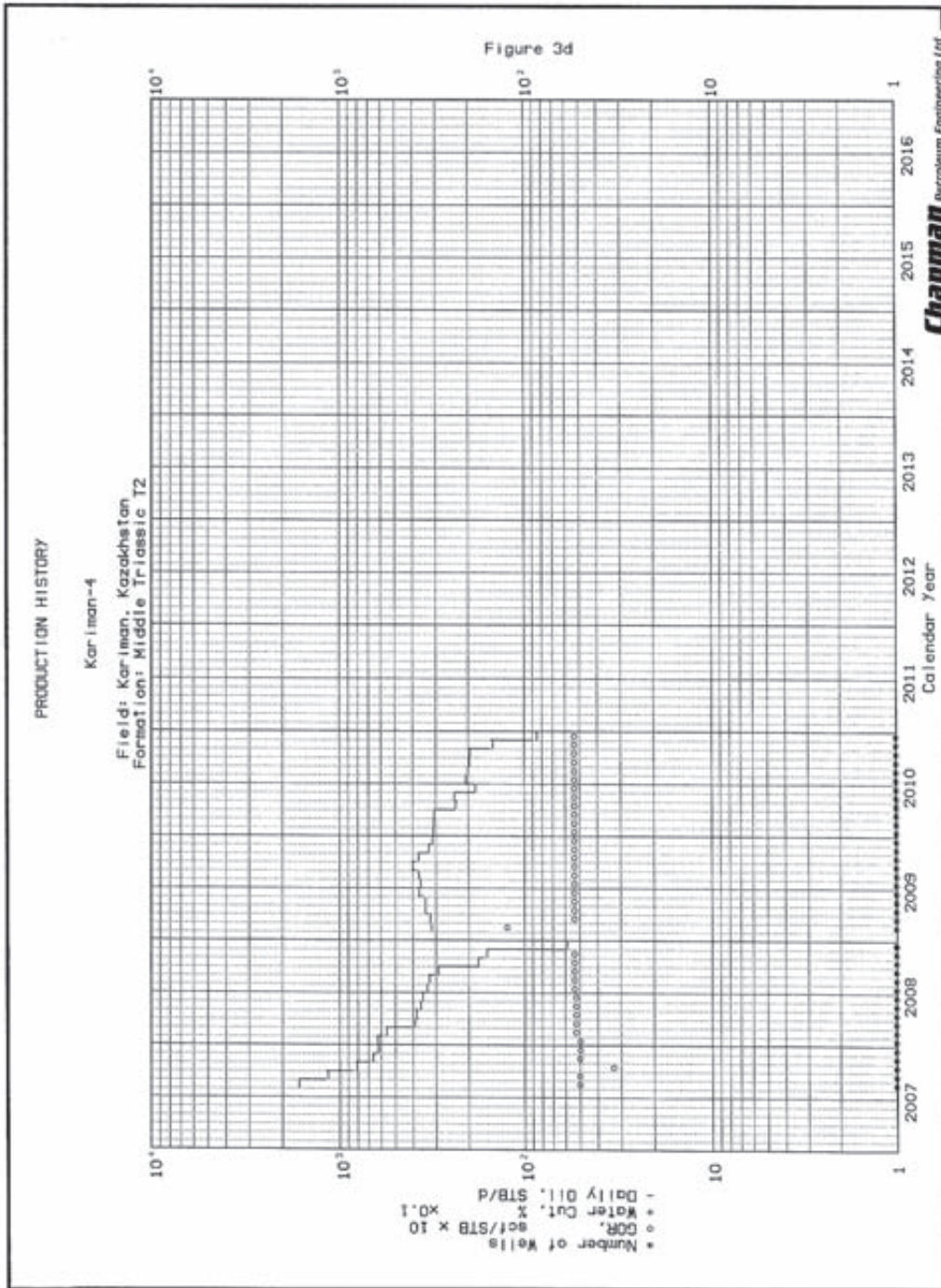
**COMPETENT PERSON'S REPORT**

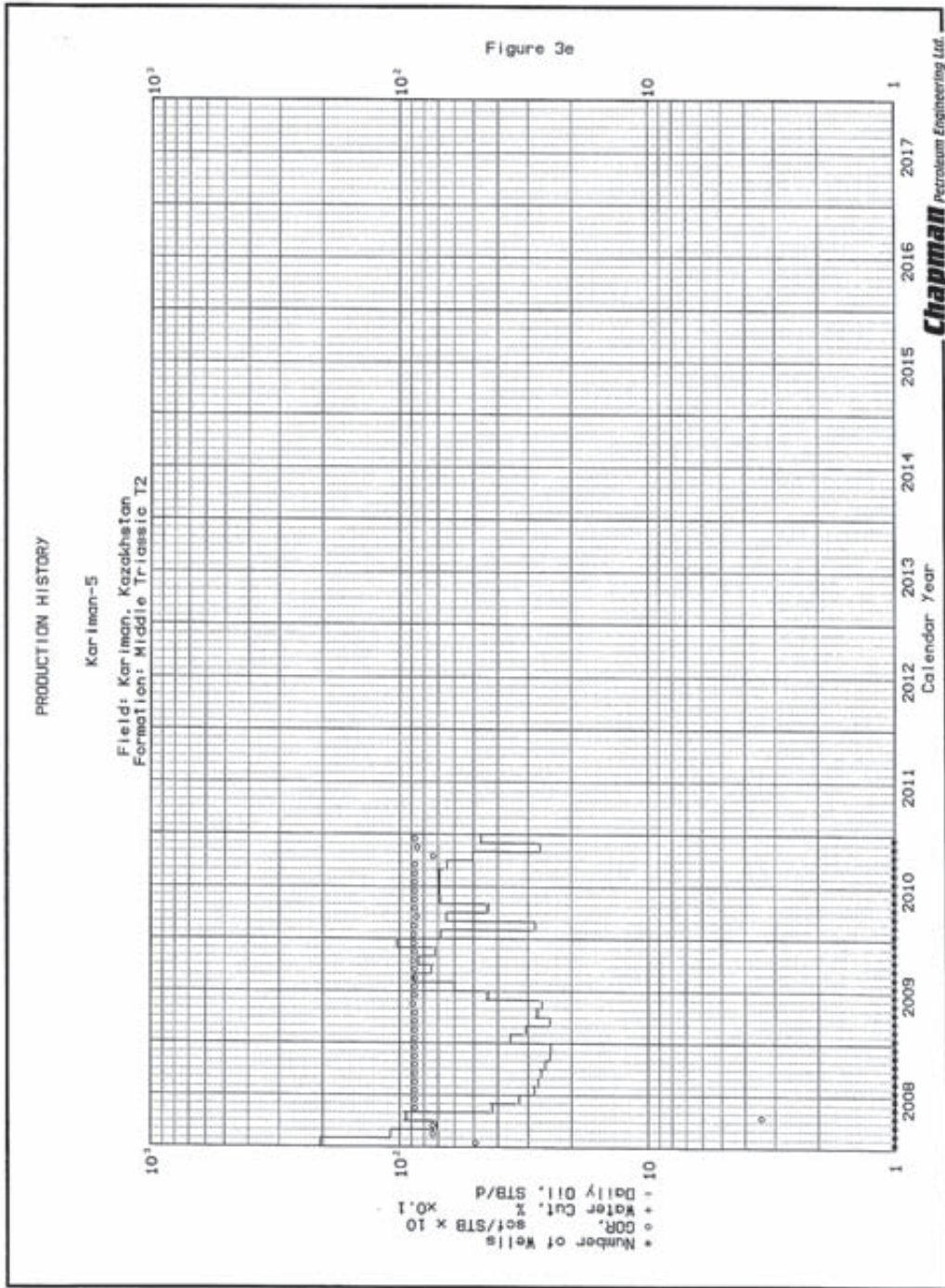
Description	Current or Initial Rate <i>Mscf/d</i>	Ultimate RGIP <i>(MMscf)</i>	Cumulative Production <i>(MMscf)</i>	Remaining		Reference	Loss %	NGL Ratio <i>Bbls/MMscf</i>	Sulphur Ratio <i>LT/MMscf</i>	GOR <i>Scf/STB</i>	
				RGIP <i>(raw)</i> <i>(MMscf)</i>	RGIP <i>(sales)</i> <i>(MMscf)</i>						
<b>Probable Undeveloped</b>											
Location 1	Middle Triassic T2 (Zones IV, II & I)	367	1,018	0	1,018	947	GOR=816 scf/STB	7	0	0	816
Location 2	Middle Triassic T2 (Zones IV, II & I)	367	1,018	0	1,018	947	GOR=816 scf/STB	7	0	0	816
Location 3	Middle Triassic T2 (Zones IV, II', II' & I)	312	800	0	800	744	GOR=520 scf/STB	7	0	0	520
Location 4	Middle Triassic T2 (Zones IV, II', II' & I)	312	800	0	800	744	GOR=520 scf/STB	7	0	0	520
<b>Total Probable Undeveloped</b>		<b>1,358</b>	<b>3,637</b>	<b>0</b>	<b>3,637</b>	<b>3,382</b>					
<b>Total Probable</b>		<b>3,206</b>	<b>10,350</b>	<b>0</b>	<b>10,351</b>	<b>8,289</b>					
<b>Total Proved Plus Probable</b>		<b>5,102</b>	<b>16,769</b>	<b>968</b>	<b>15,800</b>	<b>13,357</b>					
<b>Possible</b>											
Kariman-3	Middle Triassic T2 (Zone III)	61	252	0	252	234	GOR=406 scf/STB	7	0	0	406
Location 1	Middle Triassic T2 (Zone III)	122	198	0	198	184	GOR=816 scf/STB	7	0	0	816
Location 2	Middle Triassic T2 (Zone III)	122	198	0	198	184	GOR=816 scf/STB	7	0	0	816
Location 3	Middle Triassic T2 (Zone III)	78	327	0	327	304	GOR=520 scf/STB	7	0	0	520
Location 4	Middle Triassic T2 (Zone III)	78	327	0	327	304	GOR=520 scf/STB	7	0	0	520
Location 5	Middle Triassic T2 (Zones IV, II & I)	367	1,018	0	1,018	947	GOR=816 scf/STB	7	0	0	816
Location 6	Middle Triassic T2 (Zones IV, II & I)	367	1,018	0	1,018	947	GOR=816 scf/STB	7	0	0	816
<b>Total Possible</b>		<b>1,196</b>	<b>3,338</b>	<b>0</b>	<b>3,338</b>	<b>3,106</b>					
<b>Total Proved Plus Probable Plus Possible</b>		<b>6,298</b>	<b>20,107</b>	<b>968</b>	<b>19,139</b>	<b>16,463</b>					

