THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of the text of this document should be read. **Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" in Part II of this document and in particular to the section headed "Title" in Part II.**

This document is an admission document in relation to the AIM Market of London Stock Exchange plc ("AIM").

The Directors of Max Petroleum Plc, whose names appear on page 6, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the ordinary share capital of Max Petroleum Plc both issued and to be issued to be admitted to trading on AIM ("Admission"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in AIM companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not examined or approved the contents of this document.

The AIM rules are less demanding than those of the Official List. No application is being made or is intended to be made for admission of the ordinary shares in the capital of the Company ("Ordinary Shares") to the Official List or to any other recognised investment exchange.

It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 27 October 2005.

Max Petroleum Plc

(Incorporated and domiciled in England and Wales with Registered Number 05419021)

Placing of 73,920,000 Ordinary Shares at 35p per share and Admission to trading on AIM

Nominated Adviser	Broker
Nabarro Wells & Co. Limited	**ODL Securities Limited**

Ordinary share capital immediately following Admission and the Placing

Authorised			**Issued and fully paid**	
Amount	*Number*	Ordinary Shares of 0.01p	*Amount*	*Number*
£40,000	400,000,000	each	£25,974	259,740,329

The Placing Shares will, on Admission, rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares on the date of Admission and will rank pari passu in all respects with all the Ordinary Shares in issue on Admission.

Nabarro Wells & Co. Limited and ODL Securities Limited, which are both authorised and regulated by the Financial Services Authority, are acting as Nominated Adviser and Broker respectively for the Company in relation to the application for Admission and the Placing, and will not be responsible to any other person for providing the protections afforded to their customers or for providing advice in relation to the application for Admission or the Placing or the contents of this document or any matter referred to herein. Neither Nabarro Wells & Co. Limited nor ODL Securities Limited has authorised the contents of any part of this document for the purposes of Rule 5.5.8 of the Prospectus Rules.

The Ordinary Shares have not been registered under the United States Securities Act of 1933 (as amended) or applicable state securities law in the United States of America, and may not be offered or sold in the United States of America or to persons ordinarily resident in the United States of America unless the Ordinary Shares are registered under said Act and laws or an exemption from the registration requirements of said Act and said laws is available.

CONTENTS

EXPECTED TIMETABLE OF EVENTS

Publication of this document	27 October 2005
Admission and commencement of dealings on AIM	27 October 2005
Settlement of Placing Shares through CREST	27 October 2005
Despatch of definitive share certificates in respect of the Placing Shares to Placees by no later than	10 November 2005

PLACING STATISTICS

Placing Price per Ordinary Share	35p
Number of Placing Shares	73,920,000
Number of Ordinary Shares in issue following the Placing	259,740,329
Percentage of the enlarged share capital subject to the Placing	28.46 per cent
Market capitalisation on Admission at the Placing Price	£90,909,000
Estimated gross proceeds of the Placing	£25,872,000
Estimated net proceeds of the Placing	£23,093,000
Estimated net proceeds of the Placing and existing cash	£27,601,500

KEY INFORMATION

- Max has acquired an 80 per cent interest in two companies which, subject as referred to below, indirectly have the rights under Contracts known as Blocks A&E and East Alibek to explore for, develop and produce oil prospects in the Republic of Kazakhstan.

- The total area covered by the Contracts is approximately 12,000 km^2.

- Blocks A&E and East Alibek are part of the Pre-Caspian Basin of the Republic of Kazakhstan, which contains five super-giant sub-salt fields. 25 supra-salt oil fields have already been discovered in the area covered by Blocks A&E which are excluded from the interests held by Max. The discovered fields provide excellent exploration and development information and some of the shut-in wells that are included may have reactivation potential. The Directors are confident that there is scope for further discoveries of this nature.

- East Alibek is adjacent to the Alibekmola field, which is estimated to have reserves of 400 million bbls.

- The Company is led by Jim Jeffs and Steve Kappelle, two experienced oil industry executives, who have previously occupied senior executive positions at Chaparral Resources and Whittier Energy in the case of Jim Jeffs and Shell and Unioil AG in the case of Steve Kappelle.

- The Company's strategy in relation to the Properties is to:

  - initially explore for and develop oil pools in the shallower supra-salt prospects. The initial objective, using modern western exploration techniques, including 2D and 3D seismic, reprocessing and re-interpretation of well logs, is to quickly bring on-stream low risk, low cost oil reserves; and

  - obtain all the available seismic, geological and engineering data before seeking further finance or farmin to commence higher risk, higher cost exploration for larger oil discoveries in the deeper sub-salt prospects. The Company will undertake a detailed review of all the available data for the large sub-salt prospects, including re-processing and re-interpretation of existing seismic as well as shooting further 2D or 3D seismic, to more clearly define the exploration potential of Blocks A&E and East Alibek, prior to committing to any significant new capital expenditures for drilling deep wells.

- Max has acquired 80% of the share capitals of Madiran Investment BV ("Madiran") and Sherpico Investments Limited ("Sherpico"). Madiran and Sherpico own 100% of the charter capital in two Kazakhstan registered limited liability partnerships, Samek International LLP ("SI") and Samek Development Enterprise LLP ("SDE") who have been assigned the rights as contractor under the A&E Contract and East Alibek Contract respectively. The rights of SI and SDE as contractors under the Contracts are subject to registration by the competent authority in Kazakhstan ("Registration").

- The consideration for the acquisitions comprised $33,650,000 in cash and the issue and allotment to the vendor and its nominees of 134,100,000 Ordinary Shares. As Registration of SI and SDE as contractors under the Contracts has not yet been completed, US$24,050,000 of the cash consideration ("Deferred Consideration") has been deferred pending Registration.

- Max, together with two other parties, has been the subject of litigation proceedings in Alberta, Canada in relation to the rights under the Contracts ("Proceedings"). A settlement has been reached whereby the plaintiffs have agreed to discontinue the claim against Max ("Settlement"). Details of the Proceedings and the terms of the Settlement are set out in paragraph 10.2 of Part VI of this document.

- Max is raising £23,093,000 to fund the deferred cash consideration and to provide funding for the future work programmes and working capital generally. At the placing price of 35p per share, the market capitalisation of Max on Admission will be £90,909,000.

- If Registration has not occurred by 15 December 2005, the Company's obligation to pay the Deferred Consideration will terminate and the Company will seek to use the proceeds of the Placing to make a suitable alternative investment in oil and gas exploration assets, subject to Shareholder approval in the case of a substantial alternative investment of the Placing proceeds. If no suitable acquisition opportunities arise within 18 months of 15 December 2005, an extraordinary general meeting will be called to give Shareholders the opportunity of voting in favour of a voluntary winding-up of the Company and a distribution of its remaining cash reserves.

DIRECTORS, SECRETARY AND ADVISERS

Directors	James A. Jeffs, Chief Executive Officer Steve Kappelle, Chief Operating Officer Dauren Myrzagaliyev, Non-Executive Director David Belding, Non-Executive Director Thomas R. Fuller, Non-Executive Director
Registered Office and Directors' business address	Ground Floor 11 Albemarle Street London W1S 4HH
Secretary	Adrian Harvey
Nominated Adviser	Nabarro Wells & Co. Limited Saddlers House Gutter Lane London EC2V 6HS
Broker	ODL Securities Limited 6th Floor Salisbury House London Wall London EC2M 5QQ
Competent Person	McDaniel & Associates Consultants Ltd Suite 2200 Bow Valley Square 3 255-5th Avenue S.W. Calgary Alberta T2P 3G6 Canada
Auditors and Reporting Accountants	Sawin & Edwards 15 Southampton Place London WC1A 2AJ
The Company's US lawyers	Akin Gump Strauss Hauer & Feld LLP 1111 Louisiana Street, 44th Floor Houston TX 77002-5200 USA
Solicitors to the Company in relation to the Acquisitions and the application for Admission	Davenport Lyons 30 Old Burlington Street London W1S 3NL
Solicitors to the Company in Kazakhstan	Chadbourne & Parke LLP 3rd Floor 90 Shevchenko Street Almaty Kazakhstan

Solicitors to the Nominated Adviser and Broker	Memery Crystal 44 Southampton Buildings London WC2A 1AP
Principal Bankers	Coutts & Co 188 Fleet Street London EC4A 2HT
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Financial PR Advisers	Pelham Public Relations No 1 Cornhill London EC3V 3ND

In this document, unless the context requires otherwise, the words and expressions set out below shall bear the following meanings. A glossary of technical terms is set out at the end of this document.

"Acquisitions"	the A&E Acquisition and the East Alibek Acquisition
"A&E Acquisition"	the acquisition by the Company of 80% of the issued share capital of Madiran which completed on 12 October 2005 as further described in Part V of this document
"A&E Contract"	Contract No. 1117 dated 4 March 2003 originally made between the MEMR and Samek relating to exploration for and production of hydrocarbons in the areas described therein as "A&E"
"A&E Contract Area"	the fields known and described under the A&E Contract as Blocks A&E in the Atyrau region of Kazakhstan
"Act"	the Companies Act 1985, as amended
"Admission"	admission of the Ordinary Shares in issue following the Placing to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the AIM Market of the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange governing the admission to and the operation of AIM
"Board" or "Directors"	the directors of the Company, whose names are set out on page 6 of this document
"Combined Code"	The Combined Code on Corporate Governance published by the Financial Reporting Council
"Company" or "Max"	Max Petroleum Plc
"Consideration Shares"	the 134,100,000 Ordinary Shares allotted and issued to Sokol and its nominees as part of the consideration for the Acquisitions
"the Contracts"	the A&E Contract and the East Alibek Contract
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No.3755), as amended
"Deferred Consideration"	US$24,050,000 of the cash consideration payable to Sokol in respect of the Acquisitions, payment of which has been pending, inter alia, Registration

"East Alibek Acquisition"	the acquisition by the Company of 80% of the issued share capital of Sherpico which completed on 12 October 2005 as further described in Part V of this document
"East Alibek Contract"	Contract No. 1118 dated 4 March 2003 originally made between the MEMR and Samek relating to exploration, with an exclusive right to negotiate production, of hydrocarbons in the areas described therein as "East Alibek"
"East Alibek Contract Area"	the field known and described in the East Alibek Contract as the Field Alibek Vostochny, located in the Aktyubinsk Oblast region of Kazakhstan
"Group"	the Company, the Target Companies and the Target Partnerships and "member of the Group" means any one of them
"Horizon"	a company established under the laws of the Netherlands Antilles, with registration number 96322
"London Stock Exchange"	London Stock Exchange plc
"Madiran"	Madiran Investment BV, a private limited liability company formed and organised under the laws of the Netherlands with registration number 34210783
"McDaniel"	McDaniel & Associates Consultants Ltd, the competent person whose report on the Contracts is included in Part III of this document
"MEMR"	the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan as the Competent Authority under the Subsurface Use Law of the Republic of Kazakhstan
"Nabarro Wells"	Nabarro Wells & Co. Limited, the Company's nominated adviser
"ODL"	ODL Securities Limited, the Company's broker
"Official List"	the Official List of the United Kingdom Listing Authority
"Ordinary Shares"	ordinary shares of 0.01p each in the capital of the Company
"Placees"	the subscribers for Placing Shares
"Placing"	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 25 October 2005, between ODL, Nabarro Wells, the Company and the Directors, relating to the Placing further details of which are set out in paragraph 9.3 of Part VI of this document
"Placing Price"	35p per Ordinary Share
"Placing Shares"	the 73,920,000 Ordinary Shares to be issued by the Company pursuant to the Placing

"Properties"	the A&E Contract Area and the East Alibek Contract Area
"Prospectus Rules"	the prospectus rules published by the Financial Services Authority pursuant to section 73A of the Financial Services and Markets Act 2000
"Registration"	the registration of SI and SDE as the contractors under the A&E Contract and the East Alibek Contract respectively by the relevant competent authority in Kazakhstan
"Samek"	Samek LLP, a limited liability partnership organised under the laws of the Republic of Kazakhstan with registered number 204-1910-TOO
"SDE"	Samek Development Enterprises LLP, a limited liability partnership organised under the laws of the Republic of Kazakhstan with registered number 70701-1910-TOO(NY)
"Senior Managers"	the senior managers of the Company whose names are set out on pages 20 and 21 of this document
"Shareholders"	holders of Ordinary Shares
"Sherpico"	Sherpico Investments Limited, a private limited liability company incorporated in England and Wales with registered number 05429966
"SI"	Samek International LLP, a limited liability partnership organised under the laws of the Republic of Kazakhstan with registered number 70381 – 1910 –T00 (IU)
"Sokol"	Sokol Holdings Inc. a corporation organised under the laws of Delaware, United States of America and the vendor of 80% of the issued share capitals of Madiran and Sherpico
"Target Companies"	Madiran and Sherpico
"Target Partnerships"	SI and SDE
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"United States", or "US"	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
"US$"	US dollars, the lawful currency of the United States

PART I
INFORMATION ON THE COMPANY

Introduction and history

Max was incorporated on 8 April 2005 for the purpose of acquiring an 80% interest in companies which, subject as referred to below under the paragraph headed "**Registration**", ultimately have the exploration and production rights to one oil bearing and two potentially oil bearing on-shore properties in the Pre-Caspian Basin of the Republic of Kazakhstan, one of the richest hydrocarbon basins in the world. The Company completed the acquisitions on 12 October 2005.

The Company is led by Jim Jeffs and Steve Kappelle, two experienced oil industry executives, who have previously occupied senior executive positions at Chaparral Resources and Whittier Energy in the case of Jim Jeffs and Shell and Unioil AG in the case of Steve Kappelle.

The Company views the acquisition of the Target Companies as the foundation for building an international oil and gas exploration and production business led by a management team with proven experience of acquiring, evaluating and developing international oil and gas exploration opportunities.

The Pre-Caspian Basin contains five super-giant sub-salt fields: Tengiz (6 to 9 billion barrels of recoverable oil reserves), Karachaganak (47 trillion cubic feet of natural gas, 4.7 billion barrels of gas condensate and 1.4 billion barrels of oil), Kashagan (recently discovered with reserves estimated to be in excess of 5 billion barrels), Zhanazhol (1 billion barrels of oil) and Astrakhan fields (located within the Russian part of the basin). In addition there are a number of smaller shallower sub-salt fields in the basin which range in size from under one million barrels to more than two hundred million barrels.

Blocks A&E contain a number of smaller shallow prospects as well as a number of small closed-in wells that may have reactivation potential. The Directors intend to use modern western exploration and, where applicable, reactivation techniques to provide low risk, low cost oil reserves. At the same time Max will undertake a substantial work programme including the shooting of new 2D and 3D seismic and re-processing of existing data before commencing higher risk, higher cost exploration for the much larger deep oil deposits which the Directors believe may be discovered on the Properties.

Since incorporation the Company has raised approximately £11,710,000 to finance pre-acquisition due diligence on the Properties, its negotiations with the vendor of the Target Companies and the initiation of a gravity and magnetic survey.

ODL, the Company's broker, has conditionally placed a further 73,920,000 Ordinary Shares with investors at 35p per share to raise £25,872,000 before expenses of £2,779,000. The proceeds of the Placing will be used to satisfy the deferred cash consideration of US$24,050,000 which is payable subject to Admission and Registration and to provide initial funding for the intended exploration and reactivation programme to be conducted on the Properties following Completion. Completion of the Placing is conditional upon Admission.

The Properties

Deposition within the Pre-Caspian Basin is divided into two megasequences - sub-salt and supra-salt. The depth to reservoir of the smaller supra-salt fields varies from a hundred to several thousand feet. The depth to reservoir in the sub-salt fields varies from 6,000 to 17,000 feet, but it is at these depths that the super-giant fields elsewhere in the Pre-Caspian Basin have been discovered.

The Directors believe that the Properties contain numbers of supra-salt prospects with significant potential for exploration for sub-salt fields. Max has acquired a large amount of geophysical and well data on the A&E Contract Area and the East Alibek Contract Area from Samek. The prospects inside the Properties have been identified by the Directors based on their preliminary review of that data, however much more data and analysis is required to properly assess the hydrocarbon potential of these prospects.

The Properties are serviced by excellent infrastructure, including electrical power lines, a good network of all weather roads and an experienced oil industry work force. The Properties are also close to the regional rail and oil pipeline transportation systems and the East Alibek Contract Area is connected by a new pipeline through the Alibekmola field to the Kenkiyak to Atyrau pipeline.

A&E Contract Area

On the A&E Contract Area 25 supra-salt oil fields have already been discovered and one additional large oil field was discovered adjacent to Block A in the late 1980s, with original reserves of approximately 200,000,000 barrels of recoverable oil. The reserves in these fields are excluded from the A&E Contract, however, some of the shut-in wells on Blocks A&E may have reactivation potential, of which the Directors believe that the Iskine Prospect (described in paragraph 2.9.2 of Part III of this document), may be the most important. The Company has the exploration and production rights below the shallow fields excluded from the A&E Contract Area. The data from these fields provides excellent exploration and development information for future exploration.

In addition, there are a number of potential geological structures within the blocks where the Directors believe that many more supra-salt pools will be discovered. Recoverable reserves per pool are estimated by McDaniel to be similar to existing discoveries ranging from 1 to 20 mmbbls per pool.

The potential deep structures in Block A have not yet been completely covered by seismic to confirm closure. Based upon comparison with the geology in other fields in the Pre-Caspian Basin, given the geographic location of the blocks and the large (12,455 square kilometre) concession area, the Directors believe that there is significant potential to develop deeper sub-salt plays in the A&E Contract Area.

East Alibek Contract Area

There are several producing and non-producing oil fields located in close proximity to the East Alibek Contract Area. These fields are operated by international and Kazakh oil companies, among them Nelson Resources Ltd., Chinese National Petroleum Corporation and Transmeridian Exploration Inc. The nearest discovery to the East Alibek Contract Area is the Alibekmola oil and gas field, which was discovered in 1987. Published estimates for the Alibekmola field indicate proven, probable and possible recoverable reserves of approximately 400,000,000 bbls.

The main prospects are in the sub-salt Carboniferous zones on the western side of the contract area and are thought to be similar in structure to the reservoirs in the Alibekmola field. Based upon the very limited well and seismic data available at this time, total crude oil potential has been estimated by McDaniel to be in the range of 10 to 100 mmbbls within the contract area. East Alibek is a much smaller contract area than the A&E Contract Area so there are fewer prospects and less overall reserves potential.

East Alibek is currently at the exploration stage of its development. Only one exploration well has been drilled within the East Alibek Contract Area with three other exploration wells which have been drilled just outside the contract area in the relatively low, down-dip structural areas to the west and northwest. None of these wells recovered hydrocarbons, although

they all encountered porous carbonate intervals that may be hydrocarbon bearing in more favorable structural positions.

Strategy

The Company's strategy in relation to the Properties is to:

- initially explore for and develop oil pools in the shallower supra-salt prospects. The initial objective using modern western exploration techniques, including 2D and 3D seismic, reprocessing and re-interpretation of well logs is to quickly bring on-stream low risk, low cost oil reserves; and

- obtain all the available seismic, geological and engineering data before seeking further finance to commence higher risk, higher cost exploration for larger oil discoveries in sub-salt prospects. The Company will undertake a detailed review of all the available data for the large sub-salt prospects, including re-processing and re-interpretation of existing seismic as well as shooting some new 2D or 3D seismic, to define more clearly the exploration potential of Blocks A&E and East Alibek, prior to committing to any significant new capital expenditures for drilling deep wells.

In the event that the Company were to be successful in making a large sub-salt discovery, the Directors expect that a very substantial further fundraising and/or a farmin by an oil and gas major may be required in order to develop the full potential of the Properties.

In the longer term the Company intends to build a portfolio of international oil and gas exploration and production assets.

A&E and East Alibek Exploration Contracts

The Company's first project has been to acquire an 80% interest in the A&E Contract and the East Alibek Contract. The nature of the Company's interest in the Contracts is explained further below under the paragraph headed "**Details of the Acquisitions**". The rights to the Contracts remain subject to Registration. A Competent Person's Report prepared by McDaniel is set out in Part III of this document. The following is a summary of the principal features of the Contracts:

Contract	***Contract Period***	***Contract Area***	***Exploration Work Commitments (Before 2009)***	***Group's interest***	***Minimum Expenditure* (100% outstanding)***	***Royalties (further details set out below)***	***Consideration paid or to be paid by the Company for interest*******
Blocks A&E**	Exploration phase expiring Dec 2009	12,455 sq. km	5 new wells	80%	US$5,350,000 Exploration	2-6%	US$18,000,000
(Reg. Number 1117)	*(with facility to apply for 2x two year extensions)* Production phase: 25 year period expiring Dec 2034		200 km of 2D seismic		US$44,000,000 *(if Production Phase entered)*		82,000,000 Ordinary Shares
East Alibek***	Exploration phase expiring Dec 2009	79 sq. km	6 new wells	80%	US$15,400,000	3-7%	US$15,650,000
(Reg. Number 1118)	*(with facility to apply for 2x two year extensions)*		50 km of 2D seismic		Exploration		52,100,000 Ordinary Shares

*Max will provide 100% of the capital expenditures on exploration under the Contracts until such expenditures reach US$300,000,000 in aggregate. Such expenditures will be treated as a loan by Max to the Target Companies and will be reimbursed out of the revenues generated from the Contracts prior to any distribution of revenues to Shareholders.

** Following a commercial discovery on Blocks A&E, a bonus of 0.1 percent of the value of booked reserves is payable to the Kazakhstan state. The state must also be reimbursed for historical exploration expenses of up to US$29,500,000 with the timing of payment subject to negotiation.

*** Following a commercial discovery on East Alibek, a bonus of 0.1 percent of the value of booked reserves is payable to the Kazakhstan state. The state must also be reimbursed for historical exploration expenses of up to US$2,170,000 within 180 days of the start of commercial production.

**** The consideration payable for the interest has been satisfied except for US$24,050,000 of the cash consideration, payment of which is deferred subject to Admission and Registration

The A&E Contract

Area

The A&E Contract Area covers approximately 12,455 square kilometres in the Atyrau region of Kazakhstan. It is located on the South Eastern margin of the Pre-Caspian Basin and is serviced by excellent infrastructure, including electrical power lines, a good network of all weather roads and an experienced oil industry work force. The area is close to the regional rail and oil pipeline transportation systems.

The last major oil discovery in the vicinity of Blocks A&E was the supra-salt Kenbay oil field discovered in the late 1980's, with original reserves of approximately 200,000,000 barrels of recoverable oil. This field is located adjacent to the northwest corner of Block A and is currently producing from the Cretaceous, Jurassic, and Triassic reservoirs at depths from 150 to 1,200 meters.

A&E Contract

The rights to explore and develop Blocks A&E derive from a hydrocarbon exploration and production contract which was originally issued to Samek by the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan on 4 March 2003.

The A&E Contract has a 6 year exploration phase between 2003 and 2008 and a 25 year production period which ends in 2034. The total minimum investment commitment under the Contract terms is US$50,000,000 comprising US$6,000,000 during the exploration phase and US$44,000,000 if a commercial discovery is declared and the production phase is entered.

The minimum work commitment during the exploration phase is US$6,000,000 of which US$650,000 has already been paid. If a commercial discovery is made, a commercial discovery bonus of 0.1% of the value of the booked reserves is payable to the State and the State must be reimbursed for historical exploration expenses of up to US$29,500,000 with the timing of payment subject to negotiation.

Royalty rates for the pilot production phase (in tons of crude) are as follows:

0 - 200,000	2%
200,000 - 400,000	4%
Over 400,000	6%

The royalty rates for the production phase, upon commercial discovery, are subject to further negotiation.

Samek agreed to assign all its interests in the A&E Contract to Samek International LLP ("SI") on 17 May 2005. The consent of the MEMR was required to the assignment of the A&E Contract under the Subsurface Use Laws of the Republic of Kazakhstan and was granted by the MEMR pursuant thereto on 8 September 2005. Subject to registration of the relevant amendments to the A&E Contract SI will become the contractor under the A&E Contract as assignee from Samek. Max completed the acquisition of an 80% interest in Madiran Investment BV, the company which owns 100% of the charter capital of SI, on 12 October 2005.

The A&E Acquisition is referred to below and summarised in detail in Part V of this document.

The importance of, and process involved in, Registration is set out under the paragraph headed "**Registration**" below.

Geology

The A&E Contract Area is located on the south-eastern margin of the Pre-Caspian Basin in an area that has potential for both deeper Upper Devonian, Carboniferous and Lower Permian carbonate zones and shallower Upper Permian, Triassic, Jurassic and Cretaceous clastic oil reservoirs.

The Pre-Caspian Basin is a pericratonic depression that formed during Late Proterozoic-Early Paleozoic time. It is bounded on the east by the Mugodzhary Mountains and to the southeast and south by a series of orogenic belts. In the west, the basin is bounded by the Voronezh Massif and in the north by the Volga-Urals Platform high.

The geological data indicate that the principal source rocks in Blocks A&E are Upper Devonian to Lower Permian (Artinskian) age.

Development Potential

Based on the geophysical and well data available from adjacent properties to Blocks A&E, the Directors believe that Blocks A&E have significant hydrocarbon exploration and development potential. There is hydrocarbon potential in both deep sub-salt and shallow supra-salt deposits. Most of the supra-salt prospects are expected to yield recoverable reserves in the range of 1 to 20 mmbbls per pool. In 1995, the summary of reserves just in the supra-salt shallow fields in 1995 showed recoverable reserves of 55,000,000 tonnes (around 400,000,000 barrels). This figure does not include any evaluation of mid-level and deep reserves.

There are 25 discovered oil fields within Blocks A&E and one additional large oil field adjacent to Block A. The total original oil reserves for these 26 fields were estimated to be approximately 600,000,000 barrels according to estimates published by the Ministry of Energy in 1995. Cumulative production was approximately 200,000,000 barrels of oil with minor amounts of gas at January 1, 1995. In addition, there are a number of potential structures within the Blocks. The discovered fields are excluded from the A&E Contract, however, they provide excellent exploration and development information for future exploration.

Historically three deep exploration wells have previously been drilled in the structure high in the southern part of Block E. Although none of these wells penetrated carbonate reservoirs, similar to that found in Tengiz or Kashagan all of the wells stopped drilling in the Lower Permian rocks and did not reach the deeper Carboniferous rocks where these super-giant fields were discovered. As with other fields in the Pre-Caspian basin and given the geographic location and the large (12,455 square kilometre) concession area, significant potential is expected through developing the deeper sub-salt plays.

Exploration and development strategy for Blocks A&E

The Company intends to initially explore for and develop oil pools in the supra-salt deposits so that low risk low cost oil reserves can be brought on stream quickly using modern western exploration techniques. Higher risk exploration for larger oil discoveries in sub-salt prospects will be the focus of later exploration activity subject to the Company's ability to raise the necessary finance.

The East Alibek Contract

Area

The East Alibek exploration contract covers an area of approximately 30 square miles in Western Kazakhstan. The northern boundary of the block is located approximately 150 kilometers south of the city of Aktobe in the Aktyubinsk Oblast.

The East Alibek Contract Area is serviced by excellent infrastructure, including electrical power lines, a good network of all weather roads and an experienced oil industry work force. The area is close to the regional rail oil transportation system and is connected by a new pipeline through the Alibekmola field to the Kenkiyak to Atyrau pipeline.

Exploration within the area began in the 1930's and initially targeted shallow, supra-salt (above the regional salt layer) oil prospects. In the 1970's, the exploration focus changed to targeting oil reservoirs in deep sub-salt zones which continued into the early 1990's. Several large oil fields, (some with associated gas), were discovered during this period including the Alibekmola, Zhanazhol and Kenkiyak fields. In addition to the existing producing fields, a number of undrilled exploration prospects were identified during Soviet times that may also contain recoverable hydrocarbons.

Since the end of the Soviet era in the early 1990's, very little exploration has been conducted and the primary activity has been associated with development of earlier oil field discoveries by foreign companies.

East Alibek Contract

The rights to explore East Alibek derive from a second hydrocarbon exploration contract originally issued to Samek by the MEMR on 4 March 2003.

The East Alibek Contract has a 6 year exploration phase between 2003 and 2009. Upon commercial discovery, the contractor has the exclusive right to proceed to the production stage, a mining allotment will be granted and the contractor is entitled to reimbursement of expenses incurred in connection with exploration and development. The total minimum investment commitment under the Contract terms is US$22,000,000 during the exploration phase of which US$6,600,000 has already been paid. If a commercial discovery is made, a commercial discovery bonus of 0.1% of the value of the booked reserves is payable to the State and the State must be reimbursed for historical exploration expenses of up to US$2,170,000 within 180 days of the start of commercial production.

Royalty rates for the pilot production phase (in tons of crude) are as follows:

0-100,000	3%
100,000 - 300,000	5%
Over 300,000	7%

The royalty rates for the production phase, upon commercial discovery, are subject to further negotiation.

Samek agreed to assign all its interests in the East Alibek Contract to Samek Development Enterprise LLP ("SDE") on 30 May 2005. The consent of the MEMR was required to the assignment of the East Alibek Contract under the Subsurface Use Laws of the Republic of Kazakhstan and was granted by the MEMR pursuant thereto on 13 September 2005. Subject to registration of the relevant amendments to the East Alibek Contract SDE will become the contractor under the East Alibek Contract as assignee from Samek. Max completed the acquisition of an 80% interest in Sherpico Investments Limited, the company which owns 100% of the charter capital of SDE, on 12 October 2005.

The East Alibek Acquisition is referred to below and summarised in detail in Part V of this document.

The importance of, and process involved in, Registration is set out under the paragraph headed "**Registration**" below.

Geology

The East Alibek Contract Area is located within the Pre-Caspian (North Caspian) Sedimentary Basin in the western part of Kazakhstan. This basin is a world-class hydrocarbon province, located on the southeastern margin of the Russian Platform and covers an area of some 200,000 square miles, from the Russian border in the north to the northernmost part of the Caspian Sea in the south.

The Pre-Caspian Basin is a pericratonic depression that formed during Late Proterozoic-Early Paleozoic time. It is bounded on the east by the Mugodzhary Mountains and to the southeast and south by a series of orogenic belts. In the West, the basin is bounded by the Voronezh Massif and in the North by the Volga-Urals Platform high.

The source rocks in the region are the Devonian, Lower and Middle Carboniferous and the Lower Permian clastic and carbonate deposits located in the inner part of the basin.

Development Potential

The East Alibek Contract Area has seen very limited exploration with only 1 exploration well and seven 2D seismic lines. There are however several producing and non-producing oil fields located in close proximity to the contract area operated by international and Kazakh oil companies, among them Chinese National Petroleum Corporation and Nelson Resources Ltd. Based on the limited well and seismic data available, the Directors believe that the East Alibek Contract has fair to good crude oil exploration potential. The potential for recoverable crude oil is estimated to be in the range of 10 to 100 mmbbls.

Exploration and development strategy for East Alibek

The Directors believe that further exploration work is necessary in East Alibek. They intend to begin by collecting and reviewing all existing well data and running new 2D and possibly 3D seismic lines before drilling any further exploration wells.

Details of the Acquisitions

Acquisitions

Max completed the acquisitions of 80% shareholdings in Madiran Investment B.V. ("Madiran") and Sherpico Investments Limited ("Sherpico") on 12 October 2005.

Madiran is a company registered in the Netherlands and is the holding company of Samek International LLP ("SI"), the Kazakhstan limited liability partnership to whom Samek has assigned its rights under the A&E Contract.

Sherpico is a company registered in England and Wales and is the holding company of Samek Development Enterprise LLP ("SDE"), the Kazakhstan limited liability partnership to whom Samek has assigned its rights under the East Alibek Contract.

By acquiring 80% of the share capitals of Madiran and Sherpico Max has indirectly acquired 80% interests in the A&E Contract and the East Alibek Contract, because Madiran and Sherpico respectively hold 100% of the charter capital of SI and SDE, the assignees of the Contracts.

Completion of the acquisition of the interests in the Contracts is however subject to Registration as referred to under the paragraph headed "**Registration**" below.

The total aggregate consideration for the acquisitions of 80% of Madiran and Sherpico is US$33,650,000 in cash and 134,100,000 Ordinary Shares ("Consideration Shares"). The consideration has been satisfied by Max save that payment of US$24,050,000 of the cash consideration has been deferred ("Deferred Consideration") pending registration of SI and SDE as contractors under the A&E Contract and the East Alibek Contract respectively (see further below under the paragraph entitled "*Registration*"). The Consideration Shares will represent approximately 51.62% of the issued ordinary share capital of Max immediately following Admission and completion of the Placing.

Samek has received a total payment of $9,600,000 in consideration for its agreement to assign its rights under the Contracts to SI and SDE. This payment has been made by Max and has been offset against the non-deferred element of the cash consideration payable to the vendor in respect of the Acquisitions.

Shareholders Agreements

Max has entered into shareholders agreements with Horizon Services NV ("Horizon"), the residual 20% shareholder in Madiran and Sherpico. Pursuant to the shareholders agreements Max and Horizon have agreed, inter alia, that:

(i) Max shall have the right to appoint up to three directors and Horizon shall have the right to appoint one director to the boards of Madiran, Sherpico, SI and SDE;

(ii) Horizon shall at any time have the right to sell its 20% shareholding in Madiran and Sherpico to Max in consideration for such number of Ordinary Shares as have a market value equal to 20% of the value of the Contracts at the relevant time; and

(iii) Max will provide up to US$300,000,000 in aggregate of anticipated exploration and production expenditure in relation to the Properties, which funding will be provided by way of loan secured on the assets of the Target Companies and the Target Partnerships.

Contract Operators

The operator under the Contracts is SI in respect of the A&E Contract and SDE in respect of the East Alibek Contract. Mr Garifolla Kachshapov, whose biography is set out on page 21 of this document has been appointed as the general manager of both SI and SDE so he will have responsibility for the operation of the Contracts on a day to day basis. Mr Nagangali Uteev whose biography is also set out on page 22 of this document has been appointed as Chief Geologist of both SI and SDE, with responsibility for site analysis and interpretation. The Company also intends to appoint Steve Kappelle, Dauren Myrzagaliyev and Garifolla Kachshapov to the board of directors of the Target Companies and the Target Partnerships. Steve Kappelle will oversee the operations of the Target Companies, the Target Partnerships and the Contracts on behalf of the main board of Max.

Further details of the Acquisitions (including the shareholders agreements between Max and Horizon) are set out in Part V of this document.

Registration

The Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("MEMR") has executed the necessary amendments to complete the assignments of the Contracts but has not yet registered these amendments. The Company has been advised that Registration is required to allow SI and SDE to become the contractors under the Contracts and so complete the transfer of title to the Contracts. The Directors have received legal advice in Kazakhstan that there are only two legal grounds on which Registration can be refused, namely (i) if false information has been submitted to the relevant Competent Authority, on the basis of which the permission was issued to transfer the subsoil use right or (ii) if there is no underlying civil contract for the transfer of a subsoil use right. The Directors have also been advised that no evidence has been presented which would give the MEMR grounds to refuse such Registration and that the Target Partnerships have the right to demand Registration..

