OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

MBPS Finance Company

$320,000,000 11.25% Senior Notes due 2015

Fully and Unconditionally Guaranteed by MB Holding, MBPS and Certain of MBPS's Subsidiaries

MBPS Finance Company (the "**Issuer**") is offering (the "**Offering**") $320,000,000 aggregate principal amount of its 11.25% Senior Notes due November 15, 2015 (the "**Notes**"). Interest on the Notes will be payable semi-annually on each November 15 and May 15, commencing on May 15, 2011. The Notes will mature on November 15, 2015. Some or all of the Notes may be redeemed prior to November 15, 2013 by paying 100% of the principal amount of such Notes plus a "**make-whole**" premium and at any time on or after November 15, 2013 at the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). In addition, at any time on or prior to November 15, 2013, up to 35% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of certain equity offerings if at least 65% of the originally issued aggregate principal amount of the Notes remains outstanding. All of the Notes may also be redeemed at 100% of their principal amount plus accrued interest if at any time the Issuer or any Guarantor becomes obligated to pay withholding taxes as a result of certain changes in law. In addition, holders of the Notes may cause the Issuer to redeem the Notes at a redemption price equal to 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if MBPS undergoes specific kinds of changes of control.

The Notes will be the senior obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated to the Notes. The Notes will be guaranteed on a senior basis by MB Holding, MBPS and certain of MBPS's subsidiaries (collectively, the "**Subsidiary Guarantors**" and, together with MB Holding and MBPS, the "**Guarantors**"). The guarantee of the Notes by each Guarantor (each a "**Guarantee**" and, collectively, the "**Guarantees**") will rank *pari passu* in right of payment with all of such Guarantor's existing and future indebtedness that is not subordinated to such Guarantee.

Currently there is no public market for the Notes. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF Market. This Offering Memorandum constitutes a prospectus for purposes of the Luxembourg Act of July 10, 2005 on prospectuses for securities.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 17 of this Offering Memorandum.

Offering Price for the Notes: 100% plus accrued interest from the issue date, if any.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any other jurisdiction. The Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act ("**Rule 144A**") and to persons outside the United States in accordance with Regulation S under the U.S. Securities Act. For further details about eligible offerees and resale restrictions, please see "Notice to Investors."

We expect that the Notes will be delivered in book-entry form through the Depository Trust Company ("DTC"), Euroclear S.A./N.V. ("Euroclear") or Clearstream Banking, *société anonyme* ("Clearstream") on or about November 15, 2010.

Joint Bookrunning Managers

Barclays Capital **HSBC** **Standard Chartered Bank**

The date of this Offering Memorandum is November 8, 2010.

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IMPORTANT INFORMATION

We have prepared the Offering Memorandum based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. We will make copies of actual documents available to you upon request. None of us or the initial purchasers named under "Plan of Distribution" (collectively, the "**Initial Purchasers**"), represent that the information herein is complete. The information in this Offering Memorandum is current only as of the date on the cover, and our business or financial condition and other information in this Offering Memorandum may change after that date. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information.

The Issuer is offering the Notes, and the Guarantors will issue the Guarantees, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "Notice to Investors." You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither the Issuer nor the Initial Purchasers is or are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. The Issuer does not make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefore.

Neither the U.S. Securities and Exchange Commission, nor any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects and that the opinions and intentions expressed in this Offering Memorandum are honestly held.

We have prepared this Offering Memorandum solely for use in connection with the offering of the Notes to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S under the U.S. Securities Act and this Offering Memorandum may not be used for any other purpose. No person is authorized to provide any information with respect to the Notes, the Offering or this Offering Memorandum, other than those contained within this Offering Memorandum itself.

The Issuer and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

The information set forth in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "Book-Entry, Delivery and Form," is subject to change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning DTC, Euroclear and Clearstream, we accept no further responsibility in respect of such information.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Please see "Notice to Investors."

STABILIZATION

IN CONNECTION WITH THIS OFFERING, BARCLAYS BANK PLC (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED 1995, AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

This Offering Memorandum is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the issuance of the Notes. This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Notes, which are the subject of the placement contemplated in this Offering Memorandum, should only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in the Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net revenue of more than €50,000,000 as shown in its last annual or consolidated accounts;

(c) by the Initial Purchasers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall result in a requirement for the publication by the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an "offer of the notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO U.K. INVESTORS

The issue and distribution of this Offering Memorandum is restricted by law. This Offering Memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") by, a person authorized under the FSMA. The Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issuance or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

NOTICE TO U.S. INVESTORS

This Offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements.

This Offering Memorandum is being provided (1) to a limited number of U.S. investors that the Issuer reasonably believes to be "qualified institutional buyers" under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO RESIDENTS IN THE KINGDOM OF SAUDI ARABIA

This Offering Memorandum may not be distributed in the Kingdom of Saudi Arabia ("**Saudi Arabia**") except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the "**CMA**").

The CMA does not make any representations as to the accuracy or completeness of this Offering Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Memorandum. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this Offering Memorandum he or she should consult an authorized financial adviser.

NOTICE TO CAYMAN ISLANDS RESIDENTS

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Notes.

NOTICE TO RESIDENTS IN THE KINGDOM OF BAHRAIN

Any offer of the Notes in the Kingdom of Bahrain ("**Bahrain**") will be undertaken by way of private placement.

Such offers are subject to the regulations of the Central Bank of Bahrain that apply to private offerings of securities and the disclosure requirements and other protections that these regulations contain. This Offering Memorandum is therefore intended only for "accredited investors."

The Notes offered in Bahrain may only be offered in registered form in minimum denominations of $100,000 (or equivalent in other currencies).

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, within the meaning of U.S. federal securities laws and the securities laws of other jurisdictions, including the terms "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should" or "will" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve assumptions, risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Many of these assumptions, risks and uncertainties are beyond our control. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industries in which we operate are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- our exposure to fluctuations in the price of oil and gas and the demand for energy;
- a possible decline in exploratory and development activity by our customers;
- our exposure to political, social and economic instability in our markets, acts of insurrection, terrorism, war or other conflict, possible adverse impacts of regulatory, legislative, tax or other judicial developments;
- the policies of various governments regarding exploration and development of their oil and gas reserves, including the impact of social policy and mandatory local employment, shareholder and/or supplier commitments;
- our possible inability to win new contracts and to renew and extend existing contracts;
- increased competition in our industry and our possible inability to retain or increase our prices and our market shares;

- our possible inability to acquire and profitably integrate attractive technology, or develop and market new technology;
- our dependence on our senior personnel and our possible inability to attract and retain sufficient skilled personnel to meet our operational requirements;
- fluctuations in foreign currency exchange rates;
- foreign exchange controls;
- an increasing reliance on alternative, non-hydrocarbon energy sources; and
- the factors as set forth in "Risk Factors," and other factors that are not known to us at this time.

We urge you to carefully read the sections of this Offering Memorandum entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Industry" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur.

We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

AVAILABLE INFORMATION

Each purchaser of Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and, to the extent provided to the Initial Purchasers by us, any related amendment or supplement to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendment or supplement acknowledges that: (1) he has been afforded an opportunity to request from us and to review, and has received from us, all additional information considered by him to be necessary to verify the accuracy and completeness of the information herein; (2) he has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of the information or his investment decisions; and (3) except as provided under (1) above, no person has been authorized to give any information or to make any representation concerning us or the Senior Notes offered by this Offering Memorandum other than those contained in this Offering Memorandum, and if given or made, any other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

In addition, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, we will also provide a copy of all of the foregoing information and reports to the Luxembourg Stock Exchange and make this information available in Luxembourg at the office of the Luxembourg paying agent. Furthermore, for so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from such reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, make available to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to MBPS. Our website can be found at *www.mbholdingco.com*. Except as expressly stated herein, information contained on our website is not incorporated by reference into this Offering Memorandum and is not part of this Offering Memorandum.

Copies of the Indenture may be freely obtained at the specified office of the listing agent in Luxembourg for as long as the Notes are listed on the Luxembourg Stock Exchange.

PRESENTATION OF FINANCIAL AND OTHER DATA

Unaudited Pro Forma Financial Information

The unaudited pro forma consolidated financial information of MBPS for the year ended December 31, 2009 has been prepared for illustrative purposes only to show the effect of the transfer of

MB Century Holding Pte Limited and its subsidiaries, along with the related borrowing and funding arrangements, from MB Holding to MBPS as if it happened on January 1, 2009. For a detailed discussion of how we have prepared the unaudited pro forma consolidated financial information of MBPS, please see Appendix A to this Offering Memorandum.

Some financial information in this Offering Memorandum has been rounded and, as a result, the numerical figures shown as totals in this Offering Memorandum may vary slightly from the exact arithmetic aggregation of the totals of such information.

The financial information included in this Offering Memorandum is not intended to comply with SEC financial information requirements.

Non-IFRS Financial Information

Certain financial measures and ratios related thereto in this Offering Memorandum, including EBITDA, are not defined under IFRS. These measures are presented in this Offering Memorandum because we believe that they and similar measures are widely used in our industry as a means of evaluating a company's operating performance and financing structure, and in the case of EBITDA because we believe it presents a helpful comparison of financial performance between periods by excluding the effect of certain items. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles. Our EBITDA calculation includes the line item "Other income" from our consolidated income statement (inclusive of gains and losses made on the disposal of our headquarters as well as the sale of assets in the normal course of business).

Our EBITDA measures have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under IFRS as set forth in our financial statements. Some of these limitations are:

- they do not reflect cash expenditures or future requirements for capital commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on debt;
- they do not reflect any cash income taxes;
- they are not adjusted for all non-cash income or expense items that are reflected in the statements of cash flows;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry or in the industries in which other members of the MB Holding Group operate may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA measures should not be considered as measures of discretionary cash available to invest in growth or as measures of cash that will be available to meet obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS measures only as a supplement to evaluate our performance. Please see "Summary—Summary Historical and Pro Forma Financial and Other Data of MBPS," "Selected Historical Financial and Other Data of MBPS," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the consolidated financial statements and the related notes included elsewhere in this Offering Memorandum.

For a description of how EBITDA is calculated from our consolidated profit (loss) before tax and a reconciliation of EBITDA to consolidated profit (loss) before tax, please see "Summary—Summary Historical and Pro Forma Financial and Other Data of MBPS" and "Selected Historical Financial and Other Data of MBPS."

Financial Data for the Twelve Months ended June 30, 2010

The presentation of financial data of MB Holding for the twelve months ended June 30, 2010 is unaudited and has been derived by adding the consolidated statement of income data of MB Holding for the year ended December 31, 2009 and the unaudited consolidated statement of income data of MB Holding for the six months ended June 30, 2010 and subtracting the unaudited consolidated statement of income data of MB Holding for the six months ended June 30, 2009.

The presentation of financial data of MBPS for the twelve months ended June 30, 2010 is unaudited and has been derived by adding the consolidated statement of income data of MBPS for the year ended December 31, 2009 and the unaudited consolidated statement of income data of MBPS for the six months ended June 30, 2010 and subtracting the unaudited consolidated statement of income data of MBPS for the six months ended June 30, 2009. The results of MB Century and its subsidiaries for the period from July 1, 2009 to December 31, 2009 are also added in accordance with IFRS.

Financial Data of MBPS for the Year 2009

The presentation of financial data relating to MBPS for the year 2009 in the section entitled "Business" includes the financial results of MB Century on a pro forma basis as if MB Century was a consolidated subsidiary of MBPS for the entire financial year ended December 31, 2009.

Historical and Current Market and Industry Data

We operate in an industry in which it is difficult to obtain precise industry and market and competitive position information. We have obtained the market and competitive position data in this Offering Memorandum from, where available, industry publications and from surveys or studies conducted by third-party sources or by us, and accept responsibility for accurately reproducing such data.

We believe that these industry publications, surveys and studies are reliable indicators, but are themselves subject to assumptions and limitations and involve judgments and estimates, particularly in assigning a particular rig, platform or other equipment to a given category and when comparing them across product categories. They also contain forward-looking statements regarding expected oil and gas prices, numbers of development units and continued advancement of the oil and gas industry's projects. Accordingly, all such data should be construed in light of the foregoing. Moreover, we cannot assure you of the accuracy and completeness of such information and we have not independently verified such industry, market and competitive position data. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors.

In addition, in many cases we have made statements in this Offering Memorandum regarding our industry and our position in the industry based on our experience and knowledge and our own investigation of market conditions. Among other matters, our estimates of our market share with respect to the various services we provide are based upon our knowledge and perception of the markets in which we operate, and the assumptions utilized in our calculations have not been derived from any independent or official source. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

Reserves Data

For purposes of calculating oil and gas reserves, proven reserves are those quantities of oil and gas which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under current economic conditions, operating methods and government regulations prior to the time at which the contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain.

Proven reserves can be categorized as developed or undeveloped. Developed reserves are hydrocarbon volumes associated with projects that have already commenced and are expected to be recovered from existing wells. The projects delivering the developed reserves should not require any further expenditure beyond what is required for routine operations and maintenance. Undeveloped reserves are hydrocarbon volumes associated with projects that have been approved for development and have all required authorizations for expenditure in place, but have yet to be commenced. Undeveloped reserves are expected to be recovered from new wells on undrilled acreage, by deepening existing wells to a different reservoir or where significant expenditure is required to recomplete an existing well or install production or transportation facilities for primary or improved recovery projects. All undeveloped reserves must be covered by an approved development and production plan, and it is anticipated that the production of hydrocarbons shall commence within approximately five years.

MB Holding Group's reserve estimations are made on the basis of standard geological and engineering methods that are generally accepted by the petroleum industry, based on guidelines established by the Society of Petroleum Engineers.

With respect to copper reserves, the MB Holding Group's reported reserves are derived following a systematic evaluation of geological data and a series of technical and economic studies by geologists and engineers. These studies are conducted for the MB Holding Group by independent technical consultants.

The estimation of the quantity and quality of the occurrence of the mineral is defined in two stages. In the first stage, the location, quantity, grade, geological characteristics and continuity of mineral resources are interpreted and estimated from specific geological evidence and knowledge. The geological evidence is gathered from exploration, sampling and testing information through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Mineral resources are subdivided, in order of increasing geological confidence, into inferred, indicated and measured categories.

In the second stage, the "ore reserve" is defined. An "ore reserve" is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that at the time of reporting that extraction could reasonably be justified. The MB Holding Group's reserves are subdivided in order of increasing confidence into probable ore reserves and proved ore reserves.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the offering. Please see "Taxation."

DEFINED TERMS USED IN THIS OFFERING MEMORANDUM

The following terms used in this Offering Memorandum have the meanings assigned to them below:

"Australian Guarantors"	means: (i) MB Century, (ii) Century Energy Services Pty Limited (bearing Australian company number 069 875 716), and (iii) Century Resources International Pty Limited (bearing Australian company number 093 442 767).
"Basic Law"	means the Basic Law of Oman as promulgated by Royal Decree 101/96.
"Book-Entry Interests"	means ownership interests in the Global Notes.
"Bridge Facilities"	means, collectively, those short-term financial facilities entered into: (i) on June 24, 2010 with Barclays Bank PLC; (ii) on May 2, 2010 with HSBC Bank Middle East Limited; and (iii) on June 15, 2010 with Standard Chartered Bank, in connection with the acquisition of the remaining 49.0% of MB Century from Downer EDI Resource Holding Limited.
"Certificated Notes"	means definitive notes in registered and certificated form.
"Change of Control"	has the meaning given to it in the section entitled "Description of the Notes."
"Clearstream"	means Clearstream Banking, a *société anonyme*.
"Closing Date"	means the date the Notes are first issued.
"CMA"	means the Capital Markets Authority of Saudi Arabia.
"Crest"	means Crest Oil and Gas LLC.
"CSME"	means Cameron Services Middle East LLC.
"Dollar" or "$"	means the U.S. Dollar.
"EEA"	means the European Economic Area.
"Existing Credit Facilities"	means the term loans and short-term credit facilities in an aggregate principal amount of $226.8 million outstanding on the Issue Date to be repaid with the proceeds from the Offering.
"FSMA"	means the Financial Services and Markets Act 2000.
"Financial Promotion Order"	means the Financial Services and Markets Act 2000 (Financial Promotion) Order of 2005.
"GAAP"	means generally accepted accounting principles.
"GCC"	means the Gulf Cooperation Council.
"German Guarantors"	means (i) MB Petroleum Deutschland GmbH, (ii) Erdöl-Erdgas Workover GmbH, (iii) Koller Verwaltungs- und Beteiligungs-GmbH, (iv) Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG, (v) Koller Workover & Drilling GmbH, and (vi) Koller Maschinen- und Anlagenbau GmbH.
"Government"	means the Government of Oman.
"Guarantees"	means, collectively, the guarantees provided by the Guarantors.
"Guarantors"	means, collectively, the Australian Guarantors, the Omani Guarantors and the German Guarantors.
"HGS"	means Halliburton Geophysical Service.
"HSE"	means health, safety and the environment.
"IBRD"	means International Bank for Reconstruction and Development.

"IFRS"	means International Financial Reporting Standards as issued by the International Accounting Standards Board.
"IMF"	means the International Monetary Fund.
"Indenture"	means the indenture governing the Notes offered hereby.
"Initial Purchasers"	collectively refers to Barclays Bank PLC, HSBC Bank plc and Standard Chartered Bank.
"Interest Payment Dates"	November 15 and May 15 of each year, commencing May 15, 2011.
"IOC"	means international oil companies.
"Issue Date"	means the date on which the Notes are issued.
"Issue Price"	100% plus accrued interest from the settlement date, if any.
"Issuer"	means MBPS Finance Company, an exempted company incorporated in the Cayman Islands with limited liability, which was formed on October 11, 2010.
"Itochu"	means Itochu Corporation.
"listing"	unless otherwise stated or the context otherwise requires, any reference to the Notes having a "listing" or being "listed" on the Luxembourg Stock Exchange shall be construed to mean that such Notes have been or, as applicable, are to be, admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market.
"LME"	means the London Metal Exchange.
"Maturity Date"	November 15, 2015.
"Mawarid Mining"	means Mawarid Mining LLC, and its subsidiaries.
"MB Century"	means MB Century Drilling Pty Limited, a wholly owned subsidiary of MBPS, bearing Australian company number 128 166 718.
"MB Holding"	means Mohamed Al Barwani Holding Company LLC.
"MB Holding Group"	means MB Holding and its subsidiaries.
"MBPS" or "MB Petroleum Services LLC"	means Mohamed Al Barwani Petroleum Services LLC.
"MOCI"	means the Ministry of Commerce and Industry of the Government of Oman.
"NOC"	means national oil companies.
"Notes"	means $320,000,000 aggregate principal amount of the Issuer's 11.25% Senior Notes due November 15, 2015.
"N.Y. Convention"	means the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958.
"Omani Guarantors"	means MB Holding and MBPS.
"Offering"	means the offering of the Notes by the Issuer and the application of the net proceeds therefrom in the manner set forth herein under the heading "Use of Proceeds."
"Offering Memorandum"	means this document in its entirety.
"OID"	means original issue discount.
"Oman"	means the Sultanate of Oman.
"Omani Rial" or "OMR"	means the lawful currency of Oman.

"Order book"	means estimated future revenue attributable to executed contracts that we reasonably expect to generate at any point in time, as further described on page 42 of this Offering Memorandum.
"PDO"	means Petroleum Development Oman.
"Petrogas"	means Petrogas E&P LLC and its subsidiaries.
"Prospectus Directive"	means Directive 2003/71/EC.
"Regulation S"	means Regulation S issued under the U.S. Securities Act.
"Relevant Implementation Date"	means the date on which the Prospectus Directive is implemented in the Relevant Member State.
"Relevant Member State"	means each Member State of the European Economic Area that has implemented the Prospectus Directive.
"Relevant Persons"	means persons to whom the Offering Memorandum is directed.
"RMS"	means Risk Management Services LLC.
"Rule 144A"	means Rule 144A of the U.S. Securities Act.
"Rule 144A Global Notes"	means the notes offered and sold in the United States to qualified institutional buyers in reliance upon Rule 144A of the U.S. Securities Act of 1933.
"Saudi Arabia"	means the Kingdom of Saudi Arabia.
"SEC"	means the U.S. Securities and Exchange Commission.
"Subsidiary Guarantors"	means, collectively, the Australian Guarantors and the German Guarantors.
"SIOL"	means Smith International Oman LLC, a joint venture between Smith Middle East Inc. and UES.
"Stabilizing Manager"	has the meaning given to it on page iii of this Offering Memorandum.
"Trustee"	has the meaning given to it on page 10 of this Offering Memorandum.
"UES"	means United Engineering Services LLC, and its subsidiaries.
"U.S. Exchange Act"	means the U.S. Securities Exchange Act of 1934, as amended.
"U.S. Securities Act"	means the U.S. Securities Act of 1933, as amended.

SUMMARY

This summary highlights selected information contained elsewhere in this Offering Memorandum. It is not complete and does not contain all the information that you should consider before investing in the Notes. The following summary should be read in conjunction with and is qualified in its entirety by the more-detailed information included elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum, including the more-detailed information in the financial information and the related notes included elsewhere in this Offering Memorandum, before making an investment decision. Please see the section entitled "Risk Factors" for factors that you should consider before investing in the Notes and the section entitled "Forward-Looking Statements" for information relating to the statements contained in this Offering Memorandum that are not historical facts.

Overview of the MB Holding Group

MB Holding (which together with its subsidiaries is referred to herein as the "**MB Holding Group**") is a diversified natural resources company with significant operations in the Middle East, Europe, Asia and Australasia. MB Holding is one of the largest privately owned companies in Oman, and is one of few private natural resources companies with its origins in the Middle East. The MB Holding Group was founded in 1982 by its current Chairman, Mr. Mohamed Al Barwani, who, together with his immediate family members, owns 100% of MB Holding.

MB Holding conducts its operations through four main business segments:

- ***Services.*** MBPS is an integrated oil and gas services company that provides onshore drilling, workover, production, drilling fluids and other related services to major IOCs and NOCs. It is the largest Omani oil and gas services company and is the country's only integrated provider of such services. MBPS currently has a presence in 18 countries.
- ***Exploration and Production.*** Petrogas is an oil and gas exploration and production company with a particular focus on mature and smaller fields. Petrogas has historically been focused on Oman, but has now expanded its activities to Egypt and India.
- ***Mining.*** Mawarid Mining is the only miner of copper in Oman. Mawarid Mining's primary business is the production of copper concentrate, which it processes at its own concentrator located in northern Oman.
- ***Manufacturing and Engineering.*** UES designs and manufactures equipment and machinery for oil field services. UES also represents several overseas manufacturers of oil field services equipment as their exclusive sales agent in Oman.

In addition to the operations described above, MB Holding also manages the liquidity and financial investments of the MB Holding Group. Investments undertaken by MB Holding do not form part of the core activities of the MB Holding Group.

For the twelve months ended June 30, 2010, the MB Holding Group generated sales of $993.7 million and EBITDA of $228.9 million, representing an EBITDA margin of 23.0%. It has approximately 6,500 employees in 19 countries.

The Issuer of the Notes will be MBPS Finance Company, a newly created finance subsidiary of MBPS. MBPS and certain of its subsidiaries will provide a full and unconditional guarantee of the Notes. MB Holding, the parent company of MBPS, will also provide a full and unconditional guarantee of the Notes.

Overview of MBPS

MB Holding conducts its oil and gas services business through MBPS and its subsidiaries (references to "**us**," "**our**" or "**we**" in this Offering Memorandum are references to MBPS and its consolidated subsidiaries). We are an integrated oil and gas services company focused primarily on providing onshore drilling, workover, production and other services to major IOCs and NOCs. Our clients include PDO, Saudi Aramco and Total S.A., among others. We are present in 18 countries, including Australia, Germany, India, Indonesia, New Zealand, Oman and Saudi Arabia. For the twelve months ended June 30, 2010, we generated revenue of $414.9 million and EBITDA of $59.4 million, representing an EBITDA margin of 14.3%.

We provide our core services in four primary business areas: (i) drilling; (ii) workover; (iii) production; and (iv) drilling fluids and geological services.

- ***Drilling services.*** We specialize in onshore drilling and have the capability, expertise and equipment to provide for various types of drilling applications, from exploration single string ventures to complex field developments. We also provide technical solutions to drilling problems and can deliver stand-alone and integrated turnkey operations.
- ***Workover services.*** We provide integrated and customized maintenance solutions for operators of oil, gas and geothermal wells, including well re-completions, beam pump replacements, artificially lifted wells and multi-zone isolations. Such solutions enable our customers to refurbish existing wells in order to enhance production and prolong the service life of such wells.
- ***Production services.*** In order to help our customers maximize the production capabilities of their wells, we provide well testing services including well test units, multiphase flow meter and pumping services, and early production facilities; wireline and completion services, including slickline services and recovery operations; and coiled tubing and pumping services including production stimulation treatments, well fishing and milling repairs, well killing, and production logging. We provide well testing and wireline services both onshore and offshore.
- ***Drilling fluids and geological services.*** We provide clients with chemicals, fluids engineering expertise and mud logging services. We have also established a laboratory that provides full backup laboratory services for the testing and development of fluids.

Our Competitive Strengths

Dominant domestic market position

We are the largest Omani oil and gas services company and are the country's only integrated provider of such services. Over the last 25 years, we have developed a strong reputation for quality and technical expertise and enjoy strong customer loyalty, as demonstrated by our leading market shares in Oman in workover, well testing, and wireline and completion services. Our position is strengthened by significant barriers to entry, including high capital start-up requirements, constraints on the availability of experienced workers in the region, legislation requiring oil and gas businesses to employ a minimum percentage of Omani nationals and a reluctance on the part of our customers to change service providers because of the high cost of mobilizing replacement contractors and equipment. We also benefit from the Omani government's preference to engage domestic businesses, which encourages local entrepreneurship and job creation.

Well-established relationships with a diverse range of high-quality customers

Our customer base comprises more than 50 companies with which we enjoy robust and long-standing relationships. These include blue-chip IOCs as well as large NOCs such as PDO and Saudi Aramco, among others. Our 25-year relationship with PDO is particularly strong and we contribute to PDO's business in a number of significant ways. Except for PDO, which accounted for 24.4% of our revenue, no single customer accounted for more than 7.0% of our revenue in the year ended December 31, 2009.

Long-term contracts and strong Order book

Our multi-year contracts provide high visibility of revenue, supporting the stability of our cash flows and helping us mitigate the effects of short-term market volatility and oil price fluctuations. In the year ended December 31, 2009, approximately 24% of our total drilling rig contracts by number, and approximately 63% of our total revenue, was derived from contracts of a duration of four years or longer. In Oman, 29 out of a total of 35 of our rigs are currently contracted out under long-term contracts. As of June 30, 2010, we estimated that our Order book over the 2010–2014 period was over $730.0 million.

Broad-based and integrated service offering

We believe that the high value of our services is driven by our strong technical expertise, developed over 25 years of serving an exacting client base. Our integrated service offering allows us to cross-sell our complementary services, thereby offering value to clients seeking a range of services from one reliable supplier. In addition, the mobility of our core equipment enhances flexibility, increases utilization and minimizes downtime. The breadth of our service offering, ranging from exploration drilling, well production, well maintenance or repair and well killing, helps us to partially mitigate the effects of market cyclicality on our business.

Strong and experienced management team

Our highly experienced management team has many years of experience working for major corporations in the oil and gas services industry. Our top 10 managers have an average of 25 years of industry experience. In addition, we also benefit from the presence of highly experienced managers within each of our subsidiaries. Our management team also has significant experience in successfully acquiring and integrating companies globally, and we have acquired five substantial and successful businesses since 1995.

Our Strategy

Our objective is to be a leading provider of integrated oil and gas services in a responsible and cost-effective manner, while generating maximum cash flow and profitability. In order to achieve this objective we are pursuing the following strategies:

Focus on efficient and low-cost operations

We seek to maintain our competitiveness by maintaining low overheads and strict cost controls. For example, our policy of hiring from domestic markets reduces the costs inherent in expatriate employment. We also seek to establish preferred provider relationships with key equipment suppliers, which we believe will allow us to shorten our lead times for orders and reduce costs. We believe this reduction in supplier risk will allow us to bid more competitively for customers. We have also developed individual centers of excellence in critical service areas, including geo-thermal technology and light land drilling and production services, and expect the resulting expertise to help us to reduce costs, shorten mobilization times and improve management focus and specialization.

Develop a balanced portfolio of long- and short-term contracts

We seek to optimize the balance of our long- and short-term contracts. We have historically pursued a strategy of securing long-term contracts in order to generate stable cash flow and revenue visibility and because such contracts are usually the preferred option for our IOC customers. Although our portfolio will likely continue to consist predominantly of long-term contracts, we will maintain the flexibility to enter into selected shorter-term contracts. This will allow us to maximize rig utilization and achieve higher margins when strong market conditions exist. We are also targeting contracts that allow us to offer bundled services, better positioning us to develop strong relationships with our customers, which will assist us in creating a steady and high-value revenue stream.

Further diversify our service offerings

We seek to build on our broad expertise and integrated service portfolio to roll out existing services into markets where we do not yet offer a full suite of services. For example, in Saudi Arabia, where we offer production and drilling fluids services, we plan to expand our offering to include drilling services, while in Papua New Guinea, where we currently offer drilling services, we plan to expand our offering to include production and drilling fluid and geological services. We also anticipate significant growth opportunities in geothermal drilling services. We seek to expand such services there, and also roll them out to new markets, such as Indonesia.

In addition to expanding the reach of our existing offering, we continue to identify new service offerings, and have identified certain key services, including cementing, directional drilling, fracing, e-Line and perforating, for which we believe there will be considerable demand in the future.

Expand business geographically through organic and external growth

We seek to enhance our business with existing customers and to expand our customer base into new countries such as Kuwait, Qatar, Romania and the United Arab Emirates. Over the longer term, we intend to expand our business by offering our suite of services in Iraq, where we anticipate that there will shortly be a very high level of demand for the type of services offered by us. To support our geographic footprint, we completed the acquisition of the remaining 49.0% of MB Century on June 29, 2010, broadening our reach into Asia and Australasia. Please see "—Acquisition of MB Century." We will continue to consider strategic acquisitions, whether of specific assets or integrated businesses, across a range of geographies.

Acquisition of MB Century

As part of its expansion strategy, in 2007, MB Holding acquired a 51.0% stake in the drilling business of Downer EDI Resource Holdings Limited. MB Holding subsequently renamed this drilling business MB Century Drilling Pty Limited (“**MB Century**”). Control of this stake was transferred to MBPS effective as of January 1, 2010. On June 29, 2010, we acquired the remaining 49.0% of MB Century’s shares, whereupon MB Century became a wholly owned subsidiary of MBPS. The total amount paid for the acquisition of the shares of MB Century was $87.9 million and, in addition, the MB Holding Group provided loans to MB Century in the aggregate amount of $59.2 million. MB Century conducts operations in Asia and Australasia and we believe that this transaction has provided us with an important foothold to capitalize on growth opportunities in those regions, especially for our production services business and geothermal drilling.

Other MB Holding Businesses

Exploration and Production. MB Holding conducts its oil and gas exploration and production business through Petrogas. Petrogas owns a balanced portfolio of exploration and production assets. Petrogas has historically focused its activities on Oman, but has since also entered the Egyptian and Indian markets.

Petrogas’s key competitive strengths are derived from its niche market focus. Petrogas targets small or mature fields that generally do not form a part of the core business of IOCs and therefore faces limited competition from them. Additionally, Petrogas conducts a portion of its business pursuant to service agreements that require lower initial costs than are typically associated with the development of oil and gas fields. These factors have supported profitability and cash flow generation, and Petrogas has been cash flow generative and profitable since the commencement of its operations in 1999. For the twelve months ended June 30, 2010, Petrogas recorded revenue of $407.0 million and EBITDA of $108.6 million, which represents an EBITDA margin of 26.7%.

Petrogas’s primary strategy is to increase its production and reserves by developing existing oil fields and focusing on exploration activities in the Middle East, Africa, South Asia and Southeast Asia through targeted development activities and improvements in operating efficiencies. In addition, Petrogas will continue to focus on obtaining service contracts that will allow it to access opportunities with NOCs that are reluctant to sell equity ownership in their fields.

Mining. MB Holding conducts its mining and minerals business through Mawarid Mining, the leading mining company in Oman. Mawarid Mining operates open-pit copper mines in Oman and processes ore at its copper concentrator plant located in northern Oman.

Mawarid Mining’s key competitive strengths are based upon its first-mover advantage, which has enabled it to dominate the Omani copper market. In particular, Mawarid Mining’s geological knowledge of Oman gives it a significant competitive advantage over any potential competitors. For the twelve months ended June 30, 2010, Mawarid Mining recorded revenue of $85.2 million and EBITDA of $40.9 million, which represents an EBITDA margin of 48.0%.

Mawarid Mining’s primary strategies are to increase its copper reserve base and the capacity of its concentrator plant, which will enable it to capitalize on any discoveries resulting from planned exploration activities. Additionally, Mawarid Mining aims to expand its mining activities into new minerals, such as magnesium and chromite.

Manufacturing and Engineering. MB Holding conducts its manufacturing and engineering business through UES, which focuses on providing engineering, manufacturing and trading services primarily related to the oil and gas industry. UES has two primary business lines: manufacturing and agency sales.

UES’s key competitive strengths are its expertise and strong market reputation, developed over 30 years, through the provision of precision engineering and manufacturing. In addition, UES acts as the commercial representative for 35 international companies that manufacture and supply oilfield equipment, instrumentation and chemicals to oil and gas companies and the drilling industry in Oman. The suppliers that UES represents each have strong brand recognition and value. For the twelve months ended June 30, 2010, UES recorded revenue of $109.3 million and EBITDA of $17.3 million, which represents an EBITDA margin of 15.7%.

By leveraging its current engineering and technical capabilities, UES intends to begin providing precision engineering products and services that specifically target the aerospace, defense and automotive industries. If successful, this expansion will allow UES to further diversify its product offering and customer base beyond the oilfield services segment.

Investments. In addition to its primary business, MB Holding also periodically undertakes financial investments. These investments do not form a part of the core activities of the MB Holding Group.

MB Holding's Strategy

Prudent financial management

MB Holding exercises rigorous and prudent financial management in supervising the activities of its operating subsidiaries. The key features of its financial management include: (i) a policy of maintaining low leverage at a consolidated group level; (ii) an emphasis on maximizing cash flows in order to facilitate reinvesting in its businesses; and (iii) exploiting opportunities for cost savings by implementing cost control programs at each of MB Holding's operating companies.

Maximize synergy benefits between business segments

Although MB Holding's businesses operate on a stand-alone basis, there are significant synergies between MBPS, Petrogas and UES. MB Holding seeks to maximize these benefits by encouraging group businesses to bid for contracts on a commercial, arm's-length basis within the MB Holding Group, which encourages efficiencies within these contracts and helps MB Holding Group businesses to be competitive within the wider marketplace.

Pursue growth through diversification and selective acquisitions

MB Holding owns a portfolio of independent but complementary businesses, focused on the natural resources sectors. Leveraging off strong market positions, long-standing customer relationships and operational capabilities, the MB Holding Group intends to: (i) diversify the suite of products and services that it provides in its existing markets; (ii) develop new products and services; and (iii) expand into new international markets.

The MB Holding Group has a proven track record of successfully acquiring and integrating businesses. Its aim is to acquire businesses that have strong market positions and are complementary to MB Holding's existing businesses. MB Holding is continually evaluating new acquisition opportunities in new markets that complement its existing businesses.

The MB Holding Group's Position in Oman

The MB Holding Group is one of the largest privately owned companies in Oman. It first commenced business operations under the name of "MB Trading" in 1982. Since then, the MB Holding Group has grown into an organization that employs over 6,500 individuals worldwide and has become one of the leading private sector employers of Omani nationals. The MB Holding Group invests considerable resources into corporate social responsibility programs, such as sponsoring educational scholarships, vocational training courses for local communities and development activities. The management of MB Holding believes that such initiatives reflect the degree to which MB Holding is integrated in its home market of Oman and reinforces its position as one of the most respected private sector institutions in the country. This position is reflected in MB Holding's relationships with the Government and state-owned enterprises, such as PDO, which is the MB Holding Group's single largest customer.

Background Information on our Founder

Mohamed Al Barwani is the founder and chairman of MB Holding Group. The MB Holding Group is one of few privately owned natural resources companies with its origins in the Middle East. Under Mr. Barwani's leadership, the business has grown organically and through select bolt-on acquisitions, and today consists of a diversified and integrated portfolio of companies with a broad footprint across several countries and sectors.

In addition to his role at MB Holding, Mr. Barwani is active in a wide range of high-profile private sector entities across Oman. These include Transgulf Investment Holding Company (Chairman), Al Madina Gulf Insurance Co. (Chairman) and Oman Aviation Services. Mr. Barwani has also held previous board appointments at the National Bank of Oman (1997–2005), Taageer Finance SAOG (2001–2005) and Shell Oman Marketing Co. SAOG (2001–2006).

The Issuer

The Issuer, MBPS Finance Company, was incorporated on October 11, 2010 for an unlimited duration as an exempted company with limited liability under the laws of the Cayman Islands. The Issuer has no significant assets other than the claim against MBPS to repayment of the on-lent proceeds from the issuance of the Notes. The Issuer has no commercial business.

Trading Update

MBPS

Our revenue was $118.4 million in the three months ended September 30, 2010, an increase compared to the three months ended June 30, 2010. This increase was driven by continued strong performance in our workover and drilling fluids businesses and an overall increase in rig utilization. In particular, revenue at MB Century increased significantly, driven by higher rig utilization rates under new drilling contracts. The increase in our overall revenue was partially offset by lower rig utilization in Oman due to gaps between contracted periods during which certain rigs were idle.

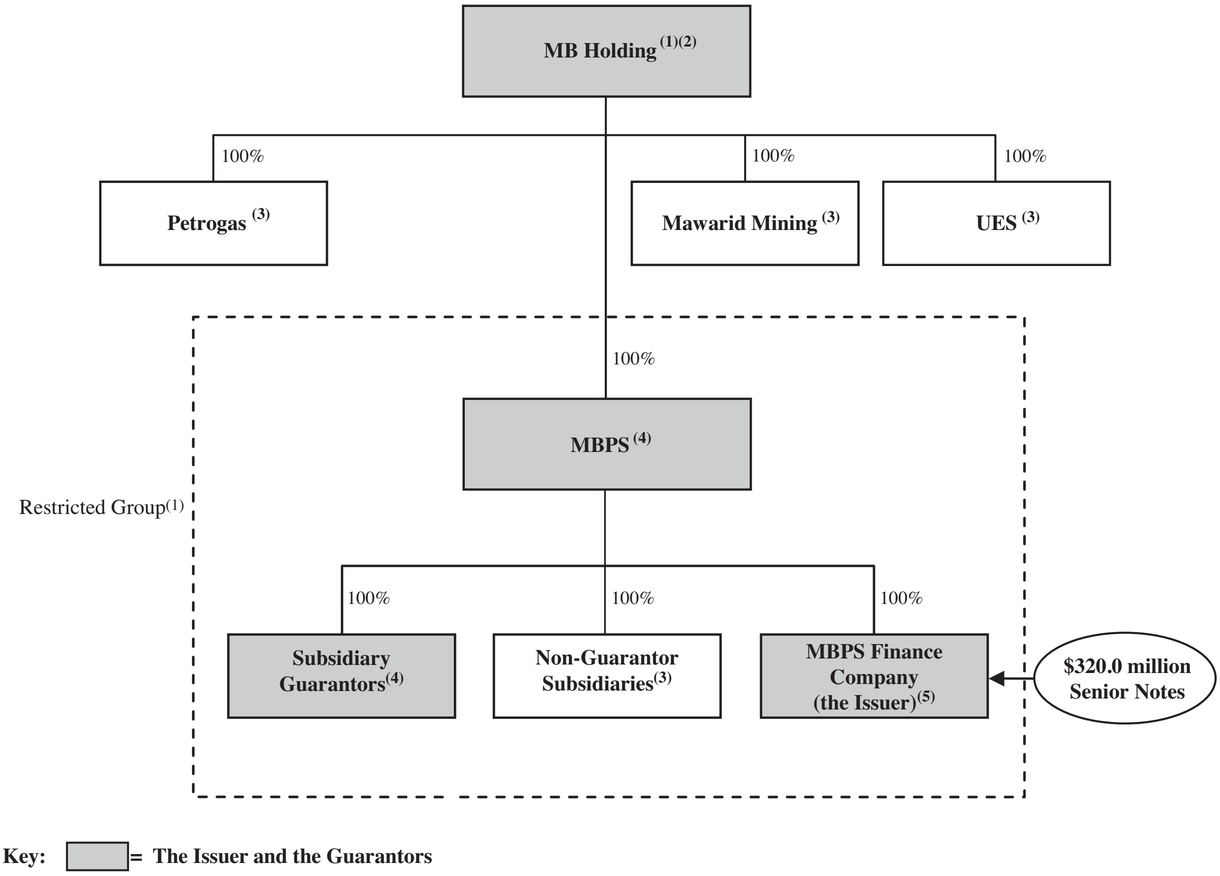
Our EBITDA was $16.8 million in the three months ended September 30, 2010, an increase compared to the three months ended June 30, 2010. This increase was driven primarily by higher overall rig utilization and a reduction in general and administration expenses. MB Century recorded positive EBITDA for the first time since the third quarter of 2009 due to the increase in revenue and improved margins. Our EBITDA in the twelve months ended September 30, 2010 was not materially different from our EBITDA in the twelve months ended June 30, 2010, reflecting a larger contribution to revenue in the three months ended September 30, 2010 from some of our lower-margin businesses. However, we expect the strong performance at MB Century in the three months ended September 30, 2010 to continue, resulting in further improvement in our EBITDA through the end of the year.