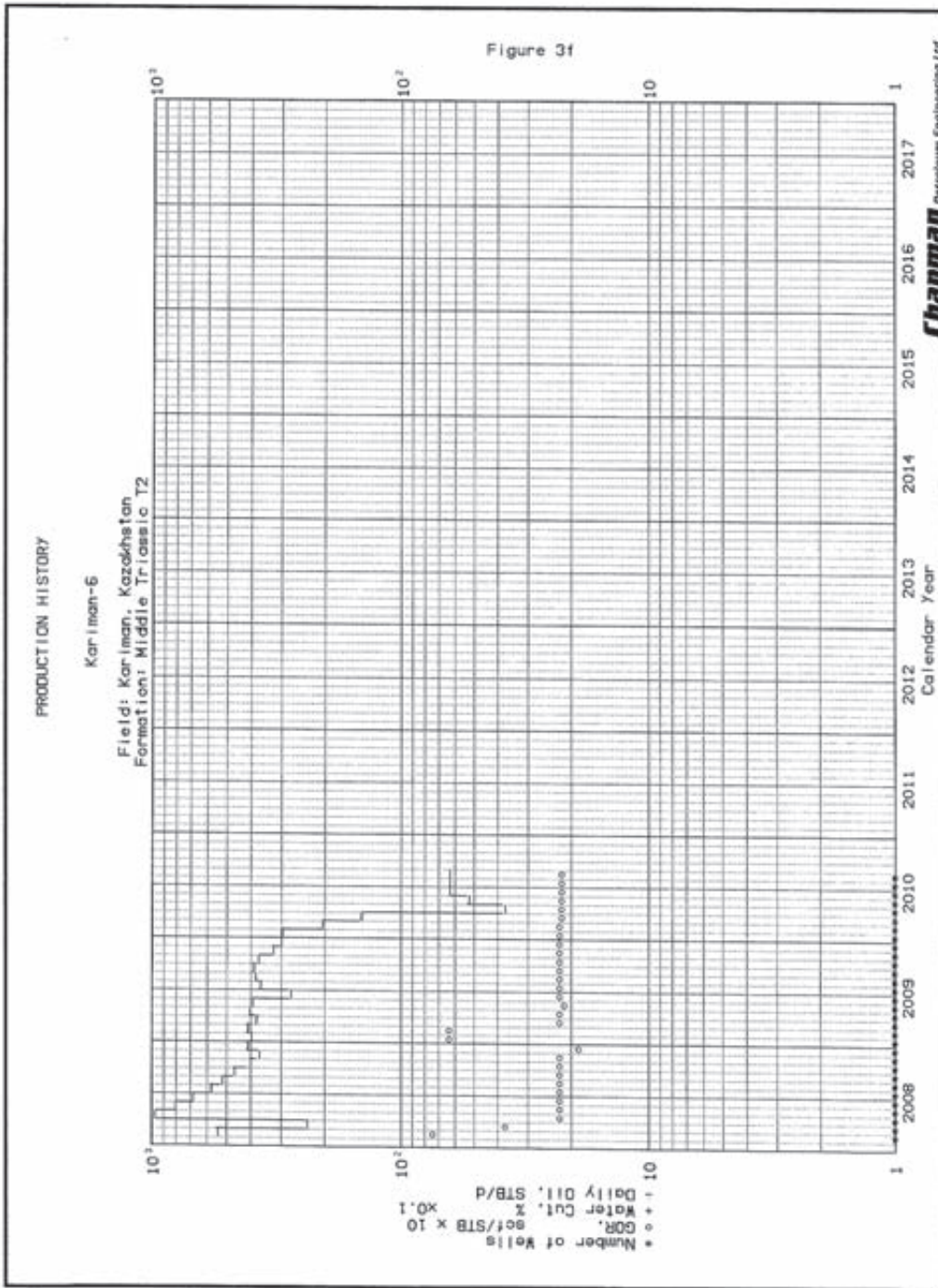


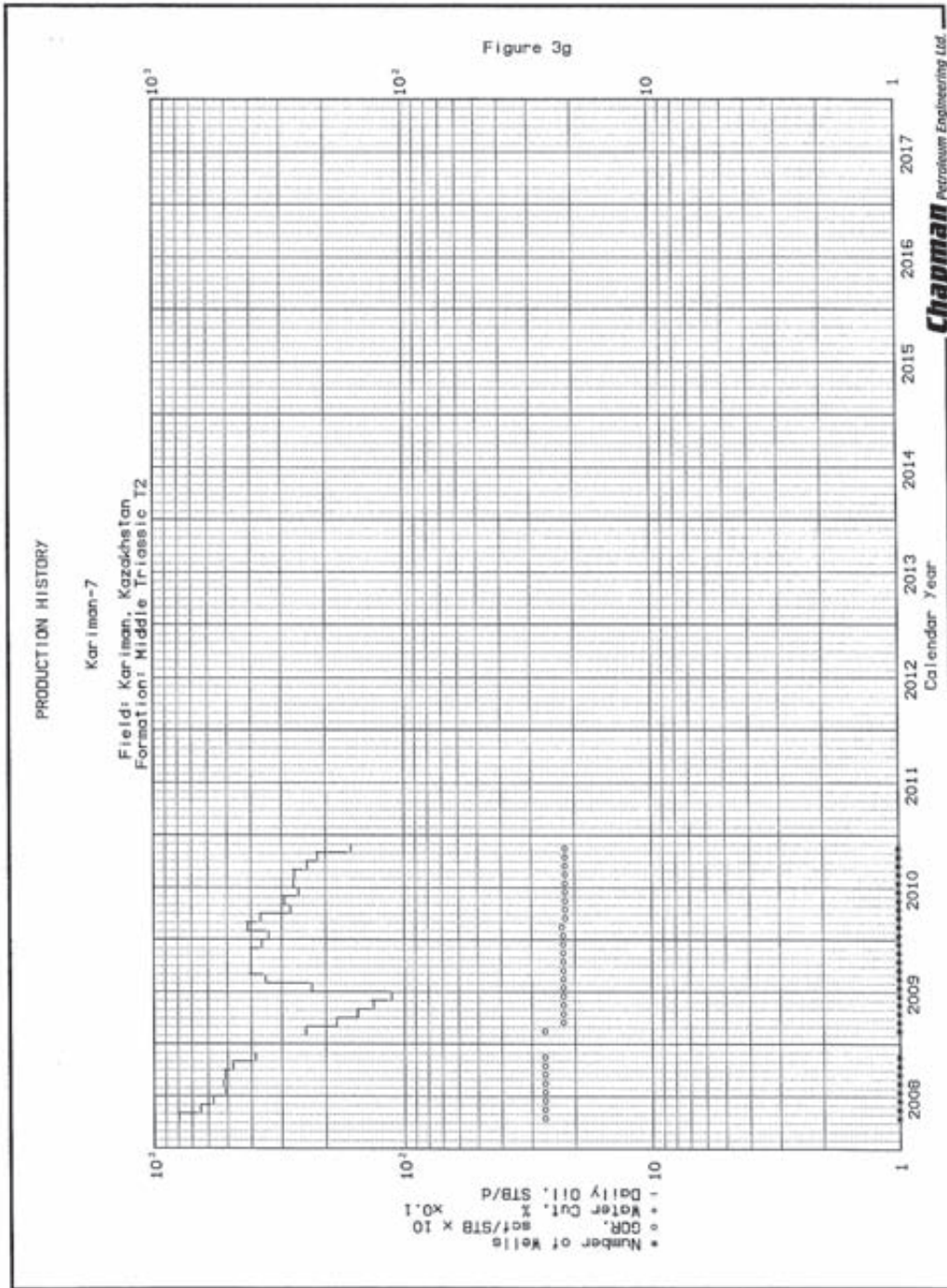


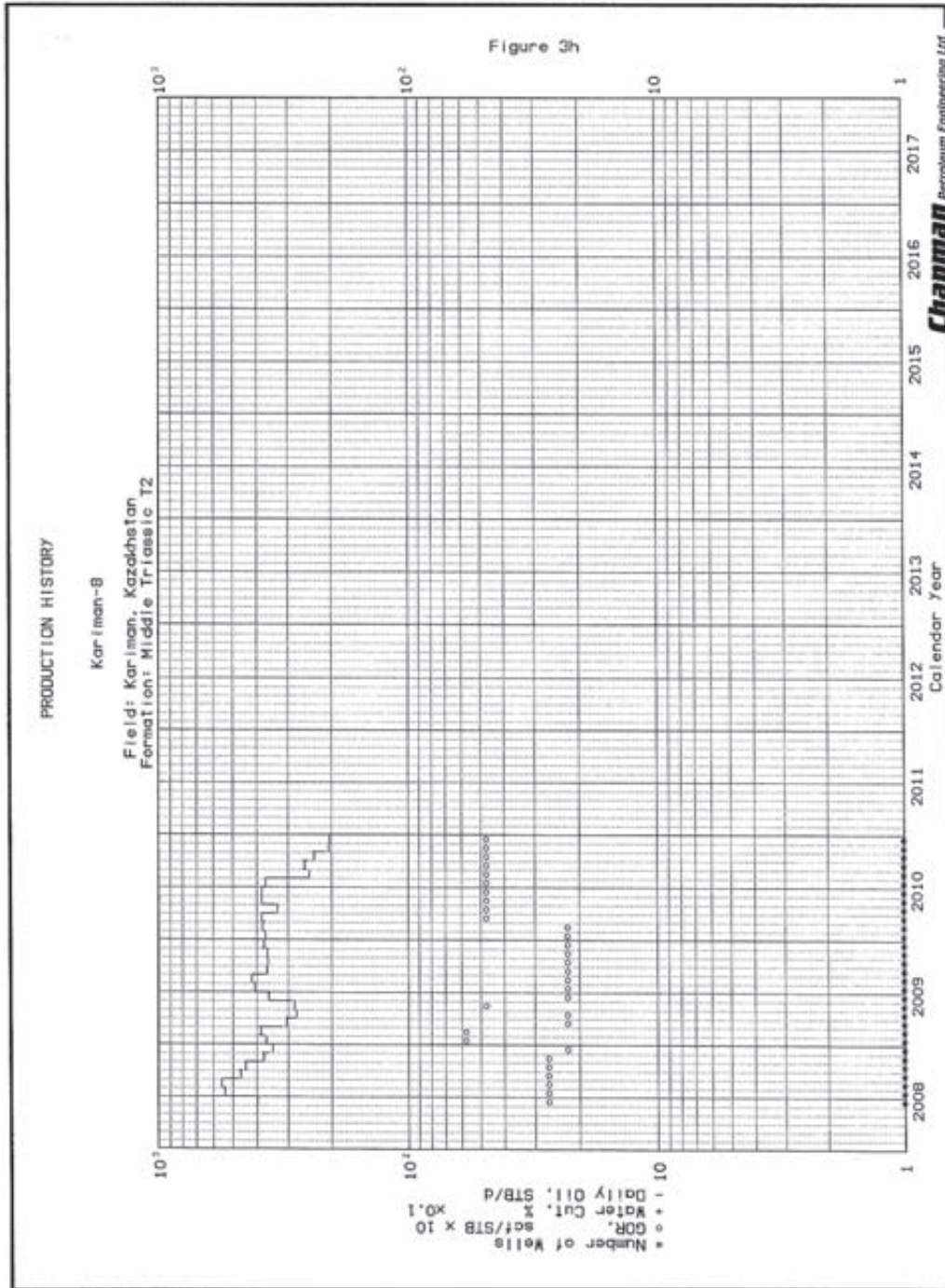


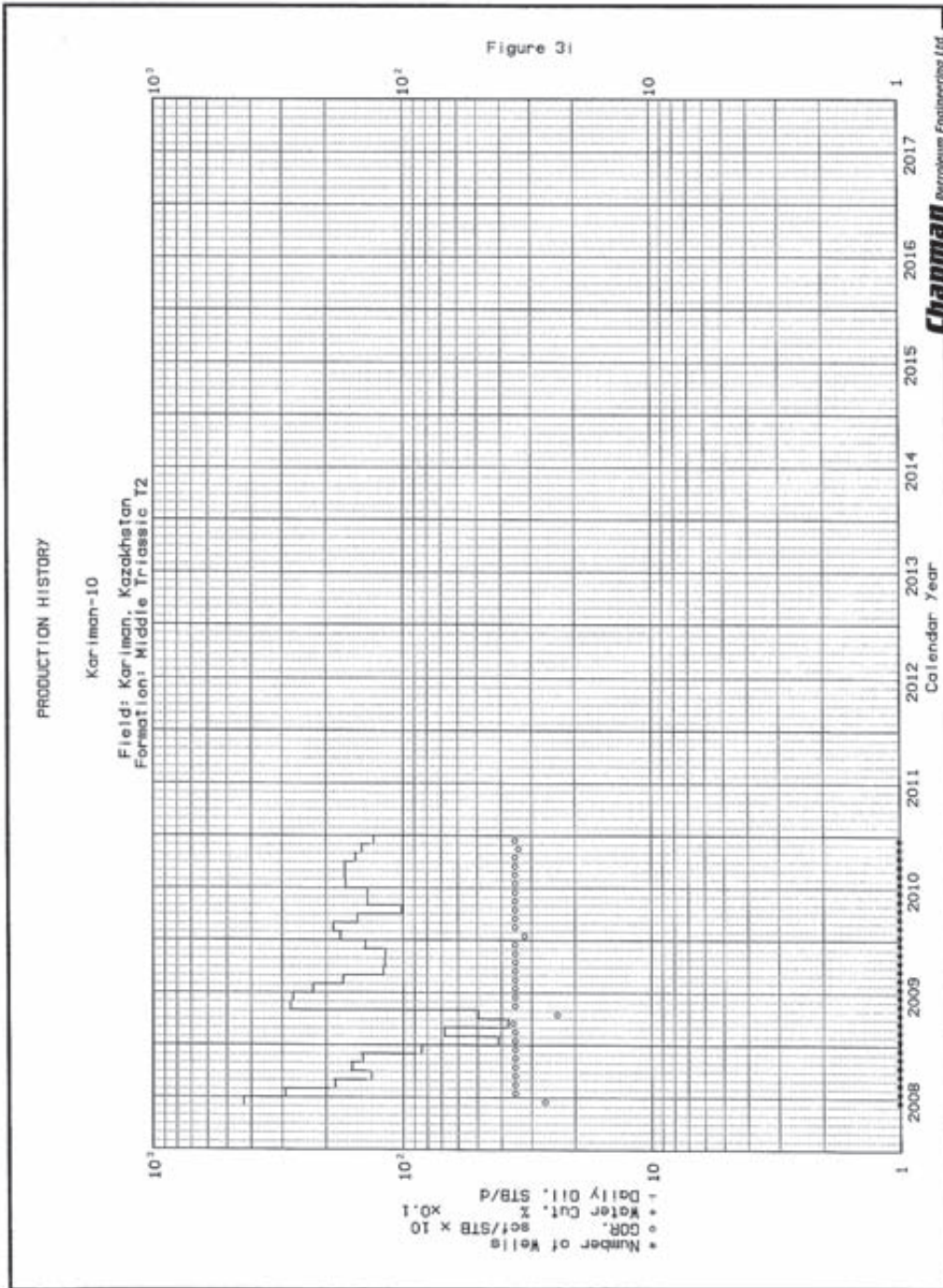


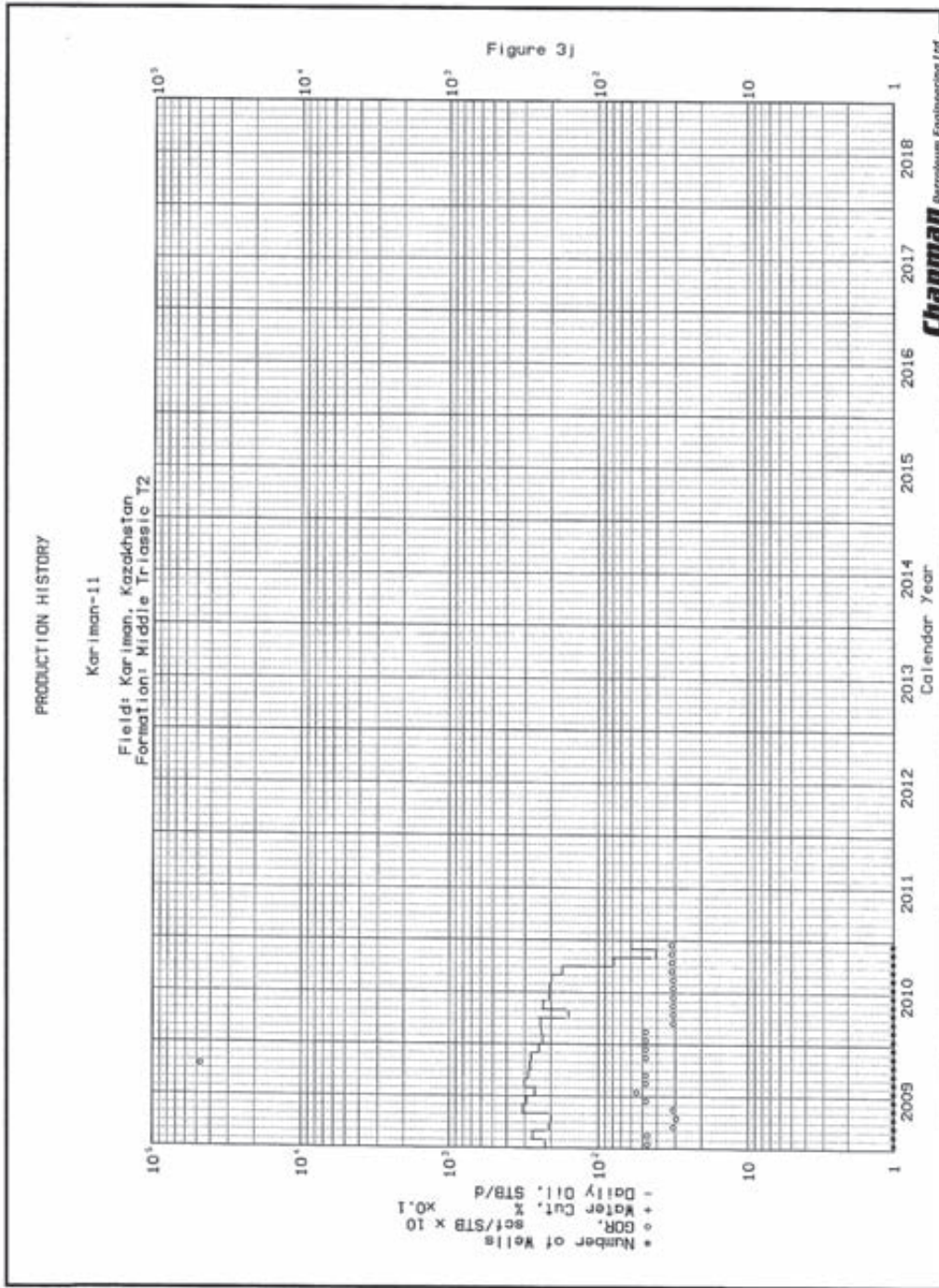












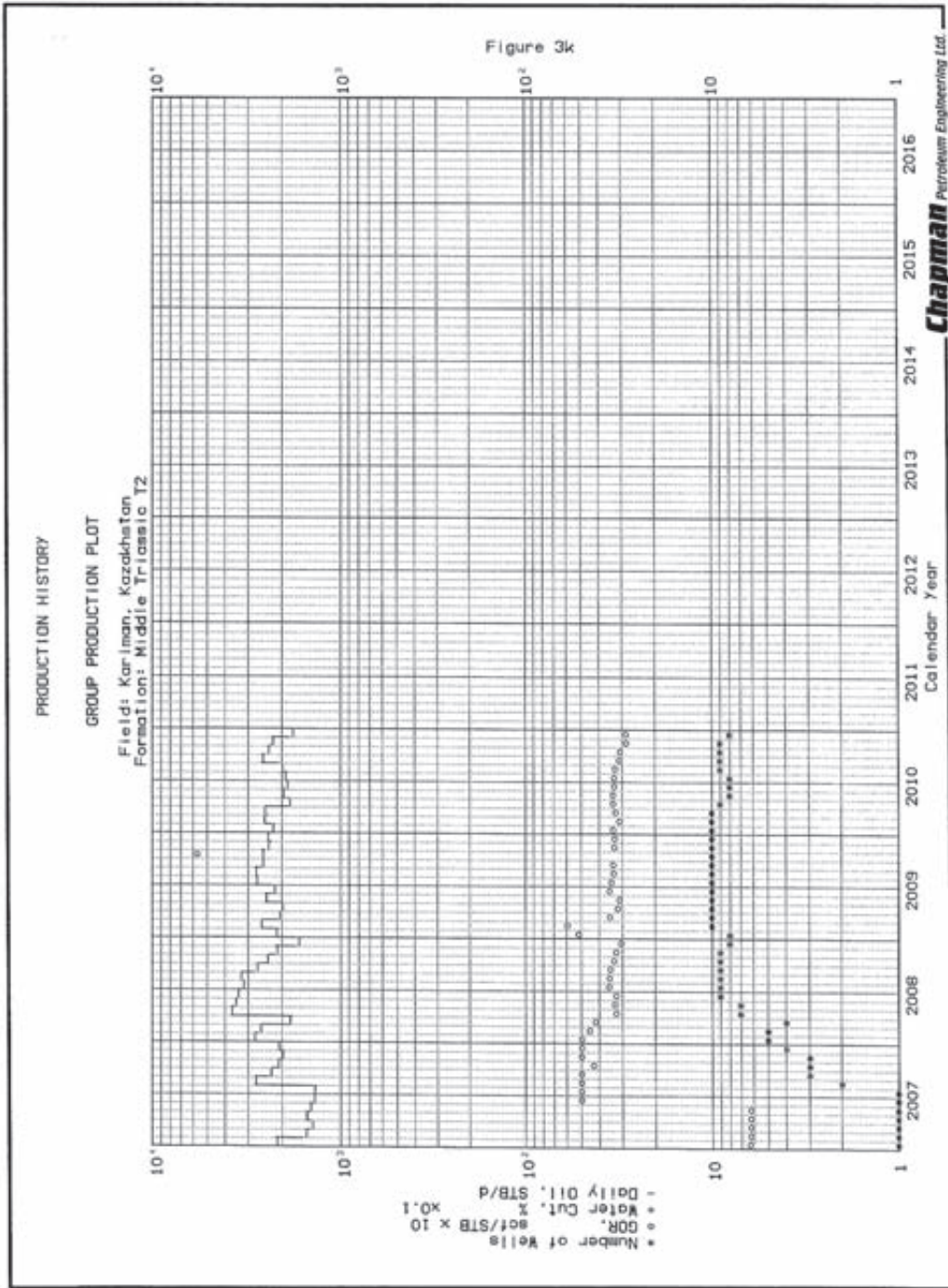


Table 3a

**Summary of Anticipated Capital Expenditures Development  
January 1, 2011**

**BMB Munai, Inc.**

**Kariman, Republic of Kazakhstan**

Description	Date	Operation	Capital Interest %	Gross Capital M\$	Net Capital M\$
<b>Proved Developed Producing</b>					
Kariman-3 Sidetrack A	2011	Stimulation of producing intervals	100.0000	200	200
Kariman-4	2011	Stimulation of producing intervals	100.0000	200	200
Kariman-5	2011	Stimulation of producing intervals	100.0000	200	200
Kariman-10	2011	Stimulation of producing intervals	100.0000	200	200
Kariman-11	2011	Stimulation of producing intervals	100.0000	200	200
<b>Total Proved Developed Producing</b>				<b>1,000</b>	<b>1,000</b>
<b>Proved Developed Non-Producing</b>					
Kariman-2	2011	Recomplete and Tie-in Additional Intervals	100.0000	400	400
Kariman-3	2017	Recomplete and Tie-in Additional Intervals	100.0000	400	400
Kariman-4	2011	Recomplete and Tie-in Additional Intervals	100.0000	400	400
Kariman-5	2011	Recomplete and Tie-in Additional Intervals	100.0000	400	400
Kariman-6 Sidetrack A	2011	Recomplete and Tie-in Additional Intervals	100.0000	600	600
Kariman-6	2020	Recomplete and Tie-in Additional Intervals	100.0000	1,000	1,000
Kariman-7	2011	Recomplete and Tie-in Additional Intervals	100.0000	400	400
Kariman-8	2011	Recomplete and Tie-in Additional Intervals	100.0000	400	400
Kariman-10	2011	Recomplete and Tie-in Additional Intervals	100.0000	400	400
Kariman-11	2011	Recomplete and Tie-in Additional Intervals	100.0000	400	400
<b>Total Proved Developed Non-Producing</b>				<b>4,800</b>	<b>4,800</b>
<b>Total Proved Developed</b>				<b>5,800</b>	<b>5,800</b>
<b>Total Proved</b>				<b>5,800</b>	<b>5,800</b>

Description	Date	Operation	Capital Interest %	Gross Capital M\$	Net Capital M\$
<b>Probable</b>					
<b>Probable Developed</b>					
Kariman-1					
Sidetrack B	2013	Recomplete and Tie-in Additional Intervals	100.0000	600	600
Kariman-2	2013	Recomplete and Tie-in Additional Intervals	100.0000	900	900
Kariman-3					
Sidetrack A	2014	Recomplete and Tie-in Additional Intervals	100.0000	450	450
Kariman-3	2019	Recomplete and Tie-in Additional Intervals	100.0000	450	450
Kariman-4	2013	Recomplete and Tie-in Additional Intervals	100.0000	1,000	1,000
Kariman-5	2013	Recomplete and Tie-in Additional Intervals	100.0000	1,000	1,000
Kariman-6					
Sidetrack A	2013	Recomplete and Tie-in Additional Intervals	100.0000	1,000	1,000
Kariman-6	2022	Recomplete and Tie-in Additional Intervals	100.0000	800	800
Kariman-7	2013	Recomplete and Tie-in Additional Intervals	100.0000	800	800
Kariman-8	2013	Recomplete and Tie-in Additional Intervals	100.0000	800	800
Kariman-10	2013	Recomplete and Tie-in Additional Intervals	100.0000	800	800
Kariman-11	2013	Recomplete and Tie-in Additional Intervals	100.0000	800	800
<b>Total Probable Developed</b>				<b>9,400</b>	<b>9,400</b>
<b>Probable Undeveloped</b>					
Location 1	2015	Drill, Complete and Tie-in Well	100.0000	8,500	8,500
Location 2	2015	Drill, Complete and Tie-in Well	100.0000	8,500	8,500
Location 3	2015	Drill, Complete and Tie-in Well	100.0000	8,500	8,500
Location 4	2015	Drill, Complete and Tie-in Well	100.0000	8,500	8,500
Gas Gathering Facility	2015	Build and Tie-in Gas Gathering Facility	100.0000	5,000	5,000
<b>Total Probable Undeveloped</b>				<b>39,000</b>	<b>39,000</b>
<b>Total Probable</b>				<b>48,400</b>	<b>48,400</b>
<b>Total Proved Plus Probable</b>				<b>54,200</b>	<b>54,200</b>
<b>Possible</b>					
Kariman-3					
Sidetrack A	2013	Recomplete and Tie-in Additional Intervals	100.0000	600	600
Location 1	2016	Recomplete and Tie-in Additional Intervals	100.0000	450	450
Location 2	2016	Recomplete and Tie-in Additional Intervals	100.0000	450	450
Location 3	2016	Recomplete and Tie-in Additional Intervals	100.0000	450	450
Location 4	2016	Recomplete and Tie-in Additional Intervals	100.0000	450	450
Location 5	2017	Drill, Complete and Tie-in Well	100.0000	8,500	8,500
Location 6	2017	Drill, Complete and Tie-in Well	100.0000	8,500	8,500
<b>Total Possible</b>				<b>19,400</b>	<b>19,400</b>
<b>Total Proved Plus Probable Plus Possible</b>				<b>73,600</b>	<b>73,600</b>

Note: The above capital values are expressed in terms of current dollar without escalation.