If Registration has not occurred on or before 15 December 2005, the obligation of the Company to pay the Deferred Consideration will terminate and the Company will have the right to call for the Consideration Shares to be transferred back to it or such person(s) as it may nominate. In this event the Company will:

(a) seek to use the proceeds of the Placing to make a suitable alternative acquisition of an oil and gas exploration and production asset;

(b) seek the approval of Shareholders prior to making any substantial alternative investment of the proceeds of the Placing;

(c) if no suitable acquisition opportunities arise within 18 months of 15 December 2005, call an extraordinary general meeting at which Shareholders will be given the opportunity to vote in favour of a resolution to wind up the Company and distribute its remaining cash reserves.

See also the paragraph headed **"Title"** in Part II of this document.

Litigation

As described more fully in paragraph 10.2 of Part VI of this document, the Company has been served with proceedings in Alberta, Canada in relation to the rights under the Contracts. Although the Company has always refuted the claim, it has now negotiated a settlement whereby it is agreed that the plaintiffs will discontinue the proceedings in consideration for payments of US$500,000 and £525,000 of which the payment of £525,000 will be satisfied by the issue and allotment to the plaintiffs of 1,500,000 Ordinary Shares.

Directors and Senior Managers

The Directors are as follows:

James Andrew Jeffs, Chief Executive Officer

James A. Jeffs, aged 52, is the Chairman of the Board of Whittier Energy, an Oil & Gas production and exploration company. He is also a director of both Magnum Oil and South Oil Company, Russia based oil and gas companies. Mr. Jeffs has served as Managing Director and Chief Investment Officer of The Whittier Trust Company, a $4 billion trust and investment management company, since 1994. He served as the Co-Chairman of the Board of Chaparral Resources, Inc., an oil and gas exploration and production company until May 2002, and as Chairman and Chief Executive Officer until October 2002. Prior to that he was Chief Investment Officer and Senior Vice President of Trust Services of America, a $12

billion trust and investment management company, and served as President and Chief Executive Officer of TSA Capital Management, an institutional investment management company. He has served on the $30 billion Los Angeles County Employee Retirement Association board of investments and received both his Bachelor of Science and MBA degrees from the University of Southern California.

Steven James Kappelle, Executive Director

Steve Kappelle, aged 42, was appointed Honorary Australian Consul for Kazakhstan in 2004 and has been based in the Middle East and Central Asia for 20 years. From 1990 to 1995 he worked for Shell in Dubai where he held several managerial positions including Business Development Manager for the region. In Kazakhstan he has worked closely with government oil companies and in 2001 was instrumental in establishing the governmental crude swap agreement between Kazakhstan and Iran. Subsequently with the government and in private organisations based in Kazakhstan, he was responsible for co-ordinating the multi modal export of over 4,000,000 tons of crude oil from Kazakhstan. He has an Honours degree in Economics from the University of Western Australia.

Dauren Myrzagaliyev, Non-Executive Director

Dauren Myrzagaliyev, aged 38, has been a consultant to Samek since 1997. Prior to that he worked as a director on international and government relations for Tek Kazinvest and was 3rd Secretary at the Embassy of the Republic of Kazakhstan in the USA. He has also worked as an attaché with the Ministry of Foreign Affairs of the Republic of Kazakhstan and at the Kazakhstan Academy of Sciences.

David Ray Belding, Non-Executive Director

David Belding, aged 59, is a trained lawyer who was previously a senior executive and co-founder of Mandalay Resort Group, which was acquired by MGM Resorts, Inc for US$4.8 billion in June 2005. David had also previously co-founded Gold Strike Resorts, a hotel and casino operator, which he developed from 1977-1995. He graduated in Economics and Finance from the University of Arizona and received a Doctorate in Law from Georgetown University. He sits on the boards of several corporations and associations, including the University of Nevada, First Independent Bank of Nevada, and the Whittier Trust Company.

Thomas Richard Fuller, Non-Executive Director

Tom Fuller, aged 58, is a Registered Professional Engineer, and a founding Partner in Diverse Energy Management Company since 1988. Diverse is a private, upstream USA exploration and production company that makes equity investments predominantly in energy related businesses. Tom was previously a Director of Hillin Oil Company, and Senior Vice President and Energy Group Manager of First City Bank, Dallas and Houston. He commenced his career with Exxon as a petroleum engineer after graduating in Petroleum Engineering from the University of Wyoming.

Following Admission, the Directors intend to appoint a finance director and will consider the appointment of a further non-executive director.

The senior managers of the Company are as follows:

Garifolla Kachshapov

Mr. Kachshapov first joined Samek as a Director when it was founded in 1994, returning as General Manager in 2001 following a spell as director of a small oil production company between 1999-2001. He commenced his career as an engineer with a heavy equipment manufacturer after graduating in Mechanical Engineering from the Kazakhstan Polytechnic Institute. Mr Kachshapov owns 100% of the share capital of Horizon.

Nagangali Uteev

Mr. Uteev is a petroleum geologist. His career spanned a number of senior appointments during the Soviet and post-Soviet eras in petroleum exploration.

Details of the Placing

The Company's broker, ODL, has conditionally placed 73,920,000 new Ordinary Shares with investors at 35p per share. The Placing, which is not underwritten, is conditional *inter alia* on the admission of the Company's issued and to be issued Ordinary Shares to trading on AIM by 31 October 2005, or such later time as ODL and the Company agree.

The Placing will raise £25,872,000 for the Company before expenses. After the expenses of the Placing and Admission, estimated in total at £2,779,000 (including VAT), the Placing will raise £23,093,000. The Placing Shares will rank pari passu in all respects with the existing issued Ordinary Shares.

It is expected that the proceeds of the Placing will be received by the Company on or before 31 October 2005 with the exception of £5,000,000 which is expected to be received within 90 days of Admission. It is expected that the appropriate stock accounts of Placees will be credited with the Placing Shares comprising their Placing participation with effect from 27 October 2005. In the case of Placees requesting Placing Shares in uncertificated form, it is expected that certificates in respect of the Placing Shares will be despatched by post, within 14 days of the date of Admission. Pending despatch of share certificates or crediting of CREST accounts, the Company's Registrar will certify any instruments of transfer against the register.

Further details of the Placing Agreement are set out in paragraph 9.4 of Part VI of this document.

Use of the proceeds of the Placing

It is intended that the funds raised pursuant to the Placing will be used to satisfy the deferred cash consideration of US$24,050,000 payable in respect of the Acquisitions and to enable the Company to conduct a 3D seismic programme on the Properties as soon as practicable. The 3D seismic programme will provide improved and more up to date data on the Properties.

The Directors have prepared a Preliminary Work Programme and Budget for 2005 – 2007 designed with two principal objectives:

- to evaluate the hydrocarbon potential on Blocks A&E and East Alibek.
- to identify the most effective route to early production from the existing fields.

The programme includes completion of the regional and structural seismic programme started by Samek in 2005, database compilation and well evaluation at East Alibek. The shallow potential will be targeted with detailed 2D and 3D seismic acquisition and interpretation of the post salt prospects, and production potential on Block E will be evaluated. Early production will be planned and implemented and potential well re-entries identified for re-completion. The deep exploration potential will be interpreted using the new regional data with existing old seismic.

The use of the proceeds of the Placing described above is however subject to Registration, which is the process required to perfect the transfer of the rights of the Target Partnerships to the Contracts. Until such time as Registration occurs and pending their use for the purposes referred to above, the monies raised pursuant to the Placing will be placed on deposit or invested in fixed interest bonds or money market funds.

Current trading and prospects

The Company has been established only recently and therefore has no trading record. The prospects for the Company are dependent on the results of the further exploration work to be undertaken on the Properties. The Company also intends to identify and acquire further exploration and development opportunities.

Working capital

The Directors are of the opinion that, taking into account the net proceeds of the Placing and having made due and careful enquiry, the working capital available to the Company will, from the date of Admission, be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

Dividend policy

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, when it becomes commercially prudent to do so.

Share options

In order to attract and retain high calibre individuals to the Board and senior management to the Company, the Company has granted options over Ordinary Shares comprising 16.8% of its issued share capital before the Placing and 12.04% of its issued share capital immediately following the Placing and Admission ("Options"). The Directors believe that the future success of the Company will depend on management and key employees being adequately incentivised and identifying closely with the Company and that the award of the Options is commensurate with the roles and responsibilities of the relevant option holders.

The Options include the grant on Admission of options to subscribe for new Ordinary Shares representing 3.4% of the issued share capital of the Company on Admission to each of Jim Jeffs, Steve Kappelle and Condor Investment & Trading Corporation ("Condor"). If further Ordinary Shares in the Company are issued within 12 months of the date of Admission (other than on exercise of share options and on any capital reorganisation of the Company), further options will be granted to each of Jim Jeffs, Steve Kappelle and Condor over Ordinary Shares representing 3.4% of any such issue (10.2% in aggregate). The Options have been granted to Condor as an incentive in respect of its role as business development consultant for the Company.

Further details of the Options are set out in paragraph 3 of Part VI of this document.

Taxation

The attention of prospective investors is drawn to the taxation section in paragraph 12 of Part VI of this document.

Lock-in arrangements

All the Directors have undertaken in the Placing Agreement not to dispose of any Ordinary Shares held by them for a period of 12 months after Admission and thereafter not to dispose of any Ordinary Shares for a further period of 12 months other than through the Company's broker for the time being.

The Company has signed lock-in agreements with or has otherwise taken steps to procure that Shareholders holding Ordinary Shares which in aggregate comprise 62.38% of the issued ordinary share capital of the Company before the Placing and 44.63% of its issued share capital immediately following the Placing and Admission will not dispose of their holdings of Ordinary Shares on the same terms as the lock-in arrangements for Directors.

Further details of the Placing Agreement and the lock-in arrangements are set out in paragraph 9 of Part VI of this document.

Corporate governance

As an AIM company the Company is not obliged to, and does not currently fully comply with, the corporate governance regime in the UK, currently the Combined Code on Corporate Governance.

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. As the Company grows, the Directors intend that it should develop policies and procedures which reflect the Combined Code on Corporate Governance which was published in July 2003 (the "Combined Code"), so far as is practicable, taking into account the size and nature of the Company.

The Board intends to establish a Remuneration Committee and Audit Committee as soon as practicable following Admission. The Remuneration Committee will review the performance of the executive directors of the Company and determine their remuneration and the basis of their service agreements with due regard to the interests of Shareholders. The Remuneration Committee will also determine the payment of any bonuses to executive directors. The Audit Committee will meet at least twice a year and will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored, controlled and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

The Company will adopt and operate a share dealing code consistent with Rule 19 of the AIM Rules and will take all proper and reasonable steps to ensure compliance by the Directors and relevant employees.

Dealings and CREST

Application will be made for the Ordinary Shares to be admitted to trading on AIM and it is anticipated that Admission will become effective and that dealings will commence on 27 October 2005.

The articles of association of the Company permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001.

The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Financial information

Set out in Part IV of this document is the Accountant's Report on the Company for the period from incorporation to 30 June 2005.

Additional information

The attention of investors is drawn to the information contained in Parts II to VI of this document. **Particular attention is drawn to the risk factors which are set out in Part II of this document and in particular to the section headed "Title" in Part II.**

PART II
RISK FACTORS

The Directors consider the following risks to be the most significant for potential investors in the Company. However, the risks listed do not necessarily comprise all those associated with an investment in the Company:

An investment in Max is speculative and involves a high degree of risk. Estimates, expectations and plans in this document are statements of future expectations or intentions of the Board. Actual future results, including resources, recoveries and work programme plans and schedules, could differ materially due to changes in market conditions affecting the oil and gas industry or long-term oil and gas price levels; political or regulatory developments; reservoir performance; timely completion of work programme commitments/projects; the outcome of commercial negotiations and technical or operating factors.

In addition to the other information in this document, the Directors consider the following risk factors are of particular relevance to the Company's activities and to any investment in the Company. It should be noted that this list is not exhaustive and that other risk factors may apply. Any one or more of these risk factors could have a materially adverse impact on the value of the Company and should be taken into consideration when assessing the Company. The risks are not presented in any order of priority.

Exploration Risk
Whilst the Company will seek to apply the latest technology to assess exploration licenses and has significant management experience, the exploration for and development of hydrocarbons is speculative and involves a high degree of risk. These risks include the uncertainty that the Company will discover sufficient oil or gas resources to exploit economically or the Company will be able to exploit the discovered resource as intended. If the Company or the Target Partnerships do not fulfil their obligations under any exploration licence, there is a possibility that they could lose part or all of their interests in such licence.

Only a portion of the existing exploration data covering the Properties was available for the preparation of the Competent Person's Report contained in Part III of this document although the data was of generally fair to good quality, consistent with the type and quality of information usually available in Kazakhstan. Several thousand wells have been drilled inside the boundary of the A&E Contract Area, but most of the wells are located inside existing oil field limits. The number of wells drilled inside the contract area but outside existing pools is unknown. According to estimations by Max, there could be several hundred shallow wells. To date no well file information has been made available for Max to review for most of the wells. Partial well file information was available only for three deep wells in Block E. Partial well log data was available for only one deep well. Several partial sections of logs and LAS files for a few wells inside producing fields were provided. Core descriptions were available only for lower intervals in the three deep wells in Block E. Very limited test information was also provided for these deep wells. To date, no fluid or core analysis data has been available for review and the log data has not yet been analyzed in detail. The opinions contained in the Competent Person's Report must therefore be regarded as preliminary.

The Company
The Company is a recently formed company with no significant operating history upon which prospective investors may base an evaluation of future performance. It has only incurred losses since its inception due to its lack of revenues. It is possible that the Company will continue to incur such losses until such time as oil and gas production commences.

Drilling, developing and operating risks
Oil and gas drilling, developing and operating involves a number of risks, many of which are beyond the control of the Company, which may delay or adversely impact the Company's

activities. These include mechanical failures or delays, adverse weather conditions and Government regulations or delays. These delays and potential impacts could result in the Company's activities being delayed or abandoned and substantial losses could be incurred.

Drilling may not result in the discovery of economically viable hydrocarbon resources either due to insufficient resources being discovered, the resources not being of sufficient quality to be developed economically or the costs of any development being in excess of that required for an economic project.

Drilling is also subject to general industry operating risks such as environmental spills or hazards, explosions, fires, blow-outs, equipment failures, the occurrence of any of which could result in losses for the Company in the form of injury or loss of life, environmental damage, damage to or destruction of property and regulatory investigations that could result in curtailment of operations, fines and other additional costs. If the Company were to proceed with drilling for very deep sub-salt targets, the operational risks would be similar save for a greater possibility of encountering poisonous H2S gas, with a consequent risk to Max's employees and contractors.

Although the Company intends to maintain insurance in accordance with industry practice, there may be circumstances where the Company's insurance or that of the operator of the drilling or operating activities either does not have insurance cover or does not take sufficient insurance cover for the losses sustained. It is also possible that the Company may incur losses either because the Directors decided not to acquire insurance or did not have adequate insurance due to the high cost at that time.

Title

The interests of the Target Partnerships in the Contracts derives from the agreement of Samek to assign its interests as the original contractor under the Contracts to SI in the case of the A&E Contract and SDE in the case of the East Alibek Contract. Such interests were transferred by Samek to SI in respect of the A&E Contract by way of an agreement dated 17 May 2005 and by Samek to SDE in respect of the East Alibek Contract by way of an agreement dated 30 May 2005. The Company has been advised that under Kazakhstan law, the transfer of subsoil use rights granted to a party by the state is a three stage process: (i) approval of the transfer of the subsoil use rights by the Ministry of Energy and Mineral Resources ("MEMR"); (ii) amendment of the subsoil use contract; and (iii) registration of the amendments. Upon fulfilment of such requirements, the transferee will be deemed to be the new "subsoil user". So far the MEMR has approved the transfer of the subsoil use rights and has executed the amendments to the Contracts so that any references to Samek in the Contracts are replaced by SI or SDE. Registration of the amendments has not yet taken place. The Company has been advised that SI and SDE have the right to demand the registration of these amendments by the MEMR and that upon such registration SI and SDE will have full right and title to the A&E Contract and the East Alibek Contract respectively. However there is no guarantee as to when such registration will actually take place. Furthermore, the Republic of Kazakhstan law "On Subsoil and Subsoil Use", dated 21 January 1996, as amended, provides two bases on which the MEMR may refuse to register an amendment to a subsoil contract: (a) if the subsoil user submitted false information to the MEMR, on the basis of which the permission was issued to transfer the subsoil use right; or (b) if there is no underlying civil contract for the transfer of a subsoil use right. The Company has been advised that there is nothing in the documents whereby the rights to the Contracts have been assigned to the Target Partnerships that indicates that either of these two grounds for refusal to register the amendments exists. **Unless and until Registration occurs the full right, title and benefit of the Contracts will not have been transferred to the Target Partnerships.**

In this context it is also important to note that:

(a) Kazakhstan laws are in a state of development and there exist a number of uncertainties and inconsistencies. Enforcement of laws in Kazakhstan may depend on and be subject

to the interpretation placed upon such laws by the relevant Kazakhstan authority, and such authority may adopt an interpretation of an aspect of Kazakhstan law which differs from the advice that has been given to the Company. The legal system of Kazakhstan generally and many courts in particular are still unfamiliar with, and inexperienced in, certain legal terminology and concepts. Therefore, it is difficult to predict with any certainty how the transfer of the Contracts and the rights and obligations of the parties thereunder or beneficiaries thereof would be interpreted by any authority in Kazakhstan.

(b) There is no public recording system in the Republic of Kazakhstan for pledges and other liens on property (other than with respect to real property and certain rights thereto and shares in joint stock companies), and therefore, it is impossible to determine whether any encumbrance exists in respect of the property.

(c) Kazakhstan law excuses performance of an obligation if its performance becomes impossible as a result of the occurrence of circumstances beyond the control of either party (*force majeure*), including acts of governmental authorities.

(d) Kazakhstan law establishes grounds upon which the Government may unilaterally revoke, suspend or terminate subsoil use rights. A contract may be suspended for up to six months if the subsoil user breaches its terms, violates environmental or subsoil legislation or conducts any unauthorized activity in the contract area. The suspended contract may be reinstated if the reasons for the suspension are satisfactorily eliminated by the subsoil user. The contract may be amended or terminated (i) if the reasons for suspension are not, or cannot be, eliminated, or (ii) if the conditions of the contract are not met, or (iii) if the subsoil user becomes bankrupt. Many of the stated grounds for the unilateral suspension, revocation or termination of subsoil rights are subjective or vague. The governmental authorities could take the position that the subsoil user has not adequately exploited a deposit, or has engaged in activities that do not correspond to the program set forth in the Contracts, or that a delay in fulfilment or the non-fulfilment of Contract conditions was due to the fault of the subsoil user. Such standards create the potential for arbitrary action on the part of the government.

(e) Although the Law of the Republic of Kazakhstan No 213-I dated March 24, 1998 "On Normative Legal Acts" requires that normative acts be published in all cases, a system of assuring public availability of uniform standard texts of normative acts has not been established, and, as a result, texts of normative acts, regulation, decrees and administrative decisions may vary according to their sources. Any legal opinion received by the Company as to matters of Kazakhstan law has been confined solely to laws, regulations, edicts, decrees and administrative decisions that have been officially published or are publicly available, and does not take into account any modification thereof by any other regulations, decrees or administrative decisions that have not been officially published or are publicly available.

Litigation

The Company has been served with proceedings in relation to a claim over the rights under the Contracts in Alberta, Canada by virtue of previous agreements between Samek and the party bringing the claim in relation to the Contracts. The claim is significant because if successful it seeks a declaration that Max will hold the Contracts and any profits arising from them on trust for the plaintiffs. Although the Company has always refuted the claim, it has now negotiated a settlement whereby it is agreed that the plaintiffs will discontinue the proceedings in consideration for payments of US$500,000 and £525,000 of which the payment of £525,000 will be satisfied by the issue and allotment to the plaintiffs of 1,500,000 Ordinary Shares credited as fully paid Further details of the claim referred to in this paragraph and of the terms of the settlement are set out in paragraph 10 of Part VI of this document.

Economic and political risks
It is anticipated that all or the majority of the Company's activities will be outside the UK and, accordingly, there are a number of risks over which it has little control.

Whilst the Company will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Company's activities are adversely impacted by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences, expropriation, war, terrorism, insurrection and changes to laws governing oil and gas exploration and operations. There is also the possibility that the terms of any licence the Company holds may be changed.

Currency risk
The Company will report its results in Sterling, whilst it is expected that a majority of its costs and revenues will be denominated in United States dollars. This may result in additions to the Company's reported costs or reductions in the Company's reported revenues.

Corporate and regulatory formalities
Conducting exploration, development or other oil and gas activities has or will involve the requirement to comply with various procedures and approval formalities. It may not in the future be possible to comply or obtain waivers of all such formalities. In the case where it is not possible for the Company to comply, or it cannot obtain a waiver, the Company may incur a temporary or permanent disruption to its activities and a loss of part or all of its equity in the licence.

Ability to exploit successful discoveries
It is possible that the Company may not be able to exploit commercially viable discoveries in which it holds an interest. Exploitation may require external approvals or consents from relevant authorities where the granting of these approvals and consents is beyond the Company's control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Company cannot meet. As a result of such delays, the Company may incur additional costs, losses of revenue or part or all of its equity in a licence. The Company may also need the consent or approval from an equity partner in the licence, the interests of which might not be aligned with that of the Company.

Additional financing
The Target Partnerships are required to meet work programme obligations under the terms of the Contracts, failing which their exploration rights may be forfeited. The Company is contractually committed under the terms of the shareholders agreements with Horizon Services NV (the principal terms of which are summarised in Part V of this document) to provide the first US$300,000,000 of anticipated capital expenditure of the Target Partnerships under the Contracts and may also in the future acquire interests in additional exploration properties which may require acquisition payments to be made and exploration expenditures to be incurred. The only sources of funding currently available to the Company are through the issue of additional equity capital or through bringing in a farmin partner to fund the exploration and development costs on the Properties. There is no assurance that the Company will be successful in raising sufficient funds and/or attracting a suitable farmin partner to enable it to meet its obligations to Horizon under the shareholders agreements and/or to enable the Target Partnerships to meet their commitments under the Contracts or to enable the Company to acquire additional projects.

Environment regulation
Environment and safety legislation (such as in relation to plugging and abandonment of wells, discharge of materials into the environment and otherwise relating to environmental protection) may change in a manner that may require stricter or additional standards than those currently in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations.

There may also be unforeseen environmental liabilities resulting from oil and gas activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which the Company and/or the Target Partnerships may become liable as a result of their activities may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions.

Market risk
The scale of production from a development of a discovered oil and gas resource will be dependant upon factors over which the Company has no control such as market conditions at that time, access to, and the operation of, transportation and processing infrastructure, the available capacity levels and tariffs payable by the Company for such infrastructure and the granting of any licences or quotas the Company may require from the relevant regulatory authority. All of these factors may result in delays in production, additional costs or a reduction in expected revenues for the Company. Therefore, there is a risk that the Company may not make a commercial return on its investment.

Competition
The oil and gas industry is very competitive and the Company will face competition in the countries within which it will conduct its activities. Some of the Company's competitors have access to greater financial and technical resources which may convey to them a competitive advantage. As a result, the Company may not be able to gain access to future growth opportunities.

Volatility of prices for oil and gas
The supply, demand and prices for oil and gas are volatile and are influenced by factors beyond the Company's control. These factors include global demand and supply, exchange rates, interest and inflation rates and political events. A significant prolonged decline in oil and gas prices could impact the viability of some of the Company's exploration activities. Additionally, production from geographically isolated countries may be sold at a discount to current market prices.

Dependence on key personnel
The Company has a small management team and the loss of any key individual or the inability to attract appropriate personnel could impact the Company's performance. It may also be difficult to employ and retain people who are willing to work for the Company in certain countries.

Liquidity of the Ordinary Shares
The Ordinary Shares will be traded on AIM but it should not be assumed that there will always be a liquid market for the shares. The price of the Ordinary Shares may be volatile, influenced by many factors, some of which are beyond the control of the Company. For example, the performance of the overall share market, other Shareholders buying or selling large numbers of shares, changes in legislature or regulations and general economic conditions. Therefore, a return on an investment in the Ordinary Shares cannot be guaranteed.

Legal systems
Some of the countries the Company may operate in could have legal systems that are less well developed than the UK. This could result in risks such as: (i) potential difficulties in obtaining effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain,

creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Joint ventures
It is likely that the Company will enter into joint ventures. There is a risk that a joint venture partner does not meet its obligations and the Company suffers additional costs or other losses. It is also possible that the interests of the Company and those of its joint venture partners are not aligned resulting in project delays or additional costs or losses.

Investment risk
The value of an investment in the Company could, for a number of reasons, go up or down. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

26 October, 2005

Max Petroleum Plc
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Reference: **Max Petroleum Plc**
Competent Person's Report

Dear Sirs:

Pursuant to your request we have prepared an independent assessment of the exploration potential of a hydrocarbon exploration and production contract in Western Kazakhstan referred to as the Blocks A&E Exploration and Production Contract and a hydrocarbon exploration contract in Western Kazakhstan referred to as the East Alibek Exploration Contract ("Contracts"). This assessment was prepared to support an acquisition of an interest in these Contracts by Max Petroleum Plc ("Max") and to support admission to the AIM Market of the London Stock Exchange ("AIM"). Although no application will be made by the Company to admit the Ordinary Shares to the Official List, the format and content of this report follows the guidelines set out in Chapter 19 of the Listing Rules of the UKLA.

The Contracts were originally granted to a Kazakhstan registered company, Samek LLP ("Samek"). Samek has agreed to assign its rights under the Contracts to two Kazakhstan limited liability partnerships, Samek International LLP ("SI") and Samek Development Enterprise LLP ("SDE"). At the date of the field visit to Kazakhstan in preparation of this report, Max was in negotiations to acquire an 80% interest in SI and SDE with a view to seeking to obtain a listing on AIM. We understand such acquisition has now completed.

All of the basic information employed in the preparation of this report was obtained from Max and Samek. McDaniel & Associates personnel visited the offices of Samek in Almaty, Kazakhstan in June 2005 to gather all available technical data and to review geological interpretations with the Company's geologists. A significant amount of geological and geophysical data on the Contracts has been purchased by Samek however not all of the data has been received and reviewed.

Since the Contracts are at an early exploration stage of development, this report was intended to be a qualitative assessment of the hydrocarbon exploration potential on each of

the Contracts. No estimates of the value of the potential recoverable resources for the Contracts has been made.

This report has been divided into two sections, the first section covers the Blocks A&E Exploration and Development Contract and the second, the East Alibek Exploration Contract.

1 EXECUTIVE SUMMARY

Samek has collected a large amount of geophysical and well data on Blocks A&E and East Alibek which it has made available to Max. Several prospects have been identified inside the Blocks based on a preliminary review of that data however much more data and analysis is required to properly assess the hydrocarbon potential of these prospects.

Based on our knowledge of the geology and hydrocarbon potential of the Pre-Caspian Basin and our limited review of the Company's data, it is our opinion that Blocks A&E contain significant hydrocarbon exploration and development potential. There is hydrocarbon potential in both deep sub-salt and shallow supra-salt deposits, although there appears to be more potential in the supra-salt deposits. We would expect most of the supra-salt prospects to yield recoverable reserves in the range of 1 to 20 mmbbls per pool. The potential reserves size for the deeper sub-salt prospects could be significantly higher than for the supra-salt prospects however the chance of success is significantly lower.

There are approximately 25 discovered oil fields within the outline of Blocks A&E however these fields are excluded from the Blocks A&E Contract. There are a number of shut-in wells in the A&E Contract Area that may have re-activation potential however since there was insufficient data available at the time of the preparation of this report to assess the potential, this report addresses only the exploration potential.

The East Alibek contract area is much smaller than Blocks A&E thus there are fewer prospects and less overall reserves potential. We would classify the exploration potential in this area as fair to good. The main prospects are in the sub-salt Carboniferous zones on the western side of the contract area. Total crude oil potential is estimated to be in the range of 10 to 100 mmbbls within the contract area.

It should again be emphasized that our opinions are based on a limited review of the Company's data thus this report must be considered as preliminary pending a more detailed review of all the available data.

2. A&E EXPLORATION CONTRACT

2.1 Blocks A&E Contract Overview

Blocks A&E are located on the south-eastern margin of the Pre-Caspian Basin in an area that has potential for both deeper Upper Devonian, Carboniferous and Lower Permian carbonate zones and shallower Upper Permian, Triassic, Jurassic and Cretaceous clastic oil reservoirs. Blocks A&E are located in the Atyrau region of Kazakhstan, comprising 12,455 square kilometers as shown in Figures 1 and 2 below. The area is serviced by excellent infrastructure, including electrical power lines, a good network of all weather roads and an experienced oil industry work force. The area is close to the regional rail and oil pipeline transportation systems.

Figure 1 – Blocks A&E Location Map

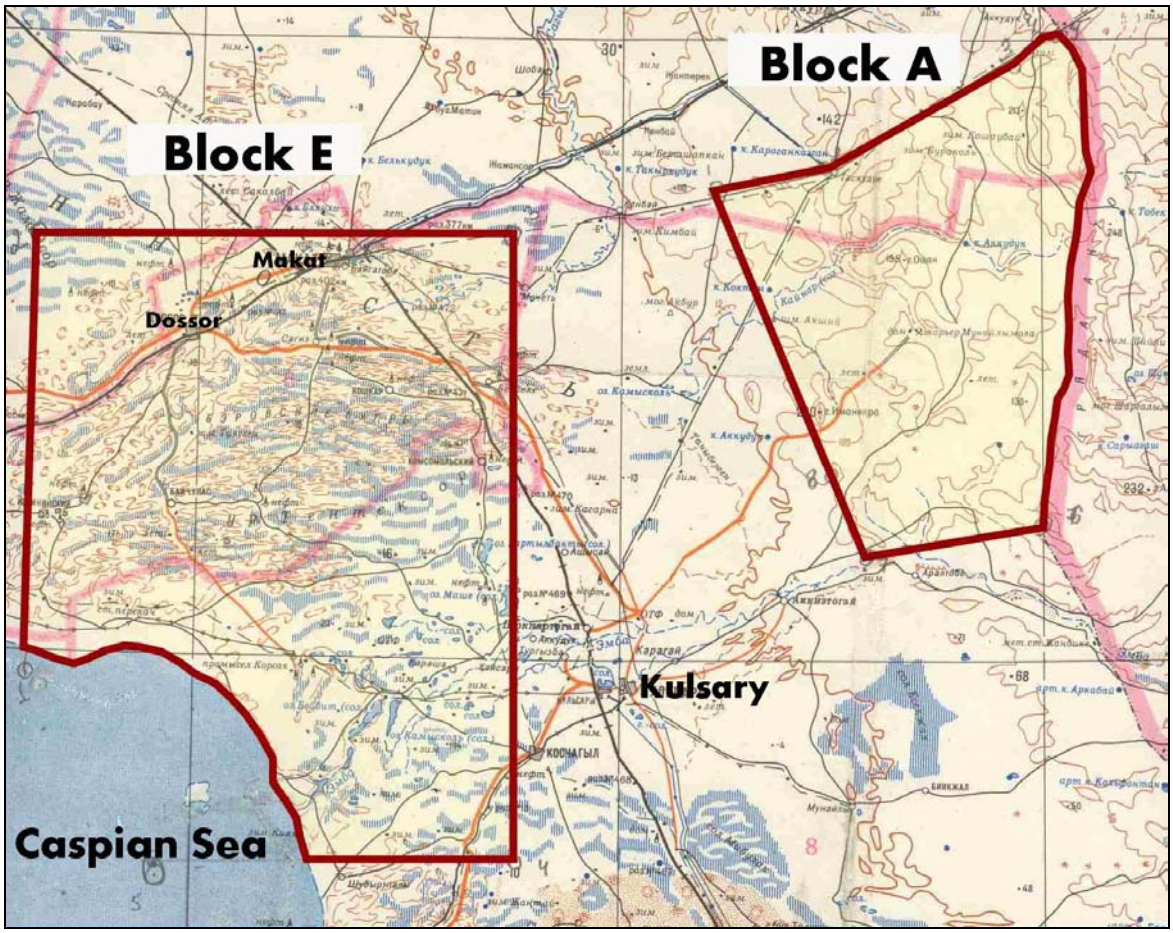


Figure 2 – Blocks A&E Local Topography Map

There are approximately 25 discovered oil fields within Blocks A&E and one additional large oil field adjacent to Block A as shown in Figure 3. In addition, there are a number of potential structures within the Blocks. Most of the wells in these fields are excluded from the Blocks A&E contract, however, they provide excellent exploration and development information for future exploration.

There are several thousand wells located within the block boundaries, most of which are located in developed fields. There is also extensive 2D seismic shot by FSU exploration companies from the 1960's to the early 1990's and some more recently collected 3D seismic data in the area.

The first oil field within Block E, called the Dossor field, was discovered in 1908 and was followed by the Makat field in 1915. Most of the existing fields in Block E were discovered by 1960 and all of the fields in Block A were discovered in the 1980's.

The last major oil discovery in the vicinity of Blocks A&E was the supra-salt Kenbay oil field discovered in the late 1980's, with original reserves of approximately 200 million barrels of recoverable oil. This field is located adjacent to the northwest corner of Block A and is currently producing from the Cretaceous, Jurassic, and Triassic reservoirs at depths from 150 to 1,200 meters.