MB Holding

MB Holding's revenue and EBITDA were $285.2 million and $69.8 million, respectively, in the three months ended September 30, 2010, increases compared to the three months ended June 30, 2010. These increases were driven primarily by higher oil production and strong commodity prices which increased EBITDA from the exploration and production and mining segments.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram shows our simplified corporate and financing structure after giving effect to the offering of the Notes and the application of the proceeds therefrom. Please see "Use of Proceeds," "Capitalization," "Description of Other Indebtedness" and "Description of the Notes" for more detailed descriptions.



(1) MB Holding will provide a guarantee for the Notes, and will be restricted by some of the covenants which apply to the Issuer, MBPS and the Restricted Subsidiaries (which are described in detail in the "Description of the Notes" section of this Offering Memorandum). MBPS and the Subsidiary Guarantors will also provide guarantees for the Notes. The guarantees provided by MB Holding, MBPS and the Subsidiary Guarantors will be subject to contractual and legal limitations.

(2) The investments business segment of MB Holding is not an independent legal entity.

(3) After giving effect to the proceeds of the Notes in accordance with the section titled "Use of Proceeds," the total outstanding indebtedness of the non-Guarantor subsidiaries as of June 30, 2010 will be $11.7 million, and the total combined outstanding indebtedness of Petrogas, Mawarid Mining and UES will be $118.5 million, all of which is secured.

(4) For the six months ended June 30, 2010: (i) MBPS and the Subsidiary Guarantors represented approximately 90.0% of the consolidated EBITDA and 91.1% of the total assets of MBPS and its subsidiaries; and (ii) MBPS and the Subsidiary Guarantors represented approximately 22.2% of the consolidated EBITDA and 40.3% of the total assets of MB Holding and its subsidiaries. The Subsidiary Guarantors include: (i) MB Century; (ii) Century Energy Services Pty Limited; (iii) Century Resources International Pty Limited; (iv) MB Petroleum Deutschland GmbH; (v) Erdöl-Erdgas Workover GmbH; (vi) Koller Verwaltungs- und Beteiligungs-GmbH; (vii) Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG; (viii) Koller Workover & Drilling GmbH; and (ix) Koller Maschinen- und Anlagenbau GmbH. Each of the Subsidiary Guarantors is ultimately 100% owned by MBPS.

(5) The Issuer is a special purpose vehicle that is 100% owned by MBPS. The Issuer has no material assets other than the claim against MBPS to repayment of the on-lent proceeds from the issuance of the Notes. The Issuer will be subject to the restrictions described in "Description of the Notes."

THE OFFERING

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	MBPS Finance Company.
Notes Offered	$320,000,000 aggregate principal amount of Senior Notes.
Issue Price	100% plus accrued interest from the settlement date, if any.
Issue Date	November 15, 2010.
Maturity Date	The Notes will mature on November 15, 2015.
Interest	11.25% per annum.
Interest Payment Dates	November 15 and May 15 of each year, commencing May 15, 2011.
Ranking of the Notes	The Notes will: • be the Issuer's senior unsecured obligations; • rank equally in right of payment with all of the Issuer's existing and future senior indebtedness; • rank senior in right of payment to all of the Issuer's existing and future subordinated indebtedness; and • be unconditionally guaranteed on a senior unsecured basis by the Guarantors.
Note Guarantees	The obligations under the Notes will be guaranteed on a senior unsecured basis by the Guarantors.
Ranking of Guarantees	The Guarantees will: • be the senior unsecured obligation of that Guarantor; • rank equal in right of payment with all of that Guarantor's existing and future senior indebtedness; and • rank senior in right of payment to all of that Guarantor's existing and future subordinated indebtedness.
Additional Amounts; Tax	All payments in respect of the Notes or a Guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law of any relevant taxing jurisdiction, subject to certain exceptions, the Issuer or the Guarantors, as the case may be, will pay additional amounts so that the net amount you receive is no less than that you would have received in the absence of such withholding or deduction. Please see "Description of the Notes—Additional Amounts." If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price equal to their principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to, but not including, the date of redemption. Please see "Description of the Notes—Redemption upon Changes in Withholding Taxes."

Optional Redemption	At any time prior to November 15, 2013 the Issuer may on one or more occasions redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 111.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date with the proceeds of one or more equity offerings as defined under "Description of Notes—Certain Definitions." At any time prior to November 15, 2013, the Issuer may redeem all or part of the Notes by paying a "make-whole" premium as described under "Description of the Notes—Optional Redemption." The Issuer may redeem some or all of the Notes at any time on or after November 15, 2013, at the redemption prices described under "Description of the Notes—Optional Redemption," plus accrued and unpaid interest, if any, and additional amounts, if any.
Change of Control	If we experience a change of control, the holders of the Notes will have the right to require the Issuer to offer to purchase the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, and additional amounts, if any. Please see "Description of the Notes—Certain Covenants—Change of Control."
Covenants	The Indenture will contain covenants for the benefit of the holders of the Notes that include restrictions on the ability of Issuer, MBPS and its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness; • pay dividends or make other distributions or purchase or redeem our stock; • make investments or other restricted payments; • enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; • transfer or sell assets; • engage in transactions with affiliates; • create liens on assets to secure indebtedness; or • merge or consolidate with or into another company. In addition, MB Holding will be subject to covenants that restrict its, and its subsidiaries ability, to incur additional debt and restricts MB Holding from paying out dividends. Each of the covenants is subject to a number of important exceptions and qualifications. Please see "Description of the Notes—Certain Covenants." If the Notes are assigned an investment grade rating by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services and no default has occurred or is continuing, certain covenants will be suspended. Please see "Description of the Notes—Covenant Suspension."
Transfer Restrictions	The Issuer has not registered the Notes under the Securities Act or any state securities law. You may only offer or sell Notes in a transaction exempt from or not subject to the registration requirements of the Securities Act. The Notes offered hereby are being offered and sold in the United States only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. Please see "Notice to Investors."

Denominations	The Notes will have a minimum denomination of $200,000 and any integral multiple of $1,000 in excess thereof.
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market.
Luxembourg Listing Agent	Deutsche Bank Luxembourg S.A.
Trustee	Deutsche Trustee Company Limited.
Principal Paying Agent and Transfer Agent	Deutsche Bank AG, London Branch.
Luxembourg Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
U.S. Paying Agent, U.S. Transfer Agent and U.S. Registrar	Deutsche Bank Trust Company Americas.
Governing Law	The State of New York.
Use of Proceeds	To refinance existing financial indebtedness.
Original Issue Discount	The Notes may be issued with original issue discount for U.S. federal income tax purposes. Please see "Taxation—Certain U.S. Federal Income Tax Considerations."

You should refer to the section entitled "Risk Factors" beginning on page 17 for an explanation of certain risks involved in investing in the Notes.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OTHER DATA OF MBPS

The following table sets forth our summary historical consolidated and unaudited pro forma condensed consolidated financial data for the periods ended and at the dates indicated below. We have derived the summary historical consolidated financial data as of and for the years ended December 31, 2007, 2008 and 2009 from our audited consolidated financial statement as of and for the years ended December 31, 2007, 2008 and 2009, which are included elsewhere in this Offering Memorandum. We have derived the summary historical consolidated financial data as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 from our unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2010, which are included elsewhere in this Offering Memorandum. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring accruals, considered necessary for a fair statement of the results for the unaudited interim period. The interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. Our historical consolidated financial statements were prepared in accordance with IFRS.

The summary unaudited consolidated statement of income data for the twelve-month period ended June 30, 2010 has been derived by adding our consolidated statement of income data for the year ended December 31, 2009 and our unaudited consolidated statement of income data for the six months ended June 30, 2010 and subtracting our unaudited consolidated statement of income data for the six months ended June 30, 2009. The results of MB Century and its subsidiaries for the period from July 1, 2009 to December 31, 2009 are also added in accordance with IFRS.

The summary unaudited pro forma consolidated statement of income data for the year ended December 31, 2009 (referred to as “Adjusted 2009” in the tables below) has been derived from the unaudited consolidated pro forma financial information presented elsewhere in this Offering Memorandum. The unaudited pro forma consolidated financial information is prepared for illustrative purposes and gives effect to the transfer of MB Century Holding Pte Limited and its subsidiaries, along with the related borrowing and funding arrangements, from MB Holding to MBPS as if it had happened on January 1, 2009.

The following summary financial data set forth below should be read in conjunction with “Use of Proceeds,” “Capitalization—Capitalization of MBPS,” “Selected Historical Financial and Other Data of MBPS,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum.

Consolidated Income Statement Data

	For the financial year ended December 31,				Six months ended June 30,		Twelve months ended June 30,
	2007	2008	2009	Adjusted 2009(1)	2009(2)	2010	2010
	(in $'000)						
Revenue	299,638	315,480	353,624	413,607	203,140	204,423	414,890
Cost of sales	(257,955)	(302,287)	(306,764)	(374,026)	(182,365)	(178,541)	(370,202)
Gross profit	**41,683**	**13,193**	**46,860**	**39,581**	**20,775**	**25,882**	**44,688**
Other income(3)	5,022	20,840	8,638	8,017	1,733	1,866	8,150
Interest income	125	104	466	129	23	—	106
General and administration expenses	(11,837)	(15,076)	(20,882)	(31,149)	(14,119)	(15,947)	(32,978)
Finance costs(4)	(11,500)	(11,913)	(15,818)	(24,754)	(14,673)	(9,822)	(19,902)
Depreciation and amortization charges	(646)	(1,115)	(755)	(755)	(601)	(217)	(371)
Negative goodwill	—	—	—	5,422	5,422	4,022	4,022
Profit (loss) before tax	**22,847**	**6,033**	**18,509**	**(3,509)**	**(1,440)**	**5,784**	**3,715**
Income tax expense	(4,080)	(3,127)	(3,106)	(502)	1,343	(2,276)	(4,121)
Profit (loss) from continuing operations	**18,767**	**2,906**	**15,403**	**(4,011)**	**(97)**	**3,508**	**(405)**
Profit (loss) from discontinued operations	49	(948)	—	—	—	—	—
Profit for the period	18,816	1,958	15,403	(4,011)	(97)	3,508	(405)
Profit attributable to:							
Equity holders of the parent	18,816	1,958	15,403	5,832	4,499	9,561	10,895
Minority interests	—	—	—	(9,843)	(4,596)	(6,053)	(11,300)

Consolidated Balance Sheet Data (at period end)

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(in $'000)			
Property, plant and equipment	201,157	228,825	255,277	405,631
Bank balances and cash	9,462	4,747	10,329	9,913
Total assets	336,040	389,165	418,152	589,891
Total liabilities	271,386	323,887	336,627	503,977
Total debt(5)	192,452	229,894	247,312	367,567
Total equity	64,654	65,278	81,525	85,914

Consolidated Cash Flow Statement Data

	For the financial year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(in $'000)				
Net cash from (used in) operating activities	45,311	34,669	55,392	28,827	(9,251)
Net cash used in investing activities	(103,719)	(44,284)	(51,707)	(35,036)	(62,612)
Net cash from (used in) financing activities	55,074	7,583	3,247	(11,529)	69,327
(Decrease)/increase in cash and cash equivalents	(3,182)	(3,000)	7,229	(11,547)	(8,402)

Other Key Financial Data

	As of and for the year ended December 31,				As of and for the six months ended June 30,		As of and for the twelve months ended June 30,
	2007	2008	2009	Adjusted 2009[(1)]	2009[(2)]	2010	2010
				(in $'000)			
EBITDA[(6)]	68,026	57,901	62,618	53,041	25,270	31,673	59,443
Capital expenditure[(7)]	107,687	72,892	57,868	69,767	37,406	27,239	59,600
Net debt[(8)]	182,990	225,147	236,983	270,103	301,819	357,654	357,654
Net debt/EBITDA	2.7x	3.8x	3.8x	5.1x			6.0x
EBITDA/Finance cost	5.9x	4.9x	4.0x	2.1x			3.0x
Pro forma net debt[(9)]							357,654
Pro forma finance cost[(10)]							39,913
Pro forma net debt/EBITDA							6.0x
EBITDA/Pro forma finance cost							1.5x

(1) The income statement data for the year ended December 31, 2009 have been adjusted to give effect to the transfer by MB Holding to MBPS of MB Century along with the related borrowing and funding arrangements as though it had occurred on January 1, 2009. For details of these adjustments, please see Appendix A to this Offering Memorandum.

(2) The financial results for the six months ended June 30, 2009 have been restated to give effect to the acquisition of MB Century as of the beginning of such period.

(3) Other income included: (i) profit on the sale of fixed assets $1,432 thousand in 2007; $17,123 thousand in 2008; $756 thousand in 2009; $134 thousand in 2009 (Adjusted); $755 thousand in the first half 2009; and $25 thousand in first half of 2010); (ii) rental income ($2,091 thousand in 2007; $2,954 thousand in 2008; $4,134 thousand in 2009; $4,134 thousand in 2009 (Adjusted); $319 thousand in the first half of 2009; and $1,040 thousand in the first half of 2010); and (iii) insurance claims and other miscellaneous income for the year ended December 31, 2008. Of the $20.8 million other income in the year ended December 31, 2008, $16.6 million was attributable to a sale of property by MBPS to MB Holdings. Please see the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Relationships and Related Party Transactions" for additional information.

(4) Finance costs includes interest expense plus gain or loss on foreign exchange.

(5) Total debt represents current and non-current term loans plus short-term loans plus bank overdrafts and other borrowings.

(6) EBITDA represents profit before net finance cost (calculated as finance cost less interest income), taxation, depreciation, amortization, abandonment cost and negative goodwill. EBITDA also includes "other income" from our income statement (inclusive of gains from the disposal of our headquarters). We have presented EBITDA because management believes it is a useful indicator of operating performance and uses EBITDA as a measure for comparing year-on-year results. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing our EBITDA to the EBITDA data of other companies. EBITDA is not a substitute for operating profit as a measure of operating results or a substitute for cash flows as a measure of liquidity. EBITDA is not a measure of performance under IFRS.

The following table reconciles EBITDA to profit or loss before tax for the twelve-month period ended June 30, 2010, for the six months period ended June 30, 2010 and June 30, 2009, and for the years ended December 31, 2007, 2008 and 2009:

	For the financial year ended December 31,				Six months ended June 30,		Twelve months ended June 30,
	2007	2008	2009	Adjusted 2009[(1)]	2009	2010	2010
				(in $'000)			
Profit (loss) before tax[(a)]	22,896	5,085	18,509	(3,509)	(1,440)	5,784	3,715
Depreciation and amortization[(b)]	33,755	41,007	28,757	37,347	17,482	20,089	39,954
Finance cost	11,500	11,913	15,818	24,754	14,673	9,822	19,902
Negative goodwill	—	—	—	(5,422)	(5,422)	(4,022)	(4,022)
Interest income	(125)	(104)	(466)	(129)	(23)	—	(106)
EBITDA	**68,026**	**57,901**	**62,618**	**53,041**	**25,270**	**31,673**	**59,443**

(a) Profit (loss) before tax is after considering profit or loss on discontinued operations.

(b) Includes depreciation included in cost of sales relating to operating assets.

(7) Capital expenditure represents purchase of property, plant and equipment.

(8) Net debt represents total debt (current and non-current term loans plus short-term loans plus bank overdrafts and other borrowings) less bank balances and cash.

(9) Pro forma net debt has been derived by adjusting net debt to give pro forma effect to the issuance of the Notes and the use of proceeds thereof. Please see "Use of Proceeds."

(10) Pro forma finance cost has been derived by giving pro forma effect to the issuance of the Notes and the use of proceeds thereof assuming the Notes had been issued on July 1, 2009.

SUMMARY HISTORICAL FINANCIAL AND OTHER DATA OF MB HOLDING

The following table sets forth summary historical consolidated financial data of MB Holding for the periods ended and at the dates indicated below. We have derived the summary historical consolidated financial data as of and for the years ended December 31, 2007, 2008 and 2009 from the audited consolidated financial statements of MB Holding as of and for the years ended December 31, 2007, 2008 and 2009, which are included elsewhere in this Offering Memorandum. We have derived the summary historical consolidated financial data of MB Holding as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 from the unaudited interim condensed consolidated financial statements of MB Holding as of and for the six months ended June 30, 2010, which are included elsewhere in this Offering Memorandum. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management of MB Holding, include all adjustments, consisting of normal recurring accruals, considered necessary for a fair statement of the results for the unaudited interim period. The interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. The historical consolidated financial statements of MB Holding were prepared in accordance with IFRS.

The summary unaudited consolidated statement of income data of MB Holding for the twelve-month period ended June 30, 2010 has been derived by adding the consolidated statement of income data of MB Holding for the year ended December 31, 2009 and the unaudited consolidated statement of income data of MB Holding for the six months ended June 30, 2010 and subtracting the unaudited consolidated statement of income data of MB Holding for the six months ended June 30, 2009.

The following summary financial data set forth below should be read in conjunction with "Use of Proceeds," "Capitalization—Capitalization of MB Holding," "Selected Historical Financial and Other Data of MB Holding," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of MB Holding and the notes thereto included elsewhere in this Offering Memorandum.

Consolidated Income Statement Data

	For the financial year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2007	2008	2009	2009	2010	2010
	(in $'000)					
Revenue	640,859	986,490	884,420	405,273	514,551	993,698
Cost of sales	(482,699)	(816,420)	(748,035)	(343,100)	(414,387)	(819,322)
Gross profit	**158,160**	**170,070**	**136,385**	**62,173**	**100,164**	**174,376**
Investment income	8,109	2	(1,852)	(625)	2,397	1,170
Other operating income/ expense	5,346	(7,976)	8,728	2,490	3,284	9,522
General and administration expenses	(30,791)	(52,053)	(57,882)	(27,946)	(31,730)	(61,666)
Finance costs	(20,007)	(23,973)	(31,075)	(20,601)	(15,945)	(26,419)
Depreciation and amortization	(2,642)	(4,312)	(4,771)	(2,219)	(1,986)	(4,538)
Other[(1)]	12,502	4,827	7,963	6,991	5,264	6,236
Profit before tax	**130,677**	**86,585**	**57,496**	**20,263**	**61,448**	**98,681**
Income tax expense	(5,811)	(4,767)	(3,217)	(105)	(4,748)	(7,860)
Profit for the year	**124,866**	**81,818**	**54,279**	**20,158**	**56,700**	**90,821**
Profit attributable to:						
Equity holders of the parent	122,952	81,820	62,792	23,998	62,566	101,360
Minority interests	1,914	(2)	(8,513)	(3,840)	(5,866)	(10,539)

Consolidated Balance Sheet Data (at period end)

	As of December 31,			As of June 30,
	2007	2008	2009	2010
		(in $'000)		
Property, plant and equipment	394,248	456,677	504,927	507,240
Oil and gas exploration and producing assets	156,767	221,882	283,726	309,346
Bank balances and cash	39,103	38,805	31,397	42,762
Total assets	970,095	1,131,707	1,215,064	1,334,186
Total liabilities	619,561	725,497	757,758	861,595
Total debt(2)	376,218	479,262	477,131	582,269
Total equity	350,534	406,210	457,306	472,591

Consolidated Cash Flow Statement Data

	For the financial year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
			(in $'000)		
Net cash from operating activities	120,530	172,199	217,218	109,397	45,917
Net cash used in investing activities	(264,217)	(212,105)	(172,214)	(98,605)	(117,832)
Net cash from (used in) financing activities	159,779	39,991	(33,615)	(35,398)	76,528
Increase/(decrease) in cash and cash equivalents	16,390	(6,233)	4,218	(18,415)	(1,300)

Other Key Financial Data

	As of and for the financial year ended December 31,			As of and for the six months ended June 30,		As of and for twelve months ended June 30,
	2007	2008	2009	2009	2010	2010
				(in $'000)		
EBITDA(3)	199,192	198,461	176,749	75,968	128,220	229,001
Capital expenditure(4)	188,991	246,836	195,337	99,863	80,235	175,709
Net debt(5)	337,115	440,457	445,734	440,300	539,507	539,507
Net debt/EBITDA	1.7x	2.2x	2.5x			2.4x
EBITDA/finance cost	10.0x	10.3x	5.6x			8.4x
Pro forma net debt(6)						539,507
Pro forma finance cost(7)						52,494
Pro forma net debt/EBITDA						2.4x
EBITDA/pro forma finance cost						4.4x

(1) "Other" consists of abandonment cost provision, share in results of associates and negative goodwill.

(2) Total debt represents current and non-current term loans plus short-term loans plus bank overdrafts and other borrowings.

(3) EBITDA represents profit before net finance cost (calculated as finance cost less interest income), taxation, depreciation, amortization, abandonment cost and negative goodwill. EBITDA also includes "other" from the income statement (inclusive of gains from the disposal of our headquarters). We have presented EBITDA because management believes it is a useful indicator of operating performance and uses EBITDA as a measure for comparing year-on-year results. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing our EBITDA to the EBITDA data of other companies. EBITDA is not a substitute for operating profit as a measure of operating results or a substitute for cash flows as a measure of liquidity. EBITDA is not a measure of performance under IFRS.

The following table reconciles EBITDA to profit before tax for the twelve-month period ended June 30, 2010, for the six-month periods ended June 30, 2010 and June 30, 2009, and for the years ended December 31, 2007, 2008 and 2009:

	For the financial year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2007	**2008**	**2009**	**2009**	**2010**	**2010**
			(in $'000)			
Profit before tax	130,677	86,585	57,496	20,263	61,448	98,681
Depreciation, amortization and abandonment cost	59,201	93,846	93,420	41,192	54,853	107,081
Finance cost[(a)]	19,942	19,337	31,378	19,959	15,949	27,368
Interest income	(487)	(352)	(123)	(24)	(8)	(107)
Negative goodwill	(10,140)	(955)	(5,422)	(5,422)	(4,022)	(4,022)
EBITDA	199,192	198,461	176,749	75,968	128,220	229,001

(a) Finance costs includes foreign exchange gain/loss.

(4) Capital expenditure has been derived from segment information contained in our financial statements and includes cash and non-cash capital expenditure.

(5) Net debt represents total debt (current and non-current term loans plus short-term loans plus bank overdrafts and other borrowings) less bank balances and cash.

(6) Pro forma net debt has been derived by adjusting net debt by giving pro forma effect to the issuance of the Notes and the use of proceeds thereof. Please see "Use of Proceeds."

(7) Pro forma finance cost has been derived by giving pro forma effect to the issuance of the Notes and the use of proceeds thereof assuming the Notes had been issued on July 1, 2009.

RISK FACTORS

Prospective purchasers should consider carefully the matters set forth below, as well as all of the other information contained in this Offering Memorandum, in evaluating an investment in the Notes. We believe that the factors described below represent the principal material risks inherent in investing in the Notes. Certain statements in this Offering Memorandum that are not historical constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from results expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the matters described below.

Risks Relating to the MB Holding Group Generally

The MB Holding Group may be adversely affected by uncertainty in the global financial markets and economy.

The future results of the MB Holding Group may be impacted by volatility or deterioration in the capital markets. Inflation, deflation or other adverse economic conditions may negatively affect the MB Holding Group or parties with whom the MB Holding Group does business, resulting in their non-payment or inability to perform obligations owed to the MB Holding Group, such as the failure of customers to honor their commitments, the failure of major suppliers to complete orders or the failure by banks to provide expected funding.

The cost of raising capital increased substantially during the recent financial crisis while the availability of funds has diminished significantly. The possibility of a renewed global economic downturn might adversely impact the MB Holding Group's ability to raise additional debt and issue equity in the future on acceptable terms. Also, the cost of obtaining capital from the credit markets increased during the recent financial crisis as many lenders and institutional investors increased interest rates, enacted tighter lending standards, refused to refinance existing debt upon maturity or on terms similar to expiring debt. Furthermore, interest rates may rise in the future, which could increase the cost of borrowing.

As a result of the above, the MB Holding Group may be unable to obtain adequate funding in the future. If the MB Holding Group requires additional sources of short-term liquidity for any reason, including, without limitation, the factors stated above, existing lenders may be unable or unwilling to extend credit to the MB Holding Group. The MB Holding Group therefore cannot be certain that additional funding will be available if needed, and to the extent required, on acceptable terms.

The MB Holding Group has grown, and may continue to grow, through acquisitions that give rise to risks and challenges that could adversely affect the MB Holding Group's future financial results.

MB Holding regularly considers possible acquisitions that complement its existing operations and enable it to grow its businesses. Acquisitions can involve a number of risks and challenges, including:

- the diversion of management time and attention from existing business and business opportunities;
- any unanticipated negative impact of liabilities relating to any companies or businesses acquired;
- the loss or termination of employees, including costs associated with the termination or replacement of those employees;
- the assumption of debt or other liabilities of the acquired business, including litigation related to the acquired business;
- the challenge of developing an understanding of, and new technical skills with respect to, any new products offered by businesses that the MB Holding Group acquires;
- expansion into new geographical markets may require us to find and cooperate with local partners with whom we have not previously done business; and
- possible substantial accounting charges for restructuring and related expenses, impairment of goodwill, amortization of assets and stock-based expense.

Even if the MB Holding Group consummates an acquisition, the process of integrating acquired operations into the MB Holding Group's own operations may result in unforeseen operating difficulties and costs and may require significant management attention and financial resources. In addition, integrating acquired businesses may impact the effectiveness of the MB Holding Group's internal controls over financial reporting. Any of the foregoing or other factors could harm the MB Holding Group's ability to achieve anticipated profitability from acquired businesses or to realize other anticipated benefits of acquisitions, which could have a material adverse effect on the MB Holding Group's business, operating results and financial condition.

The MB Holding Group could be subject to substantial liability claims, which would adversely affect the MB Holding Group's results and financial condition.

Certain equipment used in the delivery of MB Holding's oilfield and mining services are used in dangerous or otherwise risky environments, such as exploration, development and production applications. An accident or the failure of a product can cause personal injury, loss of life, damage to property or the environment, and suspensions of operations for multiple companies. MB Holding's insurance may not adequately protect it against liability from some types of events, including events involving pollution, or against losses resulting from business interruption. Moreover, in the future, MB Holding may not be able to maintain insurance at levels of risk coverage or policy limits that it deems adequate. Substantial claims made under MB Holding's insurance policies could cause its premiums to increase. Any future damages caused by MB Holding's products that are not covered by insurance, or are in excess of policy limits or are subject to substantial deductibles, could have a material adverse effect on the MB Holding Group's business, operating results and financial condition.

Several of MB Holding's businesses are conducted within a strict environmental regime and may be exposed to potential liabilities and increased compliance costs.

The MB Holding Group, and in particular its mining and oil and gas exploration and productions businesses, are subject to stringent laws and regulations relating to environmental protection in conducting the majority of their operations, including laws and regulations governing emissions into the air, discharges into waterways, and the generation, storage, handling, treatment and disposal of waste materials. The MB Holding Group incurs, and expects to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of environmental laws and regulations are becoming increasingly expensive, complex and stringent. Furthermore, natural or other disasters may result in an increase in environmental regulations and restrictions. These laws may provide for strict liability for damage to natural resources or threats to public health and safety. Strict liability can render a party liable for environmental damage whether or not negligence or fault on the part of that party can be shown and, if imposed by way of fine or penalty, is generally not something for which insurance can be procured. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances.

Stricter enforcement of existing laws and regulations, the introduction of new laws and regulations (in response to natural or man-made disasters, or otherwise), the discovery of previously unknown contamination or the imposition of new or increased requirements could require the MB Holding Group to incur costs or become the basis of new or increased liabilities that could reduce earnings and cash available for operations and, as a result, adversely affect the MB Holding Group's business, financial condition and results of operations.

The MB Holding Group may be exposed to liabilities under anti-corruption regulations, and any determination that the MB Holding Group has violated anti-corruption regulations could have a material adverse effect on its business.

The MB Holding Group is subject to anti-corruption regulations and other laws that prohibit improper payments or offers of payments to governments and their officials and political parties for the purpose of obtaining or retaining business. The MB Holding Group has operations, agreements with third parties and make sales in the Middle East, Europe, Asia and Australasia, and may experience corruption. The MB Holding Group's activities may create the risk of unauthorized payments or offers of payments by its employees, consultants, sales agents or distributors, because these parties are not always subject to the MB Holding Group's control. It is the MB Holding Group's policy to implement safeguards to discourage these practices by its employees. The MB Holding Group's existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of the MB Holding Group may engage in conduct for which MB Holding itself might be held responsible. Violations of anti-corruption regulations may result in severe criminal or civil sanctions, and the MB Holding Group may be subject to other liabilities, which could negatively affect its business, operating results and financial condition.

The MB Holding Group's success depends on key members of management, including the Barwani family, and their loss could disrupt the MB Holding Group's business operations.

The MB Holding Group depends to a large extent on the efforts and continued employment of its executive officers and key management personnel, including members of the Barwani family who are shareholders of MB Holding, as well as individuals such as Sushil Srivastava, the Chief Financial Officer of MB Holding, and Hafidh Al Busaidy, the Managing Director of MBPS. The MB Holding Group does not maintain key-man insurance. The loss of services of one or more of these executive officers or key management personnel could have a negative impact on the MB Holding Group's financial condition and results of operations.

Failure to recruit and retain skilled technical personnel could impede the operations of the MB Holding Group.

The MB Holding Group requires highly skilled personnel to operate and provide technical services and support for its businesses. Competition for the personnel required for the MB Holding Group intensifies as activity increases. In periods of high utilization it may become more difficult to find and retain qualified individuals as macroeconomic activity increases. This could increase the costs of MB Holding, which could have a material adverse effect on the MB Holding Group's business, operating results and financial condition.

The MB Holding Group's international operations expose it to the risk of fluctuations in currency exchange rates.

The MB Holding Group's financial statements are stated in Dollars. Some of the MB Holding Group's revenue and costs will continue to be denominated in other currencies, including Omani Rials and the euro. Transactions denominated in foreign currencies are then translated into Dollars at applicable exchange rates for inclusion in the consolidated financial statements of the relevant company in the MB Holding Group. The various exchange rates applicable to the Dollar can fluctuate substantially and there can be no assurance that the Omani Rial will be pegged to the Dollar, and the MB Holding Group's future results may therefore fluctuate with changes in these exchange rates.

The MB Holding Group enters into contracts or incurs costs denominated in various currencies other than Dollars and may not always be able to match revenues with costs denominated in the same currency. If the currency in which the costs are denominated increases in value relative to the currency in which the revenues are denominated, the MB Holding Group's operating margins decrease. An appreciation of the value of a currency may result in an increased tax liability in certain jurisdictions in which the MB Holding Group operates. For instance, in case of a depreciation of the Dollar, the MB Holding Group's Dollar liabilities incurred in the countries in which it operates would be translated and reported as a lower number in local currency relative to the amount stated in the Dollar, resulting in taxable gains at the local level. While the MB Holding Group attempts to minimize its exposure to such foreign exchange risks through measures such as buying or selling forward currency exposures, there can be no assurance that the MB Holding Group will be able to successfully hedge its foreign exchange risks. Any such failure to hedge currency exchange risk successfully could have a material adverse effect on the MB Holding Group's business, operating results and financial condition.

The MB Holding Group, and MBPS in particular, undertake some business in countries and with entities that are currently subject to certain economic and political sanctions.

The MB Holding Group takes care to ensure that it complies with all such economic and political sanctions to the extent that they are applicable to it. Such sanctions may be expanded in the future, which may cause certain business activities carried on by the MB Holding Group in a particular country or with a particular entity to cease and may result in certain underlying transactions being unable to be completed or performed, which, in either case, may negatively impact the MB Holding Group or MBPS specifically.

Changes in tax laws, treaties or regulations, effective tax rates or adverse outcomes resulting from any examination of the MB Holding Group's tax returns could adversely affect the MB Holding Group's financial results.

The tax rates that apply to MB Holding's businesses could be adversely affected by changes in tax laws, treaties and regulations. Tax law treaties and regulations are highly complex and subject to interpretation. Consequently, the MB Holding Group is subject to changing tax law treaties and regulations in and between countries in which its subsidiaries operate. The MB Holding Group's income tax expense is based upon interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on MB Holding's worldwide earnings. If any country successfully challenges the income tax filings of any of MB Holding's subsidiaries, the effective tax rate on MB Holding Group's worldwide earnings could increase substantially and its financial results could be materially adversely affected.

The interests of the Al Barwani family may conflict with your interests.

Mohamed Al Barwani and his family collectively own, directly or indirectly, all of the capital stock of the MB Holding Group. As a result, the Al Barwani family will have the power, among other things, to affect the legal and capital structure and day-to-day operations of the MB Holding Group, as well as the ability to elect and change its management and to approve any other changes to its operations. The interests of the Al Barwani family, in certain circumstances, may conflict with your interests as a holder of the Notes. For example, the Al Barwani family could cause us or other members of the MB Holding Group to incur additional indebtedness or to sell certain material assets, in each case as permitted under the Indenture. Any of these actions could adversely impact our ability to make payments on the Notes and impair the value of the guarantee provided by MB Holding. In addition, the Al Barwani family may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to you as a holder of the Notes. Even if the Al Barwani family make divestitures such that they control less than a majority of capital stock of MB Holding or MBPS, they may still be able to effectively control or strongly influence the decisions of those entities. Such divestitures may not trigger a change of control under the Indenture.

Risks Relating Specifically to MBPS

Demand for the majority of our oilfield services is substantially dependent on the level of expenditures by the oil and gas industry. Recent global economic conditions have resulted in significant volatility in oil and gas prices.

The current global credit and economic environment has reduced worldwide demand for energy and resulted in significantly lower crude oil and natural gas prices. A substantial or extended decline in oil and natural gas prices could reduce our customers' activities and their spending on our services and products. Demand for the majority of our services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves. These expenditures are sensitive to oil and natural gas prices and generally depend on the industry's view of future oil and gas prices. During the recent worldwide deterioration in the financial markets and credit, demand for oil and gas reduced dramatically and oil and gas prices fell sharply, temporarily causing some of our customers to start to reduce or delay their oil and gas exploration and production spending. If economic conditions continue to deteriorate or do not improve, our customers may further reduce exploration and production expenditures, causing declines in the demand for our services and products. This could result in a significant adverse effect on our operating results. Furthermore, it is difficult to predict how long the economic downturn will continue, to what extent it will worsen and to what extent this will continue to affect us.

Our multi-year contracts may be subject to early termination or variance, which could have an adverse effect on our business, financial conditions or results of operations.

Our multi-year contracts may be subject to early termination or variation, and may be vulnerable to certain fixed costs. While some contracts entered into by MBPS and its subsidiaries are long term in nature, most provide the customer with a right for early termination either within the relevant notice periods or upon default or non-performance by the contracting entity. In such circumstances, we may or may not have the right to receive compensation in respect of such early termination. Termination of drilling contracts results in loss of the day rates for the remaining period of the contract. If our customers cancel some of our significant contracts and we are unable to secure new contracts on substantially the same terms, our business, financial condition and results of operations would be adversely affected. In addition, in reaction to depressed market conditions, certain customers have renegotiated drilling contracts to reduce their obligations relating to sums payable and contract duration, which has adversely affected our business, financial condition and results of operations.

There is no assurance that our relationship with PDO will continue in the future.

A substantial portion of our revenue is derived from the services we render to PDO. For the year ended December 31, 2009, 28.8% of our consolidated revenue was derived from the services rendered to PDO (which figure includes MB Century's 2009 results), compared to 25.3% in 2008. Although we believe that we enjoy a strong relationship with PDO which is likely to continue, we cannot give any assurance that this relationship with PDO will in fact continue. In the event of the termination of our relationship with PDO, we may not be able to find alternative customers, or we may not be able to find alternative customers in a reasonable amount of time, in order for us to be able to replace a significant contributor to our revenue.

We are subject to intense competition in our markets, which could limit our ability to maintain or increase our market share or to maintain our prices at profitable levels.

Most of our contracts are obtained through a competitive bidding process, which is standard for the oilfield services industry. Competitive factors in recent years have included price, crew availability, technological expertise and a company's reputation for quality, safety and dependability. While no single company competes with us in all of our segments, we are subject to intense competition in each of our segments. We compete with large, international companies as well as smaller, local companies. Some of our competitors have greater financial and other resources. Any of our competitors may be better positioned to withstand and adjust more quickly to volatile market conditions, such as fluctuations in oil and gas prices and production levels, as well as changes in government regulations. The negative effects of the competitive environment in which we operate could have a material adverse effect on our business, financial condition and/or results of operations.

We may be adversely affected by the actions of third parties, including subcontractors, manufacturers and partners.

We rely on third-party equipment manufacturers and subcontractors in the completion of our projects. If we are not able to engage subcontractors or acquire equipment or materials according to our plans and budgets, our ability to complete a project in a timely fashion or at a profit may be impaired. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the pre-agreed terms or on time, we may be required to purchase such services, equipment or materials from another source at a higher price. We may not be able to recover all of these costs in all circumstances, which may reduce the profit to be realized or result in a loss on a project for which the services, equipment or materials were needed. Moreover, if we must purchase services, equipment or materials from a third party that is not a normal provider, there is a risk we may fail to deliver at the standard our customers have been accustomed to, which could be detrimental to our reputation. As a result, the failure of a subcontractor or manufacturer to deliver its services, equipment or materials according to pre-agreed terms or on time could have a material adverse effect on the business, financial condition and results of operations.

Compliance with health, environmental and safety laws and regulations could increase our costs or restrict our operations.

Government regulations control and often limit access to potential markets and impose extensive requirements concerning employee safety, environmental protection, pollution control and remediation of environmental contamination. We may be liable for damages resulting from pollution.

Our operations and properties are subject to regulation by various governmental entities and agencies, including in connection with ongoing compliance with existing laws and regulations. For example, our operations routinely involve the handling of significant amounts of chemical substances, some of which are classified as hazardous. Environmental regulations include, for example, those concerning:

- the use of hazardous substances;
- the containment, transportation and disposal of hazardous substances, oilfield waste and other waste materials; and
- emission standards for operations.