Table 3b

**Summary of Anticipated Capital Expenditures  
Abandonment and Restoration  
January 1, 2011**

**BMB Munai, Inc.**

**Kariman, Republic of Kazakhstan**

Description	Year	Well Parameters	Capital Interest %	Gross Capital M\$	Net Capital M\$
Kariman-1B		Multiple zone oil producing well	100.0000	50	50
Kariman-2		Multiple zone oil producing well	100.0000	50	50
Kariman-3		Multiple zone oil producing well	100.0000	50	50
Kariman-3A		Multiple zone oil producing deviated well	100.0000	50	50
Kariman-4		Multiple zone oil producing well	100.0000	50	50
Kariman-5		Multiple zone oil producing well	100.0000	50	50
Kariman-6		Multiple zone oil producing well	100.0000	50	50
Kariman-6A		Multiple zone oil producing deviated well	100.0000	50	50
Kariman-7		Multiple zone oil producing well	100.0000	50	50
Kariman-8		Multiple zone oil producing well	100.0000	50	50
Kariman-10		Multiple zone oil producing well	100.0000	50	50
Kariman-11		Multiple zone oil producing well	100.0000	50	50
Six Locations		Multiple zone oil producing well	100.0000	300	300
<b>Total Abandonment and Restoration</b>				<b>900</b>	<b>900</b>

**Table 4**  
**Summary of Company Reserves and Economics**  
**Before Income Tax**  
**January 1, 2011**  
**BND Mineral, Inc.**  
**Katman, Kazakhstan**

Forecast Prices & Costs

**Net To Appraise Interest**

Description	Reserves						Cumulative Cash Flow (BBL - M)					
	Light and Medium Oil (MMBbl)		Sales Gas (MMscf)		NGL (MMbbl)		Production		Discounted at 10%/Year		10%/Year	
	Scrub	Net	Scrub	Net	Scrub	Net	Volume	Value	Volume	Value	Volume	Value
<b>Proved Developed Producing</b>												
Katman-10 Middle Terebin T2 (Zones IV, V & 6)	2,129	2,129	554	554	0	0	107,232	87,276	48,519	26,006	21,411	
Katman-2 Middle Terebin T2 (Zone II)	405	405	130	130	0	0	20,919	19,247	17,470	16,169	15,075	
Katman-3A Middle Terebin T2 (Zones I & 5)	234	234	84	84	0	0	8,812	8,020	8,294	7,570	7,129	
Katman-4 Middle Terebin T2 (Zone IV)	362	362	272	272	0	0	25,701	17,324	12,818	13,119	8,367	
Katman-5 Middle Terebin T2 (Zone IV)	347	347	263	263	0	0	13,305	11,801	8,413	7,808	6,812	
Katman-6 Middle Terebin T2 (Zone IV)	387	387	122	122	0	0	17,738	14,868	12,808	11,352	10,242	
Katman-10 Middle Terebin T2 (Zone II)	878	878	283	283	0	0	48,284	28,938	21,291	18,548	17,516	
Katman-11 Middle Terebin T2 (Zone IV)	1,024	1,024	205	205	0	0	48,817	31,038	21,529	18,841	15,296	
<b>Total Proved Developed Producing</b>	<b>6,026</b>	<b>6,026</b>	<b>2,016</b>	<b>2,016</b>	<b>0</b>	<b>0</b>	<b>293,992</b>	<b>206,194</b>	<b>162,892</b>	<b>124,312</b>	<b>105,898</b>	
<b>Proved Developed Non-Producing</b>												
Katman-2 Middle Terebin T2 (Zones IV & 5)	376	376	169	169	0	0	21,913	20,514	16,723	13,990	11,802	
Katman-3 Middle Terebin T2 (Zone V)	134	134	51	51	0	0	5,861	5,743	2,443	1,031	1,119	
Katman-4 Middle Terebin T2 (Zones IV, V, VI & 6)	1,085	1,085	522	522	0	0	60,234	26,817	32,368	27,165	23,151	
Katman-5 Middle Terebin T2 (Zones IV & 5)	1,269	1,269	963	963	0	0	82,310	41,781	50,450	23,549	19,824	
Katman-6A Middle Terebin T2 (Zone IV)	785	785	182	182	0	0	36,806	22,188	15,393	11,390	8,942	
Katman-6 Middle Terebin T2 (Zones IV & 5)	1,683	1,683	409	409	0	0	93,833	49,215	18,213	9,920	5,437	
Katman-7 Middle Terebin T2 (Zones II & 5)	1,377	1,377	398	398	0	0	78,271	47,855	33,021	24,828	19,718	
Katman-8 Middle Terebin T2 (Zone II)	278	278	81	81	0	0	11,825	8,423	6,390	5,001	4,391	
Katman-10 Middle Terebin T2 (Zones IV & 5)	829	829	196	196	0	0	27,216	25,484	18,915	16,194	14,358	
Katman-11 Middle Terebin T2 (Zones IV & 5)	295	295	114	114	0	0	17,216	14,599	12,449	10,313	9,207	
<b>Total Proved Developed Non-Producing</b>	<b>8,485</b>	<b>8,485</b>	<b>3,068</b>	<b>3,068</b>	<b>0</b>	<b>0</b>	<b>409,822</b>	<b>285,231</b>	<b>187,896</b>	<b>144,846</b>	<b>117,814</b>	
<b>Total Proved Developed</b>	<b>14,511</b>	<b>14,511</b>	<b>5,084</b>	<b>5,084</b>	<b>0</b>	<b>0</b>	<b>703,814</b>	<b>491,425</b>	<b>350,788</b>	<b>269,158</b>	<b>223,712</b>	
<b>Probable</b>												
<b>Probable Developed Producing</b>												
Katman-10 Middle Terebin T2 (Zones IV, V & 6)	incl.	1,328	1,328	341	341	0	0	70,968	22,829	9,725	4,925	2,708
Katman-2 Middle Terebin T2 (Zone II)	incl.	718	718	222	222	0	0	34,428	25,828	20,343	16,492	13,723
Katman-3A Middle Terebin T2 (Zones I & 5)	incl.	104	104	40	40	0	0	3,886	2,805	2,326	1,882	1,538
Katman-4 Middle Terebin T2 (Zone IV)	incl.	412	412	188	188	0	0	18,804	11,189	7,101	4,887	3,514
Katman-5 Middle Terebin T2 (Zone IV)	incl.	198	198	121	121	0	0	8,835	4,268	2,813	1,837	1,381
Katman-6 Middle Terebin T2 (Zone II)	incl.	451	451	138	138	0	0	20,789	13,484	9,197	6,582	4,832
Katman-10 Middle Terebin T2 (Zone II)	incl.	321	321	106	106	0	0	11,188	8,368	6,021	4,399	3,247
Katman-11 Middle Terebin T2 (Zone IV)	incl.	187	187	109	109	0	0	28,581	18,852	11,022	7,941	5,886
<b>Total Probable Developed Producing</b>	<b>4,989</b>	<b>4,989</b>	<b>1,327</b>	<b>1,327</b>	<b>0</b>	<b>0</b>	<b>198,215</b>	<b>108,878</b>	<b>64,748</b>	<b>48,888</b>	<b>36,317</b>	
<b>Probable Developed Non-Producing</b>												
Katman-10 Middle Terebin T2 (Zone II)	incl.	427	427	111	111	0	0	19,248	12,499	8,094	6,196	4,817
Katman-2 Middle Terebin T2 (Zones IV, V & 6)	incl.	897	897	204	204	0	0	33,276	20,823	13,879	9,140	5,729
Katman-3 Middle Terebin T2 (Zone V)	incl.	68	68	25	25	0	0	2,886	1,321	881	522	318
Katman-4 Middle Terebin T2 (Zones IV, V, VI & 6)	incl.	1,379	1,379	607	607	0	0	87,056	42,477	28,687	20,462	15,208
Katman-5 Middle Terebin T2 (Zones IV, V & 6)	incl.	952	952	745	745	0	0	48,849	27,922	18,389	12,524	9,248
Katman-6A Middle Terebin T2 (Zones IV, V & 6)	incl.	872	872	211	211	0	0	42,963	28,386	20,391	12,544	9,179
Katman-6 Middle Terebin T2 (Zones IV, V & 6)	incl.	1,399	1,399	326	326	0	0	75,231	38,788	12,278	6,209	3,294
Katman-7 Middle Terebin T2 (Zones IV, V, VI & 6)	incl.	2,011	2,011	451	451	0	0	125,207	54,172	23,887	22,388	16,793
Katman-8 Middle Terebin T2 (Zones II & 5)	incl.	600	600	312	312	0	0	34,210	18,060	12,312	8,251	5,769
Katman-10 Middle Terebin T2 (Zones IV, V & 6)	incl.	991	991	319	319	0	0	47,848	30,341	20,491	14,537	10,722
Katman-11 Middle Terebin T2 (Zones IV, V & 6)	incl.	585	585	281	281	0	0	47,425	28,287	20,022	14,962	10,787
<b>Total Probable Developed Non-Producing</b>	<b>18,458</b>	<b>18,458</b>	<b>3,579</b>	<b>3,579</b>	<b>0</b>	<b>0</b>	<b>526,830</b>	<b>293,234</b>	<b>181,264</b>	<b>121,797</b>	<b>88,894</b>	
<b>Total Probable Developed</b>	<b>14,886</b>	<b>14,886</b>	<b>4,907</b>	<b>4,907</b>	<b>0</b>	<b>0</b>	<b>732,848</b>	<b>488,833</b>	<b>342,052</b>	<b>290,955</b>	<b>212,611</b>	
<b>Probable Undeveloped</b>												
Four Locations (Middle Terebin T2) Gas Gathering Facilities		5,373	5,373	3,362	3,362	0	0	244,185	126,876	84,826	51,805	34,983
		0	0	0	0	0	0	(5,100)	(4,740)	(8,421)	(6,133)	(3,892)
<b>Total Probable Undeveloped</b>	<b>5,373</b>	<b>5,373</b>	<b>3,362</b>	<b>3,362</b>	<b>0</b>	<b>0</b>	<b>239,085</b>	<b>122,136</b>	<b>76,405</b>	<b>45,672</b>	<b>31,091</b>	
<b>Total Probable</b>	<b>20,179</b>	<b>20,179</b>	<b>8,299</b>	<b>8,299</b>	<b>0</b>	<b>0</b>	<b>961,823</b>	<b>644,849</b>	<b>540,917</b>	<b>318,172</b>	<b>244,904</b>	
<b>Total Proved Plus Probable</b>	<b>34,811</b>	<b>34,811</b>	<b>13,383</b>	<b>13,383</b>	<b>0</b>	<b>0</b>	<b>1,665,637</b>	<b>1,136,274</b>	<b>891,705</b>	<b>588,130</b>	<b>468,716</b>	
<b>Possible</b>												
Four Locations (Middle Terebin T2)	incl.	1,743	1,743	977	977	0	0					
Katman-3A Middle Terebin T2 (Zone II)		620	620	234	234	0	0					
Two Locations (Middle Terebin T2)		2,496	2,496	1,894	1,894	0	0					
<b>Total Possible</b>	<b>4,859</b>	<b>4,859</b>	<b>3,105</b>	<b>3,105</b>	<b>0</b>	<b>0</b>						
<b>Total Proved Plus Probable Plus Possible</b>	<b>39,670</b>	<b>39,670</b>	<b>16,488</b>	<b>16,488</b>	<b>0</b>	<b>0</b>						

MM means thousands of dollars.

Gross reserves are the total of the Company's working and/or royalty interest share before deduction of royalties owed by others.

Net reserves are the total of the Company's working and/or royalty interest share after deducting the amounts attributable to royalties owed by others.

Values may not add precisely due to accumulative rounding of values throughout the report.

**Chapman** Petroleum Engineering Ltd.



Table 4a

EVALUATION OF: **Marion, Saskatchewan**  
 \*\*\*\*\* Total Proved Developed

EVALUATED BY: **SRM Energy Solutions**  
 COMPANY EVALUATED: **SRM Energy, Inc.**  
 APPRAISAL FOR: **FORECAST PRICES & COSTS**

ES00 v7.41 P2 ENERGY SOLUTIONS  
 GLOBAL : 25-MAR-2011 03:28  
 RFP-01-2011-2011 DISC-01-JAN-2011  
 RNM DATE: 27-MAR-2011 TIME: 15:26  
 FILE:

TOTAL CAPITAL COSTS = 3666 -M\$  
 TOTAL ABANDONMENT = 769 -M\$

Oil Wells										Sales Gas WCF												
Pool					Company Share					Pool					Company Share							
Year	# of Wells	Price \$/STB	STR/D	Vol	# of Wells	Price \$/WCF	MCF/D	Vol	Net	Year	# of Wells	Price \$/WCF	MCF/D	Vol	Net	Year	# of Wells	Price \$/WCF	MCF/D	Vol	Net	
2011	8	53.17	1673.6	576	576	0	2.16	504.4	184	184	184	0	2.16	504.4	184	184	184	0	2.16	504.4	184	184
2012	10	53.94	1681.4	1658	1658	0	2.16	1750.4	624	624	624	0	2.16	1750.4	624	624	624	0	2.16	1750.4	624	624
2013	10	53.33	1673.6	1462	1462	0	2.16	1447.7	528	528	528	0	2.16	1447.7	528	528	528	0	2.16	1447.7	528	528
2014	10	53.07	1673.7	1121	1121	0	2.16	1153.8	421	421	421	0	2.16	1153.8	421	421	421	0	2.16	1153.8	421	421
2015	9	55.19	1825.1	932	932	0	2.16	951.3	347	347	347	0	2.16	951.3	347	347	347	0	2.16	951.3	347	347
2016	9	56.01	2190.3	799	799	0	2.16	826.9	302	302	302	0	2.16	826.9	302	302	302	0	2.16	826.9	302	302
2017	9	57.19	1936.7	780	780	0	2.16	734.0	264	264	264	0	2.16	734.0	264	264	264	0	2.16	734.0	264	264
2018	10	56.77	1788.3	853	853	0	2.16	875.4	347	347	347	0	2.16	875.4	347	347	347	0	2.16	875.4	347	347
2019	9	66.15	1854.3	567	567	0	2.16	585.3	215	215	215	0	2.16	585.3	215	215	215	0	2.16	585.3	215	215
2020	9	66.89	1386.9	506	506	0	2.16	524.9	192	192	192	0	2.16	524.9	192	192	192	0	2.16	524.9	192	192
2021	10	62.17	1726.5	430	430	0	2.16	584.2	213	213	213	0	2.16	584.2	213	213	213	0	2.16	584.2	213	213
2022	9	63.87	1476.0	539	539	0	2.16	568.5	183	183	183	0	2.16	568.5	183	183	183	0	2.16	568.5	183	183
2023	8	68.40	1272.8	485	485	0	2.16	431.9	158	158	158	0	2.16	431.9	158	158	158	0	2.16	431.9	158	158
2024	8	66.16	1346.0	416	416	0	2.16	388.2	141	141	141	0	2.16	388.2	141	141	141	0	2.16	388.2	141	141
2025	7	67.94	1017.4	371	371	0	2.16	358.0	120	120	120	0	2.16	358.0	120	120	120	0	2.16	358.0	120	120
SRM				11324	11324	11324			4140	4140	4140			4140	4140	4140			4140	4140	4140	4140
SRM				3106	3106	3106			928	928	928			928	928	928			928	928	928	928
TOT				14431	14431	14431			5068	5068	5068			5068	5068	5068			5068	5068	5068	5068

\* P/T \*

Year	Capital Aband Costs -M\$	Future Revenue (M\$)	Royalties (M\$)	Operating Costs (M\$)	FR After Roy & Oper. -M\$	Net Back -M\$	Procc Other Income -M\$	Cap'l Costs -M\$	Aband Costs -M\$	Future Net Rev -M\$
2011	4680	16417	314	0	30833	0	0	0	0	31193
2012	0	89749	724	0	5767	6.4	1733	6935	4.92	75938
2013	0	77243	613	0	5324	6.0	1768	5978	5.20	64896
2014	0	50467	403	0	3238	6.3	1724	4073	5.92	42243
2015	0	44779	350	0	43128	0	0	2843	6.3	1759
2016	416	40147	307	0	40455	0	0	2849	6.3	1794
2017	57	38373	286	0	38659	0	0	2434	6.3	1843
2018	0	34124	250	0	34374	0	0	2164	6.3	1784
2019	1195	30924	222	0	31046	0	0	1954	6.3	1777
2020	43	35203	247	0	35950	0	0	2492	6.3	1878
2021	43	34009	212	0	34621	0	0	2181	6.3	1695
2022	0	35282	183	0	30863	0	0	1924	6.3	1846
2023	65	27544	164	0	27708	0	0	1746	6.3	1583
2024	0	21155	140	0	21294	0	0	1594	6.3	1364
SRM	6344	85207	4882	0	65689	0	0	42681	6.4	24883
SRM	471	115399	1077	0	116476	0	0	13628	6.3	16493
TOT	6815	467437	3879	0	471315	0	0	30727	6.4	41389

NET PRESENT VALUE (-M\$)										PROFITABILITY									
DISCOUNT RATE										COMPANY SHARE BASIS									
Rate	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	35.0%	40.0%	Rate of Return (%)	Profit Index (undisc.)	(disc. @ 10.0%)	(disc. @ 5.0%)	First Payout (years)	Total Payout (years)	Cost of Finding (\$/BOE)	NPV @ 10.0% (\$/BOE)	NPV @ 5.0% (\$/BOE)	
FW After Roy & Oper.	709919	467099	345014	273556	227113	184956	170443			889.8									
Proc & Other Income	0	0	0	0	0	0	0			182.9									
Capital Costs	6546	6374	4921	4625	4344	4285	4048			67.0									
Abandonment Costs	749	380	355	37	67	38	38			11.3									
Future Net Revenue	701104	461425	339938	268658	226679	190322	164365			3									
1st Year Average										32.25									
% Interest	100.0	100.0								10.21									
% of Future Revenue				6.4	12.6	81.1	7	49.3											

**Chapman** Petroleum Engineering Ltd.

Table 4c

EVALUATION OF: **Environ, Saskatchewan** EROC v9.41 P2 ENERGY SOLUTIONS TOTAL  
 \*\*\*\*\* **TOTAL Proved Plus Probable** GLOBAL : 26-MAR-2011 9:28  
RFP-01-JAN-2011 22C-01-JAN-2011  
RUN DATE: 26-MAR-2011 TIME: 13:50  
FILE:

EVALUATED BY: **\*\*\*\*\***  
 COMPANY EVALUATED: **SMS Model, Inc.**  
 APPRAISAL FOR: **\*\*\*\*\***  
 PROJECT: **\*\*\*\*\* FORECAST PRICES & COSTS**

TOTAL CAPITAL COSTS : \$198 -M\$  
 TOTAL ABANDONMENT : 1043 -M\$

Year	Oil						Sales Gas					
	NSTR			Company Share			NCF			Company Share		
	# of Wells	\$/STB	STB/D	Vol	Gross	Net	# of Wells	\$/MCF	MCF/D	Vol	Gross	Net
2011	8	53.17	1696.0	619	619	619	0	1.16	538.5	197	197	197
2012	10	53.54	4695.0	1714	1714	1714	0	1.16	1794.0	642	641	641
2013	10	55.13	3985.0	1455	1455	1455	0	1.16	1492.3	545	545	545
2014	10	53.07	6742.4	2461	2461	2461	0	1.16	3462.9	899	895	895
2015	10	55.19	5941.2	2169	2169	2169	0	1.16	2255.9	787	787	787
2016	14	56.01	7049.1	2653	2653	2653	0	1.16	3147.9	1149	1149	1149
2017	14	57.39	6453.2	2358	2358	2358	0	1.16	2796.9	1022	1022	1022
2018	14	58.77	5850.1	2135	2135	2135	0	1.16	2575.1	926	926	926
2019	14	60.16	5187.8	1886	1886	1886	0	1.16	2225.3	812	812	812
2020	14	60.85	4623.9	1688	1688	1688	0	1.16	1977.4	720	720	720
2021	15	62.37	4585.2	1674	1674	1674	0	1.16	1888.7	678	678	678
2022	15	63.87	4020.2	1471	1471	1471	0	1.16	1628.0	594	594	594
2023	15	65.40	3950.1	1442	1442	1442	0	1.16	1525.0	557	557	557
2024	15	66.14	3459.1	1263	1263	1263	0	1.16	1321.0	486	486	486
2025	14	67.74	3071.7	1121	1121	1121	0	1.16	1175.8	429	429	429
SUB				36105	36105	36105			10443	10443	10443	
RM				8506	8506	8506			2916	2915	2915	
TOT				34611	34611	34611			13357	13357	13357	

\*\*\*\*\* P/T \*\*\*\*\* COMPANY SHARE FUTURE NET REVENUE \*\*\*\*\*

Year	Capital Aband -M\$	Future Revenue (FR)				Royalties				Operating Costs				FR After Roy & Oper -M\$	Net Back -M\$	Fees Income -M\$	Cap'l Costs -M\$	Aband Costs -M\$	Future Net Rev -M\$
		Oil	Sales Gas	Products	Total	Oil	Other	Material	Other	Fixed	Variable	1/BOE	2/BOE						
2011	4608	22914	238	0	23142	0	0	1574	4.7	850	2401	5.29	28118	43.34	0	4420	0	23758	32614
2012	5100	81750	742	0	82494	0	0	9830	7.4	1733	1259	4.99	76272	41.95	0	5100	0	71272	47777
2013	8811	80188	612	0	80800	0	0	8920	8.4	1768	4372	5.27	45730	42.56	0	8811	0	57959	45513
2014	478	136804	1042	0	137047	0	0	11448	9.0	1916	2092	4.94	124892	42.94	0	478	0	124413	76225
2015	34883	119482	933	0	120095	0	0	10934	9.0	1954	3079	5.15	37909	42.37	0	34883	0	61156	30754
2016	0	148607	1133	0	149940	0	0	13495	9.0	2462	1143	5.21	116422	42.75	0	0	0	116422	70063
2017	887	135170	1182	0	136163	0	0	12773	9.0	2436	1194	5.40	110441	43.73	0	450	56	109934	59107
2018	0	135430	1073	0	136503	0	0	11911	9.0	2562	1030	5.44	102340	44.87	0	0	0	102340	50034
2019	527	113450	942	0	114400	0	0	10294	9.0	2612	925	5.71	92164	45.59	0	527	0	91637	40761
2020	1199	102764	827	0	103603	0	0	9524	9.0	2645	8516	6.18	83104	45.96	0	1199	0	81905	32121
2021	0	104184	787	0	105171	0	0	8519	8.1	2888	8620	6.41	81204	47.49	0	0	0	81204	31223
2022	991	92954	689	0	94643	0	0	7688	8.1	2925	7718	6.74	78362	48.44	0	991	0	77368	26187
2023	0	94293	648	0	94939	0	0	7495	8.1	2963	7092	6.95	74584	49.90	0	0	0	74584	23266
2024	65	83521	544	0	84095	0	0	6812	8.1	2920	4879	7.20	67476	50.22	0	0	65	67409	18617
2025	2	75947	488	0	76449	0	0	6192	8.1	2943	4233	7.49	61079	51.21	0	0	0	61079	15334
SUB	8886	151274	1111	0	154460	0	0	13173	8.5	2560	12645		116134		0	5799	121	119275	61479
RM	942	88889	1082	0	90191	0	0	40787	8.9	3360	4842		47075		0	0	942	48755	45710
TOT	59022	212257	13495	0	219455	0	0	17940	8.1	4928	174207		172204		0	5799	1063	164204	480455