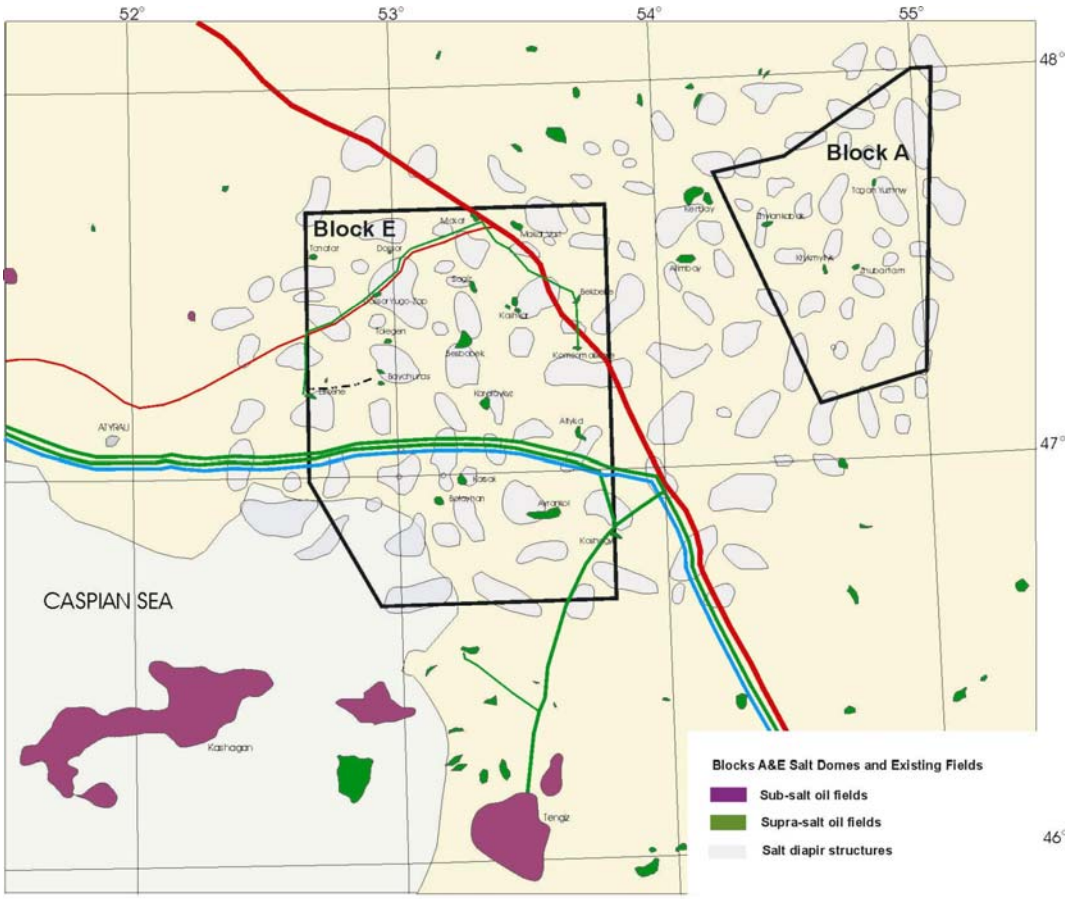


Figure 3 – Blocks A&E Salt Domes and Existing Oil Fields

All current production within Blocks A&E is from supra-salt oil fields at relatively shallow depths. The oil quality is generally good ranging from 20 to 25 degrees API in Cretaceous reservoirs and from 25 to 40 degrees API in Jurassic and Triassic reservoirs. The oil is low sulphur sweet crude. Some of the pools contain small gas caps. Most of these reservoirs have a natural water drive or solution gas drive.

To date there has been little drilling within Blocks A&E for deeper sub-salt structures, similar to Tengiz, Kashagan and other super giant oil fields. Three deep wells (with a total depth of more than 5,500 meters) were drilled in Block E and one deep well in Block A. The wells in Block E penetrated sedimentary rock in the Artinski (Lower Permian) formation up to a depth of 6,500 meters, but none of the wells reached the Carboniferous deposits. The well P-1 drilled in Block A, is located in an area excluded from the Blocks A&E contract and no data was available for this well. Based on verbal information provided by Samek's geologist this well reached carboniferous rocks, but they consisted of limestone, shale and layers of clastic rocks. No oil shows were encountered and the well was abandoned.

2.2 Contract Term and Obligations

The Exploration and Production Contract for Blocks A&E was issued to Samek on March 4, 2003 (registration number 1117). The contract has a 6 year exploration period and a 25 year production period with an expiry at the end of 2034. The owner of the contract must accept responsibility for monitoring all existing wells on the contract territory. Max has completed a baseline environmental survey of Blocks A&E. The total amount of investment commitment during the Contract term is US$50,000,000 dollars comprising US$6,000,000 during the exploration term and US$44,000,000 if a commercial discovery is declared and the production phase is entered.

The Exploration phase is for six years from 2003 to 2009 and may be extended for two

additional 2 year periods upon agreement between the Kazakh Ministry of Energy and Mineral Recourses and Samek. If a commercial discovery is made, reserves estimations must be prepared, a development plan and working program submitted for approval and royalty rates would then be negotiated. The minimum work commitment during the exploration phase is US$6,000,000 which includes the drilling of 5 new wells and the acquisition of 200 kilometers of seismic. The US$6,000,000 commitment includes US$150,000 for social payments to the provincial government, US$200,000 for the city of Astana plus a signing bonus of US$300,000. The signing bonus has already been paid. The schedule for the work commitments during the exploration term are US$500,000 per year in years 1 and 2, US$1,000,000 per year in years 3, 4 and 5 and US$2,000,000 in year 6. There is no time requirement for the balance of US$44,000,000 investment commitment during the contract term.

Any test production during the exploration phase is subject to a royalty between 2 to 6 percent, depending upon production volumes, and all of the produced oil must be sold to local refineries. During the production phase the obligation to sell to local refineries is reduced to 20 percent.

Following a commercial discovery, a commercial discovery bonus of 0.1 percent of the value of booked reserves is payable to the state. There is also a payment of up to $29,500,000 due to the state for reimbursement of historical expenses. The timing of the payment will be subject to the provisions of an additional agreement. All remaining lands that do not have discoveries would be relinquished at the end of the exploration contract. The royalty rates for the production phase may be subject to negotiation.

Block A has eight corner point coordinates and excludes 5 existing fields including Tagan Yuzhnyy (up to the top of the salt-bearing formation), Zhilankabak (up to a depth of –500 meters subsea), Krykmyltak (up to a depth of –1,500 meters subsea), Zhubantam (up to the top of the salt-bearing formation) and the Zhubantam-Zhusalysay group of structures (up to a depth of 6,500 meters).

Block E has 5 corner point coordinates and excludes 21 existing fields up to the depth of the base of the Jurassic formation or to the top of the Salt-bearing formation. The southwest edge of the block roughly follows the Caspian Sea shoreline effective on January 1, 2001.

2.3 Source and Quality of Data

Only a portion of the existing exploration data covering the Blocks was available for this report thus the opinions expressed herein should be considered preliminary. Virtually all of the data employed in the preparation of this report was obtained during a visit to Samek's Almaty office in June 2005. The data was of generally fair to good quality, consistent with the type and quality of information usually available in Kazakhstan.

There are several thousand wells drilled inside the boundary of Block A&E, but most of the wells are located inside existing oil field limits. The number of wells drilled inside the contract area but outside existing pools is unknown. According to estimations by Max, there could be several hundred shallow wells. There was no well file information available for review for most of the wells. Partial well file information was available only for three deep wells in Block E. Partial well log data was available for only one deep well. Several partial sections of logs and LAS files for a few wells inside producing fields were provided. Due to the lack of detailed information and time constraints the log data was not analyzed in detail.

Core descriptions were available only for lower intervals in the three deep wells in Block E. Very limited test information was also provided for these deep wells. No fluid or core analysis data was available for review.

An exploration report for Blocks A&E was provided, which was prepared in 2004 by the Kazakh company "Nedra". The Saxford Limited Report, commissioned by Max and

prepared in 2005, was also provided for the study.

Seismic data is essential for identification of potential hydrocarbon structures and the area was reported to be extensively covered by Soviet age 2-D seismic that led to the existing discoveries. Scanned images of 73 seismic sections were provided for this study. Seismic line location maps, seismic structure maps for selected areas and schematic maps outlining potential objects were also provided by Max.

2.4 Regional Geology

The Blocks A&E contract territory is located within the Pre-Caspian (North Caspian) Sedimentary Basin in the western part of Kazakhstan as shown in Figure 4 below. This basin is a world-class hydrocarbon province, located on the southeastern margin of the Russian Platform and covers an area of some 200,000 square miles, from the Russian border on the north and south into the northernmost part of the Caspian Sea.

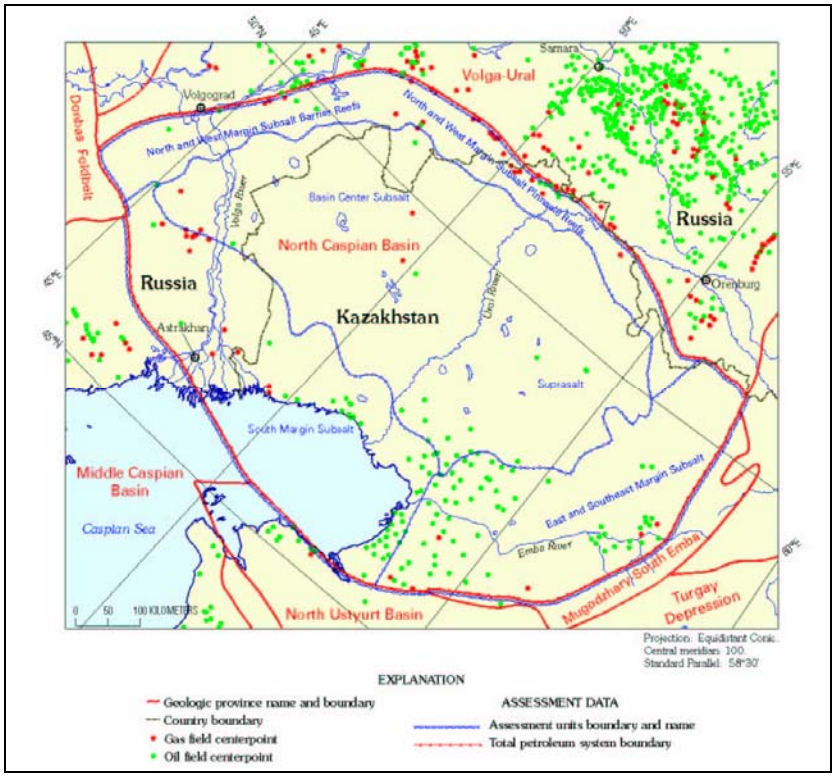
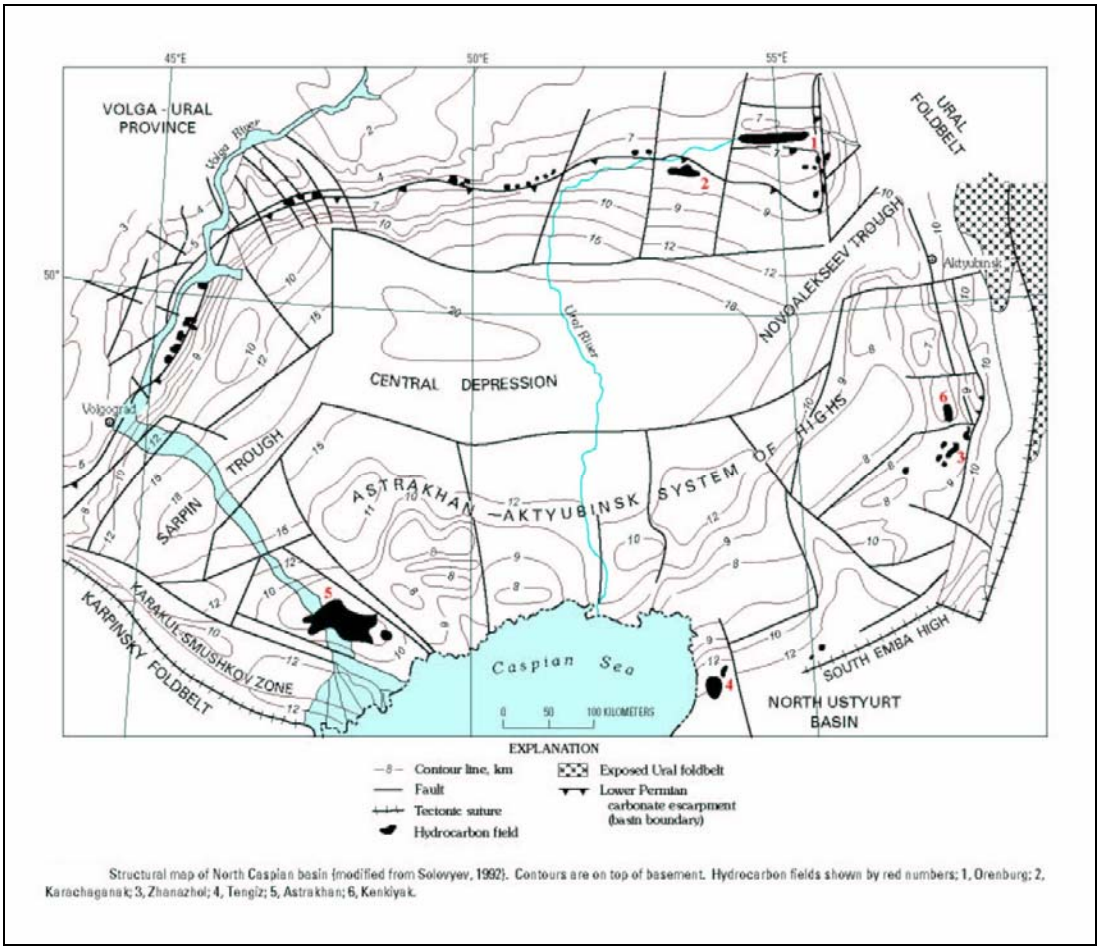


Figure 4 – Pre-Caspian Basin Location Map.

The Pre-Caspian Basin is a pericratonic depression that formed during Late Proterozoic-Early Paleozoic time. It is bounded on the east by the Mugodzhary Mountains and to the southeast and south by a series of orogenic belts. In the west, the basin is bounded by the Voronezh Massif and in the north by the Volga-Urals Platform high.

The Basin is characterized by a series of down-to-the-basin sub parallel faults along the margin of the basin, which resulted in the formation of a series of grabens, half grabens and prominent ridges (horsts). The sedimentary sequence of the basin is more than 20 kilometers thick in the central areas as shown in Figure 5 below. The deepest penetrated rocks were Upper Devonian age.



Structural map of North Caspian basin (modified from Solovyev, 1992). Contours are on top of basement. Hydrocarbon fields shown by red numbers; 1, Orenburg; 2, Karachaganak; 3, Zhanazhol; 4, Tengiz; 5, Astrakhan; 6, Kenkiyak.

Figure 5 – Pre-Caspian Basin Structure Map - Top of the Basement

Deposition within the basin is divided into two megasequences - sub-salt and supra-salt. The sub-salt deposition is characterized by thick marine carbonates and clastic deposition of Middle and Upper Devonian, Carboniferous and Lower Permian age. The carbonates were deposited as thick porous build-ups and platforms on the margin of the basin and central ridges, forming excellent hydrocarbon reservoirs. During this time, thick organic rich clastics and carbonates were deposited within the deep graben and central basin areas, forming excellent hydrocarbon source rocks.

In Middle Permian time the basin conditions became more restrictive resulting in the deposition of a thick layer of Permian Kungurian salt over the entire basin. The salt formed a basin wide hydrocarbon seal for the Paleozoic reservoir and source rocks. Hydrocarbons generated in the Paleozoic source rocks migrated into the sub-salt carbonate reservoirs along the basin margin.

The supra-salt deposition was composed primarily of non-marine clastic sediments of Upper Permian, Triassic, Jurassic and Cretaceous age. The deposition and hydrocarbon trapping of the supra-salt sequence was dominated by complex salt tectonics. There are a number of different types of structural and stratigraphic trap plays including, sediment drape along the flanks of salt domes, crestal highs over underlying salt domes and structural and stratigraphic traps under overhanging salt pillows. The oil for supra-salt pools was generated from Paleozoic sub-salt sources and migrated upwards.

The same studies suggest that Triassic and Jurassic shales could also generate some hydrocarbons for supra-salt reservoirs, but due to immature stage of these source rocks they could generate only limited amount of gas hydrocarbons.

The Pre-Caspian Basin is one of the richest hydrocarbon basins in the world. The basin contains five super-giant sub-salt fields, Tengiz (6 to 9 billion barrels of recoverable oil reserves), Karachaganak (47 trillion cubic feet of natural gas, 4.7 billion barrels of gas condensate and 1.4 billion barrels of oil), Kashagan (recently discovered on the shelf with reserves estimated to be in excess of 5 billion barrels) Zhanazhol (1 billion barrels of oil) and Astrakhan fields (located within the Russian part of the basin). In addition there are a number of smaller sub-salt fields in the basin. The depth to reservoir in these fields varies from 6,000 to 17,000 feet. A large number of shallow supra-salt oil and gas fields were also discovered in the basin. The size of these fields range from under one million barrels to more than two hundred million barrels. The depth to reservoir in these fields varies from a hundred to several thousand feet.

The geological data indicate that the principal source rocks are Upper Devonian to Lower Permian deep-water black shale facies stratigraphically correlatable to shallow shelf carbonate platforms on the basin margins. The hydrocarbon generation started in Late Permian to Triassic time, during the deposition of thick orogenic clastic rocks. Generated hydrocarbons migrated laterally into adjacent sub-salt reservoirs and vertically into Kungurian salty deposition and supra-salt clastic reservoirs.

2.5 Geology of the Blocks A&E Contract Area

2.5.1 Devonian–Carboniferous-Lower Permian Formations

The oldest penetrated rocks within the contract area are of Lower Permian (Artinskian) age but there has been no drilling in the deeper Carboniferous or Devonian rocks. These rocks are represented by dark-gray shales and sandstones with layers of dark fine-grained dolomites, limestone, marls and volcanic rocks. The presence of volcanic rocks in these deposits is clearly visible on the seismic sections. The maximum penetrated thickness of the Lower Permian deposits is 805 meters.

The carbonate reservoirs contain most of the discovered oil reserves in the Pre-Caspian Basin. They consists of reef and shallow bank limestone. The reefs are located in a very narrow belt along the platform margin. Boundstones are developed on the down slope and they are replaced deeper by argillaceous lime mudstone beds. The carbonate platforms usually have extensive inner platform deposits, a raised rim feature, steep platform margins and thick flank deposits. The platform edges are abrupt, showing a relatively rapid change from the platform top to the slope. The top of the carbonate build-up is unconformably overlain by thin Lower Permian shale that was deposited below the depth of organic carbonate sedimentation. The shale thickens rapidly on the slopes of the atolls.

The primary porosity in the carbonates is in the range of 6 to 12 percent and could be significantly higher in fracture, karsted and dolomitized zones due to secondary porosity development. The oil pools usually have common oil-water contacts despite their multi-layered internal structure. This means there is usually good vertical and horizontal communication inside the carbonate formations. The seal of the upper carbonates consist of Permian salt and anhydrite or tight carbonates and shales for oil pools inside carbonate section.

2.5.2 Salt-Bearing Formations

The Kungurian deposition unconformably overlays Artinskian rocks. This formation consists of two main zones: a salt-bearing sub-formation and a gypsum-anhydrite sub-formation. The penetrated thickness of these deposits varies from 200 to more than 1,500 meters. Kungurian deposits could be in two main structural forms – diapirs and layered bodies. Diapirs are very often close to the surface and cut overlain Mesozoic deposits forming excellent traps for hydrocarbons.

2.5.3 Supra-Salt Formations

The supra–salt formations are represented by Late Permian, Triassic, Jurassic and Cretaceous deposits. These rocks are very often broken by Kungurian salt diapirs.

The reservoir properties of Triassic, Jurassic and Cretaceous sandstones that occur at shallow depths above salt domes are excellent. The porosity is usually in the range of 20 to 35 percent and permeability from a hundred millidarcies to several darcies. Reservoir properties deteriorate somewhat in the more deeply buried Triassic and Upper Permian strata, but in the fields where these rocks are productive, porosities are higher than 20 percent and the permeability is from tens to hundreds of millidarcies.

The Upper Permian–Lower Triassic deposition can reach thicknesses of several thousand meters in the area. It consists of shallow marine molasses – shales, mudstones, sandstone, and conglomerates with layers of anhydrite. The reservoir quality is usually low. Reservoirs are usually thick but not continuous with low porosity and permeability.

The Upper Triassic rocks unconformably overly Lower Triassic sediments. The Middle Triassic is missing in this area. The Upper Triassic sandstones are significant oil-bearing reservoirs in the area. These reservoirs consist of multi-story braided fluvial channels and sandy flood plains deposits, interbedded with shale and silt. The reservoir properties are usually good with the porosity ranging between 15 and 25 percent and permeability from 20 to 1,500 millidarcies.

The Jurassic rocks are developed over the most of the basin area. They consist of marine and non-marine sandstones interbedded with silt, shale and conglomerate. The hydrocarbons in these deposits have been identified in over 50 fields in the basin and are very common in Blocks A&E. The reservoirs are represented by a variety of sand bodies very often broken by faults and salt. The porosity is in the range of 20 to 35 percent, permeability from a few millidarcies to several darcies. Seals usually consist of intra-formation shales.

The Cretaceous rocks are also developed over the whole basin area and consist of poorly consolidated sands interbedded with shale, mudstone and silt. The qualities of the reservoirs are usually good with porosities raging from 20 to 33 percent and the permeability could reach several darcies. Many fields very often contain multiple reservoirs. Intra-formation shales and Upper Cretaceous marls provide seals for most of the reservoirs. The pools are often associated with salt diapir tectonics. The oil in the reservoirs occur at shallow depths and often have been biodegraded resulting in a high oil density.

Cenozoic rocks are represented by Paleocene, Eocene and Pleistocene sandstone, siltstone and shale. The Eocene reservoirs are productive in Karaton-Tengiz zone south of Block E.

2.6 Deep Exploration Well Overview

Three deep exploration wells were drilled inside Block E in the Guriev structural high as shown in Figure 6. The Guriev structural high was identified in 1982 as result of a seismic re-interpretation program. The area of the Guriev high is approximately 8,000 sq. kilometers with amplitude of 1,700 to 1,900 meters on the base of the salt depositions. There are approximately 20 smaller local structures inside the Guriev high.

The first deep well P-1 was drilled in the Karsak area from 1987 to 1990. The well reached a TD of 5,738 meters and casing was run to a depth of 4,790 meters. The well was abandoned due to high pressure and un-suitable casing for such high pressure. The core recovered from the depth of 5,732 to 5,738 meters indicated shale and anhydrite with a small amount of H2S. The well was drilled only down to the salt-bearing Permian formation and was not deep enough to penetrate the carbonate layers.

The second well P-2 was drilled in Zharbas area. It reached a TD of 5,511 meters in 1990. The well penetrated only Permo-Triassic deposits and was abandoned due to the lack of appropriate casing.

The third well P-3 was drilled in Akatkol area. A DST was run over the interval from 6,372 to 6,455 meters and indicated a gas flow rate of only 2 to 3 m3/d. The measured formation pressure at a depth of 6,343 meters was 1,233 atmospheres. This well was abandoned due to absence of commercial oil or gas pools based on the log, core and DST data.

The deep wells were drilled in the structure high in the southern part of Block E and none of the wells penetrated carbonate reservoirs, similar to that found in Tengiz or Kashagan. All of the wells stopped drilling in the Lower Permian rocks.

2.7 Potential Deep Prospects

The future deep potential in the area could be associated with new approaches to the search for carbonate build-ups. Most of the buildups are in the basin are Carboniferous but it is possible that there may also be carbonate buildups in the Permian.

Traditionally only the top of the sub-salt deposition was used to determine uplifted areas. However, reef build-ups are not directly connected to the present day structure and could be situated in structurally low areas. Only detailed modern seismic techniques can help to locate potential non-structural carbonate prospects.

Structure maps for Blocks A&E provided by Max are shown in Figures 6 and 7 and show that the base of the Kungurian salt-bearing formation is located at a depth of 5.5 kilometers and deeper which suggests that the thickness of the Lower Permian deposits could exceed several hundred meters.

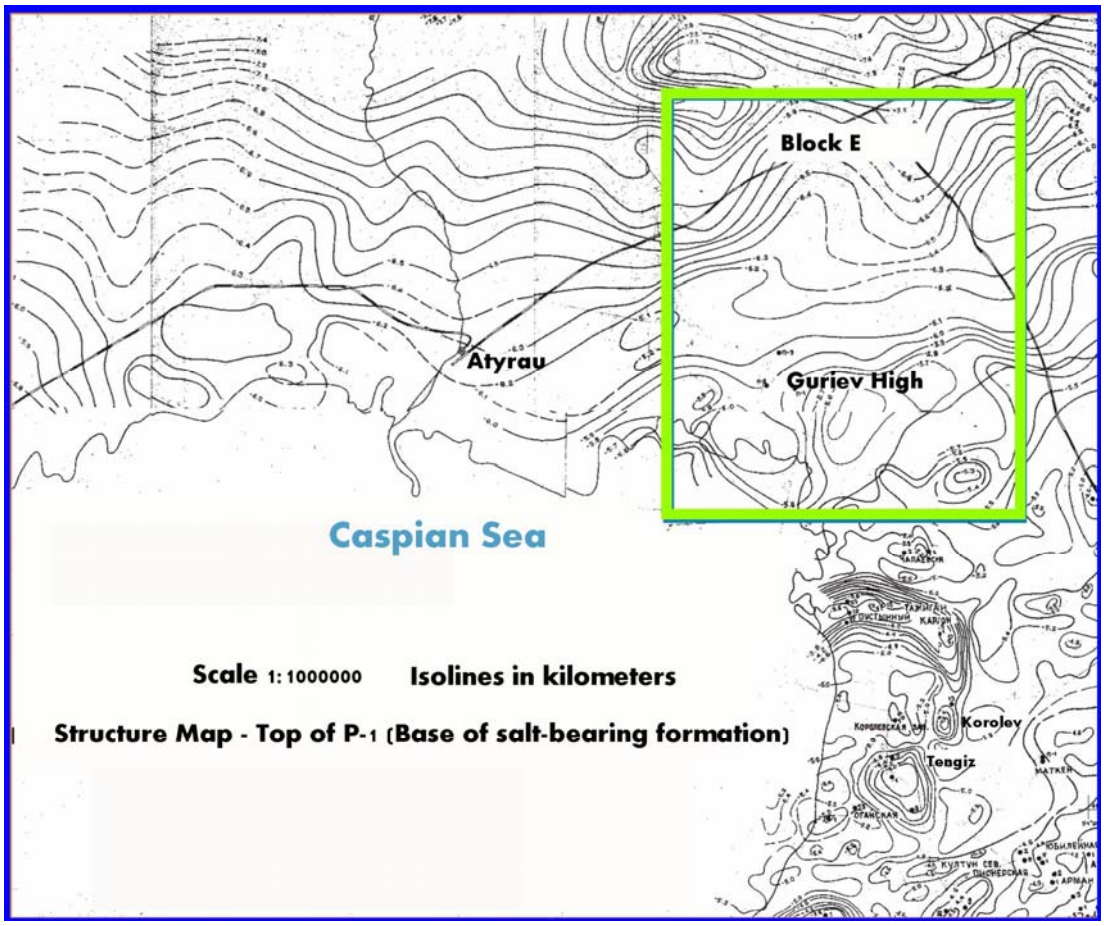


Figure 6 – Block E Structure Map on the Base of the Salt-Bearing Formation

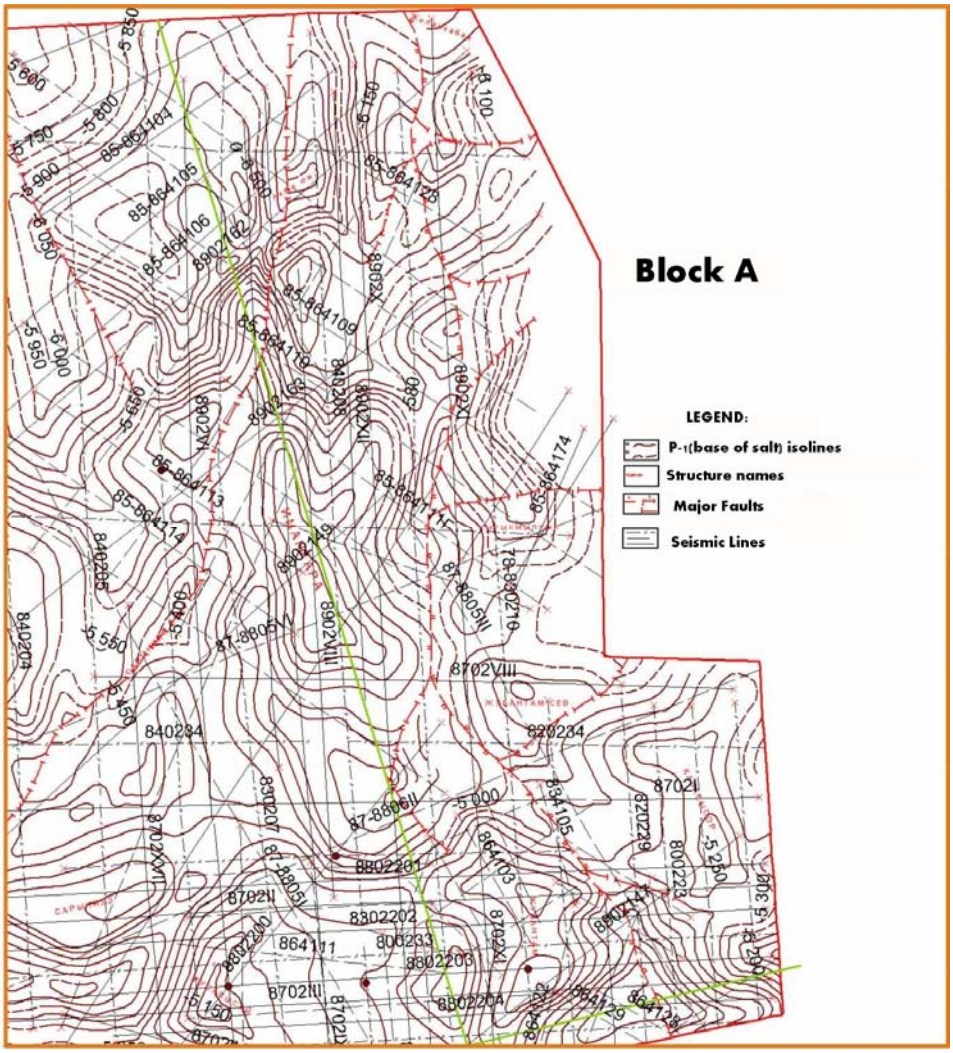


Figure 7 – Block A Structure Map on the Base of the Salt-Bearing Formation

Max is of the opinion however that the old seismic could have been incorrectly interpreted and that the depth of the carbonate buildups could be shallower. These buildups are poorly imaged on existing seismic and have not been identified in these blocks before. To confirm this theory Max is preparing a program to re-process the existing seismic and shoot new regional 2D seismic and 3D seismic for selected areas.

Max identified a number of sub-salt structures as shown in Figures 8 to 11. These structures were interpreted manually on the scanned images of time scale seismic sections. All of these objects contain salt diapirs above the structure. Detailed modeling on the salt domes and depth conversion will be required to establish that these structures are present in depth as wells as in time.

There is no doubt that Blocks A&E likely contain a number of sub-salt structures but additional work is required to identify them. Max already has a large seismic database and will need time to review and re-interpret the seismic.

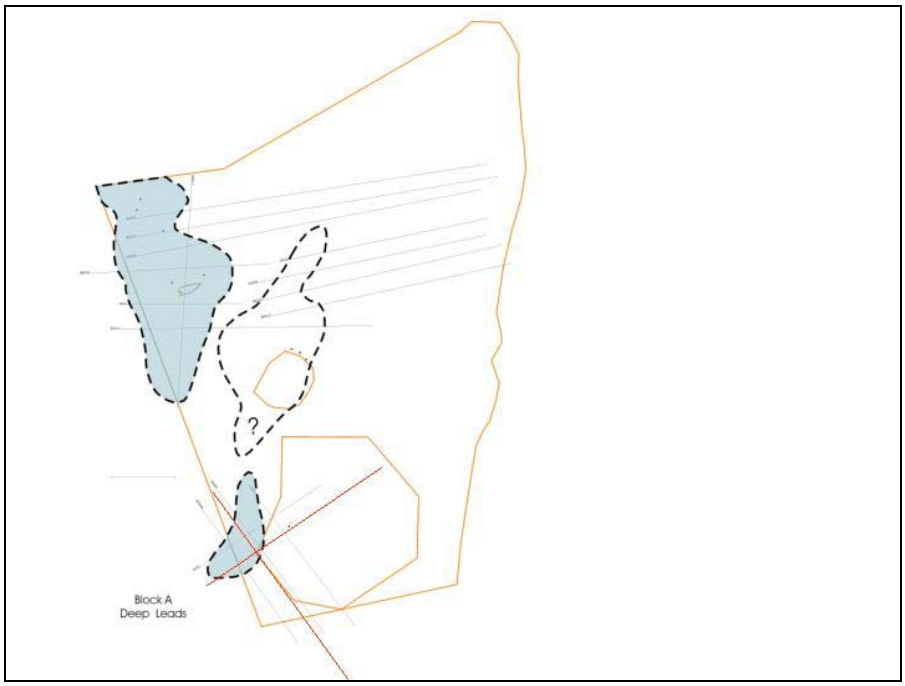


Figure 8 – Potential Deep Structure Outlines in Block A

Two deep structures were identified in the Block A as shown in Figure 8. One is in the Myrsaly area in the northwest corner of the Block and one is in the south-west corner of the Block. The structures are not completely covered by seismic to confirm closure. A seismic line with the Max interpretation is shown on Figure 9. This line identified a sub-salt structure, which has shape similar to typical carbonate build ups.

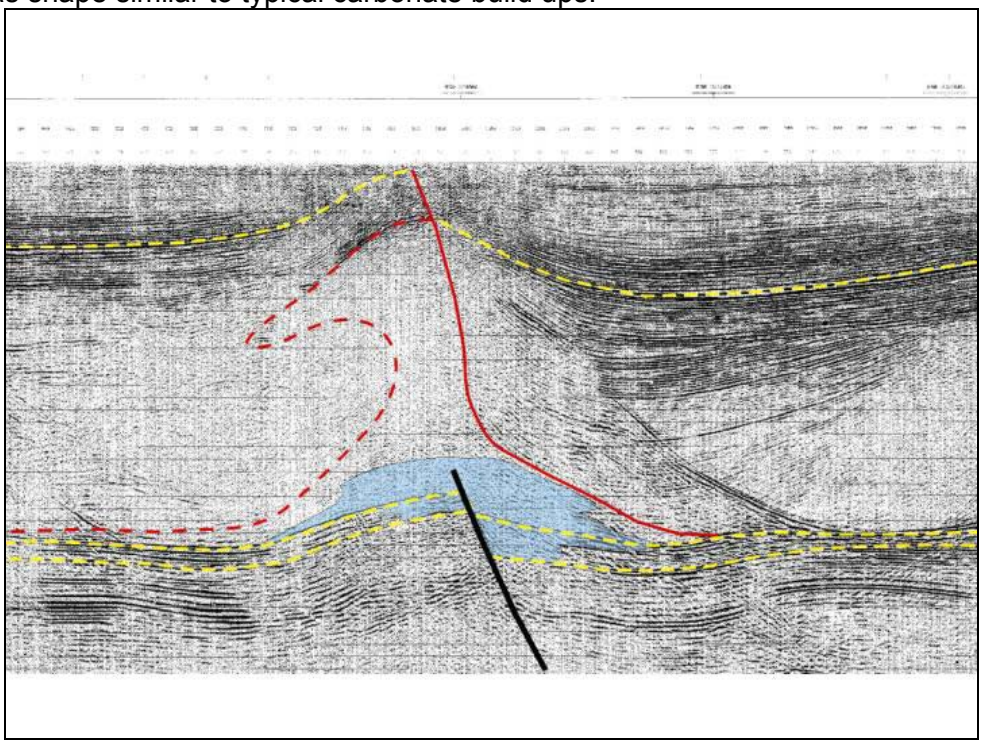


Figure 9 – Example of a Potential Sub-Salt Structure in Block A

There are number of sub-salt structures that were identified by Max on Block E. The largest structure shown in Figure 10 is called Zharzhik. This structure contains two deep wells which Max felt were not drilled in the best locations. The top of the structure could be located between the existing wells, based on Max's preliminary review of the old seismic however there is relatively poor seismic coverage, especially in the eastern area of the structure.