Although we believe our operations have sufficient safety measures in place, the nature of our business is such that accidents may occur. Moreover, while we strive to reduce our fatality and injury rates by implementing high safety standards at the locations at which we conduct our operations, there can be no assurance that accidents will not occur in the future. The technical requirements of environmental laws and regulations are becoming increasingly complex and stringent and therefore more difficult to comply with. In addition, environmental, health and safety laws are often unclear and contradictory, which makes it difficult for us to ensure compliance. The incurrence of material expenditures to comply with new and/or existing health, safety and environmental laws could restrict our ability to grow and materially adversely affect our business, financial condition and results of operations.

Regulatory authorities exercise considerable discretion in monitoring compliance and in interpreting and enforcing applicable laws and regulations. Future inspections by regulatory authorities may conclude that we have violated applicable laws or regulations. If we are unable to refute these conclusions or to remedy these violations, the regulatory authorities may impose fines, criminal and administrative penalties, or severe sanctions, including compel us to cease certain of our business activities. The loss of profits could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks related to our international operations that could harm our business and results of operations.

With operations in various countries, our business and results of operations are subject to various risks inherent in international operations. These risks include:

- instability of foreign economies and governments;
- risks of war, terrorism, piracy, civil disturbance, seizure, renegotiation or nullification of existing contracts; and
- foreign exchange restrictions, sanctions and other laws and policies affecting taxation, trade and investment.

We are exposed to these risks in most of our international operations to some degree, and such exposure could be material to our financial condition and results of operations in emerging markets where the political and legal environment is unstable at times.

We cannot assure you that we will not be subject to material adverse developments with respect to our international operations or that any insurance coverage we have will be adequate to compensate us for any losses arising from such risks.

Risks Relating to MB Holding's Other Business Units

Mawarid Mining's and Petrogas's businesses are highly dependent upon the price of copper and oil, respectively.

Petrogas's and Mawarid Mining's financial performance are significantly affected by the market prices of copper and oil, respectively. These prices have been historically subject to wide fluctuations and are affected by numerous factors beyond the control of either of Petrogas and Mawarid Mining, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers and others, and the actions of participants in the commodities markets. To a lesser extent, copper and oil prices are also subject to the effects of inventory carrying costs and currency exchange rates. In addition, market prices of copper and oil have occasionally been subject to rapid short-term changes.

A decline in copper or oil prices would have an adverse impact on Mawarid Mining or Petrogas's revenue and financial results, respectively.

The actual quantities and present value of Mawarid Mining's and Petrogas's reserves may prove to be lower than originally estimated.

This Offering Memorandum contains and incorporates by reference estimates of the reserves of Petrogas and Mawarid Mining and the estimated future net revenue from those reserves. These estimates are based upon various assumptions, including assumptions required by the SEC relating to natural gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The process of estimating copper, natural gas and oil reserves is complex, involving significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise.

Actual future production, copper, natural gas and oil prices, revenue, taxes, development expenditures, operating expenses and quantities of recoverable copper, natural gas and oil most likely will vary from these estimates. Such variations may be significant and could materially affect the estimated quantities and present value of Petrogas and Mawarid Mining's proved reserves. In addition, Mawarid

Mining and Petrogas may adjust estimates of proved reserves to reflect production history, results of exploration and development drilling and mining, prevailing copper, natural gas and oil prices and other factors, many of which are beyond their control. Petrogas's properties may also be susceptible to hydrocarbon drainage from production by operators on adjacent properties.

You should not assume that the present values included or incorporated by reference in this Offering Memorandum represent the current market value of Mawarid Mining or Petrogas's estimated copper, natural gas and oil reserves, respectively.

Any changes in consumption by copper, natural gas and oil purchasers or in governmental regulations, licensing or taxation will also affect the actual future net cash flows from Petrogas and Mawarid Mining's production.

The timing of both the production and the expenses from the development and production of copper, natural gas and oil properties will affect both the timing of actual future net cash flows from proved reserves and their present value.

If either Petrogas or Mawarid Mining is not able to replace reserves, then it may not be able to sustain production.

Both Petrogas and Mawarid Mining's future success depends largely upon their respective abilities to find, develop or acquire additional copper, natural gas and oil reserves that are economically recoverable. Unless the reserves that are currently being tapped are replaced through successful development, exploration or acquisition activities, the proved reserves and production of Petrogas and Mawarid Mining will decline over time. In addition, by their very nature, estimates of proved undeveloped reserves are not certain. The recovery of such reserves will require significant capital expenditures and successful drilling and mining operations. Thus, Petrogas and Mawarid Mining's future copper, natural gas and oil reserves and production and, therefore, their respective cash flows and income, are highly dependent on these companies' success in efficiently developing and exploiting existing reserves and economically finding or acquiring additional recoverable reserves.

Petrogas's development and exploratory drilling efforts and its operations may not be profitable or achieve targeted returns.

Petrogas acquires significant amounts of unproved property in order to further its development efforts. Development and exploratory drilling and production activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. Petrogas acquires unproved properties and leases undeveloped acreage that it believes will enhance its growth potential and increase its earnings over time. However, Petrogas cannot guarantee that all prospects will be economically viable or that it will not abandon its initial investments. Additionally, there can be no assurance that unproved property acquired by Petrogas or undeveloped acreage leased by it will be profitably developed, that prospective new wells drilled by Petrogas will be productive or that Petrogas will recover all or any portion of its investment in such unproved property or wells.

Drilling for oil and natural gas may involve unprofitable efforts, not only from dry wells but also from wells that are productive but do not produce sufficient commercial quantities to cover the drilling, operating and other costs. The cost of drilling, completing and operating a well is often uncertain, and many factors can adversely affect the economics of a well or property. Drilling operations may be curtailed, delayed or cancelled as a result of unexpected drilling conditions, equipment failures or accidents, shortages of equipment or personnel, environmental issues and for other reasons. In addition, wells that are profitable may not meet Petrogas's internal-return targets, which depend upon current and future market prices for natural gas and crude oil, costs associated with producing natural gas and oil and Petrogas's ability to add reserves at an acceptable cost. Petrogas relies to a significant extent on seismic data and other advanced technologies in identifying unproved property prospects and in conducting its exploration activities. The seismic data and other technologies that Petrogas uses do not allow it to know conclusively, prior to the acquisition of an unproved property or drilling a well, whether natural gas or oil is present or may be produced economically. The use of seismic data and other technologies also requires greater pre-drilling expenditures than does traditional drilling strategies.

Petrogas's and Mawarid Mining's businesses require substantial capital expenditures.

Petrogas and Mawarid Mining are both engaged in businesses that are capital intensive. Specifically, the exploration and development of copper resources and hydrocarbon reserves, production, processing and the maintenance of machinery and equipment require substantial capital expenditures. Each of

Petrogas and Mawarid Mining must continue to invest capital to maintain or to increase the amount of reserves that they produce. Neither Mawarid Mining nor Petrogas can assure you that they will be able to maintain production levels or generate sufficient cash flow, or that they will have access to sufficient loans or other financing alternatives to continue exploration and development activities at or above present levels.

The business of mining is subject to risks, some of which are not completely insurable.

The business of mining copper is subject to a number of risks and hazards, including industrial accidents, labor disputes, unexpected geological conditions, mine collapses, changes in the regulatory environment, environmental hazards and weather and other natural phenomena such as earthquakes and floods. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability. Mawarid Mining maintains insurance typical in the copper mining industry and in amounts that it believes to be adequate, but which may not provide complete coverage in certain circumstances. Insurance against certain risks (including certain liabilities for environmental pollution and other hazards as a result of exploration and production) is not generally available to Mawarid Mining or to other companies within the industry.

Mawarid Mining's business depends on the availability of water for the production of copper and is subject to environmental regulations regarding water usage. Because Oman has an arid climate, the availability of suitable water supplies cannot be assured.

In addition to the usual risks encountered in the mining industry, Mawarid Mining faces additional risks because its operations are located on difficult terrain in remote areas.

Mawarid Mining's mining operations are located in mountainous terrain in remote areas. Because of these conditions, Mawarid Mining has had to overcome special engineering difficulties and to develop extensive infrastructure facilities as well as logistical capabilities. In addition to these risks, Mawarid Mining is also subject to the usual risks associated with the mining industry, such as the risk of encountering unexpected geological conditions and the flooding of our open-pit mine areas. Mawarid Mining's insurance policies may not sufficiently cover an unexpected natural or operating disaster.

Risks Relating to the Notes, Our Capital Structure and the Guarantees

MB Holding, Petrogas, Mawarid Mining and UES will not be subject to most of the negative covenants in the Indenture applicable to the Issuer and the other Guarantors.

While MB Holding will be subject to certain negative covenants restricting its ability to incur or guarantee additional debt and on its ability to pay dividends and make certain restricted payments, these covenants will be significantly less restrictive than those applicable to the Issuer, MBPS and the other Guarantors. In addition, none of MB Holding, Petrogas, Mawarid Mining, UES and their subsidiaries (other than MBPS and the Restricted Subsidiaries) will be subject to any restrictions on their ability to:

- create or incur liens;
- make certain investments;
- agree to limitations on their ability to make distributions;
- engage in sales of assets and subsidiary stock;
- enter into transactions with affiliates; and
- transfer all or substantially all of their assets or enter into merger or consolidation transactions.

The value of the guarantee provided by MB Holding could be materially impaired if MB Holding, Petrogas, Mawarid Mining, UES were to take any of these actions.

Our significant leverage may make it difficult for us to service our debt, including the Notes, and operate our business.

Upon the consummation of the Offering, we will have a substantial amount of outstanding indebtedness with significant debt service requirements. As of June 30, 2010, on an as adjusted basis after giving effect to the Offering of the Notes hereby and the application of the net proceeds as set forth under "Use of Proceeds," our total borrowings would have been $380.2 million, including the Notes.

Our significant leverage could have important consequences for you as a holder of the Notes, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared with our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the cost of such additional financings.

Our ability to service our debt will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Some of these factors are beyond our control. If we cannot service our debt or meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

Despite our high level of indebtedness, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional debt in the future. Although the Indenture will contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of debt that could be incurred in compliance with these restrictions could be substantial. Under the Indenture, in addition to specified permitted debt, we will be able to incur additional debt so long as on a pro forma basis our fixed charge coverage ratio (as defined in the Indenture) is at least 2.5 to 1.0. In addition, the Indenture will not prevent us from incurring obligations that do not constitute indebtedness under the Indenture. If new debt is added to our and our subsidiaries' existing debt levels, the risks associated with our substantial indebtedness described above, including our possible inability to service our debt, will increase.

We may not be able to generate sufficient cash to meet our debt service and other financial obligations.

On a pro forma basis after giving effect to the Offering and the application of the net proceeds as set forth under "Use of Proceeds," our finance cost for the twelve months ended June 30, 2010 would have been $39.9 million. Our ability to make scheduled payments on the Notes and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors beyond our control.

If our business does not generate sufficient cash flow from operations or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness, including the Notes on or before the maturity thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Any refinancing of our debt could be at higher interest rates and may require us to comply with more-onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments, including the Indenture, may limit or prevent us from taking any of these actions. If we default on the payments required under the terms of certain of our indebtedness, that indebtedness, together with debt incurred pursuant to other debt agreements or instruments that contain cross-default or cross-acceleration provisions, may become payable on demand, and we may not have sufficient funds to repay all of our debts, including the Notes. Please see "Description of Other Indebtedness." As a result, our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the Notes.

Restrictive covenants in the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control or the failure by MB Holding to comply with the covenants in the Indenture applicable to it, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The Indenture will contain negative covenants restricting, among other things, our ability to:

- incur or guarantee additional debt or issue preferred stock;
- pay dividends and make other restricted payments;
- create or incur liens;
- make certain investments;
- agree to limitations on the ability of our subsidiaries to make distributions;
- engage in sales of assets and subsidiary stock;
- enter into transactions with affiliates; and
- transfer all or substantially all of our assets or enter into merger or consolidation transactions.

The restrictions contained in the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Indenture and our other indebtedness.

If there were an event of default under any of our debt instruments or any debt instruments of other members of the MB Holding Group that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such debt to be due and payable immediately, which in turn could result in cross-defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

Enforcing your rights as a noteholder or under the Guarantees across multiple jurisdictions may prove difficult.

The Notes will be issued by the Issuer, a company which is incorporated under the laws of the Cayman Islands, and will be guaranteed by the Guarantors, which are incorporated under the laws of Australia, Oman and Germany. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Australia, Oman and Germany. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Guarantors' jurisdictions of organization may be materially different from or in conflict with each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes, the Guarantees and the security in those jurisdictions or limit any amounts that you may receive. Please see "Limitations on Validity and Enforceability of the Guarantees" with respect to certain of the jurisdictions mentioned above.

The Guarantee from MB Holding will be structurally subordinated to the liabilities of Petrogas, Mawarid Mining, UES and their respective subsidiaries. MB Holding's ability to meet its obligations under its guarantee will depend on its ability to receive cash from its subsidiaries.

MB Holding will provide a downstream guarantee of the Notes. However, none of Petrogas, Mawarid Mining, UES or their subsidiaries will guarantee the Notes. Accordingly, in the event that any of Petrogas, Mawarid Mining, UES or any of their subsidiaries becomes insolvent, liquidates or otherwise reorganizes:

- the creditors of MB Holding (including the holders of the Notes) will have no right to proceed against the assets of such entity; and
- creditors of such entity, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such entity before MB Holding, as the direct or indirect shareholder, will be entitled to receive any distributions from such entity.

MB Holding and its subsidiaries, including Petrogas, Mawarid Mining, UES and their subsidiaries, may be able to incur substantial additional debt in the future. Under the Indenture, MB Holding and its subsidiaries (other than MBPS, the Issuer and the Restricted Subsidiaries) will only be able to incur additional debt if, on a pro forma basis, the consolidated leverage ratio of MB Holding and its subsidiaries (including MBPS and its subsidiaries) is less than 3.5 to 1. Any debt that Petrogas, Mawarid Mining, UES or their subsidiaries (other than MBPS, the Issuer and the Subsidiary Guarantors) incur in the future in accordance with the Indenture will rank structurally senior to the guarantee provided by MB Holding.

MB Holding is a holding company that derives most of its cash flows from its subsidiaries. Consequently, MB Holding's cash flows and ability to meet its cash requirements, including its obligations under its guarantee, depends upon the profitability and cash flows of its subsidiaries. The Indenture will not prevent Petrogas, Mawarid Mining, UES or any of their subsidiaries from entering into agreements restricting their ability to provide MB Holding with sufficient dividends, distributions or loans to fund its obligations under its guarantee. Accordingly, there is no assurance that MB Holding will be able to obtain sufficient funds from its subsidiaries to meet its obligations under its guarantee.

Certain guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

The Indenture will provide that certain guarantees will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee voidable or otherwise ineffective under applicable law, and enforcement of each guarantee would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent transfer or conveyance, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses which either affect the rights of creditors generally or specifically protect the rights of guarantors. Please see "Limitations on Validity and Enforceability of the Guarantees."

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the guarantees and, if payment had already been made under a guarantee, require that the recipient return the payment to the relevant Guarantor, if the court found that:

- the relevant guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the relevant guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant guarantee; (ii) undercapitalized or became undercapitalized because of the relevant guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant guarantees were held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant guarantee was in excess of the maximum amount permitted under applicable law.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;

- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or
- it cannot pay its debts as they become due.

If a court were to find that the issuance of the Notes or a guarantee was a fraudulent conveyance or held it unenforceable for any other reason, the court could hold that the payment obligations under the Notes or such guarantee are ineffective, or require the holders of the Notes to repay any amounts received with respect to the Notes or such guarantee. In the event of a finding that a fraudulent conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of the other Guarantors under any guarantees that have not been declared void.

Islamic Shariah is the basis of legislation in Oman and obligations to pay interest may be challenged under Islamic law, which may in turn affect the enforceability of the Guarantees provided by MBPS and MB Holding. Future attitudes of Omani courts regarding interest cannot be predicted.

The Basic Law of Oman, promulgated by Royal Decree 101/96, states in Article 2 that Islam is the religion of Oman and the Islamic Shariah is the basis of legislation in Oman. Article 77 of the Basic Law provides that all existing laws and regulations shall remain in force, provided that they do not conflict with any of the provisions of the Basic Law. The Basic Law also provides for the establishment of an administrative court with jurisdiction to determine whether legislation complies with the provisions of the Basic Law. Royal Decree 90/99 establishes a judicial body within the Supreme Court which has such powers.

Obligations to pay "interest" may be challenged under Islamic law. Discounting of debts to third parties is not permissible and payment of insurance premiums may pose problems because the entire concept of commercial insurance is not considered to be consistent with certain principles of Shariah. The principles of Shariah, however, do not generally prohibit the payment of profits, discounts or premiums in commercial or financial transactions. Whether or not profits, discounts or premiums are permissible under Islamic law would depend upon the specific context of a transaction.

It is not clear whether, in view of Article 2 and other provisions of the Basic Law, the courts and executive authorities in Oman are now empowered implicitly to read the principles of Shariah into all existing legislation and to treat any existing legislation as ineffective in law if it conflicts with the principles of Shariah. It is equally unclear whether the courts and other authorities in Oman must wait for further legislative guidance in the form of royal decrees before they may treat any provision of existing law as ineffective for being offensive to Shariah.

Under the Commercial Law of Oman (Royal Decree No. 55/90), commercial debt contract provisions with the charging and payment of interest are permissible and have been routinely enforced under Omani law. The future attitude of Omani courts and law regarding the payment of interest cannot be predicted and may impact the availability of the guarantees provided by MBPS and MB Holding.

Relevant insolvency laws in Oman and other jurisdictions may provide you with less protection than U.S. bankruptcy law.

We and MB Holding are incorporated under the laws of Oman. Therefore, any insolvency proceedings by or against us or MB Holding would likely be based on Omani insolvency laws. The other Guarantors are incorporated in Australia and Germany. Please see "Limitations on Validity and Enforceability of the Guarantees" for a description of the insolvency laws in Australia, Germany and Oman, which could limit the enforceability of the Guarantees.

In the event that any one or more of the Issuer, the Guarantors, future Guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Guarantees provided by entities organized in jurisdictions not discussed in this Offering Memorandum are also subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of the guarantees or security after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the guarantees in these jurisdictions and limit any amounts that you may receive.

The Issuer may not have the ability to raise the funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a Change of Control as required by the Indenture, and the change of control provision in the Indenture may not afford you protection against certain corporate events.

Upon the occurrence of certain events constituting a Change of Control, the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a Change of Control were to occur, we cannot assure you that we would have sufficient funds available at such time to pay the purchase price of the outstanding Notes. We expect that we would require third-party financing to make an offer to repurchase the Notes upon a Change of Control. We cannot assure you that we would be able to obtain such financing. In addition, restrictions in our then-existing contractual obligations may not allow us to make such required repurchases upon the occurrence of certain events constituting a Change of Control. If an event constituting a Change of Control occurs at a time when the Issuer is prohibited from repurchasing Notes, the Issuer may seek the consent of the lenders under such indebtedness to the purchase of Notes or may attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, the Issuer will remain prohibited from repurchasing any tendered Notes. A Change of Control may result in an event of default under, or acceleration of, other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the Change of Control itself does not. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, and could result in an acceleration of our indebtedness thereunder, which could have a material adverse effect on our business. Please see "Description of the Notes—Certain Covenants—Change of Control."

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under "Description of the Notes—Certain Covenants—Change of Control," the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "Change of Control" contained in the Indenture includes a disposition of all or substantially all of our assets and the assets of the Restricted Subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise, established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of our assets and the assets of the Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Interests in the global notes will trade in book-entry form only. Unless and until the Notes in definitive registered form, or definitive registered notes, are issued in exchange for Book-Entry Interests (ownership interests in the Global Notes), owners of Book-Entry Interests will not be considered owners or holders of the Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream Banking will be the registered holder of the Regulation S Global Note, and DTC, or its nominee, will be the registered holder of the Rule 144A Global Notes. After payment to the common depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book-Entry Interests. Accordingly, if you own a Book-Entry Interest, you must rely on the procedures of DTC, Euroclear or Clearstream Banking, as applicable, and if you are not a participant in DTC, Euroclear or Clearstream Banking, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. Please see "Book-Entry, Delivery and Form."

Unlike the holders of the Notes themselves, owners of Book-Entry Interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Euroclear or Clearstream Banking or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all Book-Entry Interests, if you own a Book-Entry Interest, you will be restricted to acting through DTC, Euroclear or Clearstream Banking. We cannot assure you that the procedures to be implemented through DTC, Euroclear or Clearstream Banking will be adequate to ensure the timely exercise of rights under the Senior Notes. Please see "Book-Entry, Delivery and Form."

You may be required to recognize taxable income for U.S. federal income tax purposes on the Notes in a taxable year in excess of cash payments made to you on the Notes.

The Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. The Notes are considered to be issued with OID if the stated principal amount of the notes exceeds the issue price of the Notes by more than a *de minimis* amount. If the notes are issued with OID, U.S. Holders will generally be required to include the OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of such holders' regular method of accounting. As a result, U.S. holders will include any OID in income in advance of the receipt of cash attributable to such income. Please see "Taxation—Certain U.S. Federal Income Tax Considerations" for a further discussion of the tax considerations with respect to the Notes.

There is no established trading market for the Notes. If a market for the Notes does not develop, you may be unable to sell your Notes.

The Notes are new issues of securities for which there is currently no established trading market. Accordingly, there can be no assurance as to the development or liquidity of any market for them. We have applied for admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, the Notes may not remain listed on that exchange. Although the Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue their market-making activities at any time at their sole discretion and without notice.

The liquidity of the trading market in the Notes and the market price quoted for the Notes may be adversely affected by changes in the overall market for similar-yield securities, interest rates, our financial performance or prospects, or in the prospects for companies in our industry generally. Historically, the market for non-investment grade debt has been subject to substantial volatility, which could adversely affect the price at which you may sell your Notes. In addition, subsequent to their initial issuance, the Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our operating performance and other factors. As a result, an active trading market for the Notes may not develop or, if developed, may not continue, and you may be unable to sell your Notes.

Risks Relating to Oman

Investing in securities involving emerging markets generally involves a higher degree of risk.

Investing in securities involving emerging markets, such as Oman, generally involves a higher degree of risk than investments in securities of issuers from more-developed countries. These higher risks include, but are not limited to:

- political, social and economic instability;
- external acts of warfare and civil clashes;
- governments' actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- regulatory, taxation and other changes in law;
- difficulties and delays in obtaining new permits and consents for the MB Holding Group's operations or renewing existing ones;

- potential lack of reliability as to title to real property in certain jurisdictions where the MB Holding Group operates; and
- inability to repatriate profits and/or dividends.

Oman's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. In any event, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes, will not be affected negatively by events elsewhere, especially in emerging markets.

In addition, Omani law relating to the enforcement of arbitral awards and foreign judgments is relatively undeveloped and investors in the Notes may be unable to recover in civil proceedings for U.S. securities laws violations.

On May 26, 1999, Oman joined the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the "**N.Y. Convention**"). Accordingly, whenever the N.Y. Convention applies to a foreign arbitral award, that award should be recognized and enforced in compliance with the requirements of the N.Y. Convention.

The United States and Oman do not have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Omani legal counsel has advised that, as a matter of Omani law, Omani courts will not enforce a judgment passed by a court in a foreign country unless: (a) the subject matter was not reserved for the exclusive jurisdiction of the Omani courts and the foreign judgment or arbitral award has been handed down by a court of competent jurisdiction or a duly constituted arbitral panel; (b) the parties to the proceedings in which the judgment or award was rendered were properly served and represented; (c) the judgment or award is *res judicata* pursuant to the law of the court which rendered the judgment or the arbitration panel which rendered the award; (d) the foreign judgment or arbitral award does not contradict a decision or order rendered by a court in Oman or violates the public policy or morals of Oman; and (e) the country in which the said judgment that is intended to be executed was issued, accepts execution of judgments of Omani courts within its territories.

Any property in Oman, whether or not owned by a foreign entity or investor, at any time, may be compulsorily acquired by the government, if to do so would be in the public interest.

Any property in Oman may, whether or not owned by a foreign entity or investor, at any time, be compulsorily acquired by the Government of Oman (the "**Government**"), if to do so would be in the public interest. Land could be compulsorily acquired by Royal Decree or pursuant to any specific powers conferred upon the Government pursuant to a specific Royal Decree after a period of notification.

Oman is located in a region that has been subject to ongoing political and security concerns.

Oman is located in a region that is strategically important and parts of this region have, at times, experienced political instability. Regional wars, such as the Gulf War of 1991, the Iraq War of 2003, the 2006 conflict in Lebanon and the 2008 conflict in Gaza, as well as terrorist acts, acts of maritime piracy and other forms of instability in the Middle East and surrounding regions, that may or may not directly involve Oman may have a material adverse effect on Oman's ability to engage in international trade.

USE OF PROCEEDS

The gross proceeds from the sale of the Notes will be $320.0 million. The transaction fees and expenses, which are estimated to be approximately $8.0 million, will be paid by MB Holding on behalf of MBPS, and therefore the net proceeds from the sale of the Notes will be $320.0 million. The Issuer will lend the proceeds of the Notes to MBPS which intends to use the net proceeds from the loan to (i) repay the Existing Credit Facilities and (ii) repay the Bridge Facilities in full.

The following table sets forth our expected uses of funds at the closing.

Uses of Funds	Amount
	($ in millions)
Repayment of Existing Credit Facilities[1]	227.5
Repayment of Bridge Facilities[2]	81.0
Cash for general corporate purposes	11.5
Total uses	**320.0**

(1) Represents the repayment of $226.8 million principal amount of the Existing Credit Facilities outstanding on the Issue Date, plus accrued and unpaid interest as of the Issue Date.

(2) Represents the repayment in full of the outstanding principal amount of the Bridge Facilities outstanding on the Issue Date plus accrued and unpaid interest as of the Issue Date.

CAPITALIZATION

Capitalization of MBPS

The following table sets forth as of June 30, 2010: (i) our actual bank balances and cash and consolidated capitalization; and (ii) our bank balances and cash and consolidated capitalization on an as adjusted basis after giving effect to the Offering of the Notes hereby and the application of the net proceeds as set forth under "Use of Proceeds."

You should read the following table in conjunction with "Selected Historical Financial and Other Data of MBPS," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this Offering Memorandum.

	Actual	As Adjusted
	($'000)	
Bank balances and cash	**9,913**	**21,466**[(1)]
Total debt (including current portion):		
Existing Credit Facilities	225,240	—
Bridge Facilities	82,133	—
Other debt[(2)]	60,194	60,194
11.25% Senior Notes offered hereby	—	320,000
Total debt	**367,567**	**380,194**
Equity attributable to the equity holders of MBPS	85,935	85,935
Non-controlling interests	(21)	(21)
Total equity	**85,914**	**85,914**
Total capitalization	**453,481**	**466,108**

(1) As adjusted bank balances and cash is calculated by adding the gross proceeds of the Notes offered hereby of $320.0 million, less the amount to repay debt outstanding under the Existing Credit Facilities of $227.5 million and to repay in full the outstanding principal amount of the Bridge Facilities of $81.0 million (in each case representing the principal amount outstanding on the Issue Date plus accrued and unpaid interest as of the Issue Date).

(2) Includes bill discounting, loan trust receipts, long-term loans, overdrafts and short-term loans.

On October 27, 2010 we entered into a Corporate Facility Agreement with an affiliate of HSBC Bank plc in respect of a $1.0 million overdraft facility and certain other facilities with a combined limit of $17.0 million. For a description of the terms of these facilities, please see "Description of Other Indebtedness—PT Century Dinamik Drilling—PT Century Dinamik Drilling $17 million corporate facilities agreement with HSBC Bank Limited—Jakarta Branch."

Except as set forth above, there has been no material change to our consolidated capitalization or indebtedness since June 30, 2010.

Capitalization of MB Holding

The following table sets forth as of June 30, 2010: (i) the actual bank balances and cash and consolidated capitalization of MB Holding; and (ii) the bank balances and cash and consolidated capitalization of MB Holding on an as adjusted basis after giving effect to the Offering of the Notes hereby and the application of the net proceeds as set forth under "Use of Proceeds."

You should read the following table in conjunction with "Selected Historical Financial and Other Data of MB Holding," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of MB Holding and related notes included elsewhere in this Offering Memorandum.

	Actual	As Adjusted
	($'000)	
Bank balances and cash	**42,762**	**46,315**[(1)]
Total debt (including current portion):		
Existing Credit Facilities	225,240	—
Bridge Facilities	82,133	—
Other debt[(2)]	274,896	274,896
11.25% Senior Notes offered hereby	—	320,000
Total debt	**582,269**	**594,896**
Equity attributable to the equity holders of MB Holding	467,924	467,924
Non-controlling interests	4,667	4,667
Total equity	**472,591**	**472,591**
Total capitalization	**1,054,860**	**1,067,487**

(1) As adjusted bank balances and cash is calculated by adding the gross proceeds of the Notes offered hereby of $320.0 million, less the amount to repay debt outstanding under the Existing Credit Facilities of $227.5 million and to repay in full the outstanding principal amount of the Bridge Facilities of $81.0 million (in each case representing the principal amount outstanding on the Issue Date plus accrued and unpaid interest as of the Issue Date) and amounts used to pay transaction fees and expenses and other expenses of $8.0 million.

(2) Includes bill discounting, loan trust receipts, long-term loans, overdrafts and short-term loans.

Except as set forth above, there has been no material change in the consolidated capitalization or indebtedness of MB Holding since June 30, 2010.

SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF MBPS

The following table sets forth our selected historical consolidated financial data for the periods ended and at the dates indicated below. We have derived the selected historical consolidated financial data as of and for the years ended December 31, 2007, 2008 and 2009 from our audited consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009, which are included elsewhere in this Offering Memorandum. We have derived the selected historical consolidated financial data as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 from our unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2010, which are included elsewhere in this Offering Memorandum. The unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2010 have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring accruals, considered necessary for a fair statement of results for the unaudited interim period. These interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. Our historical consolidated financial statements were prepared in accordance with IFRS.

The following selected financial data set forth below should be read in conjunction with "Use of Proceeds," "Capitalization—Capitalization of MBPS," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this Offering Memorandum.

The selected unaudited consolidated statement of income data for the twelve-month period ended June 30, 2010 has been derived by adding our consolidated statement of income data for the year ended December 31, 2009 and our unaudited consolidated statement of income data for the six months ended June 30, 2010 and subtracting our unaudited consolidated statement of income data for the six months ended June 30, 2009. The results of MB Century and its subsidiaries for the period from July 1, 2009 to December 31, 2009 are also added in accordance with IFRS.

The selected unaudited pro forma consolidated statement of income data for the year ended December 31, 2009 (referred to as "Adjusted 2009" in the tables below) has been derived from the unaudited consolidated pro forma financial information presented elsewhere in this Offering Memorandum. The unaudited pro forma consolidated financial information is prepared for illustrative purposes and gives effect to the transfer of MB Century Holding Pte Limited and its subsidiaries along with the related borrowing and funding arrangements from MB Holding to MBPS as if it had happened on January 1, 2009.

Consolidated Income Statement Data

	For the financial year ended December 31,				Six months ended June 30,		Twelve months ended June 30,
	2007	2008	2009	Adjusted 2009(1)	2009(2)	2010	2010
	(in $'000)						
Revenue	299,638	315,480	353,624	413,607	203,140	204,423	414,890
Cost of sales	(257,955)	(302,287)	(306,764)	(374,026)	(182,365)	(178,541)	(370,202)
Gross profit	**41,683**	**13,193**	**46,860**	**39,581**	**20,775**	**25,882**	**44,688**
Other operating income(3)	5,022	20,840	8,638	8,017	1,733	1,866	8,150
Interest income	125	104	466	129	23	—	106
General and administration expenses	(11,837)	(15,076)	(20,882)	(31,149)	(14,119)	(15,947)	(32,978)
Finance costs(4)	(11,500)	(11,913)	(15,818)	(24,754)	(14,673)	(9,822)	(19,902)
Depreciation and amortization charges	(646)	(1,115)	(755)	(755)	(601)	(217)	(371)
Negative goodwill	—	—	—	5,422	5,422	4,022	4,022
Profit (loss) before tax	**22,847**	**6,033**	**18,509**	**(3,509)**	**(1,440)**	**5,784**	**3,715**
Income tax expense	(4,080)	(3,127)	(3,106)	(502)	1,343	(2,276)	(4,121)
Profit (loss) from continuing operations	**18,767**	**2,906**	**15,403**	**(4,011)**	**(97)**	**3,508**	**(405)**
Profit (loss) from discontinued operations	49	(948)	—	—	—	—	—
Profit for the period	18,816	1,958	15,403	(4,011)	(97)	3,508	(405)
Profit attributable to:							
Equity holders of the parent	18,816	1,958	15,403	5,832	4,499	9,561	10,895
Minority interests	—	—	—	(9,843)	(4,596)	(6,053)	(11,300)

Consolidated Balance Sheet Data (at period end)

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(in $'000)			
Property, plant and equipment	201,157	228,825	255,277	405,631
Bank balances and cash	9,462	4,747	10,329	9,913
Total assets	336,040	389,165	418,152	589,891
Total debt(5)	192,452	229,894	247,312	367,567
Total liabilities	271,386	323,887	336,627	503,977
Total equity	64,654	65,278	81,525	85,914

Consolidated Cash Flow Statement Data

	For the financial year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(in $'000)				
Net cash from (used in) operating activities	45,311	34,669	55,392	28,827	(9,251)
Net cash used in investing activities	(103,719)	(44,284)	(51,707)	(35,036)	(62,612)
Net cash from (used in) financing activities	55,074	7,583	3,247	(11,529)	69,327
(Decrease)/increase in cash and cash equivalents	(3,182)	(3,000)	7,229	(11,547)	(8,402)

(1) The income statement data for the year ended December 31, 2009 have been adjusted to give effect to the transfer by MB Holding to MBPS of MB Century along with the related borrowing and financing arrangements as though it had occurred on January 1, 2009. For details of these adjustments, please see Appendix A to this Offering Memorandum.

(2) The financial results for the six months ended June 30, 2009 have been restated to give effect to the transfer of MB Century as of the beginning of such periods.

(3) Other operating income included: (i) profit on the sale of fixed assets ($1,432 thousand in 2007; $17,123 thousand in 2008; $756 thousand in 2009; $134 thousand in 2009 (Adjusted); $755 thousand in the first half 2009; and $25 thousand in first half of 2010); (ii) rental income ($2,091 thousand in 2007; $2,954 thousand in 2008; $4,134 thousand in 2009; $4,134 thousand in 2009 (Adjusted); $319 thousand in the first half of 2009; and $1,040 thousand in the first half of 2010); and (iii) insurance claims and other miscellaneous income for the year ended December 31, 2008. Of the $20.8 million other income in the year ended December 31, 2008, $16.6 million was attributable to the disposal of our headquarters to MB Holding. Please see the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Relationships and Related Party Transactions" for additional information.

(4) Finance costs includes interest expense plus gain or loss on foreign exchange.

(5) Total debt represents current and non-current term loans plus short-term loans plus bank overdrafts and other borrowings.

SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF MB HOLDING

The following table sets forth selected historical consolidated financial data of MB Holding for the periods ended and at the dates indicated below. We have derived the selected historical consolidated financial data for the years ended December 31, 2007, 2008 and 2009 from the audited consolidated financial statements of MB Holding as of and for the years ended December 31, 2007, 2008 and 2009, which are included elsewhere in this Offering Memorandum. We have derived the selected historical consolidated financial data of MB Holding as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 from the unaudited interim condensed consolidated financial statements of MB Holding, which are included elsewhere in this Offering Memorandum. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management of MB Holding, include all adjustments, consisting of normal recurring accruals, considered necessary for a fair statement of the results for the unaudited interim period. The interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. The historical consolidated financial statements of MB Holding were prepared in accordance with IFRS.

The selected unaudited consolidated statement of income data of MB Holding for the twelve-month period ended June 30, 2010 has been derived by adding the consolidated statement of income data of MB Holding for the year ended December 31, 2009 and the unaudited consolidated statement of income data of MB Holding for the six months ended June 30, 2010 and subtracting the unaudited consolidated statement of income data of MB Holding for the six months ended June 30, 2009.

The following selected financial data set forth below should be read in conjunction with "Use of Proceeds," "Capitalization—Capitalization of MB Holding" "Selected Historical Financial and Other Data of MB Holding," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of MB Holding and the notes thereto included elsewhere in this Offering Memorandum.

Consolidated Income Statement Data

	For the financial year ended December 31,			Six months ended June 30,		Twelve months ended June 30,
	2007	2008	2009	2009	2010	2010
	(in $'000)					
Revenue	640,859	986,490	884,420	405,273	514,551	993,698
Cost of sales	(482,699)	(816,420)	(748,035)	(343,100)	(414,387)	(819,322)
Gross profit	**158,160**	**170,070**	**136,385**	**62,173**	**100,164**	**174,376**
Investment income	8,109	2	(1,852)	(625)	2,397	1,170
Other operating income/expense	5,346	(7,976)	8,728	2,490	3,284	9,522
General and administration expenses	(30,791)	(52,053)	(57,882)	(27,946)	(31,730)	(61,666)
Finance costs	(20,007)	(23,973)	(31,075)	(20,601)	(15,945)	(26,419)
Depreciation and amortization	(2,642)	(4,312)	(4,771)	(2,219)	(1,986)	(4,538)
Other(1)	12,502	4,827	7,963	6,991	5,264	6,236
Profit before tax	**130,677**	**86,585**	**57,496**	**20,263**	**61,448**	**98,681**
Income tax expense	(5,811)	(4,767)	(3,217)	(105)	(4,748)	(7,860)
Profit for the year	**124,866**	**81,818**	**54,279**	**20,158**	**56,700**	**90,821**
Profit attributable to:						
Equity holders of the parent	122,952	81,820	62,792	23,998	62,566	101,360
Minority interests	1,914	(2)	(8,513)	(3,840)	(5,866)	(10,539)

Consolidated Balance Sheet Data (at period end)

	As of December 31,			As of June 30,
	2007	2008	2009	2010
		(in $'000)		
Property, plant and equipment	394,248	456,677	504,927	507,240
Oil and gas exploration and producing assets	156,767	221,882	283,726	309,346
Bank balances and cash	39,103	38,805	31,397	42,762
Total assets	970,095	1,131,707	1,215,064	1,334,186
Total liabilities	619,561	725,497	757,758	861,595
Total debt[(2)]	376,218	479,262	477,131	582,269
Total equity	350,534	406,210	457,306	472,591

Consolidated Cash Flow Statement Data

	For the financial year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
			(in $'000)		
Net cash from operating activities	120,530	172,199	217,218	109,397	45,917
Net cash used in investing activities	(264,217)	(212,105)	(172,214)	(98,605)	(117,832)
Net cash from (used in) financing activities	159,779	39,991	(33,615)	(35,398)	76,528
Increase/(decrease) in cash and cash equivalents	16,390	(6,233)	4,218	(18,415)	(1,300)

(1) "Other" consists of abandonment cost provision, share in results of associates and negative goodwill.

(2) Total debt represents current and non-current term loans plus short-term loans plus bank overdrafts and other borrowings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition in conjunction with the sections entitled "Presentation of Financial and Other Data," "Selected Historical Financial and Other Data of MBPS," "Selected Historical Financial and Other Data of MB Holding" and with our consolidated financial statements and the related notes included elsewhere in this Offering Memorandum. The following discussion and analysis contains forward-looking statements including, without limitation, statements relating to our plans, strategies, objectives, expectations, intentions and resources. Although based on assumptions we consider to be reasonable, our actual results could differ materially from those expressed or implied in such forward-looking statements as a result of factors discussed below and elsewhere in this Offering Memorandum. For a discussion of those risks and uncertainties, please see the sections entitled "Disclosure Regarding Forward-Looking Statements" and "Risk Factors."