\*\*\*\*\* NET PRESENT VALUE (-M\$) \*\*\*\*\*

Discount Rate	0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper	172285	158704	72131	53386	41634	37383	28138
Proc & Other Income	0	0	0	0	0	0	0
Capital Costs	37989	48071	40230	34660	30012	26277	23328
Abandonment Costs	1863	339	136	65	34	22	15
Future Net Revenue	146324	100234	48455	49910	38635	31104	25809

\*\*\*\*\* PROFITABILITY \*\*\*\*\*

Rate of Return (%)	10.0%	15.0%	20.0%	25.0%	30.0%
Profit Index (undisc.)	1.00	0.80	0.60	0.40	0.20
(disc. @ 10.0%)	1.00	0.80	0.60	0.40	0.20
(disc. @ 15.0%)	1.00	0.70	0.50	0.30	0.15
(disc. @ 20.0%)	1.00	0.60	0.40	0.20	0.10
(disc. @ 25.0%)	1.00	0.50	0.30	0.15	0.05
(disc. @ 30.0%)	1.00	0.40	0.20	0.10	0.02

\*\*\*\*\* COMPANY SHARE \*\*\*\*\*

1st Year Average	Royalties	Oper Costs	FR After Roy & Oper	Capital Costs	Future Net Rev		
% Interest	100.0	100.0	8.3	11.4	86.0	2.7	77.8
% of Future Revenue							

**Chapman** Petroleum Engineering Ltd.

Table #8

EVALUATION OF: **Envision, Kazakhstan** EMCO v7.41 PJ ENERGY SOLUTIONS TOTAL  
 \*\*\*\*\* Total Proved Plus Probable Plus Possible GLOBAL - 25-MAR-2011 5278  
 EPP-01-JAN-2011 DSCC-01-JAN-2011 EPP-01-JAN-2011 DSCC-01-JAN-2011  
 RUN DATE: 24-MAR-2011 TIME: 13:58 FILE:

EVALUATED BY: **MMH Rosal, Inc.**  
 COMPANY EVALUATED: **MMH Rosal, Inc.**  
 APPRAISAL FOR: **FORECAST PRICES & COSTS**  
 PROJECT: **FORECAST PRICES & COSTS**

TOTAL CAPITAL COSTS - 73841 -M\$  
 TOTAL ABANDONMENT - 1188 -M\$

Year	Oil						Sales Gas					
	WTE			Company Share			WTE			Company Share		
	# of Wells	Price \$/STB	STB/D	Vol	Gross	Net	# of Wells	Price \$/MCF	MCF/D	Vol	Gross	Net
2011	8	53.17	1696.0	419	419	419	0	1.16	538.5	197	197	197
2012	10	53.54	4695.0	1714	1714	1714	0	1.16	1706.0	841	841	841
2013	10	55.13	2985.0	1455	1455	1455	0	1.16	1495.3	545	545	545
2014	10	53.07	4892.4	2516	2516	2516	0	1.16	2519.5	920	920	920
2015	10	55.19	4875.2	2216	2216	2216	0	1.16	1205.0	805	805	805
2016	14	56.01	7383.6	2696	2696	2696	0	1.16	3168.5	1164	1164	1164
2017	14	57.19	7662.9	2797	2797	2797	0	1.16	3621.4	1322	1322	1322
2018	14	58.77	6993.4	2520	2520	2520	0	1.16	3244.8	1184	1184	1184
2019	14	60.15	4298.2	2224	2224	2224	0	1.16	3848.2	1049	1049	1049
2020	14	60.89	3489.9	2004	2004	2004	0	1.16	2951.9	931	931	931
2021	17	62.17	6390.4	1971	1971	1971	0	1.16	3395.0	874	874	874
2022	17	63.87	4792.4	1749	1749	1749	0	1.16	3229.3	776	776	776
2023	17	65.46	4461.7	1702	1702	1702	0	1.16	3985.8	726	726	726
2024	17	66.16	4121.3	1504	1504	1504	0	1.16	3760.9	643	643	643
2025	18	67.74	3466.2	1345	1345	1345	0	1.16	3571.8	574	574	574
SUM				29032	29032	29032				12332	12332	12332
MMH				16438	16438	16438				4329	4329	4329
TOT				19470	19470	19470				16463	16463	16463

\* F/T \* COMPANY SHARE FUTURE NET REVENUE

Year	Capital Aband Costs -M\$	Future Revenue (FR)										Royalties				Operating Costs				FR After Roy & Oper				Procc & Other Costs				Cap'l Aband Costs				Future Net Rev			
		Oil		Sales Gas		Production		Total		Gross		Net		Mineral		Fixed		Variable		Roy/Oper		Back		Income		Cap'l		Aband		Undisc		15.0%			
		-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$	-M\$					
2011	4400	33914	228	0	33242	0	0	3574	4.7	880	2402	5.29	28118	43.14	0	4400	0	23758	25614																
2012	5100	91750	743	0	92494	0	0	7010	7.6	1733	7359	4.89	74372	41.95	0	5100	0	71272	41777																
2013	8435	89268	627	0	89891	0	0	4910	8.6	1764	6172	5.27	85778	42.56	0	8435	0	81736	45022																
2014	478	123510	1067	0	124577	0	0	12112	9.0	3039	11137	4.97	109199	48.91	0	478	0	108722	77803																
2015	34803	122301	934	0	123235	0	0	12115	9.0	2069	10099	5.18	99954	42.52	0	34803	0	63151	43227																
2016	3987	100048	1543	0	102031	0	0	14122	9.3	2580	12508	5.24	123070	42.61	0	3987	0	121083	71684																
2017	19452	140518	1533	0	142051	0	0	14177	9.4	2815	13112	5.34	130748	43.33	0	19452	0	111097	67793																
2018	0	148065	1374	0	149439	0	0	13990	9.4	2928	12231	5.58	120211	44.28	0	0	0	120211	58845																
2019	927	133884	1206	0	135090	0	0	12158	9.0	2986	11619	5.84	108926	43.48	0	927	0	108000	48216																
2020	1195	120012	1086	0	121099	0	0	12078	9.8	1046	10118	6.10	98950	45.78	0	1195	0	97755	39488																
2021	0	122918	1014	0	123932	0	0	10432	8.4	1236	10143	6.32	100222	47.33	0	0	0	100222	34605																
2022	889	111728	902	0	112629	0	0	9483	8.4	1303	9182	6.64	90643	48.24	0	889	0	89754	29941																
2023	0	112280	842	0	113122	0	0	9413	8.4	1367	9104	6.84	90240	49.82	0	0	0	90240	27415																
2024	65	99522	746	0	100267	0	0	8419	8.4	1340	8210	7.17	80296	49.83	0	65	0	80231	22159																
2025	0	91141	646	0	91887	0	0	7708	8.4	1263	7490	7.53	72246	50.82	0	0	0	72246	18390																
SUM	79836	1712742	14307	0	1727049	0	0	150738	8.7	39413	141028		1292088		0	79836	0	1217252	662203																
MMH	1877	723773	4794	0	728667	0	0	52358	7.0	4180	38156		576177		0	1877	0	574800	45053																
TOT	80613	1438515	19097	0	1449716	0	0	145476	8.2	43603	179184		1234411		0	81713	0	1159772	707256																

\*\*\*\*\* NET PRESENT VALUE (-M\$)\*\*\*\*\*

Discount Rate	5%	10.0%	15.0%	20.0%	25.0%	30.0%
FR After Roy & Oper	1972085	1179476	794893	579580	446454	358835
Procc & Other Income	0	0	0	0	0	0
Capital Costs	99131	64085	52502	43749	36990	31705
Abandonment Costs	1198	333	134	63	31	15
Future Net Revenue	1871152	1115018	742257	535777	409439	326108

\*\*\*\*\* PROFITABILITY \*\*\*\*\*

COMPANY SHARE BASIS	Before Tax
Rate of Return (%)	999.9
Profit Index (ModB/C)	33.4
(Disc. @ 10.0%)	14.1
(Disc. @ 15.0%)	17.3
First Payout (Years)	1.5
Total Payout (Years)	1.5
Cost of Finding (\$/BOE)	1.92
NPV @ 10.0% (\$/BOE)	17.58
NPV @ 15.0% (\$/BOE)	18.45

\*\*\*\*\* COMPANY SHARE \*\*\*\*\*

1st Year Average	Royalties	Oper Costs	FR After Roy/Oper	Capital Costs	Future Net Rev
% Interest	100.0	100.0	0.2	11.5	89.3
% of Future Revenue				3.2	77.0

**Chapman** Petroleum Engineering Ltd.

**APPENDIX A  
ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
PROSPECTIVE RESOURCES**

**INDEX**

**Discussion**

Introduction  
Ownership  
Exploration History  
Geology  
Resource Potential

**Attachments**

Table 1: Summary of Prospective Resources  
Figure 1A: Extended License Territory Structure Map – Triassic  
Figure 2A: ADEK Block: Structure Map – Jurassic  
Figure 3A: ADEK Block: Geological Stratigraphic Chart

**ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
PROSPECTIVE RESOURCES  
DISCUSSION**

**Introduction**

This report contains information regarding Prospective Resources assigned to the ADEK Block. This information is based on the report "Evaluation of Resource Potential, ADE Block and Extended License Territory" dated March 23, 2006 and updated to December 31, 2010.

Resources have been identified in the Jurassic formation in the existing fields Aksaz, Dolinnoe, Emir and Kariman plus one developed structure, Borly. Triassic resources have been identified in the undeveloped structures, Borly and Esen in the extended territory.

**Ownership**

The Company owns a 100 percent working interest in a "License" and "Exploration Contract" referred to as the ADEK Block which is located onshore in Kazakhstan in the Mangistau Oblast, approximately 50 kilometers from Aktau in the Republic of Kazakhstan (ROK).

The License originated in 1999 and the Exploration Contract was entered into on June 9, 2000 by a preceding company. The License and Contract Area were assigned to the Company on September 23, 2002. The Extended License Territory was established in 2004.

The License and Exploration Contract granted the right to engage in exploration and development activities on the block. Originally the Exploration contract had a five year term but it has since been extended and now expires on January 9, 2013.

A map of the block, showing reservoir structures, is presented on Figures 1A and 2A.

**Exploration History**

Four fields (Aksaz, Dolinnoe, Emir and Kariman) already have been discovered on the ADEK Block which are on production from the Triassic formation.

This Block has recent 3-D seismic coverage. Based on the 3-D interpretation, three Triassic plays have been identified on the extended license territory, one of which, Kariman, has been developed and is producing from 10 wells. The other two structures, Borly and Esen, are expected to be analogous to the Dolinnoe Triassic reservoir, which is producing on the ADEK Block.

In addition, five Jurassic structures have been identified on the original ADE Block (Aksaz, Dolinnoe and Emir) and the extended license territory (Kariman and Borly).

The ADEK Block has 24 wells drilled, 16 of which are currently producing at a total rate of 2,572 STB/d.

### **Geology**

The ADEK Block is located at the edge of the Mangistau Ustyrt Central High which contains several producing oilfields in the area. The Extended License Territory which contains 64,247 acres (260 km<sup>2</sup>) lies to the east adjacent to the original Block. The typical reservoir is a faulted anticline comprising several faulted blocks. The main producing horizon is the middle Triassic carbonate. Jurassic structures have also been identified by the recent 3D seismic.

Hydrocarbon traps are formed within the transition zone of the Beke-Bashkudsky high and Karagiin saddle.

The productive middle Triassic consists of limestone in the upper portion and dolomite in the lower portion. The Triassic is located at a depth between 3100 and 3700 meters. The analog for the Triassic on the extension is the producing Dolinnoe field, on the Company's ADEK Block.

The Jurassic is not yet being produced on the ADEK Block, but a number of surrounding fields are producing from or have tested the Jurassic. Three of those fields – North Western Zhetybai, Asar and Airantakyr – have been used as an analog for the Jurassic. The Jurassic producing formations are located at the depths of 1950-2640 m and represented by sandstones and alevrolites with the average porosity of 20%.

The target zones are located in Jurassic and Triassic deposits. The Jurassic formations are presented by sandstones, and the Triassic formations are presented by limestones and dolomites.

A geological stratigraphic chart showing the zones of interest is presented on Figure 3A.

### **Resource Potential**

Kariman Triassic structure has been fully developed and assigned reserves.

Resource potential of 139.1 MMSTB of oil and 156 BCF of solution gas has been estimated for the extended license territory for the two identified Triassic plays (Borly and Esen), based on closure area indicated by recent 3-D seismic and reservoir parameters from the Dolinnoe field.

Resource potential of 25.3 MMSTB of oil has been estimated for three structures in the original ADE Block (Aksaz, Dolinnoe, Emir) and two structures in the extended license territory (Borly, Kariman) for Jurassic formations. The estimate is based on the closure areas indicated by recent 3-D seismic and reservoir parameters from the nearby fields – North Western Zhetybai, Airantakyr and Asar.

The probability of success has been determined to be 15%. The main risk on this prospect is the possibility of encountering a low quality reservoir which is not capable of delivering commercial rates.

The resources assigned to each structure before and after risk, as well as a detailed break down of the risk factors, are presented on Table 1.

Table 1

**Summary of Prospective Resources  
January 1, 2011**

**BMB Munai, Inc.**

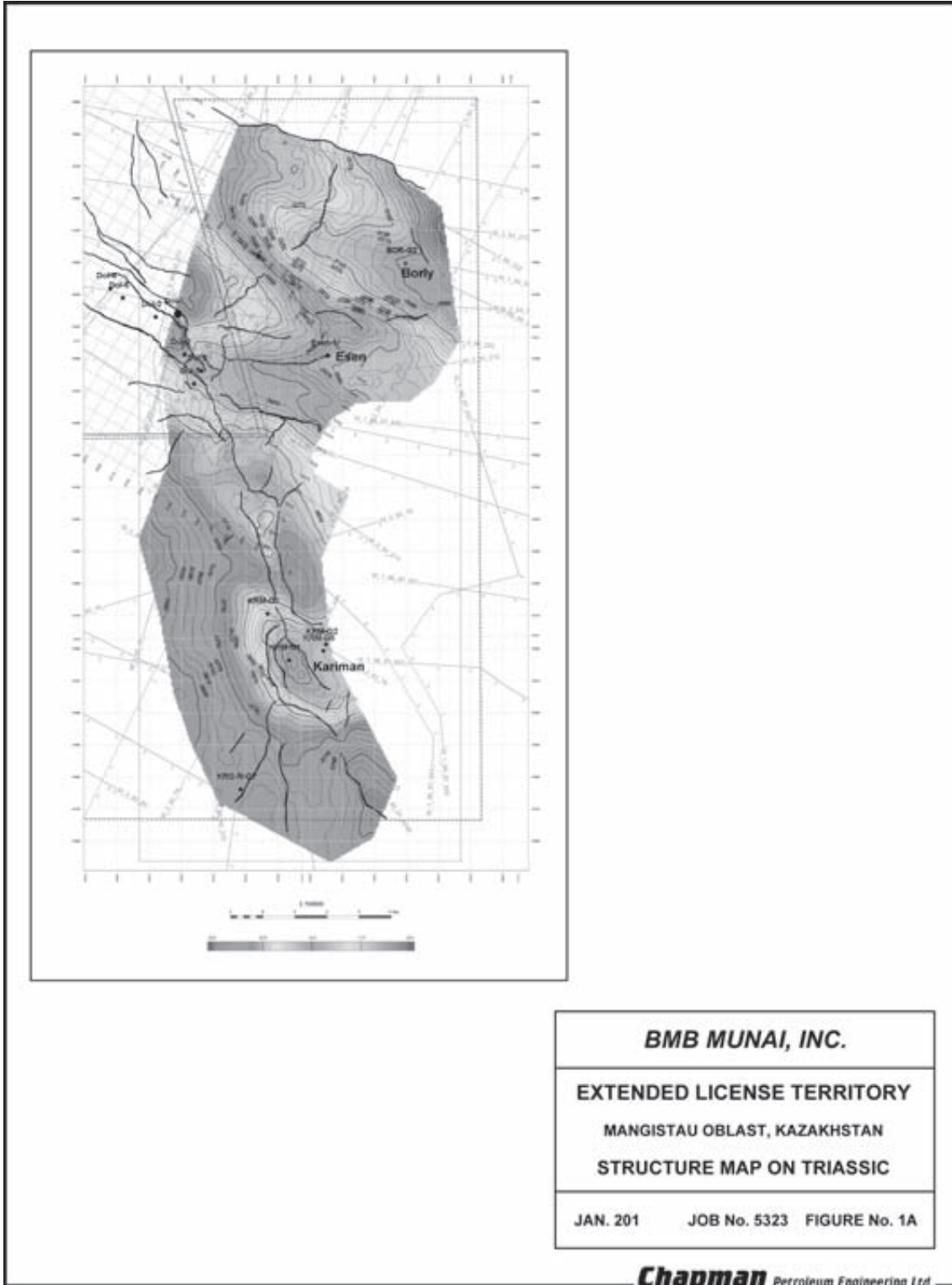
**ADEK Block  
Republic of Kazakhstan**

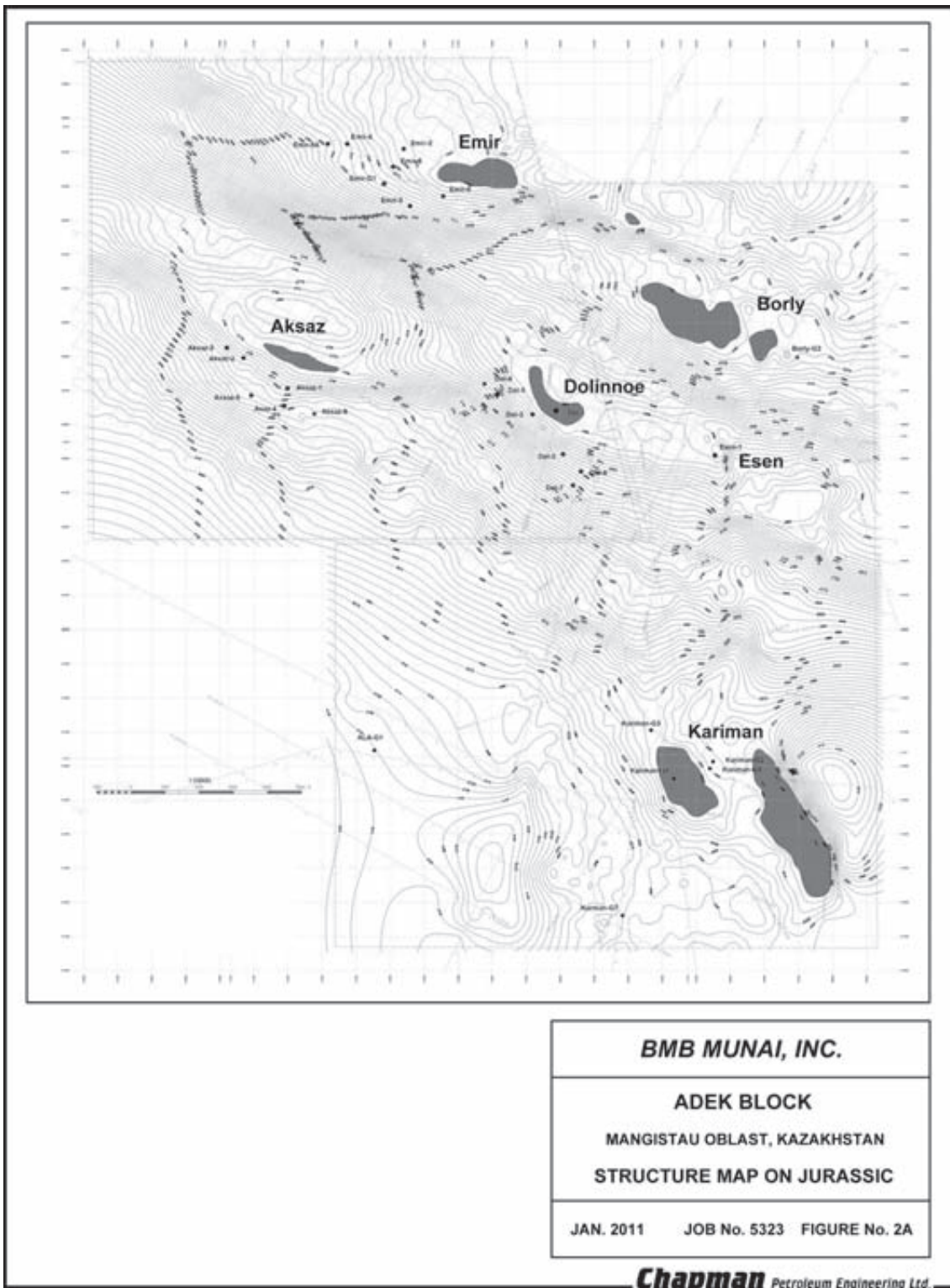
Description	Closure Area, acres	Anticipated Number of Wells	Ultimate Resources (Before Risk)			Ultimate Resources (After Risk) 2		
			Oil, MSTB	Gas, Bscf	Hydrocarbons, MBOE	Oil, MSTB	Gas, Bscf	Hydrocarbons, MBOE
<b>Triassic</b>								
<b>ADE Block Extension</b>								
Borly	5,120	32	117,413	132	139,413	17,612	20	20,912
Esen	1,920	12	21,686	24	25,716	3,253	4	3,857
Kariman	2,240	0	0	0	0	0	0	0
<b>Total Triassic</b>	<b>9,280</b>	<b>44</b>	<b>139,099</b>	<b>156</b>	<b>165,129</b>	<b>20,865</b>	<b>23</b>	<b>24,769</b>
<b>Jurassic</b>								
<b>ADE Block Extension</b>								
Borly	1,500	12	7,076	0	7,076	1,061	0	1,061
Kariman	2,640	17	12,420	0	12,420	1,863	0	1,863
<b>Original ADE Block</b>								
Aksaz	160	1	753	0	753	113	0	113
Dolinnoe	760	6	3,576	0	3,576	536	0	536
Emir	320	2	1,506	0	1,506	226	0	226
<b>Total for Jurassic</b>	<b>5,380</b>	<b>38</b>	<b>25,331</b>	<b>0</b>	<b>25,331</b>	<b>3,800</b>	<b>0</b>	<b>3,800</b>
<b>Grand Total</b>	<b>14,660</b>	<b>82</b>	<b>164,430</b>	<b>156</b>	<b>190,460</b>	<b>24,665</b>	<b>23</b>	<b>28,569</b>