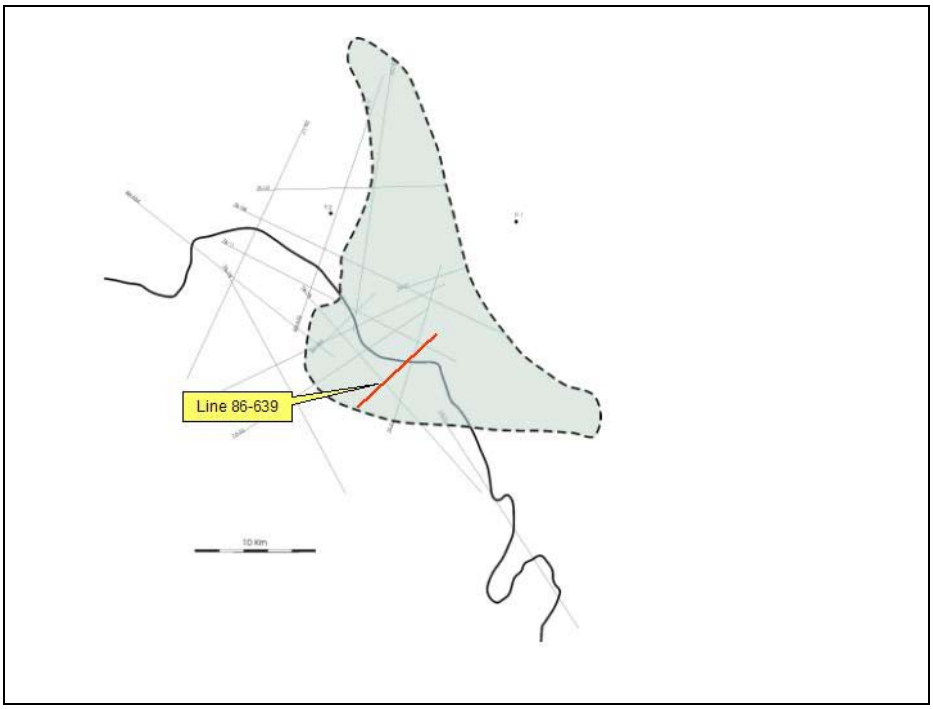


Figure 10 – Block E Zharzhik Prospect

A seismic line interpreted by Max over the Zharzhik prospect is presented in Figure 11.

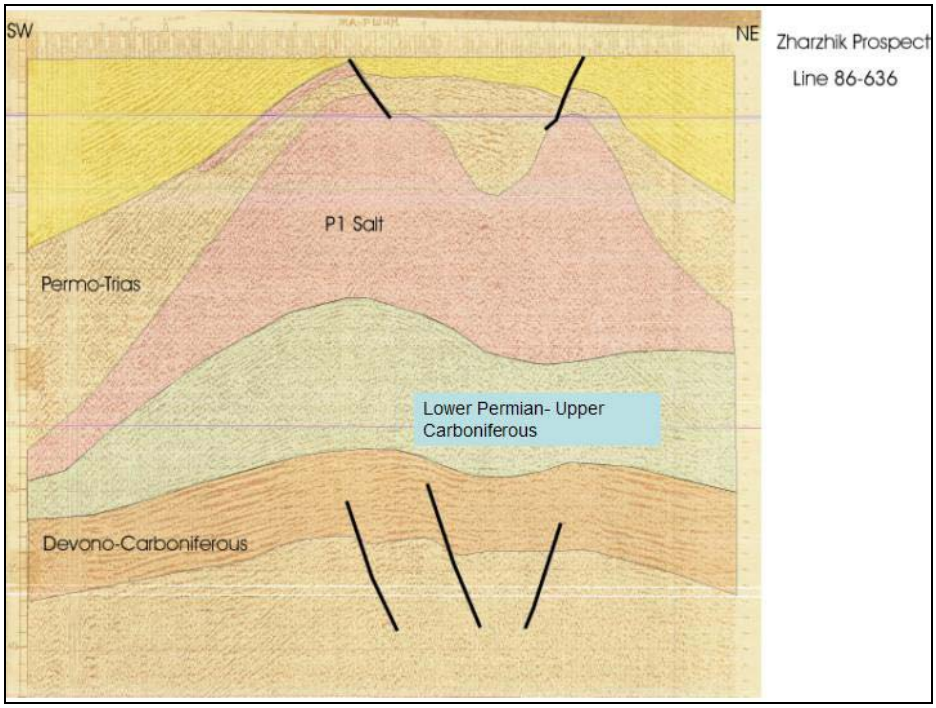


Figure 11 – Block E Zharzhik Prospect - Seismic Line 86-636 With Max Interpretation

The existence of carbonate buildups in this area has not yet been confirmed by actual drilling. The well known carbonate platform and reef system that contains many of the large reservoirs in the area were developed along the edges of the basin, south of Blocks A&E. The carbonate platform trends deeper towards the central area of the basin to the north but it is possible that there may be isolated shallower carbonate buildups in the southern area of the blocks. It may also be possible, however, that the Lower Permian, Carboniferous and Devonian deposition could consist only of clastic oil-source rocks and not carbonate reservoirs or that the Carboniferous deposits may have been partly destroyed and re-worked during the Lower Permian time.

The pressure in sub-salt deposits is likely overpressured which makes drilling and completion operations more difficult. There is some uncertainty as to the type of hydrocarbon in these potential reservoirs. It is likely they could contain gas or condensate at such pressures and temperatures.

There is also some uncertainty in the integrity of the Kungurian evaporates seal. The Tengiz atoll and the satellite Korolev pinnacle reef are effectively sealed and productive yet the Karaton and Tazhigali structures north of Tengiz contain only small pools of residual heavy oil with degraded oil in the nearby Yuzhnaya structure. It appears in this case that the oil leaked upwards through areas where the salt is thin, absent or broken by faults and was trapped in the supra-salt Mesozoic rocks in the Karaton and Tazhigali oil fields.

2.8 Overview of Existing Shallow Oilfields Within the Block Boundaries

There are 21 existing fields inside Block E, 4 fields inside Block A and one large field, Kenbay, adjacent to the Block A boundary, however these fields are excluded from the A&E Contract Area. The exclusions relate to specific areas and depth intervals thus certain deeper intervals within these fields may be included in the Contract. There are also a number of shut-in wells within the A&E Contract Area that may have reactivation potential.

Although the reserves from these fields are excluded from the A&E Contract Area, they are described below to illustrate the potential size and type of accumulations in the area.

A summary of the productive zones and reserves for the existing fields as reported by the Ministry of Energy in 1995 is presented in Table 1. The total original oil reserves for these 26 fields were estimated to be approximately 600,000,000 barrels and the cumulative production was approximately 200,000,000 barrels with minor amounts of gas at January 1, 1995. It should be noted that information on some of the fields described below was limited as the main source of information was the 1995 Ministry of Energy report.

2.8.1 Block A Fields

Tagan Yuzhnyy Field (South Tagan field)

The Tagan Yuzhnyy field is located 120 kilometers southwest of the Sagiz railway station. The structure was discovered during seismic work in 1988-1989 and the first well was drilled in 1989. The structure is associated with a normal anticline above a salt diapir divided by a central graben into two parts. The size of the structure is 1 by 1.8 kilometers with an amplitude of approximately 100 meters. There is one Cretaceous (Neocomian) and two Jurassic productive horizons, encountered at depths ranging from 150 to 290 meters. The trapping mechanism is a combination of fault limitation, facies changes and structural closure. The reservoirs consist of poorly consolidated, highly permeable sand with a gross pay thickness ranging from 3.7 to 13.7 meters. The seals are formed by shales with thicknesses from 3 to 32 meters. The reservoirs contain heavy oil with a density of 0.956 to 0.972 g/cm3. Some 21 wells were drilled in the area and five of them are productive. Tested oil rates are reported to have been less than 0.5 m3/d per well but there was no commercial production reported for this field up to 1995.

Zhilankabak Field

This field is located 35 kilometers south of the Mukur railway station. The structure was discovered by seismic in 1960 and exploration drilling started in 1981. The field is associated with a salt diapir structure and is broken by faults into nine blocks. Oil was discovered in two Jurassic horizons at depths ranging from 166 to 580 meters. The trapping mechanism is a combination of fault limitation and structural closure. The reservoirs consist of poorly consolidated, highly permeable sand with net pay thicknesses ranging from 3 to 29 meters. The seals are intra-formation shale. The reservoirs contain heavy oil with a density

of 0.918 to 0.920 g/cm3. Some 21 wells were drilled in the area and five of them are productive. Oil was tested in 11 wells in the range of 4.8 to 17.4 m3/d but there was no commercial production reported for this field up to 1995.

Krykmyltyk Field

The Krykmltyk field is located 57 kilometers southeast of the Zhanterek railway station and was discovered in 1988. The field is associated with a salt diapir related anticlinal structure broken by faults. The size of the structure is approximately 6 by 4 kilometers with an amplitude of approximately 100 meters. Oil was discovered in six Cretaceous reservoirs, four Jurassic reservoirs and in three Triassic reservoirs ranging in depth from 286 to 1,400 meters. The trapping mechanism is combination of fault limitation, facies changes and structural closure. The reservoirs consist of poorly consolidated, highly permeable sand with oil pay thickness ranging from 1 to 17 meters. The seals are intra-formational shale. Oil has a density of 0.909 to 0.935 g/cm3 in the Cretaceous, 0.877 to 0.892 g/cm3 in Jurassic and 0.921 to 0.983 g/cm3 in Triassic. The tested oil rates were reported to have ranged from 1.12 to 14.4 m3/d. One well penetrated a gas cap in the Jurassic-2 zone and gas was tested at a rate of 10,600 m3/d. The Cretaceous and Jurassic oil contains a large amount of metals of more than 100g per ton. This field is currently producing.

Zhubantam Field

The Zhubantam field is located 90 kilometers south of the Kulsary railway station and was discovered in 1985. The oil field is associated with a salt diapir related structure with the top of the salt diapir at a depth of 500 meters. The structure above the diapir is broken by faults into three parts with oil discovered in the lowest structural block. Eight productive Cretaceous reservoirs were discovered in this field at depths ranging from 390 to 560 meters. The gross oil pay thickness ranges from 4.8 to 18.9 meters and the net oil pay thickness from 1.8 to 4.7 meters. The trapping mechanism is a combination of fault limitation, facies changes and structural closure. The reservoirs consist of poorly consolidated, highly permeable sand. The seals are intra-formational shale. The oil density ranges from 0.870 to 0.928 g/cm3. The field has been suspended since 1987 and there was no reported production up to 1995.

Kenbay Field (Located adjacent to Block A)

The Kenbay field is located 90 kilometers east of the Dossor railway station just outside the boundary of Block A. It was discovered in 1986 and is the largest supra-salt oil field in the area with approximately 200,000,000 barrels of crude oil reserves and minor amounts of gas at January 1, 2005. The Kenbay field consists of two separate structures: Moldabek East and Kotyrtas North. There have been 41 wells drilled in the Kenbay field, 24 at Kotyras North and 17 at Moldabek East. Twenty of these wells were abandoned. The field was covered by 3D seismic in 2001.

The Moldabek East structure is an anticlinal fold in the Triassic–Early Cretaceous with sediments draping over the crest of a salt dome. Two north-south trending faults exist in the Triassic and Jurassic sediments but do not extend into the Cretaceous. Oil and gas are produced from three Neocomian horizons of Early Cretaceous age and from seven horizons in the Middle Jurassic. Some of the oil pools have gas caps. The depth to reservoir ranges from 190 to 810 meters and the oil-saturated thickness ranges from 1.4 to 19.4 meters. The oil density ranges from 0.877 to 0.898 g/cm3 in the Jurassic and from 0.891 to 0.930 g/cm3 in the Cretaceous. The maximum initial oil rate was reported to have been 28.9 m3/d on a 7 mm choke and the maximum gas rate in the range of 2,000 to 4,000 m3/day.

The Kotiras North structure is an anticline in supra-salt sediments in the area between two major salt domes. The Kotiras North structure is situated east of Moldabek East. The structure is complicated by a series of faults which divide it into four blocks. Oil and gas are

produced from six Triassic horizons ranging in depth from 1,050 to 1,390 meters. The oil saturated thickness is in the range of 1.2 to 16.6 meters. The oil density is in the range of 0.807 to 0.973 g/cm3 and the maximum initial oil rate was reported to have been 45 m3/d on a 7 mm choke. The field was put on production in 1996 with seven producing wells.

2.8.2 Block E Fields

Makat Field

The Makat field is located 100 kilometers east of the city of Atyrau and was discovered in 1913. The field is associated with a structure above a salt diapir. Oil has been discovered in the Lower Cretaceous (one oil pool), Middle Jurassic (three oil pools and on oil and gas pool) and Triassic (one oil pool) zones. The Cretaceous reservoir is located at a depth of 37 meters, the Jurassic reservoirs at depths ranging from 51 to 376 meters and the Triassic reservoirs at depths ranging from 516 to 526 meters. The oil-saturated thickness is in the range 2.4 to 12.8 meters. The oil density ranges from 0.803 to 0.895 g/cm3 and the initial oil rates were reported to have ranged from 0.3 to 3.3 m3/day. The field is in the final stages of its development.

Makat East Field

The Makat East field is located seven kilometers east of the Makat field and was discovered in 1988. The field is associated with an anticlinal fold on the top of a salt diapir broken by a northwest–southeast trending fault. There are nine hydrocarbon-bearing layers, one in the Cretaceous, three in the Jurassic and five in the Triassic. The reservoir depth ranges from 600 to 1,400 meters. There is one gas pool in the Jurassic and two gas pools in the Triassic. In addition to the gas pools, gas caps were encountered in two oil pools in the Jurassic and in one pool in the Triassic. The trapping mechanism is combination of fault limitation, facies changes and structural closure. The reservoirs consist of poorly consolidated, highly permeable sand with oil pay thicknesses ranging from 1 to 12 meters. The seals are intra-formational shale. The oil density ranges from 0.855 to 0.861 g/cm3 in the Cretaceous and Jurassic, and 0.788 to 0.798 g/cm3 in the Triassic. The tested oil rates are reported to have ranged from 8.8 to 37 m3/d and gas was tested at rates ranging from 26,800 to 67,000 m3/d. The field is on production at the present time.

Tantar Field

The Tantar field is located 30 kilometers south of the Dossor railway station and was discovered in 1960. The field is located on the slope of a salt diapir structure. Three Jurassic oil-bearing reservoirs were encountered at depths ranging from 28 to 140 meters. The reservoirs consist of poorly consolidated, highly permeable sand with an oil saturated thickness ranging from 9 to 15 meters. The oil density ranges from 0.844 to 0.897 g/cm3 and initial oil rates were reported to have ranged from 3.9 to 6.2 m3/d. The field is on production at the present time.

Tantar South Field

The Tantar South field is located a few kilometers south of the Tantar field and was discovered in 1950. The field is located on the slope of a salt diapir structure. The productive horizons are limited by an updip fault. Oil was discovered in three Jurassic and one Triassic reservoirs. The reservoirs consist of poorly consolidated, high permeable sand. The field has been on production since 1995.

Dossor Field

The Dossor field is located 90 kilometers east of the city of Atyrau and was discovered in

1911. The field is located on the slope of a salt diapir structure and is limited by faults. Oil was encountered in six Jurassic reservoirs at depths ranging from 30 to 300 meters. The reservoirs consist of poorly consolidated, highly permeable sand with an oil-saturated thickness ranging from 2.4 to 26.7 meters. The oil density ranges from 0.847 to 0.877 g/cm3 and the initial oil rates were reported to have ranged from 1.7 to 132.6 m3/d. The field is in the final stages of its development.

Dossor Yugo-Zapadny Field (Dossor South-East)

The Dossor South East field is located 5 kilometers south of the Makat railway station and was discovered in 1979. The field is associated with an anticlinal structure underneath a salt layer on the south-west slope of the Dossor salt diapir. The reservoir is typical clastic. The size of the structure is 1.5 by 0.9 kilometers at a depth of –3,250 meters subsea. Only one Triassic reservoir is productive in the field and has a net oil pay thickness of 12.2 meters. The pool is overpressured with an initial formation pressure of 50 MPa. The oil is very light with a density of 0.806 g/cm3 and the initial oil rate was reported to have been only 5.8 m3/d with a gas-oil ratio of 315 m3/m3. The field is suspended at the present time.

Sagiz Field

The Sagiz field is located 20 kilometers east of the Dossor railway station and was discovered in 1937. The field is located on the slope of a salt diapir structure which is broken by faults into three blocks. Twelve oil-bearing reservoirs were discovered in the field including five Cretaceous, four Jurassic and three Permo-Triassic. The reservoirs consist of poorly consolidated, highly permeable sand at depths ranging from 31 to 422 meters in the Cretaceous, 131 to 748 meters in the Jurassic and 174 to 1,083 meters in the Permo-Triassic. The oil-saturated thickness ranges from 2.4 to 11.3 meters in the Cretaceous pools, 2.25 to 18 meters in the Jurassic and 9.35 to 15.1 meters in the Permo-Triassic. The initial oil rates were reported to have ranged from 0.1 to 21 m3/day. The oil density ranges from 0.795 to 0.897 g/cm3. The field is on final stage of development.

Bekbike Field

The Bekbike field is located 140 kilometers northeast of the city of Atyrau and was discovered in 1926. The field is located on the slope of a salt diapir complicated by faults. Four oil-bearing reservoirs were encountered in the field, three in the Cretaceous and one in the Jurassic. The reservoirs consist of poorly consolidated, highly permeable sand at depths ranging from 275 to 400 meters in the Cretaceous and approximately 600 meters in Jurassic. The oil-saturated thickness is 2 to 4 meters. The oil density ranges from 0.889 to 0.893 g/cm3 and the initial oil rates were reported to have ranged up to 4m3/d. This field is on production.

Koshkar Yuzhnyy (Koshkar South) Field

The Koshakar Yuzhnyy field is located 42 kilometers southwest of the Dossor rail way station and was discovered in 1943. The field is associated with a salt diapir related structure complicated by faults. One Cretaceous and four Jurassic oil-bearing reservoirs have been discovered in the field. The reservoirs consist of poorly consolidated, highly permeable sand at depths ranging from 130 to 610 in the Cretaceous and 180 to 819 in the Jurassic. The oil-saturated thickness varies from 2.5 to 34 meters. The oil density ranges from 0.866 to 0.934 g/cm3 and the initial oil rates were reported to have ranged from 0.8 to 48 m3/day. The field is on production.

Besbolek oil Field

The Besbolek field is located 25 kilometers south-west of the Dossor railway station and was discovered in 1958. The field is located on the east and west slope of a salt diapir and is

broken by faults into a number of blocks. There are two Cretaceous, two Jurassic and one Triassic pools in the field. The reservoirs consist of poorly consolidated, highly permeable sand with net pay thicknesses ranging from 2 to more than 20 meters. The oil density ranges from 0.901 to 0.904 g/cm3 and the initial oil rates were reported to have ranged from 6 to 14 m3/day. The field is currently on production. The operator of the field is Arawak Energy Corporation who has drilled a number of new production wells over the last few years.

Iskine Field

The Iskine field is located 60 kilometers north-east of the city of Atyrau and was discovered in 1932. The field is associated with two salt diapir related structures, Iskine and Iskine North. There are two Cretaceous and one Permo-Triassic reservoirs with the depth ranging from 146 to 576 meters for the Cretaceous and 255 to 517 meters for the Permo-Triassic. The reservoirs consist of poorly consolidated, highly permeable sand with an oil-saturated thickness ranging from 3.9 to 21.6 meters. The oil density ranges from 0.793 to 0.924 g/cm3 and the initial oil rates were reported to have ranged from 1.4 to 296 m3/d. This field has been suspended.

Baychunas Field

The Baychunas field is located 85 kilometers east of the city of Atyrau and was discovered in 1927. The field is associated with a salt diapir related structure. Oil was discovered in six Cretaceous layers and one Jurassic horizon at depths ranging from 18 to 430 meters in the Cretaceous and 230 to 825 meters in the Jurassic. The reservoirs consist of poorly consolidated, highly permeable sand with an oil saturated thickness ranging from 3.6 to 11 meters. The oil density ranges from 0.799 to 0.936 g/cm3 and the initial oil rates were reported to have ranged from 0.2 to 54 m3/d. The field is on final stage of development.

Tenteksor Field

The Tenteksor field is located 130 kilometers northeast of the city of Atyrau and was discovered in 1941. The field is associated with a salt diapir related structure. There are three oil-bearing horizons, two in the Cretaceous and one in the Jurassic. The depth ranges from 80 to 239 meters in the Cretaceous and 298 meters in the Jurassic. The reservoirs consist of poorly consolidated, highly permeable sand with an oil saturated thickness ranging from 2.4 to 9.5 meters. The oil density ranges from 0.819 to 0.913 g/cm3 and the initial oil rates were reported to have ranged from 0.6 to 21.9 m3/d. The field is on final stage of development.

Karataikyz Field

The Karataikyz field is located 85 kilometers east of the Dossor railway station and was discovered in 1958. The field is situated on the slope of a salt diapir structure. Oil was discovered in six horizons in the Cretaceous and one in the Jurassic. The depth ranges from 80 to 239 meters in the Cretaceous and 298 meters in the Jurassic. The reservoirs consist of poorly consolidated, highly permeable sand with an oil saturated thickness ranging from 2.4 to 9.5 meters. The oil density ranges from 0.819 to 0.913 g/cm3 and the initial oil rates were reported to have ranged from 0.6 to 21.9 m3/d. The field has been on production since 2001. The operator of the field is Arawak Energy Corporation who has drilled a number of new production wells over the last few years.

Komsomolskoe Field

The Komsomolskoe field is located 70 kilometers southeast of the Dossor railway station and was discovered in 1935. The field is associated with a salt diapir related structure broken by faults into three blocks. There is one oil-bearing horizon in the Cretaceous in the

South block and one gas-bearing horizon in the North block at depths ranging from 191 to 346 meters. The oil-saturated thickness is 8.2 meters and the gas saturated thickness 6.3 meters. The reservoirs consist of poorly consolidated, highly permeable sand. The oil density is 0.891 g/cm3. The field has been on production since 1941.

Altykol Field

The Altykol field is located 35 kilometers northwest of the Kulsary railway station and was discovered in 1942. The field is located on the slope of a salt diapir complicated by faults. Thirteen oil-bearing reservoirs were encountered in the field, five in the Cretaceous and eight in the Jurassic. The reservoirs consist of poorly consolidated, highly permeable sand. The depths range from 158 to 243 meters in the Cretaceous and 71 to 761 meters in the Jurassic. The oil-saturated thickness ranges from 1.8 to 3.7 meters in the Cretaceous and 1.7 to 8.1 meters in the Jurassic. The oil density ranges from 0.810 to 0.830 g/cm3 and the initial oil rates were reported to have ranged from 0.2 to 67 m3/d. This field has been on production since 1960.

Karsak Field

The Karsak field is located 130 kilometers east of the city of Atyrau and was discovered in 1951. The Karsak field is located on the slope of a salt diapir complicated by faults. Nine Cretaceous oil-bearing reservoirs were encountered in the field. The reservoirs consist of poorly consolidated, highly permeable sand at depths ranging from 164 to 665 meters. The oil-saturated thickness ranges from 4.4 to 6.8 meters. The oil density ranges from 0.857 to 0.932 g/cm3 and the initial oil rates were reported to have ranged from 0.6 to 25.4 m3/d. This field has been on production since 1960.

Botakhan Field

The Botakhan field is located 65 kilometers west of the Kulsary railway station and was discovered in 1980. The Botakhan field is associated with a salt diapir related structure complicated by faults. There are two oil-bearing horizons in the Jurassic at depths ranging from 1,190 to 1,422 meters. The reservoirs consist of poorly consolidated, highly permeable sand with an oil saturated thickness ranging from 3.1 to 6.8 meters. The oil density ranges from 0.812 to 0.850 g/cm3 and the initial oil rates were reported to have ranged from 14.5 to 32 m3/d. The field has been on production since 1981.

Tolegen Field

The Tolegen field is located 25 kilometers south of the Dossor railway station and was discovered in 1937. The field is situated on the slope of an anticline structure related to a salt diapir and is complicated by faults. The top of the diapir was determined to be at a depth of 150 to 200 meters and the size of diapir 15 by 10 kilometers. There is only one Cretaceous productive horizon with an oil-water contact at a depth of 160 meters subsea. The net oil pay thickness is 8.9 meters. The reservoir contain a heavy oil with a density of 0.926 g/cm3. This field has been suspended since 1994.

Koshagyl Field

The Koshagly field is located 270 kilometers southeast of the city of Atyrau and was discovered in 1926. The field is located on the slope of a salt diapir complicated by faults. Twenty-one oil-bearing reservoirs were encountered in the field including six in the Cretaceous, ten in the Jurassic and five in the Permo-Triassic. The reservoirs consist of poorly consolidated, highly permeable sand. The reservoir depth ranges from 81 to 420 meters and the oil-saturated thickness from 2.6 to 13.6 meters. The oil density ranges from 0.827 to 0.927 g/cm3 and the initial oil rates were reported to have ranged from 1 to 320 m3/d. This field has been on production since 1935.

Ayrankol Field

The Ayrankol field is located 40 kilometers west of the Kulsary railway station and was discovered in 1944. The field is associated with a salt diapir related structure complicated by faults. There are six oil-bearing horizons in the Jurassic at depths ranging from 684 to 748 meters. The net oil pay thickness ranges from 5 to 16 meters. The reservoirs contain heavy oil with the density ranging from 0.913 to 0.949 g/cm3. This field has been suspended since 2001.

Table 1 - Summary of Reserves for Shallow Fields

Field	Block	Zone	A, B & C1 Rem. Recoverable Reserves Jan 1995 - 1000 Tonnes	Cumulative Oil Production Jan 1995 - 1000 Tonnes
Tagan South	A	Cr., J	397	0
Zhilankabak	A	J	800	0
Krykmyltuk	A	Cr., J, T	5898	?
Zhubantam	A	Cr	697	?
Kenbay	Outside	Cr., J, T	30943	?
Makat	E	Cr., J, T	332	3898
Makat East	E	Cr., J, T	2912	111
Tantar	E	J	343	242
Tantar South	E	J, T	?	?
Dossor	E	J	93	5114
Dossor South-East	E	T	153	?
Sagiz	E	Cr., J, T	92	1453
Bekbike	E	Cr., J	125	428
Koshkar South	E	Cr., J	153	2160
Besbolek	E	Cr., J, T	313	0
Iskine	E	Cr., P-T	1009	1158
Baychynas	E	Cr., J	362	3964
Tenteksor	E	Cr., J	3	354
Karataikyz	E	Cr., J	184	0
Komsomolskoe	E	Cr.	23	1245
Altykol	E	Cr., J	289	476
Karsak	E	Cr.	5739	3243
Botakhan	E	J	3008	677
Tolegen	E	Cr.	521	?
Koshagyl	E	Cr., J, P-T	481	5100
Ayrankol	E	J	?	?

2.9 Potential Shallow Prospects

Most of the shallow exploration prospects in Blocks A&E are expected to be in similar formations as the existing discovered fields within the license boundaries. A description of several of these prospects is presented below for each of the two blocks.

2.9.1 Block A Prospects

Max identified a number of shallow exploration prospects inside Block A with three of the most significant ones being Myrsaly East, Zhilankabak and Karamyrat. These shallow prospects are shown in Figure 12 below along with some of the deeper prospects.

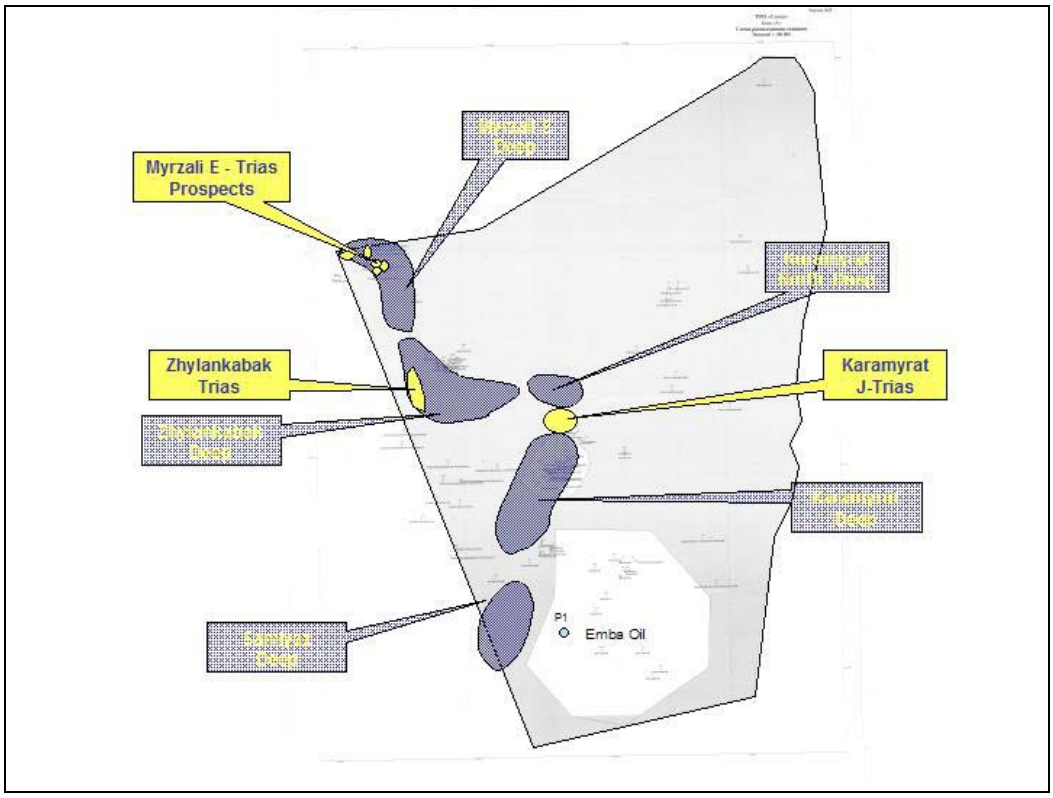


Figure 12 – Block A Shallow Prospect Location Map

Myrsaly Prospect

The Myrsaly prospect is situated due east of the major Kenbay producing oil field. The prospect is covered by reasonably good quality 2D seismic that was shot in 1987-89 and earlier. Max indicated that a number of wells have been drilled over the prospect, but that logs are not yet available. The seismic indicated the presence of a number of diapir related structures, but further seismic is required to determine the areal extent of the structure.

Well #18 is located just outside the contract area. This well tested heavy oil from six Jurassic zones with individual zone rates up to 0.9 m3/d. This structure extends to the contract boundary and could be considered one of the possible prospects. Another diapir related object was identified in the area around well #15. This well had an oil show in the core in the Triassic interval. It is possible that there may be an oil pool updip of this structure. Additional detailed geological, geophysical work is required to confirm these traps.

Zhilankabak Prospect

The Zhilankabak prospect is located south of the Myrsaly prospect. It is also associated with salt-diapir tectonics. A potential Triassic reservoir is located on the east slope of the salt diapir. There is only one seismic line (88900906) which confirms the presence of a potential object. Additional detailed geological, geophysical work is required to confirm this trap.

Karamurat Prospect

The Karamurat prospect is associated with a salt diapir structure. Traps in the Triassic and Jurassic reservoirs are expected to be on the slope of the salt diapir. The structure is based only on seismic data, but not all seismic lines are available to confirm this prospect. Additional detailed geological, geophysical work is required to confirm these traps.

2.9.2. Block E Prospects

Max identified a number of shallow exploration prospects inside Block E with five of the most significant ones being Iskine, Makat-Sagiz, Zharzhik, Aktakol and Ayrankol. These shallow prospects are shown in Figure 13 below along with some of the deeper prospects.

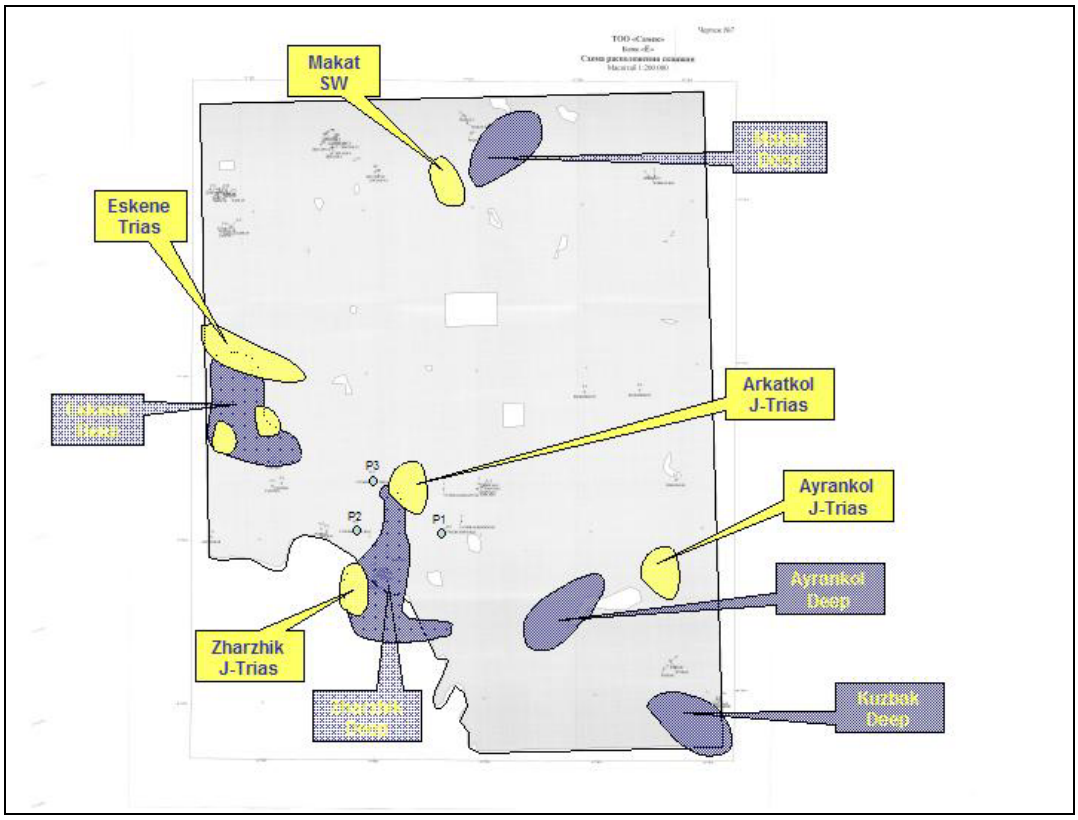


Figure 13 – Block E Shallow Prospect Location Map

Iskine Prospect

There are several opportunities in the Iskine prospect. The first is a heavy oil pool which was not developed by Kazmunaigas due to lack of heavy oil production technology. Further work is required to assess the profitability of heavy oil production in this area.

