九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 34)

FURTHER ANNOUNCEMENT

IN RELATION TO THE DISCLOSEABLE TRANSACTION

Reference is made to the joint announcement of Kowloon Development Company Limited (the "**Company**" or "**KDC**") and PAH dated 7 April 2010 in relation to the Acquisition.

This further announcement is made pursuant to Rules 14.38 and 18.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited prior to 3 June 2010 to disclose further information about the Acquisition. The technical report containing the information specified in Rule 18.09(6) of the Old Rules is set out in Appendix I to this announcement.

Reference is made to the joint announcement of KDC and PAH dated 7 April 2010 in relation to the Acquisition (the "**Joint Announcement**"). Capitalised terms used herein have the same meaning as those defined in the Joint Announcement, unless otherwise defined herein.

In the Joint Announcement, the board of directors of KDC and PAH announced that on 1 April 2010, Power Mighty (as buyer), a wholly-owned subsidiary of PAH, entered into the Agreement with Ufex (as seller) pursuant to which Power Mighty has conditionally agreed to acquire the Sale Shares at an aggregate cash consideration of US$100 million (equivalent to approximately HK$780 million). In addition, Ufex (as assignor) and Equal Talent (as assignee), a wholly-owned subsidiary of PAH, entered into the Loan Assignment Agreement pursuant to which Ufex has agreed to assign to Equal Talent the Loans for an aggregate cash consideration of US$39.6 million (equivalent to approximately HK$308.9 million) effective from the date of completion of the Agreement. As at the date of this announcement, conditions precedent to the completion of the Agreement as referred in the Joint Announcement have been fulfilled or waived.

Prior to 3 June 2010, Rule 14.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Old Rules**") requires a listed issuer which has entered into a discloseable transaction falling within Rule 18.07(1) of the Old Rules must publish a further announcement containing, among others, the information specified in Rule 18.09 of the Old Rules. The Listing Rules in respect of mineral companies have been substantively revised and became effective on 3 June 2010 (the "**New Rules**"). Pursuant to paragraph 188 of the Consultation Conclusions on New Listing Rules for Mineral Companies of the Stock Exchange, transactions announced after the effective date of the New Rules, i.e. 3 June 2010, will be subject to the New Rules. As the Acquisition was announced prior to the New Rules becoming effective, this announcement is made pursuant to Rules 14.38 and 18.09 of the Old Rules to disclose further information about the Acquisition. The technical report containing the information specified in Rule 18.09(6) of the Old Rules is set out in Appendix I to this announcement.

1. FURTHER INFORMATION ABOUT CASPI NEFT

Caspi Neft is engaged in the business of the production and exploration of oil from hydrocarbon deposits in Kazakhstan.

Caspi Neft entered into a contract with MEMR for the exploration of hydrocarbons at the Oilfield in Aktobe, Kazakhstan in 2000. The exploration contract was completed in April 2009. In December 2006, a 25-year tax and royalty contract for production of oil from hydrocarbons was entered into between Caspi Neft and MEMR as a result of its initial exploration efforts over the most prospective parts of the initial concession area.

The Oilfield is located to the southwest of the Alibekmola Block in the Pre-Caspian Basin which accounts for about 75% of Kazakhstan oil reserves and production. It is at an early stage of development. According to the technical report produced by Miller and Lents, Ltd. (the "**Technical Expert**"), the Oilfield has 27 wells of which 12 wells are currently producing and has total proved reserves, possible reserves and contingent resources of approximately 13,313,000 barrels, 31,692,000 barrels and 16,230,000 barrels of oil respectively. Please refer to the technical report contained in Appendix I attached hereto for details. The Technical Expert is an independent oil and gas consulting firm that has been providing expert services for all types of clients in many phases of the petroleum industry and has experience in reserves evaluation in most of the significant hydrocarbon producing provinces of the world.

To the best knowledge, information and belief of the directors of the Company, there is no claim in relation to the exploration and production rights of Capsi Neft made or notified either by third parties against the Company and its subsidiaries (the "**Group**") or vice versa.