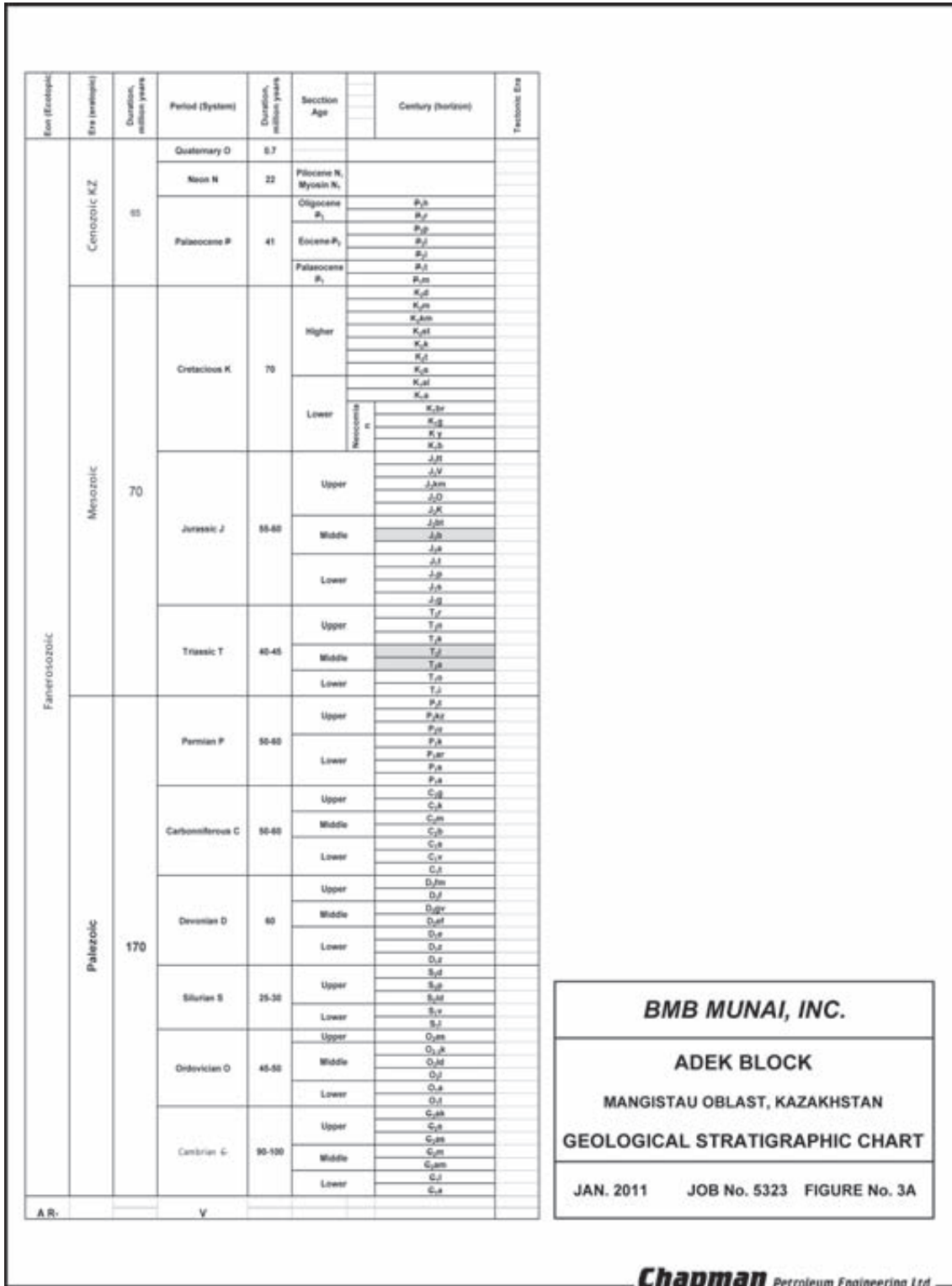
*Notes:*

- 1 Kariman Triassic structure has been fully developed and assigned reserves.
- 2 Probability of success – 15% derived as follows:

	<b>Probability Factor</b>
i) Source	0.90
ii) Reservoir	0.45
iii) Trap/Seal	0.60
iv) Timing/Migration	0.90
Geological POS	<b>0.21</b>
Commerciality Factor	<b>0.70</b>
Probability of Success	<b>0.15</b>







**APPENDIX B  
ADEK BLOCK (LICENSE AREA)  
REPUBLIC OF KAZAKHSTAN  
SITE VISIT**

**DISCUSSION**

In July 2004 our Company performed a site visit to the three Kazakh oil fields of Aksaz, Dolinnoe and Emir.

Chapman Petroleum Engineering Ltd. personnel, Mr. Chapman, P.Eng., President, and Mr. Denis Briere, P.Eng., Manager of International and Special Projects, visited the Almaty head office of BMB Munai Inc., and the field office in Aktau, where they reviewed all the well data and information collected during exploration of these three fields. During this visit, information was gathered and verified to be sufficient for the requirements of preparing the first report. Later, ongoing information was sent every year for updates to the ADEK reports.

For seven years that BMB Munai Inc./Emir Oil LLP have been our Client, we have never found any difficulty in acquiring the necessary information from them. Their personnel has proved to be very professional, adequately responding to all our enquiries.

It has not been found necessary to conduct further site visits because all the information required for our evaluation is readily available from the Company through electronic means. We have confirmed the presence and location of all wells via Google Earth software. In the past year Emir Oil personnel visited our office in Calgary.

Pictures confirming the client meetings and the site visit in ADE Block are shown on Figure 1B.



Office Meeting: Data Gathering and Review



Well Dolinnoe-1



Well Dolinnoe-2



Dolinnoe Facilities

**BMB MUNAI, INC.**

**ADEK BLOCK**

**MANGISTAU OBLAST, KAZAKHSTAN**

**2004 SITE VISIT PHOTOS**

JAN. 2011    JOB No. 5323    FIGURE No. 1B

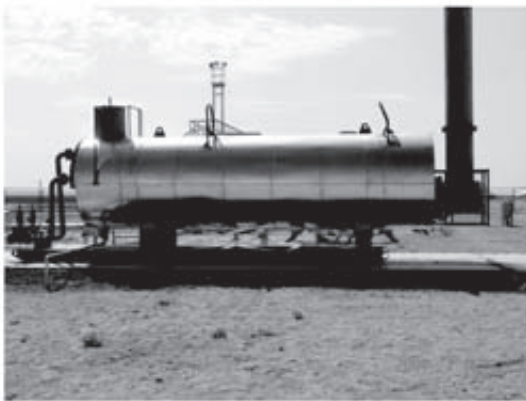
**Chapman** Petroleum Engineering Ltd.



Emir-1 Wellhead



Well Emir-1



Emir Oil Facilities



At Emir Field

**BMB MUNAI, INC.**

**ADEK BLOCK**

**MANGISTAU OBLAST, KAZAKHSTAN**

**2004 SITE VISIT PHOTOS**

JAN. 2011 JOB No. 5323 FIGURE No. 1B Cont.

**Chapman** Petroleum Engineering Ltd.

**GLOSSARY OF TERMS  
(Abbreviations & Definitions)**

BIT	–	Before Income Tax
AIT	–	After Income Tax
M\$	–	Thousands of Dollars
Effective Date	–	Effective Date The date for which the Present Value of the future cash flows and reserve categories are established
BRENT	–	North Sea Oil – the common reference for crude oil used for oil price comparisons
psia	–	Pounds per square inch absolute
MSTB	–	Thousands of Stock Tank Barrels of oil (oil volume at 60 F and 14.65 psia)
MMscf	–	Millions of standard cubic feet of gas (gas volume at 60 F and 14.65 psia)
bbls	–	Barrels
Mbbls	–	Thousands of barrels
MMBTU	–	Millions of British Thermal Units – heating value of natural gas
STB/d	–	Stock Tank Barrels of oil per day – oil production rate
Mscf/d	–	Thousands of standard cubic feet of gas per day – gas production rate
GOR (scf/STB)	–	Gas-Oil Ratio (standard cubic feet of solution gas per stock tank barrel of oil)
mKB	–	Metres Kelly Bushing – depth of well in relation to the Kelly Bushing located on the floor of the drilling rig. The Kelly Bushing is the usual reference for all depth measurements during drilling operations.
EOR	–	Enhanced Oil Recovery

GJ	–	Gigajoules
Marketable on Sales Natural Gas	–	Natural gas that meets specifications for its sale, whether it occurs naturally or results from the processing of raw natural gas. Field and plant fuel and losses to the point of the sale must be excluded from the marketable quantity. The heating value of marketable natural gas may vary considerably, depending upon its composition; therefore, quantities are usually expressed not only in volumes but also in terms of energy content. Reserves are always reported as marketable quantities.
NGLs (Natural Gas Liquids)	–	Those hydrocarbon components that can be recovered from natural gas as liquids, including but not limited to ethane, propane, butanes, pentanes plus condensate, and small quantities of non-hydrocarbons.
Raw Gas	–	Natural gas as it is produced from the reservoir prior to processing. It is gaseous at the conditions under which its volume is measured or estimated and may include varying amounts of heavier hydrocarbons (that may liquefy at atmospheric conditions) and water vapour; may also contain sulphur and other non-hydrocarbon compounds. Raw natural gas is generally not suitable for end use.

March 29, 2011

**Chapman Petroleum Engineering Ltd.**

445, 708 – 11 Avenue SW

Calgary, AB

T2R 0E4

Dear Sir:

**Re: Company Representation Letter**

Regarding the evaluation of our Company's oil and gas reserves and independent appraisal of the economic value of these reserves for the year ended December 31, 2010 (the effective date), we herein confirm to the best of our knowledge and belief as of the effective date of the reserves evaluation, and as applicable, as of today, the following representations and information made available to you during the conduct of the evaluation:

1. We, MIE Holdings Corporation, (the Client) have made available to you, Chapman Petroleum Engineering Ltd. (the Evaluator) certain records, information, and data relating to the evaluated properties that we confirm is, with the exception of immaterial items, complete and accurate as of the effective date of the reserves evaluation, including the following:
  - Accounting, financial, tax and contractual data;
  - Asset ownership and related encumbrance information;
  - Details concerning product marketing, transportation and processing arrangements;
  - All technical information including geological, engineering and production and test data;
  - Estimates of future abandonment and reclamation costs.
2. We confirm that all financial and accounting information provided to you is, to the best of our knowledge, both on an individual entity basis and in total, entirely consistent with that reported by our Company for public disclosure and audit purposes.
3. We confirm that our Company has satisfactory title to all of the assets, whether tangible, intangible, or otherwise, for which accurate and current ownership information has been provided.
4. With respect to all information provided to you regarding product marketing, transportation, and processing arrangements, we confirm that we have disclosed to

you all anticipated changes, terminations, and additions to these arrangements that could reasonably be expected to have a material effect on the evaluation of our Company's reserves and future net revenues.

5. With the possible exception of items of an immaterial nature, we confirm the following as of the effective date of the evaluation:
  - For all operated properties that you have evaluated, no changes have occurred or are reasonably expected to occur to the operating conditions or methods that have been used by our Company over the past twelve (12) months, except as disclosed to you. In the case of non-operated properties, we have advised you of any such changes of which we have been made aware.
  - All regulatory, permits, and licenses required to allow continuity of future operations and production from the evaluated properties are in place and, except as disclosed to you, there are no directives, orders, penalties, or regulatory rulings in effect or expected to come into effect relating to the evaluated properties.
  - Except as disclosed to you, the producing trend and status of each evaluated well or entity in effect throughout the three-month period preceding the effective date of the evaluation are consistent with those that existed for the same well or entity immediately prior to this three-month period.
  - Except as disclosed to you, we have no plans or intentions related to the ownership, development or operation of the evaluated properties that could reasonably be expected to materially affect the production levels or recovery of reserves from the evaluated properties.
  - If material changes of an adverse nature occur in the Company's operating performance subsequent to the effective date and prior to the report data, we will inform you of such material changes prior to requesting your approval for any public disclosure of reserves information.
6. We hereby confirm that our Company is in material compliance with all Environmental Laws and does not have any Environmental Claims pending.

Between the effective date of the report and the date of this letter, nothing has come to our attention that has materially affected or could affect our reserves and economic value of these reserves that has not been disclosed to you.

Yours very truly,  
*Chief Financial Officer*

*The following is the text of the valuation report in respect of the estimate of reserves in the Contract Area issued by the Competent Evaluator for the purpose of inclusion in this circular.*



JONES LANG  
LASALLE SALLMANNS

Jones Lang LaSalle Sallmanns Limited  
17/F Dorset House Taikoo Place  
979 King's Road Quarry Bay Hong Kong  
tel +852 2169 6000 fax +852 2169 6001  
Licence No: C-030171

19 April 2011

The Board of Directors  
MIE Holdings Corporation  
Suite 406, Block C, Grand Place  
5 Hui Zhong Road  
Chaoyang District, Beijing 100101  
People's Republic of China

Dear Sirs,

## **INDEPENDENT VALUATION OF THE PETROLEUM ASSETS ACQUIRED BY MIE HOLDINGS CORPORATION**

### **INTRODUCTION**

In accordance with your instructions, Jones Lang LaSalle Sallmanns Limited ("JLLS") has prepared an independent opinion of the Fair Market Value of the aggregated value of 100% interest ownership of the petroleum assets in the Aksaz, Dolinnoe and Kariman oilfields (collectively referred to as "The Petroleum Assets", or "ADEK"), located in the Mangistau Oblast located in the southwestern region of The Republic of Kazakhstan ("Kazakhstan") held by EMIR-OIL,LLC("EMIR") as at 31 December 2010 (the "Valuation Date"). MIE Holdings Corporation ("MIE" or the "Company") plans to acquire the Petroleum Assets and has appointed JLLS to perform the relevant valuation. JLLS understands that this report will be utilized as a reference in the circular issued by the Company. The report which follows is dated 19 April 2011 (the "Report Date").

The Petroleum Assets is defined as *"all property including but not limited to real property, intellectual property, drilling rights held by or acquired in connection with the development of and the production from those drilling rights together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of petroleum in connections with those drilling rights"*.

The valuation was carried out on a Fair Market Value basis. Fair Market Value is defined as *"the amount of money (or the cash equivalent of some other consideration) determined by the Expert for which the Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion"*.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and consideration of various factors that are relevant to the operation of the Company. Considerations of various risks and uncertainties that have potential impact on the business have also been considered.

No opinion has been expressed on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. The conclusions assume continuation of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analysis outlined in the report which follows, we are of the opinion that the Fair Market Value of the Petroleum Assets as at the Valuation Date is reasonably stated at **USD270,490,000 (UNITED STATES DOLLARS TWO HUNDRED SEVENTY MILLION FOUR HUNDRED AND NINETY THOUSAND)**.

This work completed to date includes acquisition and interpretation of all data pertaining to the Petroleum Assets that is provided by EMIR and the Independent Technical Report produced by Chapman Petroleum Engineering Limited (“Chapman”) dated 18 March 2011, which indicates an aggregate proved plus probable reserve estimate of 53,713,000 stock tank barrels of oil and 58,751 million cubic feet of natural gas.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

**Jones Lang LaSalle Sallmanns Limited**

**PURPOSE OF VALUATION**

This report is being prepared solely for the use of the directors and management of MIE Holdings Corporation for its inclusion in the circular to its shareholder in relation to the proposed acquisition of the Petroleum Assets held by EMIR-OIL, LLC. In addition, JLLS acknowledges that this report may be made available to the independent financial advisor of the Company and used by such adviser as one of the sources of information for formulating its advice to the independent directors and shareholders of the Company, and, if requested, the regulators.

**BASIS OF OPINION**

In order to form an opinion on the Value of the Petroleum Assets, it is vital to make assumptions of certain future events, e.g. economic and market factors. JLLS have taken all reasonable care in examining those assumptions made by EMIR to ensure that they are appropriate to the case. These assumptions are based on the management and their experts' technical knowledge and experience in the petroleum industry. The valuation procedures employed include the review of physical and economic conditions of the subject assets, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Petroleum Assets. All matters essential to the proper understanding of the valuation will be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market conditions and the subject assets that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation;
- Consideration and analysis on the micro and macro economy affecting the subject assets;
- Analysis on tactical planning, management and synergy of the subject assets;
- Analytical review of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets.

**GEOGRAPHIC AND INDUSTRY BACKGROUND****Location**

The Republic of Kazakhstan is located in Central Asia, and is the ninth largest country in the world by area. Its southwestern coast meets the Caspian Sea, and it is otherwise bordered by China, Russia, Kyrgyzstan, and Uzbekistan (see figure 1).

Kazakhstan's industry is based heavily on its abundant fossil fuel reserves and mineral resources. As such, the bulk of its industrial manufacturing sector is devoted to the production of heavy machinery and other equipment related to the extraction and processing of natural resources. On the strength of its natural resources, from 1999 to 2009 Kazakhstan averaged annual GDP growth of 8.0% – weighed down only in recent years by the global financial crisis. However, the recent recovery combined with favorable oil price trends has led the Kazakhstan government to forecast a GDP growth of 4-5% for 2010. Currently, its GDP stands at \$177.835 billion (PPP).

