

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement is not an offer of securities for sale or the solicitation of an offer to buy any securities in the United States of America or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The securities have not been and will not be registered under and may not be offered or sold in the United States of America or to US persons (as defined in Regulation S of the Securities Act of 1933 of the United States of America, as amended (the "Securities Act")) unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.



MIE HOLDINGS CORPORATION

MI 能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1555)

PROPOSED ISSUE OF U.S. DOLLAR DENOMINATED SENIOR NOTES AND CLARIFICATION ANNOUNCEMENT

The Company proposes to conduct an international offering of U.S. dollar denominated senior notes and will commence a series of roadshow presentations beginning on or around April 26, 2011. Merrill Lynch International is acting as the sole global coordinator for the proposed issue of the Notes. Both Merrill Lynch International and Deutsche Bank AG, Singapore Branch are acting as joint bookrunners and joint lead managers and UBS AG Hong Kong Branch is acting as lead co-manager for the proposed issuance of the Notes. Application has been made to the Singapore Exchange Securities Trading Limited and approval in-principle has been granted for listing of the Notes.

As no binding agreement in relation to the proposed issue of the Notes has been entered into at the date of this announcement, the proposed issue of the Notes may or may not materialize. Potential investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the proposed issue of the Notes will be made by the Company should a purchase agreement be signed.

MIE Holdings Corporation (the “Company”) proposes to conduct an international offering of U.S. dollar denominated senior notes (the “Notes”) and will commence a series of roadshow presentations beginning on or around April 26, 2011.

The completion of the Notes is subject to market conditions and investors interest. The Notes are proposed to be guaranteed by the Company’s subsidiaries on a senior basis. The pricing of the Notes, including the aggregate principle amount, the offer price and interest rate, will be determined through a book building exercise conducted by Merrill Lynch International (“Merrill Lynch”) as sole global coordinator, both Merrill Lynch and Deutsche Bank AG, Singapore Branch (“Deutsche Bank”) as joint bookrunners and joint lead managers and UBS AG Hong Kong Branch (“UBS”) as lead co-manager. Upon finalization of the terms of the Notes, Merrill Lynch, Deutsche Bank and UBS, among others (collectively, the “Initial Purchasers”), will enter into a purchase agreement in relation to the Notes and other ancillary documents.

As no binding agreement in relation to the proposed issue of the Notes has been entered into at the date of this announcement, the proposed issue of the Notes may or may not materialize. Potential investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the proposed issue of the Notes will be made by the Company should the purchase agreement be signed.

The Notes will only be offered by the Initial Purchasers (i) in the United States to qualified institutional buyers in reliance on the exemption from the registration requirements under Rule 144A of the U.S. Securities Act of 1933, as amended (the “Securities Act”), and (ii) outside the United States to non-U.S. persons in compliance on Regulation S under the Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed to any connected persons of the Company.

Proposed Use of Proceeds

The proposed issue of the Notes is being undertaken by the Company (i) to finance the acquisition by the Company of Emir-Oil, LLC from BMB Munai, Inc. (further details of which are set out in the announcement of the Company dated February 15, 2011 and the circular published and dispatched to the Company’s shareholders on April 19, 2011) or other acquisitions; (ii) to repay in full MI Energy Corporation’s credit facility with CITIC Ka Wah Bank Limited (subsequently renamed as CITIC Bank International Limited) and CITIC Bank Guangzhou; and (iii) for working capital and general corporate purposes.

The Company will carefully evaluate the market conditions and its developments plans, and may reallocate the use of proceeds in case of changes in market conditions and other circumstances.

Listing

Application has been made to the Singapore Exchange Securities Trading Limited and approval in-principle has been received for listing of the Notes. Admission of the Notes to the Singapore Exchange Securities Trading Limited is not to be taken as an indication of the merits of the Company, its subsidiaries, the Notes or Subsidiary Guarantors. No listing of the Notes has been sought in Hong Kong.

Clarification of the circular dated April 19, 2011

The Company wishes to clarify certain information contained in the circular published and dispatched to the Company's shareholders on April 19, 2011 (the "Circular").

The Company wishes to amend certain risks relating to the Target Company resulting from discussion with its Kazakhstan counsel, GRATA Law Firm. These risks should be considered a part of the section "Risk Factors – Risks Relating to the Target Company's Business" of the Circular. These risks, with all new language shown in black-line for ease of reference, are as follows:

“Emir-Oil may incur substantial liabilities to comply with environmental laws and regulations.

Emir-Oil'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 Emir-Oil'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. For example, Kazakhstan environmental regulations prohibit the flaring of gas from oil operations without first obtaining a permit from the MOG. Failure to comply with this regulation could result in financial penalties and the suspension of exploration and production operations. If the MOG were to inspect Emir-Oil for compliance with this regulation and were to determine that it had instances of flaring of gas in excess of the permitted amount of gas associated with Emir-Oil's oil deposit, including during prior periods within the last three years, it could hold it liable for those violations, which would require it to pay compensatory damages that could result in a material adverse effect on Emir-Oil's business, financial condition and results of operations.