2. FURTHER INFORMATION ABOUT THE GROUP

Business Acitivites

The Group is principally engaged in the business of property development, property investment and finance and investments. For the year ended 31 December 2009, total operating profit of the Group generated from property development projects amounted to HK$1,085.3 million, accounted for 70% of the total operating profit of the Group. Operating profit contribution from Macau, Hong Kong and Mainland China in 2009 were 69.1%, 28.1% and 2.8% respectively for its property development activities in 2009. As at 31 December 2009, total assets of the Group was HK$27,294 million, of which 71.6% was related to property development and 24.4% was related to property investment.

PAH is a 73.44%-owned subsidiary of the Company. PAH Group is principally engaged in the property investment, development and trading, ice manufacturing and provision of cold storage services and financial investments in the People's Republic of China, including Hong Kong and Macau. For the Acquisition, PAH Group has a team of professional staff in place to evaluate the Acquisition and to manage the operation of Caspi Neft after the Acquisition.

Financial Effects of the Acquisition

Caspi Neft is currently generating revenue and the estimated cash inflow of approximately US$180.9 million (approximately HK$1,411 million) will be contributed by the sale of oil from the Oilfield within two years following the date of this announcement, which is determined based on average historical market selling prices of oil of US$28.33 per barrel for domestic sales in Kazakhstan and US$62.96 per barrel for export sales and the production plan of the Group. It is currently expected that for the two years following the date of this announcement, the working capital for the daily operation of Caspi Neft will be financed by internal resources of Caspi Neft.

The estimated cash outflow of the capital expenditures of Caspi Neft within two years following the date of this announcement will be US$95.8 million (approximately HK$747.2 million), which is determined based on the production plan of the Group and the cost of well drilling at current price level. The capital expenditures will be financed by internal resources of Caspi Neft and of the Group, bank borrowings and loans from the ultimate holding company of the Company. The loans to be provided by the ultimate holding company are on terms better than normal commercial terms with no security over the assets of the Group which will be exempted from any reporting, announcement and approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

Taking into account the existing financial resources, financial support from the ultimate holding company and the existing banking facilities of the Group, in the absence of unforeseeable circumstances, the directors of the Company are of the opinion that the Group will have sufficient working capital for at least two years from the date of this announcement.

Written Certificate issued to PAH

PAH has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 18.07(2) of the Old Rules on the basis of a written certificate given by Marble King, which is beneficially interested in 3,260,004,812 PAH Shares, representing approximately 73.44% of the issued share capital of PAH, in lieu of the requirement to hold a general meeting to approve the Acquisition. Please refer to the circular dated 27 July 2010 issued by PAH for details.

The directors of the Company (including the independent non-executive directors) consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

3. TECHNICAL REPORT AND ITS EXPERT

The technical report* containing the information specified in Rule 18.09(6) of the Old Rules is set out in Appendix I to this announcement.

Information on the Technical Expert

Name	:	Miller and Lents, Ltd.
Address	:	Two Houston Centre, 909 Fannin Street, Suite 1300, Houston, Texas 77010, United States of America
Professional qualification and relevant experience	:	An independent oil and gas consulting firm. (Refer to page 5 of the technical report for details)

The Technical Expert has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its technical report and/or references to its name, in the form and context in which it appears.

Statement of Interests

To the best knowledge, information and belief of the directors of the Company, the Technical Expert is not beneficially interested in the capital of any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

4. GENERAL

As disclosed in the circular of the Company dated 3 September 2009, the Company acquired two property development projects located in Hong Kong and Mainland China from Polytec Holdings International Limited by acquisition of the entire issued share capital of each of Best Award Investments Limited and High Cheer Investments Limited together with the assignment of related shareholder's loans at the total consideration of HK$856,506,000 pursuant to the agreement dated 13 August 2009 made between the Company and Polytec Holdings International Limited. Polytec Holdings International Limited is ultimately and wholly-owned by a discretionary family trust, of which three directors of the Company namely Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son) and their family members are beneficiaries.