Overview of MB Holding's Business

MB Holding manages its operations on the basis of four business segments, each of which consists of one or more operating subsidiaries, with the exception of its investment business, which is not an independent entity. Each operating subsidiary relies on certain business services from MB Holding, including corporate finance, legal, corporate communications, information technology and human resources services. Each operating subsidiary has in place its own independent management team that consists of executives with relevant industry experience and is headed by a Chief Executive Officer or a Managing Director.

The following segments constitute MB Holding's primary business areas:

- *Services.* MB Holding conducts its oil and gas services business through MBPS and MB Century. For the twelve months ended June 30, 2010, MBPS generated revenue of $414.9 million and EBITDA of $59.4 million, which represents an EBITDA margin of 14.3%.
- *Exploration and production.* MB Holding conducts its oil and gas exploration and production business through Petrogas. For the twelve months ended June 30, 2010, Petrogas recorded revenue of $407.0 million and EBITDA of $108.6 million, which represents an EBITDA margin of 26.7%.
- *Mining.* MB Holding conducts its mining business through Mawarid Mining. For the twelve months ended June 30, 2010, Mawarid Mining generated revenue of $85.2 million and EBITDA of $41.0 million, which represents an EBITDA margin of 48.1%.
- *Manufacturing and engineering.* MB Holding conducts its manufacturing and engineering business through UES. For the twelve months ended June 30, 2010, UES generated revenue of $109.3 million and EBITDA of $17.3 million, which represents an EBITDA margin of 15.8%.

In addition, MB Holding manages the liquidity and financial investments of the MB Holding Group. Investments undertaken by MB Holding do not form part of the core activities of the MB Holding Group. For the twelve months ended June 30, 2010, MB Holding generated EBITDA from its investments of $2.6 million.

Until December 31, 2007, MB Holding reported its financial results on the basis of the following segments: (i) services; (ii) exploration and production; (iii) mining; and (iv) investments. The consolidated financial results of MB Holding as of December 31, 2008, however, are reported on the basis of the following segments: (i) services; (ii) exploration and production; (iii) manufacturing and engineering; (iv) mining; and (v) investments. Segment financial results as between these two periods are therefore not directly comparable as the financial results of the manufacturing and engineering segment was reported as part of the services segment until December 31, 2007.

MB Holding acquired 51.0% of MB Century in October 2007. Therefore, only approximately two months of MB Century's financial performance are reflected in the 2007 financial results of the MB Holding Group, whereas subsequent periods include MB Century's full-year results for the entire period.

Control of MB Century was transferred by MB Holding to MBPS effective as of January 1, 2010. On June 29, 2010, MBPS acquired the remaining 49.0% of MB Century's shares, whereupon MB Century became a wholly owned subsidiary of MBPS. The financial results of MBPS for the six months ended June 30, 2010 and for the six months ended June 30, 2009 includes MB Century results. As a result of the transfer of MB Century, the results of MBPS for the years ended December 31, 2007, 2008 and 2009 are not comparable to the results of MBPS for the six months ended June 30, 2009 and 2010.

On account of intercompany eliminations, the EBITDA measure of each business segment of MB Holding is not the same as the EBITDA of the operating subsidiaries within such business segment. EBITDA represents profit before net finance costs (calculated as finance cost less interest income), foreign exchange gain (loss), taxation, depreciation, amortization, abandonment cost and negative goodwill. EBITDA also includes "other income" from our income statement (inclusive of gains and losses from the disposal of our headquarters).

The following tables present certain financial results of the MB Holding Group as broken down by business segment.

	Services	Exploration and production	Manufacturing and engineering	Mining	Investments	Total[2]
			(in $'000)			
Six months ended as of June 30, 2010						
Revenue	204,423	223,279	50,317	44,839	—	514,551
EBITDA	31,673	65,122	5,598	20,899	4,834	128,220
Profit for the period						56,700
Total assets	589,891	383,463	109,849	110,045	223,260	1,334,186
Total liabilities[1]	503,977	163,904	53,579	53,628	168,829	861,595
Six months ended as of June 30, 2009						
Revenue	203,140	112,376	82,261	27,177	—	405,273
EBITDA	25,270	27,352	14,554	10,715	(1,921)	75,968
Profit for the period						20,158
Total assets[1]	—	—	—	—	—	—
Total liabilities[1]	—	—	—	—	—	—
Year ended December 31, 2009						
Revenue	413,607	296,065	141,236	67,579	—	884,420
EBITDA	53,041	70,876	26,210	30,757	(4,132)	176,749
Profit for the year						54,279
Total assets	600,962	328,437	101,801	82,379	188,722	1,215,064
Total liabilities	430,805	147,730	48,339	37,917	180,204	757,758
Year ended December 31, 2008						
Revenue	411,723	379,989	126,194	98,467	—	986,490
EBITDA	46,410	76,617	16,239	61,538	(2,341)	198,461
Profit for the year						81,818
Total assets	546,275	299,887	108,477	71,490	204,024	1,131,707
Total liabilities	375,540	129,436	61,910	30,824	226,233	725,497
Year ended December 31, 2007						
Revenue	385,350	215,011	—	65,072	—	640,859
EBITDA	86,347	67,764	—	42,045	3,034	199,192
Profit for the year						124,866
Total assets	568,606	207,069	—	57,443	237,997	970,095
Total liabilities	334,490	83,331	30,108	27,195	245,457	619,561

(1) A balance sheet was not prepared as of June 30, 2009.

(2) After intercompany eliminations.

Key Factors Affecting the Business of the MB Holding Group and MBPS

Key Factors Affecting the Business of MBPS

Oil and Gas Market Conditions

The key drivers of the demand for our services are the global level of oil and gas exploration, production and development activity, which are in turn affected by the consumption of oil and gas and other macroeconomic trends in the oil and gas industry. For more details on these factors, please see "Industry."

Sustained high oil prices typically lead to increased production and activity by our customers, generating higher overall demand for our services, particularly our drilling and production services. The timing of oilfield development is generally contingent on the expectation of achieving higher sales prices and cash flow, and therefore we expect this activity to increase during periods of high oil prices and to decrease during sustained periods of low prices.

We believe that the integrated nature of our business allows us to mitigate the fluctuations in demand for our services that is inherent to the oil and gas industry. Due in part to the long-term nature and complexity of major oilfield developments, IOCs and larger NOCs typically invest in exploration and appraisal throughout the cycle of oil prices. Their commitment to identifying and developing large reservoirs is determined less by short- and medium-term price changes and more by the long-term outlook for energy demand and the necessity to replace reserves in order to sustain production and profitability. Smaller NOCs, by contrast, may elect to temporarily cease exploration activities during periods of low prices and, as a result, their focus at such times tends to shift to optimizing and maintaining existing assets. We believe that we are well positioned to operate in both situations, providing drilling and production services to IOCs and larger NOCs throughout the price cycle and focusing on the provision of workover and well maintenance services to smaller companies during periods of low oil prices.

In addition to affecting the demand for our services, fluctuating commodity prices can also have a significant impact on our cost base. The surge in global oil and gas prices witnessed in 2007 and the first half of 2008 led to shortages of materials and higher costs of various inputs, including employment costs and consumables critical to MBPS's operations. Increases in labor costs, the price of steel and the cost of oilfield equipment and general commodities materially affected MBPS's cost structure. In addition to such increased costs, MBPS's operations during that period were affected by delays in the delivery of certain critical supplies as most suppliers were overbooked and could not meet the pace of demand.

Tenor of Contracts and Order Book

MBPS's drilling and production revenue is primarily a function of the number of rigs and units that it manages and operates, the number of days such rigs or units operate in a given period (the "**utilization rate**") and the rates paid for such services (the "**day rate**"). Utilization rates are a function of contract tenor as well as the general condition of the oil and gas drilling industry (as described above under "—Oil and Gas Market Conditions"). In addition, when contracts expire or are not renewed, MBPS and its subsidiaries generally experience low rig utilization while they seek alternative contractual arrangements. Low rig utilization rates following the lapse of a long-term contract is a feature of the oil and gas services industry.

A large portion of MBPS's contracts are long term in nature, ranging from two to five years and usually including options for renewal. By contrast, under its previous management, MB Century focused on shorter-term contracts with higher day rates. Since MBPS acquired full ownership of MB Century, MB Century has become more focused on optimizing the balance of its contracts and, as a result, is entering into more long-term contracts. The size and duration of our contracts provides us with substantial certainty and a high level of confidence as to our future revenue streams.

We calculate order book data ("**Order book**") as estimated future revenue attributable to executed contracts that we reasonably expect to generate at any point in time. This requires a firm contractual arrangement and a reasonable expectation of future activity, although it does not necessarily require a guaranteed commitment from our customers. For example, there are certain short-term contracts to which MB Century is a party and which generally have been renewed consistently for the past 20 years. Such contracts are included in the Order book.

In calculating the estimated future revenue attributable to the remaining term of existing contracts, we adjust for factors such as equipment breakdown or delays and the extension or renewal of, or increases in the scope of work required for, existing contracts. It does not account for the possibility of natural disasters, early termination or disputes in respect of existing contracts, the loss of operating licenses or the diminishing value of future cash flows. Market conditions, the price of oil and gas, and competition in our markets also have a direct effect on the number, duration and size of our contracts.

The Order book provides us with an early indication of the future direction of sales and earnings. For example, short lead time in the ordering of our workover services makes forecasting and booking revenue in respect of such services difficult and results in frequent adjustments in the Order book's near-term revenue projections. In 2008, due to the difficult market conditions, certain contract renewals were conditioned upon a reduction in contract price, which also necessitated Order book adjustments. Such changes allow management to adjust resource levels, seek additional sales opportunities or, in the event of significant changes, amend its quarterly budget.

Cost Reduction Programs at MBPS

Since the second half of 2009, the MB Holding Group has implemented several initiatives in order to control costs with respect to the Omani operations of MBPS, and it intends to extend these cost control measures to each of its subsidiaries in the near future. Such measures include:

- *Labor costs.* MBPS has reduced its labor costs by rationalizing and conducting greater performance monitoring of its workforce and reducing its engagement of temporary employees.
- *Consumption of materials.* MBPS has entered into long-term contracts with and obtained favorable discounts from its suppliers, which has decreased the overall costs that it pays for obtaining materials. It has also renegotiated terms with certain vendors by leveraging weak market conditions.
- *Rental costs.* MBPS's equipment rental costs have decreased because it is pursuing a policy of replacing rented equipment with equipment that it owns or for which it has contracted on a long-term basis. Our overall rental costs declined by approximately 35.0% in the three months ended March 31, 2010 as compared to the same period in the prior year, and this policy should continue to decrease equipment rental costs in the future. In addition, we have renegotiated contracts for rig transport services at rates that are, in some instances, 50.0% lower than those secured in June of 2009.
- *Inventory optimization.* We are developing a proactive working capital management system by establishing a central warehouse system, the implementation of which will help us to optimize our inventory of spare and consumable equipment. We are also in the process of implementing an enterprise-wide asset management system which is currently being tested on a pilot basis in Oman. We plan to extend this system out to our major subsidiaries in due course.

Key Factors Affecting the Other Businesses of the MB Holding Group

Exploration and Production, Manufacturing and Engineering, and Mining

MB Holding conducts its exploration and production business through Petrogas. Petrogas's performance and results of operation is driven by the market price for oil (which is in turn driven by macroeconomic factors affecting the demand for oil), as well as the level of production achieved.

MB Holding conducts its mining business through Mawarid Mining. Mawarid Mining's performance and results of operation depend on the quality of the copper concentrate, the rate of output and the market price of copper, which in turn is driven by macroeconomic factors affecting the demand for copper.

MB Holding conducts its manufacturing and engineering business through UES. Because UES primarily provides precision equipment to oil and gas industry, it is also affected by macroeconomic conditions and prevailing oil prices. High levels of activity in the oil and gas industry lead to increased demand for the manufacturing and trading activities in which UES is engaged.

Acquisitions and Divestitures

The MB Holding Group has acquired several businesses in the past, including businesses in Asia and Europe, and it may continue to do so in the future. The MB Holding Group's acquisitions and divestitures may affect its results of operations and the period-to-period comparability of the MB Holding Group's financial statements or the results of a business segment. The MB Holding Group's recent acquisitions have included:

- *MB Century.* The MB Holding Group acquired 51.0% of the drilling business of Downer EDI Resource Holdings Ltd. for $52.0 million in 2007 and also assumed shareholder's debt of $18.1 million. On June 29, 2010, the MB Holding Group paid an additional $35.9 million for the remaining 49.0% of MB Century's shares in 2010 and assumed an additional $41.1 million of shareholder debt.
- *Koller Group.* The MB Holding Group acquired the Koller Group for a total purchase consideration of $2.1 million in 2008.

Description of Key Line Items in the Income Statements of the MB Holding Group and MBPS

Revenue

Revenue at MB Holding includes the revenue, excluding intercompany sales, generated by MBPS, Petrogas, UES, Mawarid Mining and each of their respective subsidiaries, as well as MB Holding's investments business which, although not part of the core activities of the MB Holding Group, allows MB Holding to manage the MB Holding Group's liquidity and financial investments. MBPS generates revenue by: providing drilling, workover, well maintenance and production services; renting equipment; selling chemicals and oilfield equipment; selling unused assets to third parties from time to time; and undertaking ancillary activities. Petrogas generates revenue through the production and sale of oil and gas; UES generates revenue from the manufacture and sale of both its and other manufacturers' oilfield tools and equipment; and Mawarid Mining generates revenue by the sale of copper concentrate.

Cost of Sales

The cost of sales for the MB Holding Group primarily includes entitlements paid pursuant to licenses and concessions; raw materials and utilities; direct wages, salaries and other employment-related expenses; repair and maintenance, transportation, waste disposal and consumable costs; and attributable depreciation and amortization charges related to operations (the unit production method is used to calculate depreciation for oil and gas and mineral assets). Certain costs, such as those in respect of raw materials and direct wages, are variable, while other costs are fixed in the short term. The single largest component of the MB Holding Group's cost of sales is the Government's entitlement in relation to oil produced by Petrogas.

With respect to MBPS, cost of sales includes materials, employment (including wages and salaries), camp and catering expenses, fuel and lubricants, rentals, third-party services, direct overhead expenses and depreciation related to operating assets.

General and Administration Expenses

The MB Holding Group's administrative expenses typically include the indirect wages and salaries of non-operational staff (who provide business services to each of the MB Holding Group's operating entities), as well as indirect overhead expenses, which include such items as office rentals, maintenance, utilities, legal and professional fees, and office supplies.

With respect to MBPS, general and administration expenses include the indirect wages and salaries of non-operational staff at MBPS, and general head office expenses.

Finance Costs

Finance costs at MB Holding and MBPS consist of charges on finance leases, interest payable on term loans, foreign exchange gains or losses and working capital facilities and other bank charges.

Depreciation and Amortization

Depreciation and amortization charges at MB Holding and MBPS that are not related to operations are included in this line item and relate primarily to furniture, fixtures, office equipment, office buildings and vehicles. Depreciation relating to operations are charged primarily to cost of sales. Depreciation of the MB Holding Group's assets is computed using the straight-line method over the estimated useful life of the asset.

Other Income

Other income consists of other operating income generated by MB Holding's subsidiaries, investment income, provisions for abandonment costs and income from MB Holding's share in the results of its associates. MB Holding's share in the results of its associates includes profits/losses relating to the MB Holding Group's investment in Risk Management Services LLC, Flexible Industrial Packages SAOG, Ahli Bank SAOG, Smith International Oman LLC, Al Madina Financial and Investment Services Company SAOC, Al Madina Gulf Insurance Company SAOC and Biogenomics Limited. The MB Holding Group disposed of its investment in Biogenomics Limited on January 1, 2010.

With respect to MBPS, other income consists of profits/losses made on the sale of assets in the normal course of business and, in 2008, included profit from the sale of property in the amount of $16.6 million;

insurance claims; the sale of obsolete items and equipment; expenses which are charged back to subsidiaries; and rental and interest income. Interest income consists of interest which is charged to customers and received on bank deposits and loans provided to affiliates.

Results of Operations

Results of MBPS

The following table sets forth, for the periods indicated, revenue and expenses and such amounts as a percentage of revenue:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009[1]		2010[1]	
	($'000)	(%)	($'000)	(%)	($'000)	(%)	($'000)	(%)	($'000)	(%)
Continuing operations										
Revenue	299,638		315,480		353,624		203,140		204,423	
Cost of Sales	(257,955)		(302,287)		(306,764)		(182,365)		(178,541)	
Gross profit	**41,683**	**13.9**	**13,193**	**4.2**	**46,860**	**13.3**	**20,775**	**10.2**	**25,882**	**12.7**
General and administration expenses	(11,837)		(15,076)		(20,882)		(14,119)		(15,947)	
Finance costs	(11,500)		(11,913)		(15,818)		(14,673)		(9,822)	
Depreciation and amortization charges	(646)		(1,115)		(755)		(601)		(217)	
Other income	5,022		20,840		8,638		1,733		1,866	
Interest income	125		104		466		23		—	
Negative goodwill	—		—		—		5,422		4,022	
Profit (loss) before tax	**22,847**	**7.6**	**6,033**	**1.9**	**18,509**	**(5.2)**	**(1,440)**	**(0.7)**	**5,784**	**2.8**
Income tax expense	(4,080)		(3,127)		(3,106)		1,343		(2,276)	
Profit (loss) for the year from continuing operations	**18,767**	**6.3**	**2,906**	**0.9**	**15,403**	**4.4**	**(97)**	**(0.0)**	**3,508**	**1.7**
Discontinued operations										
Profit (loss) from discontinued operations	49		(948)		—		—		—	
Profit for the year	**18,816**	**6.3**	**1,958**	**0.6**	**15,403**	**4.4**	**(97)**	**(0.0)**	**3,508**	**1.7**
EBITDA	**68,026**		**57,901**		**62,618**		**25,270**		**31,673**	

(1) The results for the six months ended June 30, 2009 and June 30, 2010 are inclusive of MB Century. The results shown for the financial years ended December 31, 2007, 2008 and 2009 only include MBPS.

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Revenue

Our revenue increased by 0.6% to $204.4 million in the six months ended June 30, 2010, from $203.1 million in the comparable period in 2009. Revenue growth was driven primarily by higher sales in our workover and drilling fluids businesses but was partially offset by a decrease in drilling revenue in Oman. Revenue from our workover business increased by 7.2% due to higher revenue achieved under existing contracts and the commencement of operations in Bahrain under a new three-year contract. Revenue from our drilling fluids business also increased by 18.1% as a result of increased demand from certain of our major clients. During this period, however, there was a decrease in drilling revenue of 9.0% in Oman where, upon the expiration of certain contracts, two of our rigs operated at a lower utilization rate. With respect to MB Century, revenue increased by 16.6% to $33.1 million in the six months ended June 30, 2010, from $28.4 million in the comparable period in 2009. Revenue growth was driven primarily by an increase in rig utilization rate and day rate as general market condition improved.

Cost of Sales

Our cost of sales decreased by 2.1% to $178.5 million in the six months ended June 30, 2010, from $182.4 million in the comparable period in 2009. As a percentage of revenue across such periods, our overall cost of sales decreased by 2.4 percentage points. The decrease in cost of sales was driven primarily by various cost reduction initiatives we undertook in Oman since the second half of 2009, including renegotiating long-term supply contracts with our vendors and subcontractors to reduce rates as well as increasing labor productivity. Cost of sales also dropped significantly in our production services business as one of our high-cost well test contracts came to an end in October 2009. These drops were partially offset by an increase in the cost of sales at MB Century, driven by mobilization costs associated with the startup of operations pursuant to new contracts.

Gross Profit

Our gross profit grew by 24.7% in the six months ended June 30, 2010, from the comparable period in 2009, due to the factors described above. Our gross profit margin as a percentage of revenue also increased by 2.5 percentage points to 12.7% in the six months ended June 30, 2010 from 10.2% in the comparable period in 2009.

General and Administration Expenses

Our general and administration expenses increased by 12.9% to $15.9 million in the six months ended June 30, 2010, from $14.1 million in the comparable period in 2009. The increase in our overhead expenses was driven primarily by the expansion of existing and the opening of new offices in Abu Dhabi, Qatar, Bahrain, Saudi Arabia and Brunei and the hiring of related personnel. Employment-related expenses also increased as a result of general salary increases in 2010.

Finance Costs

Finance costs decreased by 33.1% to $9.8 million in the six months ended June 30, 2010, from $14.7 million in the comparable period in 2009. Our finance costs in the six months ended June 30, 2009, included a currency exchange loss of $6.5 million, as compared to a $0.4 million currency exchange loss in the comparable period in 2010. Finance costs (excluding currency exchange gain or loss) increased by 14.6% to $9.4 million in the six months ended June 30, 2010, from $8.2 million in the comparable period in 2009. The increase in finance costs was driven primarily by higher interest rates charged on U.S. Dollar-denominated loans in the Omani money market during this period.

Depreciation and Amortization Charges

Depreciation and amortization charges decreased by 63.9% to $0.2 million in the six months ended June 30, 2010, from $0.6 million in the comparable period in 2009. This reduction was driven primarily by a reclassification of certain assets (mostly vehicles) from administrative expenses to operations expenses in the second half of 2009, which resulted in their inclusion in cost of sales rather than depreciation and amortization charges.

Income Tax Expense

Our income tax expense increased to $2.3 million in the six months ended June 30, 2010, from a net tax credit of $1.3 million in the comparable period in 2009. With respect to our Oman operations, a provision of deferred tax liability of $1.3 million was made in the six months ended June 30, 2010 as a result of a change in the depreciation policy, while no such provision was made in the comparable period in 2009.

Other Income

Our other income increased by $0.2 million to $1.9 million in the six months ended June 30, 2010, from $1.7 million in the comparable period in 2009. Our other income includes profit or loss from the sale of fixed assets as well as income from the rental of equipment and supply of human resources to MB Holding, insurance claims and other miscellaneous income in the normal course of business.

Interest income fell to approximately zero in the six months ended June 30, 2010, from $23.0 million in the comparable period in 2009.

EBITDA

Our EBITDA increased by 25.3% to $31.7 million in the six months ended June 30, 2010, from $25.3 million in the comparable period in 2009. This increase in EBITDA was primarily driven by the reduction in operating expenses on account of the cost reduction initiatives taken during the second half of 2009.

Profit for the Year from Continuing Operations

Our profit for the year from continuing operations increased to $3.5 million in the six months ended June 30, 2010, from a loss of $0.1 million in the comparable period in 2009.

Financial Year Ended December 31, 2009 Compared to financial year Ended December 31, 2008

Revenue

Our revenue increased by 12.1% to $353.6 million in the year ended December 31, 2009, from $315.5 million in the comparable period in 2008. Revenue growth was driven primarily by: (i) increases in our workover and well testing services businesses; (ii) an increase in workover and manufacturing services in Germany as a result of the acquisition of the Koller Group; and (iii) the sale of a rig to MB Century. It was partially offset by a decrease in revenue from our drilling fluid business of 20.0% due to reduced demand for chemicals by certain key customers. Drilling services during this period remained relatively stable.

In 2009, we were awarded additional workover contracts and revenue related to production services grew by 4.6%, with the bulk consisting of increased well testing activity in Saudi Arabia. In addition, our workover and manufacturing revenue in Germany increased by approximately $18.7 million, largely as a result of the acquisition of the Koller Group in August 2008. The Koller Group's revenue increased by 103.8% to $32.4 million in the year ended December 31, 2009, from $15.9 million in 2008, a result driven primarily by the fact that we included only five months of the Koller Group's results in our full-year financial results for 2008 as opposed to twelve months of its results in our full-year financial results for 2009. Our revenue growth was also driven partially by the sale of a rig to MB Century for $11.4 million.

Cost of Sales

Our cost of sales increased by 1.5% to $306.8 million in the year ended December 31, 2009, from $302.3 million in the comparable period in 2008. This increase was driven primarily by higher overall sales, although as a percentage of revenue across such periods, our cost of sales decreased by 9.1 percentage points. The decrease in cost of sales as a percentage of revenue was driven partially by changes made to our depreciation policies in order to reflect industry standards: we previously depreciated the useful life of our rigs over a ten-year period, while the industry standard tends to depreciate the useful life of an asset over the course of 15 years. By adopting the 15-year depreciation standard, our depreciation costs were lowered, which reduced our cost of sales. We also began a cost reduction exercise in the second half of 2009 in Oman which reduced our actual cost of sales. The effect was amplified by the reduction in the price of raw materials from the highs experienced in 2008 due to greater demand for oil and gas services in that year.

Gross Profit

Our gross profit increased to $46.9 million in the year ended December 31, 2009, from $13.2 million in the comparable period in 2008, due to the factors described above. Our gross profit margin as a percentage of revenue also increased by 9.1 percentage points to 13.3% in the year ended December 31, 2009, from 4.2% in the comparable period in 2008.

General and Administration Expenses

Our general and administration expenses increased by 38.5% to $20.9 million in the year ended December 31, 2009, from $15.1 million in the comparable period in 2008. The increase in general and administration expenses was driven by the expense of hiring additional personnel; overhead costs, including office rents, salaries and wages; and other routine administrative expenses, such as maintenance, each of which increased in 2009. The increase in general and administration expenses in 2009 was also partly recorded as a result of the fact that we incurred such expenses with respect to Koller for the entire year, whereas we only incurred five months of such expenses in 2008. General and administration expenses from Koller increased by $1.3 million during this period.

Finance Costs

Our finance costs increased by 32.8% to $15.8 million in the year ended December 31, 2009, from $11.9 million in the comparable period in 2008. The increase in our finance costs was driven partially by the higher interest rates charged by our lending banks (as a result of deteriorating global financial conditions in 2008) upon the renewal of some of our loan facilities. We also increased our total indebtedness by 7.5% to $247.3 million in the year ended December 31, 2009, from $229.9 million in the comparable period in 2008. The purpose of this increase was to fund certain additional capital expenditures related to the purchase of new drilling and workover rigs, wireline units and a pumping unit.

Depreciation and Amortization Charges

Depreciation and amortization charges decreased by 27.3% to $0.8 million in the year ended December 31, 2009, from $1.1 million in the comparable period in 2008. This decrease was driven primarily by the reclassification of certain assets from administrative expenses to operations expenses, which resulted in their inclusion in cost of sales rather than depreciation and amortization charges.

Income Tax Expense

Our income tax expense decreased by 0.7% to $3.1 million in the year ended December 31, 2009, from $3.1 million in the comparable period in 2008. While income tax expense remained relatively constant overall, in 2009 there was a decrease of $0.6 million in income tax expense at our subsidiary in Hungary which was partially offset by a deferred tax liability of $0.8 million on our account.

Other Income

Our other income decreased by 58.6% to $8.6 million in the year ended December 31, 2009, from $20.8 million in the comparable period in 2008. Our other income for 2009 consisted mainly of income of $4.1 million from the rental of equipment and supply of manpower as well as insurance claims in the amount of $2.6 million. The decrease was largely attributable to the realization of a profit of $16.6 million in 2008 recorded as a result of the sale of property to the MB Holding Group, which positively affected our other income in 2008. Excluding this property sale in 2008, our other income increased by $4.4 million as a result of income across these periods from the rental of equipment and insurance claims in 2009.

Interest income increased to $0.5 million in the year ended December 31, 2009, from $0.1 million in the comparable period in 2008.

EBITDA

Our EBITDA increased by 8.1% to $62.6 million in the year ended December 31, 2009, from $57.9 million in the comparable period in 2008. This increase in EBITDA was mainly attributable to an increase in revenues, better asset utilization and a reduction in operating expenses.

Profit for the Year from Continuing Operations

Our profit for the year from continuing operations increased to $15.4 million in the year ended December 31, 2009, from $2.9 million in the comparable period in 2008.

Financial Year Ended December 31, 2008 Compared to Financial Year Ended December 31, 2007

Revenue

Our overall revenue increased by 5.3% to $315.5 million in the year ended December 31, 2008, from $299.6 million in the comparable period in 2007. Revenue growth was driven primarily by the acquisition of the Koller Group and increased revenue in all divisions, and was partially offset by other transactions, including the sale of two rigs in 2007.

Revenue growth in Germany increased due to the acquisition of the Koller Group in August 2008 and its subsequent inclusion in our financial results. Workover revenue increased by approximately $12.9 million in 2008 as a result of the addition of three new workover rigs in Oman, and revenue from drilling services increased by approximately $21.7 million due to the mobilization of four new rigs in Oman during the last quarter in 2007.

Cost of Sales

Our cost of sales increased by 17.2% to $302.3 million in the year ended December 31, 2008, from $258.0 million in the comparable period in 2007. As a percentage of revenue across such periods, our cost of sales increased by 9.7 percentage points. The increase in cost of sales was driven primarily by higher raw material costs (including the price of steel, supplies from oilfield equipment manufacturers and general commodities), rental costs, increased labor costs and wages (our headcount increased by over 350 individuals in 2008 so that we could maintain the necessary manpower requirements under our existing contracts), equipment prices and other material costs. High oil prices during this period drove exploration and production companies to maximize production and exploration initiatives, which in turn generated high levels of demand for drilling and production services and the consequent pressure on the price of supplies, raw materials and other resources.

Gross Profit

Our gross profit decreased by 68.3% to 13.2 million in the year ended December 31, 2008, from $41.7 million in the comparable period in 2007, due to the factors described above. Our gross profit margin as a percentage of revenue also decreased by 9.7 percentage points to 4.2% in the year ended December 31, 2008, from 13.9% in the comparable period in 2007.

General and Administration Expenses

Our general and administration related expenses increased by 28.0% to $15.1 million in the year ended December 31, 2009, from $11.8 million in the comparable period in 2007. The increase in general and administration expenses was driven by the expense of raising salaries for and expanding our workforce in order to remain competitive during a period of labor scarcity and high activity in the oil and gas industry.

Finance Costs

Our finance costs increased by 3.6% to $11.9 million in the year ended December 31, 2008, from $11.5 million in the comparable period in 2007. The increase in our total debt was offset by the decline in LIBOR.

Depreciation and Amortization Charges

Depreciation and amortization charges increased by 83.3% to $1.1 million in the year ended December 31, 2008, from $0.6 million in the comparable period in 2007. This increase was driven primarily by an increase in our asset base in the form of new furniture, fixtures and new vehicles acquired in 2008 which consequently increased our total depreciation charges.

Income Tax Expense

Our income tax expense decreased by 24.4% to $3.1 million during the year ended December 31, 2008, from $4.1 million during the comparable period in 2007. Income tax expense went up by $1.1 million with respect to our European operations but was offset by our Oman operations, which made a net provision of $2.0 million in 2008.

Other Income

Other income increased to $20.8 million in the year ended December 31, 2008, from $5.0 million in the comparable period in 2007. This increase was driven primarily by a profit of $16.6 million on the sale of our property to MB Holding in 2008, which significantly increased other income. Other income in the period also included $1.9 million from equipment rental and manpower supply and $1.1 million from other sources. Excluding this sale of property to MB Holding, our other income was relatively constant in 2008 compared to 2007.

Interest income fell in the year ended December 31, 2008, as compared to 2007.

EBITDA

Our EBITDA decreased by 14.9% to $57.9 million during the year ended December 31, 2008, from $68.0 million in the comparable period in 2007. This decrease was mainly due to an increase in operating expenses.

Profit for the Year from Continuing Operations

Our profit for the year from continuing operations decreased to $1.9 million in the year ended December 31, 2008, from $18.8 million in the comparable period in 2007.

Consolidated Results of the MB Holding Group

The following table sets forth, for the periods indicated, revenue and expenses and such amounts as a percentage of revenue:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	($'000)	(%)	($'000)	(%)	($'000)	(%)	($'000)	(%)	($'000)	(%)
Revenue	640,859		986,490		884,420		405,273		514,551	
Cost of sales	(482,699)		(816,420)		(748,035)		(343,100)		(414,387)	
Gross profit	**158,160**	**24.7**	**170,070**	**17.2**	**136,385**	**15.4**	**62,173**	**15.3**	**100,164**	**19.5**
General and administration expenses	(30,791)		(52,053)		(57,882)		(27,946)		(31,730)	
Finance costs	(20,007)		(23,973)		(31,075)		(20,601)		(15,945)	
Depreciation and amortization charges	(2,642)		(4,312)		(4,771)		(2,219)		(1,986)	
Negative goodwill	10,140		955		5,422		5,422		4,022	
Other operating income (expense) (net)	5,346		(7,976)		8,728		2,490		3,284	
Investment (expense) income	8,109		2		(1,852)		(625)		2,397	
Abandonment cost provision	(881)		(674)		(1,452)		(318)		(1,219)	
Share in results of associates	3,243		4,546		3,993		1,887		2,461	
Other income	15,817		(4,102)		9,417		3,434		6,923	
Profit before tax	**130,677**	**20.4**	**86,585**	**8.8**	**57,496**	**6.5**	**20,263**	**5.0**	**61,448**	**11.9**
Income tax expense	(5,811)		(4,767)		(3,217)		(105)		(4,748)	
Profit for the year	**124,866**	**19.5**	**81,818**	**8.3**	**54,279**	**6.1**	**20,158**	**5.0**	**56,700**	**11.0**
EBITDA	199,192		198,461		176,749		75,968		128,220	

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Revenue

MB Holding's revenue increased by 27.0% to $514.6 million in the six months ended June 30, 2010, from $405.3 million in the comparable period in 2009. Revenue growth was driven primarily by revenue from the services, exploration and production and mining segments and was partially offset by decreased sales in the manufacturing and engineering segments. The following table below shows the revenue of MB Holding's business segments for each of the six months ended June 30, 2010 and 2009.

	Six months ended June 30,	
	2009	2010
	(in $'000)	
Services	203,140	204,423
Exploration and production	112,376	223,279
Manufacturing and engineering	82,261	50,317
Mining	27,177	44,839
Investment	—	—
Elimination	(19,681)	(8,307)
Total	**405,273**	**514,551**

Services. The revenue of the services segment is generated by MBPS, including its subsidiary, MB Century. Revenue generated by MBPS increased by 0.6% to $204.4 million in the six months ended June 30, 2010, from $203.1 million in the comparable period in 2009. For information on the revenue generated by MBPS, please see "—Results of MBPS—Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009—Revenue" above.

Exploration and production. Revenue generated by Petrogas increased by 98.7% to $223.3 million in the six months ended June 30, 2010, from $112.4 million in the comparable period in 2009. Revenue growth was driven primarily by higher oil prices and Petrogas's increased production volumes.

The average realized price of oil increased by 67.3% to $77.6 per barrel in the six months ended June 30, 2010, from $46.4 per barrel in the comparable period in 2009. Petrogas also increased its average production by 37.0% to 19,036 barrels of oil per day in the six months ended June 30, 2010, from 13,894 barrels per day in the comparable period in 2009. This increase in production was driven primarily by the drilling of new wells pursuant to Petrogas's pre-existing development plans.

Manufacturing and engineering. Revenue generated by UES decreased by 38.8% to $50.3 million in the six months ended June 30, 2010, from $82.3 million in the comparable period in 2009. UES's performance in the last six months ended June 30, 2010 was largely driven by UES's customers, which are primarily oil and gas companies, reducing expenditures on exploration and production activities in 2009 due to weaker market activity. Such reduction of expenditures is reflected in a weaker Order book for the first half of 2010, which in turn negatively impacted UES's revenue performance.

Mining. Revenue generated by Mawarid Mining increased by 65.0% to $44.8 million in the six months ended June 30, 2010, from $27.2 million in the comparable period in 2009. Revenue growth was driven primarily by higher copper prices, which offset a decrease in the production of copper metal.

The average price of copper increased by 60.4% to $6,795.0 per metric ton in the six months ended June 30, 2010, from $4,236.0 per metric ton in the comparable period in 2009. This increase was driven primarily by the general recovery in commodity prices and improved global economic conditions. Mawarid Mining's production of copper concentrate increased to 44,000 metric tons in the six months ended June 30, 2010, from 40,000 metric tons in the comparable period in 2009. Despite this increase, its production of copper metal decreased to 7,650 million metric tons in the six months ended June 30, 2010, from 7,885 metric tons in the comparable period in 2009. This decrease was driven primarily by the lower grade of the copper concentrate, a feature of the copper mining industry which varies from mine to mine.

Cost of Sales

MB Holding's cost of sales increased by 20.8% to $414.4 million in the six months ended June 30, 2010, from $343.1 million in the comparable period in 2009. As a percentage of revenue across such periods, however, MB Holding's cost of sales decreased by 4.2 percentage points. This decrease was driven primarily by improvement in operational gearing as well as cost reduction measures adopted by MBPS.

Services. The services segment's cost of sales was incurred by MBPS, including its subsidiary, MB Century. For information on MBPS's cost of sales, please see "—Results of MBPS—Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009—Cost of Sales."

Exploration and production. Petrogas's cost of sales increased by 85.2% to $173.7 million in the six months ended June 30, 2010, from $93.8 million in the comparable period in 2009. As a percentage of revenue across such periods, Petrogas's cost of sales decreased by 5.6 percentage points. The decrease was driven primarily by the increase in revenue while a portion of the cost base remained fixed.

Manufacturing and engineering. UES's cost of sales decreased by 26.3% to $24.4 million in the six months ended June 30, 2010, from $33.1 million in the comparable period in 2009. As a percentage of revenue across such periods, UES's cost of sales increased by 8.2 percentage points. This increase in cost of sales as a percentage of revenue was driven primarily by lower revenue in the six months ended June 30, 2010 due to the expiration of certain high-margin manufacturing contracts which were executed in the comparable period in 2009.

Mining. Mawarid Mining's cost of sales increased by 34.8% to $28.3 million in the six months ended June 30, 2010, from $21.0 million in the comparable period in 2009. As a percentage of revenue across such periods, Mawarid Mining's cost of sales decreased by 14.2 percentage points. The decrease was driven primarily by the increase in revenue while a portion of the cost base remained fixed.

Mawarid Mining's absolute costs increased as a result of the extraction of lower grade copper concentrate, resulting in greater excavation costs per ton of copper produced. Such costs included higher mining costs of $5.3 million, which consists of drilling and blasting costs, manpower costs, fuel costs, and repair and maintenance costs. In addition, milling costs increased by $1.5 million and depreciation costs increased by $1.0 million during this period.

Gross Profit

MB Holding gross profit grew by 61.0% in the six months ended June 30, 2010 from the comparable period in 2009, due to the factors described above. The MB Holding Group's gross profit margin increased by 4.1 percentage points to 19.5% in the six months ended June 30, 2010, from 15.3% in the comparable period in 2009.

General and Administration Expenses

General and administration expenses increased by 13.6% to $31.7 million in the six months ended June 30, 2010, from $27.9 million in the comparable period in 2009. This increase was driven largely by increases in: (i) salaries and associated costs resulting from the employment of new support staff; and (ii) overhead expenses at MBPS in respect of the expansion of existing and opening of new offices and related staffing costs.

Finance Costs

Finance costs decreased by 22.6% to $15.9 million in the six months ended June 30, 2010, from $20.6 million in the comparable period in 2009. This decrease was driven primarily by the fact that in the six months ended June 30, 2010, MB Holding recorded just $0.4 million of foreign currency exchange losses, while in the comparable period in 2009 it recorded currency and exchange losses of $6.5 million.

Finance costs (excluding currency exchange gain or loss) increased to $15.5 million in the six months ended June 30, 2010, from $14.1 million in the comparable period in 2009. This increase was driven primarily by the higher Omani Rial Interbank Deposit Rate, which did not decline until the second quarter of 2010.

Depreciation and Amortization Charges

Depreciation and amortization charges decreased by 10.5% to $2.0 million in the six months ended June 30, 2010, from $2.2 million in the comparable period in 2009. This reduction was driven partially by the reduction in depreciation charges at MBPS and Mawarid Mining and was partially offset by an increase in depreciation at MB Holding due to the acquisition of additional real estate assets at the beginning of 2010. For information on the reduction in depreciation charges at MBPS, please see "—Results of MBPS—Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009—Depreciation and Amortization Charges."