There are also a number of light oil pools which have been suspended and are available to Max for re-activation. One of these is a light oil pool in the area around well Iskine-118. This pool is reported to contain 40,000 tons of recoverable reserves of light oil (density of 0.797g/cm3), but only 1,000 tons has been recovered since 1939. Further work is required on these prospects.

Also it is possible that a number of small oil pools may exist around this field which could be identified with a 2D and 3D seismic program.

Sagiz – Makat Prospect

There are some 8 to 10 older wells leaking oil to the surface in this area. These wells were presumably drilled in the 1940's to 1960's and abandoned. The distance between wells is only 20 to 50 meters. Well names and the perforated intervals are unknown. Max intends to find out the well names, measure coordinates, find the well files, evaluate these wells and, if it is reasonable, re-enter the wells, put them on production and truck the oil to the nearby Makat field facilities.

Zharzhik Prospect

The Zharzhik prospect is another prospect associated with a salt diapir structure. A trap in Jurassic and Triassic reservoirs was interpreted from seismic data but there are no wells to confirm the structure. These potential structures are visible on seismic line 047622. Additional seismic needs to be run in this area to prove up this prospect.

Aktakol Prospect

The Aktakol prospect is also defined by seismic data only. Only two seismic lines in a north-south direction are of good quality and the east-west seismic lines are of poor quality. Potential oil bearing reservoirs are expected in the Triassic and Jurassic formations. Shallow oil show were reported at depths ranging from 8 to 118 meters in wells #11 and #8 drilled outside the structure. Additional seismic needs to be run in this area to prove up this prospect.

Ayrankol Prospect

This prospect is located in the area of an existing heavy oil field. The target is heavy oil in the Jurassic formation as well as deeper horizons underneath the existing field. Additional work is required, including a review of existing seismic, well logs, well files. New seismic should also be acquired prior to new drilling over all of these prospects.

2.10 Exploration Potential Conclusions

Max and Samek have collected a large amount of geophysical and well data from within and outside Blocks A&E. Several prospects have been identified inside the blocks based on a preliminary review of that data however much more data and analysis is required to properly assess the hydrocarbon potential of these prospects.

Based on our knowledge of the geology and hydrocarbon potential of the Pre-Caspian Basin and our limited review of the Company's data, it is our opinion that Blocks A&E contain significant hydrocarbon exploration and development potential. There is hydrocarbon potential in both deep sub-salt and shallow supra-salt deposits, although there appears to be more potential in the supra-salt deposits.

The supra salt prospects are likely to consist of small to medium size pools in the Cretaceous, Jurassic and Triassic formations associated with anticlinal structures above the salt, salt diapir and fault truncated structures, and structures underneath the salt shelf. These prospects are relatively shallow thus they can be developed and put on production much faster, and at significantly lower cost, than the deeper sub-salt deposits. On the other hand, they are likely to be somewhat smaller sized pools with lower well productivity than in the sub-salt deposits.

There have been 25 discovered supra-salt oil pools within the outlines of Blocks A&E. We believe that there is still potential for many more supra-salt pools to be discovered and that the recoverable reserves per pool will likely be similar to existing discoveries ranging from 1 to 20 mmbbls per pool.

The oil and gas potential for the deeper sub-salt carbonate deposits is difficult to determine based on the available data set. There are no known oil and gas accumulations in the area of Blocks A&E thus additional work is required to assess the oil and gas potential of these deeper prospects. In general however the potential reserves size for these deeper prospects could be significantly higher than for the supra-salt prospects however the chance of success is significantly lower.

It should again be emphasized that our opinions were based on a limited review of the

Company's data thus this report must be considered as preliminary pending a more detailed review of all the available data.

2.11 Recommendations

We recommend that prior to committing to any significant new capital expenditures for drilling, Max should obtain all the available seismic, geological and engineering data that has been acquired in the past and a more detailed review of this data should be undertaken to more clearly define the exploration potential of Blocks A&E. Re-processing and re-interpretation of existing seismic will likely be required as well as some new 2D or 3D seismic prior to any new drilling. Kazakh well logs for existing wells nearby potential prospects should also be obtained and will likely have to be digitized, re-interpreted and tied to existing seismic.

The Company indicated that its exploration and development strategy is to initially explore for and develop oil pools in the supra-salt deposits. The initial objective is to quickly bring on-stream low risk, low cost oil reserves using modern western exploration techniques. Later, exploration activity will focus on higher risk exploration for larger oil discoveries in sub-salt prospects. It is McDaniel's opinion that this is a reasonable and prudent strategy.

3. EAST ALIBEK EXPLORATION CONTRACT

3.1 East Alibek Contract Overview

The East Alibek exploration contract covers an area of approximately 79 square kilometers in Western Kazakhstan. The northern boundary of the block is located approximately 150 kilometers south of the city of Aktobe in the Aktyubinsk Oblast as shown in Figure 14.

Figure 14 - East Alibek License Location Map

There is one exploration well and seven 2D seismic lines within the contract outline. There are several producing and non-producing oil fields located in close proximity to the contract area as shown in Figure 15. These fields are operated by international and Kazakh oil companies, among them Nelson Resources Ltd., Chinese National Petroleum Corporation, BMB Holdings Inc., and Transmeridian Exploration Inc.

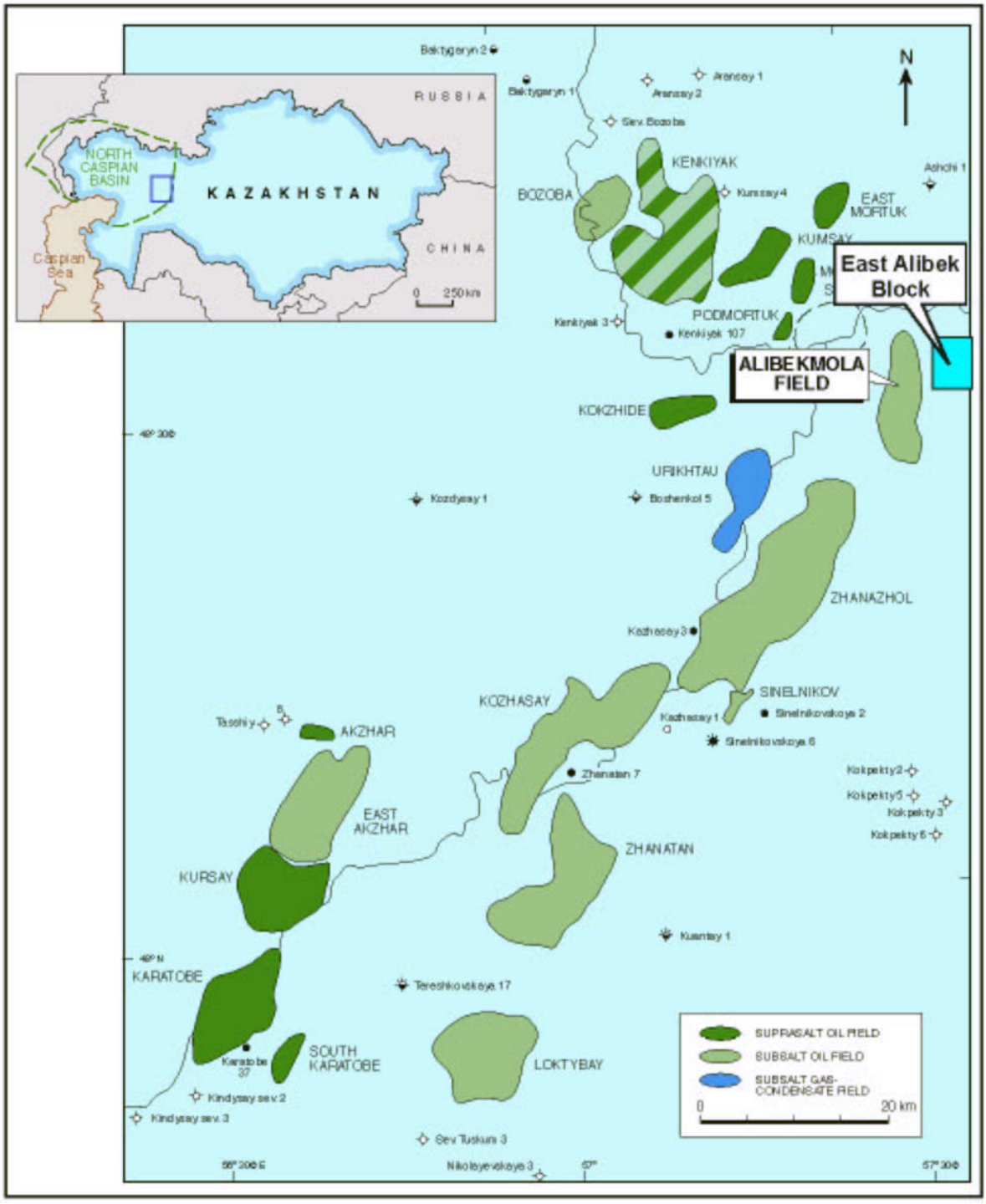


Figure 15 – East Alibek Area Nearby Fields

The East Alibek Contract area is serviced by excellent infrastructure, including electrical power lines, a good network of all weather roads and an experienced oil industry work force. The East Alibek Contract area is close to the regional rail oil transportation system and is connected by a new pipeline through the Alibekmola field to the Kenkiyak to Atyrau pipeline.

Exploration within the area began in the 1930's and initially targeted shallow, supra-salt (above the regional salt layer) oil prospects. In the 1970's, the exploration focus changed to targeting oil reservoirs in deep sub-salt (below the regional salt layer) zones which continued into the early 1990's. Several large oil fields, (some with associated gas), were discovered during this period including the Alibekmola, Zhanazhol and Kenkiyak fields. In addition to the existing producing fields, a number of undrilled exploration prospects were identified during Soviet times that may also contain recoverable hydrocarbons.

Since the end of the Soviet era in the early 1990's, very little exploration has been conducted and the primary activity has been associated with development of earlier oil field discoveries by foreign companies.

3.2 Contract Terms and Obligations

The East Alibek Exploration Contract was granted to Samek in 2003. The contract term is for 6 years to the end of 2009 with an option to be extended for two additional 2 year periods upon agreement between the Kazakh Ministry of Energy and Mineral Recourses and Samek. If a commercial discovery is made, reserves estimations must be prepared and a production contract would then be negotiated.

The minimum work program during the 6 year exploration phase is US$22,000,000 which includes the drilling of six new wells and the acquisition of 50 kilometers of seismic. There are also obligations of US$1,500,000 for social payments to the provincial government, US$650,000 for the city of Astana plus a signing bonus of US$5,250,000, all of which are part of the US$22,000,000 work program. The signing bonus has already been paid. Any test production during the exploration phase is subject to a royalty between 3 to 7 percent, depending upon production volumes, and all of the produced oil must be sold to local refineries.

Following a commercial discovery, a commercial discovery bonus of 0.1 percent of the value of booked reserves is payable. The state must also be reimbursed for historical exploration expenses of up to US$2,170,000 within 180 days of the start of commercial production. All remaining lands that do not have discoveries would be relinquished at the end of the exploration contract.

3.3 Source and Quality of Data

Most of the existing exploration data covering the East Alibek Contract area was available for this report however the opinions expressed herein should be considered preliminary. Virtually all of the data employed in the preparation of this report was obtained during a visit to Samek's Almaty office in June 2005. The data was of generally fair to good quality, consistent with the type and quality of information usually available in Kazakhstan.

Well logs were provided for only four wells in the area. These included the G-4 well, which was the only well drilled within the East Alibek contract, the Karnak-19 and Alibekmola-25 wells situated within the North Block contract area on the northeast side of the Alibekmola license and the Alibekmola-19 well situated within the Alibekmola license to the west as shown in Figure 16. Well file information, core description and DST data were available only for the well East Alibek G-4 well.

The seismic data consisted of two Kazakh paper seismic depth structure maps and ten scanned images of seismic sections. An additional 14 seismic lines located nearby the contract area also available for review. The spacing between lines is from 1.5 to 3 kilometers and were part of the late 80-s Kazakh seismic program.

The seismic maps were provided for the top of KT-2 zone, the principle hydrocarbon bearing zone in the area, and for the base of carbonate. They covered most of the East Alibek contract area and extended westward over the Alibekmola field. The seismic depth structure maps appear to have been drawn by local Kazakh technical personal sometime in the early 1990's before most of the wells were drilled in the area and based on the widely spaced 2D seismic lines.

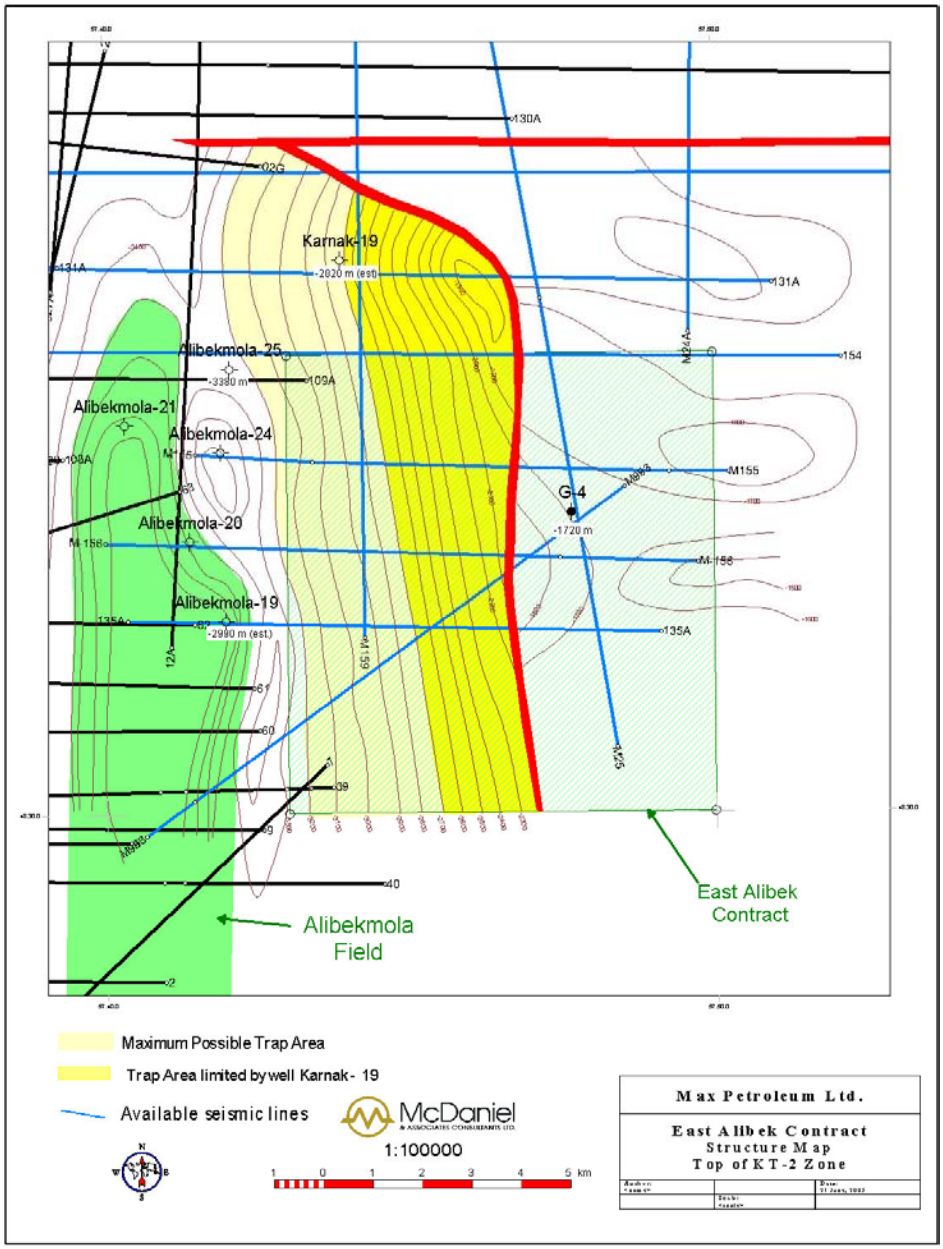


Figure 16 – East Alibek Contract – Structure Map on the Top of the KT-2 Zone.

3.4 Regional Geology

The East Alibek Contract is located within the Pre-Caspian (North Caspian) Sedimentary Basin in the western part of Kazakhstan as shown in Figure 4 in Section 2.4. This basin is a world-class hydrocarbon province, located on the southeastern margin of the Russian Platform and covers an area of some 200,000 square miles, from the Russian border in the north to the northernmost part of the Caspian Sea in the south.

The Pre-Caspian Basin is a pericratonic depression that formed during Late Proterozoic-Early Paleozoic time. It is bounded on the east by the Mugodzhary Mountains and to the southeast and south by a series of orogenic belts. In the west, the basin is bounded by the Voronezh Massif and in the north by the Volga-Urals Platform high.

The basin is characterized by a series of down-to-the-basin sub parallel faults along the margin of the basin, which resulted in the formation of a series of grabens, half grabens and prominent ridges (horsts).

The sedimentary sequence of the basin is more than 20 kilometers thick in the central areas

as shown in Figure 5 in Section 2.4. The deepest penetrated rocks were Upper Devonian age.

Deposition within the basin can be divided into two mega sequences, sub-salt and supra-salt, separated by a thick Permian salt. The sub-salt deposition is characterized by thick marine carbonates and clastic of Pre-Devonian, Devonian, Carboniferous and Lower Permian age. The carbonates were deposited as thick porous build-ups (bioherms) and platforms on the margin of the basin and central ridges, forming excellent hydrocarbon reservoirs. During this time, thick organic rich clastic and carbonates were deposited within the deep graben and central basin areas, forming excellent hydrocarbon source rocks. Sub-salt oil and gas fields are numerous and significant hydrocarbon producers in Kazakhstan. The Alibekmola oil field located on the west side of the East Alibek Contract is an example of such a sub-salt oil field.

In Middle Permian time the basin conditions became more restrictive resulting in the deposition of a thick layer of Permian Kungurian salt over the entire basin. The salt formed a basin wide hydrocarbon seal for the Paleozoic carbonate reservoirs and oil rich source rocks. Hydrocarbons generated in the Paleozoic source rocks migrated into the sub-salt carbonate reservoirs along the basin margin.

The supra-salt deposition was composed primarily of non-marine clastic sediments of Upper Permian, Triassic, Jurassic and Cretaceous age. The deposition and hydrocarbon trapping of the supra-salt sequence was dominated by complex salt tectonics. There are a number of different types of structural and stratigraphic trap plays including, sediment drape along the flanks of salt domes, crestal highs over underlying salt domes and structural and stratigraphic traps under overhanging salt pillows.

The Pre-Caspian Basin is one of the richest hydrocarbon basins in the world. The basin contains five super-giant sub-salt fields, Tengiz (6 to 9 billion barrels of recoverable oil reserves), Karachaganak (47 trillion cubic feet of natural gas, 4.7 billion barrels of gas condensate and 1.4 billion barrels of oil), Kashagan (recently discovered on the shelf with reserves estimated to be in excess of 5 billion barrels) Zhanazhol (1 billion barrels of oil) and Astrakhan fields (located within the Russian part of the basin). In addition there are a number of smaller sub-salt fields in the basin. The depth to reservoir in these fields varies from 6,000 to 17,000 feet. A large number of shallow supra-salt oil and gas fields were also discovered in the basin. The size of these fields ranges from under 1,000,000 barrels to more than 200,000,000 barrels. The depth to reservoir in these fields varies from a hundred to several thousand feet.

3.5 Geology of the Alibekmola Oil Field

The Alibekmola oil and gas field is the closest field to the East Alibek contract area as shown in Figure 16. Alibekmola is situated on a large north-south trending anticline bounded on the west by a major north-south trending fault and on the east, north and south by steeply dipping beds intersecting water contacts. Exploration began in 1985 and the field was discovered in 1987. A total of 24 exploration and appraisal wells were drilled in the field between 1985 and 1994. Oil and gas was discovered in two Carboniferous age organic rich detrital limestone beds referred to as the KT-1 and KT-2 zones at depths between 1,800 and 3,700 meters. The north-south fault on the west side of the structure separates the Alibekmola field from the South Alibekmola oil field. Closure in the Alibekmola field is up to 500 meters and the productive area of the field at the KT-2 level is approximately 16 km long by 5 km wide. The upper zone KT-1 contains a gas cap above an oil zone.

According to published data, the gas-oil contact in the KT-1 zone was encountered at a depth of –1,671 meters subsea, the oil-water contact in the KT-1 zone at a depth of –1,772 meters subsea and the oil-water contact in the KT-2 zone at a depth of –3,300 meters subsea. The porosity system is a combination of fractures, vugs and primary intergranular matrix porosity. Porosity ranges from 6 to 12 percent, but can be as high as 18 percent.

Permeability is good ranging from 15 and 25 md. Oil production test rates are reported to have ranged up to a maximum of 259 m³/day (2,000 bopd). The maximum gas rate from the KT-1 zone was 76,000 m3/d. The Alibekmola crude oil has a gravity of about 38° API and a sulfur content of 1.1 to 1.2 percent.

Public information indicates approximately 70 wells will be required to develop the Alibekmola field. Published estimates for the Alibekmola field indicate proved, probable and possible recoverable reserves of approximately 400,000,000 bbls.

3.6 Geology of the East Alibek Contract Area

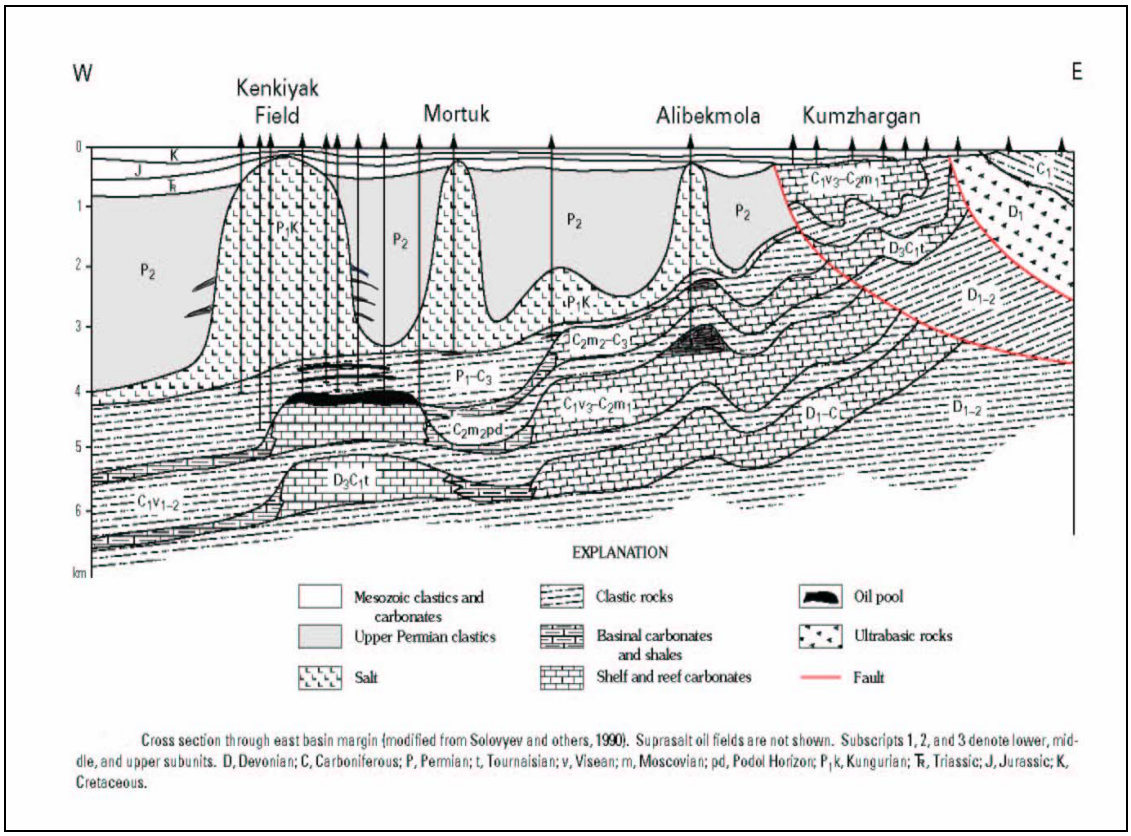
The East Alibek contract area has seen very limited exploration with only 1 exploration well and seven 2D seismic lines although there is potential for recoverable hydrocarbons in the same productive KT-1 and KT-2 formations as in the neighboring Alibekmola field. A discussion of the geological characteristics of the East Alibek contract area is presented below.

3.6.1 Traps

All of the seismic depth structure maps and seismic sections show a trough separating the Alibekmola oil field from a large positive structure underlying the west half of the East Alibek contract which terminates against a major north-south fault with a throw of several hundred meters. The structure is interpreted to be a tilted half-graben developed on the downthrown (west) side of the major north-south fault which separates the graben from an up-thrown (up-thrusted) horst block. This faulted structure is present on all of the Kazakh seismic structure maps and is reproduced in Figure 16.

The major bounding fault and dipping beds of the half-graben structure can clearly be seen on the all east-west seismic sections, confirming the Kazakh seismic structural interpretation.

The fault is tilted from the west to the east and is part of the Sakmaro-Kokpektinsko-South-Emba fault system, which forms the limit of the basin as shown in Figure 17.



Cross section through east basin margin (modified from Solovyev and others, 1990). Suprasalt oil fields are not shown. Subscripts 1, 2, and 3 denote lower, middle, and upper subunits. D, Devonian; C, Carboniferous; P, Permian; t, Tournaisian; v, Visean; m, Moscovian; pd, Podol Horizon; P_1k, Kungurian; Tr, Triassic; J, Jurassic; K, Cretaceous.

Figure 17 – Schematic Cross Section Through the Alibekmola Field and the East Alibek Contract.

This fault is interpreted to change direction from east–west in the northern part of the area (see Figure 16) to north-south in the southern part of the area creating the trap in the north and east direction. The fault is imaged on the seismic as the wide zone of broken reflection as shown in Figure 18.

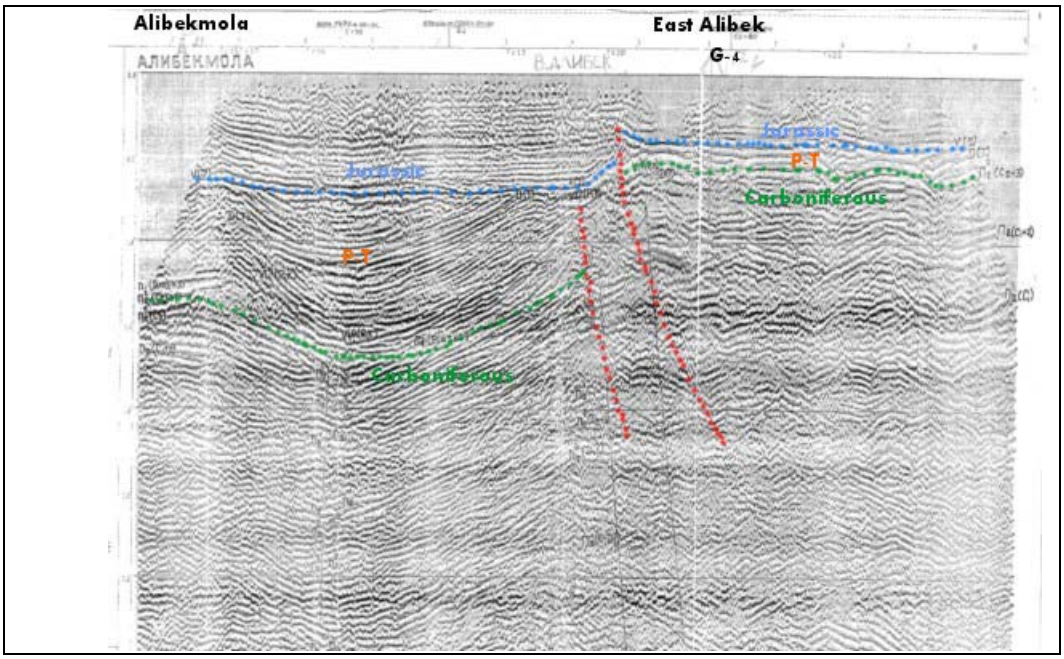


Figure 18 – Seismic Section #155 Through the Alibekmola Field and the East Alibek Contract.

The direction of movement on this fault is combination of lateral and vertical with major stress from the southeast. The fault is combination of strike-slip and thrust and cuts all

deposits below the Cretaceous. This trap could have existed since Late Jurassic time.

The east and north closure of the structure (by the bounding fault) and the west closure (by the trough separating the East Alibek structure from the Alibekmola structure) can be clearly seen on the seismic sections.

There is only one seismic line in the north-south direction in the west half of the East Alibek contract thus there is some uncertainty in the closure of the structure in the north direction. The structure does not appear to be closed in the south area and Max is not aware of the existence of any seismic in this area.

The shape of the trap, interpreted from existing seismic lines, is simplified due to the large spacing between lines and the poor quality of seismic processing. It is likely that a number of smaller faults exist in the area and the shape of trap is more complicated, possibly with a number of smaller traps.

The Kazakh seismic mapping on the east side of the fault, on the up thrown horst block, is of much poorer quality and indicates that only low relief structures are likely at the KT-2 horizon.

The structure for the KT-1 and KT-2 horizons is likely to be very similar however in our opinion the KT-1 and KT-2 seismic horizons on the west side of the north-south bounding fault cannot be correlated east across the fault onto the up-thrown horst block.

3.6.2 Source Rocks and Hydrocarbon Migration

The source rocks in the region are the Devonian, Lower and Middle Carboniferous and the Lower Permian clastic and carbonate deposits located in the inner part of the basin. The hydrocarbons generated in the source rocks migrated laterally and up dip into adjacent carbonates on the edges of basin. The time of hydrocarbon migration could be estimated to be from Triassic to present time. Considering that traps have existed since Jurassic time, the potential pool could be charged with hydrocarbons. A schematic diagram of the hydrocarbon system of the Pre-Caspian Basin is presented in Figure 19.

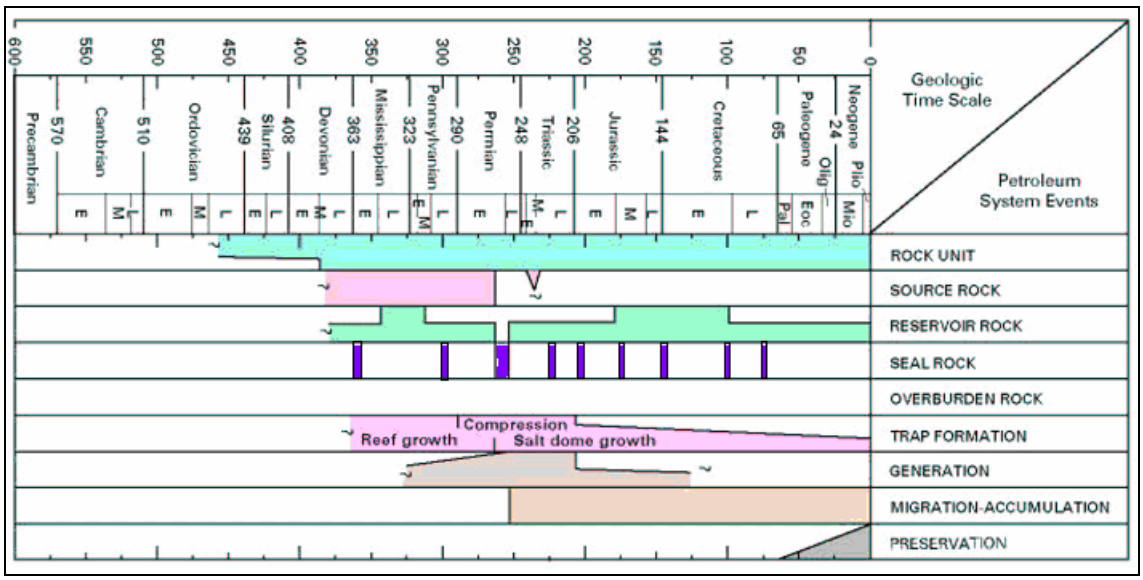


Figure 19 – Schematic Hydrocarbon System of the Pre-Caspian Basin.

3.6.3 Hydrocarbon Seal

The hydrocarbon seal in the East Alibek Graben block is expected to be similar to that for

the Alibekmola field. For the KT-2 zone the seal consists of intraformational shales and tight carbonates. The seal for the KT-1 zone consists of thick Kungurian evaporates.

The presence of a gas accumulation in the KT-1 zone in the Alibekmola field and not in the KT-2 zone could be explained by the presence of a more effective seal in the KT-1 preventing the loss of the more mobile gas.

The updip seal within the KT-1 and KT-2 zones is interpreted to be the major bounding fault. The high structure elevation and relatively shallow depth of reservoirs could have led to highly overpressured conditions at the top of the structure resulting fracturing of the reservoir and the subsequent loss of hydrocarbons. There is in fact some evidence of hydrocarbons leaking to the surface with bitumen in the shallow deposits above the fault to the south of the East Alibek contract.

The oil and gas potential of the Horst block on the east side of the East Alibek contract area is low, if in fact the major bounding fault is sealing, as there would be no other major sources for hydrocarbons in this area. If this major bounding fault is not sealing and hydrocarbons were leaking to the surface, the potential of the Horst block would also be low.