Save as disclosed above, none of the directors of the Company is interested in any assets which have been within the 24 months immediately preceding the publication of this announcement acquired or disposed of by or leased to the Group.

Unless otherwise specified, US$ has been translated into HK$ at the exchange rate of US$1.0=HK$7.8 for illustration purpose. Such translation should not be construed as a representation that any amounts in US$ or HK$ have been, could have been, or could be, converted at the above rate or any other rates or at all.

* *The English text of the technical report shall prevail over the Chinese text in the case of inconsistency.*

By Order of the Board
Kowloon Development Company Limited
Or Wai Sheun
Chairman

Hong Kong, 27 July 2010

As at the date of this announcement, the board of directors of the Company comprises Mr Or Wai Sheun (Chairman), Ms Ng Chi Man, Mr Lai Ka Fai and Mr Or Pui Kwan as executive directors; Mr Keith Alan Holman (Deputy Chairman), Mr Tam Hee Chung and Mr Yeung Kwok Kwong as non-executive directors; and Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy, Mr Seto Gin Chung, John and Mr David John Shaw as independent non-executive directors.

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June 14, 2010

Mr. Or Wai Sheun
Chairman
Kowloon Development Company Limited
Polytec Asset Holdings Limited
23F, Pioneer Centre
750 Nathan Road
Kowloon, Hong Kong

Re: Reserves and Contingent Resources
As of January 31, 2010
South Alibek Field

Dear Mr. Or:

At your request, Miller and Lents, Ltd. (MLL) estimated the net oil and gas reserves and contingent resources as of January 31, 2010 attributable to the interests of Power Mighty B.V. (Power Mighty) in the South Alibek Field located in northwestern Kazakhstan. The main reservoirs in the field are the KT-1 and KT-2 carbonates of Middle to Lower Carboniferous age. A map showing the general location of the field is included as Figure 1.

The results of our evaluation are summarized below.

Reserves Category	Net Reserves	
	Oil, MBbls.	Gas, MMcf
Proved Developed Producing	845	0
Proved Undeveloped	12,468	0
Total Proved	**13,313**	**0**
Possible	31,692	0
Contingent Resources (3C)	**16,230**	**0**

Definitions

The reserves and contingent resources reported herein conform to the standards of the Petroleum Resources Management System (PRMS), which was prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE). The document (SPE-PRMS) was reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum

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Geologists, and the Society of Petroleum Evaluation Engineers. Definitions from the SPE-PRMS are included in the Appendix.

Economic Considerations

Since by definition reserves must be commercially recoverable, cash flow economic runs were made using net oil prices, operating expenses, development capital, and other capital costs provided by Power Mighty. Costs included fixed and variable operating costs, development costs for the drilling and hydraulic fracturing of new wells and for recompletions and restoration of existing wells, and future capital for infrastructure. Reserves are considered commercial if the undiscounted present value is positive.

As instructed by Power Mighty, it was assumed that development wells would penetrate both the KT-1 and KT-2 reservoirs and be dually completed. The KT-2 would bear the drilling cost and fixed and variable operating cost with only a completion cost and incremental variable operating cost borne by the KT-1.

A production contract for operation of the field was effective on December 29, 2006 and extends for a period of 25 years. Some terms of the production contract have been superseded by recent changes in Kazakhstan's tax code.

Reserves and Resources Considerations

The proved developed producing reserves and production forecasts were estimated by production decline extrapolations. Production declines were extrapolated to economic limits based on operating cost and oil price data. Extrapolations for proved developed producing reserves do not assume waterflooding. Waterflood response from these wells is categorized as proved undeveloped reserves. All proved developed producing reserves are in the KT-2 reservoir.