Income Tax Expense

Income tax expenses increased to $4.7 million in the six months ended June 30, 2010 from $0.1 million in the comparable period in 2009.

Negative Goodwill

Negative goodwill decreased by 25.9% to $4.0 million in the six months ended June 30, 2010, from $5.4 million in the comparable period in 2009. The amounts of negative goodwill in both periods are driven by adjustments to the consideration paid in connection with the acquisition of MB Century.

Other Income

Other operating income increased by 32.0% to $3.3 million in the six months ended June 30, 2010, from $2.5 million in the comparable period in 2009. The increase was driven primarily by a $0.6 million increase in other operating income at UES.

The MB Holding Group's share in results of associates increased by 30.4% to $2.5 million in the six months ended June 30, 2010, from $1.9 million in the comparable period in 2009. This increase was driven primarily from increased dividend income from Ahli Bank and RMS.

MB Holding investment income increased by to $2.4 million in the six months ended June 30, 2010, from a loss of $0.6 million in the comparable period in 2009.

EBITDA

MB Holding's EBITDA increased by 68.7% to $128.1 million in the six months ended June 30, 2010, from $76.0 million in the comparable period in 2009. With the exception of the manufacturing and engineering segment, the EBITDA of each business segment increased during this period.

Services. MBPS's EBITDA increased by 25.3% to $31.7 million in the six months ended June 30, 2010, from $25.3 million in the comparable period in 2009. This increase was driven primarily by the decrease in cost of sales as a percentage of revenue.

Exploration and production. Petrogas's EBITDA increased by 137.6% to $65.1 million in the six months ended June 30, 2010, from $27.4 million in the same period in 2009. This increase was driven largely by increases in the price of oil and production.

Manufacturing and engineering. UES's EBITDA decreased by 61.5% to $5.6 million in the six months ended June 30, 2010, from $14.6 million in the same period in 2009. This decrease was driven primarily by the decrease in manufacturing activity in Oman during this period.

Mining. Mawarid Mining's EBITDA increased by 95.0% to $20.9 million in the six months ended June 30, 2010, from $10.7 million in the same period in 2009. This increase was driven largely by an increase in copper prices during this period.

Profit for the Year from Continuing Operations

Profit for the year from continuing operations increased by 181.3% to $56.7 million in the six months ended June 30, 2010, from $20.2 million in the comparable period in 2009.

Financial Year Ended December 31, 2009 Compared to Financial Year Ended December 31, 2008

Revenue

MB Holding revenue decreased by 10.3% to $884.4 million in the year ended December 31, 2009, from $986.5 million in the comparable period in 2008. The decrease in revenue was driven primarily by losses suffered in its mining and exploration and production businesses, which recorded drops in revenue during this period of 31.4% and 22.1%, respectively. The decrease in revenue was partially offset by an increase in revenue at UES, which profited from a robust Order book in 2009. Services revenue remained relatively stable during this period. The following table shows the revenue of MB Holding business segments for each of the years ended December 31, 2009 and 2008.

	Year ended December 31,	
	2008	**2009**
	(in $'000)	
Services	411,723	413,607
Exploration and production	379,989	296,065
Manufacturing and engineering	126,194	141,236
Mining	98,467	67,579
Investment	—	—
Elimination	(29,883)	(34,067)
Total	**986,490**	**884,420**

Services. The revenue of the services segment is generated by MBPS and MB Century. Overall revenue increased by 0.5% to $413.6 million in the year ended December 31, 2009, from $411.7 million in the comparable period in 2008. Revenue generated by MBPS increased by 12.1% to $353.6 million in the year ended December 31, 2009, from $315.5 million in the comparable period in 2008. For information on the revenue generated by MBPS, please see "—Results of MBPS—Financial Year Ended December 31, 2009 Compared to Financial Year Ended December 31, 2008—Revenue." Revenue generated by MB Century decreased by 37.9% to $71.5 million in the year ended December 31, 2009, from $115.1 million in the comparable period in 2008. This decrease was driven by reduced rig utilization rates because MB Century was primarily exposed to short-term contracts that were cancelled or not renewed when drilling activities decreased.

Exploration and production. Revenue generated by Petrogas decreased by 22.1% to $296.1 million in the year ended December 31, 2009, from $380.0 million in the same period in 2008. The decrease in revenue was driven primarily by lower global oil prices.

The average realized price of oil decreased significantly to $59.6 per barrel in the year ended December 31, 2009, from $95.0 per barrel in the comparable period in 2008. This significant decrease in oil prices was partially offset by a 16.1% production increase in 2009.

Manufacturing and engineering. Revenue generated by UES increased by 11.9% to $141.2 million in the year ended December 31, 2009, from $126.2 million in the comparable period in 2008. Revenue growth was driven primarily by an increase in the number of high-margin, short-term contracts entered into by UES for the manufacture of precision engineering tools.

Mining. Revenue generated by Mawarid Mining decreased by 31.4% to $67.6 million in the year ended December 31, 2009, from $98.5 million in the comparable period in 2008. The decrease in revenue was driven primarily by lower volume of copper metal produced and the lower average price of copper, which fell alongside of other commodity prices during the global financial crisis and the associated economic downturn.

The average price of copper decreased by 16.8% to $5,213.0 per metric ton in the year ended December 31, 2009, from $6,267.0 per metric ton in the comparable period in 2009. In addition, Mawarid Mining's total sales volume of copper metal decreased to 14,289 metric tons in the year ended December 31, 2009, from 16,855 metric tons in the comparable period in 2008 due to the low concentrate of the copper ore mined during this period.

Cost of Sales

MB Holding cost of sales decreased by 8.4% to $748.0 million in the year ended December 31, 2009, from $816.4 million in the comparable period in 2008. As a percentage of revenue across such periods, however, MB Holding cost of sales increased by 1.8 percentage points.

Services. The services segment's cost of sales was incurred by MBPS. For information on MBPS's cost of sales, please see "—Results of MBPS—Financial Year Ended December 31, 2009 Compared to Financial Year Ended December 31, 2008—Cost of Sales."

Exploration and production. Petrogas's cost of sales decreased by 20.1% to $251.6 million in the year ended December 31, 2009, from $314.9 million in the comparable period in 2008. As a percentage of revenue across such periods, Petrogas's cost of sales increased by 2.1 percentage points. This increase was driven primarily by a decline in Petrogas's revenue during this period while a portion of the cost base remained fixed.

Manufacturing and engineering. UES's cost of sales increased by 4.5% to $112.0 in the year ended December 31, 2009, from $107.1 in the comparable period in 2008. As a percentage of revenue across such periods, UES's cost of sales decreased by 5.6% percentage points. This decrease was driven primarily by increased revenue from several short-term, high-margin contracts while a portion of the cost base remained fixed.

Mining. Mawarid Mining's cost of sales increased by 9.3% to $45.7 million in the year ended December 31, 2009, from $41.8 million in the comparable period in 2008. As a percentage of revenue across such periods, Petrogas's cost of sales increased by 25.2 percentage points. Mawarid Mining's cost of sales as a percentage of revenue increased because copper prices declined while operating costs remained relatively constant during this period.

Gross Profit

MB Holding gross profit decreased by 19.8% to $136.4 million in the year ended December 31, 2009, from $170.1 million in the comparable period in 2008, due to the factors described above. The MB Holding Group's gross profit margin as a percentage of revenue also decreased by 1.8 percentage points to 15.4% in the year ended December 31, 2009, from 17.2% in the comparable period in 2008.

General and Administration Expenses

General and administration expenses increased by 11.2% to $57.9 million in the year ended December 31, 2009, from $52.1 million in the comparable period in 2008. In 2008, MB Holding recorded a currency gain of $8.2 million and a loss of $6.0 million on a sale of assets, which together significantly reduced its expenses that year. In 2009, MB Holding recorded no such items; excluding these items, general and administration expenses for the MB Holding Group increased by only 6.9% across the same periods.

Finance Costs

Finance costs increased by 29.6% to $31.1 million in the year ended December 31, 2009, from $24.0 million in the comparable period in 2008. This increase in finance costs was driven primarily by the increased cost of credit due to the tightening of global credit markets and, as a result of a shortage of Dollar-denominated funding in Oman, an increase in pricing on existing Dollar loans pursuant to provisions of relevant loan agreements. In addition, MB Century's finance costs increased by 32.1% to $3.7 million in the year ended December 31, 2009, from $2.8 million in the comparable period in 2008. This increase was the result of certain shareholder loans which were advanced to MB Century in order for it to eliminate all third-party indebtedness.

Depreciation and Amortization Charges

Depreciation and amortization charges increased by 10.6% to $4.8 million in the year ended December 31, 2009, from $4.3 million in the comparable period in 2008. This increase was driven primarily by the increased asset base of the MB Holding Group, including vehicles, furniture and fixtures.

There was no significant change in depreciation and amortization charges at the MB Century level.

Income Tax Expense

MB Holding income tax expense decreased by 33.3% to $3.2 million in the year ended December 31, 2009, from $4.8 million in the comparable period in 2008. With respect to UES, its income tax expense increased as a result of higher income in 2009, which was partially offset by a deferred tax gain for 2009 created as result of losses at MB Century.

Negative Goodwill

Negative goodwill increased to $5.4 million in the year ended December 31, 2009, from $1.0 million in the comparable period in 2008. This increase was driven primarily by an earnout provision in the acquisition agreements relating to MB Century, pursuant to which the seller was required to repay a certain amount of the acquisition price to the MB Holding Group on the basis of MB Century's inability to meet certain EBIT thresholds. Such an earnout was also recorded in 2008 but it was small relative to the 2009 earnout.

Other Income

Other operating income increased to $8.7 million in the year ended December 31, 2009, from negative $8.0 million in the comparable period in 2008. In 2008, MB Holding wrote down certain assets owned by Petrogas and additional operating income of $1.2 million generated by UES, which significantly reduced its operating income that year. In 2009, MB Holding made no such write-downs.

The MB Holding Group's share in results of associates decreased by 12.5% to $4.0 million in the year ended December 31, 2009, from $4.5 million in the comparable period in 2008. This decrease was driven primarily by a decrease in the profitability of the MB Holding Group's associates due to poor global economic conditions.

MB Holding investment income consisted of a loss of $1.9 million in the year ended December 31, 2009. This decrease was driven primarily by poor global economic conditions and their impact on global equity markets.

EBITDA

MB Holding's EBITDA decreased by 10.9% to $176.8 million in the year ended December 31, 2009, from $198.5 million in the comparable period in 2008. This decrease was driven primarily by reduced activity in the exploration and production and mining business segments.

Services. EBITDA increased by 14.3% to $53.0 million in the year ended December 31, 2009, from $46.4 million in the comparable period in 2008. This increased was driven primarily by increased revenue generated by MBPS, partly offset by a decrease in EBITDA in Century.

Exploration and production. Petrogas's EBITDA decreased by 7.5% to $70.9 million in the year ended December 31, 2009, from $76.6 million in the comparable period in 2008. This decrease was driven primarily by the drop in the price of oil, which offset a 16.1% increase in production during this period.

Manufacturing and engineering. UES's EBITDA increased by 61.4% to $26.2 million in the year ended December 31, 2009, from $16.2 million in the comparable period in 2008. This increase was driven primarily by the increased revenues generated by UES due to its performance under high-margin contracts during this period.

Mining. Mawarid Mining's EBITDA decreased by 49.9% to $30.8 million in the year ended December 31, 2009, from $61.5 million in the comparable period in 2008. This decrease was driven primarily by the drop in the price of copper and a decrease in the production of copper metal during this period.

Profit for the Year from Continuing Operations

Profit for the year from continuing operations decreased by 33.6% to $54.3 million in the year ended December 31, 2009, from $81.8 million in the comparable period in 2008.

Financial Year Ended December 31, 2008 Compared to Financial Year Ended December 31, 2007

Revenue

Revenue increased by 53.9% to $986.5 million in the year ended December 31, 2008, from $640.9 million in the comparable period in 2007. Revenue growth was driven primarily by an increase in revenue across all of MB Holding's business segments. The following table below shows the revenue of MB Holding's business segments for each of the years ended December 31, 2008 and 2007.

	Year ended December 31,	
	2007	**2008**
	(in $'000)	
Services	385,350	411,723
Exploration and production	215,011	379,989
Manufacturing and engineering	—	126,194
Mining	65,072	98,467
Investment	—	—
Elimination	(24,574)	(29,883)
Total	**640,859**	**986,490**

Services. Overall revenue generated by the services segment increased by 6.8% to $411.7 million in the year ended December 31, 2008, from $385.4 million in the comparable period in 2007. The results of MB Holding's services segment for 2007 include the results of MBPS, UES and, for a period of approximately two months, MB Century. From 2008, MB Holding has reported UES's results as part of its manufacturing and engineering segment.

Revenue generated by MBPS increased by 5.3% to $315.4 million in the year ended December 31, 2008, from $299.6 million in the comparable period in 2007. For more information on the revenue generated by MBPS, please see "—Results of MBPS—Financial Year Ended December 31, 2008 Compared to Financial Year Ended December 31, 2007—Revenue."

Revenue generated by MB Century increased to $93.9 million in the year ended December 31, 2008, from $21.1 million in the comparable period in 2007. This increase was driven primarily by the full year impact of MB Century acquisition in 2008. Because MB Century was acquired by the MB Holding Group in October 2007, MB Century's effect on the MB Holding Group's 2007 financial statements was limited to the months of November and December 2007. MB Century's revenue in the last two months of 2007 was $21.1 million, while for the year ended December 31, 2008, MB Century's revenue was $93.9 million. MB Century performed better in 2007 as compared to 2008 due to the fact that it had several short-term contracts in 2007 for which it was able to charge higher day rates. Several of these contracts were not renewed in 2008 and, as a result, rig utilization declined.

Revenue generated by UES was $66.8 million in the year ended December 31, 2008. In 2007, UES's results were recorded as part of the results of MB Holding's services segment. Its revenue in 2008 was driven primarily by several new manufacturing contracts and orders for precision tools resulting from greater activity in the oil and gas exploration and production sector because of generally high oil prices.

Exploration and production. Revenue generated by Petrogas increased by 76.7% to $380.0 million in the year ended December 31, 2008, from $215.0 million in the comparable period in 2007. Revenue growth was driven primarily by higher global oil prices and an increase in production volumes. Approximately

50.0% of the overall increase in the MB Holding Group's revenue was generated by revenue from Petrogas.

The average realized price of oil increased by 41.4% to $96.3 per barrel in the year ended December 31, 2008, from $68.1 per barrel in the comparable period in 2007. In addition, production volume increased by 16.1% across such periods.

Mining. Revenue generated by Mawarid Mining increased by 51.3% to $98.5 million in the year ended December 31, 2008, from $65.1 million in the comparable period in 2007. Revenue growth was driven by: (i) the fact that Mawarid Mining only had operating results for seven months in the year ended December 31, 2007; and (ii) Mawarid Mining's comparably higher production levels of copper concentrate in 2008.

Cost of Sales

MB Holding's cost of sales increased by 69.1% to $816.4 million in the year ended December 31, 2008, from $482.7 million in the comparable period in 2007. As a percentage of revenue across such periods, its cost of sales decreased by 7.5 percentage points. The increase in cost of sales was driven primarily by increased revenue, employment-related costs and prices for raw materials and consumables.

Services. The services segment's cost of sales was incurred by MBPS, MB Century and, during 2007, UES.

For more information on MBPS's cost of sales, please see "—Results of MBPS—Financial Year Ended December 31, 2008 Compared to Financial Year Ended December 31, 2007—Cost of Sales."

UES's cost of sales increased by 117.9% to $107.1 million in the year ended December 31, 2008, from $49.1 million in the comparable period in 2007. This increase in cost of sales was driven primarily by increased overall sales and revenue.

Exploration and production. Petrogas's cost of sales increased by 99.6% to $315.0 million in the year ended December 31, 2008, from $157.8 million in the comparable period in 2007. As a percentage of revenue across such periods, Petrogas's cost of sales increased by 9.5 percentage points. This increase was driven primarily by higher average oil prices and a related increase in the Government's entitlement pursuant to the relevant production sharing agreements, which together increased overall cost of sales.

Mining. Mawarid Mining's cost of sales increased by 62.7% to $41.8 million in the year ended December 31, 2008, from $25.7 million in the comparable period in 2007. As a percentage of revenue across such periods, Mawarid Mining's cost of sales increased by 2.9 percentage points. This increase in cost of sales was driven primarily by increased sales and revenue due to Mawarid Mining operating for a full year in 2008 instead of only a partial year in 2007.

Gross Profit

MB Holding's gross profit increased by 7.5% to $170.1 million in the year ended December 31, 2008, from $158.2 million in the comparable period in 2007, due to the factors described above. The MB Holding Group's gross profit margin as a percentage of revenue decreased by 6.5 percentage points to 17.2% in the year ended December 31, 2008, from 23.7% in the comparable period in 2007.

General and Administration Expenses

General and administration expenses increased by 69.1% to $52.1 million in the year ended December 31, 2008, from $30.8 million in the comparable period in 2007. This increase was driven primarily by the full year consolidation of MB Century and high levels of activity in the oil and gas sector.

Approximately 50.0% of the increase in the MB Holding Group's general and administration expenses was driven by the full-year consolidation of MB Century in its 2008 financial statements, which in 2007 was consolidated for only two months. General and administration expenses also increased in 2008 as a result of the high levels of activity in the oil and gas sector, and spending on general and administration expenses increased alongside this increased activity. In addition, the MB Holding Group improved its corporate infrastructure during this period of time by hiring additional staff, increasing its training functions and further developing its IT infrastructure and human resources infrastructure in line with pre-existing growth plans.

Finance Costs

Finance costs increased by 19.8% to $24.0 million in the year ended December 31, 2008, from $20.0 million in the comparable period in 2007. This increase was driven partially by additional debt incurred by subsidiaries of the MB Holding Group in respect of certain capital expenditures, including the acquisition of additional workover rigs. While interest rates remained relatively stable during this period, the total debt of the MB Holding Group increased by $142.2 million on account of increased capital expenditure.

Depreciation and Amortization Charges

Depreciation and amortization charges increased by 63.2% to $4.3 million in the year ended December 31, 2008, from $2.6 million in the comparable period in 2007. This increase was driven partially by the recognition by the MB Holding Group of additional goodwill assets as a result of certain acquisitions which resulted in higher amortization charges over intangible assets in 2008 than 2007.

Income Tax Expense

Income tax expense decreased by 18.0% to $4.8 million in the year ended December 31, 2008, from $5.8 million in the comparable period in 2007. This decrease was driven primarily by the reduction in income taxes related to MB Holding services segment from $4.2 million to $3.2 million during this period, which was partially offset by UES's income tax expense, which increased from $0.9 million to $1.6 million as a result of greater income realized from increased manufacturing orders.

Negative Goodwill

Negative goodwill decreased to $1.0 million in the year ended December 31, 2008, from $10.1 million in the comparable period in 2007. This decrease in negative goodwill was driven primarily by the acquisition of MB Century in 2007, which produced negative goodwill in that year as a result of the fact that the acquisition price paid by the MB Holding Group for MB Century was less than the book value of the company at that time.

Other Income

Other operating income decreased to negative $8.0 million in the year ended December 31, 2008, from $5.3 million in the comparable period in 2007. This decrease was driven primarily by a write-down of assets in 2008.

The MB Holding Group's share in results of associates increased by 40.6% to $4.5 million in the year ended December 31, 2008, from $3.2 million in the comparable period in 2007. This increase was driven partially by an increase in the number and value of investments made in 2008 in new associates.

MB Holding investment income decreased to almost nil during the year ended December 31, 2008, from $8.1 million in the comparable period in 2007. This decrease was driven primarily by the decline in global equity markets as a result of the global financial crisis, which began to particularly affect Middle Eastern stock markets in the third and fourth quarters of 2008.

EBITDA

MB Holding's EBITDA decreased by 0.4% to $198.5 million in the year ended 2008, from $199.2 million in the year ended in 2007. This decrease was driven primarily by the decrease in MBPS's EBITDA for the same period.

Services. EBITDA decreased by 36.1% to $46.4 million in the year ended December 31, 2008, from $72.6 million in the same period in 2007. This decrease was driven primarily by a decrease in revenue in MBPS and Century and the higher input prices described above.

UES's EBITDA increased by 18.0% to $16.2 million in the year ended December 31, 2008, from $13.8 million in the same period in 2007. This increase was driven primarily by several manufacturing contracts and orders for precision tools resulting from greater activity in the oil and gas exploration and production sector.

Exploration and production. Petrogas's EBITDA increased by 13.1% to $76.6 million in the year ended December 31, 2008, from $67.8 million in the comparable period in 2007. This increase was driven primarily by the increase in oil prices and increased production during this period.

Mining. Mawarid Mining's EBITDA increased by 46.4% to $61.5 million in the year ended December 31, 2008, from $42.0 million in the same period in 2007. This increase was driven primarily by the increase in copper prices during this period.

Profit for the Year from Continuing Operations

Profit for the year from continuing operations decreased by 34.5% to $81.8 million in the year ended December 31, 2008, from $124.9 million in the comparable period in 2007.

Liquidity and Capital Resources

Analysis of Cash Flows of the MB Holding Group on a Consolidated Basis

MB Holding's historical liquidity requirements have arisen primarily from the need for the MB Holding Group to meet its debt service requirements, to fund capital expenditures for the general maintenance of its production facilities and assets, including rig fleet maintenance, to fund exploration and build-out of new production activities, acquisitions and to fund growth in the MB Holding Group's working capital requirement.

Historically, MB Holding Group's primary sources of liquidity have been cash flows from operations and borrowings under various credit facilities. The MB Holding Group's ability to generate cash from its operations depends on future operating performance, which is in turn dependent, to a large extent, on general economic and financial conditions, competitive market dynamics and other external factors, many of which are beyond the MB Holding Group's control.

The MB Holding Group believes that its operating cash flows, together with cash on balance sheet and future borrowings under various credit facilities, will be sufficient to fund the MB Holding Group's, anticipated capital expenditures, debt service requirements as they become due and working capital requirements.

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
			(in $'000)		
Net cash from operating activities	120,530	172,199	217,218	109,397	45,917
Net cash used in investing activities	(264,217)	(212,105)	(172,214)	(98,605)	(117,832)
Net cash from (used in) financing activities	159,779	39,991	(33,615)	(35,398)	76,528
Increase/(decrease) in cash and cash equivalents	16,390	(6,233)	4,218	(18,415)	(1,300)

Net Cash from Operating Activities

The MB Holding Group's net cash from operating activities decreased by $63.5 million to $45.9 million during the first half in 2010, from $109.4 million in the comparable period in 2009. The decline was largely due to a negative change in working capital of $106.4 million relating to payments made for the acquisition of the remaining shares of MB Century.

The MB Holding Group's net cash from operating activities increased by $45.0 million to $217.2 million in the year ended December 31, 2009, from $172.2 million in the comparable period in 2008. This increase was largely driven by a decrease in working capital requirements of $81.4 million, which was a result of an increase in payables relating to the funding of MB Century. This was partly offset by a decrease in profit before tax of $29.1 million between the two comparable periods.

The MB Holding Group's net cash from operating activities increased by $51.7 million to $172.2 million in the year ended December 31, 2008, from $120.5 million in the comparable period in 2007. The increase was largely driven by a significant reduction in receivables in 2008 which was partly offset by a reduction in payables relating to payments made for the acquisition of MB Century.

Net Cash Used in Investing Activities

The MB Holding Group's net cash used in investing activities was $98.6 million during the first half of 2009, as compared to $117.8 million during the first half of 2010. This increase was largely driven by $35.9 million made to purchase the remaining shares of MB Century which was partly offset by a decrease in capital expenditures during this period.

The MB Holding Group's net cash used in investing activities was $172.2 million as of the year ended December 31, 2009, compared to $212.1 million in the comparable period in 2008. This decrease was largely due to lower capital expenditures made in 2009.

The MB Holding Group's net cash used in investing activities was $212.1 million as of the year ended December 31, 2008, compared to $264.2 million in the comparable period in 2007. This was largely a result of reductions in capital expenditures.

Net Cash Used in Financing Activities

The MB Holding Group's net cash used in financing activities was ($35.4) million as of the end of the first half of 2009, compared to $76.5 million generated as of the end of the first half of 2010.

The MB Holding Group's net cash generated from financing activities decreased from $40.0 million as of the year ended December 31, 2008 to cash used in financing activities of $33.6 million as of the year ended December 31, 2009. This was largely derived from the net repayment of loans and interest during this period.

The MB Holding Group's net cash generated from financing activities decreased from $159.8 million as of the year ended December 31, 2007 to $40.0 million as of the year ended December 31, 2008. This decrease was related to the fact that the MB Holding Group repaid borrowings in an amount greater than new debt which it availed during this period.

Capital Expenditure

Capital Investment in the Six Months Ended June 30, 2010

The MB Holding Group's total capital expenditures during the first half of 2010 was $80.2 million. Of this amount, $47.0 million was spent on the exploration and production business for the development of oil and gas blocks, including drilling and the construction of new facilities. Approximately $27.2 million was spent on its services business, in particular on contract-specific requirements and equipment, as well as on the renewal and refurbishment of its rigs. The MB Holding Group also invested $3.7 million on the expansion of existing workshop facilities and the construction of new facilities at Rusayl and Nizwa. Approximately $1.0 million was also expended to increase the production capacity of the MB Holding Group's mining assets.

The MB Holding Group's maintenance-related capital expenditures are largely incurred in relation to MBPS and constituted 3.2% of total revenue, or $16.5 million in total during this period.

Capital Investment in the Year Ended December 31, 2009

The MB Holding Group's total capital expenditure in the year ended December 31, 2009 was $183.4 million. A significant portion of such capital expenditures, $95.9 million, was spent on exploration and production business pursuant to an existing development plan with respect to Petrogas. This includes capital expenditures of $35.9 million on the development of Block 5, $28.8 million on the Rima Cluster small fields in Oman, $10.1 million on exploration projects in India and $9.9 million with respect to Block 7.

With respect to the services business, $64.0 million was spent on the acquisition of new equipment, including drilling rigs and workover rigs, wireline equipment, well test equipment, a pumping unit, vehicles and support equipment. The MB Holding Group also spent $23.0 million on major refurbishments of MBPS's equipment during this period.

With respect to the minerals and mining business, the MB Holding Group spent $3.2 million to upgrade the Sohar processing plant, and spent $2.2 million to develop certain additional mineral assets.

Total capital expenditures of MB Century were $12.2 million during this period, all of which was spent on rig refurbishment, maintenance and the procurement and provision of certain equipment under existing customer contracts.

The MB Holding Group's maintenance-related capital expenditures are largely incurred in relation to MBPS and MB Century and constituted 3.0% of total revenue, or $29.0 million in total during this period.

Capital Investment in the Year Ended December 31, 2008

The MB Holding Group's total capital expenditure in the year ended December 31, 2008 was $224.5 million. Of this amount, $87.9 million was spent on the exploration and production business pursuant to an existing development plan with respect to Petrogas.

With respect to the services businesses, $93.0 million was spent over this period including on maintenance and refurbishment of the existing fleet and equipment, $15.0 million spent on the acquisition of a new drilling rig, and $16.0 million spent on the acquisition of three workover rigs.

With respect to MB Century, total capital expenditures during this period amounted to $18.2 million, primarily for the refurbishment of the existing drilling rigs.

The MB Holding Group's maintenance-related capital expenditures are incurred mostly in relation to MBPS and MB Century and constituted 4.0% of total sales, or $39.0 million in total.

Additional Analysis of Cash Flows of MBPS

Our primary sources of liquidity are earning from operations and borrowings under various credit facilities, which have been necessary to fund our capital expenditure, acquisitions and our working capital requirements. Our ability to generate cash from operations depends on our future operating performance and the general market conditions of the oil and gas industry.

Our business model requires significant investment in capital assets, both for expansionary capital expenditure and for periodic upgrades and renewal which become necessary in order for us to win new business. We normally experience a delay between the deployment of capital and earning income from such capital which, depending on the nature of the contract, may take five to seven years to recover.

We have been funding our investments from operating cash flows, but have also had to make use of bank facilities to fund certain acquisitions and growth requirements (including the acquisition of new capital), which have typically had terms of between three and four years.

We also use our operating cash flow and various credit facilities to fund our working capital requirements.

	For the financial year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
			(in $'000)		
Net cash from (used in) operating activities	45,311	34,669	55,392	28,827	(9,251)
Net cash used in investing activities	(103,719)	(44,284)	(51,707)	(35,036)	(62,612)
Net cash from (used in) financing activities	55,074	7,583	3,247	(11,529)	69,327
Increase/(decrease) in cash and cash equivalents	(3,182)	(3,000)	7,229	(11,547)	(8,402)

Net Cash from Operating Activities

Our net cash from operating activities decreased from $28.8 million as of the end of the first half of 2009 to a deficit of $9.2 million as of the end of the first half of 2010. This decrease in net cash was due mainly to a reduction in accounts payable, primarily relating to accounts payable of MB Century in the amount of $34 million. The operating cash flows before working capital changes has increased from $25.8 million to $31.7 million, which represented an increase of 22.8%.

Our net cash from operating activities increased from $34.7 million in 2008 to $55.4 million in 2009. This is largely on account of increased profitability resulting from cost reduction measures which we implemented beginning in 2009.

Our net cash from operating activities decreased from $45.3 million in 2008 to $34.7 million in 2009. This decrease was primarily attributed to lower profitability due to increased operating costs in 2008 as a result of general market conditions.

Net Cash Used in Investing Activities

Our net cash used in investing activities increased by $27.6 million from $35.0 million as of the end of the first half of 2009 as compared to $62.6 million as of the end of the first half of 2010. This was largely a result of the payment of $35.8 million for the remaining shares of MB Century.

Our net cash used in investing activities increased by $7.4 million from an outflow of $44.3 million in 2008 as compared to an outflow of $51.7 million in 2009. This was largely additional cash generated by asset sales of $24.0 million in 2008, which included a sale of MBPS property to MB Holding. This increased our net cash position in 2008, which was partly offset by increased capital expenditures of $15.0 million and investments in subsidiaries of $1.5 million.

Our net cash used in investing activities decreased by $59.4 million from an outflow of $103.7 million in 2007 as compared to an outflow of $44.3 million in 2008. This was largely due to a reduction in capital expenditures in 2008 of $34.8 million and additional cash generated by a sale of assets, which included the disposal of our headquarters for $19.0 million.

Net Cash Used in Financing Activities

Our net cash used in financing activities increased by $80.9 million from an outflow of $11.5 million in the first half of 2009 to $69.3 million in the first half of 2010. This was largely due to draw down of the Bridge Loan in the amount of $82.1 million which we used to fund the acquisition of the remaining shares of MB Century.

Our net cash from financing activities decreased by $4.3 million from $7.5 million in 2008 to $3.2 million in 2009 due to increased interest costs. Such interest costs increased from $11.9 million in 2008 to $15.8 million in 2009.

Our net cash used in financing activities decreased by $47.5 million from $55.1 million in 2007 to $7.6 million in 2008. This was largely due to an increase in term loan repayments of $38.2 million, from $84.6 million in 2008 as compared to $46.3 million of loans in 2007.

Capital Expenditure

Capital Investment in the Six Months Ended June 30, 2010

We made overall capital investment of $27.2 million in the first half of 2010. We invested $16.5 million in drilling activities, which included the mobilization of four rigs pursuant to contracts in Thailand and Indonesia, as well as renewal and refurbishment of our rigs. These capital expenditures primarily relate to MB Century. In addition, we also acquired four new workover rigs for our operations in Oman and Bahrain in the amount of $6.5 million. The balance was spent primarily on production services equipment.

Our maintenance-related capital expenditures were $16.5 million during this period, related primarily to the upgrading of certain rigs owned by MB Century.

Capital Investment in the Year Ended December 31, 2009

We made overall capital expenditure of $57.9 million in 2009. Of this amount, $44.4 million was expansionary capital expenditures relating to the acquisition of a new drilling rig, a workover rig, five wireline units and a pumping unit. The remainder of our capital expenditures was for asset maintenance and upgrading.

Our maintenance-related capital expenditure in 2009 constituted 3.8% of total sales. These amounts include expenditures on major repairs, inspection and certification, engine overhaul and upgrading equipment to meet contractual requirements.

Capital Investment in the Year Ended December 31, 2008

We made overall capital expenditures of $72.9 million in 2008. Of this amount, approximately $49.8 million was expansionary capital expenditure for the acquisition of a drilling unit, three workover units, two pumping units, four well testing units and two mud logging units. The remainder of our capital expenditures in 2008 were for the maintenance of our fleet and general equipment.

Our maintenance-related capital expenditures in 2008 constituted 7.3% of total sales. As in 2009, these amounts include expenditures on major repairs, inspection and certification, engine overhaul and upgrading equipment to meet contractual requirements.

Off-Balance Sheet Arrangements

MBPS uses various customary off-balance sheet arrangements, such as operating leases, to finance our business. None of these arrangements has or is likely to have a material effect on our results of operations, financial condition or liquidity.

Contractual Commitments

The following table describes the contractual obligations of MBPS as of June 30, 2010.

	Payment due by period			
Contractual obligations (in $'000)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**
Long-term debt obligations	233,670	77,167	112,074	44,429
Operating lease obligations	7,587	1,898	5,689	—
Purchase obligations	111,630	111,630	—	—
Total	**352,887**	**190,695**	**117,763**	**44,429**

Quantitative and Qualitative Disclosure about Market Risks

Credit Risk

The MB Holding Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The MB Holding Group sells its products and services to a number of oil companies in the countries in which it operates. As of December 31, 2009 one customer accounted for approximately 12% of trade accounts receivable outstanding. As this exposure is with a quasi-Government-owned entity, management expects the credit risk to be minimal.

The MB Holding Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the statement of financial position.

With respect to credit risk arising from the other financial assets of the group, including cash and cash equivalents, the MB Holding Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest Rate Risk

The MB Holding Group is exposed to interest rate risk on its interest-bearing assets and liabilities (bank deposits, bank overdraft and loans). The interest rate sensitivity position in respect of the term loans of the Group is based on the contractual re-pricing of the loans or the date of final repayment, whichever is earlier.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the MB Holding Group's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2009.

	Increase/decrease in basis points	Effect on profit for the year
		($'000)
2009		
Dollar	+15	(367)
Euro	+60	(54)
Dollar	−10	250
Euro	−60	54
2008		
Dollar	+15	(592)
Euro	+20	(17)
Dollar	−10	395
Euro	−20	17

Liquidity Risk

The MB Holding Group limits its liquidity risk by ensuring bank facilities are available. The MB Holding Group's terms of sales require trade accounts receivable amounts to be paid within 45 to 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarizes the maturities of the MB Holding Group's undiscounted financial liabilities at December 31, 2009 and December 31, 2008, based on contractual payment dates and current market interest rates.

Year ended December 31, 2009	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
			($'000)		
Term loans	57,252	102,344	289,998	2,785	452,379
Accounts payables and accruals	173,537	61,270	4,136	—	238,943
Bank overdrafts and borrowings	35,109	—	—	—	35,109
Income tax payable	—	7,154	—	—	7,154
Short-term loans	2,304	—	—	—	2,304
Other payables	—	—	—	—	—
Finance leases	144	445	519	—	1,108
Total	**268,346**	**171,213**	**294,653**	**2,785**	**736,997**

Year ended December 31, 2008	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
			($'000)		
Term loans	71,815	97,687	257,336	3,945	430,783
Accounts payables and accruals	150,713	63,391	—	—	214,104
Bank overdrafts and borrowings	45,056	—	—	—	45,056
Income tax payable	—	4,446	2,484	—	6,930
Short-term loans	5,771	3,707	—	—	9,478
Other payables	—	—	1,037	—	1,037
Finance leases	463	1,611	1,108	1,183	4,365
Total	**273,818**	**170,842**	**261,965**	**5,128**	**711,753**

Currency Risk

We have operations in 18 countries and are therefore exposed to foreign exchange translation risk when the profits and net assets of these entities are consolidated into financial statements.

We believe our most significant foreign exchange risks relate to the Omani Rial, euro, Australian Dollar and the New Zealand Dollar.

Certain of the MB Holding Group's term loans, trade accounts and notes payable are denominated in U.S. Dollars, Australian Dollars and Euros.

Trade accounts receivable includes an amount of $32,494,000 (2008—$23,497,000) due in foreign currencies, mainly in U.S. Dollars. As the Rial Omani is pegged to U.S. Dollars, management perceives the related currency risk to be minimal. Receivables in other currencies are not significant.

Trade accounts payable include an amount of $24,108,000 (2008—$6,936,000) due in foreign currencies, mainly in U.S. Dollars. Payables in other currencies are not significant.

The table below indicates the MB Holding Group's foreign currency exposure at December 31, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the U.S Dollar against the Australian Dollar, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/decrease in AUD rate to the USD	Effect on profit before tax
		(US$'000)
2009	+5%	1,113
	−5%	(1,113)
2008	+5%	810
	−5%	(810)

Commodity Price Risk

The following table demonstrates the sensitivity of the MB Holding Group's profit to possible changes in copper prices, with all other variables held constant. The effect of decreases in copper prices is expected to be equal and opposite to the effect of the increases shown.

	Change in copper price	Effect on profit for the year
		($'000)
2009	+10%	1,025
2008	+10%	576

Significant Accounting Policies and Estimates

The MB Holding Group's significant accounting policies are more fully described in note 2 to the IFRS financial statements which are included in this Offering Memorandum. Some of the MB Holding Group's accounting policies require the application of significant judgment and estimates by management that can affect the amounts reported in the financial statements. By their nature, these judgments are subject to a degree of uncertainty and are based on the MB Holding Group's historical experience, terms of existing contracts, management's view on trends in the industry, information from outside sources and other assumptions that the MB Holding Group considers to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

The MB Holding Group's significant accounting policies that are subject to significant estimates and assumptions are summarized below.

Basis of Consolidation

The consolidated financial statements are comprised of those of the company and its subsidiaries as of December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are fully consolidated from the date on which control is transferred to the MB Holding Group and cease to be consolidated from the date on which control is transferred out of the MB Holding Group.

All intercompany balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the MB Holding Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

The MB Holding Group applied the IFRS 3 (Revised) from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill; nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Revenue Recognition

Sales

Sales are recognized when the significant risks and rewards of ownership of the goods have passed or services have been rendered to the buyer and the amount of revenue can be measured reliably.

Oil Sales

Oil sales represent the gross invoiced value of crude oil sold during the year. Government entitlement represents reimbursement to governments of their entitlement under petroleum agreements, of oil production sold by the MB Holding Group and is included in cost of sales.

Mining Activities

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date. For copper concentrates, which are sold for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for treatment and refining charges. Revenue includes revenues from the sale of by-products. Copper concentrate sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average London Metal Exchange ("**LME**") copper price for specified future periods or a fixed price agreed between the parties. Specified future periods normally range from 30 to 120 days after delivery to the customer.

Service Revenue

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract.

Taxation

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxation is provided based on relevant laws of the respective countries in which the MB Holding Group operates.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of other assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Oil and Gas Exploration and Producing Assets

The MB Holding Group conducts oil and gas exploration and development activities under two types of agreement:

(a) production sharing agreements which entitle it to a contractual portion of the oil and gas production to reimburse its operating, exploration and development costs (cost oil). In addition the MB Holding Group is entitled to share a portion of the net oil and gas production subject to the terms of the agreement (profit oil); and

(b) service agreements which entitle it to a contractual portion of oil production as a service fee.

Exploration and development costs incurred under these agreements are accounted for by applying the area of interest method of accounting.

Oil and gas producing assets are depreciated using the unit-of-production method by area of interest.

Deferred Mineral Prospects

The MB Holding Group conducts mineral exploration and development activities under its mineral exploration license agreements. Exploration, evaluation and development costs incurred under these agreements are accumulated in respect of each separate area of interest. These costs are carried forward as an asset where the right of tenure of the area of interest is current.