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 Emir-Oil 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, Emir-Oil 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.

Failure to comply with requirements of Kazakhstan labor laws could subject Emir-Oil to fines or penalties that could adversely affect its business and operations.

Kazakhstan regulation requires Emir-Oil to adhere to certain requirements in its agreements with employees and the failure to do so could result in penalties or other negative consequences. Certain of the employment agreements between Emir-Oil and its employees may not be in compliance with Kazakhstan’s labor laws, including minimum wage requirements and the requirement to specify salary amounts, work conditions and termination procedures. Emir-Oil has also not documented in writing employment agreements with some of its key managers, which too if not remedied would not be in compliance with Kazakhstan’s labor laws. Each infraction may subject Emir-Oil to legally prescribed fines and penalties, which if levied could have a material adverse effect on its business, financial condition and results of operations.”

In addition, the Company has been informed by Baker Tilly Hong Kong Limited, the accountants engaged to prepare the accountant’s report for the Target Company as included in the Circular, that there are certain typographical, clerical and rounding errors to the section headed “B. Management Discussion and Analysis of the Target Company” in Appendix II of the Circular. As a result, the revised section headed “B. Management Discussion and Analysis of the Target Company” in Appendix II of the Circular is attached to this announcement, with amendments shown in black-line for ease of reference. The statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows in the accountant’s report of the Target Company prepared by Baker Tilly Hong Kong Limited, which was included in the Circular and remains unchanged, are also extracted and attached for reference purposes only. All terms used in the attachments have the same meaning as defined in the Circular.

By Order of the Board
MIE Holdings Corporation
Mr. Zhang Ruilin
Chairman

Hong Kong, April 26, 2011

As at the date of this announcement, our executive Directors are Mr. Zhang Ruilin (Chairman), Mr. Zhao Jiangwei, Mr. Forrest L. Dietrich and Mr. Allen Mak, our non-executive Director is Mr. Wang Sing, Mr. Stephen Cheuk Kin Law (alternate to Mr. Wang Sing) and our independent non-executive Directors are Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Cai Rucheng.

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	
	2008	2009	2010	Ended December 31,	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
	(Unaudited)				
Statement of comprehensive income:					
Revenue	<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>
Operating expenses					
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	6,586,790	4,665,269	641,205	354,478	7,445,260
Depreciation, depletion and amortization	2,893,483	3,608,239	2,927,939	2,400,436	3,152,682
Operating lease expense	21,669,003	10,641,963	15,638,479	8,448,422	12,028,082
Administrative expenses	2,167,533	2,808,661	1,244,125	880,851	990,560
Taxes other than income taxes	2,901,098	2,789,265	1,841,051	1,314,409	1,817,251
Write-off of inventory	1,557,388	9,509,744	13,542,468	9,502,812	11,500,033
Other expense	<u>79,641</u>	<u>139,992</u>	<u>214,946</u>	<u>161,614</u>	<u>61,925</u>
	319,036	102,003	368,444	249,840	58,578
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>
Profit from operations	20,065,008	32,628,408	16,920,387	15,249,310	1,689,600
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>
Finance (costs)/income – net	<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>
Profit/(loss) before income tax					
	14,740,824	29,366,746	10,324,204	10,153,345	(2,928,756)
Income tax (expense)/credit	<u>(7,060,210)</u>	<u>(2,212,820)</u>	<u>2,562,322</u>	<u>865,068</u>	<u>1,600,975</u>
Net (loss)/profit for the year/period	<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>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

	As of March 31,		As of	
	2008	2009	2010	December 31,
	USD	USD	USD	2010
				USD
Statement of financial position:				
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
Other financial information:					
EBITDA ⁽¹⁾	41,734,011	43,270,371	32,558,866	23,697,732	13,717,682
Adjusted EBITDA ⁽¹⁾	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>
Net (loss)/profit for the year	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>
EBITDA	<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>
Adjusted EBITDA	<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%,

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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 US\$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 31, 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

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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:

	For the Nine Months Ended	
	December 31,	
	2009	2010
	<i>USD</i>	<i>USD</i>
Taxes other than income taxes:		
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\$6,783,278 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

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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:

	For the Year Ended March 31,	
	2009	2010
	<i>USD</i>	<i>USD</i>
Taxes other than income taxes:		
Royalties	1,744,075	–
Mineral extraction tax	467,359	3,509,611
Rent export tax	515,032	10,032,857
Rent export duty	<u>6,783,278</u>	<u>–</u>
	<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 US\$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.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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:

	For the Year Ended March 31,	
	2008	2009
	<i>USD</i>	<i>USD</i>
Taxes other than income taxes:		
Royalties	1,557,388	1,744,075
Mineral extraction tax	–	467,359
Rent export tax	–	515,032
Rent export duty	–	6,783,278
	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.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

- *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 US\$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.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

As of March 31, 2008, 2009 and 2010 and December 31, 2010, Emir-Oil had interest bearing liabilities of US\$115,473,193, US\$118,519,920, US\$115,901,015 and US\$110,647,375, 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
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
				(Unaudited)	
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>
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>
Net cash generated from/(used					
in) financing activities	44,850,000	1,080,000	<u>(10,030,000)</u>	(6,600,000)	(7,077,419)
Net increase/(decrease) in cash					
and cash equivalents	<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	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\$12.1 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\$13.3 million and an increase in trade and other receivables of US\$2.6 million.

Net cash generated from operating activities was US\$17.5 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\$8.6 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\$4.1 million and a decrease in trade and other receivables of US\$3.1 million.

Net cash generated from operating activities was US\$22.6 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\$55.9 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\$10.9 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\$5.5 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\$8.7 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\$11.5 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\$100.3 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.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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:

		As of March 31,		As of
	2008	2009	2010	December 31,
	USD	USD	USD	2010
				USD
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 US\$738,363 and US\$689,138, respectively.

Details of Future Plans for Material Investments and Sources of Funding

Emir-Oil plans to invest at least US\$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.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

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

(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\$27.2 million 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	123,732	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.

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
ASSETS					
Non-current assets					
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>
Current assets					
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>
TOTAL ASSETS		<u>170,543,588</u>	<u>204,375,914</u>	<u>205,902,818</u>	<u>214,325,538</u>
OWNER'S EQUITY					
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
Total owner's equity		<u>17,589,276</u>	<u>42,268,569</u>	<u>52,487,765</u>	<u>49,089,866</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

		As at March 31,			As at
	Notes	2008	2009	2010	December 31,
		USD	USD	USD	2010
					USD
LIABILITIES					
Non-current liabilities					
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>
Current liabilities					
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>
Total liabilities		<u>152,954,312</u>	<u>162,107,345</u>	<u>153,415,053</u>	<u>165,235,672</u>
TOTAL EQUITY AND LIABILITIES					
		<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
Revenue	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>
Operating expenses						
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>
Profit from operations		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>
Finance costs – net		<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>
Profit/(loss) before income tax		14,740,824	29,366,746	10,324,204	10,153,345	(2,928,756)
Income tax (expense)/credit	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>
Net profit/(loss) for the year/period	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>
Total comprehensive income/(loss) for the year/period		<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
As at April 1, 2008	500	18,200,133	(6,849,432)	11,351,201
Comprehensive income for the year				
Deemed contribution from parent company	–	(1,442,539)	–	(1,442,539)
Net profit for the year	–	–	7,680,614	7,680,614
As at March 31, 2008	500	16,757,594	831,182	17,589,276
Comprehensive income for the year				
Deemed contribution from parent company	–	(2,474,633)	–	(2,474,633)
Net profit for the year	–	–	27,153,926	27,153,926
As at March 31, 2009	500	14,282,961	27,985,108	42,268,569
Comprehensive income for the year				
Deemed contribution from parent company	–	(2,667,330)	–	(2,667,330)
Net profit for the year	–	–	12,886,526	12,886,526
As at March 31, 2010	<u>500</u>	<u>11,615,631</u>	<u>40,871,634</u>	<u>52,487,765</u>
Nine months period ended December 31, 2009 (Unaudited)				
As at April 1, 2009	500	14,282,961	27,985,108	42,268,569
Comprehensive income for the period				
Deemed contribution from parent company	–	(1,981,498)	–	(1,981,498)
Net profit for the period	–	–	11,018,413	11,018,413
As at December 31, 2009	<u>500</u>	<u>12,301,463</u>	<u>39,003,521</u>	<u>51,305,484</u>
Nine months period ended December 31, 2010				
As at April 1, 2010	500	11,615,631	40,871,634	52,487,765
Comprehensive loss for the period				
Deemed contribution from parent company	–	(2,070,118)	–	(2,070,118)
Net loss for the period	–	–	(1,327,781)	(1,327,781)
As at December 31, 2010	<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 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>	2009 <i>USD</i>	2010 <i>USD</i>
						(Unaudited)
Cash flows from operating activities						
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)
		<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>
Investing activities						
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)
		<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>
Financing activities						
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)
		<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>
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>
Net increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at beginning of the year/period		1,277,616	270,486	1,054,785	2,212,786	(447,436)
		<u>845,114</u>	<u>2,122,730</u>	<u>2,393,216</u>	<u>2,393,216</u>	<u>3,448,001</u>
Cash and cash equivalents at end of the year/period	<i>12</i>	<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>