The estimated proved undeveloped reserves require significant capital expenditures, such as well costs for development drilling and completion or water injection expenditures. The proved undeveloped reserves include reserves resulting from planned waterfloods and from undeveloped portions of known reservoirs that have been adequately defined by wells. Reserves estimates are based upon volumetric calculations that employ recovery factors derived from the performance of the producing wells and analogous reservoirs. All proved undeveloped reserves are in the KT-2 reservoir.

The estimated possible reserves are in the KT-1 reservoir. The KT-1 reservoir in the South Alibek Field is structurally lower than the oil-water contact in the adjacent Alibekmola Field. The two fields are separated by a fault, but the reservoirs are juxtaposed across the fault. Two well tests in the KT-1 reservoir in the South Alibek Field failed to produce any hydrocarbons. However, it is still

possible that the KT-1 reservoir in the South Alibek Field is oil productive because the fault between the two fields may be a sealing fault, and the well tests may have been influenced by drilling mud and/or cement slurry contamination.

Estimated contingent resources are for potential wells to be drilled in portions of KT-1 and KT-2 reservoirs that are structurally lower and with less net pay. These resources are uneconomic under current economic conditions and are outside of the currently planned development area and therefore cannot be classified as reserves.

Reserves estimates from volumetric calculations and from analogies are often less certain than reserves estimates based on well performance obtained over a period during which a substantial portion of the reserves was produced.

No net gas reserves are attributed to the South Alibek Field because no revenues are derived from produced gas.

Geology

The South Alibek Field is located along the eastern margin of the Pre-Caspian Basin onshore in central Kazakhstan. Principal reservoirs in the field are the Middle and Lower Carboniferous KT-1 and KT-2 carbonates found trapped on a three-way closure on the foot-wall of a north-south-trending thrust fault that separates the field from the Alibekmola Field to the east. The Paleozoic reservoirs lie beneath a regional Kungurian (Lower Permian) salt detachment zone.

Whole cores taken in the SA-5 and SA-14 wells indicate the reservoirs are mainly brown to gray colored crpyto- to microcrystalline limestones with some secondary dolomite that were deposited in a shallow marine to inner shelf platform environment. Cyclic carbonate sedimentation related to minor sea level fluctuation characterizes the reservoir section and has been used for both subsurface correlation and porosity prediction. The chronostratigraphic cycles are separated by thin shales or claystones, or by thin radioactive markers within the carbonates. Little visible porosity is generally evident within these vuggy, moderately hard reservoirs but the matrix porosity is enhanced by fracturing (dual porosity system). FMI logs indicate the natural fractures primarily trend north-south, east-west to northwest-southeast.

The producing KT-2 reservoir occurs at depths ranging from 2,500 to 3,100 meters subsea (mSS), and the shallower KT-1 reservoir at depths between 1,800 and 2,200 mSS. Separating the two reservoirs is the MKT mudstone, the top seal for the underlying MK-2 section. Test data from wells SA-13 and SA-15 indicate an oil-water contact (OWC) in the KT-2 at approximately 3,400 mSS.

The KT-1 reservoir in the South Alibek Field has no associated production and there are several lines of evidence that prevent the reserves from being classified as proved or probable. The evidence is as follows:

1. Well tests taken in SA-4 and SA-12 show the production from the KT-1 to be hydrocarbon-free.

2. The fault that separates the South Alibek Field from the adjoining Alibekmola Field dies out at the KT-1 level, juxtaposing the reservoir.

3. The reservoir is completely beneath the established 1,772 mSS OWC for the KT-1 in the Alibekmola Field where the gas and oil column is only 322 meters. If the current log analysis is to be believed, this would create an oil column of at least 1,000 meters for the KT-1 in South Alibek and place it adjacent to Alibekmola's water leg, an unlikely situation.

As a result of these factors, the reserves in the KT-1 are classified as possible within the planned development area and as Contingent Resources (3C) outside of the planned development area.