Deferred mineral prospects expenditure is not depreciated until production commences. Producing assets are amortized on a unit of production basis over the life of the economically recoverable reserves of the area of interest.

Intangible Assets and Amortization

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Investments in Associates

The MB Holding Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the MB Holding Group has significant influence and which is neither a subsidiary nor a joint venture.

Impairment of Non-financial Assets

The MB Holding Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the MB Holding Group makes an estimate of the asset's recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Associates

After application of the equity method, the MB Holding Group determines whether it is necessary to recognize an additional impairment loss of the MB Holding Group's investment in its associates. The MB Holding Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the MB Holding Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the statement of comprehensive income.

Impairment and Uncollectibility of Financial Assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of comprehensive income. Impairment is determined as follows:

(a) for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of comprehensive income;

(b) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

(c) for assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition.

Provisions

Provisions are recognized when the MB Holding Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. The MB Holding Group accrues for estimated abandonment and site restoration costs of oil exploration and producing properties on a unit of production basis.

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The MB Holding Group recognizes its interest in the joint venture using proportionate consolidation.

Foreign Currencies

Each entity in the MB Holding Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the MB Holding Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of Accounts Receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Impairment of Inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging or obsolescence, based on historical selling prices.

Abandonment Provision

Estimated abandonment and restoration costs for oil production activities are based on current requirements, technology and price levels and discounted using real discount rates. The estimated discounted ultimate liability for the asset retirement obligation is recognised in the period in which it is incurred.

Impairment of Goodwill

The MB Holding Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of Equity Investments

The MB Holding Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment, which is critically evaluated by the MB Holding Group on a case-by-case basis.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful Lives of Equipment

The MB Holding Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

INDUSTRY

The information included in this section and elsewhere in this Offering Memorandum regarding the oil and gas industry, particularly with respect to energy supply and demand dynamics, oil and gas exploration, production and development activities, capital spending and the markets in which we operate, is based on our beliefs and estimates, some of which were derived or extracted from various sources we believe to be reliable, including industry publications and studies conducted by third parties, including Barclays Capital and the International Energy Agency. To the extent that there are forecasts, estimates, projections or other forward-looking statements in this section and throughout this Offering Memorandum, prospective investors should not place undue reliance on such statements, or on our ability or the ability of any other third party to accurately predict future industry trends or performance. In light of the absence of publicly available information on a significant proportion of participants in the industry, many of which are small and/or privately owned operators, the data on market sizes and projected growth rates should be viewed with caution because the accuracy or completeness of such information cannot be guaranteed.

Current Market Dynamics

We believe that the demand for our services is strong in our core markets. The oilfield services industry is driven by macro-demand for oil and gas, which in turn drives exploration and production spending in the oil and gas industry. Drivers of spending include the ease of production, the lifecycle of wells and the availability of new reserves.

We focus on Middle Eastern, European, Asian and Australasian oilfield services, which are regions that we believe are key growth regions for NOCs, as well as IOCs with whom we already have relationships. We believe that near- and medium-term upstream spending is likely to remain strong in the areas in which we operate. In our home market of Oman, declining production has led to more brownfield developments as well as increased use of enhanced recovery techniques, which we believe will benefit our business. In the rest of the Middle East, enhanced recovery techniques, gas drilling and a greater focus on heavy oil are expected to increase demand for our services. In addition, limited spare capacity within OPEC has supported the growth in demand for our services. We also see increased demand for well maintenance in mature central and eastern European fields, as well as cavern drilling for gas storage; in Asia and Australasia, strong economic growth will support demand for the services and products that we offer.

Macroeconomic Trends in the Oil and Gas Industry

The operational performance of MBPS relies primarily upon the level of exploration, production and development activity in the oil and gas industry, which is in turn influenced by macroeconomics. Despite the global economic downturn, activity in the exploration and production sector is expected to experience a steady growth over the long term due to favourable fundamental supply and demand characteristics such as the increase in demand for hydrocarbon, the rapid depletion of existing reserves, the growth in brownfield developments, sustained high oil price environment and the growth in exploration and production spending.

Long-Term Supply and Demand Imbalance for Oil and Gas

While the global economic crisis has negatively impacted the demand for hydrocarbons and put pressure on prices, global demand for oil and gas is forecast to increase in the long term largely driven by the emergence and corresponding rising energy consumption of key economies such as China and India.

The International Energy Agency ("**IEA**") expects global oil demand to increase by 1.0% per year between 2007 and 2030, from 85.2 million barrels per day ("**mmbbl/d**") in 2007 to 105.2 mmbbl/d in 2030, which represents an overall increase of 25.0% over the period.

The significant growth in global oil demand over the last decade has outpaced suppliers' ability to increase production volumes, which led to a tightening in the global supply and demand balance. The unresponsiveness of suppliers to the rise in demand was primarily driven by a combination of the following factors:

- already high decline rates in producing fields;
- under-investment in the oil industry and delays in sanctioning major projects that further accelerated global decline rates;

- challenging access to conventional reserves by oil companies given increasing control of resources by host governments and NOCs;
- reserves located in frontier regions leading to more-expensive projects;
- bottlenecks in the oilfield services supply chain (due to aging fleets and workforce constraints); and
- limited spare capacity in OPEC.

Supply-side challenges are expected to continue, with the IEA expecting declines in producing fields to be only partially offset by undeveloped fields.

Depletion of Existing Reserves

The ability to replace reserves and the capacity to increase production rates are key performance metrics and represent critical success factors for companies operating in the oil and gas industry.

The oil and gas industry is faced with significant challenges to sustain reserve replacement and production growth. With many oil producing countries now believed to be past peak production, including the United Kingdom, Norway and Mexico, hydrocarbon resources are being depleted at a time when new resources to replace volumes produced are becoming substantially harder to discover, develop and produce.

The rapid depletion of oil reserves in existing reservoirs and the need to increase production to meet existing demand is mandating the development of new technologies to increase the recovery of existing wells and identify new reserves, which should benefit drilling contractors and companies providing well services.

Growth in Brownfield Developments

Due to the greater complexity associated with finding new resources and developing wells, oil companies are increasingly focusing on the additional value that can be extracted from their existing assets. More emphasis is put on reserves already in production and the ability to prolong their exploitation and increase their recovery; we believe that increased drilling intensity is likely to make the biggest difference in production in the short to medium term.

This brownfield activity represents a sustainable growth opportunity for complementary wells services such as workover, wire line, coil tubing, well test and drilling fluids because many countries have reached high maturity in their reserve development and are now striving to improve recovery rates.

Long-Term Rise in Hydrocarbon Prices

The structural deficit in the global crude supply/demand balance combined with geopolitical risk in some key producing regions have been among the key drivers of oil prices, which reached their highest historic levels (in nominal terms) in 2008. Since then, oil prices have declined substantially but long-term fundamentals support high oil prices, which are expected to be resilient over the long term, according to market analysts.

Growth in Exploration and Production Spending

Overall, there is a strong correlation between oil prices and the level of capital expenditure oil companies allocate to the exploration and development of oil prospects and resources, which drives oilfield services activity.

The decline in oil prices from their peak in 2008 as a result of the economic slowdown as well as general economic uncertainty and restricted access to capital resulted in a decline in exploration and production capital expenditures in 2009. This followed a period of sustained increases in exploration and production capital spending with listed exploration and production company aggregate spending on exploration and production increasing from $87.0 billion in 2000 to $395.0 billion in 2009, a 354.0% increase according to Barclays Capital's "Original E&P Spending Survey."

Hydrocarbon Resource and Development Potential for MBPS's Regions of Focus

Oil and gas reserves are unevenly distributed across the globe with the Middle East making up approximately 40% of global commercial hydrocarbon reserves. Given OPEC production quotas, the availability of infrastructure and reserve accessibility to independent players, production is more evenly split between regions compared to the location of reserves.

Middle East

The Middle East has a commercial hydrocarbon reserve base of 489 billion barrels of oil equivalent ("**bnboe**"), representing 39.0% of the world's commercial hydrocarbon reserves. Led by Saudi Arabia and Iran, the Middle East accounted for 24.0% of global oil and gas production in terms of average daily oil and gas production in 2009 with 30 million barrels of oil equivalent per day ("**mmboe/d**") of production. On an aggregate basis, the reserve life for Middle East hydrocarbon reserves is calculated to be 45 years.

The impact of the 2008–09 economic crisis on Middle Eastern exploration was relatively limited, and despite a sharp fall in production during 2009, drilling levels reverted to their five-year average. The sharp fall in prices in 2009, coupled with a reduction in production from both OPEC and non-OPEC producers, led to the postponement of some higher-risk exploration wells. Nevertheless, we believe that longer-term structural demand encouraged gas producers in particular to continue exploration in order to counter anticipated future supply shortfalls. Oil and gas projects in Oman and Iraq in particular helped to sustain drilling levels. As a result, reserves replacement approached the near-term peak. We expect that there will be significant exploration and development activity in Saudi Arabia and Iraq in the short term.

Oman's proven oil reserves stood at 5.6 billion barrels as of May 2010. Oman also had an estimated 980 billion cubic meters of natural gas reserves as of the same date.

Historically, Oman's national oil company PDO has operated a large concession, which at one point covered the entire country. It now holds approximately 100,000 km^2, around 40% of the country's land area. Under the terms of its 2004 contract extension, it is expected to relinquish a further 8.0% of its concession, to encourage new market entrants.

Oman's oil production peaked in 2000, with limited availability of new fields. In order to increase recovery in its existing mature fields, PDO began sanctioning enhanced oil recovery projects in 2005. New entrants such as BP, BG and Occidental are establishing new gas projects, designed to meet growing domestic and international demand.

Asia Pacific/Australia

Despite the difficult economic conditions in 2009, Southeast Asian exploration drilling activity was not materially impacted. In general, increased NOC activity offset declines in IOC drilling.

We expect IOC exploration drilling activity to recover in 2010, as operators drill commitment wells on blocks licensed in the 2007–2008 boom years. Strong economic growth in the region has supported demand, and we expect that investment in higher-risk projects, particularly in Indonesia, the Philippines and Vietnam, will continue to increase.

Australia has also seen significant growth since 2000 in the upstream and LNG sectors. Capital spending in Australia is significant, which we expect to continue.

BUSINESS

The Issuer, a finance subsidiary of MBPS, will be the issuer under the Indenture. MBPS will provide a full and unconditional guarantee of the Notes. MB Holding, the immediate parent company of MBPS, will also provide a full and unconditional guarantee of the Notes. MB Holding has interests in other businesses in addition to the MBPS business. Certain restrictive covenants in the Indenture will apply to both MB Holding and MBPS. The covenants that will apply to MB Holding are more limited than the covenants that will apply to MBPS. Please see "Description of the Notes" for a discussion of which covenants apply to the two entities. As a result, this Offering Memorandum sets out separate descriptions, financial information, summaries of risks and additional data both in respect of MB Holding as a consolidated entity (including its non-MBPS businesses) and in respect of MBPS as a stand-alone consolidated entity.

In this section, data presented for MBPS is inclusive of the results of MB Century.

Overview of the MB Holding Group

MB Holding is a diversified natural resources company with significant operations in the Middle East, Europe, Asia and Australasia. MB Holding is one of the largest privately owned companies in Oman, and is one of very few private natural resources companies with its origins in the Middle East. The MB Holding Group was founded in 1982 by its current Chairman, Mr. Mohamed Al Barwani, who currently owns 100% of MB Holding together with his immediate family. MB Holding operates its businesses through four business segments that focus on oil and gas services, the exploration and production of oil and gas, the development and mining of mineral resources, and manufacturing and engineering services. In addition to these businesses, MB Holding also manages the liquidity and financial investments of the MB Holding Group. For the twelve months ended June 30, 2010 MB Holding generated sales of $993.7 million and EBITDA of $228.9 million, representing an EBITDA margin of 23.0%.

MB Holding provides certain services to each of its subsidiary companies. Such centralized services include corporate finance, legal, audit, corporate communications, information technology and human resource services. Operational activities related to each particular business segment are conducted at the subsidiary company level. Today, MB Holding employs more than 6,500 individuals in 19 different countries.

MB Holding's strategic objectives are: (i) to be a leading provider of integrated oil and gas services in the geographies in which it operates; (ii) to be a niche player focused on exploring and producing oil and gas from mature and smaller fields; and (iii) to maintain its position as the leading mining company in Oman. Apart from this overall strategy, each of the individual business segments has it own specific strategy.

MB Holding operates the following business segments:

Services. MB Holding conducts its oil and gas services business through MBPS. MBPS is described in detail below.

Exploration and Production. MB Holding conducts its oil and gas exploration and production business through Petrogas. Petrogas owns a balanced portfolio of exploration and production assets. Petrogas has historically focused its activities on Oman, but has since also entered the Egyptian and Indian markets.

Petrogas's key competitive strengths are derived from its niche market focus. Petrogas targets small or mature fields that generally do not form part of the core business of IOCs and therefore faces limited competition from them. Additionally, Petrogas conducts a portion of its business pursuant to service agreements that require lower initial costs than is typically associated with the development of oil and gas fields. These factors have supported profitability and cash flow generation, and Petrogas has been cash flow generative and profitable since the commencement of its operations. For the twelve months ended June 30, 2010, Petrogas recorded revenue of $407.0 million and EBITDA of $108.6 million, which represented a 26.7% EBITDA margin.

Petrogas's primary strategy is to increase its production and reserves by developing existing oil fields and focusing on exploration activities in the Middle East, Africa, South Asia and Southeast Asia through targeted development activities and improvement in operating efficiencies. In addition, Petrogas will continue to focus on obtaining service contracts that will allow it to access opportunities with NOCs that are reluctant to sell equity ownership in their fields.

Mining. MB Holding conducts its mining business through Mawarid Mining, the leading mining company in Oman. Mawarid Mining operates open-pit copper mines in Oman and processes ore at its copper concentrator plant located in northern Oman.

Mawarid Mining's key competitive strengths are based upon its first-mover advantage, which enables it to dominate the Omani copper market. In particular, Mawarid Mining's knowledge of Oman's geology gives it a significant competitive advantage over any potential competitors. In addition, Mawarid Mining's deposits of proven reserves provide it with certainty of revenue. For the twelve months ended June 30, 2010, Mawarid Mining recorded revenue of $85.2 million and EBITDA of $41.0 million, which represented a 48.0% EBITDA margin.

Mawarid Mining's primary strategies are to increase its copper reserve base and the capacity of its concentrator plant, which will enable it to capitalize on any discoveries resulting from planned exploration activities. Additionally, Mawarid Mining aims to expand its mining activities into new minerals, such as magnesium and chromite.

Manufacturing and Engineering. MB Holding conducts its manufacturing and engineering business through UES, which focuses on providing engineering, manufacturing and trading services primarily related to the oil and gas industry. UES has two primary business lines: manufacturing and agency sales.

UES's key competitive strengths are its expertise and strong market reputation, developed over 30 years, through the provision of precision engineering and manufacturing. In addition, UES acts as the commercial representative for 35 international companies that manufacture and supply oilfield equipment, instrumentation and chemicals to oil and gas companies and the drilling industry. The suppliers that UES represents each have strong brand recognition and value. For the twelve months ended June 30, 2010, UES recorded revenue of $109.6 million and EBITDA of $17.2 million, which represented a 15.7% EBITDA margin.

By leveraging its current engineering and technical capabilities, UES intends to begin providing precision engineering products and services that specifically target the aerospace, defense and automotive industries. If successful, this expansion will allow UES to further diversify its product offering and customer base beyond the oilfield services segment.

Investments. MB Holding periodically invests in financial instruments. These investments do not form a part of the core activities of the MB Holding Group.

MB Holding's Strategy

Prudent Financial Management

MB Holding exercises rigorous and prudent financial management in supervising the activities of its operating subsidiaries. The key features of its financial management include: (i) a policy of maintaining low leverage at a consolidated group level; (ii) an emphasis on maximizing cash flows for reinvestment in its businesses; and (iii) exploiting opportunities for cost savings by implementing cost control programs at each of MB Holding's operating companies.

Maximize Synergy Benefits between Business Segments

Although MB Holding's businesses operate on an independent basis, there are significant synergies between MBPS, Petrogas and UES. MB Holding seeks to maximize these benefits by encouraging group businesses to bid for contracts on a commercial arm's-length basis within the MB Holding Group, which encourages efficiencies within these contracts and helps MB Holding Group businesses to be competitive within the wider marketplace.

Pursue Growth through Diversification and Selective Acquisitions

MB Holding owns a portfolio of independent but complementary businesses, focused on natural resources sectors, which are leaders in their respective industries. Leveraging off strong market positions, long-standing customer relationships and operational capabilities, the MB Holding Group intends to: (i) diversify the suite of products and services that it provides in its existing markets; (ii) expand into new international markets; and (iii) develop new products.

In addition, the MB Holding Group has a proven track record of successfully acquiring and integrating businesses. Its aim is to acquire businesses that have strong market positions and are complementary to MB Holding's existing businesses. MB Holding is continually evaluating new acquisition opportunities in new markets that complement its existing businesses.

History

MB Trading was first established in 1982 by Mr. Mohamed Al Barwani, the current Chairman of MB Holding. MB Trading subsequently became MBPS in 1986. In 2005, MB Holding was established as a holding company to supervise each of the distinct business segments of the MB Holding Group, which subsequently became direct subsidiaries of MB Holding. The MB Holding Group commenced oilfield services in Oman in 1986 and began its international expansion in 1995 through the acquisition of the production and testing business of Western Atlas in Indonesia and China, and in 1997 by commencing operations in Saudi Arabia and Yemen. The MB Holding Group diversified its operations to include the oil and gas exploration and production business in 1999, with the establishment of Petrogas. In addition, the MB Holding Group acquired 46.3% of UES in 2004, and further diversified its business to the engineering and manufacturing sector. In 1997, the MB Holding Group established the National Mining Company (which later changed its name to Mawarid Mining) in order to explore and develop Omani copper resources.

Overview of MBPS

We are an integrated oil and gas services company focused on providing onshore drilling, workover, production and other services to major IOCs and NOCs. We are the largest Omani oil and gas services company and the country's only integrated provider of such services. Our clients include PDO, Saudi Aramco and Total, among others. We have drilled, serviced and completed more than an estimated 10,000 oil, gas and geothermal wells in 18 countries and have a fleet of 24 land drilling rigs, 44 workover rigs, 36 wireline units and 14 well-testing units as well as other key assets. For the twelve months ended June 30, 2010, we generated revenue of $414.9 million and EBITDA of $59.4 million, representing an EBITDA margin of 14.3%.

We have operations in 18 countries, including Australia, Germany, India, Indonesia, New Zealand, Oman and Saudi Arabia. Oman has historically been our home market, and has generated a significant percentage of our revenue. Our principal strategy is to further expand our customer base beyond Oman and to increase our business with existing customers in each of the regions in which we are active.

We offer services in several different areas of well management, including onshore drilling services and workover services and aim to provide a 'one-stop shop' for oil and gas services and solutions. We also offer new technologies and solutions to most conventional and unconventional problems in order to optimize oil and gas well production. Our key services include:

- ***Drilling.*** We drill new wells onshore in each of our key geographic regions.
- ***Workover.*** Our workover business undertakes well maintenance activities, the replacement of pumps, multi-zone isolations, artificial lift and re-completion of existing wells.
- ***Production services.*** Production services includes wireline, well testing, coiled tubing and well completion services. Our production services business monitors and facilitates well performance, well clean-up and completion.
- ***Drilling fluids.*** We are one of the largest suppliers of drilling fluids and chemicals services in the Middle East.

Depending upon a client's particular requirements, we are able to provide services on a stand-alone basis or as an integrated package of services, taking full responsibility for a field throughout its life-cycle. We have strategically located our assets to be able to mobilize drilling rigs, equipment and provide oilfield services rapidly in our area of operations.

Our strategy is to leverage our existing technical capabilities to expand into new geographies, and, where necessary, gain new capabilities through bolt-on acquisitions. Please see "—Our Strategy" for further details.

Our Competitive Strengths

Dominant Domestic Market Position

We are the largest Omani oil and gas services company and are the country's only integrated provider of such services. Over the last 25 years, we have developed a strong reputation for quality and technical expertise and enjoy strong customer loyalty, as demonstrated by our leading market shares in Oman in workover, well-testing and wireline and completion services. Our position is strengthened by significant barriers to entry, including high capital start-up requirements, credibility, constraints on the availability of experienced workers in the region, legislation requiring oil and gas businesses to employ a minimum percentage of Omani nationals, and a resistance to changing service providers because of the high cost of mobilizing replacement contractors and equipment. We also benefit from the Government's policy for domestic businesses, which encourages local entrepreneurship and job creation.

Well-Established Relationships with a Diverse Range of High-Quality Customers

Our customer base comprises more than 50 companies with which we enjoy robust and long-standing relationships. These include blue-chip IOCs and large NOCs such as PDO and Saudi Aramco. Our 25-year relationship with PDO is particularly strong and we contribute to PDO's business in a number of significant ways. No single customer accounted for more than 7.0% of our revenue in 2009, excluding PDO, which accounted for 24.4% of our revenue in 2009.

Long-Term Contracts and Strong Order Book

Our multi-year contracts provide high visibility of revenue, supporting the stability of our cash flows and insulating us from short-term market volatility and oil price fluctuations. 23.8% of our rig contracts are for a period of four years or longer. As of June 30, 2010, we estimate that our Order book over the 2010–2014 period is worth in excess of $730.0 million.

Broad-Based and Integrated Service Offering

We believe that the high value of our services is driven by our strong technical expertise, developed over 25 years of serving an exacting client base. Our full-service, integrated service offering allows us to cross-sell our complementary services, thereby offering value to clients seeking a range of services from one reliable supplier. In addition, the mobility of our core equipment enhances flexibility, increased utilization and minimizes downtime. The breadth of our service offering, ranging from exploration, drilling, well production, well maintenance or repair and well killing, help us to partially mitigate the effects of market cyclicality on our business.

Strong Management and Experienced Management Team

Our highly experienced management team has many years of experience working for major corporations in the oil and gas services industry. Our top 10 managers have an average of 25 years of industry experience each. In addition, we also benefit from the presence of highly experienced managers within each of our subsidiaries. Our management team also has significant experience in successfully acquiring and integrating companies globally, with the company having acquired five substantial and successful businesses/operations since 1995.

Our Strategy

Our objective is to be a leading provider of integrated oil and gas services in a responsible and cost-effective manner, while generating maximum cash flows. In order to achieve this objective, we are pursuing the following strategies:

Focus on Efficient and Low-Cost Operations

We seek to maintain our competitiveness through maintaining low overheads and strict cost controls. For example, our policy of hiring from domestic markets reduces the costs inherent in expatriate employment. We also seek to establish preferred provider relationships with key equipment suppliers, which we believe will allow us to shorten our lead times for orders and reduce costs. We believe this reduction in supplier risk will allow us to bid more competitively with our customers. We have also developed individual centers of excellence in critical service areas including geo-thermal technology and light land drilling and production services, and expect the resulting expertise to help us to reduce costs, shorten mobilization times and improve management focus and specialization.

Develop a Balanced Portfolio of Long- and Short-Term Contracts

We seek to optimize the balance of our long- and short-term contracts. We have historically pursued a strategy of securing long-term contracts in order to generate stable cash flow and revenue visibility and because they are the preferred option for our IOC customers. Although our portfolio will likely continue to consist predominantly of long-term contracts, we will maintain the flexibility to enter into selected shorter-term contracts, allowing us the opportunity to capitalize on strong market conditions as they arise. We are also targeting contracts that allow us to offer bundled services, better positioning us to develop strong relationships with our customers, which will assist us in creating a steady and high-value revenue stream.

Further Diversify our Service Offerings

We seek to build on our broad expertise and integrated service portfolio to roll out existing services into markets in which we do not yet offer a full suite of services. For example, in Saudi Arabia, where we offer production and drilling fluids services, we plan to expand our offering to include drilling services; while in Papua New Guinea, where we offer drilling, we plan to expand our offering to include production and drilling fluid services. We also anticipate significant growth opportunities in geothermal drilling services, which we currently offer only in New Zealand. We seek to expand such services there, and also roll them out to new markets, such as Indonesia.

In addition to expanding the reach of our existing offering, we continue to identify new service offerings, and have identified certain key services, including cementing, directional drilling, fracing, e-Line and perforating, for which we believe there will be considerable demand in the future.

Expand Business Geographically through Organic and External Growth

We seek to enhance our business with existing customers and to expand our customer base into new countries such as Kuwait, Qatar, Romania and the United Arab Emirates. Over the longer term, we intend to expand our business by offering our suite of services in Iraq, where we anticipate that there will shortly be a very high level of demand for our services. To support our geographic footprint, we completed the acquisition of the remaining 49.0% of MB Century on June 29, 2010, broadening our reach into Asia and Australasia. We will continue to consider strategic acquisitions, whether of specific assets or integrated businesses, across a range of geographies.

Our Services

The following table provides an inventory of the various types of assets we operate and where they are currently deployed.

	Oman	Rest of Middle East	Europe	Asia	Australasia	Total
Drilling rigs	8	3	3	6	4	24
Workover rigs	27	—	17	—	—	44
Wireline units	24	—	7	5	—	36
Well testing	10	5	1	1	—	17
Mud logging units	8	—	—	—	—	8
Coiled tubing units	3	—	2	—	—	5
Pumping units	6	—	1	—	—	7
Cement units	1	—	—	—	—	1

We operate a fleet of 24 drilling rigs, 44 workover rigs and 74 production service units equipped with the latest technologies and supported by workshop, maintenance and transportation facilities. In Oman, 29 out of a total of 35 of our rigs are contracted out on the basis of long-term contracts.

Drilling Services

We specialize in land-based drilling services. We have the capability, expertise and equipment to provide for various types of drilling applications, from exploration single string ventures to complex field developments. We also provide technical solutions to drilling problems and can deliver standalone integrated turnkey operations. In addition, one of our German subsidiaries also specializes in cavern drilling, which involves making depleted oil and gas wells suitable for the storage of natural gas. We provide self-supervised drilling operations and can provide operational support to clients, including preparing well programs, materials utilization lists and drilling proposals. In 2009, we generated an annual revenue of $142.1 million from our drilling services segment, inclusive of MB Century.

Our rig fleet is equipped with modern technology and is supported by a network of workshops and logistics facilities that enable us to mobilize our assets rapidly and efficiently throughout the markets in which we are active. The bulk of our drilling services business is focused on drilling oil wells, and we support our clients in the development of oilfield concessions. In addition, we drill geothermal wells in New Zealand, and provide cavern drilling for gas storage in Europe. The portion of our Order book consisting of drilling services contracts was $338.0 million as of June 30, 2010.

We currently operate a fleet of 24 land drilling rigs with full logistics support. We estimate that we have drilled, serviced and completed over 10,000 oil, gas and geothermal wells in more than 15 countries across the Middle East, Europe, Asia and Australasia. In order to maintain the quality of our services, we have put in place a rolling rig renewal and refurbishment program. Of our total inventory of rigs, 46.0% of our rigs are 15 years old or younger.

The revenue of our drilling services business is a function of the day rates we receive from our clients, and the percentage of possible days when the rig is utilized. In addition, certain costs are typically recoverable from our clients, including mobilization and demobilization costs. The customer base of our drilling services business is broad, with no single customer accounting for more than 15% of our revenues.

The following table provides a summary of the average utilization of our rigs between 2007 and 2010:

	2007	2008	2009	Six months ended June 30, 2010
Oman	63%	88%	73%	74%
Germany	94%	93%	94%	92%
MB Century	64%	57%	38%	56%

The tables above show that in our Omani and European businesses most of our rigs have high utilization rates, which are backed by the long-term contracts that we have traditionally held in these businesses. The lower average rates in 2009 reflect the challenging market conditions, and the fact that major IOCs and NOCs in some cases delayed their capital expenditure plans due to falling oil prices.

Prior to MB Holdings's acquisition of MB Century, MB Century relied on shorter-term contracts which carried higher day rates. This left MB Century exposed to the contraction in drilling activity by IOCs and NOCs during the 2008–2009 downturn because contracts were not renewed. As a result of increased marketing and sales efforts, we are beginning to see utilization rates returning to prior levels.

Workover Services

We provide integrated and customized workover services for oil, gas and geothermal wells. Our workover business helps to re-drill or repair existing wells, in order to prolong the life of existing wells, or to maximize production. We have 44 workover rigs that are supported by workshop and in-house logistics facilities and we offer our customers full logistics support, which includes rig moving services and transport of company supplied materials. In addition, we offer operational support to our customers and prepare well programs, materials utilization lists and well entry proposals on their behalf. We estimate that we have carried out more than 30,000 well entries. In 2009, we generated annual revenue of $100.6 million from our workover business.

Workover services are key for clients in geographies such as Oman, where reserves are difficult to replace and there is an incentive to maximize production from existing fields. Because our workover operations are focused in Oman, and are in high demand, we have been able to achieve high levels of utilization, averaging 95% or greater over the course of our entire operating history. In addition to our 27 rigs in Oman, we have 17 rigs operating in Germany. We believe that there will be a number of opportunities outside Oman for our workover services, which will enable us to diversify our geographic base.

Our major workover client is PDO. Our contract with PDO was signed in September 2005 and is due to expire in 2011. In the past, similar contracts with PDO were renewed upon their expiration. We also have workover contracts with other IOCs that are typically for three years or more, and which have been continuously renewed and re-awarded for the past 10 years. We have nine contracts for workover services at present for a combined remaining contract value of $188.0 million over the course of the next three years.

Production Services

Our production services businesses help our customers to complete, monitor and maintain wells, in order to maximize production capabilities. We seek to provide integrated solutions to customers, which enable us to deepen and enhance our relationships with them. In 2009, we generated annual revenue of $76.4 million. The combined remaining value of our production services contracts at present is $104.0 million.

Well Testing Services

We are one of the leading providers of exploration and production well testing services in the Middle East, Africa and India. Well testing is an integral part of reservoir management for both new and mature oil and gas fields. Services that we provide in this area include well test units, post-frac clean-up services, multiphase flow meter and pumping services, and early production facilities. Such services enable our customers to optimize well production and ensure that oil and gas is safely extracted and stored. Because the integrity of data collected during well testing is of critical importance, we use and deploy state-of-the-art data acquisition techniques. We are able to provide well testing services both onshore and offshore and are currently active in Hungary, India, Mozambique, Oman and Saudi Arabia.

We have achieved a well test unit utilization in excess of 90% over the course of our entire operating history and have 17 well test units in total.

Wireline and Completion Services

We offer clients wireline and completion services. Completion services include slickline and recovery operations. The purpose of completion services is to enable the completion of wells in a safe, efficient and cost-effective manner so that operators can produce and process hydrocarbons at optimum cost. Wireline services are used to gather data and monitor the performance of wells. Completion services include: slickline services, including production optimization; completion design, installation and support; and recovery operations, including fishing, clean-ups and completion integrity checks. We offer wireline services primarily in Oman, Germany and China and we have 36 wireline units that are located both onshore and offshore.

Our utilization rate is 95.0% in Oman and Germany.

Our largest wireline client is PDO, for which we provide wireline, pumping and completion services pursuant to a contract that is due to expire in 2012. In the past, our contracts with PDO have been regularly renewed. Our contract with PDO contains a provision which incentivizes higher operating efficiency, which generates additional revenue for us. We also renewed a three-year contract for wireline services with an IOC in 2010.

*Coiled Tubing and Pumping Services ("**CTP**")*

We offer CTP services to our customers in order to provide them with an integrated portfolio of well services and to assist them in well clean-up and related operations. Our CTP services include production stimulation treatments, well fishing and milling repairs, well killing, and production logging. Our CTP services are provided together with the required engineering and laboratory services and the supply of chemicals, which provide support for coiled tubing activities. Our CTP services are monitored and controlled by advanced computer technology for specialized applications, licensed from the leading providers of technology in the industry. We are currently engaged to provide CTP services in Hungary, Oman and Saudi Arabia and MBPS has maintained a utilization average of 60% or greater.

Drilling Fluids and Geological Services

We believe we are one of the largest suppliers of drilling fluids in the Middle East. Our drilling fluids and geological services business provides clients with chemicals, fluids engineering expertise and mud logging services. We provide mud engineering solutions for drilling fluids using both water- and oil-based mud; supply an extensive range of drilling fluids, completions and workover chemicals; and provide a complete package of drilling fluid services, including engineering, consultancy, chemicals, solid control services and waste management. We have developed cost-effective mud engineering solutions for drilling complications like shale inhibition, abnormal pressure and temperature using both water- and oil-based mud. We have also successfully engineered wells demanding the use of carefully balanced chemical formulations in order to control subsurface pressures and to perform a variety of other essential down-hole functions.

In addition to engineering services, we provide integrated services with drilling fluids engineering, chemicals, centrifuges and brine filtration units. We have also established a laboratory that provides full backup laboratory services for testing and developing fluids, which we believe is the leading such facility in the Middle East.

We offer drilling fluids and geological services in China, Indonesia, Oman, Papua New Guinea and Saudi Arabia.

Manufacturing and Fabrication

Our manufacturing and fabrication unit, which is distinct from the manufacturing activities of UES, specializes in oil field equipment and sub-sea steel structures for the oil and gas industry, as well as equipment for civil applications for use in roads and runways. Our manufacturing and fabrication unit's customers include Weatherford, Cameron, Halliburton and civil contractors in Europe. This unit also provides us with in-house capabilities to manufacture service equipment for slick line, coiled tubing and light well intervention units.

This business unit is located in Celle, Germany and achieved an annual revenue of $25.0 million in 2009.

New Technologies and Production Solutions

We provide innovative and customized solutions for production problems that help our customers to optimize production by deploying technologies and methods that we have developed. In the recent past, we have developed: a proprietary concurrent logging and production system for beam pumps; keystone slotted liner sand control technology; and proprietary multiphase flow metering design. We are currently developing a proprietary system to cure fluid losses in the drilling process, a proprietary powered down-hole sand cleanout system centered around PCP pumps, and a chemical fluid system for low-cost repair of down-hole leaks.

We have a team of qualified and trained professionals who assist our clients to maximize the profitability of their wells by providing them with cost-effective solutions. We have also pioneered several new technologies, methods and processes, including those which enable us to accurately measure oil, water and gas flow rates, fluid densities and water cuts without using any radioactive source material.

Our Customers

Our largest customer is PDO, which is majority owned by the Government of Oman. We have provided services to PDO for approximately 20 years and we provide PDO with services in each of the areas in which we are active. PDO accounted for 28.8% of our revenue in the year ended December 31, 2009, while it represented 21.1% of our revenue as of the end of the first half of 2010. Therefore, while PDO has been our largest customer historically, as we have diversified away from Oman, its percentage of our total revenue has fallen.

At the same time, we are one of PDO's largest suppliers and we believe that we have a mutually beneficial relationship. We provide tools, manpower and logistical support to PDO.

Other key clients include: Halliburton in Oman; Saudi Aramco in Saudi Arabia; ONGC in India; Daleel in Oman; Nexen in Yemen; and Total and Gas du France in Germany.

As of December 31, 2009, the following companies were among our largest customers by value of services provided:

Customer	Services provided	Country	Max % of total revenue	Relationship since
PDO	drilling, workover, wireline and pumping, well testing & drilling fluids	Oman	24.0%	1982
Daleel	drilling, workover, wireline, drilling fluids, coil tubing & mud logging	Oman	5.0%	2003
Contact Energy	geothermal drilling	New Zealand	5.0%	1960(1)

(1) MB Century has had a relationship with Contact Energy since 1960, i.e., prior to the acquisition of MB Century by the MB Holding Group.

In addition, we have another customer that accounts for 7.0% of our revenues, and no other customer accounted for more than 5.0% of our revenues as of December 31, 2009.

Geographic Operations

We are a geographically diversified operator, active in 15 countries, across a range of activities:

	Drilling	Workover	Production services	Drilling fluids	Manufacturing	Others
Australia	✓					
Bahrain		✓				
Brunei	✓					
China			✓			
Germany	✓	✓	✓		✓	
Hungary			✓			✓
India			✓			
Indonesia	✓		✓	✓		
New Zealand	✓					✓
Oman	✓	✓	✓	✓	✓	✓
Papua New Guinea	✓					
Saudi			✓	✓		
Syria	✓					
Thailand	✓					
Yemen						✓

We seek to enhance our business with existing customers and to expand our customer base into new geographies, such as Kuwait, Qatar, Romania and the United Arab Emirates. We are also seeking to develop new technologies and enter new service lines. Please see "—Our Strategy" for a full discussion of our growth strategy.

Our Competition

We believe that we have no major competitors in Oman that operate across all of the segments in which we operate. This is because with most market participants focusing on specific services, there are only a few integrated services providers such as MBPS. While local drilling companies can compete with us in providing drilling services, we believe that none provide the range of additional services that we do, and the larger industry players such as Halliburton and Schlumberger generally focus only on providing production services in Oman and need to cooperate with local partners to perform contract packages. In other regions, by contrast, many of our competitors, which vary in size, are also integrated service providers. We believe that our ability to provide integrated services, particularly in Oman, provides us with a competitive advantage because it enables us to develop a detailed knowledge of our customer's operations, which better positions us to provide them with precisely tailored related services.

Our Suppliers

As of December 31, 2009, more than 350 suppliers provided us with various goods and services. No individual supplier represented more than 5.0% of our total operating cost of sales during the year.

With respect to the acquisition of capital goods, we are not subject to concentration risk or insulated from the general availability of goods in the capital market. In the event of diminished supply or heightened demand for such goods, we may be vulnerable to market shortages. We are in the process of negotiating preferred relationships with certain suppliers in order to mitigate this risk.

Intellectual Property

There are no significant intellectual property rights currently registered in our name.

Insurance

We adopt a 'risk averse' philosophy and take a conservative attitude in risk management and insurance planning. The MB Holding Group as a whole has appointed a specialist consultant, Risk Management Services LLC ("**RMS**"), to ensure expert advice. RMS has been associated with us for many years, and has assisted us in setting up and appropriately managing our insurance policies. MB Holding currently owns one-third of RMS.

MB Holding's philosophy is to ensure balance sheet protection. While MB Holding will accept substantial deductibles where enforced by insurance market practice, it requires that catastrophe exposures must be fully covered.

Health, Safety and Environment

We believe that our business is conducted in a manner that protects the health and safety of our employees, contractors and society at large, and the environment in which we operate. We believe that good Health, Safety and Environment ("**HSE**") performance is paramount to our business and we seek to promote a culture in which all of our employees realize the need to look after themselves, the safety of the people around them and their responsibility to protect the environment.

We operate an HSE management system that is based upon OHSAS 18001, which is an international occupational health and safety management system specification designed to assist organizations to control occupational health and safety risks. Our HSE policies are regularly reviewed and updated to reflect industry-wide best practices and is codified in a written HSE policy manual which clearly delineates HSE responsibilities for various levels of management down to our line managers.

To ensure sound HSE practices and guidelines, we employ experienced and qualified HSE professionals in each of our operating subsidiaries to educate and train our employees. Our line managers and supervisors are tasked with the implementation of HSE standards on a daily basis, and these managers and supervisors are supervised by our dedicated HSE personnel. In the event that an HSE incident does occur, we conduct thorough investigations to determine the causes and we re-evaluate our HSE policies and practices in light of such investigations. In addition, we require each of our subcontractors to meet our HSE standards.

We are also dedicated to high standards of environmental protection and pollution prevention. Oilfield operations are managed with an emphasis on good housekeeping, regulated waste disposal, careful chemical handling and recording of usage, immediate and accurate clean-up of any spillage, and restoration of the site at the conclusion of activities.

We aim to cooperate proactively with customers and governmental authorities to ensure that drilling operations conform to documented waste management programs and that we adhere to environment protection standards. Audits involving third parties are frequently initiated and conducted jointly with operators and host country authorities. In particular, we are taking steps to ensure that we comply with the International Finance Corporation's health, safety and environmental standards.

Legal Proceedings

We are not currently subject to any material legal proceedings.