**Figure 1: Map of Kazakhstan**

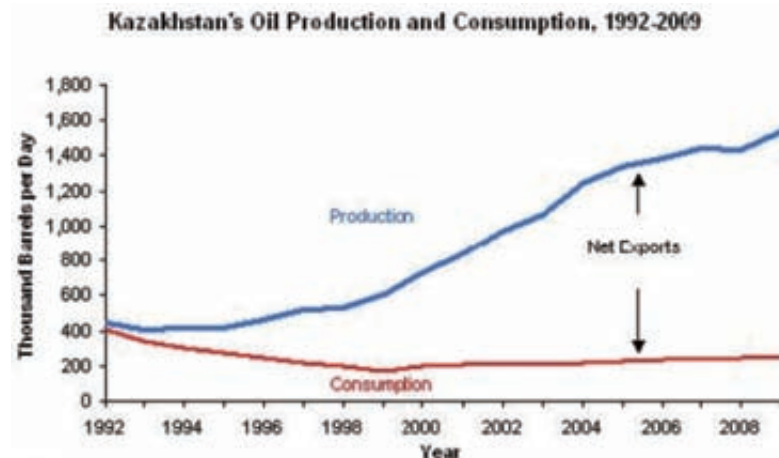


Another major factor in the growth of Kazakhstan is the speed with which it moved towards free market reforms in the post-Soviet period. It has focused on attracting foreign investment inflows since the 1990's while maintaining an acceptable level of inflation. With new capital influx and growing wealth, the Kazakhstan banking system has grown rapidly, reaching \$1 billion of capitalization, and a number of small and medium-sized enterprises have begun to flourish.

### **Domestic Petroleum Industry**

Kazakhstan is currently the second largest producer of petroleum in Central Asia, and with a national proved reserve of 30 billion barrels, it is the most oil-rich country in the Caspian Sea region. The bulk of Kazakhstan's productive oil fields are all located in the western portion of the country, while the majority of its refineries are located further east. The country currently produces 1.57 million barrels per day of oil – enough to meet over 50% of the regional demand – but aims to increase production to 3.5 million barrels per day, 3 million of which would be for export, by 2015. The country's natural gas reserves are likewise very large, being estimated at 3.3 to 3.7 trillion cubic meters. Current daily production is roughly 10 million cubic meters, with announced plans to at least double, if not nearly triple, production rates by 2015. Given the country's production growth rate over the past two decades, and its relatively liberal stance on foreign investors and joint ventures, such an increase does not appear unreasonable (see figure 2).

Figure 2: Kazakhstan Oil Production and Consumption, 1992-2009



Source: EIA

Being largely landlocked, Kazakhstan is reliant on pipelines for the export of its petroleum and natural gas. The primary conduit is the Caspian Pipeline Consortium, which links the highly productive Tengiz, Kashagan, and Karachaganak oil fields to the Black Sea coast of Russia. With a daily transport volume of 1.3 million barrels, it is the primary route of moving petroleum to export customers. Another major pipeline, the Kazakhstan-China pipeline, was recently completed in 2009, with a daily capacity of 200,000 barrels. The pipeline connects the Kashagan and Kumkol fields and terminates in the Xinjiang Uygur Autonomous Region of the PRC (see figure 3); it is expected to reach full capacity at some point in 2011.

Figure 3: The Kazakhstan-China oil pipeline



Kazakhstan is very open to foreign investors and companies involved in the exploration and production of oil/gas. The most notable instance of foreign E&P activity is the TengizChevroil Joint Venture, which began in 1993 between what are now KazMunaiGas (formerly Kazakhoil) and ChevronTexaco (formerly Chevron), and granted to them a 40-year production license to manage the Tengiz and Korolevskoye oilfields. In 1997,

ExxonMobil and LukArco joined the venture with KazMunaiGas and ChevronTexaco, with controlling interests of 25%, 5%, 20%, and 50%, respectively.

A number of leading Chinese oil and gas companies are participants in Kazakhstan's oil industry, including major players such as PetroChina, CNOOC, CITIC, and Sinochem. With the recent completion of the aforementioned Kazakhstan-China pipeline, entry into the Kazakhstan oil industry has become an even more attractive option to companies based in the PRC.

### Global Supply and Demand

Global oil supply has come under closer scrutiny than ever, best exemplified by the popularization of the concept of "peak oil". However, the actual data available suggests that global supplies will continue to grow well into the 2030's (see Table 2 below).

**Table 2: Global projected supply to 2030, MMSTB/D**

<b>Breakdown</b>	<b>2009</b>	<b>2015</b>	<b>2030</b>
OECD	18.7	17.6	17.7
North America	13.6	13.4	14.5
US & Canada	10.6	10.8	12.3
Mexico	3.0	2.6	2.3
Western Europe	4.5	3.6	2.6
OECD Pacific	0.7	0.7	0.6
China	3.8	3.9	3.6
Other Asia	3.6	3.7	3.2
Latin America	3.9	5.1	6.4
Middle East & Africa	4.3	4.2	3.6
Russia	10.1	10.3	10.2
Other FSU	3.2	3.9	5.5
<b>Total Non-OPEC Crude</b>	<b>47.7</b>	<b>48.7</b>	<b>49.9</b>
Crude Oil	39.8	39.2	36.5
NGLs	6.0	6.6	7.1
Non-conventional	1.8	3.0	6.4
Biofuels	1.6	2.5	4.8
Processing Gains	2.2	2.4	3.0
<b>TOTAL NON-OPEC SUPPLY</b>	<b>51.4</b>	<b>53.6</b>	<b>57.6</b>
<b>OPEC NGL's and Liquids</b>	<b>4.5</b>	<b>7.0</b>	<b>10.6</b>
NGLS	4.4	6.7	10.1
Non-conventional	0.1	0.3	0.6
<b>OPEC Crude</b>	<b>28.7</b>	<b>31.4</b>	<b>38.1</b>
	84.6	91.9	106.4
<b>TOTAL WORLD SUPPLY</b>	<b>84.6</b>	<b>91.9</b>	<b>106.4</b>

Source: IEF/OPEC Symposium 2009

Additionally, although new field discovery peaked in 1965 and has declined steadily since then, a number of new promising reserves have been discovered in recent years; most notably among these are the Sugar Loaf and Tupi Fields, both discovered in 2007 in Brazil and estimated to contain 25-40 billion and 5-8 billion barrels of recoverable oil reserves, respectively. These numbers however, assume a consistent and predictable growth rate, as well as the reliability of the available reserve estimates. Should these estimates differ significantly, or technological development of processing and drilling methods proceed faster or slower than anticipated, the final estimate could change drastically.

Global oil demand is expected to continue increasing for the foreseeable future (see Table 3).

**Table 3: Global projected demand to 2030, MMSTB/D**

<b>Estimate</b>	<b>2009</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>
OPEC	84.5	91.0	96.2	100.9	105.5
IEA	85.6	92.6	96.7	101.6	107.1
<b>Average</b>	<b>85.1</b>	<b>91.8</b>	<b>96.5</b>	<b>101.2</b>	<b>106.3</b>

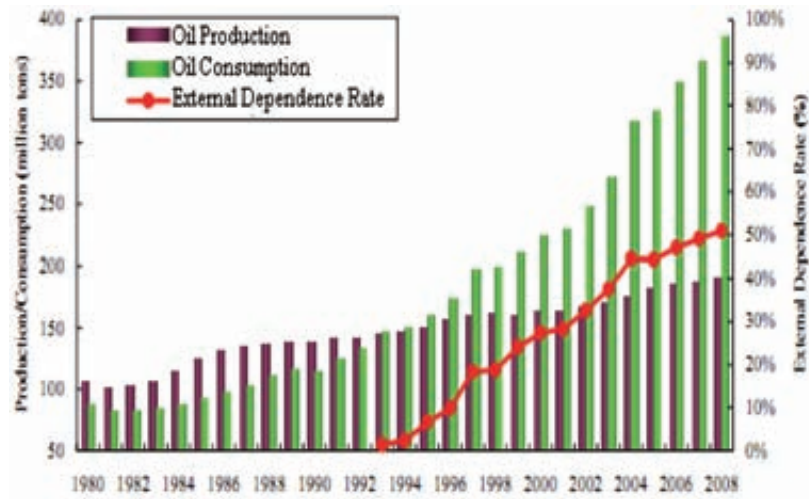
*Source: IEF/OPEC Symposium 2009*

Compared to Table 2, supply and demand should roughly keep in lockstep until 2030, although a number of factors may affect demand for oil/natural gas, both positively and negatively.

The continued development of alternative renewable energy sources has the potential to cut into demand for fossil-based energy sources; of these, the primary competition comes from the wind and solar energy sectors. Wind energy currently produces 340 TW-h of energy, accounting for 2% of total global energy consumption – this is 100% increase from its capacity in 2008. Solar energy meanwhile has a total generation capacity of 14.3 GW as of 2008, and has shown average annual growth of 40% in its capacity. Combined with environmental and climate concerns regarding fossil fuels, and subsequent large-scale funding of these industries by governments such as that of the PRC's, oil and natural gas demand may not reach the levels currently projected.

However, a number of factors also act to maintain a high global demand for oil. One of the primary drivers will be the continued economic and industrial development of China and India in the coming years. China, especially, has seen explosive growth in its demand for petroleum and natural gas (see Figure 4), thanks to the dual drivers of industrial production and consumer demand for automobiles. According to the Energy Information Administration of the U.S. Federal Government, China and India are expected to drive non-OECD oil consumption past OECD consumption by 2015.

Figure 4: Historical China Oil Production and Demand



Source: NSBC, NDRC, 2009

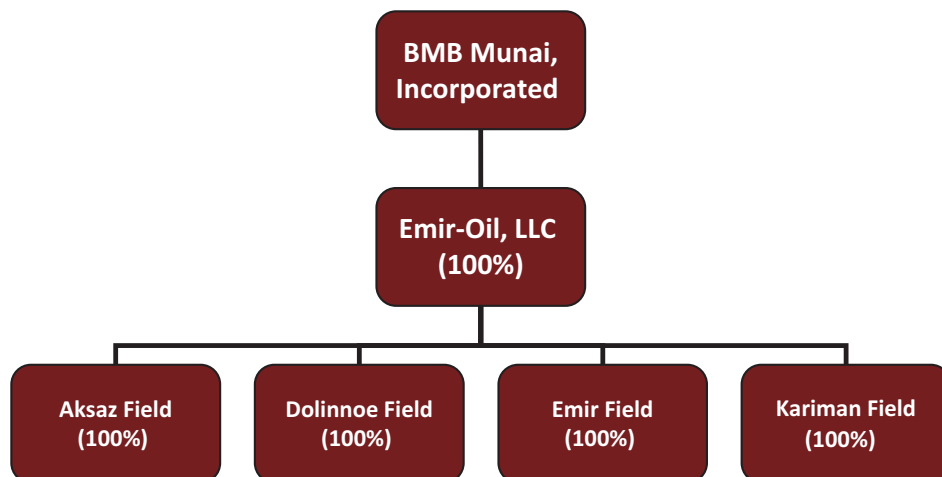
Considering these trends, it appears likely that oil demand will remain robust in the coming years in spite of any competition from alternative renewable energy sources.

**OWNERSHIP OF THE PETROLEUM ASSETS**

EMIR-OIL, LLC owns a 100% interest in the ADEK block through a wholly-owned subsidiary company. EMIR is in turn a 100% owned subsidiary of BMB Munai, Incorporated.

Corporate structure and ownership of the Petroleum Assets held by EMIR is shown below:

Figure 5: Ownership structure of BMB Munai, Inc. and the ADEK Block



## THE PETROLEUM ASSETS

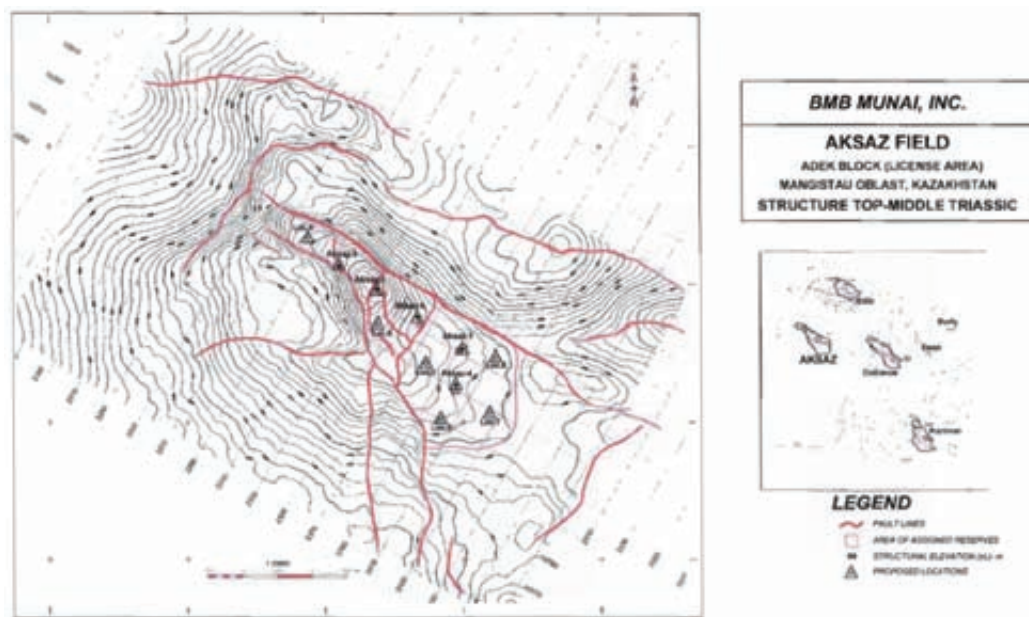
### Aksaz Oilfield

The Aksaz field is a gas-condensate field which is fed by the Middle Triassic carbonate production horizon. The reserve structure is in the articulation zone where the Beke-Bashkudsky high and Karagiin saddle jointly transition into the Zhetbay-Uzen tectonic zone. A regional fault runs aligned to the structure to the north, as a thrust. Limestone is the primary carbonate in the Middle Triassic. 950 m above the Triassic lies the Jurassic, a clastic sand shale sequence interspersed with carbonate. Though it does not yet have identifiable reserves, the Jurassic is considered a potential future hydrocarbon producing horizon.

Aksaz is 100% owned by EMIR, and consists of five wells: Aksaz-1, -2, -3, -4, and -6. The wells began production in 2005, 2009, 2007, 2005, and 2009, respectively; two additional offset probable locations are expected to be drilled and begin production in 2013, and four more in 2014. According to the Chapman report from 18 March, 2011 the entire field has remaining, through the year 2025, total proved oil reserves of 1,517,000 STB; total proved gas reserves of 10,659,000 MMCF; total proved plus probable oil reserves of 3,066,000 STB; and total proved plus probable gas reserves of 22,042,000 MMCF. In accordance with the Hong Kong Stock Exchange Chapter 18 Listing Rules, we have only considered the proved and probable reserves in arriving at our opinion of value.

A contoured map of Aksaz field is shown in Figure 6.

**Figure 6: Contoured Map of Aksaz Oilfield**



Source: from Chapman Report dated 18 March 2011

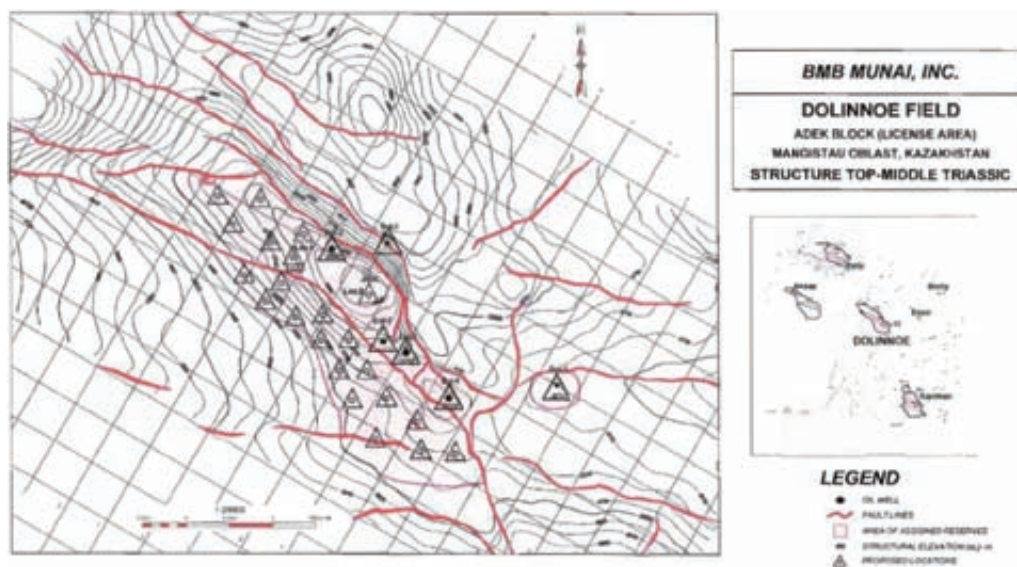
### Dolinnoe Oilfield

The Dolinnoe field is a faulted anticline comprising several faulted blocks; its main producing horizon is the Middle Triassic carbonate, which consists of limestone in its upper portion and dolomite in its lower portion. A number of hydrocarbon traps are formed in this area as a result of the transition zone of the Beke-Bashkudsky high and Karagiin saddle. Dolinnoe borders a regional fault that separates these two tectonic elements. As with Aksaz, the Jurassic lies 950 m above the Triassic horizon, and presents a potential future source of additional hydrocarbons.

Dolinnoe is 100% owned by EMIR, and consists of six wells: Dolinnoe-1, -2, -3, -5, -6, and -7. Dolinnoe-1, -2, and -7 are currently producing, and -5 and -6 produced briefly before shutting down for preparation for future workover and re-entry. According to the Chapman report from 18 March, 2011 the entire field has remaining, through the year 2025, total proved oil reserves of 6,840,000 STB; total proved gas reserves of 9,851,000 MMCF; total proved and probable oil reserves of 14,820,000 STB; and total proved and probable gas reserves of 21,487,000 MMCF. In accordance with the Hong Kong Stock Exchange Chapter 18 Listing Rules, we have only considered the proved and probable reserves in arriving at our opinion of value.

A contoured map of Dolinnoe field is shown in Figure 7.

**Figure 7: Contoured Map of Dolinnoe Oilfield**



Source: from Chapman Report dated 18 March 2011

### Emir Oilfield

The Emir Oilfield is located in the articulation zone where the Beke-Bashkudsky high and Karagiin saddle jointly transition into the Zhetbay-Uzen tectonic zone. A regional fault runs aligned to the structure to the north, as a thrust. The producing horizon is the Middle Triassic,

which consists of limestone in its upper portion and dolomite in its lower portion. As with Aksaz and Dolinnoe, the Jurassic lies 950 m above the Triassic horizon, and presents a potential future source of additional hydrocarbons.

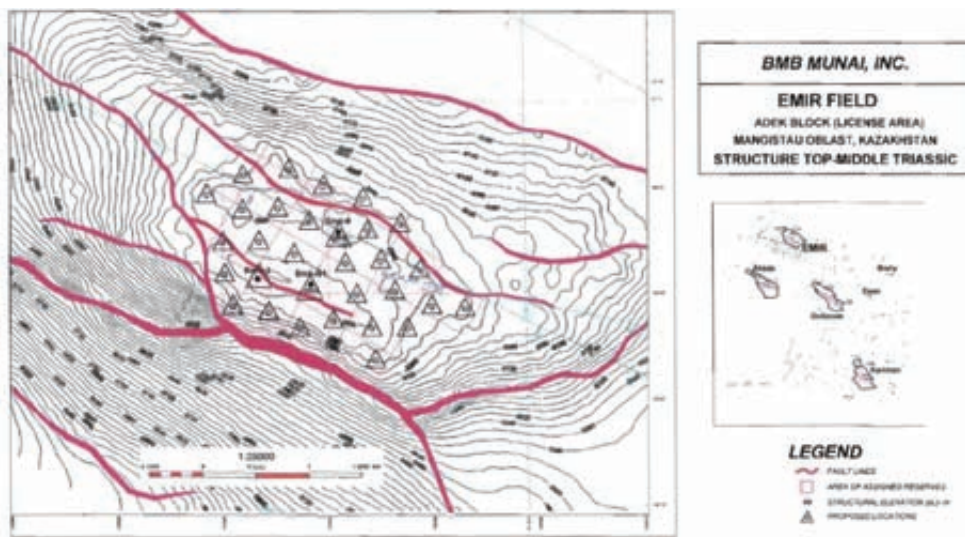
Emir is 100% owned by Munai, and consists of three wells: Emir-1, -2, and -6. Emir-1 began production in 2004, but encountered heavy mud of an unknown chemical content in the process of production. As a result, Emir-1 became damaged and is now shut-in and awaiting remedial action. Additionally, there exists twelve locations immediately adjacent to the developed wells, and sixteen more further away, that are slated for future development.

According to the Chapman report dated 18 March 2011, the entire field has remaining, total proved and probable oil reserves of 31,354,000 STB, and total proved and probable gas reserves of 4,553,000 MMCF. This data is not included in the previously stated total figures for the entire petroleum project.