The South Alibek Field currently has a total of 27 wells, of which 24 are vertical and three horizontal. Seismic data, which were not provided as part of this review, include 265 kilometers of 2D data and 30 square kilometers of 3D data shot in 2003. Structure maps for both the KT-1 and KT-2 reservoirs, as well as Schlumberger analyses, were provided by the client. Net pay maps were constructed from log data utilizing the OWC noted above, coupled with production history and test results. Original oil in-place (OOIP) was calculated using cut-offs of five percent for porosity and 50 percent for water saturation. Proved (1P) reserves were calculated for the KT-2 from a volume that included one spacing unit beyond the existing wells. Well spacing is 400 meters and average drainage area is 16 hectares (approximately 40 acres) per well.

Cumulative production from the South Alibek Field as of December 31, 2009 was 3.18 MMBO. Twelve wells are currently producing, all from the KT-2, and 12 wells are shut-in. Of the shut-in wells, seven are scheduled to be converted to water injectors and five are planned to be put back on production. According to the client, all of the new wells will be hydraulically fractured, a process that has reportedly yielded positive results in the adjacent Alibekmola Field.

Other Considerations

None of the reserves volumes or the contingent resources have been adjusted for uncertainty. None of the reserves volumes nor the contingent resources should be combined with either of the other without adjustment for uncertainty.

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Mr. Or Wai Sheun
Kowloon Development Company Limited
Polytec Asset Holdings Limited

June 14, 2010
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In conducting this evaluation, MLL relied upon (1) production histories; (2) accounting and cost data; (3) ownership; geological, geophysical, and engineering data; and (4) drilling, recompletion, and workover schedules supplied by Power Mighty. These data were accepted as represented, as verification of such data and information was beyond the scope of this assignment.

The evaluations presented in this report, with the exceptions of those parameters specified by others, reflect our informed judgments based on accepted standards of professional investigation but are subject to those generally recognized uncertainties associated with interpretation of geological, geophysical, and engineering information. Government policies and market conditions different from those employed in this study may cause the total quantity of oil or gas to be recovered, actual production rates, prices received, or operating and capital costs to vary from those presented in this report. Minor precision inconsistencies in subtotals or totals may exist in the report due to truncation or rounding of aggregated values.

Miller and Lents, Ltd. is an independent oil and gas consulting firm. No director, officer, or key employee of Miller and Lents, Ltd. has any financial ownership in Power Mighty or any affiliate of Power Mighty. Our compensation for the required investigations and preparation of this report is not contingent on the results obtained and reported, and we have not performed other work that would affect our objectivity. Production of this report was supervised by Mr. James C. Pearson who is a professionally qualified and licensed Professional Engineer in the State of Texas with more than 30 years of relevant experience in the estimation, assessment, and evaluation of oil and gas reserves.

Very truly yours,

MILLER AND LENTS, LTD.
Texas Registered Engineering Firm No. F-1442

James C. Pearson, P.E.
Chairman

Jerry W. Kennedy, P.G.
Senior Geologist

David A. Fenton
Reservoir Engineer

DAF/psh

Definitions and Guidelines for Petroleum Resources

Recoverable Resources Classes and Sub-Classes

Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

On Production. The development project is currently producing and selling petroleum to market. The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.

Approved for Development. All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way. At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development. Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class).

The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

Contingent Resources

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Development Pending. A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status.

The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Development Unclarified or on Hold. A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a re-classification of the project to "Not Viable" status.

The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Development Not Viable. A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions.

The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

Prospective Resources

Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

Prospect. A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead. A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play. A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Reserves Category Definitions and Guidelines

Proved Reserves

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contact, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines," Chapter 8).

Reserves in undeveloped locations may be classified as Proved provided that:

- The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive.
- Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations.

For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

Probable Reserves

Probable reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.

Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Possible Reserves

Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves.

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project.

Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

Probable and Possible Reserves

(See above for separate criteria for Probable Reserves and Possible Reserves.)

The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.

In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.

Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e. absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.

In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

Reserves Status Definitions and Guidelines

Developed Reserves

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves. Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves. Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.

Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE); reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG); and the Society of Petroleum Evaluation Engineers (SPEE). Approved by the SPE Board of Directors, March 2007.

List of Attachments

List of Exhibits

Figure 1

LOCATION MAP
RUSSIAN FEDERATION

MILLER AND LENTS, LTD. 4/2010

Exhibit 1

Power Mighty B.V.

SOUTH ALIBEK Field KT_I DEPTH STRUCTURE MAP

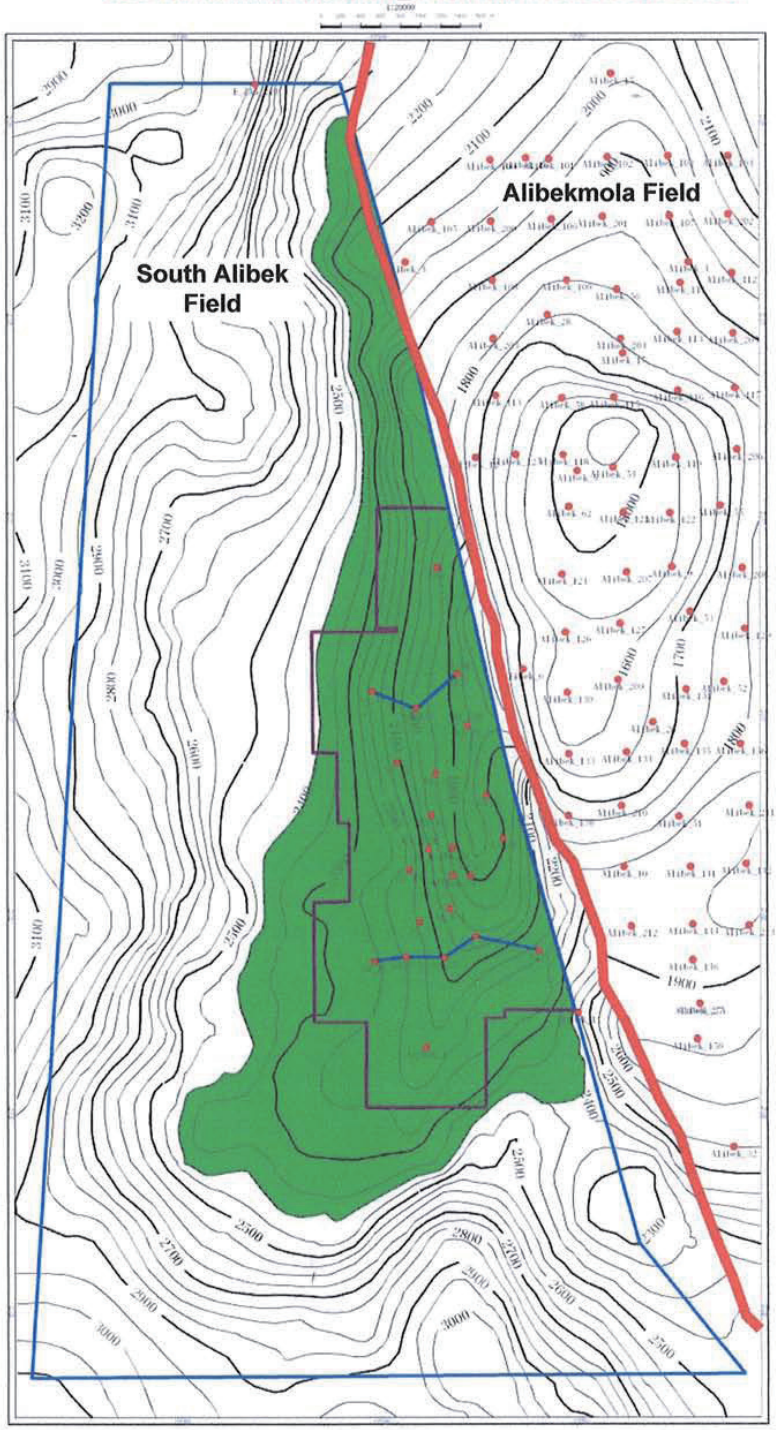

Exhibit 2

Power Mighty B.V.