Obvious seals for the carbonate reservoirs on the Horst block are absent as there are no Permian salt deposits present above the carbonates. There are only non-marine, non-continuous Permo-Triassic clastics overlying the Carboniferous rocks. There are also no clastic layers (MKT formation) present in this block thus the only possible seals would be tight carbonate layers within the Carboniferous.

The intraformational shales and tight carbonates in the base of KT-2 could be considered as seals for Lower Carboniferous – Upper Devonian clastic reservoirs.

3.6.4 Potential Reservoirs

Graben Block

The main potential reservoirs on the Graben block are similar to the reservoirs in the Alibekmola field. The reservoirs are expected to be predominantly KT-1 and KT-2 shallow marine and reefal carbonates as shown in the lithological-stratigraphic chart in Figure 20.

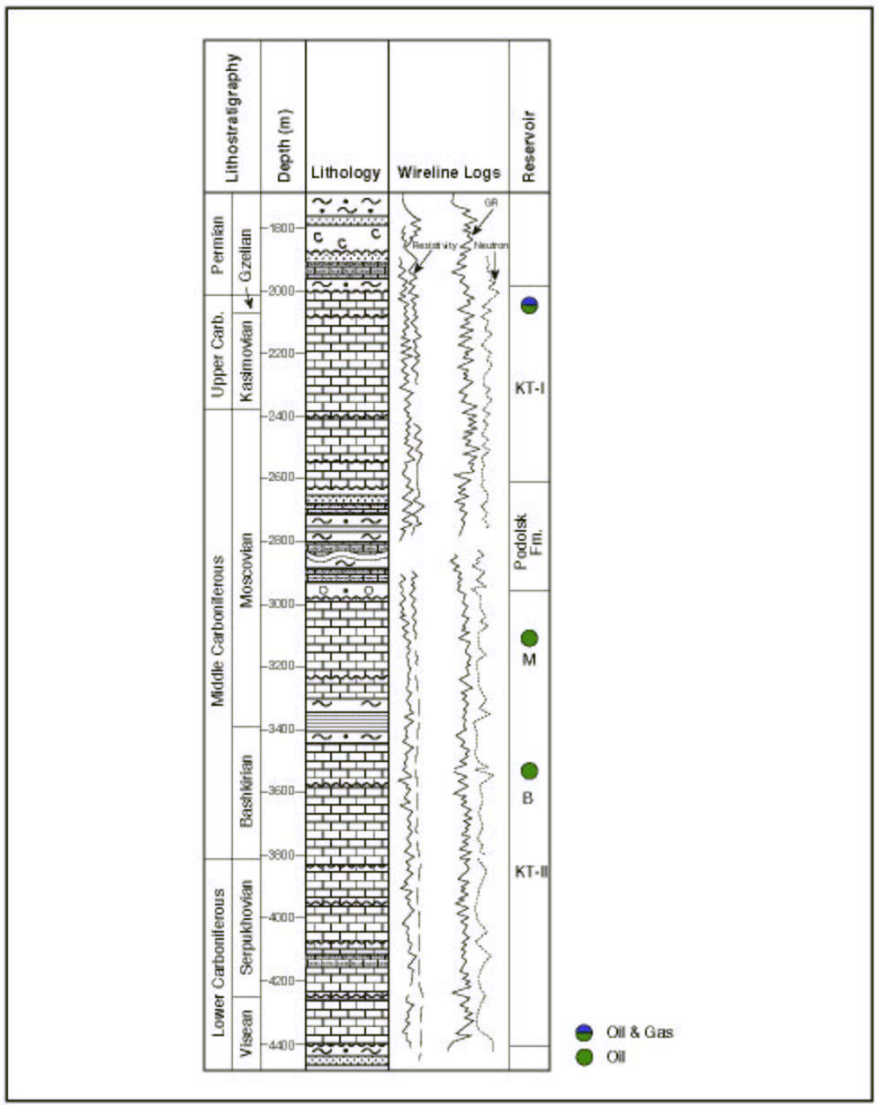


Figure 20 – Lithological-Stratigraphic Chart of the East Alibek Contract

The KT-2 zone has relatively low porosity and permeability in wells Karnak-19, Alibekmola-19 and Alibekmola-25 however it could improve in the areas close to fault and in higher structural positions. The depth to the top of KT-2 reservoir in the Graben block is expected to be only 1,800 meters in the top of the structure as compared to approximately –2,700 meters in Alibekmola.

The KT-1 zone is likely to have much better quality than the KT-2 zone in this area. The top of the KT-1 in the Graben block is expected to be above 1,000 meters subsea in the highest part of the structure as compared to approximately –1,700 meters in Alibekmola.

Horst Block

The G-4 well, located on the horst block, illustrates a very different depositional and tectonic setting than seen on the graben side of the fault and in the Alibekmola and Zhanazhol oil fields. The present day geological section on the horst is characterized by a very thin Mesozoic section and no salt or anhydrite evaporate deposits. The top of the KT-1 and KT-2 carbonate intervals in the G-4 well occur at a depth of only 815 meters and 1,920 meters respectively in contrast to the Alibekmola-25 well, situated on the west side of fault in the graben, where the KT-1 horizon is found at a depth of 2,660 meters and the KT-2 at a depth of 3,570 meters.

There are no porous reservoirs inside the carbonate formations in the G-4 well comparable

to Alibekmola field. McDaniel & Associates interpreted a total of 53 meters of permeable intervals inside carbonate section of the well G-4 but with a porosity of only 6 to 8 percent using a six percent porosity cutoff.

There is more potential in the Lower Carboniferous–Upper Devonian clastic reservoirs. A number of sand intervals were interpreted to have good reservoir quality above a 9 percent porosity cutoff however the areal extent of these reservoirs is unknown and the productivity is not defined.

3.7 Summary Of Exploration Well Results

3.7.1 G-4 Exploratory well

The G-4 well is the only well drilled within the East Alibek contract area. The well is located on the east side of the north-south bounding fault, on the Horst block, approximately eight kilometers from the Alibekmola field. The well appears to have been drilled on the slope of a seismic structural high, however the structural closure is only poorly seen on the available seismic data.

The G-4 well was spudded in December 1987 and reached a total depth of 4,133 meters in March 1989. The drilling mud density was relatively high at 1.32-1.36 g/cm3. The well was cased but was not tested due to lack of funds. The casing was run to the depth of 3,850 meters. The official status of the well is suspended, waiting on initial production testing. Since the well is cased, it may be possible to re-enter the well and conduct production testing, which would save the cost of drilling a new well.

McDaniel & Associates was provided with a scanned copy of a composite well log and paper copies of a detailed log for number of intervals. The composite log included Caliper, SP, GR and Neutron curves as well as three resistivity curves, scanned from 1,050 m to TD. The log was a typical hand-drawn color Soviet style composite log at a scale of 1:500. The well file information was provided for review including drilling history, core description, a short DST results and log interpretation summary.

The KT-1 zone was penetrated at a depth of 815 meters. No potential reservoirs were interpreted in this zone. The MKT zone was penetrated from 1,720 to 1,920 meters. It consists of limestone and shaley limestone. The DST was performed over the interval from 1,763 to 1,824 meters. The draw down was 140 atmospheres, but no inflow was recorded in this interval.

The KT-2 zone was penetrated at a depth of 1,920 meters. A total of 53 meters of permeable reservoir was interpreted in this zone. A DST was run over the interval from 2,326 to 2,439 meters. An inflow of only 3.2 m3 of drilling mud was recovered during the 60 minute flow period.

The Lower Carboniferous clastic rocks were penetrated at a depth of 3,342 meters. More than 40 meters of potential reservoirs were interpreted in this well, but there was no test information to confirm the presence of hydrocarbons.

3.7.2 Karnak-19 Exploratory well

The Karnak-19 well was drilled approximately one mile northwest of the East Alibek contract, within the North Block contract area. The well is situated on the northwest flank of the East Alibek seismic structure within the graben and penetrated a thick carbonate section similar to the productive carbonate section in the Alibekmola and Zhanazhol fields.

The Karnak-19 well reached a total depth of 4,300 meters in 1990. The status of the well is unknown and was presumably abandoned without casing.

McDaniel was provided with a copy of a composite well log for the Karnak-19 well for review. The composite log included Caliper, SP, GR Sonic and Neutron curves as well as four resistivity curves, recorded from surface to TD. The log was a typical hand-drawn color Soviet style composite log at a scale of 1:500. Only a limited log interpretation summary was available and no formation temperature or formation water resistivity data was provided.

There appears to be 60 meters of porous carbonate potential pay in the KT-1 zone, similar in thickness to the Alibekmola field. The top of this interval is below the oil water contact in the Alibekmola field. The KT-2 zone appears to have about 15 meters of porous carbonate potential pay, all of which is located above the oil water contact of the Alibekmola field. The calculated water saturation of these intervals is below 50 percent using calculation parameters similar to Alibekmola field. Production testing is required in both of these intervals to confirm the presence of hydrocarbons.

3.7.3 Alibekmola-19 Exploratory well

The Alibekmola-19 well is located within the north-east part of the Alibekmola license. Based on the numbering of the well (No.19), it appears that the well was drilled during the late 1980's as part of the exploration of the Alibekmola field. The well reached a total depth of 3,720 meters, but apparently was not tested and was abandoned.

The available well log was of poor quality and therefore only a cursory interpretation could be made of the hydrocarbon potential in this well. The potential KT-1 carbonate reservoir appears to be wet. The potential KT-2 carbonate zone was penetrated at a depth of –3,080 meters subsea and interpreted to have approximately 13 meters of net oil pay.

3.7.4 Alibekmola-25 Exploratory well

The Alibekmola-25 well is situated within the North Block contract area in the structurally low area between northeast part of the Alibekmola license and the major structural high on the East Alibek Contract (see Figure 16). The Alibekmola-25 well was drilled as part of the exploration of the Alibekmola oil field. The well was presumably drilled in 1989-1990 and reached a total depth of 3,720 meters.

The Alibekmola-25 well penetrated the KT-1 zone at a depth of 2,660 meters and the KT-2 zone at a depth of 3,569 meters (-3,369 meters sub sea). The potential KT-1 carbonate interval in this well is permeable but completely water-saturated. The potential KT-2 interval consists of tight non-permeable carbonate although the well penetrated only the top 270 meters of the KT-2 carbonate zone.

3.8 Exploration Potential Conclusions

The East Alibek Contract area is currently at the exploration stage of development. Only one exploration well has been drilled within the contract outline (well G-4) and three other exploration wells (Karnak-19, Alibekmola-25 and Alibekmola-19) were drilled just outside the contract area in the relatively low, down-dip structural areas to the west and northwest. None of these wells recovered hydrocarbons although they all encountered porous carbonate intervals that may be hydrocarbon bearing in more favorable structural positions.

Since there is very limited well and seismic data available at this time, only general opinions of the hydrocarbon potential can be provided along with a range of potential recoverable oil resources. The discussion of this potential was subdivided into three separate prospects; the KT-1 and KT-2 zones in the Graben area on the west side of the contract and all other zones in the Horst area on the east side of the Contract.

3.8.1 KT-1 Zone in the Graben Area

The graben area located to the west of the main north-south bounding fault contains the large titled fault block shown on the seismic maps and seismic sections. The KT-1 zone has a relatively consistent porous and permeable interval in the four wells reviewed in this report. The KT-1 zone in the Alibekmola field has both oil and gas and is underlain by water, as does the KT-1 in other nearby oil fields, thus it is likely that the East Alibek graben structure is partially filled with gas and partially filled with oil. The risks associated with this zone include presence of a trap, effectiveness of the seal and the risk of a gas pool or the presence of a gas cap.

A preliminary analysis of potential recoverable oil volumes was prepared based on our opinion of the uncertainty associated with each of the relevant parameters. This analysis indicated that the recoverable oil resources would likely be in the range of 5 to 60 mmbbls within the contract area.

3.8.2 KT-2 Zone in the Graben Area

The KT-2 zone is the primary crude oil reservoir in most of the nearby oil fields including the Zhanazhol, Kenkiyak and Alibekmola fields. The structural features and hydrocarbon potential of the KT-2 zone in the East Alibek area are very similar to the KT-1 zone however the net pay thickness appears to be somewhat more variable. The KT-2 crude is under-saturated in the Alibekmola field thus there is a smaller likelihood of a gas cap although since the top of the structure in the East Alibek area is much higher than in the Alibekmola field, there is likely a small gas cap in the higher, lower pressure areas of the structure.

The risks associated with this zone include presence of a trap, reservoir quality and thickness, effectiveness of the seal and the risk of a gas pool or the presence of a gas cap.

A preliminary analysis of potential recoverable oil volumes was prepared based on our opinion of the uncertainty associated with each of the relevant parameters. This analysis indicated that the recoverable oil resources would likely be in the range of 3 to 50 mmbbls within the contract area.

3.8.3 Horst Area

The Horst area is located to the east of the main north-south bounding fault and contains the G-4 well. In our opinion the oil potential in the horst area is not likely to be significant. However, due to the relatively shallow depth, further exploration may be worthwhile.

3.8.4 Conclusions

It is our opinion that the East Alibek Contract has fair to good crude oil exploration potential. Most of this potential is in the Carboniferous KT-1 and KT-2 zones in the graben area on the western side of the East Alibek contract. Total crude oil potential was estimated to be in the range of 10 to 100 mmbbls within the contract area.

3.9 Recommendations

For further exploration on the East Alibek Contract area, it is recommended that the following work be conducted:

1. Collect and review all remaining well data for the four wells reviewed in this report.

2. Re-process and re-interpret all of the seismic lines in the East Alibek Contract.

3. Run new 2D and possibly 3D seismic prior to drilling any further exploration wells.

4. Consider recompletions in potential pay intervals in the G-4 well.

4. PROFESSIONAL QUALIFICATIONS

McDaniel & Associates Consultants Ltd. has over 50 years of experience in the evaluation of oil and gas properties. McDaniel is registered with the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA). Mr. Bryan Emslie, Senior Vice President and partner of McDaniel & Associates, and Mr. Anatoli Tchernavskikh, Senior Geologist with McDaniel & Associates, were responsible for the preparation of this report. Mr. Emslie has in excess of 25 years of experience in the evaluation of oil and gas properties and Mr. Anatoli Tchernavskikh has in excess of 10 years. All of the persons involved in the preparation of this report and McDaniel & Associates are independent of Max Petroleum Plc.

In preparing this report, we relied upon factual information including ownership, technical well and seismic data, contracts, and other relevant data supplied by Max Petroleum Plc and Samek LLP. The extent and character of all factual information supplied were relied upon by us in preparing this report and has been accepted as represented without independent verification. We have relied upon representations made by Max Petroleum Plc as to the completeness and accuracy of the data provided and that all data proved to us was lawfully acquired.

This report was prepared by McDaniel & Associates Consultants Ltd for Max Petroleum Plc for inclusion in the AIM Admission Document and shall not be relied upon for any other purpose and is not to be reproduced, distributed or otherwise made available, in whole or in part, to any person, company or organization other than Max Petroleum Plc without the knowledge and consent of McDaniel & Associates Consultants Ltd. McDaniel has given its consent in writing to the inclusion of this report in the AIM Admission Document in accordance with the AIM rules. We reserve the right to revise any opinions provided herein if any relevant data existing prior to preparation of this report was not made available or if any data provided is found to be erroneous.

Sincerely,

McDANIEL & ASSOCIATES CONSULTANTS LTD.

"signed by B. H. Emslie"
B. H. Emslie, P. Eng.

"signed by A. Tchernavskikh"
A. Tchernavskikh, P. Geol.

BHE/AT:po
[05-380]

PERMIT TO PRACTICE
McDANIEL & ASSOCIATES CONSULTANTS LTD.
Signature "signed by P. A. Welch"
Date Wednesday, October 26, 2005
PERMIT NUMBER: P 3145
The Association of Professional Engineers, Geologists and Geophysicists of Alberta

PART IV
ACCOUNTANTS' REPORT ON THE COMPANY

The following is the full text of a report on Max Petroleum Plc from Sawin & Edwards, the Reporting Accountants, to the Directors of Max Petroleum Plc and Nabarro Wells & Co. Limited:

Your ref:
Our ref: 1M1237-WKS-PSC-TMR

REGISTERED AUDITORS
PARTNERS:
WITOLD SAWIN FCA
KEELEY EDWARDS FCCA

The Directors
Max Petroleum Plc
Ground Floor
No 11 Albemarle Street
London
W1S 4HH

The Directors
Nabarro Wells & Co Limited
Gutter Lane
London
EC2V 6HS

27 October 2005

Dear Sirs

Max Petroleum Plc

We report on the financial information set out below relating to Max Petroleum Plc. This financial information has been prepared for inclusion in the Admission Document dated 27 October 2005 of Max Petroleum Plc, on the basis of the accounting policies set out in note 1 to the financial information. This report is required by the Prospectus Directive Regulation and AIM rules and is given for the purpose of complying with those regulations and rules and for no other purpose.

Responsibilities

The Directors of Max Petroleum Plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document dated 27 October 2005, a true and fair view of the state of affairs of Max Petroleum Plc as at 30 June 2005 and of its loss for the period then ended, in accordance with the basis of preparation set out in note 1 to the financial information.

Profit and loss for the period 8 April 2005 to 30 June 2005

	Note	£
Turnover		30,000
Administration expenses		(418,577)
Operating loss		(388,577)
Interest received		1,344
Loss for the period		(387,233)

Balance sheet as at 30 June 2005

		£
Fixed assets		
Tangible fixed assets		821
Investments	2	5,206,678
Current assets		
Debtors	3	63,502
Cash at bank		263,353
		326,855
Current liabilities		
Creditors	4	(91,588)
Net current assets		235,267
Net assets		5,442,766
Capital and reserves		
Called up equity share capital	5	4,237,999
Share premium	5	1,592,000
Profit and loss account	8	(387,233)
Equity shareholder's funds		5,442,766

Cash flow statement for the period 8 April 2005 to 30 June 2005

	Note	£
Net cash outflow from operating activities	6	(360,442)
Returns on investment and servicing of finance		
Interest received		1,344
Capital expenditure and financial investment		
Fixed asset investments		(5,206,678)
Tangible fixed assets		(870)
Financing		
Proceeds from share issues		5,829,999
Increase in cash	7	£263,353

Notes to the Financial Information:

1. Accounting Policies

Basis of Accounting
The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign Currencies
Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange gain or loss is dealt with in the profit and loss account.

Turnover
Turnover represents services provided during the period.

Investments
Fixed asset investments are carried at cost less provisions for any permanent diminution in value.

Fixed assets and depreciation
Depreciation is calculated so as to write off the cost of the asset, less its estimated residual value over the useful economic life of that asset, as follows:

Fixtures and fittings	3 years straight line

2 Fixed asset investments

	£
Contract deposits paid to Samek LLP	1,774,921
Loans advanced to Samek LLP	3,431,757
	5,206,678

Samek LLP is a Kazakhstan registered limited liability partnership.

The contract deposits and loans are in connection with the acquisition of 80% of Madiran Investment BV, a company registered in the Netherlands.

3	**Debtors**	**£**
	Called up share capital	25,000
	Other debtors	38,502
		63,502

4	**Creditors**	**£**
	Trade creditors	69,266
	Accruals	20,000
	Other creditors	2,322
		91,588

5	**Authorised share capital**	**Number**	**£**
	Ordinary shares of 15p each	400,000,000	60,000,000
	Issued share capital		
	Ordinary shares of 15p each	28,253,329	4,237,999

On incorporation (8 April 2005), the company issued 100 £1 Ordinary shares at par for a consideration of £100.

On 13 April 2005 the company issued 50 £1 Ordinary shares at par for a consideration of £50.

On 13 April 2005 the Ordinary shares of £1 were converted into Ordinary shares of 15p on the basis of 100 15p Ordinary shares for every 15 £1 Ordinary shares.

On 13 April 2005 the authorised share capital was increased from £10,000 to £30,000,000.

On 13 April 2005 the company issued 9,998,997 Ordinary 15p shares at par for a consideration of £1,499,850.

On 22 April the authorised share capital was increased from £30,000,000 to £60,000,000.

On 22 April 2005 the company issued 2,333,332 Ordinary 15p shares at par for a consideration of £349,999.

Between the period from 12 May 2005 to 17 June 2005, the company issued 15,920,000 15p shares at 25p per share for a consideration of £3,980,000 resulting in a premium of £1,592,000.

6	**Reconciliation of operating loss to net cash flow from operating activities**	**£**
	Operating loss	(388,577)
	Increase in debtors	(63,502)
	Increase in creditors	91,588
	Depreciation	49
	Net cash outflow from operating activities	(360,442)

7	**Reconciliation of net cash flow to movement in net funds**	**£**

Opening net funds	-
Increase in cash in period	263,353
Closing net funds	263,353

8	**Profit and loss account**	**£**
	Balance at 8 April 2005	-
	Loss in the period 8 April 2005 to 30 June 2005	(387,233)
	Balance at 30 June 2005	(387,233)

9 Post balance sheet events

9.1 On 4 August 2005 the company undertook a share capital re-organisation so that the authorised share capital of £60,000,000 was subdivided such that:

9.1.1 each of the existing issued ordinary shares of 15p were subdivided into one ordinary share of 0.01p and one deferred share of 14.99p; and

9.1.2 each of the unissued ordinary shares of 15p were subdivided into one ordinary share of 0.01p and one deferred share of 14.99p.

9.2 On 5 August 2005 the company issued:

9.2.1 134,100,000 ordinary 0.01p shares for cash at par for a total consideration of £13,410; and

9.2.2 23,467,000 ordinary 0.01p shares at 25p per share for a total consideration of £5,866,750, including a share premium of £5,632,080.

9.3 On 13 September 2005 the company re-registered from a private limited company to a public limited company.

9.4 On 12 October 2005 the Company completed the acquisitions of 80% shareholdings in Madiran Investment B.V. ("Madiran) and Sherpico Investments Limited ("Sherpico").

Madiran is a company registered in the Netherlands and is the holding company of Samek International LLP ("SI"), the Kazakhstan limited liability partnership to whom Samek has assigned its rights under the A&E Contract.

Sherpico is a company registered in England and Wales and is the holding company of Samek Development Enterprise LLP ("SDE"), the Kazakhstan limited liability partnership to whom Samek has assigned its rights under the East Alibek Contract.

By acquiring 80% of the share capitals of Madiran and Sherpico, the Company has indirectly acquired 80% interests in the A&E Contract and the East Alibek Contract because Madiran and Sherpico respectively own 100% of the charter capital of SI and SDE, the assignees of the Contracts.

The total aggregate consideration for the acquisitions of 80% of Madiran and Sherpico is US$33,650,000 in cash and 134,100,000 Ordinary Shares. The consideration has been satisfied by the Company except that US$24,050,000 of the cash consideration, has been deferred pending registration of SI and SDE as contractors under the A&E Contract and the East Alibek Contract respectively.

Samek has received a total payment of US$9,600,000 in consideration for its agreement to assign its rights under the Contracts to SI and SDE. This payment has

been made by the Company and has been offset against the non-deferred element of the cash consideration payable to the vendor in respect of the acquisitions.

9.5 On 13 October 2005, the Company entered into shareholders agreements with Horizon Services NV ("Horizon"), the residual 20% shareholder in Madiran and Sherpico. Pursuant to the shareholders agreements, the Company and Horizon have agreed inter alia, that:

9.5.1 the Company shall have the right to appoint up to three directors and Horizon shall have the right to appoint one director to the boards of Madiran, Sherpico, SI and SDE;

9.5.2 Horizon shall at any time have the right to sell its 20% shareholding in Madiran and Sherpico to the Company in consideration for such number of Ordinary shares as have a market value equal to 20% of the value of the Contracts at the relevant time; and

9.5.3 the Company will provide up to US$300,000,000 in aggregate of anticipated exploration and production expenditure which funding will be provided by way of secured loans.

9.6 On 26 October 2005 the Company agreed a settlement of proceedings brought against the Company and two other parties in Alberta, Canada in relation to the Contracts. The terms of the settlement are that the plaintiffs will discontinue the proceedings in consideration for payments of US$500,000 and £525,000 of which the payment of £525,000 will be satisfied by the issue and allotment to the plaintiffs of 1,500,000 ordinary 0.01p shares credited as fully paid.

Declaration

For the purposes of the Prospectus Directive Regulations and AIM rules, we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document, in compliance with Prospectus Directive Regulations and AIM rules.

Yours faithfully

SAWIN & EDWARDS
Chartered Accountants

PART V
DETAILS OF THE ACQUISITIONS

1. Structure of the Acquisitions

The rights under the Contracts have been acquired, subject to Registration, by two Kazakhstan registered limited liability partnerships, Samek International LLP ("SI") and Samek Development Enterprise LLP ("SDE") from Samek LLP ("Samek") as the original contractor with the MEMR under the Contracts.

100% of the charter capitals of SI and SDE are held by a Dutch registered company, Madiran Investment BV ("Madiran") and an English registered company, Sherpico Investments Limited ("Sherpico") respectively.

On registration the charter capitals of SI and SDE were held as to 51% by Samek and as to 49% by Madiran (in the case of SI) and Sherpico (in the case of SDE).

On 21 September 2005 Samek transferred 51% of the charter capital of SI to Madiran and 51% of the charter capital of SDE to Sherpico for a total aggregate consideration of US$9,600,000.

On 12 October 2005, a Delaware registered company, Sokol Holdings Inc. ("Sokol") acquired 80% of the issued share capitals of Madiran and Sherpico from a Dutch Antilles company, Horizon Services NV ("Horizon") and immediately sold on its interests in Madiran and Sherpico to Max the same day. The transfer of the shares in Madiran and Sherpico from Sokol to Max also completed on 12 October 2005.

Horizon is the ultimate vendor of the shares acquired by Max in Madiran and Sherpico and has agreed to give the same warranties, representations and undertakings as Sokol to Max in relation to the Acquisitions. Samek has also agreed to guarantee the warranties, representations and undertakings of Horizon to Max in respect of the Acquisitions and to provide assistance in procuring Registration. The terms of the sale and purchase agreements between Max, Sokol and Horizon (as guarantor) and of the deeds of further assurance between Max and Samek are summarised below.

Horizon has retained its residual 20% shareholdings in Madiran and Sherpico and on 13 October 2005 entered into shareholders agreements with Max in relation to Madiran, Sherpico, SI and SDE, the terms of which are summarised below.

2. The A&E Acquisition

2.1. A&E Principal Agreement

Max and Sokol are parties to a Principal Agreement dated 12 October 2005 in relation to the A&E Acquisition ("A&E Principal Agreement") pursuant to which:

(a) the Company agreed to purchase and Sokol agreed to sell 14,400 shares of Eur1 each in Madiran, representing 80% of the total issued share capital of Madiran (the "Sale Shares");

(b) the total aggregate consideration for the sale and purchase of the Sale Shares ("Consideration") is US$18,000,000 plus 82,000,000 Ordinary Shares ("Consideration Shares"), of which:

  (i) US$2,700,000 of the cash consideration has been offset by Max against the same amount lent by Max to Samek pursuant to the Samek A&E Loan

Agreement (details of which are summarised in paragraph 9.9 of Part VI of this document);

(ii) US$15,300,000 has been deferred ("Deferred Consideration") and is payable on and subject to satisfaction of certain conditions precedent as referred to further below; and

(iii) the Consideration Shares were allotted and issued to Sokol and its nominees on 5 August 2005 in advance of Completion;

(c) the conditions precedent to payment of the Deferred Consideration ("Conditions Precedent") include Registration and Admission. In the event that the Conditions Precedent have not been satisfied by 15 December 2005:

(i) Max shall have the right to call for the return to it or its nominees of the Consideration Shares for a call option price of 0.01p per share; and

(ii) Sokol shall have the right to call for the return to it or its nominees of the Sale Shares subject to Sokol procuring the repayment to Max of the US$2,700,000 loan to Samek under the Samek A&E Loan Agreement and the transfer of the Consideration Shares to Max or its nominees;

(d) Horizon and Sokol have agreed to give certain warranties, representations and undertakings to Max in relation to Madiran, SI, the A&E Contract and the transactions contemplated by the A&E Principal Agreement.

The A&E Principal Agreement is governed by and construed in accordance with the laws of England and Wales and includes independent arbitration provisions in the case of a dispute as regards its validly, breach or termination.

The A&E Principal Agreement was signed and completed on 12 October 2005.

2.2 A&E Shareholders Agreement

On 13 October 2005, the Company and Madiran entered into a shareholders agreement with Horizon ("A&E Shareholders Agreement") as the residual 20% shareholder in Madiran whereby the Company and Horizon have agreed to regulate their relationship as shareholders in Madiran and as parties indirectly holding 80% and 20% interests respectively in the A&E Contract and in particular have agreed:

(a) that the Company may appoint up to three directors and Horizon may appoint one director to the board of directors of Madiran and SI;

(b) that certain key decisions will not be taken without the prior written consent of all the shareholders including the acquisition of natural gas, exploration, production, development or transportation rights; the disposal of or the creation of any encumbrance over any part of the assets of either Madiran or SI including the rights and obligations of SI under the A&E Contract; altering the articles or other constituent documents of any subsidiary of Madiran which would materially alter the rights of the shareholders; granting any options or other rights to subscribe for shares in Madiran or SI; and passing any resolution to wind up Madiran or SI;

(c) that the Company will provide funding of up to US$200,000,000 for anticipated exploration and production expenditure on the A&E Contract Area provided that (i) such expenditure is first unanimously approved by the directors of Madiran; (ii) Max, Madiran and SI first enter into a loan facility agreement with Max on terms to be agreed; and (iii) Max is first entitled to take security over the assets of Madiran and SI;

(d) that any distribution of revenues to the shareholders of Max will be after repaying Max in respect of any such advances;

(d) that Horizon may at any time sell its 20% interest in Madiran to the Company in which case the consideration payable by the Company to Horizon will be the issue of such number of Ordinary Shares as equates (by reference to the average of the aggregate mid-market closing prices for the Ordinary Shares on AIM on the 30 business days immediately preceding the date of completion of the transfer) to 20% of the then attributed market value of the A&E Contract as agreed or assessed by a competent geologist appointed by either party;

(e) that no transfer of shares in Madiran may take place other than to an affiliate of the transferor without such transferor having procured an offer to be made by the transferee for all the shares in the capital of Madiran at the same price and on the same terms as the proposed transfer from the transferor and without the shares to be transferred having first been offered to the other shareholders at the same price and on the same terms as the transfer to the proposed transferee.

The A&E Shareholders Agreement is governed by and construed in accordance with the laws of England and Wales and includes independent arbitration provisions in the case of a dispute as regards its validly, breach or termination.

2.3 A&E Deed of Further Assurance

On 12 October 2005, Max and Samek entered into a deed of further assurance ("A&E Deed of Further Assurance") pursuant to which Samek agreed:

(a) to provide assistance and support to Max in order to give effect to the transaction contemplated by the A&E Principal Agreement (including assistance in procuring Registration); and

(b) to guarantee the warranties, representations and undertakings given by Horizon in the A&E Principal Agreement.

The A&E Deed of Further Assurance is governed by and construed in accordance with the laws of England and Wales.

2.4 A&E Senior Management Agreements

On 27 October 2005 SI entered into a management and services agreement with Mr Garifolla Kachshapov and an employment contract with Mr Nagangali Uteev pursuant to which:

(a) Mr Kachshapov was appointed the General Director of SI with powers to manage the business of SI and implement the resolutions of Madiran as its sole shareholder;

(b) Mr Uteev was appointed the Chief Geologist of SI with responsibility for site analysis and interpretation;

(c) Mr Kachshapov will be paid an annual salary by SI of US$100,000 and Mr Uteev will be paid an annual salary by SI of US$50,000;

(d) the initial term of engagement of Mr Kachshapov and Mr Uteev is three years from 27 October 2005;

(e) in addition to his general powers as manager of the business of SI, Mr Kachshapov shall be entitled to engage such other employees as may from time to time be required.

3. The East Alibek Acquisition

3.1 East Alibek Principal Agreement

Max and Sokol are parties to a Principal Agreement dated 12 October 2005 in relation to the East Alibek Acquisition ("East Alibek Principal Agreement") pursuant to which:

(a) the Company agreed to purchase and Sokol agreed to sell 80 ordinary shares of £1 each in Sherpico, representing 80% of the total issued share capital of Sherpico (the "Sale Shares");

(b) the total aggregate consideration for the sale and purchase of the Sale Shares ("Consideration") is US$15,650,000 plus 52,100,000 Ordinary Shares ("Consideration Shares"), of which:

  (i) US$6,900,000 of the cash consideration has been offset by Max against the same amount lent by Max to Samek pursuant to the Samek East Alibek Loan Agreements (details of which are summarised in paragraph 9.10 of Part VI of this document);

  (ii) US$8,750,000 has been deferred ("Deferred Consideration") and is payable on and subject to satisfaction of certain conditions precedent as referred to further below; and

  (iii) the Consideration Shares were allotted and issued to Sokol and its nominees on 5 August 2005 in advance of Completion;

(c) the conditions precedent to payment of the Deferred Consideration ("Conditions Precedent") include Registration and Admission. In the event that the Conditions Precedent have not been satisfied by 15 December 2005:

  (i) Max shall have the right to call for the return to it or its nominees of the Consideration Shares for a call option price of 0.01p per share; and

  (ii) Sokol shall have the right to call for the return to it or its nominees of the Sale Shares subject to Sokol procuring the repayment to Max of the US$6,900,000 loan to Samek under the Samek East Alibek Loan Agreement and the transfer of the Consideration Shares to Max or its nominees;

(d) Horizon and Sokol have agreed to give certain warranties, representations and undertakings to Max in relation to Sherpico, SDE, the East Alibek Contract and the transactions contemplated by the East Alibek Principal Agreement.

The East Alibek Principal Agreement is governed by and construed in accordance with the laws of England and Wales and includes independent arbitration provisions in the case of a dispute as regards its validly, breach or termination.

The East Alibek Principal Agreement was signed and completed on 12 October 2005.