Other Business Units of MB Holding

Exploration and Production

Overview

Established in January 1999, Petrogas is the holding company for MB Holding's exploration and production of crude oil and natural gas in Oman and overseas. Petrogas is a niche player focused on the exploration and production of smaller and mature oilfields that are non-core for IOCs. Petrogas has historically focused on Oman, but has more recently entered into a production service agreement in Egypt and acquired three exploration blocks in India. In the twelve months ending June 30, 2010, Petrogas generated revenue of $407.0 million and EBITDA of $108.6 million.

Petrogas's main producing assets are Blocks 5 and 7 in Oman, the Rima small fields in Oman and the Area A concession in Egypt. The company has one exploration block in Oman and three in India. Petrogas has equity ownership in Blocks 5 and 7, and service agreements in relation to Rima and the Area A concessions in Egypt. Under the service agreements, it does not retain equity ownership of the reserves associated with the concession, but instead receives a service fee based on incremental production achieved.

As of January 1, 2010, Petrogas's working interest reserves in Block 5 were 32.5 million barrels of 1P, 45.7 million barrels of 2P and 62.9 million barrels of 3P. As of January 1, 2009, Petrogas's working interest reserves in Block 7 were 4.2 million barrels of 1P, 7.8 million barrels of 2P and 11.9 million barrels of 3P. In addition to these reserves, Petrogas produces oil and gas pursuant to two service contracts in relation to the Rima cluster of small fields in Oman and the Area A concessions in Egypt. Petrogas's internal estimates of the likely technical reserves for the Area A concession in Egypt is approximately 10 million barrels. With respect to the reserves located within the Rima fields, Petrogas estimates a STOIP of more than 500 million barrels of oil. Average production costs per unit in 2009 were approximately $21.00 per barrel, of which some $8.00 per barrel was for operational expenditures and the remainder was devoted to capital expenditures. Capital expenditure requirements have been primarily expended to drill wells, upgrade facilities and construct new facilities and conduct major workovers.

Production Assets

Block 5

Petrogas and the Chinese National Petroleum Corporation, through their respective subsidiaries, each have a 50.0% interest in the Block 5 production sharing agreement and in Daleel Petroleum Company, which operates the Block 5 concession. The concession is in the form of a production sharing agreement with the Government and is based on cost recovery and a split of profit oil. The concession term extends to 2019 and contains an option to extend the concession by an additional 10 years.

Petrogas acquired Block 5 in 2001, and subsequently introduced the Chinese National Petroleum Company as a 50.0% joint venture partner. Since then it has successfully increased production from approximately 4,500 barrels of oil per day in mid-2002, to over 28,000 barrels of oil per day currently. This increase has been due to new drilling in undepleted areas of the concession, as well as the introduction of waterflooding and artificial lift installation.

In 2007, Daleel Petroleum Company made a material exploration discovery in the Bushra area. Appraisal drilling on this discovery is continuing and a field development plan is currently being formulated.

Block 7

Petrogas acquired 100% of the equity interest in Block 7 in 1999. Petrogas has successfully extended the life of the field by over 11 years. Historically, Petrogas sustained production rates at approximately 1,800 to 2,000 barrels of oil per day, recovering more than 8.0 million barrels of oil. Current production is between approximately 1350 and 1450 barrels of oil per day.

Nine wells have been drilled in Block 7, two of which are development wells, six of which are appraisal wells and one of which is an exploration well. Petrogas believes that the block can operate without major investment until the reserves are exhausted. Accounting for total production to date, management estimates that Block 7 has remaining current reserves of approximately 3.1 million barrels, which at current production rates will not be exhausted until 2015. The concession term is due to expire in 2015, but Petrogas intends to approach the Government for an extension of the concession term prior to its expiry.

The Block 7 concession was extended in 2005 for 10 years to 2015.

Rima Small Fields Cluster

The Rima Small Fields cluster covers approximately 1,500 sq. km. of PDO's Block 6 and includes nine producing fields and nine unconnected single-well discoveries. Currently, one rig is actively drilling 20 new wells per year. Petrogas Rima has increased production on the field from approximately 2,200 barrels of oil per day in 2008 to over 8,000 barrels of oil per day currently.

Petrogas Rima operates the Rima cluster of small fields on behalf of PDO pursuant to a 15-year service agreement that is due to expire in 2023, extendible under certain conditions to 2028. Petrogas Rima has a 75.0% working interest in the agreement with the remaining 25.0% held by a partner.

Egypt

Petrogas acquired a 30.0% interest in a service agreement with respect to Area A in Egypt in 2008. The block is comprised of two exploration concessions and five development leases situated onshore along the western flank of the Gulf of Suez.

Petrogas has entered into a service contract in Egypt. Since Petrogas began its operations in the Egyptian block in early 2008, the block's production levels have increased from 3,000 barrels of oil per day to over 6,000 barrels of oil per day. The increase in production is primarily accounted for by a material discovery in a certain field towards the end of 2008, which was appraised and developed in 2009. No drilling activity is currently planned to take place in 2010.

Reserves

The following table shows a breakdown of proven developed reserves and proven undeveloped reserves as of January 1, 2009 for Block 7, and as of January 1, 2010 for Block 5:

Year	Block 5	Block 7	Total
Proven developed reserves (million barrels)	17.8	2.8	20.6
Proven undeveloped reserves (million barrels)	14.7	1.4	16.1
Total (developed and undeveloped)	32.5	4.2	36.7

Production

The table below shows daily average production rates for each of Petrogas Rima in Oman and Area A in Egypt, in amounts which are above specified contractual production base lines and that are attributable to Petrogas:

Year	Petrogas Rima	Area A, Egypt	Total
2009	1,666	1,162	2,828
2008	489	303	792

Exploration Assets

Indian Operations

Through its Indian project office, Petrogas manages three exploration concessions, and is the operator in one of those concessions. Two blocks awarded to Petrogas are in the offshore Mumbai basin and one onshore block was awarded in the Krishna Godavari Basin.

With respect to each of these three blocks, Petrogas has a 20.0% working interest in the blocks. In addition, Petrogas is the operator for Block MB-OSN-2004/2.

The three exploration blocks are governed by the Indian PSC Fiscal System, under which production is shared within a pre-defined royalty/tax regime. The royalty is set between 10.0% and 12.5% for oil production and 10.0% for gas production. The annual cost recovery is set at between 42.0% and 55.0% of revenue, while the maximum profit share is between 34.0% and 55.0% of available revenue after cost recovery.

Blocks 45 and 48

Petrogas Malih participates in the operation and exploitation of a 50.0% interest in Blocks 45 and 48 in Oman. Reservoirs in the area are in Gharif, Khuff and Shuaiba.

The exploration license term is until mid-2011.

Sales and Marketing

Petrogas's sole customer is Itochu Corporation ("**Itochu**") of Japan. Petrogas invites offers from various Government-approved offtakers and, based upon the merits of these offers, a particular offtaker is selected for an offtake agreement that normally has a term of between 12 and 15 months. Given this relationship, Petrogas does not undertake any significant marketing activities. Petrogas has signed offtake agreements with Itochu for the full production from Block 5 and Block 7. Each agreement will be renewed automatically each year unless either party submits written notice. Petrogas is comfortable with having a single offtake arrangement with Itochu at present, based on its long-standing and trouble-free relationship. Petrogas believes that, in the event of a premature termination of the offtake agreement for any reason, it would be able to find alternative offtake partners without any material delay.

Mining

Overview

Mawarid Mining (which was previously known as National Mining Company LLC) is currently the only copper mining company in Oman, with expertise in exploration, drilling, mining and processing. Mawarid Mining operates open-pit copper mines and currently processes copper ore at its concentrate facility in northern Oman, which is the only copper concentrator plant in the country. In addition, the company has an analytical laboratory at Lasail for maintaining process control and studying mineral composition. Mawarid Mining generated revenue of $85.2 million and EBITDA of $40.0 million for the twelve months ended June 30, 2010.

Mawarid Mining's strategy is to exploit its existing copper concessions in Oman, and it is currently expanding the capacity of its concentrator. In addition, it may in the future seek to mine other metals in Oman. It may also seek to mine copper and other metals elsewhere in the Arabian Peninsula and other locations.

Production

Mawarid Mining has been mining and processing copper deposits in Oman since May 2007. Prior to the commencement of operations, Mawarid Mining implemented a comprehensive project to develop its mining operations which involved the procurement of mining equipment, the development of its mine sites and the refurbishment of its existing concentrator (which is the plant used to clean up copper ore after initial mining, thereby creating "copper concentrate"). The preparation of the project also included the treatment and disposal of waste from a processing plant.

Mawarid Mining has two offtake contracts, with Oman Mining Company LLC (a Government-owned entity) and with a European company. Mawarid Mining also has the option to export copper concentrate to the international market. The project deposits (located at Hatta, Hatta South and Shinas) are strategically located close to a main highway, allowing for easy transportation of the copper ore. Mawarid Mining intends to use the waste rock produced as a result of the mining process as aggregate that can be sold to the local construction industry.

Exploration

Mawarid Mining believes that it has one of the largest exploration teams in the GCC region, with 60 members (including 30 geologists). Mawarid Mining is currently carrying out further exploration work within the existing Block 1 concession area.

Exploration work at Ghuzayn commenced in 2005 and is continuing, with results indicating a modestly sized, lower-grade copper deposit. Mawarid Mining believes that this resource could be extracted in the future, for which further detailed exploration and metallurgical studies are ongoing. The deposits of Ghuzayn are intended to be exploited after deposits in Shinas and Hatta of Block 1 are exhausted.

Licenses

Mawarid Mining currently has three exploration licenses. In addition to these exploration licenses, Mawarid Mining obtains mining licenses in order to operate individual mines located within its concession areas. The license in respect of Block 1 comprises the Hatta and Shinas resources and was granted on October 8, 2000 by the Ministry of Commerce and Industry of Oman ("**MOCI**"). After two years half was relinquished (leaving a residual 180 km^2), and now encompasses a north–south elongate area of the Batinah Coast region extending south from the United Arab Emirates border near Aswad to Semdah, and east from the Northern Oman Mountains towards the Gulf of Oman at Shinas. Mawarid Mining is required to pay a permit fee of RO 50 ($130) per km^2 per annum. The agreement is for a term of three years, with a renewal right for subsequent one year periods which can be exercised provided that Mawarid Mining has spent a certain baseline amount on exploration activities.

On July 13, 2005, Mawarid Mining was granted a license for a second exploration block in the Ghuzayn area in Oman. The license covers 200 km^2 in the northern part of the Oman Mountains from the Wadi Hawasina-Ghuzayn area to the Wadi Dogal area southwest of Al Khaburah. Mawarid Mining is required to pay a permit fee set at the rate of RO 25 ($65.00) per square kilometer per annum. Like the first license, the agreement is for two years with an automatic renewal, in this case, provided that Mawarid Mining has spent a minimum of RO 100,000 ($260,000) on exploration activities. Like the first license, if Mawarid Mining discovers any commercially viable deposits located within the area covered by this license, Mawarid Mining has the right to obtain a mining license in respect of the principal deposits that can be extracted from such mine(s) and any other deposits that may be reasonably captured in any subsequent expansion of the original mine.

In addition, Mawarid Mining has licenses for Block 2, which comprises the Safwa reserve, and for Mandoos in Block 1. Together these two assets comprise the unexploited new mines of the company. Feasibility studies were completed in 2009, and Mawarid Mining is currently in the process of obtaining Government approvals in order to begin operations at both mines.

Reserves and Resources

Mawarid Mining has 4.3 million MT of copper with a 2.2% copper concentration, which is enough to sustain production at current production rates until 2015 without the acquisition of any further reserves or the development of existing deposit resources. After processing, the copper content of Mawarid Mining's copper product reaches approximately 20%. The company has an operations office in Sohar and, as described above under "—Licenses," has acquired exploration licensees for Block 1, Block 2 and Ghuzayn. Mawarid Mining mines multiple small, open-pit deposits and transports ore to its central concentrating facility. Mawarid Mining is currently undergoing an upgrade of its concentrator that will allow it to expand capacity from its existing 115 tons per hour to 130–140 tons of ore processing per hour.

The following tables set out certain resources and reserves information for the resources available to Mawarid Mining.

Deposit Resources

	Inferred	Indicated	Measured	Copper	% Cu
		(in tons)			
Hatta South	0	0	471,000	8,949	1.9%
Hatta Extension	0	0	197,000	9,850	5.0%
Shinas (Stockwork)	0	0	2,390,000	19,120	0.8%
Shinas Oxide	0	0	267,000	4,539	1.7%
Ghuzayn 3	1,703,000	8,368,000	0	191,349	1.9%
Ghuzayn 2	4,750,000	0	0	66,500	1.4%
Mandoos	309,000	1,195,000	1,057,000	51,220	2.0%
Safwa	0	0	870,000	32,190	3.7%
Total	**6,762,000**	**9,563,000**	**5,252,000**	**383,717**	**1.8%**

Deposit Reserves

	Proven	Copper	% Cu
	(in tons)		
Hatta South	283,000	6,792	2.4%
Hatta Ext	175,000	9,100	5.2%
Hatta South Stockpile	125,000	2,250	1.8%
Shinas	509,000	4,581	0.9%
Shinas Stockpile	394,000	5,122	1.3%
Mandoos	1,938,000	34,884	1.8%
Safwa	858,000	31,746	3.7%
Total	**4,282,000**	**94,475**	**2.2%**

Offtake Arrangements

Mawarid Mining sells its copper concentrate to two customers, Oman Mining Company LLC and a European company. The offtake agreement with Oman Mining Company LLC is valid until February 2011 and is renewable annually thereafter. The price charged by Mawarid Mining under each of these offtake arrangements is linked to the prevailing LME price, less treatment and refining charges, which are negotiated on an annual or semi-annual basis.

Competition

Mawarid Mining currently does not face significant competition in the copper mining industry in Oman.

Manufacturing and Engineering

Overview

UES focuses on providing manufacturing and engineering of precision tools and equipment, as well as trading services and equipment related to the oil and gas industry. UES has two main business segments: manufacturing, which generates approximately 49.3% of the company's revenue as of the end of 2009, and agency sales. UES has been active in Oman for over 30 years. MB Holding acquired 46.3% of UES from Smith in 2004, and acquired the remainder of the company in 2007 after Smith spun off its drilling equipment services business to Smith International Oman LLC (in which UES also own 46.3%). Under Smith's ownership, UES focused on selling Smith's products on an agency basis. Subsequent to the acquisition, UES changed its strategy to focus on the sale of products designed and manufactured by it, which has positively impacted UES's performance. UES is also a majority shareholder in Cameron Services Middle East LLC and a significant minority shareholder in Smith International Oman LLC. UES generated revenue of $109.3 million and EBITDA of $17.3 million during the twelve months ended June 30, 2010.

Manufacturing

UES's manufacturing business consists of three divisions: (i) the machine shop division; (ii) the blasting and painting division; and (iii) the fabrication services division. The manufacturing business designs and manufactures components for oilfield systems used in onshore drilling and production. The development of new products and services, such as capabilities in steam flooding technology and precision engineering capabilities to expand UES's product offering into the aerospace, defense and automotive manufacturing industries.

Machine Shop Division

UES owns and operates a large workshop in Ghala that provides the machining and fabrication of specialized equipment used in the oil and gas industry, mostly on the basis of one-off orders. UES is licensed to manufacture and fabricate specialized thread connections for cutting threads for tubulars used in oil and gas wells. UES's manufacturing business has a large client base, mostly in the oil and gas industry, which mainly utilize UES's machine shop facility. The machine shop generates almost 60.0% of UES's manufacturing revenue. All of the major oil- and gas-related companies in Oman, including PDO, Halliburton, MBPS, Daleel and Weatherfold, utilize UES machine shop facilities for repairing, maintaining and manufacturing various items such as OCTG accessories, crossovers, flow couplings, pub joints, casing works, pressure vessels, etc. UES's machine shop division is equipped with modern oil country lathes and has CNC capability, boring mills, surface grinders, shaping, drilling and milling machines. UES also provides specialist welding and heat treatment along with a full stress relieving service that is provided in conjunction with the machining, welding and testing process.

UES was awarded a five-year contract by an IOC to manufacture slotted liners for enhancing oil recovery and managing sand control. To meet its obligations under this contract, UES built a production facility in Nizwa that has a production capacity of 50,000 feet of slotted liners per year. This facility is currently being upgraded to double its capacity.

A new state-of-the-art machine shop facility is under construction in the Nizwa Industrial Estate.

UES has also established a workshop to maintain oilfield equipment services and repairs. A substantial portion of its business is for MBPS. This workshop is equipped with mud tanks, drilling rigs, workover equipment, brine plants, workshop skids and water treatment skids. UES is in the process of constructing an additional plant at Rusayl which is expected to be complete by the middle of 2012.

Blasting and Painting Division

This division of UES provides clients with specialized coating and linings for process plants, power plants, storage tanks, pipelines and structures. The blasting and painting division also provides marine grit blasting and painting, industrial painting, specialized flooring applications, tank cleaning and de-slugging, among others.

Fabrication Services Division

UES's activities in this sector are primarily related to the fabrication of pressure vessels, piping and structural components.

Agency Sales

UES acts as a commercial representative for a number of renowned international companies that manufacture and supply oilfield equipment, instrumentation and chemicals to oil companies and the drilling industry in Oman. This consists of the provision of product sale and services support to customers, the establishment of valve and designated repair centers, and the supply of specialized manpower and consultants to clients in the oil and gas industries. As of June 2010, UES represented 35 companies and major clients of UES's agency sales business, including PDO, Oman LNG, Oman Gas Company and Government ministries such as the Ministry of Housing, Electricity and Water and the Ministry of Defense. UES also represents Siemens in Oman for the sale of industrial gas turbines for power generation. The agency sales division of UES aims to become a multinational trading house, by building on the geographic diversification of MB Holding.

*Cameron Services Middle East LLC ("**CSME**")*

CSME is a majority-owned subsidiary of UES in which UES has a 51.0% stake, with 25.0% held by Cameron International Holding Corporation, and 24.0% by Cameron Corporation. CSME, in addition to operating its own manufacturing facility, conducts agency sales for Cameron Services' products. CSME is engaged in the repair and supply of Cameron oilfield equipment to oil and gas companies and contractors based in Oman. The equipment that CSME supplies includes well head equipment such as chokes, valves and BOPs, among other similar equipment. CSME also exports such products to Pakistan, Yemen and the UAE.

*Smith International Oman LLC ("**SIOL**")*

SIOL is a joint venture between Smith Middle East Incorporated and UES in which Smith Middle East Incorporated holds 53.75% and UES owns 46.3% of the shareholding, respectively.

SIOL is a leading provider of technologically advanced oilfield products and services to the oil and gas industry. SIOL's products include: tubulars and surface products; drilling products and services; directional drilling, fishing and remedial services; borehole enlargement; and completion products, among others. SIOL's revenues are not reported as part of the overall revenues of MB Holding, but MB Holding's share of income from SIOL is reported as part of MB Holding's income from associates.

Investments

MB Holding's investment team is responsible for the Group's liquidity management, and invests excess cash in debt and equity securities, investments in funds, hedge funds, structured products and other money market instruments. As of June 30, 2010, MB Holding had $82.0 million invested in listed shares.

MB Holding's other major investments include: (i) a 15.2% stake in Ahli Bank SAOG, a commercial bank in Oman, whose largest shareholder is Ahli United Bank BSC of Bahrain; (ii) a 33.3% stake in RMS, a leading insurance consulting and brokerage company in Oman; and (iii) a 25.0% stake in Al Madina Gulf Insurance Company SAOC, an Omani company that provides general insurance, medical insurance and life insurance to customers.

Employees

MB Holding, including its MBPS subsidiary, currently employs more than 6,500 people in 19 countries. Mawarid Mining employs approximately 470 people, UES employs approximately 480 people, Petrogas employs approximately 300 people, and the remainder of the employees are employed by MBPS.

Insurance

MB Holding adopts a 'risk averse' philosophy and a conservative approach to risk management and insurance planning. The MB Group has also appointed RMS to ensure independent and expert advice and it has been assisting MB Holding in setting up and managing its insurance arrangements for several years. MB Holding's insurance strategy is substantively similar to that which has been described for MBPS above.

Health, Safety and Environment

MB Holding has established policies to ensure that each of its businesses should be conducted in a manner that protects the health and safety of all of its employees, contractors and society at large, and the environment in which MB Holding's subsidiaries operate. MB Holding's health, safety and environment policies are substantively identical to those which have been described for MBPS above.

Additionally, MB Holding is committed to engaging in proactive and ongoing communication with all agencies, organizations and individuals that have an interest in the development of its projects.

Legal Proceedings

MB Holding is not currently a party to any material litigation.

THE SULTANATE OF OMAN

The following information relating to Oman has been derived from public official documents of Oman, including publications issued by Government agencies and international organizations. This information has been included in this Offering Memorandum in reliance on the authority of such publications as public official documents of Oman.

Some of the information in this section is based on preliminary estimates and data available for 2009.

Overview

Oman is located in the eastern flank of the Arabian Peninsula bordering the United Arab Emirates, Saudi Arabia and Yemen. It has a 1,700 km coastline running along the Indian Ocean, the Gulf of Oman and the Persian Gulf. It is the third largest country in the Arabian Peninsula, with an area of 309,500 km^2 (approximately the size of Italy), of which 82% is desert, 15% is mountainous and 3% is a coastal strip. At June 30, 2009, Oman had approximately 3.1 million residents, of which 1,156,358 were expatriates.

Oman's political and economic capital is located in the city of Muscat, which is situated on the northeast coast of the country. Other major cities include Sohar, a leading industrial center, and Salalah, a developing tourist attraction located on Oman's southern coast bordering the Indian Ocean. Oman is divided into three governments (Muscat, Dhofar and Musandam) and five regions (A'Dakhliyah, A'Dhahira, Al Batinah, Al Wusta and A'Sharqiyah). The northern coastal strip between Sohar and Muscat is the most heavily developed and is the focal point of many development plans.

Oman's nominal GDP in 2009 was estimated at approximately $46.1 billion. The GDP per capita in 2009 was estimated at $22,895.

Government

Oman is politically organized as a monarchy. His Majesty Sultan Qaboos bin Said Al Said (the "**Sultan**") came to power in 1970 and is both the Head of State and Prime Minister. As Prime Minister he presides over the Council of Ministers. The Council of Ministers assists the Sultan in framing and implementing the general policies of Oman.

The Basic Law royal decree, issued in November 1996, serves as the basis of a constitution governing state affairs. The Basic Law establishes a bicameral system of elected representatives with advisory powers and numerous civil liberties for the population. Members of each chamber serve in an advisory capacity, although members of the lower chamber also have a limited capability to propose legislation. Please see the section "Risk Factors—Risks Relating to Oman" for further details regarding the interaction of Shariah Law and the other laws of Oman.

International Relations

Oman maintains good relations with its neighbors, as well as a wide range of Western and other countries. Oman has enjoyed political and economic stability over the past 35 years and is a member of various prominent international organizations, including the United Nations, the International Monetary Fund (the "**IMF**"), the World Trade Organization (the "**WTO**"), Interpol, the Arab League and the Arab Gulf Cooperation Council (the "**GCC**").

Oman has been a member of the United Nations since 1971. Oman became a member of the IMF and the International Bank for Reconstruction and Development (the "**IBRD**" and together with its affiliates, the "**World Bank**") in 1971. In April 1995, Oman joined the World Trade Organization as an observer and became a full member in November 2000.

Oman is a founding member of the GCC, which includes five other Arab Gulf States: Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. Oman last chaired the GCC in 2008 in accordance with the group's annual rotation of the chair among member countries. Oman is a member of the GCC's Permanent Petroleum Cooperation Committee, which is charged with preparing the long-term petroleum strategy of the GCC in accordance with its sustainability goals. The Permanent Petroleum Cooperation Committee makes proposals with respect to the supply of oil from the GCC to international markets and provides a forum for GCC member states to coordinate policies and share proposals.

Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbors and other countries. In recent years, Oman has resolved border disputes with its neighbors, the Republic of Yemen, Saudi Arabia and the United Arab Emirates and has settled questions of offshore demarcation with Iran and Pakistan.

Population

The following table shows key population indicators as of June 30, 2009:

Age composition	Omani	Expatriate	Total
0-4	12.0%	2.6%	8.6%
5-14	22.5%	3.9%	15.7%
15-64	63.3%	93.1%	74.1%
65 and above	2.2%	0.3%	1.5%
Total	100%	100%	100%
Median age	27.0	37.9	32.0

Population	Omani	Expatriate	Total
Total	2,017,559	1,156,358	3,173,917
%	63.6%	36.4%	100%
Annual growth ('08-'09)	2.6%	28.45%	10.7%

Source: Facts & Figures 2009, Ministry of National Economy of Oman

Economy

Since 1986, the Omani economy has operated with a fixed exchange rate regime pegged to the Dollar. The exchange rate remains unchanged at $2.6008 per Omani Rial ("**OMR**"). Accordingly, international economic developments, particularly those that affect the value of the Dollar are of particular significance to Oman in view of their strong direct or indirect influence on the economy.

The expansion of non-hydrocarbon sectors has been driven primarily by manufacturing exports, construction and services such as tourism. Despite an approximate 12.1% increase in the volume of crude oil exports in 2009, due to the global recession and the lower price of oil, the contribution of oil and gas to GDP was lower in 2008 than in 2009. In 2009, Omani interest rates continued to follow U.S. interest rates closely.

The following table shows a breakdown of GDP by economic activity for each of the three years ended December 31, 2007, 2008 and 2009:

	2007	2008	2009
		($ in millions)	
Petroleum Activities	18,567.1	30,442.6	18,885.7
Extraction of crude petroleum and incidental services to oil and gas extraction	17,005.6	28,234.3	17,069.8
Extraction of natural gas	1,561.5	2,208.1	1,815.9
Non-petroleum Activities	23,980.4	30,512.6	28,270.7
Manufacturing	4,547.8	6,394.1	4,725.4
Construction	2,059.3	2,970.1	3,137.3
Public administration and defense	3,100.7	3,228.1	3,358.4
Other non-petroleum activities	14,272.7	17,920.0	17,049.5
Total activities	42,547.5	60,955.2	47,156.4
Less other adjustments	(638.5)	(655.4)	(1,041.4)
GDP at market price	41,909.0	60,299.8	46,115.0

Source: Ministry of National Economy of Oman, Facts & Figures 2009

Total expenditures by the Government decreased by 11.3% in 2009, which was matched by a 11.2% decline in the Government's total revenue in the same year due to the decline in oil prices. Due to weak external demand arising from the global recession, in 2009 Oman's external current account witnessed a deficit of $280.9 million following a surplus of $5,022.1 million in 2008. Due mainly to a fall in the prices of crude oil, exports decreased in 2009 by 26.7% while imports also declined by 22.5% in 2009. At the end of 2009, the CBO had foreign exchange reserves of $772.4 million.

The following table shows key economic indicators for each of the three years ended December 31, 2007, 2008 and 2009:

	2007	2008	2009
		($ in millions)	
Nominal GDP	41,908.8	60,299.8	46,114.8
Total Government expenditure	15,293.7	19,662.8	17,450.1
Total Government revenue	15,398.3	19,866.7	17,644.9
Surplus/deficit	40.2	78.4	—
Oil and gas revenue as a % of:			
Total Government revenue	75.8	78.6	77.4
Oil exports	21,334.9	32,614.3	22,841.5
Non-oil exports	3,356.9	5,105.1	4,810.2
Imports	15,979.8	22,924.8	17,852.4
Consumer Price Index Oman	111.4	125.2	129.5
Oil production (000 BBL)	259	277	297
Natural gas production (MNSCF)	1,070,737	1,069,630	1,097,660

Source: Ministry of National Economy, Oman, Central Bank of Oman

In 2009, investment expenditure by the Government increased by approximately 18.0%, due to the Government's attempts to protect the Omani economy from the effects of the global recession. Inflation remained low in 2009 at 3.4%, even though it reflected a reversal in the modest negative inflation trend seen in the previous four years. Data for 2009 indicate that Oman's nominal GDP declined 23.5%, compared to growth of 43.9% in 2008.

Oman's long-term sovereign credit rating of A and short-term sovereign credit rating of A-1 were confirmed by Standard & Poor's on September 24, 2010, following the same assessment made in March 2009. Oman's foreign and local currency bond ratings by Moody's is A1 (as of February 18, 2010). Oman is not rated by Fitch.

Transparency International, the world's leading non-governmental anti-corruption organization, in its latest "Corruption Perception Index" ranks Oman 39 out of 180 countries (with 1 being the least corrupt). Oman shares its ranking with South Korea and Brunei Darussalam.

Oil and Gas

Oil was first discovered in Oman in 1962 and the current industry is comprised of a number of broadly spread fields which are generally more costly to exploit than those in countries such as Saudi Arabia or the United Arab Emirates. The Government is working on methods to increase the useful lifespan of its oilfields by exploiting modern recovery techniques. It also has an active exploration program not only through PDO (60%-owned by the Government) but also foreign oil companies such as Total, Hunt Oil and Sinopec. Current main oil fields include Fahud, Natih, al-Huwaisah and Yibal. Petroleum Development Oman accounts for over 90% of the crude oil production in Oman and nearly all of the natural gas supply.

The oil and gas sector continued to be the key driver of growth of the economy in 2009 and remained the predominant source of revenue for the Government and the leading revenue generator for the country. In total, the hydrocarbons sector (crude oil and natural gas) accounted for over 40.9% of nominal GDP, 77.4% of net government revenue and about 65.3% of merchandise exports in 2009.

The following table shows crude oil and natural gas production figures for Oman for the years ended December 31, 2007, 2008 and 2009:

	2007	2008	2009
Crude Oil Production			
Daily average (000 BBL)	710	757	813
Annual (Mn. BBL)	259	277	297
Exports (Mn. BBL)	222	217	243
Average daily exp (000 BBL)	608	594	—
Annual average price ($ BBL)	65.15	101.06	56.67
Crude oil production companies	7	7	7
Natural gas production (MSNCF)	1,070,737	1,069,630	1,097,660

Source: Ministry of National Economy of Oman

The policy currently pursued by the Government towards oil production is to optimize the ratio of low-cost oil production to total oil production and to maintain a sustainable level of production over the medium and long term. Average production increased in 2008 to an estimated 757,000 barrels per day, which represented an approximate 7.0% increase over 2007 production levels. According to data presented by Business Monitor International, Oman's proven oil reserves stood at 5.6 billion barrels as of May 2010. Oman has been pursuing plans to build a large refinery and petrochemical complex at Al Duqm in southern Oman, which would seek to refine oil products for the export market.

Oman also has an estimated 980 billion cubic meters of natural gas reserves (as of May 2010) and production of natural gas increased by 2.6% to 1,098 billion cubic feet in 2009 compared to 1,070 billion cubic feet in 2008. The development of the natural gas industry is viewed as being very important to the diversification of the country's economy. In common with the oil industry, exploration has been encouraged by the Government with both Petroleum Development Oman and foreign companies operating active exploration and development programs. To enable active export of its gas production, Oman operates two liquefied natural gas ("**LNG**") trains, with further trains in development. The Government is continuing to promote further development of refinery capacity and other downstream activities (such as fertilizer processing), increasing value-added activities in the oil sector.

Tourism

According to the World Tourism Organization, international tourist arrivals declined worldwide by approximately 4.0% in 2009 to approximately 880 million individuals from approximately 919 million individuals in 2008. However, in the Middle East, along with Asia and the Pacific, the number of international tourist arrivals turned positive towards the end of 2009. The World Tourism Organization reports that the Middle East displayed a turnaround in the second half of 2009 (+4.0%), particularly in the last quarter (+9.0%), considering that it was the hardest hit in the first half of the year (−16.0%), ending with an overall negative growth of 5.0%.

In Oman, tourism is one of the important sectors that have been identified by the Government for diversifying Oman's economy. A series of measures, including fast-tracking the development of tourism projects, have been taken to develop the infrastructure and facilities to promote Oman as an attractive tourist destination. The World Travel & Tourism Council estimates that Oman's travel and tourism contributes approximately 7.6% (OMR 1,676.4 million or $4,359.9 million) to Oman's GDP. That percentage is expected to rise from to 9.2% (OMR 2,930.0 million or $7,620.2 million) by 2020.

Diversification Projects

The decline in oil production over the last decade has encouraged the Government to foster economic diversification away from heavy dependence on petroleum. Diversification has been viewed by the Government as key to long-term, sustainable growth in Oman and significant efforts have been initiated to achieve this objective. According to Government sources, the contribution of the non-oil sector towards Oman's GDP has increased from 33.0% in 1975 to 61.0% as of August 10, 2010.

Several large-scale industrial projects are in operation or in the process of being initiated as part of the diversification drive:

Sohar Aluminium. Sohar Aluminium, a joint venture owned by Oman Oil Company (40%), Abu Dhabi Water & Electricity Authority (40%) and Rio Tinto Alcan (20%), was established to develop and operate an industrial complex which today includes a state-of-the-art aluminum smelter with a nominal annual capacity of 370,000 tons, a 1000 MW gas-powered power station and a dedicated port facility in Sohar Industrial Port which supports vessels with a capacity of up to 75,000 MT for receiving raw materials and for exporting primary aluminum. The Sohar Aluminium Project began operations in June 2008 and total investment in the project has amounted to $2.4 billion.

Oman LNG. Oman LNG plant in Sur, 150 km south of Muscat, was set up by a royal decree to handle the downstream operations of gas exports through the liquefaction, transportation and sales of LNG. The project cost approximately $2.0 billion and the nominal annual capacity of the LNG plant is 10.0 million tons per annum from three LNG trains.

Fertilizer Plant. Oman India Fertilizer Company, an Indo-Omani joint venture company, is investing $969.0 million to build a fertilizer plant in Sur with an annual capacity of 1.6 million tons of urea and 250,000 tons of surplus ammonia.

Polypropylene Plant. Oman Polypropylene, a joint venture owned by Oman Oil Company (80%) and LG International (20%), is investing $313 million in the development and construction of a polypropylene plant in the Sohar Industrial Area with an annual capacity of 340,000 tons. Oman Oil Company expects that 90% of the production will be exported and the remaining 10% will meet local demand.

Sohar Aromatics Complex. Sohar Aromatics Complex, a joint venture between Oman Oil Company (60%), Oman Refinery Company (20%) and LG International (20%), is investing $956.0 million to build a petrochemical complex with an annual capacity of 800,000 metric tons of paraxylene and 210,000 tons of benzene. Paraxylene is a key raw material in the production of polyester fibers and PET plastic bottles. Benzene is an industrial chemical used to produce a wide range of plastic (such as polystyrene and nylon), detergents and other chemicals.

Port Salalah. Port Salalah is a container terminal built on the former harbor of Raysut approximately 1,000 km down the Indian Ocean coast from Muscat. It is close to the direct shipping lanes between Europe and the Far East and is in a position which has good access, not only to the Persian Gulf, but also to the Red Sea, Indian Ocean and East Coast of Africa.

Iron Ore Plant. Vale Oman, a joint venture between Vale do Rio Doce and Oman Oil Company, began construction on two iron ore pelletizing plants at the Port of Sohar in October of 2009. The first plant is expected to be completed by December 2010 and the second plant is expected to be completed by January 2011. The combined capacity of both plants will be 9.0 million tons per year with the possibility that capacity will be further increased to 18.0 million tons per year. The estimated value of the project is $1.4 billion.

Duqm Development. This project involves the development of a fully integrated center for trade and industry located in the Duqm industrial area. The project is to be constructed in several phases and will include water and power plants, a new port and dry dock, an international airport, a refinery and a free trade area, as well as tourist and housing areas. Construction of the port and water supply network has already commenced and Phase 1 of the project to date has cost approximately $2.43 billion.

MANAGEMENT

The Issuer

The Issuer is an exempted company with limited liability existing under the laws of the Cayman Islands and was incorporated on October 11, 2010. The directors of the Issuer are Mr. Mohamed Al Barwani and Mr. Usama Al Barwani. The corporate address of the Issuer is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. See "*Certain Legal Information about the Issuer*".

Executive Officers and Directors of MB Holding

MB Holding is an Omani limited liability company. Such entities are not legally required to constitute a board of directors. However, MB Holding has voluntarily constituted a board of directors in order to improve corporate governance, provide strategic direction to the company and assist with general management.

The following table sets forth information regarding the individuals who serve as executive officers and/or directors of MB Holding.

Name	Age	Position
Mohamed Al Barwani	59	Chairman
Sharifa Mohamed Abdulla Al-Harthy	55	Deputy Chairperson
Usama Al Barwani	30	Director of Business Development, and member of the board
Mr. Robert Weener	61	Independent Director of the board
Mr. Somit Varma	50	Independent Director of the board
Mohammed Al Kharusi	62	Director—Human Resources and Information Technology, and member of the board
Sushil Srivastava	49	Chief Financial Officer
Jean Denis Bouvier	56	Managing Director and Chief Executive Officer of Petrogas
Jan Jensen	46	Chief Executive Officer of Mawarid Mining
Neville Storey	48	Chief Operating Officer of UES
Murali Chidambaram	44	Chief Internal Auditor
Alan Heward	59	General Manager of Petrogas
Moza Al Adawy	56	Chief Operating Officers of Daleel Petroleum
Jawad Khan	45	Group Manager—Information Technology
Musaveer Ahmed	37	Corporate Treasurer
Namit Rustagi	37	Legal Counsel

The address of the executive officers and/or directors of MB Holding is PO Box 695, Muttrah, Postal Code 114, Sultanate of Oman.

Mohamed Al Barwani is the founder, owner and Chairman of MB Holding. Mr. Barwani holds a Bachelor's degree in Science from Miami University, United States, and a Master's degree in Petroleum Engineering from Herriot-Watt University, Edinburgh, United Kingdom. He acquired extensive experience in the upstream oil industry as a reservoir engineer employed at PDO (1976–86). Mr. Barwani founded MBPS in 1986. Mr. Al-Barwani serves on the boards of directors of several joint stock companies in Oman including Transgulf Investment Holding Company (Chairman), Al Madina Gulf Insurance Co. (Chairman), and Oman Aviation Services Co. Mr. Barwani previously served on the boards of directors of the National Bank of Oman (1997–2005), Taageer Investment & Leasing Co. (2001–2005) and Shell Oman Marketing Co. SAOG (2001–2006). He has been Regional Vice President of the International Associations of Drilling Contractors. Mr. Barwani is also an active member of Oman-India business association.

Sharifa Mohamed Abdulla Al-Harthy is the Deputy Chairperson of MB Holding. She has a Bachelor's degree in Business Administration from Jordan University, Amman, Jordan and a Master's degree in Business Administration from Texas Southern University, Houston, United States. For the last 15 years Mrs. Al-Harthy has been responsible for the personnel and human resources aspects of MBPS. She is also responsible for advising MB Holding Group companies on human resources policies and is responsible for MB Holding's government relationships and community development. Mrs. Al Harthy is married to Mohamed Al Barwani.

Usama Al Barwani is the Director of Business Development for MB Holding. Mr. Barwani holds a Bachelor's degree in Science in Petroleum Engineering from Tulsa University, Tulsa, United States and a Master of Science degree in Energy, Trade and Finance from City University, London, United Kingdom. After completing his petroleum engineering studies Mr. Barwani was employed with Daleel Petroleum for two years. Mr. Barwani's is responsible for new projects and the investments of the MB Holding Group. He is also actively involved in the MB Holding Group's trading business. Mr. Barwani is on the boards of directors of Ahli Bank SAOG, Taager Finance Company SAOG and Flexible Industrial Packaging Co. SAOG (Chairman), each of which are publicly traded on the Muscat Securities Market. Mr. Usama Al Barwani is Mr. Mohamed Al Barwani's son.