SOUTH ALIBEK Field KT_I NETPAY ISOPACH MAP

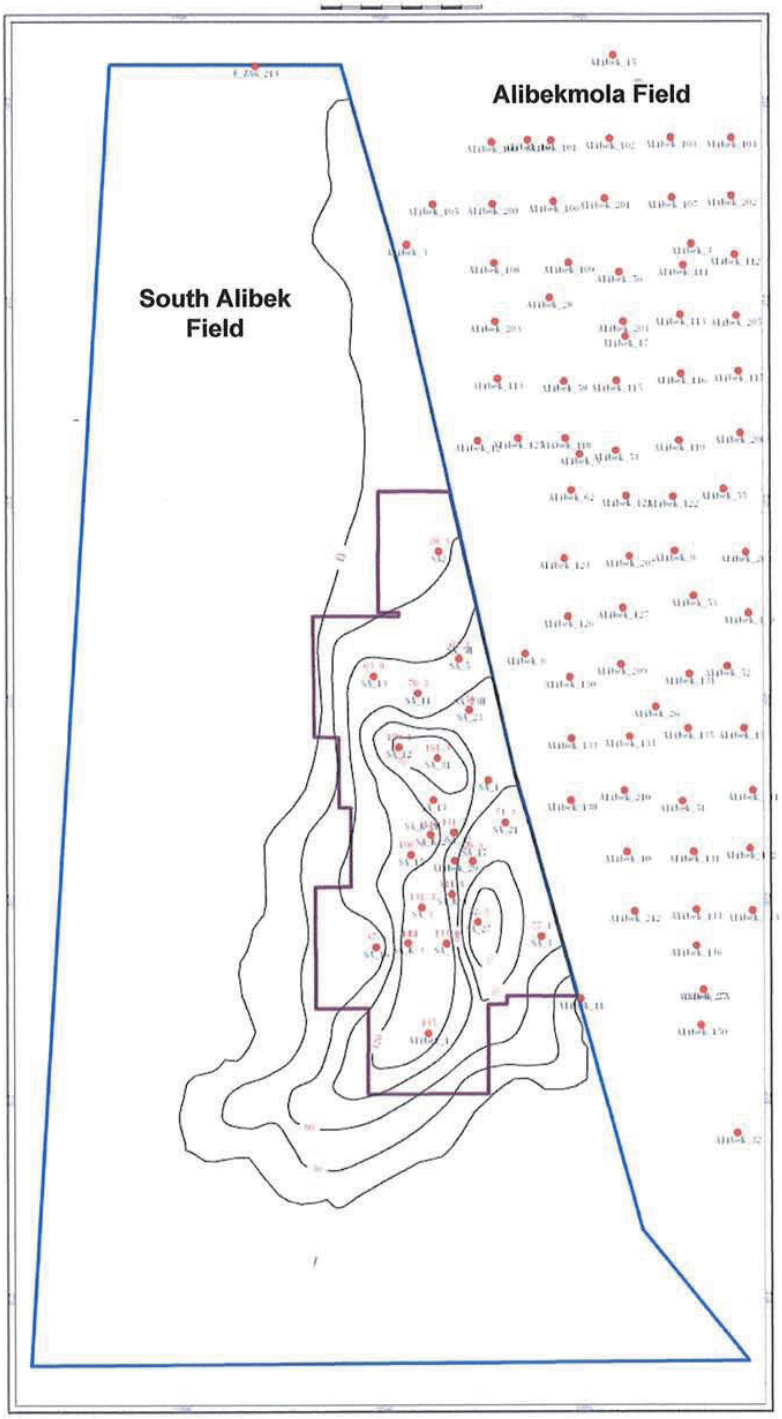

Exhibit 3

Power Mighty B.V.