Emir Oilfield was not included in the present valuation due to a combination of its relatively undeveloped status, and a major prerequisite condition of the present Purchase Agreement (See “Assumptions”). We have therefore not included any other information regarding Emir Oilfield (e.g. production schedule, revenue forecast); it is not considered a petroleum asset due to uncertainty surrounding its ability to begin commercial production within a reasonable timeframe.

A contoured map of Emir field is shown in Figure 8.

**Figure 8: Contoured Map of Emir Oilfield**



Source: from Chapman Report dated 18 March 2011

### **Kariman Oilfield**

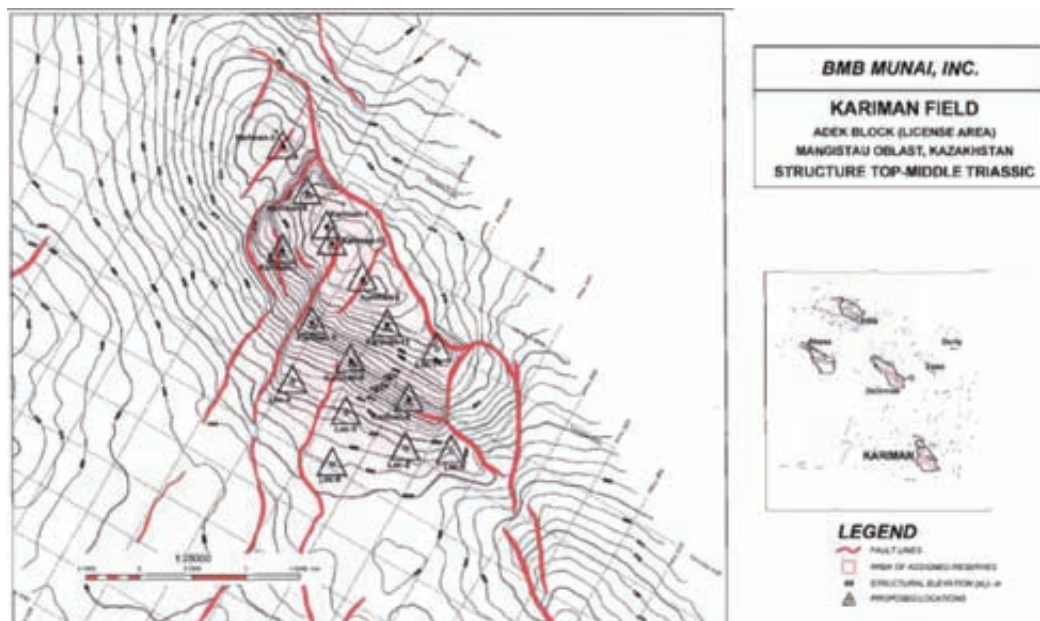
The Kariman field is a faulted anticline comprising several faulted blocks; its main producing horizon is the Middle Triassic carbonate, which consists of limestone in its upper

portion and dolomite in its lower portion. A number of hydrocarbon traps are formed in this area as a result of the transition zone of the Beke-Bashkudsky high and Karagiin saddle.

Kariman is 100% owned by EMIR consists of 10 wells: Kariman-1B, -2, -3A, -4, -5, -6, -7, -8, -10, and -11. According to the Chapman report from 18 March, 2011 the entire field has remaining, through the year 2025, total proved oil reserves of 11,324,000 STB; total proved gas reserves of 4,140,000 MMCF; total proved and probable oil reserves of 26,105,000 STB; and total proved and probable gas reserves of 10,442,000 MMCF. In accordance with the Hong Kong Stock Exchange Chapter 18 Listing Rules, we have only considered the proved and probable reserves in arriving at our opinion of value.

A contoured map of Kariman field is shown in Figure 9.

**Figure 9: Contoured Map of Kariman Oilfield**



Source: from Chapman Report dated 18 March 2011

## VALUATION APPROACH AND METHODOLOGY

We have considered three generally accepted approaches for the valuation of the Petroleum Assets, namely market approach, cost approach and income approach.

**Market Approach** considers prices recently paid for similar assets with adjustments made to reflect condition and utility of the appraised assets relative to the market comparative. Assets with an established secondary market may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speediness and it requires only a few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there

are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

**Cost Approach** considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

**Income Approach** is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay for the asset no more than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs, and it only presents a single scenario.

### **Selection of Valuation Methodology**

In our opinion, the market approach and cost approach are inappropriate for valuing the underlying asset. Firstly, the market approach requires market transactions of comparable assets as an indication of value. However, we have not identified any current market transactions which are comparable. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the underlying asset. We have therefore relied solely on the income approach in determining our opinion of value.

In this study, the Value of the Petroleum Assets was developed through the application of an income approach technique known as Discounted Cash Flow (“DCF”) method to devolve the future value of the mining operation into a present market value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation.

Under this method, the Value depends on the present worth of future economic benefit to be derived from the projected income. Indications of Value have been developed by discounting projected future net cash flows available for payment of mining right owners’ interest to their present worth at discount rate which in our opinion is appropriate for the risks of the mining operation. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of finance and the considered risk inherent in the operation.

**SOURCE OF INFORMATION**

In conducting our valuation of the Fair Market Value of the Petroleum Assets, we have reviewed information from several sources, including, but not limited to:

- Background/Operational
  - Description of the operating businesses; and
  - Other background and research materials.
- Financials
  - Audited Financial Statements of EMIR for the fiscal year of 2009 and 2010;
  - Other operations and market information in relation to the business;
  - Financial forecasts from EMIR and other sources;
  - Petroleum market demand and supply study and forecasts from the Government, internet, news, academic papers and other sources;
  - Petroleum price forecasts from the individual consultant, EMIR and other sources; and
  - Comparable analysis.
- Geological/ Technical
  - Competent Person’s Report from Chapman;
  - Raw drilling and geophysical data provided by EMIR;
  - Production planning and scheduling;
  - Site visits;
  - Personal communication with EMIR personnel; and
  - Preliminary Design Reports (“PDRs”) of the three oilfields

We conducted a site visit, interviews and held discussions with the management of the Company and have relied to a considerable extent on the information provided by the parties in arriving at our opinion of the Value.

**ASSUMPTIONS****General Assumptions**

- The production capacity for each oilfield will be as forecasted by the report from Chapman.
- Emir Oilfield is excluded from the present valuation. This is because one of the major prerequisite conditions of the Purchase Agreement is that EMIR must have obtained Production Contracts, from the Ministry of Oil and Gas of the Republic of Kazakhstan, for three out of four fields in the ADEK block. Only following the obtainment of these contracts can a field enter commercial production, and therefore be considered a petroleum asset. Of the four fields in the ADEK block, Emir Oilfield is the furthest away from meeting capital expenditure and work program, and the least developed. Therefore, it is our opinion that Emir will be unlikely to meet the requirements necessary for a production contract within a reasonable timeframe; and for the purpose of this valuation exercise, it is not considered a petroleum asset.
- In order to realise the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we have assumed that all proposed facilities and systems will work properly and will be sufficient for future expansion.
- We have been provided with copies of the operating licenses and incorporating documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information in arriving at our opinion of the Value.
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect the business of EMIR.
- Operational and contractual terms bound by the contracts and agreements entered into by the Company will be honored.
- Its competitive advantages and disadvantages will not change significantly during the period under consideration.
- EMIR will obtain Production Contracts from the Ministry of Oil and Gas on behalf of the Republic of Kazakhstan in relation to Aksaz, Dolinnoe and Kariman oilfields under the Existing Exploration Contract.

These assumptions have been made following discussions with Company Management, the Competent Evaluators, and Chapman. Additionally, we conducted market research into the financial performance of comparable companies, and believe that the projections offered by both the Company and Chapman represent reasonable forecasts as compared to other companies in this field.

**Scheduled Production**

According to EMIR, non-commercial test production of proved oil reserves in Aksaz, Dolinnoe, and Kariman are already underway as of 2011. The production schedule for proved plus probable reserves is shown in the tables below:

**Table 4: Petroleum production schedule for ADEK, in MSTB/year**

<b>Year</b>	<b>Proved Plus Probable Reserve Production by Field</b>		
	<b>Aksaz</b>	<b>Dolinnoe</b>	<b>Kariman</b>
2012	78	160	619
2013	278	780	1714
2014	251	1520	1455
2015	179	1688	2461
2016	139	1630	2169
2017	113	1951	2653
2018	95	1595	2355
2019	82	1269	2135
2020	66	1024	1886
2021	53	833	1688
2022	48	683	1674
2023	42	564	1471
2024	37	458	1442
2025	34	358	1263
<b>Total</b>	<b>1519</b>	<b>14819</b>	<b>26106</b>

*Source: Chapman Technical Report, dated 18 March 2011*

For EMIR's natural gas reserves, non-commercial test production in Aksaz, Dolinnoe, and Kariman are already underway as of 2011. The production schedule for proved plus probable is shown in the tables below:

**Table 5: Natural gas production schedule for ADEK, in MMCF/year**

Year	Proved Plus Probable Reserve Production by Field		
	Aksaz	Dolinnoe	Kariman
2012	473	203	197
2013	2599	1120	641
2014	4579	2188	545
2015	4060	2458	899
2016	2532	2387	787
2017	1981	2825	1149
2018	1558	2309	1022
2019	1229	1840	925
2020	908	1487	812
2021	689	1212	722
2022	562	995	678
2023	448	823	594
2024	314	669	557
2025	103	524	486
<b>Total</b>	<b>22127</b>	<b>21489</b>	<b>10443</b>

Source: Chapman Technical Report, dated 18 March 2011

Based on our discussion with management, the Competent Evaluators, and Chapman Engineering, it is our opinion that the production schedules as shown above are feasible.

### Price Forecast

The light/medium crude oil and natural gas produced from ADK is expected to be sold both overseas and domestically. For the years 2012 to 2014, 90% of oil and gas is to be exported and 10% is to be sold domestically within Kazakhstan; starting from 2015, the proportion becomes 80% and 20%, respectively.

We have been provided with Chapman's forecasts on light/medium crude oil and natural gas prices. Their basis and methodology can be summarized as the following:

1. To calculate the price of light/medium crude oil, the future expected price of Brent crude oil per STB for each year is used as the base figure; it is then reduced by transportation cost (projected to be constant at \$16.37/STB) and export duties (projected to be constant at \$5.20/STB) to arrive at the export price per STB. The import price per STB is set by the Kazakhstan government at \$26.27/STB. An export

rent tax is then considered for the projected export price for each year, and a constant value-added tax considered for the import price. The two prices are then weighed according to the 90/10 and 80/20 ratios, as below:

$$\begin{aligned} & \text{2012-2014 Forecast Price} \\ & = \\ & \frac{90\% * (\text{Brent Price} - \text{Transportation} - \text{Export Duty})}{(1 + \text{Export Rent Tax})} \\ & + \\ & \frac{10\% * (\text{Domestic Price})}{(1 + \text{Value-Added Tax})} \end{aligned}$$

$$\begin{aligned} & \text{2015-2025 Forecast Price} \\ & = \\ & \frac{80\% * (\text{Brent Price} - \text{Transportation} - \text{Export Duty})}{(1 + \text{Export Rent Tax})} \\ & + \\ & \frac{20\% * (\text{Domestic Price})}{(1 + \text{Value-Added Tax})} \end{aligned}$$

Forecasts for future Brent crude oil prices were projected by Chapman.

2. Natural gas prices are seen as considerably more stable than crude oil prices, and so a constant projected price of \$1.16/MCF has been utilized.

We believe that the forecasts on light/medium crude oil and natural gas prices projected by Chapman is reasonable, based on discussion with Management and Chapman. Additionally, we have performed market research and find these projections to be in line with general price forecasts. Therefore, we have adopted their findings in developing the revenue forecast for the Company. Presented below are the historical prices, forecast price components, and the adopted forecast prices:

**Table 6: Historical prices and forecast components**

	<b>Year</b>	<b>Brent Crude</b>	<b>Export</b>	<b>Domestic</b>
<b>Historical</b>	2004	38.03	16.46	26.72
	2005	55.28	33.71	26.72
	2006	66.09	44.52	26.72
	2007	72.74	51.17	26.72
	2008	98.33	76.76	26.72
	2009	62.52	40.95	26.72
	2010	77.28	55.71	26.72
	<b>Forecast</b>	2011	78.83	67.99
2012		80.40	70.17	26.72
2013		82.01	72.35	26.72
2014		83.65	74.53	26.72
2015		85.32	77.81	26.72
2016		87.03	81.08	26.72
2017		88.77	83.26	26.72
2018		90.55	85.44	26.72
2019		92.36	87.63	26.72
2020		94.20	89.94	26.72
2021		96.09	92.30	26.72
2022		98.01	94.70	26.72
2023		99.97	97.16	26.72
2024		101.97	99.66	26.72
2025		104.01	102.22	26.72

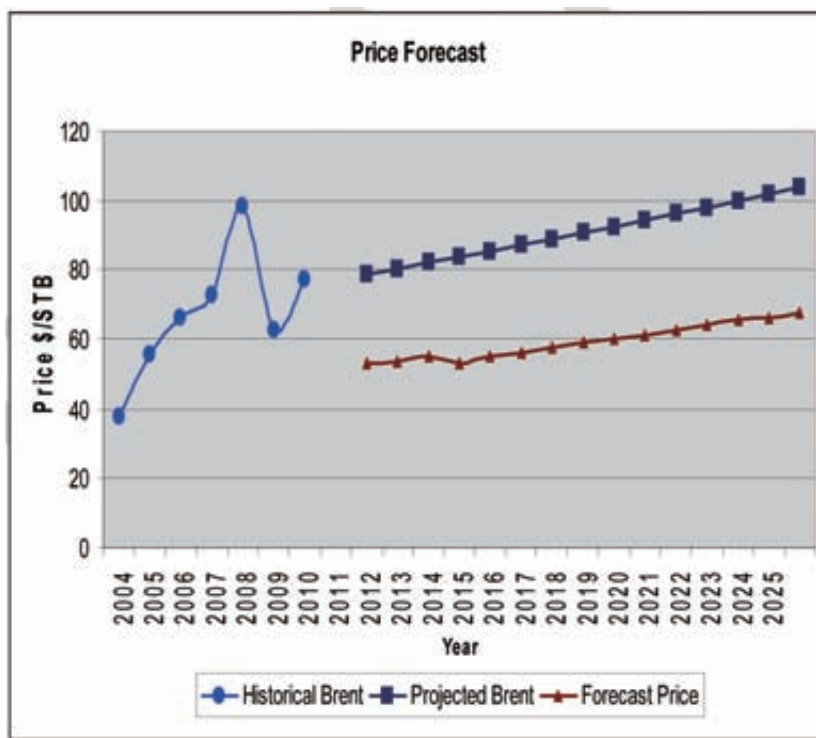
*Source: Chapman Technical Report, dated 18 March 2011*

Table 7: Forecast prices and components

Year	ERT	Oil (\$/STB)	Gas (\$/MCF)
2011	17%	53.17	1.16
2012	19%	53.54	1.16
2013	19%	55.13	1.16
2014	19%	53.07	1.16
2015	19%	55.19	1.16
2016	21%	56.01	1.16
2017	21%	57.39	1.16
2018	21%	58.77	1.16
2019	21%	60.15	1.16
2020	22%	60.89	1.16
2021	22%	62.37	1.16
2022	22%	63.86	1.16
2023	22%	65.40	1.16
2024	23%	66.16	1.16
2025	23%	67.74	1.16

Source: Chapman Technical Report, dated 18 March 2011

Figure 10: Graph of historical and forecast prices



### Revenue (USD M)

The total revenue of the Petroleum Assets for 2012 is projected to be \$46,864,000, rising sharply to a peak of \$288,386,000 by 2017, and thereafter declining to \$112,463,000 in 2025. No revenue is expected for 2011 due to the currently inactive status of the Exploration and Production Contact. Revenue is calculated from the annual production, in MSTB and MMCF, of petroleum and natural gas, respectively, multiplied by the forecasted price for that given year. Petroleum-derived revenues are net of Export Rent Tax and Value Added Tax (as described above); all data is taken from the Capman Report dated 18 March 2011.

### Operating Cost (USD M)

According to EMIR management, operating cost is calculated at the field level and includes items such as maintenance/repair expense, materials and supplies, and water and power usage. Operating costs are projected to start occurring in 2012 when the wells come into operation, initially accounting for a total of \$5,486,000. As a result of increasing petroleum production, the operating cost peak in 2017 at \$29,403,000, and begin to decrease afterwards as a result of declining petroleum production, until reaching \$14,171,000 in 2025.

### General & Administrative Expenses (USD M)

According to EMIR, general & administrative expenses are projected to be 5 percent of gross revenue; this figure is based on both the historical financial performance of EMIR and the average ratio of the comparable companies.

### Royalties and Abandonment Costs (USD M)

Royalty costs are also referred to as the Mineral Extraction Tax; as the land on which drilling is performed is only leased to EMIR, the Kazakhstan government collects a tax on the extraction of national resources. The table below shows the Mineral Extraction Tax policy of Kazakhstan:

**Table 8: Mineral Extraction Tax Policy for Oil**

Annual Production		Royalty (Mineral Extraction Tax) for Oil, %								
		2011-2012			2013			2014 and after		
tons	MSTB	Export	Domestic	Blend	Export	Domestic	Blend	Export	Domestic	Blend
up to 250,000	up to 1,964	5.00	2.50	4.75	6.00	3.00	5.70	7.00	3.50	6.30
up to 500,000	up to 3,928	7.00	3.50	6.86	8.00	4.00	7.60	9.00	4.50	8.10
up to 1,000,000	up to 7,856	8.00	4.00	7.60	9.00	4.50	8.55	10.00	5.00	8.90
up to 2,000,000	up to 15,711	9.00	4.50	8.55	10.00	5.00	9.30	11.00	5.50	9.80
up to 3,000,000	up to 23,567	10.00	5.00	9.50	11.00	5.50	10.48	12.00	6.00	10.80
up to 4,000,000	up to 31,423	11.00	5.50	10.45	12.00	6.00	11.49	13.00	6.50	11.70
up to 5,000,000	up to 39,278	12.00	6.00	11.40	13.00	6.50	12.35	14.00	7.00	12.60
up to 7,000,000	up to 54,990	13.00	6.50	12.35	14.00	7.00	13.38	15.00	7.50	13.50
up to 10,000,000	up to 78,557	15.00	7.50	14.25	16.00	8.00	15.29	17.00	8.50	14.30
over 10,000,000	over 78,556	18.00	9.00	17.10	19.00	9.50	18.05	20.00	10.00	18.00

**Table 9: Mineral Extraction Tax Policy for Gas**

Annual Production		Royalty (Mineral Extraction Tax) for GAS, %	
10 <sup>6</sup> m <sup>3</sup>	MMscf	Export	Domestic
up to 1000	up to 35,490	10.00	0.50
up to 2000	up to 70,980	10.00	1.00
over 2000	over 70,980	10.00	1.50

Abandonment costs are incurred only once, upon depletion of a well; the costs comprise the cost of materials and labor involved in cement plugging the well, and is net of any salvaged value of the well's PP&E.

### **Capital Expenditure, Depreciation and Amortization (USD M)**

Total capital expenditures for the life of the project are estimated to be \$220,180,000. The bulk of capital expenditures are to be used for advanced well drilling – necessary to improve the probable reserves to proved reserves – as well as the purchase of heavy machinery/equipment and the construction of well structures. Additionally, EMIR is obligated to follow a minimum capital expenditure schedule in order to obtain an Exploration and Production Contract from the government of Kazakhstan. Capital expenditures are only made in the process of opening a new well; all subsequent improvements/repairs to the fixed assets are accounted as operating costs. Capital expenditure figures were taken from the Chapman Report dated March 18, 2011, and are considered reasonable following discussions with the Company's management.

The management of EMIR has stipulated a straight-line depreciation policy with an asset lifespan of four years. Depreciation for capital expenditures was started to expense in the same fiscal year as the Capex incurred.

### **Taxation (USD M)**

The income taxes in Kazakhstan are 20% for 2011 and 2012, falling to 17.5% in 2013, and then to 15% from 2014 onwards. EMIR is also subject to the Excess Profit Tax (EPT), which is levied when net income exceeds a certain level, as determined by the ratio of net income to deductible depreciation and amortization expense.