3.2 The East Alibek Shareholders Agreement

On 13 October 2005, the Company and Sherpico entered into a shareholders agreement with Horizon ("East Alibek Shareholders Agreement") as the residual 20% shareholder in Sherpico whereby the Company and Horizon have agreed to regulate their relationship as shareholders in Sherpico and as parties indirectly holding 80%

and 20% interests respectively in the East Alibek Contract and in particular have agreed:

(a) that the Company may appoint up to three directors and Horizon may appoint one director to the board of directors of Sherpico and SDE;

(b) that certain key decisions will not be taken without the prior written consent of all the shareholders including the acquisition of natural gas, exploration, production, development or transportation rights; the disposal of or the creation of any encumbrance over any part of the assets of either Sherpico or SDE including the rights and obligations of SDE under the East Alibek Contract; altering the articles or other constituent documents of any subsidiary of Sherpico which would materially alter the rights of the shareholders; granting any options or other rights to subscribe for shares in Sherpico or SDE and passing any resolution to wind up Sherpico or SDE;

(c) that the Company will provide funding of up to US$100,000,000 for anticipated exploration and production expenditure on the East Alibek Contract Area provided that: (i) such expenditure is first unanimously approved by the directors of Sherpico; (ii) Max, Sherpico and SI first enter into a loan facility agreement with Max on terms to be agreed; and (iii) Max is first entitled to take security over the assets of Sherpico and SDE;

(d) that any distribution of revenues to the shareholders of Max will be after repaying Max in respect of any such advances;

(e) that Horizon may at any time sell its 20% interest in Sherpico to the Company in which case the consideration payable by the Company to Horizon will be the issue of such number of Ordinary Shares as equates (by reference to the average of the aggregate mid-market closing prices for Ordinary Shares on AIM on the 30 business days immediately preceding the date of completion of the transfer) to 20% of the then attributed market value of the East Alibek Contract as agreed or assessed by a competent geologist appointed by either party;

(f) that no transfer of shares in Sherpico may take place other than to an affiliate of the transferor without such transferor having procured an offer to be made by the transferee for all the shares in the capital of Sherpico at the same price and on the same terms as the proposed transfer from the transferor and without the shares to be transferred having first been offered to the other shareholders at the same price and on the same terms as the transfer to the proposed transferee.

The East Alibek Shareholders Agreement is governed by and construed in accordance with the laws of England and Wales and includes independent arbitration provisions in the case of a dispute as regards its validly, breach or termination.

3.3 East Alibek Deed of Further Assurance

On 12 October 2005, Max and Samek entered into a deed of further assurance ("East Alibek Deed of Further Assurance") pursuant to which Samek agreed:

(a) to provide assistance and support to Max in order to give effect to the transaction contemplated by the East Alibek Principal Agreement (including assistance in procuring Registration); and

(b) to guarantee the warranties, representations and undertakings given by Horizon in the East Alibek Principal Agreement.

The East Alibek Deed of Further Assurance is governed by and construed in accordance with the laws of England and Wales.

3.4 East Alibek Senior Management Agreements

On 27 October 2005 SDE entered into a management and services agreement with Mr Garifolla Kachshapov and an employment contract with Mr Nagangali Uteev pursuant to which:

(a) Mr Kachshapov was appointed the General Director of SDE with powers to manage the business of SDE and implement the resolutions of Sherpico as its sole shareholder;

(b) Mr Uteev was appointed the Chief Geologist of SDE with responsibility for site analysis and interpretation;

(c) Mr Kachshapov will be paid an annual salary by SDE of US$100,000 and Mr Uteev will be paid an annual salary of US$50,000;

(d) the initial term of engagement of Mr Kachshapov and Mr Uteev is three years from the date of Completion;

(e) in addition to his general powers as manager of the business of SDE, Mr Kachshapov shall be entitled to engage such other employees as may from time to time be required.

PART VI
ADDITIONAL INFORMATION

1. THE COMPANY

1.1 The Company was incorporated and registered in England and Wales on 8 April 2005 with registered number 5419021 as a private limited company under the Act. The Company was re-registered as a public limited company on 13 September 2005 with the name Max Petroleum Plc.

1.2 The Company's legal and commercial name is Max Petroleum Plc.

1.3 The registered office and principal place of business of the Company is at Ground Floor, 11 Albemarle Street, London W1S 4HH. The telephone number of the Company's registered office and principal place of business is +44 (0)207 514 1480.

1.4 The liability of the members of the Company is limited.

1.5 On the date of this document the Company has the following subsidiaries:

Name of subsidiary	Country of incorporation	Business	Issued share capital	Percentage issued share capital held by Max
Madiran Investment BV	The Netherlands	holding company of SI	18,000 shares	80%
Sherpico Investments Limited	England and Wales	holding company of SDE	100 ordinary shares of £1	80%

Madiran and Sherpico respectively hold 100% of the charter capitals of SI and SDE. SI and SDE are (subject to Registration) the contractors under the Contracts and are registered as limited liability partnerships in Kazakhstan. Limited liability partnerships in Kazakhstan have the same characteristics as a private limited liability company under English law so SI and SDE will to all intents and purposes be treated as part of the Group.

1.5 Save as referred to in paragraph 1.4, Max does not hold any shares or other securities in the capital of any company and is not otherwise part of a group of companies.

1.6 The ISIN (International Security Identification Number) of the Company is GB00BOH1P667.

2. SHARE CAPITAL

2.1 The authorised share capital of the Company at the date of this document is £60,000,000 divided into 400,000,000 ordinary shares of 0.01p each and 400,000,000 deferred shares of 14.99p each ("Deferred Shares"). The Company has 28,253,329 Deferred Shares in issue on the date of this document. Deferred Shares will not be issued pursuant to the Placing.

2.2 The issued ordinary share capital of the Company at the date of this document and as it will be immediately following the completion of the Placing and Admission is as follows:

Issued ordinary share capital on the date of this document		Issued ordinary share capital immediately following Admission and completion of the Placing	
Amount	**Number of Ordinary Shares of 0.01pence**	**Amount**	**Number of Ordinary Shares of 0.01pence**
£18,582	185,820,329	£25,974	259,740,329

2.3 The par value of each Ordinary Share is 0.01p and of each Deferred Share is 14.99p.

2.4 All the issued shares in the capital of the Company are credited as paid up in full as to their par value and any premium.

2.5 On incorporation, the authorised share capital of the Company was £10,000 divided into 10,000 ordinary shares of £1.00 each of which one ordinary share of £1 was issued.

2.6 By a written resolution passed on 13 April 2005:

2.6.1 the authorised share capital of the Company was increased to £30,000,000 by the creation of an additional 29,990,000 ordinary shares of £1 each;

2.6.2 the 150 issued ordinary shares of £1 each were sub-divided into 1,000 ordinary shares of 15p each; and

2.6.3 each of the unissued 29,999,850 ordinary shares of £1 each were sub-divided into 199,999,000 ordinary shares of 15p each.

2.7 By a written resolution passed on 22 April 2005 the authorised share capital of the Company was increased to £60,000,000 by the creation of an additional 200,000,000 ordinary shares of 15p each.

2.8 By a written resolution passed on 4 August 2005:

2.8.1 each of the existing issued and unissued ordinary shares of 15p were sub-divided into one ordinary share of 0.01p and one deferred share of 14.99p each ("Deferred Shares"); and

2.8.2 the Directors were authorised to exercise all or any of the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) in accordance with Section 80 of the Act up to an aggregate nominal amount of £40,000. This authority will expire on the earlier of the next annual general meeting of the Company, and 15 months from the passing of the resolution (unless previously renewed, varied or revoked by the Company in general meeting) provided that the Company may, prior to the expiry of such authority, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired. The authority conferred by the resolution is in substitution for any previous authority to allot relevant securities conferred on the Directors, and any previous authority (to the extent unexercised) is revoked; and

2.8.3 the Directors were authorised to exercise their power to allot relevant securities as set out in paragraph 2.8.2 above to such persons and on such conditions as they may in their discretion determine as if section 89(1) of the Act did not apply.

2.9 The Placing Shares were allotted and issued to the Placees pursuant to the authorities referred to in paragraphs 2.8.2 and 2.8.3 above on 25 October 2005. The currency of the Placing is £ sterling.

2.10 The provisions of section 89(1) of the Act (which to the extent not disapplied pursuant to section 95 of the Act) confer on shareholders rights of pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are, or are to be, paid in cash, and apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 2.8.3 above. Subject to certain limited exceptions, unless the prior approval of Shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of Ordinary Shares on a pro rata basis.

2.11 Save as disclosed in paragraph 3 below, no share or loan capital of the Company will, at Admission, be under option or will, at Admission, be agreed conditionally or unconditionally to be put under option.

2.12 The Placing Shares will rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares from the date of this document. The Placing Shares will be freely transferable in accordance with the articles of association of the Company.

2.13 The Ordinary Shares are held in registered form. The articles of association of the Company permit the Company to issue shares in uncertificated form. Application will be made for the Ordinary Shares to be admitted to CREST on Admission. Following Admission, the Ordinary Shares may be held in either certificated or uncertificated form.

3. SHARE OPTIONS

3.1 At the date of this document the Company has granted the following options over Ordinary Shares. A summary of the agreements pursuant to which the options have been granted are set out below:

Name of Option Holder	Number of Ordinary Shares subject to option	Date of Grant	Exercise period	Exercise price
Nabarro Wells	1,500,000	the date of Admission	Within 3 years of the date of Admission	35p
ODL	5,000,000	the date of Admission	Within 3 years of the date of Admission	35p
James A. Jeffs	8,831,171[1]	the date of Admission	Between 1 year and 10 years of the Date of Grant	35p for initial option shares and prevailing market price for additional option shares[2]

[1] Non-dilutable for 12 months - shares under option to be increased by 3.4% of any issue of new Ordinary Shares within 12 months of the date of Admission (save on exercise of options and on any share capital reorganisation)

[2] Additional shares held under option pursuant to the operation of the non-dilution provisions will be exercisable at the prevailing market price for Ordinary Shares on AIM on the date of grant of additional shares under option

Steve Kappelle	8,831,171[3]	the date of Admission	Between 1 year and 10 years of the Date of Grant	35p for initial option shares and prevailing market price for additional option shares[4]
Condor Investment &Trading Corporation	8,831,171[5]	the date of Admission	Between 1 year and 10 years of the Date of Grant	35p for initial option shares and prevailing market price for additional option shares[6]
David Belding	2,000,000	the date of Admission	Between 1 year and 7 years of the Date of Grant	35p
Thomas R. Fuller	2,000,000	the date of Admission	Between 1 year and 7 years of the Date of Grant	35p
Dauren Myrzagaliyev	500,000	the date of Admission	Between 1 year and 7 years of the Date of Grant	25p
Nagangali Uteev	300,000	the date of Admission	Between 1 year and 7 years of the Date of Grant	25p

3.2 **Nabarro Wells Option Agreement**

The Company has granted an option to Nabarro Wells to subscribe for up to 1,500,000 Ordinary Shares ("NW Option"). Nabarro Wells may exercise the NW Option in whole or in part at any time up to the expiry of 3 years from the date of grant by giving written notice to the Company Secretary. The NW Option is exercisable at 35p per Ordinary Share payable in full upon exercise. The Ordinary Shares issued pursuant to the exercise of the NW Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.3 **ODL Option Agreement**

The Company has granted an option to ODL to subscribe for up to 5,000,000 Ordinary Shares ("ODL Option"). ODL may exercise the ODL Option in whole or in part at any time up to the expiry of 3 years from the date of grant by giving written

[3] Non-dilutable for 12 months - shares under option to be increased by 3.4% of any issue of new Ordinary Shares within 12 months of the date of Admission (save on exercise of options and on any share capital reorganisation)

[4] Additional shares held under option pursuant to the operation of the non-dilution provisions will be exercisable at the prevailing market price for Ordinary Shares on AIM on the date of grant of additional shares under option

[5] Non-dilutable for 12 months - shares under option to be increased by 3.4% of any issue of new Ordinary Shares within 12 months of the date of Admission (save on exercise of options and on any share capital reorganisation)

[6] Additional shares held under option pursuant to the operation of the non-dilution provisions will be exercisable at the prevailing market price for Ordinary Shares on AIM on the date of grant of additional shares under option

notice to the Company Secretary. The ODL Option is exercisable at 35p per Ordinary Share payable in full upon exercise. The Ordinary Shares issued pursuant to the exercise of the ODL Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.4 **James A. Jeffs Option Agreement**

The Company has granted options to James A. Jeffs to subscribe for 8,831,171 Ordinary Shares ("JJ Option"). The number of Ordinary Shares under option will increase by 3.4% of any new issues of Ordinary Shares (apart from new issues on exercise of options and pursuant to any capital reorganisation of the Company) within 12 months of the date of Admission ("Date of Grant"). The JJ Option will vest over a four year period with 47.5% of the Ordinary Shares under option becoming exercisable after one year from the Date of Grant and a further 17.5% of the Ordinary Shares under option becoming exercisable at the expiry of years two, three and four from the Date of Grant. Thereafter the JJ Option is exercisable in full for up to ten years from the Date of Grant subject to Mr Jeffs not having ceased to be an employee of the Company or having served, or been served with, notice to terminate his employment on or before the expiry of one year from the Date of Grant. The JJ Option is exercisable at 35p per Ordinary Share payable in full upon exercise save that any additional Ordinary Shares which Mr Jeffs acquires the right to subscribe pursuant to the operation of the non-dilution provisions shall be exercisable at the average of the aggregate mid-market closing prices for Ordinary Shares on AIM at the date of the issue or allotment of Ordinary Shares which has given rise to the grant of additional Ordinary Shares under option. The Ordinary Shares issued pursuant to the exercise of the JJ Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.5 **Steve Kappelle Option Agreement**

The Company has granted options to Steve Kappelle to subscribe for 8,831,171 Ordinary Shares ("SK Option"). The number of Ordinary Shares under option will increase by 3.4% of any new issues of Ordinary Shares (apart from new issues on exercise of options and pursuant to any capital reorganisation of the Company) within 12 months of the date of Admission ("Date of Grant"). The SK Option will vest over a four year period with 47.5% of the Ordinary Shares under option becoming exercisable after one year from the Date of Grant and a further 17.5% of the Ordinary Shares under option becoming exercisable at the expiry of years two, three and four from the Date of Grant. Thereafter the SK Option is exercisable in full for up to ten years from the Date of Grant subject to Mr Kappelle not having ceased to be an employee of the Company or having served, or been served with, notice to terminate his employment on or before the expiry of one year from the Date of Grant. The SK Option is exercisable at 35p per Ordinary Share payable in full upon exercise save that any additional Ordinary Shares which Mr Kappelle acquires the right to subscribe pursuant to the operation of the non-dilution provisions shall be exercisable at the average of the aggregate mid-market closing prices for Ordinary Shares on AIM at the date of the issue or allotment of Ordinary Shares which has given rise to the grant of additional Ordinary Shares under option. The Ordinary Shares issued pursuant to the exercise of the SK Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.6 **Condor Option Agreement**

The Company has granted options to Condor Investment & Trading Corporation to subscribe for 8,831,171 Ordinary Shares ("Condor Option"). The number of Ordinary Shares under option will increase by 3.4% of any new issues of Ordinary Shares (apart from new issues on exercise of options and pursuant to any capital reorganisation of the Company) within 12 months of the date of Admission ("Date of

Grant"). The Condor Option will vest over a four year period with 47.5% of the Ordinary Shares under option becoming exercisable after one year from the Date of Grant and a further 17.5% of the Ordinary Shares under option becoming exercisable at the expiry of years two, three and four from the Date of Grant. Thereafter the Condor Option is exercisable in full for up to ten years from the Date of Grant subject to Condor not having ceased to provide its services to the Company pursuant to its consultancy agreement with the Company, the details of which are summarised in paragraph 9.6 below ("Consultancy Agreement") or having served, or been served with, notice to terminate the Consultancy Agreement on or before the expiry of one year from the Date of Grant. The Condor Option is exercisable at 35p per Ordinary Share payable in full upon exercise save that any additional Ordinary Shares which Condor acquires the right to subscribe pursuant to the operation of the non-dilution provisions shall be exercisable at the average of the aggregate mid-market closing prices for Ordinary Shares on AIM at the date of the issue or allotment of Ordinary Shares which has given rise to the grant of additional Ordinary Shares under option. The Ordinary Shares issued pursuant to the exercise of the Condor Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.7 **Dauren Myrzagaliyev Option Agreement**

The Company has granted options to Dauren Myrzagaliyev to subscribe for up to 500,000 Ordinary Shares ("DM Option"). The DM Option will vest in full after one year from the Date of Grant and thereafter is exercisable for up to seven years from the Date of Grant subject to Mr Myrzagaliyev not having ceased to be a director or having served, or been served with, notice to terminate his directorship on or before the expiry of one year from the Date of Grant. The DM Option is exercisable at 25p per Ordinary Share payable in full upon exercise. The Ordinary Shares issued pursuant to the exercise of the DM Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.8 **David Belding Option Agreement**

The Company has granted options to David Belding to subscribe for up to 2,000,000 Ordinary Shares ("DB Option"). The DB Option will vest over a four year period with 800,000 of the Ordinary Shares under option becoming exercisable after one year from the Date of Grant and a further 400,000 of the Ordinary Shares under option becoming exercisable at the expiry of years two, three and four from the Date of Grant. Thereafter the DB Option is exercisable in full for up to seven years from the Date of Grant subject to Mr Belding not having ceased to be a director or having served, or been served with, notice to terminate his directorship on or before the expiry of one year from the Date of Grant. The DB Option is exercisable at 35p per Ordinary Share payable in full upon exercise. The Ordinary Shares issued pursuant to the exercise of the DB Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.9 **Thomas R. Fuller Option Agreement**

The Company has granted options to Thomas R. Fuller to subscribe for up to 2,000,000 Ordinary Shares ("TF Option"). The TF Option will vest over a four year period with 800,000 of the Ordinary Shares under option becoming exercisable after one year from the Date of Grant and a further 400,000 of the Ordinary Shares under option becoming exercisable at the expiry of years two, three and four from the Date of Grant. Thereafter the TF Option is exercisable in full for up to seven years from the Date of Grant subject to Mr Fuller not having ceased to be a director or having served, or been served with, notice to terminate his directorship on or before the expiry of one year from the Date of Grant. The TF Option is exercisable at 35p per Ordinary Share payable in full upon exercise. The Ordinary Shares issued pursuant

to the exercise of the TF Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.10 **Nagangali Uteev Option Agreement**

The Company has granted options to Mr Nagangali Uteev to subscribe for up to 300,000 Ordinary Shares ("NU Option"). The NU Option will vest in full after one year from the Date of Grant and thereafter is exercisable for up to seven years from the Date of Grant subject to Mr Uteev not having ceased to provide his services to the Company or served notice to terminate his employment contracts with SI or SDE, the details of which are set out in Part V of this document on or before the expiry of one year from the Date of Grant. The NU Option is exercisable at 25p per Ordinary Share payable in full upon exercise. The Ordinary Shares issued pursuant to the exercise of the NU Option shall rank pari passu in all respects with the issued Ordinary Shares on the date of allotment.

3.11 **Horizon Option**

Pursuant to the A & E Shareholders Agreement and the East Alibek Shareholders Agreement details of which are summarised in Part V of this document, Horizon has the right at any time to sell its 20% interest in Madiran and/or Sherpico to the Company. The consideration for such sale would be the issue to Horizon of such number of Ordinary Shares as equates (by reference to the average of the aggregate mid-market closing prices for Ordinary Shares on AIM on the 30 business days immediately preceding the date of completion of the transfers) to 20% of the then attributed market values of the A & E Contract and/or the East Alibek Contract (as appropriate) respectively as agreed or assessed by a competent geologist appointed by either party.

3.12 The Company has reserved a further 5,000,000 Ordinary Shares to be granted under option to new board members, strategic partners and advisers.

3.13 Save for those option agreements or arrangements referred to in this paragraph, the Company has made no arrangements to involve its employees in its share capital.

4. **MEMORANDUM OF ASSOCIATION**

Clause 3 of the Memorandum of Association of the Company provides that its principal objects are:

4.1 to carry on business as a general commercial company;

4.2 to carry on the business of exploring and searching for, prospecting, examining and developing in any and all ways, oil, natural gas and related hydrocarbons or any of them and in connection therewith to acquire by purchase, lease, assignment, participation arrangements, concessions, joint venture or otherwise oil, natural gas or related hydrocarbons, permits, leases, rights and concessions of all kinds;

4.3 to carry on the business of drilling in any and all ways, oil, natural gas and related hydrocarbons or any of them and in connection therewith to acquire by purchase, lease, assignment, participation arrangements, concessions, joint venture or otherwise oil, natural gas or related hydrocarbons permits, leases, rights and concessions of all kinds;

4.4 to carry on the business of producing, refining, processing, buying, selling, importing, exporting, manufacturing, storing, preparing, transporting, supplying, marketing and generally dealing in all kinds of oil, oil products or natural gas; and

4.5 to carry on the business of operating pipelines and transmission systems for the transmission of oil and natural gas or any of them.

5. THE ARTICLES OF ASSOCIATION

The Articles of Association of the Company include, inter alia, provisions to the following effect:

5.1 Management

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, including the power to dispose of all or any part of the undertaking of the Company. The Board may delegate any of its powers to any committee consisting of one or more Directors. The Board may also delegate to any Director holding any executive office such of its powers as the Board considers desirable to be exercised by him. Any such delegation shall, in the absence of express provision to the contrary in the terms of the delegation, be deemed to include authority to sub-delegate to one or more Directors (whether or not acting as a Committee) or to any employee or agent of the Company all or any of the powers delegated and may be made subject to such conditions as the Board may specify, and may be revoked or altered. The Board may also establish local or divisional boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of the local or divisional boards, or any managers or agents, and may fix their remuneration. The Board may delegate to any local or divisional board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the Board, with power to sub-delegate, and may authorise the members of any local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies.

5.2 Rights attaching to the Ordinary Shares

5.2.1 Income

The Company may from time to time by ordinary resolution declare a dividend in favour of members holding Ordinary Shares but no dividend shall exceed the amount recommended by the Board.

5.2.2 Capital

If the Company is wound-up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Insolvency Act 1986, divide among the holders of Ordinary Shares in specie the whole or any part of the assets of the Company or vest the whole or any part of the assets in trustees upon such trusts for the benefit of holders of ordinary shares as the liquidator with the like sanction shall think fit, but no holder of ordinary shares shall be compelled to accept any assets upon which there is any liability.

5.2.3 Voting

Subject to any rights or restrictions attached to any shares, on a show of hands every holder of Ordinary Shares who being an individual, is present in person or, being a corporation, is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for each Ordinary Share held by him.

Unless the Board otherwise decides, a member of the Company shall not be entitled, in respect of any Ordinary Share held by him to vote, either personally or by proxy at

any general meeting of the Company unless all calls and other amounts payable by him in respect of that Ordinary Share have been paid. Voting rights may not be exercised by a member in respect of any shares if such shares are subject to disenfranchisement sanctions described in paragraph 5.2.4 below.

5.2.4 Restriction on Voting

No Shareholder is entitled to vote at any general meeting or at any class meeting in respect of any Ordinary Shares unless all moneys payable by him in respect of such Ordinary Shares have been paid. The Board is authorised to serve notice under section 212 of the Act on any shareholder, or other person appearing to be interested in shares of the Company, requiring them to give information as to who is interested (within the meaning of Section 212) in shares in the Company within the relevant period. If such notice is not complied with, or, in purported compliance with such a notice, a shareholder has made a statement which is false or inadequate in a material particular, the Board may in their absolute discretion give notice to the Shareholder disenfranchising him from voting in respect of the shares in question and where the shares in question represent 0.25 per cent or more in nominal value of the issued shares of their class less any shares of that class held in treasury by the Company and additionally (a) withholding payment of dividends or other distributions on such shares and (b) refusing registration of any transfer of such shares, other than a transfer on arm's length terms.

5.2.5 Transfers

Save as referred to in this paragraph the Ordinary Shares are freely transferable and may be held in certificated or uncertificated form. All transfers of uncertificated shares may be made by means of a relevant system pursuant to the CREST Regulations. All transfers of certificated shares may be effected by an instrument of transfer in writing in any usual form or in any other form acceptable to the Board. The instrument of transfer must be executed by or on behalf of the transferor and except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members of the Company in respect thereof. The registration of transfers may be suspended at such times and for such periods, not exceeding thirty days in any year, as the Board may from time to time determine and either generally or in respect of any class of shares. The Board may in its absolute discretion and without giving any reason for its decision refuse to register any transfer of a share which is not fully paid up or any transfer of a share fully paid up on which the Company has a lien, provided that such restrictions will not prevent dealings in the shares from taking place on an open and proper basis. The Board may also refuse to register any transfer of certificated shares unless it relates to only one class of shares, is left at the registered office or at such other place as the Board may decide for registration, is accompanied by the share certificate and such other evidence (if any) of the transferor's title as the Board may reasonably require and is duly stamped if required. The Board may also in its absolute discretion refuse to register a transfer of any share to an entity which is not a legal or natural person, to a minor or to be held jointly by more than four persons.

No fee shall be charged by the Company on the registration of any instrument of transfer or any document relating to or affecting the title to, any shares or otherwise for making an entry on the register of members.

5.2.6 Variation of Rights

The rights attached to the Ordinary Shares may be varied or abrogated with the written consent of the holders of three-fourths in nominal value of the issued Ordinary Shares or with the sanction of an extraordinary resolution passed at a separate

general meeting of such holders and shall be deemed to be varied by a reduction of the capital paid up on those shares otherwise than by a purchase or redemption by the Company of its own shares; and the allotment of other shares ranking in priority for payment of a dividend or in respect of capital or which confer more favourable voting rights on the holders but shall not otherwise be deemed to be varied by the creation or issue of further shares ranking pari passu with them or by the purchase or redemption by the Company of any of its own shares.

5.3 **Rights attaching to the Deferred Shares**

5.3.1 Income

Deferred Shares do not entitle the holders thereof to receive any dividend or other distribution.

5.3.2 Voting

The holders of Deferred Shares are not entitled to receive notice of or to attend or vote at any general meeting of the Company.

5.3.3 Capital

On a return of capital on a winding up the holders of Deferred Shares are only entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of 0.01p for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company.

5.3.4 Transfers

The Company is authorised at any time to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such persons as the Company may determine shall be the holders thereof and beneficially entitled thereto.

5.3.5 Variation of rights

Neither:

(a) the passing by the Company of any resolution for a reduction of capital involving the cancellation of Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

(b) the purchase by the Company in accordance with the provisions of the Act of any of its own shares or other securities or the passing of a resolution to permit any such purchase;

shall constitute a variation or abrogation of the rights attaching to the Deferred Shares.

5.3.6 Further issues

The rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares.

5.4 **General Meetings**

All general meetings of the Company other than annual general meetings, shall be called extraordinary general meetings. The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Act. The holders of Ordinary Shares may requisition the holding of a general meeting pursuant to the Act.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a Director shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days notice.

Subject to the provisions of the Act, the notice shall be given to all the members, to each of the Directors and to the auditors for the time being of the Company.

The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of such business. The notice shall, in the case of an annual general meeting, specify the meeting as such, and, in the case of a meeting to pass a special or extraordinary resolution, specify the intention to propose the resolution as a special or extraordinary resolution, as the case may be.

The accidental omission to give notice of a meeting, or to send a form of proxy with a notice, to any person entitled to receive the same, or the non-receipt of a notice or form of proxy by any such person, shall not invalidate the proceedings at that meeting.

5.5 **Change of Control**

There is no provision in the articles of association of the Company that would have the effect of delaying, deferring or preventing a change of control of the Company.

5.6 **Disclosure of Share Ownership**

The Articles do not make specific provision regarding disclosure of share ownership. However, a person who either acquires an interest in a public company's relevant share capital or ceases to be interested in such shares is under an obligation pursuant to section 198 of the Act to notify the Company in respect of such interests:

5.6.1 if such interests are 'material interests' when the aggregate nominal value of the shares in respect of which those material interests subsist is equal to or more than 3 per cent of the nominal value of that share capital; and

5.6.2 if those interests are not 'material interests' when the aggregate nominal value of the shares in respect of which the interests subsist is equal to or more than 10 per cent of the nominal value of that share capital.

A "material interest" for these purposes has the meaning set out in section 199(2A) of the Act.

The Directors are under a duty to disclose any interest in the shares of the Company pursuant to section 324 of the Act.

5.7 **Alteration of Capital**

5.7.1 The Company may by ordinary resolution:

(a) increase its share capital;

(b) consolidate and divide its share capital into shares of a higher nominal value;

(c) sub-divide its shares into shares of a lower nominal value; or

(d) cancel any shares at the date of the passing of the resolution which have not taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

5.7.2 Subject to the provisions of the Act, and to any rights conferred on the holders of any class of shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other un-distributable reserve in any way.

6. DIRECTORS', SENIOR MANAGERS' AND OTHER INTERESTS

6.1 The interests (all of which are beneficial unless stated otherwise) of the Directors, those senior managers of the Company whose roles are set out on page [] of this document ("Senior Managers") and their respective immediate families and the persons connected with them (within the meaning of Section 346 of the Act) in the issued share capital of the Company which have been notified to the Company pursuant to Sections 324 and 328 of the Act or are required to be disclosed in the Register of Directors' Interests pursuant to Section 325 of the Act and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director or would have been required to be disclosed if the relevant Senior Manager had been a director of the Company as at the date of this document and as they are expected to be immediately following the Placing are as follows:

Name	Number of Ordinary Shares before the Placing	Percentage of issued Ordinary Shares before the Placing	Number of Ordinary Shares immediately following the Placing	Percentage of issued Ordinary Shares immediately following the Placing
James A. Jeffs	None	N/A	None	N/A
Steve Kappelle	None	N/A	None	N/A
Dauren Myrzagaliyev	None	N/A	None	N/A
David Belding	4,000,000	2.15%	4,000,000	1.54%
Thomas R. Fuller	None	N/A	None	N/A
Garifolla Kachshapov	None	N/A	None	N/A
Nagangali Uteev	None	N/A	None	N/A

6.2 Save as disclosed in paragraphs 3 and 6.1 above, none of the Directors, Senior Managers nor any member of their respective immediate families nor any person connected with the Directors or Senior Managers (within the meaning of Section 346

of the Act) has any interest, whether beneficial or non-beneficial, in any share capital of the Company.

6.3 The Company is only aware of the following persons who, immediately following Admission, directly or indirectly, jointly or severally, hold or will hold shares, amounting to 3% or more of the issued share capital of the Company immediately following the Placing:

Name	Number of Ordinary Shares before the Placing	Percentage of issued Ordinary Shares before the Placing	Number of Ordinary Shares immediately following the Placing	Percentage of issued Ordinary Shares immediately following the Placing
Myrzaly Ltd	18,000,000	9.69%	18,000,000	6.93%
Wai Yip Investments Limited	15,000,000	8.07%	15,000,000	5.78%
Eagle Point Investments Limited	14,750,000	7.94%	14,750,000	5.68%
Black River Asset Management	None	N/A	14,285,714	5.5%
Societe Bancaire Privee SA	None	N/A	14,285,714	5.5%
Golden Dragon Trading Limited	11,775,000	6.34%	11,775,000	4.53%
Condor Investment & Trading Corporation	11,775,000	6.34%	11,775,000	4.53%
ODL Nominees Limited[7]	11,467,000	6.17%	11,467,000	4.42%
Incomeborts Limited	10,000,000	5.38%	10,000,000	3.85%
Millenium Capital Management Limited	None	N/A	10,000,000	3.85%
Sokol Holdings Inc.	9,500,000	5.11%	9,500,000	3.66%
Pacific International Management Inc.	6,750,000	3.63%	6,750,000	2.60%
Murray Morgan Investments Limited	6,333,333	3.41%	6,333,333	2.44%
Tygakhan Limited	6,000,000	3.23%	6,000,000	2.31%

[7] Held for clients of ODL Securities Limited

6.4 Save as disclosed in paragraphs 6.1 and 6.3 above, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company.

6.5 The Directors are not aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company.

6.6 All the Shareholders have identical voting rights in respect of the Ordinary Shares held by them.

7. SERVICE CONTRACTS FOR DIRECTORS AND SENIOR MANAGERS

7.1 The terms of the Directors' service agreements or letters of appointment are summarised below:

7.2 James A. Jeffs and Steve Kappelle

New service contracts have been entered into with each of James A. Jeffs ('JJ') and Steve Kappelle ('SK') in their roles as Chief Executive Officer and Chief Operating Officer of the Company respectively (the "Executives") a summary of the main terms of which are set out below:

7.2.1 SK's employment began on 1 June 2005 and JJ's on 1 July 2005, such employments to continue until terminated by the Company or the Executive on not less than 12 months' notice in writing from either the Company or the Executive.

7.2.2 The Executive's employment may be terminated by the Company without notice or payment in lieu of notice in certain circumstances and terminates automatically upon him reaching the normal retirement age of the Company (65 years of age).

7.2.3 The rate of remuneration is £150,000 per year to be reviewed by the Remuneration Committee of the Board annually.

7.2.4 The Executive will be provided with life and critical illness insurance, health insurance and directors' and officers' liability insurance as well as use of a mobile phone on Company business.

7.2.5 The Executive is required to devote such time as is reasonably necessary for the performance of his duties and to discharge his responsibilities as an executive director of the Company.

7.2.6 The Executive is entitled to 25 working days' paid holiday plus the usual United Kingdom public holidays.

7.2.7 The Executive is entitled to receive his salary at full rate for the first 26 weeks of sickness/incapacity in any 12 month period and thereafter shall be paid salary only at the absolute discretion of the Board.

7.2.8 Intellectual property acquired/produced/made by the Executive during the course of, or in connection with, his employment shall belong exclusively to the Company.

7.2.9 The Executive may be required by the Company to take up to 12 months garden leave following service of notice of termination of the Executive's employment by the Company or the Executive.

7.3 **Dauren Myrzagaliyev, David Belding and Thomas R. Fuller**

The terms of appointment of Dauren Myrzagaliyev ('DM'), David Belding ('DB') and Thomas R. Fuller ('TF') as non-executive directors of the Company (the "Non-Executives") are summarised below:

7.3.1 DM's appointment began on 1 August 2005 and the appointments of DB and TF began on 1 October 2005, such appointments to continue unless terminated by the Company or the Non-Executive upon six months' prior written notice.

7.3.2 The rate of remuneration is £12,000 per year subject to review from time to time by the Board.

7.3.3 The Non-Executive will be provided with director's and officer's liability insurance throughout the period of his appointment.

7.3.4 The role of the Non-Executive is to bring an independent judgment to bear on issues of Company strategy, performance, resources and conduct and to attend, Board, committee and shareholder meetings.

7.4 **Garifolla Kachshapov and Nagangali Uteev**

Mr Garifolla Kachshapov has entered into a management and services agreement with both of the Target Partnerships and Mr Nagangali Uteev has entered into a contract of employment with both of the Target Partnerships, details of which are summarised in Part V of this document.

7.5 Save as disclosed in paragraphs 7.2 to 7.4 above, there are no service contracts in existence between any Director or Senior Manager and the Company which provide benefits upon termination of employment.

7.6 There is no arrangement under which any Director or Senior Manager has agreed to waive future emoluments nor has there been any waiver of emoluments.