SOUTH ALIBEK Field KT_2_1 OIL BEARING AREA MAP

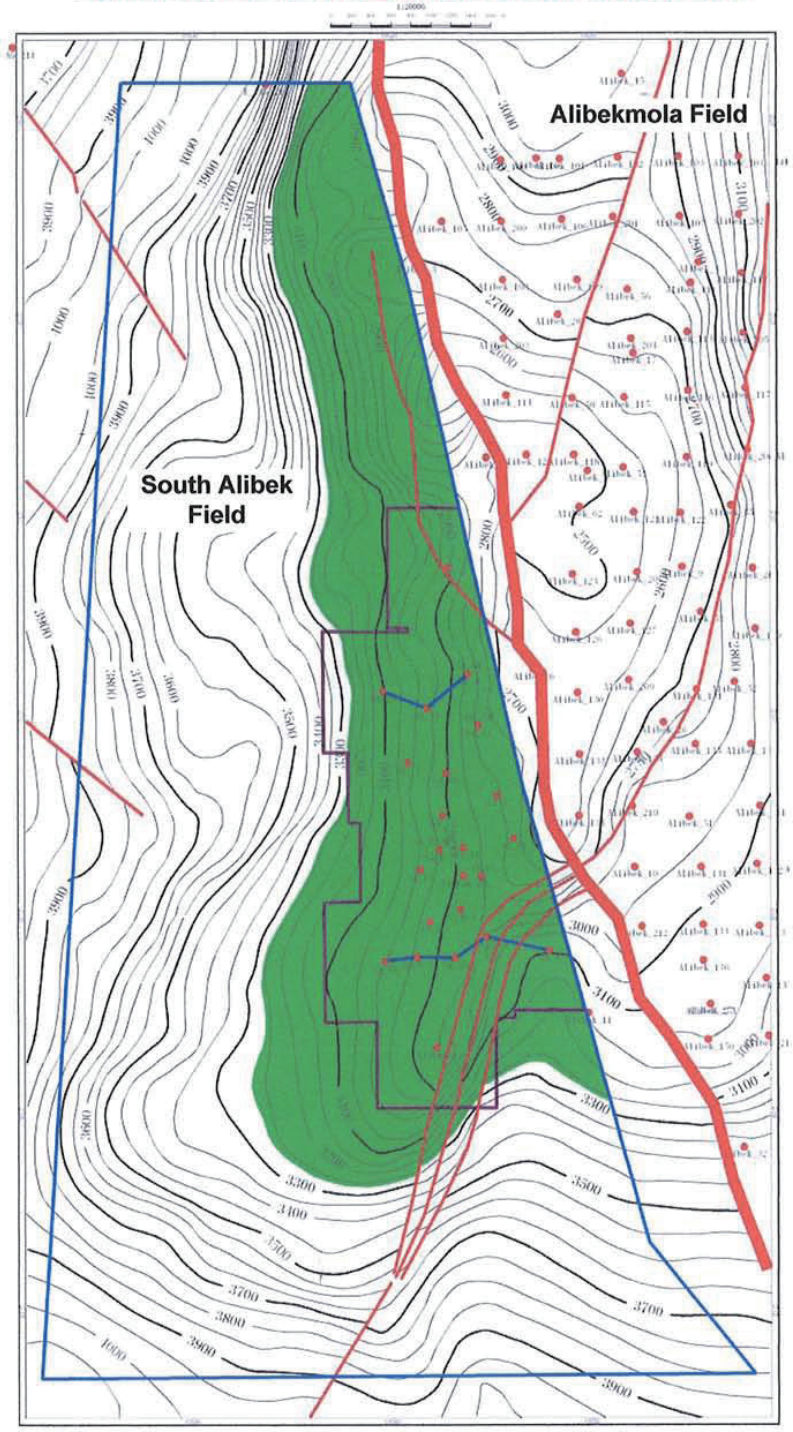

Exhibit 4

Power Mighty B.V.

SOUTH ALIBEK Field KT_2 NET PAY ISOPACH MAP