**SENSITIVITY ANALYSIS**

The table below shows the results of the Net Present Value (“NPV”) sensitivity analysis runs for possible changes of crude oil prices. The runs consider changes of -5% to +5% and -10% to +10% on future crude oil prices relative to the projected forecast; sensitivity of natural gas was not considered owing to the relatively low price and volume to be produced. The analysis is presented below:

		USD '000	
Price Percentage $\Delta$ (%)		Valuation (RMB million)	
Low	High	Low	High
-5	5	255,467	285,150
-10	10	239,582	299,692
		Base: 270,490	

**DISCOUNT RATE**

In applying the discounted cash flow method, it is necessary to determine an appropriate discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant in our selection of an appropriate discount rate include:

1. Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates.
2. Purchasing power risk, which measures loss of purchasing power over time due to inflation.
3. Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price.
4. Market risk, which measures the effects of the general market on the price behavior of securities.
5. Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk, burden of management, degree of liquidity, and other factors affect the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base or safe rate to compensate for the extent of risk believed involved in the investment.

**Required Return on Equity Capital**

We have used Capital Assets Pricing Model (the “CAPM”) to estimate the required return on equity capital.

The CAPM is a fundamental tenet of modern portfolio theory which has been generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required return on equity capital.

The equation of CAPM is shown as follow:

$$\text{Expected Required Return on Equity} = \text{Risk Free} + \text{Nominal Beta } (\beta) \times \text{Risk Premium} + \text{Specific Risk } (\epsilon)$$

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking. The Capital Asset Pricing Model ("CAPM") is used to calculate the required rate of return on equity investment by using publicly-traded companies.

### Parameters for CAPM

In determining the equity discount rates for EMIR as at the Valuation Date, the following parameters have been used:

31 December 2010	US	Data Source	UK	Data Source	Canada	Data Source
Risk Free Rate	4.06%	15-Year US Treasury bonds and notes rate	3.87%	15-year UK Sovereign Benchmark Curve	3.32%	15-year Canadian Sovereign Benchmark Curve
Market Return	6.76%	15-year S&P 500 Index returns	6.94%	15-year FTSE 100 index returns	9.43%	15-year S&P/TSX Composite Index returns
Estimated Beta	0.856	Company Specific Risk	8.0%	Size Premium	6.28%	

Estimated Beta was calculated as the average of the comparable companies' adjusted Beta values. Comparable companies were selected primarily on the basis of their Major Activity being the exploration and production of oil and natural gas, a substantial portion of which occurs within the Republic of Kazakhstan.

The size premium of 6.28% is based on the results published in the 2010 SBBI Handbook<sup>a</sup>, under the section "Key Variables in Estimating Cost of Capital". The specific premium of 8.0% was reached after discussion with Management regarding the political and economic risks attached to the operation of petroleum and natural gas business in Kazakhstan; part of this premium reflects the risk inherent to immature companies. The other part reflects the marketability discount.

<sup>a</sup>: The SBBI Handbook refers to "The Stocks, Bonds, Bills & Inflation Handbook", which is issued annually by Ibbotson Associates (a subsidiary of Morningstar). It is considered to be one of the industry standards for determining costs of capital when performing business valuations.

Average CAPM cost of equity is 24.23%. With debt to equity ratio of 0%, the weighted average cost of capital (“WACC”) equals 24.23%. We believe this to be a reasonable WACC given EMIR’s industry, its forecasts, and its particular situation.

### **VALUATION COMMENTS**

The valuation of an interest in a Petroleum Asset requires consideration of all relevant factors affecting the operation of the business and its ability to generate future investment returns. The factors considered in the valuation included, but were not limited to, the following:

- the nature of the business;
- the financial condition of the business and the economic outlook in general;
- the operational contracts and agreements in relation to the business;
- the projected operating results; and
- the financial and business risk of the mining operation including the continuity of income and the projected future results.

The Emir Oilfield is not considered for the present valuation because the Purchase Agreement’s prerequisite condition only requires a Production Contract to be obtained for three of the four oilfields in the ADEK block, not including Emir. Emir is also the least developed of the four fields and therefore is the least likely to meet the capital expenditure requirements to obtain such a contract. However, we note that the probability of Emir’s obtaining a production license is still non-zero, and so there always remains the possibility of its becoming a commercially-viable field.

The valuation model for the Petroleum Assets is presented in Appendix A.

The conclusion of the Value is based on accepted valuation procedures and practices promulgated in the International Valuation Standards that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of EMIR, the Company and Jones Lang LaSalle Sallmanns Limited.

**RISK FACTORS****Reliance on key executives**

The future success of the Company is dependent, to a large extent, upon the continued service of its key executives and technical personnel as it operates in an industry where there is intense competition for experienced managerial and technical personnel. The loss of the services of these personnel without immediate and adequate replacements could have a material adverse effect on the business.

**Economic considerations**

The Kazakhstan economy has experienced significant growth in the past decade, but such growth has been dependent on a particular set of government policies and geopolitical factors. There is no assurance that the expected economic growth will be realized, or that future social and economic changes in the Kazakhstan will be favourable to EMIR.

**Realisation of forecast and future plans**

This calculation is premised in part on the historical financial information and future plans provided by the management of EMIR. We have assumed the accuracy of the information provided and relied to a considerable extent on such information in arriving at our calculation of the Value. Since projections are related to the future, there will usually be differences between projections and actual results, and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ.

## OPINION OF VALUE

Based on the results of investigation and analysis outlined in this report, it is our opinion that the Fair Market Value of the Petroleum Assets as at the Valuation Date is reasonably stated at **USD270,490,000 (UNITED STATES DOLLARS TWO HUNDRED SEVENTY MILLION FOUR HUNDRED AND NINETY THOUSAND)**.

Yours faithfully,

For and on the behalf of

**Jones Lang LaSalle Sallmanns Limited**

**Ian D. Buckingham**

*Senior Geologist*

**Dr. Shunyi He**

*Senior Geologist*

**Dr. Rongge Xiao**

*Senior Geologist*

**Simon M. K. Chan**

*Regional Director*

*Note:*

Mr. Buckingham has extensive experience of over 36 years in the petroleum industry. He has been involved in a wide range of areas encompassing geological engineering, exploration, project management, quality control, valuation and due diligence. He is a member of the American Association of Petroleum Geologists (AAPG) and Petroleum Exploration Society of Australia (PESA). Mr. Buckingham began his career as an exploration geologist. Over the years he has helped establish numerous companies and practices in the oil & gas and mining industries. Mr. Buckingham also has extensive experience in performing valuation and advisory work in the petroleum industry, including the valuation and/or geological review of ExOil, Moby Oil (both public companies in Australia), Coplex Resources NL, Enterprise Energy, the Corporate Finance division of KPMG and Essential Petroleum.

Mr. Buckingham is currently a consultant of JLLS, and also a founder of Global Resources & Infrastructure Pty Ltd. He is the Competent Evaluator for the purpose of fulfilling the requirements under Rule 18.23 of the Listing Rules.

Dr. He graduated with a Ph.D in Geology from China University of Geosciences and is a member of the Chinese Petroleum Society. He has over 10 years of experience working in the oil and gas industry and is specialized in petroleum logging and seismic interpretation, reservoir modeling, and reserve estimation in a broad range of shallow marine and lacustrine basins. Dr. He spent the early part of his career working for the China National Petroleum Corporation (CNPC), where he evaluated reservoirs, well designs, and conducted geophysical research in the Songliao Basin and other locations in northeastern China; most notably led the reserve estimation and petrophysical modeling of the East Daqing Basin Field in 2004. He was also heavily involved in the design and implementation of digital logging and drilling databases for CNPC. As of 2009, Dr. He has recently been involved in field work in Central Asia, overseeing the reserve estimates and well structure planning for the North Buzachi Fields in Kazakhstan, as well as petrophysical and well design studies for the Oudeh Fields in Syria.

Dr. Xiao is a professor of China University of Geosciences with over 35 years of experience in mining industry. Dr. Xiao has a diverse range of experience in mineralogy, deposit surveying, mineral development sciences and mining feasibility study and valuation assessment as a result of his career. Most recently, Dr. Xiao was involved in reserve estimations for a number of petroleum and natural gas reservoirs in the Dzungaria Basin of northwestern China. Dr. Xiao is a member of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and is a fellow of the Chinese Geological Society and the deputy secretary general of its mineralogy branch. He is also a multiple recipient of the Science and Technology Progress Award from the former Ministry of Geology and Mineral Sciences.

Mr. Chan has extensive work experience in valuation and corporate advisory industries. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Simon has also participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He has extensive valuation experience in mineral assets, mining rights and corresponding project investments. He has participated in various mining companies' project investments in China. He is a member of The International Association of Consultants, Valuers and Analysts (IACVA), the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and the certified public accountants in Hong Kong (HKICPA) and Australia (CPA(Aust)).

All of the above individuals disclose that they have no interest in EMIR, the Company, its subsidiaries, or its assets; nor are they currently or previously employed, in any capacity, by EMIR, the Company, or its subsidiaries. Their remuneration are not dependent on the present valuation results.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures (if any) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) *Interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations*

Name of Director	Name of corporation	Capacity/ Nature of interest	Total number of shares/ underlying shares	Approximate percentage of interest in the corporation
Zhang Ruilin	Company	Interest of controlled corporation (Note 1)	1,414,600,000	53.6%
Zhao Jiangwei	Company	Interest of controlled corporation (Note 1)	1,414,600,000	53.6%
Zhang Ruilin	FEEL	Beneficial owner (Note 1)	999	9.99%

<b>Name of Director</b>	<b>Name of corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Total number of shares/ underlying shares</b>	<b>Approximate percentage of interest in the corporation</b>
Zhao Jiangwei	FEEL	Beneficial owner <i>(Note 1)</i>	9,000	90.0%
Forrest Dietrich	Company	Beneficial owner <i>(Note 2)</i>	6,819,489	0.26%
Allen Mak	Company	Beneficial owner <i>(Note 2)</i>	9,092,712	0.34%
Mei Jianping	Company	Beneficial owner <i>(Note 2)</i>	1,267,933	0.05%
Jeffrey Miller	Company	Beneficial owner <i>(Note 2)</i>	1,811,333	0.07%

*Notes:*

- (1) FEEL is held by Mr. Zhang and Mr. Zhao as to 9.99% and 90%, respectively.
- (2) These interests represent interests in outstanding stock options under the stock incentive plan of the Company, details of which are set out in the Prospectus.

**(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, the following persons, not being a Director or chief executive of the Company, had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, the details of which are set out below:

*Interests and short positions in the shares and underlying shares of the Company*

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
FEEL	Beneficial owner (Note 1)	1,414,600,000	53.6
Fung Che	Interest of controlled corporation (Note 2)	252,196,000	9.55
Harmony Energy Limited	Beneficial owner (Note 2)	237,438,000	8.99
David Bonderman	Interest of controlled corporation (Note 3)	230,838,000	8.74
James Coulter	Interest of controlled corporation (Note 3)	230,838,000	8.74
TPG (including TPG Star Energy Ltd and TPG Star Energy Co-Invest LLC)	Beneficial owner (Note 3)	230,838,000	8.74

*Notes:*

- (1) FEEL is held by Mr. Zhang and Mr. Zhao as to 9.99% and 90%, respectively.
- (2) Harmony Energy Limited is a wholly owned subsidiary of Ever Union Capital Limited. Mr. Fung Che is the sole shareholder of Ever Union Capital Limited and has voting and investment control over the securities beneficially owned by Ever Union Capital Limited. Harmony Energy Limited directly holds 237,438,000 Shares. Ever Union Capital Limited directly holds 14,758,000 Shares. As a result, Mr. Fung Che is deemed to be interested in a total of 252,196,000 Shares.

- (3) The sole shareholder of TPG Star Energy Ltd. is TPG Star, L.P., a Delaware limited partnership, which is managed by its general partner, TPG Star GenPar, L.P., a Delaware limited partnership, which is managed by its general partner, TPG Star GenPar Advisors, LLC., a Delaware limited liability company, whose sole member is TPG Holdings I, L.P., a Delaware limited partnership, which is managed by its general partner, TPG Holdings I-A, LLC, a Delaware limited liability company, whose sole member is TPG Group Holdings (SBS), L.P., a Delaware limited partnership, which is managed by its general partner, TPG Group Holdings (SBS) Advisors, Inc., a Delaware company, whose shareholders are David Bonderman and James Coulter. TPG Star Energy Co-Invest, LLC is a Delaware limited liability company, whose managing member is TPG Star Advisors, L.L.C., a Delaware limited liability company, whose sole member is TPG Ventures Holdings, L.L.C., a Delaware limited liability company, whose managing member is TPG Ventures Partners, L.P., a Delaware limited partnership, which is managed by its general partner, TPG Ventures Professionals, L.P., a Delaware limited partnership, which is managed by its general partner, Tarrant Advisors, Inc., a Texas company, whose sole shareholder is Tarrant Capital Advisors, Inc., a Delaware company, whose shareholders are David Bonderman and James Coulter.

Saved as disclosed above in this section, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) who had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO.

### **3. SHARE OPTION SCHEME AND STOCK INCENTIVE PLAN**

Details of the Company's share option scheme and stock incentive plan are set out in the Prospectus. In 2011, approximately RMB6.2 million of share-based compensation expenses are expected to be recognized.

### **4. DIRECTORS' SERVICE CONTRACTS**

On November 20, 2009, Zhang Ruilin and Zhao Jiangwei, each an executive Director, each entered into a service contract with each of the Company and MIE, which is renewable yearly unless terminated (i) with twelve month's notice by either party, or (ii) by the Company or MIE (as applicable) upon certain events such as the Director having committed serious or persistent breaches of the service contract. Should the Company or MIE (as applicable) terminate the service contract, Zhang Ruilin and Zhao Jiangwei will be entitled to receive a severance payment equivalent to one year's basic pay under the service contract, save for circumstances described in item (ii) above.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date:

- (i) none of the Directors, directly or indirectly, had any interest in any assets which had since December 31, 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.
- (ii) there was no contract or arrangement subsisting in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

## 7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified public accountants
Baker Tilly Hong Kong Limited	Certified public accountants
Chapman Petroleum Engineering	Independent technical consultant
Jones Lang LaSalle Sallmanns Limited	Independent valuers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report/letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, had any interest in any assets which had since December 31, 2010 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## 8. MATERIAL CONTRACTS

Save as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business carried out by the Enlarged Group) had been entered into by any member of the Enlarged Group within the two years preceding the Latest Practicable Date:

1. a series A preferred shares subscription and put option agreement dated June 19, 2009 entered into among TPG Star Energy Ltd, FEEL, MIE and the Company in relation to the subscription of, and put option rights over, the Company's series A preferred shares for a consideration of US\$53 million (together with the amendment to the series A preferred shares subscription and put option agreement dated July 9, 2009, the second amendment to the series A preferred shares subscription and put option agreement dated October 30, 2009, the third amendment to the series A preferred shares subscription and put option agreement dated November 27, 2010, each entered into among the same parties);
2. an amendment dated June 24, 2009 entered into among Standard Bank Plc., FEEL, Zhang Ruilin, Shang Zhiguo, Zhao Jiangwei, MIE and the Company in connection with a shares purchase agreement dated January 12, 2009 in respect of the purchase of 197,049 Shares in the Company by Standard Bank Plc. from FEEL;
3. a first amendment and restatement agreement dated June 26, 2009 entered into among Standard Bank Plc., FEEL, MIE and the Company in connection with an option agreement dated January 12, 2009, pursuant to which Standard Bank Plc. was granted the option to purchase US\$8 million of the Company's ordinary or preferred shares held by FEEL;
4. a shareholders' agreement dated July 9, 2009 entered into among Standard Bank Plc., FEEL, TPG Star Energy Ltd, MIE and the Company relating to its shares (together with the amended and restated shareholders' agreement dated October 30, 2009 entered into among TPG Star Energy Ltd, FEEL, Sino Link Limited, MIE and the Company and the second amended and restated shareholders' agreement dated March 10, 2010 among TPG Star Energy Ltd, TPG Star Energy Co-Invest LLC, Harmony Energy Limited, FEEL, Sino Link Limited, MIE and the Company);
5. a shares purchase agreement dated October 26, 2009 entered into among Sino Link Limited, Zhang Ruilin, Zhao Jiangwei, Shang Zhiguo, MIE, FEEL and the Company in relation to the purchase by Sino Link Limited from FEEL of, and put option rights over, the Company's series A preferred shares for a consideration of approximately US\$9 million;

6. a shares purchase agreement dated October 30, 2009 entered into among FEEL, Standard Bank Plc., Zhang Ruilin, Zhao Jiangwei, Shang Zhiguo, MIE and the Company in respect of the repurchase of 197,049 Shares in the Company from Standard Bank Plc. for a consideration of US\$4,867,110;
7. a termination agreement dated October 30, 2009 entered into among FEEL, Standard Bank Plc., MIE and the Company to terminate the option held by Standard Bank Plc. under the option agreement referred to in paragraph (3) above;
8. an agreement of adherence dated December 15, 2009 entered into among TPG Star Energy Ltd, TPG Star Energy Co-Invest LLC, Sino Link Limited, FEEL, MIE and the Company in respect of TPG Star Energy Co-Invest LLC's obligations pursuant to the shareholders' agreement referred to in paragraph (4) above;
9. a shares purchase agreement dated February 5, 2010 entered into among Harmony Energy Limited, Zhang Ruilin, Zhao Jiangwei, Shang Zhiguo, MIE, FEEL and the Company in relation to the purchase by Harmony Energy Limited from FEEL of the Company's series B preferred shares for a consideration of approximately US\$90 million;
10. a credit support agreement dated March 10, 2010 entered into among TPG Star Energy Ltd, Harmony Energy Limited, FEEL, MIE and the Company in relation to the provision of a guarantee and security by Harmony Energy Limited to TPG Star Energy Ltd by way of first ranking charge over the Company's series B preferred shares (together with the amendment to credit support agreement dated November 27, 2010 entered into among TPG Star Energy Ltd, Harmony Energy Limited, FEEL, MIE and the Company);
11. a deed of non-competition dated November 23, 2010 entered into by FEEL, Zhang Ruilin and Zhao Jiangwei in favour of the Company;
12. a deed of indemnity dated November 23, 2010 given by FEEL, Zhang Ruilin and Zhao Jiangwei in favor of the Company containing indemnities in respect of estate duty, taxation and losses arising out of legal proceedings, properties and intellectual properties;
13. a cornerstone placing agreement dated November 26, 2010 entered into by, inter alia, China Huadian Capital Holdings Co. Ltd. and the Company in relation to the subscription of the Shares for a consideration of approximately US\$10 million;
14. a cornerstone placing agreement dated November 28, 2010 entered into by, inter alia, Atlantis Investment Management Limited and the Company in relation to the subscription of the Shares for a consideration of approximately US\$20 million;

15. the Hong Kong underwriting agreement dated November 30, 2010 relating to the public offering of Shares in Hong Kong, entered into by FEEL, Zhang Ruilin, Zhao Jiangwei, the Company, J.P. Morgan Securities (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch and BOCI Asia Limited;
16. the international underwriting agreement dated December 7, 2010 relating to the international offering of Shares entered into by the Company, FEEL, Zhang Ruilin, Zhao Jiangwei, Harmony Energy Limited, Sino Link Limited, TPG Star Energy Ltd., TPF Star Energy Co-Invest, LLC, J.P. Morgan Securities Ltd., BOCI Asia Limited and Deutsche Bank AG, Hong Kong Branch;
17. an engagement letter dated February 1, 2011, together with a supplemental letter dated February 14, 2011, between the Company and Acap Limited; and
18. the Purchase Agreement.

## **9. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, to the best of the Director's knowledge, information and belief and based on information provided by the Seller, neither the Target Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors or the Seller to be pending or threatened against the Target Group as at the Latest Practicable Date. Please refer to the section headed "Letter from the Board – Information on the Target Company – Legal Proceedings" in this circular in relation to legal proceedings that the Seller is involved in.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during business hours at the Company's principal place of business in Hong Kong at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong from the date of this circular for a period of 14 days:

- (a) the memorandum of association and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (c) the Prospectus;
- (d) the published annual report of the Company for the financial year ended December 31, 2010;

- (e) the accountants' report on the Target Company as set out in Appendix II to this circular;
- (f) the report from PricewaterhouseCoopers in relation to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (g) the Competent Person's Report prepared by the Competent Person as set out in Appendix IV to this circular;
- (h) the Valuation Report prepared by the Competent Evaluator as set out in Appendix V to this circular; and
- (i) the letters of consent referred to in the paragraph headed "Qualifications and Consents of Experts" in this appendix.

**11. MISCELLANEOUS**

- (a) The joint company secretaries of the Company are Mr. Allen Mak, a chartered accountant certified by the Canadian Institute of Chartered Accountants, and Ms. Chu Man Yee, an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.