7.7 The aggregate remuneration and benefits in kind paid to the Directors and Senior Managers for the period since incorporation of the Company is £78,500. It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors and Senior Managers for the twelve month period ending 31 March 2006 will be approximately £309,500.

8. **ADDITIONAL INFORMATION ON THE DIRECTORS AND SENIOR MANAGERS**

8.1 In addition to the directorships in the Company, the Directors and Senior Managers hold or have held the following directorships or have been partners in the following partnerships within the five years immediately prior to the date of this document:

Name	***Current directorships/partnerships***	***Past directorships/partnerships***
James A. Jeffs	Whittier Energy Corporation Whittier Trust Company South Oil Company Magnum Oil Company Adept Science & Technology	Omni Nutraceuticals Chaparral Resources Tools & Metals Inc

Name	***Current directorships/partnerships***	***Past directorships/partnerships***
Steve Kappelle	Kazmortransflot Limited (IOM) Covik Development Corp. (Canada) Uranium Mining Corporation Plc	First Link (UAE) Mesa Petroleum Limited
Dauren Myrzagaliyev	None	None
David Belding	Mikoha Signs University of Nevada First Independent Bank of Nevada Whittier Trust Company of Nevada	None
Thomas R. Fuller	Rimco Royalty Company (US) Eurasia Drilling Co, LLC (US) M.U.D. #191 (US) Michmatt Limited (US) Petroleum Acquisitions Group (US) HR Diverse Group (US) Cord GP (US) Diverse Management Co. (US) Diverse Offshore LP (US) Diverse Operating Company (US)	Southern Minerals Corporation (US) Petrocorp Inc.(US) Rimco Production Company (US) Diverse GP II (US) Diverse Production Company (US) Wyogram Oil Company (US)
Garifolla Kachshapov	Samek LLP Samek International LLP Samek Development Enterprise LLP	None
Nagangali Uteev	None	None

8.2 Save as referred to in paragraph 8.3 below, none of the Directors or Senior Managers has:

8.2.1 any unspent convictions in relation to indictable offences;

8.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

8.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

8.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

8.2.5 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

8.2.6 been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or

8.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of any company.

8.3 Thomas R. Fuller was a board member of Southern Minerals Corp which filed a voluntary Chapter 11 bankcruptcy in the US in 1998. Southern Minerals Corp was sold to Petrocorp Inc. and Mr Fuller became a board member of Petrocorp Inc. until its sale to Unit Petroleum.

8.4 Save as disclosed in this document, no director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

8.5 No loans made or guarantees granted or provided by the Company to or for the benefit of any Director or Senior Manager are outstanding.

8.6 No Director, Senior Manager or member of his family has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares following Admission, including any contract for difference or a fixed odds bet.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by the Company or another member of the Group and are or may be material:

9.1 The A&E Contract and the East Alibek Contract

Although Max is not a party to the A&E Contract or the East Alibek Contract, the Target Partnerships are the contractors under the Contracts by way of assignment from the original contractor, Samek LLP. Further details of the terms of the Contracts are set out below:-

A & E Contract

The Contract for the Exploration and Production of Hydrocarbons for Blocks A & E was entered into between the MEMR and Samek on 4 March 2003 with registration number 1117. A summary of the principal contract terms is as follows:-

(a) unless extended, the Contract will expire at the end of 2034. The term of the Contract is divided into two stages. (i) the exploration stage is for an initial term of six years expiring in 2009, but may be extended twice for no more than two years in each case by agreement between the MEMR and the contractor, and (ii) the production stage runs for a further period of 25 years if a commercial discovery is made within the exploration stage;

(b) the contractor has the exclusive right to explore and produce oil within the Contract territory and will be responsible for monitoring all existing wells on the Contract territory. The contractor must prepare an annual work program

in relation to the oil operations and perform any oil operations in accordance with such approved work program;

(c) the total amount of investment commitment for the whole period of the Contract is US$50,000,000, which includes a Minimum Work Program of US$6,000,000 during the initial exploration stage. The Minimum Work Program includes the Subscription Bonus of US$300,000, a payment of US$150,000 to the social funds of the Atyrau Region and a payment of US$200,000 for improvements to the City of Astana. The Minimum Work Program also includes the drilling of five new wells and running a seismic exploration line of 200 kilometres. The schedule of Minimum Work Program during the exploration period provides for US$500,000 per year to be invested in years 3, 4 and 5 and US$2,000,000 in year 6. The Contract does not provide a time frame for the investment of the balance of US$44,000,000;

(d) any sub-contractors and any goods, materials or services used in respect of oil operations must be of Kazahstani origin unless such services, goods or materials do not meet the standards adopted in the oil industry. The contractor must also allocate not less than 1% of the annual works program for the training of Kazahstani personnel;

(e) the Kazakhstan State has the right to purchase any or all of the oil produced at world market prices. In certain circumstances such as wars or natural disasters, the Kazakhstan State may requisition all or part of the produced oil in exchange for either payment in kind or in cash at world market prices;

(f) the contractor is responsible for the calculation and payment of all and any taxes, VAT or other payments due to the Kazakhstan State in accordance with its current tax legislation. The contractor is also liable to the payment of a "super profit tax" which is based upon the achieved levels of internal profit rate of between 0% tax for an IPR of less than or equal to 20% up to 30% tax for an IPR of more than 30%;

(g) during the exploration stage, the contractor must sell 100% of oil produced to Kazakhstani oil refineries. During the development and production stage this is reduced to 20%;

(h) any test production of oil during the exploration stage is subject to the following royalty payments:

Tons of accrued gross production of raw oil	Royalty rate %
0 – 200,000 (inclusive)	2
200,000 – 400,000 (inclusive)	4
Over 400,000	6

Following a commercial discovery, and if the contractor proceeds to the industrial production of oil, the royalty rates will be adjusted and will be subject to further negotiation;

(i) if a commercial discovery is made, the contractor has the exclusive right to proceed to the production stage. The contractor will be required to prepare a report on the estimation and valuation of reserves together with a work

program of commercial discovery development operations for approval by the MEMR. At this time, royalty rates will be negotiated, a commercial discovery bonus of 0.1% of the approved recoverable reserve value of every such commercial discovery will become payable and an additional agreement entered into. The contractor will be entitled to full or partial reimbursement of expenses it incurred in connection with the exploration and development of such commercial discovery;

(j) on commencement of the industrial production of oil, an additional payment of up to US$29,556,650 will also be due to the Kazakhstan State for the reimbursement of historical expenses. The amount and procedure of reimbursement will be subject to an amendment to the Contract; and

(k) upon the termination of the exploration stage any land where a commercial discovery is not made, will be returned to the Kazakhstan State.

East Alibek Contract

The Contract for the Exploration and Production of Hydrocarbons for East Alibek was entered into between the MEMR and Samek on 4th March 2003 with registration number 1118. A summary of the principal Contract terms is as follows:-

(a) the Contract covers an exploration stage of six years and expires in 2009. It may, by agreement between the parties, be extended twice for no more than two years in each case by agreement between the MEMR and the contractor;

(b) the contractor has the exclusive right to explore and produce oil within the Contract territory and will be responsible for reactivating, liquidating and monitoring all previously drilled wells on the Contract territory. The contractor must prepare an annual work program in relation to the oil operations and perform any oil operations in accordance with such approved work program;

(c) the Minimum Work Program, which represents the total amount of investment commitment for the whole period of the Contract, is US$22,000,000. The Minimum Work Program includes the subscription bonus of US$5,250,000, a payment of US$1,500,000 to the social funds of the Aktyubinsk Oblast Region and a payment of US$650,000 for improvements to the City of Astana. The Minimum Work Program during the exploration phase also includes the drilling of six new wells and running a seismic exploration line of 50 kilometres;

(d) any sub-contractors and any goods, materials or services used in respect of oil operations must be of Kazahstani origin unless such services, goods or materials do not meet the standards adopted in the oil industry. The contractor must also allocate not less than 1% of the annual works program for the training of Kazahstani personnel;

(e) the Kazakhstan State has the pre-emptive right to purchase any or all of the oil produced at world market prices. In certain circumstances such as wars or natural disasters the Kazakhstan State may requisition all or part of the produced oil in exchange for either payment in kind or in cash at world market prices;

(f) during the exploration stage, the contractor is bound to sell 100% of oil produced to Kazakhstani oil refineries;

(g) during the exploration stage, any test production of oil is subject to the following royalty payments:

Tons of accrued gross production of raw oil	Royalty rate %
0 – 200,000 (inclusive)	3
200,000 – 400,000 (inclusive)	5
Over 400,000	7

(h) the contractor is responsible for the calculation and payment of all and any taxes, VAT or other payments due to the Kazakhstan State in accordance with its current tax legislation. The contractor is also liable to the payment of a "super profit tax" which is based upon the achieved levels of internal profit rate of between 0% tax for an IPR of less than or equal to 20% up to 30% tax for an IPR of more than 30%;

(i) if a commercial discovery is made, the contractor has the exclusive right to proceed to the production stage. The contractor will be required to prepare a report on the estimation and valuation of reserves for approval by the MEMR. At this time, royalty rates will be negotiated, a commercial discovery bonus of 0.1% of the approved recoverable reserve value of every such commercial discovery will become payable and an additional agreement entered into. The contractor will also be entitled to full or partial reimbursement of expenses it incurred in connection with the exploration and development of such commercial discovery;

(j) on commencement of the industrial production of oil, an additional payment of up to US$2,171,970 will also be due to the Kazakhstan State for the reimbursement of historical expenses. The amount and procedure of reimbursement will be subject to an amendment to the Contract; and

(k) upon the termination of the exploration stage, any land where a commercial discovery is not made, will be returned to the Kazakhstan State.

9.2 **The Acquisition Agreements**

A summary of the principal terms of the Acquisition Agreements is set out in Part V of this document.

9.3 **Shareholders Agreements**

A summary of the principal terms of the Shareholders Agreements between the Company and Horizon Services NV in relation to their respective interests in Madiran and Sherpico is set out in Part V of this document.

9.4 **Placing Agreement**

Under an agreement made between ODL, Nabarro Wells, the Company and the Directors dated 25 October 2005 ("Placing Agreement"), ODL has agreed to use reasonable endeavours to procure subscribers for 73,920,000 new Ordinary Shares.

9.4.1 The Placing Agreement provides, *inter alia*, for the payment by the Company to:

(a) Nabarro Wells of an engagement fee of £100,000 (excluding VAT); and

(b) ODL of a commission of 6 per cent. of a sum equal to the issue price multiplied by the number of new Ordinary Shares subscribed under the Placing (of which 1.5% is payable as a corporate finance fee to ODL and 4.5% is payable as a placing agent's commission).

9.4.2 The obligations of Nabarro Wells and ODL under the Placing Agreement are conditional upon certain conditions having been fulfilled (or waived by Nabarro Wells and ODL) by 9.00 a.m. on 31 October 2005, or such later date as may be agreed by Nabarro Wells, ODL and the Company.

9.4.3 The Directors have agreed not to dispose of any interest in their holdings of Ordinary Shares in the Company for 12 months from the date of Admission and for a further period of 12 months only to dispose of such holdings of Ordinary Shares through the appointed broker for the time being of the Company and otherwise in such a manner as to maintain an orderly market in the Company's shares.

9.4.4 The Placing Agreement contains certain representations and warranties by the Company and the Directors as to the accuracy of the information contained in this document and other matters relating to the Company and its business.

9.4.5 The Company has also agreed to grant Nabarro Wells and ODL the options over its Ordinary Shares, the details of which are summarised in paragraphs 3.1 and 3.2 above and to indemnify Nabarro Wells and ODL against all losses, costs, charges and expenses which either Nabarro Wells or ODL may suffer or incur in connection with the Placing.

9.5 **The Option Agreements**

A summary of the principal terms of each of the option agreements entered into by the Company is set out in paragraph 3 above.

9.6 **Condor Consultancy Agreement**

A consultancy agreement dated 18 October 2005 between the Company and Condor Investment & Trading Corporation ("Condor") whereby Condor has agreed to provide business development services to the Company for a fee of £150,000 per annum. The engagement is to continue until terminated on the service of twelve months notice by either the Company or Condor.

9.7 **Nominated Adviser's Agreement**

An engagement letter dated 16 June 2005 between the Company (1) and Nabarro Wells as nominated adviser (2) pursuant to which the Company has, inter alia, appointed Nabarro Wells to act as nominated adviser to the Company for the purposes of its application for Admission and on an ongoing basis following Admission. In addition to its fee in relation to the application for Admission, the Company has also agreed to pay Nabarro Wells a fee of £25,000 per annum. The engagement is to continue until the first anniversary of the date of Admission and thereafter is terminable on 6 months' notice by either party. The agreement contains an indemnity from the Company in respect of the services provided by Nabarro Wells.

9.8 **Broker's Agreement**

An engagement letter dated 27 May 2005 between the Company (1) and ODL as broker (2) pursuant to which the Company has, inter alia, appointed ODL to provide general stockbroking and corporate finance advisory services, including business and financial analysis and assistance in fund raising to the Company for the

purposes of the AIM Rules. The engagement is for an initial period of 12 months and thereafter is terminable on one month's notice by either party. The agreement contains an indemnity from the Company in respect of the services provided by ODL.

9.9 Lock-in Agreements

The Company has signed lock-in agreements with, or has taken other steps to procure that, the following Shareholders willagree not to dispose of any interest in the holdings of Ordinary Shares outlined in the Table below for 12 months from the date of Admission and for a further period of 12 months only to dispose of such holdings of Ordinary Shares through the appointed broker for the time being of the Company, whilst at the same time having regard to maintaining an orderly market in the Company's shares. The only exceptions to these arrangements are an intervening court order, an offer for the entire share capital of the Company becoming or being declared unconditional or the death of the relevant Shareholder:

Name of Shareholders	Number of Ordinary Shares subject to lock-in	Locked-in shares as a percentage of issued Ordinary Shares before the Placing	Locked-in shares as a percentage of issued Ordinary Shares immediately following the Placing
Myrzaly Limited	18,000,000	9.69%	6.93%
Sokol Holdings Inc	9,500,000	5.11%	3.66%
Secombi GmbH	2,200,000	1.2	0.85%
Eagle Point Investments Limited	14,750,000	7.94%	5.68%
Golden Dragon Trading Limited	11,775,000	6.34%	4.54%
Sierra International Services Limited	1,000,000	0.39%	0.38%
Pacific International Management Inc	750,000	0.29%	0.29%
Condor Investment & Trading Corporation	11,775,000	6.34%	4.54%
Wai Yip Investments Limited	15,000,000	8.07%	5.78%
Dragon Gas Limited	250,000	0.10%	0.09%
Pacific Target Resources Limited	250,000	0.10%	0.09%
Sea Shell Partners Inc	300,000	0.12%	0.11%
Timothy Franklin	100,000	<0.04%	<0.04%
Alan Bennett	100,000	<0.04%	<0.04%

Name of Shareholders	Number of Ordinary Shares subject to lock-in	Locked-in shares as a percentage of issued Ordinary Shares before the Placing	Locked-in shares as a percentage of issued Ordinary Shares immediately following the Placing
Duncan McDougall	150,000	<0.06%	<0.06%
Incomeborts Limited	10,000,000	5.38%	3.85%
Victoria House Finance Limited	5,000,000	2.69%	1.93%
Hartford Investment Group Limited	5,000,000	2.69%	1.93%
Imankarn Limited	5,000,000	2.69%	1.93%
Norgulf Holdings Limited	5,000,000	2.69%	1.93%

9.9 **The Samek A&E Loan Agreement**

The Company is a party to a loan agreement made between, Sokol Holdings Inc. (1), Mr Garifolla Kachshapov (2), Samek (3) and the Company (4) dated 15 April 2005, as amended by A&E Loan Agreement Amendments between the same parties dated 6 July 2005 and 1 August 2005 ("Samek A&E Loan Agreement"). Pursuant to the Samek A&E Loan Agreement, Max provided a loan of US$2,700,000 to Samek to enable Samek to discharge certain obligations to the MEMR in relation to the A&E Contract. The loan by Max to Samek pursuant to the Samek A&E Loan Agreement has been offset against the same amount of cash consideration payable to Sokol in respect of the A&E Acquisition.

9.10 **The Samek East Alibek Loan Agreement**

The Company is a party to a loan agreement made between, Sokol Holdings Inc. (1), Mr Garifolla Kachshapov (2), Samek (3) and the Company (4) dated 22 April 2005, as amended by East Alibek Loan Agreement Amendments between the same parties dated 13 June 2005, 6 July 2005 and 1 August 2005 ("Samek East Alibek Loan Agreement"). Pursuant to the Samek East Alibek Loan Agreement, Max provided a loan of US$6,900,000 to Samek to enable Samek to discharge certain obligations to the MEMR in relation to the East Alibek Contract. The loan by Max to Samek pursuant to the Samek East Alibek Loan Agreement has been offset against the same amount of cash consideration payable to Sokol in respect of the East Alibek Acquisition.

9.11 Sokol Holdings Inc.

The Company has agreed to pay the legal and technical advisers costs incurred by Sokol Holdings Inc in relation to the structuring of the transaction and the agreements between Max and Samek.

9.12 Settlement Agreement

As referred to in paragraph 10.2 of this Part VI, the Company has entered into an agreement with PetroAsia Energy Inc dated 26 October 2005 to settle the legal

proceedings brought against the Company and two co-defendants in the Courts of Alberta. Pursuant to the Settlement Agreement, Max has agreed to pay the sums of US$500,000 and £525,000 to PetroAsia in return for PatroAsia's agreement to file a discontinuance of the claim and deliver a release to the Company's Canadian lawyers. The payment of £525,000 will be satisfied by an issue of 1,500,000 Ordinary Shares credited as fully paid.

10. LITIGATION

10.1 There are no governmental, legal or arbitration proceedings (including, so far as the Directors are aware, any such proceedings which are pending or threatened) which may have or have had a significant effect on the financial position or profitability of the Company or any other member of the Group save for the proceedings described in paragraph 10.2 below.

10.2 The Company, together with two other defendants, has been served with proceedings by PetroAsia Energy Inc. ("PetroAsia") and its subsidiary, Canadian Caspian International Energy B.V. as plaintiffs (together the "Plaintiffs") in Alberta, Canada. The proceedings have arisen out of a series of agreements entered into between the Plaintiffs and Samek whereby the Plaintiffs and Samek agreed to bid for the Contracts prior to the commencement of negotiations between Samek and the Company ("the PetroAsia/Samek Agreements").

The Plaintiffs claimed that Samek agreed to transfer the Contracts to them by virtue of the PetroAsia/Samek Agreements. The claim by the Plaintiffs against Max ("Claim") was on the grounds that Max had received or would receive the benefit of the Contracts at the Plaintiffs' expense and would be unjustly enriched as a result and that Max had deliberately interfered with the contractual relationship between Samek and the Plaintiffs to the detriment and prejudice of the Plaintiffs. The Plaintiffs were therefore seeking, inter alia, a declaration from Max that they would hold the Contracts and any profits earned thereby in trust for the Plaintiffs.

The Company refuted the Claim and has now negotiated a settlement of the proceedings. Under the terms of the settlement it has been agreed that the Company will pay PetroAsia US$500,000 ("Settlement Sum") and £525,000 of which £525,000 will be satisfied by the allotment and issue to PetroAsia of 1,500,000 Ordinary Shares ("Settlement Shares") credited as fully paid. The Settlement Sum will be payable and the Settlement Shares will be allotted once a filed discontinuance of claim and full release of the Claim in favour of the Company has been delivered to the Company's Canadian lawyers. The Settlement Shares shall be subject to a lock-in arrangement whereby the plaintiffs will agree not to dispose of them for 12 months from the date of Allotment.

The terms of the settlement include an indemnity from PetroAsia in favour of the Company in respect of any claims against the Company by either of the two remaining defendants.

11. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing, that following Admission the Company will have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of Admission.

12. UNITED KINGDOM TAXATION

This paragraph is intended as a general guide to UK current tax law and practice in the areas referred to below. It applies to persons who (unless the

position of non-resident shareholders is expressly referred to) are resident or ordinarily resident in the UK for tax purposes and who beneficially own shares as investments. Any person who is in doubt as to his or her tax position or requires further information should consult an appropriate professional adviser.

12.1 **UK Taxation of Dividends**

12.1.1 No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

12.1.2 An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be currently entitled to a tax credit equal to one ninth of the amount of the net dividend which is equivalent to a tax credit of 10 per cent of the sum of the net dividend and the tax credit (the "**gross dividend**").

12.1.3 Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. The tax credit referred to in paragraph 12.1.2 above will discharge the liability to income tax in respect of the dividend of an individual shareholder who is subject to United Kingdom income tax at the lower or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability to income tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate tax payer will be liable to an additional income tax equal to 25 per cent of the net dividend. However, if an individual United Kingdom resident shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, he may no longer claim from the Inland Revenue repayment of the excess, unless, for a limited period, the shares are held in an ISA or a PEP.

12.1.4 For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts the gross dividend will be subject to United Kingdom income tax at a rate of 32.5 per cent with a tax credit equal to 10 per cent of the gross dividend.

12.1.5 The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, charity or venture capital trust will not be repaid.

12.1.6 Corporate Shareholders

Subject to certain exceptions for certain insurance companies and companies which hold shares as trading stock, a shareholder that is a company resident (for tax purposes) in the United Kingdom and that receives a dividend paid by the Company will not be liable to corporation tax or income tax on that dividend.

12.1.7 Non-Resident Shareholders

Shareholders who are resident in countries other than the United Kingdom may be entitled to a credit for all or a proportion of the associated tax credit. Shareholders not resident in the United Kingdom should consult their own tax adviser on the application of such provisions and the procedure for claiming relief. However the current amount of the tax credit will mean that, in many cases, no amount in respect of the tax credit may be claimed under a relevant double taxation agreement.

12.2 **Taxation on Capital Gains for Shareholders**

If a shareholder disposes of all or any of his or its Ordinary Shares, he or it may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

The Inland Revenue has confirmed that securities dealt with on AIM will not fall to be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case).

12.3 **Stamp duty and stamp duty reserve tax ("SDRT")**

12.3.1 Except as mentioned in paragraph 12.3.2 below, the transfer on sale of Ordinary Shares will generally be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 per cent of the amount or value of the consideration paid or, if an unconditional agreement to transfer the shares is not immediately completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent of the amount or value of the consideration paid. Liability to pay the stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

12.3.2 Where a charge to stamp duty or SDRT arises under sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where ordinary shares are transferred or, in certain circumstances, are issued to persons who issue depository receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent. or SDRT at the higher rate of 1.5 per cent. (as appropriate) will be payable on the amount or value of the consideration paid for the issue or subsequent transfer.

12.3.3 Paperless transfers of Ordinary Shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5% per cent of the actual consideration paid) rather than stamp duty and stamp duty reserve tax on relevant transactions settled within the system or reported through it for regulatory purposes is collected by CREST.

12.4 **Self invested Personal Pension Schemes ("SIPPs")**

The Personal Pension Scheme (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 provide that investments which may be held directly or indirectly for the purposes of a SIPP include shares which are listed in or dealt on a recognised stock exchange. In accordance with Revenue practice, stocks and shares listed in or dealt on AIM are permitted investments for SIPPs.

13. **GENERAL**

13.1 The gross proceeds of the Placing are expected to be approximately £25,872,000. The total costs and expenses payable by the Company in relation to the Acquisitions, the Placing and the application for Admission are estimated to amount to approximately £2,779,000 (including VAT). The estimated total net amount of the proceeds of the Placing is £23, 093,000. In order of priority, the principal intended uses of the proceeds are as follows:

13.1.1	to pay the balance of the cash consideration payable in respect if the Acquisitions	£13,361,000
13.1.2	to conduct a 3D seismic programme on the Properties and commence a drilling programme	£7,361,000
13.1.3	the provision of general working capital	£2,371,000

13.2 Save as disclosed in paragraphs 3.6 and 9.10 of this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the

date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

13.2.1 fees totalling £10,000 or more; or

13.2.2 securities in the Company with a value of £10,000 or more (calculated by reference to the Placing Price); or

13.2.3 any other benefit with a value of £10,000 or more at the date of Admission.

13.3 The financial information contained in Part IV of this document does not constitute full statutory accounts as referred to in section 240 of the Act.

13.4 The accounting reference date of the Company is 31 March.

13.5 The auditors of the Company are Sawin & Edwards, of 15 Southampton Place, London WC1A 2AJ. No audited accounts have been prepared to date for the Company or any other member of the Group. The financial information contained in Part IV of this document has not been extracted from audited financial statements of the Company. Such information has been complied from information provided by the Company and is therefore unaudited.

13.6 Sawin & Edwards, chartered accountants, who are regulated by the Institute of Chartered Accountants in England and Wales, have given and not withdrawn their written consent to the inclusion of and references to their name and their report in Part IV of this document in the form and context in which they appear.

13.7 Nabarro Wells & Co. Limited of Saddlers House, Gutter Lane, London EC2V 6HS, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which they appear.

13.8 McDaniel & Associate Consultants Ltd, consultant geologists and engineers and a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, Canada whose address is at Suite 2200, Bow Valley Square 3, 255-5th Avenue, S.W. Calgary, Alberta T2P 3G6 has given and not withdrawn its written consent to the inclusion of its name and references to its name in this document in the form and context in which they appear and to the inclusion of its report in this document and have authorised the contents of its report for the purposes of Annex I Rule 23.1 and Annex III Rule 10.1 of the Prospectus Rules.

13.9 All the information provided in this document has been sourced from the Company, McDaniels and the Company's other advisers named on page 7 of this document. All such information has been accurately reproduced and so far as the Company is aware and is able to ascertain no facts have been omitted which would render the reproduced information inaccurate or misleading.

13.10 ODL Securities Limited of 6th Floor, Salisbury House, London wall, London EC2M 5QQ has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which they appear.

13.11 ODL is acting as broker to the Company in connection with the Placing. It does not have any other material relationship with the Company.

13.12 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.

13.13 The Placing has not been underwritten or guaranteed by any person.

13.14 Save as set out in paragraphs 9.4 and 9.8 of this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.

13.15 No paying agent has been appointed by the Company.

13.16 The Placing Shares will be issued at 35p per share, a premium of 34.99p per Ordinary Share above the nominal value of the Ordinary Shares.

13.17 Save as disclosed in paragraphs 9.4 and 9.8 of this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.

13.18 There are no patents, licences, industrial, commercial or new manufacturing processes which are material to the business or profitability of the Company and save as disclosed in this document there are no commercial or financial contracts that are material to the business or profitability of the Company.

13.19 The Company's principal investments since its incorporation have been in the Target Companies and in securing the rights to explore the Properties for the benefit of the Target Partnerships. It has no other investments in progress on the date of this document and neither has the Board made any firm commitment in relation to future investments.

13.20 There have been no related party transactions (for the purposes of the Standards adopted according to the Regulation (EC) No 1606/2002) entered into by the Company prior to the date of this document.

13.21 Save as disclosed in Part IV of this document, no significant change in the financial or trading position of the Company has occurred since 30 June 2005, the date to which the Accountant's Report set out in Part IV of this document has been prepared.

13.22 The Company is subject to the City Code on Takeovers and Mergers which contains mandatory takeover rules in situations where 30% or more of the share capital of a UK registered public company is acquired by one or more person or persons acting in concert. There has been no public takeover bid for the whole or any part of the share capital of the Company prior to the date of this document.

13.23 The Company has employed two people (James A. Jeffs and Steve Kappelle) since incorporation.

14. Documents available for inspection

Copies of this document are available free of charge from the offices of Nabarro Wells, Saddlers House, Gutter Lane, London EC2V 6HS and from the registered office of the Company at Ground Floor, 11 Albemarle Street, London W1S 4HH, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until at least 30 days after the date of Admission.

27 October 2005

GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this document. Grammatical variations of these terms should be interpreted in the same way.

"2D Seismic"	seismic data acquired in a grid that is relatively broad, and is processed in two dimensions
"3D Seismic"	seismic data acquired in a grid that is relatively close-spaced and dense, and is processed in three dimensions
"abandonment" (of well)	a term to describe the sealing of a well with cement plugs, and removing the wellhead with no intention of re-entering the well
"anticlinal"	a hydrocarbon trap where the reservoir has a convex geometry
"appraisal well"	a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field
"assignment"	an instrument whereby one party sells or transfers an interest or property to another
"barrel"	a unit of volume measurement used for petroleum and its products (7.3 barrels = 1 ton: 6.29 barrels = 1 cubic metre)
"bbl"	one barrel of oil; 1 barrel = 35 Imperial gallons (approx.), or 159 litres (approx.); 7.5 barrels = 1 tonne (approximately depending upon the oil density); 6.29 barrels = 1 cubic metre
"block"	term commonly used to describe contract areas or tract, as in "block of land"
"blow-out"	when well pressure exceeds the ability of the wellhead valves to control it. Oil and gas "blow wild" at the surface
"bopd"	barrels of oil production per day
"bounding fault"	a fault that defines the limit of a prospect of hydrocarbon accumulation
"Carboniferous"	geological period between 354 and 295 million years ago
"commercial discovery"	discovery of hydrocarbons which the company determines to be commercially viable for appraisal and development
"completion"	the operation of perforating, stimulating and equipping an oil or gas well

“condensate”	hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons
“corner point co-ordinates”	the geographical co-ordinates which define a polygonal area.
“Cretaceous”	geological strata formed during the period 140 million to 65 million years before present
“cubic foot”	a standard unit used to measure quantity of gas (at atmospheric pressure); 1 cubic foot = 0.0283 cubic metres
"Devonian"	a geological strata/period depicted between 354 million and 417 million years before present
“diapir”	a tear-drop, spherical or elliptical structure created when ductile rock flows towards the surface due to its low density.
"dip"	the inclination of a horizontal structure from the horizontal
"discovery"	an exploration well which has encountered hydrocarbons
"downthrown"	relative movement of one fault block against another
"exploration drilling"	drilling carried out to determine whether hydrocarbons are present in a particular area or structure
"exploration phase"	the phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys followed up where appropriate by exploratory drilling
"exploration well"	a well in an unproven area or prospect, may also be known as a "wildcat well"
"extended production test"	producing a well or formation for a long period of time in order to determine production performance
"facies"	sedimentological description of rock
"fairway"	an area that has common components that may have oilfields or prospects within it
"fallow"	blocks where the initial licence term has expired and there has been no significant exploration activity for a period of years
"farmin"	when a company acquires an interest in a block by taking over all or part of the financial commitment for drilling an exploration well
"fault"	a break in the earth's crust where there has been displacement of one side relative to the other. Sometimes a layer of non-porous rock may be next to

	an oil-bearing porous interval along a fault and form a trap for the oil
"field"	a geographical area under which an oil or gas reservoir lies
“formation”	a unit of rock
“G/C”	gas condensate
“gas field”	a field containing natural gas but no oil
“gas lift”	the introduction of gas into a well to assist lifting fluids from the well bore
“geophysical”	the measurement of the earths physical properties to explore and delineate hydrocarbons, including electrical, seismic, gravity, magnetics, but not including drilling.
“graben”	a normally faulted elongate trough or block of rock, down-thrown on both sides.
“gross pay”	the total thickness of hydrocarbon bearing sediments
“hydrocarbon“	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate.
“Jurassic“	geological strata (or Period) formed during the period from 144 million to 205 million years before present
“LAS files”	“Log ASCII Standard” a global file format for wireline log data.
“licence“	an exclusive right to search and bore for and get petroleum, usually granted by a national governing body. In the UK licences are granted by the DTI
"mD	milli Darcy (permeability)
"mm "	millions
"manifold"	an accessory system of piping to a main piping system that serves to divide a flow into several parts, to combine several flows into one, or to re-route a flow to any one of several possible destinations
"Mesozoic"	the secondary or reptilian age, from 250 million to 65 million years ago
"mud"	a mixture of base substance and additives used to lubricate the drill bit and to counteract the natural pressure of the formation
"natural gas"	gas, occurring naturally, and often found in association with crude petroleum

"oil field"	a geographic area under which an oil reservoir lies
"oil"	a mixture of liquid hydrocarbons of different molecular weights
"operator"	the company that has legal authority to drill wells and undertake production of hydrocarbons. The Operator is often part of a consortium and acts on behalf of this consortium
“orogenic”	of the process of mountain building commonly associated with the collision of crustal plates
“Paleocene”	geological period between 65 and 55 million years ago
“Paleozoic”	geological Era between 540 and 250 million years ago. Includes the Permian, Carboniferous , Devonian, Silurian, Ordovician and Cambrian periods
“pericratonic”	area surrounding a stable plate of the earths crust (craton)
"permeability"	the property of a formation which quantifies the flow of a fluid through the pore spaces and into the wellbore
"Permian"	a geological strata/period formed during the period 250 to 295 million years before present
"petroleum"	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products
"platform"	an offshore structure that is permanently fixed to the seabed
“Pleistocene”	geological period between 1.8 million years ago, and 10000 years ago
“plugging” (of well)	the process setting cement, or other plug in a well in order to make it safe, from any blow-out and cross flow or environmental impact
"porosity"	the percentage of void in a porous rock compared to the total rock volume
“Pre-Caspian Basin”	the sedimentary basin at the North end of the Caspian extending from Astrakhan in Russia to Aktubinsk in West Kazakhstan. Some times called Pri-Caspian, and Peri Caspian
"prospect"	a defined geological or geophysical feature or anomaly that has been surveyed and defined, usually by seismic data, to a degree that its configuration is fairly well established and that is considered potentially to have a hydrocarbon accumulation
“Proterozoic”	geological era between 2500 and 800 million years ago

"reserves"	generally the amount of economically recoverable oil or gas in a particular reservoir that is available for production
"reservoir"	the underground formation where oil and gas has accumulated It consists of a porous and permeable rock to hold the oil or gas, and a cap rock that prevents its escape
“salt dome”	a thickening, up-welling, or doming of ductile salt after burial caused by variation in density and overburden pressure
“salt pillow”	a thickening, up-welling, or doming of ductile salt after burial caused by variation in density and overburden pressure
“sediment drape”	rock formations which appear in section to drape themselves over structural highs
"stratigraphic trap"	a mode of trapping hydrocarbons which is not dependent on structural entrapment
"structural high"	an area where rocks have been elevated due to tectonic activity
“sub-salt”	lying below the Permian Salt (in the case of the Pre-Caspian Basin), including the Carboniferous and Devonian rocks
“supra-salt”	lying above the Permain salt (in the case of the Pre-Caspian Basin), including the Triassic, Jurassic and Cretaceous rocks
“TD”	total depth of a well, when drilling has finished
“Triassic”	geological period between 250 and 205 million years ago
"up-dip"	at a structurally higher elevation within dipping strata
“vugs”	Small cavity in rock, which in sedimentary formations provides large scale porosity
"well log"	a record of geological formation penetrated during drilling, including technical details of the operation