Mr. Robert Weener is an independent Director of the Board of MB Holding. Mr. Weener has a Bachelor's degree in experimental physics and a Master's degree in solid-state physics from the University of Groningen in the Netherlands. He has over 30 years of experience in the oil and gas industry. Mr. Weener has held various senior positions with Shell in Oman, Norway and the United Kingdom, and served as Chairman of the Shell Companies in Saudi Arabia and Syria. Mr. Weener also previously worked for PDO as a Senior Reservoir Engineer from 1980 to 1987. Mr. Weener joined the Board of Directors of MB Holding in August 2008.

Mr. Somit Varma is an independent Director of the Board of MB Holding. Mr. Varma has an MBA from Boston University, United States. Mr. Varma is currently a senior advisor to several oil and gas companies. Previously, he served as the Global Head of the International Finance Corporation's Oil, Gas, Mining and Chemicals Department. Mr. Varma has more than 20 years of experience in the oil, gas, mining and infrastructure sectors, and he joined the board of directors of MB Holding in October 2010.

Mohammed Al Kharusi is the Director for Human Resources and Information Technology of MB Holding. Mr. Al Kharusi has 36 years of experience in the Oil and Gas Industry in the field of information technology and human resources. Prior to joining MB Holding, Mr. Al Kharusi worked at PDO, Shell and Emirates National Oil Company.

Sushil Srivastava is the Chief Financial Officer of MB Holding. Mr. Srivastava holds a Master's degree in Finance and a Bachelor's degree in Chemical Engineering. Mr. Srivastava has over 25 years of experience in corporate finance, mergers and acquisitions, project finance and structuring. Mr. Srivastava joined MB Holding in 2001 and currently heads the corporate finance division. Mr. Srivastava's responsibilities also include supervising the MB Holding Group's treasury management. Mr. Srivastava is also on the board of directors of Flexible Industrial Packaging Co.

Jean Denis Bouvier is Managing Director of MB Holding and Chief Executive Officer of Petrogas. Mr. Bouvier has a Bachelor of Science degree in Geology and an Master of Science degree in Geology and Mining Engineering from the University of Geneva, Switzerland. Mr. Bouvier has more than 25 years of experience in the exploration and production of oil and gas in the areas of geophysics, geology and reservoir engineering. Mr. Bouvier previously worked with Shell International and has experience in research as well as operations. He has also worked with PDO. Mr. Bouvier joined the MB Holding Group in 2002.

Mr. Jan Jensen is the Chief Executive Officer of Mawarid Mining. Mr. Jansen holds a Bachelor's degree in mining engineering from the University of Pretoria, South Africa and a Master's degree in business leadership from the University of South Africa. Mr. Jansen has over 20 years of experience in the international mining industry including experience in operations, maintenance, management and consulting. Mr. Jansen joined Mawarid Mining in 2009 as the company's Chief Executive Officer.

Neville Storey is Chief Operating Officer of UES. Mr. Storey has over 25 years of experience in the oil and gas industry. Mr. Storey joined UES in 2002. Prior to joining UES, Mr. Storey was employed by Halliburton Geophysical Service and by Baker Hughes Western Geophysical.

Murali Chidambaram is the Chief Internal Auditor of MB Holding. Mr. Chidambaram is a member of The Institute of Chartered Accountants of India. Prior to joining MB Holding, Mr. Chidambaram worked at Ernst & Young in Bahrain and Dubai as an audit supervisor and at Gulf Bank in Kuwait as an assistant internal auditor. Mr. Chidambaram was instrumental in the establishment of the internal audit division of MB Holding.

Alan Heward is the General Manager of Petrogas. Mr. Heward has a Bachelor's degree in Geology from London University, a doctorate in Sedimentology from Oxford University and is an Honorary Member of the Geological Society. Mr. Heward has over 30 years of experience in the oil and gas industry, including 15 years of experience in Oman. Mr. Heward was previously employed by Durham University, Shell and Lasmo plc in various geological, petroleum engineering and management roles and also worked as an independent petroleum consultant.

Moza Al Adawy is the Chief Operating Officer of Daleel Petroleum. Ms. Adawy has a Master's degree in Petroleum Engineering from the University of Southern California, United States. She has more than 20 years of experience in the oil and gas industry. Ms. Al Adawy has directed and participated in the development and management of large oil and gas projects in both the upstream and downstream sectors. She possesses valuable experience in well and reservoir management and has gained significant exposure to enhanced oil recovery practices. Prior to joining the MB Holding Group, Ms. Adaway was the Director General of oil and gas development and production in the Omani Ministry of Oil and Gas. She has also worked for De Nederlande Aardolie Maatschappi B.V. and PDO and has served as an expert in the Ministry of Oil and Gas in Oman.

Jawed Khan is the Group Manager–Information Technology of MB Holding. Mr. Khan has a degree in Engineering from the NWFP University of Engineering & Technology, Pakistan. Mr. Khan has over 16 years of international experience in information and communication technology. Mr. Khan is responsible for all information technology functions of the MB Holding Group, including the development, implementation and maintenance of group information and communication technology. Mr. Khan joined the MB Holding Group in 1999.

Musaveer Ahmed is the Corporate Treasurer of MB Holding. Mr. Ahmed has over 14 years of experience in the field of corporate treasury and financial management and has previously held various positions in India, Saudi Arabia and Kuwait with companies such as Bechtel, Lucent Technologies and Agility. Mr. Ahmed has an MBA from Osmania University, Hyderabad and he joined MB Holding in January of 2009.

Namit Rustagi is the Legal Counsel of MB Holding and is responsible for managing the legal affairs of the MB Holding Company and its subsidiaries. Mr. Rustagi is a member of the Institute of Company Secretaries of India and has more than 13 years of experience working with multinational corporations, such as Lucky Goldstar, in various capacities including finance and legal affairs. Mr. Rustagi has extensive experience in the areas of corporate finance and cross-border transactions, including international commercial litigation, inbound and outbound mergers and acquisitions and corporate restructurings. Mr. Rustagi joined MB Holding in 2008.

Executive Officers of MBPS

The following table sets forth information regarding the individuals who serve as executive officers of MBPS:

Name	Age	Position
Hafidh Al Busaidy	61	Executive Director of MBPS, Executive Director of Mawarid Mining and member of the board of MB Holding
Eamon Gorman	56	Chief Executive Officer
Pinak Chaudhuri	51	Chief Financial Officer
Kamran Haque	49	Chief Executive Officer of MBPS, Oman
Louis Tapa	58	Chief Executive Officer of MB Century
Joerg Walter Schulte	61	Managing Director of MBPS Germany
Ferenc Remeczki	47	Managing Director of MBPS Hungary and Syria
Dr. Said Al Mufarji	51	General Manager, Research and Development
Umur Eminkahyagil	42	General Manager of MBPS Saudi Arabia
Manoj Bhargava	44	Head of Finance and Accounts

The address of the executive officers of MBPS is PO Box 695, CPO Seeb, Postal Code 111, Sultanate of Oman.

Hafidh Al Busaidy is the Executive Director of MBPS and Mawarid Mining and also serves as a member of the board of directors of MB Holding. Mr. Al Busaidy holds a degree in Petroleum Engineering from Imperial College of Science and Technology, London University. He also holds a Certified Diploma in Accounting and Finance from the Chartered Institute of Certified Accountants, London. Mr. Al Busaidy has 34 years of experience relating to petroleum engineering, drilling, work over, gas engineering and coordination, economics, planning, production operations and management. Mr. Al Busaidy joined MBPS in 2000.

Eamon Gorman is the Chief Executive Officer of MBPS. Mr. Gorman holds a Bachelor's degree from Trinity College, Dublin and a Master's degree in Petroleum Engineering from Herriot Watt University, Edinburgh. Mr. Gorman joined MBPS in 2010 as Chief Executive Officer. Mr. Gorman has 32 years of experience in the exploration and production business with Shell International, having held a variety of technical and managerial positions. Mr. Gorman's last assignment was with PDO, where he held the position of Director of Well Engineering and logistics. He was also a member of the Managing Director's Committee with joint accountability for short- and long-term corporate strategy. He has worked in several different countries with Shell in Europe, the Far East and the Middle East.

Pinak Chaudhuri is the Chief Financial Officer of MBPS. Mr. Chaudhuri is a qualified Chartered Accountant. Mr. Chaudhuri has 25 years of experience in finance, legal affairs, corporate governance and administration, which he obtained in several multinational corporations. Mr. Chaudhuri started his career as an internal auditor in Dunlop Tires and has worked in various organizations, including BP and Alcan. In 2000, he joined Technip SA, a leading oil and gas engineering company. During his association with Technip, Mr. Chaudhuri held several positions in India, France and Azerbaijan and finally served as Financial Controller for the North Sea Canada Division based in Aberdeen, Scotland. Mr. Chaudhuri joined MBPS as its Chief Financial Officer in October 2007.

Kamran Haque is the Chief Executive Officer of MBPS. Mr. Haque holds a Bachelor's degree in Mechanical Engineering from N.E.D University in Karachi, Pakistan. He joined MBPS as its CEO in August 2010. Mr. Haque previously held several different positions with Schlumberger, and has worked in Schlumberger's oilfield services drilling division, and in various operational, technical and marketing positions. During Mr. Haque's 25-year career with Schlumberger, he has worked in 14 different countries around the world and on a variety of different projects.

Louis Tapa is the Chief Executive Officer of MB Century. Mr. Tapa has over 35 years of management experience in construction, building and drilling. He worked for 14 years for the Ministry of Works and Development (now Works Infrastructure) in New Zealand before joining Downer Construction (NZ) Ltd in 1987. Since then, Mr. Tapa has held various senior positions within the Downer Group in New Zealand, Papua New Guinea, Western Samoa and Singapore before taking up a role at Century Drilling in Brisbane. Until March 2008, Mr. Tapa was Deputy Chief Executive officer of Century Drilling.

Joerg Walter Schulte is the Managing Director of MB Petroleum Deutschland GmbH. Mr. Schulte has a Ph.D. in Mechanical Engineering and Economics from the Technical University of Karlsruhe, Germany. He has over 30 years of experience in the oil and gas industry. Mr. Schulte has been working for MBPS since 2007. He previously worked for Mobil Oil, Christensen Diamond Products, Hans Kolbe & Co and ITAG.

Ferenc Remeczki is the Managing Director of MB Drilling Overseas Ltd. Mr. Ferenc obtained his Master's degree in Oil and Gas Studies from Moscow University . He has 22 years of experience in the oil and gas industry. Prior to joining MB Drilling Overseas Ltd., Mr. Ferenc worked in various positions in the drilling industry.

Dr. Said Al Mufarji is the General Manager, Research and Development of MBPS. Dr. Al Mufarji holds a Bachelor of Science degree in Petroleum Engineering from Tulsa University, United States, a Master of Science degree in Petroleum Engineering from Imperial College London, and a Ph.D. in Petroleum Engineering (Fines Migration Mechanisms in High Permeability Sands) from Robert Gordon University, United Kingdom. Dr. Al Mufarji has over 28 years of experience in the oil and gas industry as a senior petroleum engineer and has worked in onshore, sub-sea and general offshore environments both in the United Kingdom and Oman. Dr. Al Mufarji worked for PDO and Shell for 22 years in various departments before joining MBPS in 2004.

Umur Eminkahyagil is the General Manager of MBPS Saudi Arabia. Mr. Eminkahyagil has a B.Sc. in Petroleum and Natural Gas Engineering from the Middle East Technical University and has over 19 years of experience in the oil and gas services industry. Mr. Eminkahyagil has held various positions with Shell and the Expro Group. He joined MB Petroleum Services in 2007 as Vice President responsible for international business.

Manoj Bhargava is Head of Finance and Accounts for MBPS. Mr. Bhargava has a Master's degree from the University of Rajasthan, India and is a member of The Institute of Chartered Accountants of

India. Mr. Bhargava has 17 years of post-qualification experience in finance and accounting. Mr. Bhargava joined MBPS in 2001. Prior to joining MBPS, Mr. Bhargava worked with several reputable businesses in India in various capacities and has extensive experience in accounting, financial analysis, project financing and treasury functions. Mr. Bhargava is currently responsible for the accounting and finance functions of MBPS's Oman operations, along with MBPS's treasury functions.

Corporate Governance

MB Holding established a board of directors in August 2008 that consists of three shareholders, three executive employees and three independent directors, each with significant industry experience. All subsidiary companies of MB Holding are headed by a professional Chief Executive Officer or Managing Director with relevant sector expertise who is responsible for the daily management of the subsidiary. The CEO or Managing Director of MB Holding's subsidiary companies oversees committees and controls that are critical to that particular subsidiary.

Each operating subsidiary has also organized separate committees which are responsible for distinct matters of corporate governance as may be relevant to that particular operating subsidiary. Examples of such committees include management committees, capital expenditure committees, human resources committees and health, safety and environment committees. Each operating subsidiary also has in place written policies and manuals that prescribe procedures for issues such as human resources, health and safety, procurement, accounting, authority and codes of conduct. Collectively, these subsidiary-level committees and policies, along with those of MB Holding itself, form the corporate governance framework of the entire MB Holding Group.

While many aspects of the management of our subsidiaries are decentralized, operating subsidiaries are subject to oversight from the audit department of MB Holding. In addition, each operating subsidiary also has established its own internal audit team which conducts risk-based audits to improve the effectiveness of operations and internal controls.

Any intra-group transactions are carried out exclusively on an arm's-length basis. For further details of related party transactions, please see the section entitled "Certain Relationships and Related Party Transactions."

In terms of employees, MB Holding has established training programs and evolved a compensation structure based on a survey of salaries offered for similar positions throughout the GCC oil industry. Compensation levels are reviewed at least once every three years to ensure that they remain market-based. MB Holding intends to move towards performance-linked compensation and the top management earns a substantial proportion of its total compensation in the form of performance bonuses, which our management believes further incentivizes its top executives.

Audit Committee

The board of directors has constituted an audit committee which is responsible for overseeing and providing advice with respect to MB Holding's internal and external audit policies. The audit committee is chaired by an independent director.

Compensation Committee

The board of directors has also constituted a compensation committee which is responsible for providing recommendations with respect to the compensation policy as it relates to senior management and executives of MB Holding. The compensation committee is also chaired by an independent director.

Conflicts of Interest

There are no conflicts of interest between the duties of the senior executives listed above as between the MB Group and their private interests and/or other duties.

Employees

The MB Group currently has approximately 6,500 employees.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transactions in the Ordinary Course of Business

The transactions summarized herein are ones which have been conducted in the ordinary course of business with and among subsidiaries, associate companies, other related parties of the MB Holding Group and other companies which share common ownership. Pricing policies and terms of these transactions are approved by the MB Holding Group's management and, whenever possible, such transactions are completed on commercial, arm's-length terms.

The MB Holding Group's financial statements include information and line items in respect of transactions undertaken with related parties, including associate companies, senior management of MB Holding Group companies and companies of which such senior management are principal owners. The MB Holding Group generated revenue of $36.0 million and made purchases of $72.0 million with other companies under common ownership in the year ended December 31, 2009, compared to revenue of $23.6 million and purchases of $41.5 million in the comparable period in 2008. In respect of transactions with its shareholders, MB Holding recorded $4.7 million in amounts owed to its shareholders in the year ended December 31, 2009, compared to $5.1 million in the comparable period in 2008. In addition, it recorded $1.0 million owed to it by its shareholders in 2009, compared to $0.2 million in the comparable period in 2008.

As of June 30, 2010, MBPS owed $6.6 million of payables to MB Century that were related primarily to its investment in MB Century, and it had made $11.3 million in purchases from other companies under common ownership. It generated $36.1 million in revenue (10.2% of its total) in the year ended December 31, 2009 from services provided to companies under common ownership (in that case, Petrogas and Daleel Petroleum Company), compared to $23.5 million in the comparable period in 2008.

Financial Management

As part of the MB Holding Group's strategy of financial management, MB Holding often acts as the guarantor of credit facilities used by its subsidiaries, including MBPS. Such guarantees, which commit MB Holding to discharge the debts of its subsidiaries that have availed the relevant facilities, enable subsidiaries to obtain debt more easily and on better terms. In addition, MBPS and MB Holding frequently conduct transactions with each other in order to manage their liquid efficiently. Such transactions may result in the creation of intercompany indebtedness between MB Holding and MBPS. Examples of such transactions include the payment by MBPS of employee salaries and other general and administrative expenses of MB Holding, which results in charges being passed to MBPS, and the periodic provision by MB Holding of temporary liquidity to MBPS in order to fund capital expenditures, which is repaid within an agreed period of time.

MBPS and MB Holding frequently do business with Risk Management Services LLC ("**RMS**") and Al Ahli Bank, entities in which MB Holding holds 33.3% and 15%, respectively, of the total outstanding shareholding. MBPS, like the remainder of the MB Holding Group, engages RMS as its insurance broker. RMS evaluates potential providers of insurance and matches MBPS's particular insurance needs with a provider in the market, for which it receives a brokerage fee directly from the insurance provider for arranging such insurance (it is not compensated by MBPS directly for such services). RMS works under such a compensation arrangement for all of its customers, including those that are unrelated to the MB Holding Group.

Purchase and Sale of Services and Equipment

Services provided by MBPS to MB Holding Group companies include drilling and workover services: in the six months ended June 30, 2010, MBPS generated revenue of $18.7 million providing such services to Daleel Petroleum Company and Petrogas, and it generated revenue of $15.6 million providing the same services to those companies in the year ended December 31, 2009.

UES generated revenue of $16.1 million providing equipment, material and spare parts to MBPS, Petrogas, Mawarid Mining and CSME (a subsidiary of UES) in the year ended December 31, 2009. During the same period, CSME also provided to MBPS and Petrogas equipment, including well heads and related oilfield equipment, with a combined value of $3.5 million.

MBPS purchases certain oilfield services equipment from CSME and also rents and purchases equipment, such as valves and screens for use in its drilling, workover and production services businesses, from SIOL (a company in which UES owns 46.3% of the shares) pursuant to long-term rental contracts. It is often more efficient for MBPS to hire or purchase such equipment from SIOL rather than from a third-party provider because SIOL is located close to MBPS's operational centers and therefore can quickly deploy the equipment.

Other Related Party Transactions

In addition to transactions conducted in the ordinary course of business, the MB Holding Group periodically undertakes other transactions with and among its subsidiaries, associate companies, other related parties and companies of which it is a principal owner. Whenever possible, such transactions are completed on commercial, arm's-length terms.

MB Holding has provided guarantees for two loans on behalf of its affiliates in an aggregate amount of approximately $43.0 million. These guarantees were provided in connection with the acquisition of certain businesses and personal loans by or on behalf of MB Holding's primary shareholder.

In 2008, MBPS sold an office building to MB Holding for a total value of $19.0 million (generating a profit for MBPS of $16.6 million), which resulted in an increase, in the amount of the purchase price, in the receivables owed to MBPS by MB Holding.

MB Holding transferred to MBPS 51.0% of the shareholding of MB Century with effect from January 1, 2010 which, together with the 49.0% shareholding in MB Century that MBPS acquired in June 2010, made MB Century a wholly owned subsidiary of MBPS. The purchase consideration for the acquisition of the initial 51.0% shareholding in MB Century was $52.0 million, and MB Century also carried liabilities in an amount of $18.1 million. As a result of this transaction and after netting the purchase consideration against the then-outstanding balance of receivables of $23.0 million owed to MBPS by MB Holding, MB Holding recorded receivables owed to it by MBPS of $6.6 million.

Following the issuance of the Notes, these and other transactions between MBPS and the Restricted Subsidiaries, on the one hand, and (i) MB Holding and its other subsidiaries and (ii) other companies under common ownership with MBPS, on the other hand, will be conducted in compliance with the terms of the Indenture.

PRINCIPAL SHAREHOLDERS

MBPS is a wholly owned subsidiary of MB Holding. The following table shows the percentage of shares owned by each shareholder of MB Holding as of the date of this Offering Memorandum:

Shareholder	Percentage of shares held	Relationship to founder
Mohamed Al Barwani	70%	—
Sharifa Al Harthy	5%	Wife
Usama Al Barwani	5%	Son
Tariq Al Barwani	5%	Son
Safana Al Barwani	5%	Daughter
Iman Al Barwani	5%	Daughter
Rahma Al Barwani	5%	Daughter

DESCRIPTION OF OTHER INDEBTEDNESS

Introduction

As of June 30, 2010, the MB Holding Group had outstanding interest-bearing loans and liabilities of $582.3 million and an additional $71.2 million available under facilities that remained undrawn. The MB Holding Group's borrowings have been incurred by MB Holding and certain of its subsidiaries. As of June 30, 2010, approximately 17% of the MB Holding Group's indebtedness was owed by MB Holding, approximately 63% by MBPS, approximately 8% by Mawarid Mining, approximately 9% by Petrogas and its subsidiaries, and approximately 3% by UES.

These borrowings are principally in the form of bank overdrafts and term loans but also include guarantees, loans against trust receipts, loans against receivables, letters of credit, import lines, bills discounting and foreign exchange lines.

The table below sets forth summary information on the Group's outstanding borrowings as of June 30, 2010, December 31, 2009 and December 31, 2008:

	As of December 31,		As of June 30,
	2008	2009	2010
		(in $'000)	
Short-term bank borrowings			
Bank overdrafts	13,717	2,091	14,756
Trust receipts	199	14,622	18,074
Bill discounted	31,140	18,396	22,510
Total short-term bank borrowings	**45,056**	**35,109**	**55,340**
Term loans			
Term loans are repayable as follows:			
On demand or within one year	175,778	150,749	258,251
In the second year	95,451	119,223	119,224
In the third to fifth years inclusive	110,916	159,508	147,269
After five years	52,061	12,542	2,185
Total term loans	**434,206**	**442,022**	**526,929**
Total borrowings	**479,262**	**477,131**	**582,269**

As of June 30, 2010, approximately 54.0% of the MB Holding Group's borrowings were short-term or scheduled to mature within twelve months. As of December 31, 2009 and 2008, the proportions were 39.0% and 46.0%, respectively.

The MB Holding Group's term loans bear interest at both fixed and floating rates of interest. The applicable rates of interest for fixed rate term loans range from 5.5% to 8.5%. The rates of interest for floating rate term loans are primarily based on LIBOR or the specific lenders' cost of funding and applicable margins range from 1.0% to 4.0%.

The MB Holding Group's short-term borrowings bear interest at both fixed and floating rates of interest. The applicable rates of interest for short-term borrowings range from 5.25% to 6.0%. The rates of interest for floating rate short-term borrowings are primarily based on LIBOR or the specific lenders' cost of funding and applicable margins range from 3.0% to 3.5%.

As of June 30, 2010, all of the borrowings of the MB Holding Group were secured. The borrowings are secured by, among other things, mortgages over land, assignments of rights under contracts and liens, charges and pledges over assets. In addition, MB Holding has given a number of guarantees in respect of the borrowings of its subsidiaries.

As of June 30, 2010, MBPS had outstanding interest-bearing loans and liabilities of $367.6 million. As described in the section entitled "Use of Proceeds," the majority of the loans and liabilities of MBPS and its subsidiaries will be repaid in full and discharged through the proceeds of the issuance of Notes. The facilities of MBPS and its subsidiaries described in this section are those facilities which MBPS believes are material and which will not be repaid in full and discharged through the issuance of the Notes. After the issuance of Notes, MBPS and its subsidiaries will have other outstanding interest-bearing loans and liabilities of $37.2 million.

MBPS

MBPS

In addition to the facilities described below, MBPS has facilities with the National Bank of Abu Dhabi.

MBPS OMR 14.0 million Credit Facilities Agreement with Bank Dhofar

On June 24, 2010, MBPS entered into a credit facilities agreement with Bank Dhofar for the provision of credit facilities in the aggregate amount of OMR 14.0 million ($36.4 million).

The credit facilities available to the borrower under this agreement consist of an overdraft facility of OMR 0.25 million ($0.65 million), a short-term loan facility of OMR 2 million ($5.2 million), a revolving term loan facility of OMR 0.7 million ($1.8 million), a facility for the provision of letters of credit and letters of guarantee in the amount of OMR 1.5 million ($3.9 million), with a sub-limit for the provision of loans against trust receipts in the amount of OMR 1.5 million ($3.9 million) within the overall letters of credit and letters of guarantee limit, a term loan in the amount of OMR 1.8 million ($4.8 million), and a term loan in the amount of OMR 7.7 million ($20.0 million).

As of June 30, 2010, OMR 0.2 million ($0.5 million) of borrowings remained outstanding under the overdraft facility, OMR 0.5 million ($1.3 million) of borrowings remained outstanding under the short-term loan facility and OMR 0.05 million ($0.1 million) remained outstanding under the loans against the trust receipts facility. As of the date of this Offering Memorandum, the OMR 7.7 million ($20.0 million) term loan facility was fully drawn down.

Any monies drawn under the OMR 7.7 million ($20.0 million) term loan will be fully settled by December 31, 2015. All of the other facilities are repayable on demand.

The interest rate on the overdraft facility is 2.50% below the lender's base lending rate (such lender's base lending rate being 9.50% as of June 24, 2010). The interest rate on the short-term loan is fixed based on prevailing money market conditions at the time of disbursal (the interest rate applicable as on June 30, 2010, was 5.75%). The interest rate under the Bank Dhofar Loan of OMR 7.7 million ($20.0 million) is 3.00% below the lender's base lending rate. The interest rate on the loans against trust receipts is 2.50% below the lender's base lending rate. The commission on bank guarantees and letters of credit is 0.75% per annum.

The obligations of the borrower under the credit facilities agreement are secured by a corporate guarantee of MB Holding and a personal guarantee of Mr. Mohamed Al Barwani. As security, the borrower has also created a pledge over certain equipment with the value of OMR 1.2 million ($3.1 million) and assigned the receivables due under certain contracts.

The borrower has also granted a mortgage of OMR 4.9 million ($12.6 million) over property at Azaiba and has deposited the title deeds of, and provided an undertaking to create a mortgage over, property at Al Qaurm (valued at approximately OMR 0.2 million ($0.5 million). These mortgages are held as security for all of the facilities, except for the OMR 7.7 million term loan provided under the credit facilities agreement.

As further security, the borrower has also granted the lender unconditional set-off rights in relation to all its assets held with the lender.

The loan agreement contains customary affirmative and negative covenants for a credit facilities agreement of this type. The negative covenants restrict the borrower from, among other things, granting security over its assets without consent. The loan agreement also contains affirmative covenants requiring the borrower to, among other things, ensure that the indebtedness provided under the credit facilities agreement at all times ranks at least *pari passu* with the claims of all its unsecured indebtedness.

The loan agreement also contains certain events of default that are customary for credit facilities agreements of this type and, subject to applicable materiality thresholds, grace periods, cure rights and agreed exceptions, it would be an event of default if: the borrower failed to make payment of amounts due under the credit facilities agreement; failed, or the lender has grounds for belief that the borrower may fail, to comply with any of the terms of the credit facilities agreement; has its commercial registration withdrawn; certain bankruptcy and insolvency events occur; or there is a default or breach under any other loan, overdraft or credit facility the borrower has with the lender. The occurrence of an event of default may result in the acceleration of payment obligations under the credit facilities agreement.

Crest

Crest $25 million Facility Agreement with Bank Muscat (SAOG)

On June 23, 2007, Crest entered into an OMR 9.6 million ($25 million) facility agreement with Bank Muscat (SAOG).

The interest rate on the loan is 7% as of June 30, 2010. The loan will be fully settled on October 31, 2012. The borrower has the right to prepay the loan in whole or in part by giving 15 business days' notice to the lender.

The obligations under the facility agreement are secured by the joint registration of two rigs in favor of Bank Muscat (SAOG), in addition to the assignment by MBPS of the contract receivables from a drilling contract, into an account that Crest holds with the lender. As further security, the borrower has granted the lender unconditional set-off rights in relation to all its assets held with the lender. The borrowings under the loan agreement are also guaranteed by MB Holding.

The loan agreement contains customary affirmative and negative covenants for a facility agreement of this type. The negative covenants restrict the borrower from, among other things, granting security over its assets, changing the nature of its business, changing its accounting year, changing its capital structure, merging and disposing of assets. The loan agreement also contains affirmative covenants requiring the borrower to, among other things, give notice upon the occurrence of an event of default, comply with environmental regulations, maintain insurance coverage and comply with certain other standard obligations that require the borrower to operate their business in an orderly manner.

The loan agreement also contains certain events of default that are customary for loan agreements of this type and, subject to applicable materiality thresholds, grace periods, cure rights and agreed exceptions, it would be an event of default if: the borrower failed to make payment of amounts due under the facility agreement or defaulted under other agreements evidencing indebtedness; if certain events occurred having a material adverse change on the assets, business, operations or condition (financial or otherwise) of the borrower; certain bankruptcy and insolvency events occur; or if the borrower ceased to do business. The occurrence of an event of default may result in the acceleration of payment obligations under the facility agreement.

MBPS's German Subsidiaries

Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG, Koller Maschinen- und Anlagenbau GmbH, Koller Workover & Drilling GmbH

German EUR 4,000,000 Facility Agreement with UniCredit Bank AG

In July 2010, Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG, Koller Maschinen- und Anlagenbau GmbH, Koller Workover & Drilling GmbH and Fiberglass Tubes & Services GmbH (afterwards merged into Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG) entered into a credit agreement with UniCredit Bank AG for the provision of credit facilities in the aggregate amount of EUR 4 million (as amended on November 30, 2009, the "**UniCredit Facility Agreement**").

The credit facilities available to the borrower under the UniCredit Facility Agreement consist of an overdraft facility, a euro credit loan facility and a guarantee facility.

As of September 30, 2010, EUR 3,996,935 of borrowings were outstanding under the UniCredit Facility Agreement. The loans are scheduled to mature on June 30, 2011.

The interest rate on the overdraft facility currently is 5.75% (which is identical to the interest rate at the time of the execution of the UniCredit Facility Agreement). The interest rate changes to the extent the reference interest rate (3-month EURIBOR (*Monatsdurchschnittssatz für EURIBOR—Dreimonatsgeld*) as published monthly by the German Federal Bank (*Deutsche Bundesbank*)) changes by more than 0.25 percentage points. The initial reference interest rate was the reference interest rate published by the German Federal Bank (*Deutsche Bundesbank)* in December 2009. The interest rate on the euro credit loan facility and the commission on bank guarantees are to be agreed between the bank and the borrowers at the time such loan is drawn or such guarantee is granted by the bank.

The obligations under the UniCredit Facility Agreement are secured by global assignment agreements by all borrowers regarding claims originating from the sale of goods and/or the provision of services, security transfer agreements regarding the warehouse Bruchkampweg 5, 29227 Celle, the warehouse Nienhagen, Nienhagener Str. 35 and machines and binding letters of comfort (*harte Patronatserklärungen*) issued by MB Petroleum Deutschland GmbH in favor of the borrowers.

As further security, the borrowers granted in favor of the bank pledges over the bank accounts they maintain with the bank based on the general terms and conditions of the bank.

The UniCredit Facility Agreement does not contain standard covenants except for certain information covenants. However, it contains the obligation to use the accounts maintained with the bank for at least 50% of the German and foreign payment transactions as well as foreign documentary payment transactions of the borrowers.

The UniCredit Facility Agreement also contains a most favored lender clause pursuant to which other banks that grant loans to the borrowers may not receive better treatment with regard to security or information provided to such banks.

According to the general terms and conditions of the bank, the bank may terminate the loans for cause, as is customary for German loan agreements of this type. Such cause for termination exists if: the customer made incorrect statements about its financial circumstances that were important for the bank in making its decision to grant the loan; if a substantial deterioration of the financial condition of a borrower or the value of a security has occurred or threatens to occur that jeopardizes the repayment of the loan (even taking into account the enforcement of the granted security); or the borrowers fail to comply with their obligations to provide or increase security according to the general terms and conditions within the period of time required by the bank. A prior reasonable cure period applies unless it is not necessary due to the special features of a particular case.

German EUR 2,000,000 Facility Agreement with Sparkasse Celle

On June 23, 2009, Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG, Koller Maschinen- und Anlagenbau GmbH, Koller Workover & Drilling GmbH and Fiberglass Tubes & Services GmbH (afterwards merged into Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG) and Koller Workover International GmbH entered into a credit agreement with Sparkasse Celle for the provision of credit facilities in the aggregate amount of EUR 2.0 million (as extended on July 1, 2010, the "**Sparkasse Celle Facility Agreement**").

The credit facilities available to the borrowers under the Sparkasse Celle Facility Agreement may be drawn as an overdraft facility, term loans and as a guarantee facility.

As of September 30, 2010, $1.1 million of borrowings were outstanding under the Sparkasse Celle Facility Agreement. The loans are scheduled to mature on September 30, 2011.

The interest rate on the overdraft facility is the interest rate as determined from time to time by the bank and currently is 8.75% (which is identical to the interest rate at the time of the execution of the Sparkasse Celle Facility Agreement). The interest rate on the term loan facility is to be agreed between the bank and the borrowers at the time such loan is drawn. The commission on bank guarantees was 1.25% at the time of the execution of the agreement.

The obligations under the Sparkasse Celle Facility Agreement are secured by a land charge of EUR 3 million on the property Bruchkampweg 5, 29227 Celle. As further security, the borrowers granted in favor of the bank pledges over the bank accounts they maintain with the bank based on the general terms and conditions of the bank.

The Sparkasse Celle Facility Agreement does not contain standard covenants except for certain information covenants.

According to the general terms and conditions of the bank, the agreement may be terminated for cause, as is customary for German loan agreements of this type. Such cause for termination exists if (i) a borrower were to make incorrect statements about its financial circumstances, (ii) a substantial deterioration of the financial condition of a borrower or the value of a security has occurred or threatens to occur, (iii) the borrowers fail to comply with their obligations to provide or increase security according to the general terms and conditions within the period of time required by the bank, or (iv) compulsory enforcement measures are initiated against a borrower and the described events jeopardize the repayment of the loan (even taking into account the enforcement of the granted security). A prior reasonable cure period applies unless it is not necessary due to the special features of a particular case.

PT Century Dinamik Drilling

PT Century Dinamik Drilling $17 million corporate facilities agreement with HSBC Bank Limited—Jakarta Branch

PT Century Dinamik Drilling is considering entering into a corporate facilities agreement with HSBC Bank Limited—Jakarta Branch (the "**HSBC Facilities Agreement**").

The credit facilities made available to the borrower under this agreement consist of a $1 million overdraft facility and certain other facilities with a combined limit of $16 million. These other facilities include a documentary credit facility of $4 million, a deferred payment credit facility of $4 million, a discounted receivable financing facility of $5 million and a guarantee facility of $7 million (with sub-limits for tender bonds of $7 million and for performance bonds of $7 million).

The overdraft facility may be used to fund the borrower's short-term working capital needs. Interest would be charged at 1% per annum below the bank's base lending rate (currently 10.6263% per annum) for dollar amounts and 1% per annum below the bank's base lending rate (currently 12.65% per annum) for Indonesian Rupiah rates and would be payable in arrears.

The documentary credit facility may be used by the borrower for the purpose of importing parts for oil rigs. The opening commission would be 0.15% per quarter. The deferred payment credit facility has a maximum tenor of 90 days, with an opening commission of 0.15% per quarter and an acceptance commission of 1.5% per annum.

The discounted receivable financing may be used to finance the borrower's receivables due from the borrower's buyers (as approved by the bank). The discounting of each invoice's face value net of the discount interest and discounting commission will be a maximum of 80% for the first six months after the first drawdown and a maximum of 70% for the next six months until the next annual review of the proposed facilities. The tenor of the discounted receivable financing will be a maximum of 60 days (from the loan disbursement to the due date of the respective financed invoices). Discount interest will be calculated on a daily basis at 5% per annum below the bank's best lending rate (currently 10.6263% per annum, subject to fluctuation) and payable monthly in arrears. In addition to discount interest, overdue interest on unpaid invoices will be charged at a rate to be determined by the bank (currently at 3% above the prevailing rate). If amounts are left outstanding for 30 banking days, the facility will be frozen by the bank.

The guarantee facility may be used to facilitate the borrower's requirement to issue performance and tender bonds. The tenor for this facility would be a maximum of 90 days for tender bonds and one year for performance bonds, with a guarantee commission of 1.5% per issuance for tender bonds and 1.5% per annum for performance bonds. The total utilization under the guarantee facility may not exceed $7 million and the total utilization under the combined facility may not exceed $16 million.

The obligations of the borrower are guaranteed by a corporate guarantee from MB Holding up to a limit of $19 million and a personal guarantee from Mr. Mohamed Al Barwani up to a limit of $17 million. In addition, the bank will require a fiduciary transfer of ownership over account receivables from certain parties that do business with the borrower, up to a limit of $5 million to cover the domestic receivables financing facility.

The credit facilities agreement contains customary covenants for a credit facilities agreement of this type. The negative covenants restrict the borrower from, without the bank's consent, declaring dividends to shareholders, creating any security over its property or assets, creating or suffering any indebtedness and making any loans or extending any credit (except credit given on an arm's-length basis in the ordinary course of business).

The borrower is also required to subordinate all shareholder loans currently existing or incurred in the future to the bank's facilities and ensure that MB Holding maintains 100% of its ownership indirectly in the borrower by way of technical assistance and financial support. The borrower is also required to route its sales proceeds directly to the bank or, alternatively, undertake to transfer its sales proceeds to the bank. As set forth above, the borrower will be required to assign to the bank the proceeds of all projects financed by the bank, with the full acknowledgement of the project's owner. Finally, the borrower must use the bank's approved auditor for its 2011 financials.

The credit facilities agreement contains customary financial covenants in relation to the borrower's ratios, total net worth and EBITDA. The bank has the right to test any of the financial covenants on an annual basis or such other period of time as may be deemed appropriate by the bank.

The credit facilities are subject to review at any time and in any event by April 30, 2011. The facilities are also subject to the bank's overriding right of withdrawal and require repayment on demand at any time, including the right to call for cash cover on demand for prospective and contingent liabilities. The credit facilities agreement provides that if the bank changes the funding base, a reasonable notice period of three banking days shall be given to the borrower.

The borrower is also required to provide the bank with certified copies of its audited accounts within six months of the end of each financial year. The bank may impose a penalty charge of $500 per month for any delayed submissions. The borrower must submit to the bank half-year lists of receivables encumbered pursuant to the credit facilities agreement. Furthermore, all trade-related transactions must be covered by a marine all-risk insurance policy equivalent to 110% of the respective invoice.

The credit facilities agreement contains customary events of default which would result in all of the obligations of the borrower to the bank immediately becoming due and payable. Such events include a failure to comply with the terms and conditions of the credit facilities agreement, default in paying principal or interest, the deterioration in the value of any of the collateral, the insolvency of the borrower, and MB Holding or any of its subsidiaries defaulting in performing any of its obligations under the agreement and under any agreement with HSBC Bank Middle East Limited.

MB Holding and Subsidiaries

As of June 30, 2010, the MB Holding Group had outstanding interest-bearing loans and liabilities of $582.3 million and an additional $71.2 million available under facilities that remained undrawn. These borrowings are principally in the form of bank overdrafts and term loans but also include guarantees, loans against trust receipts, loans against receivables, letters of credit, import lines, bills discounting and foreign exchange lines.

MB Holding has provided guarantees for two loans on behalf of its affiliates in an aggregate amount of approximately $43.0 million. These guarantees were provided in connection with the acquisition of certain businesses and personal loans on behalf of our primary shareholder.

The following is a summary of the material indebtedness of MB Holding Group. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. In addition to the facilities described below, MB Holding has facilities from Bank Muscat, Bank Dhofar and HSBC.

MB Holding

MB Holding $50 million Credit Facilities Agreement with Barclays Bank Plc

On June 9, 2008, MB Holding and its subsidiaries, including MBPS, Petrogas E&P LLC, Petrogas LLC, Mazoon Petrogas SAOC, National Mining Co LLC (Mawarid Mining LLC) and United Engineering Services LLC, as borrowers, entered into a credit facilities agreement with Barclays Bank Plc, as lender, for the provision of credit facilities in the amount of $50 million.

Under this agreement, Barclays Bank Plc made available to the borrowers a short-term loan facility in the amount of $15 million, a general banking facility (consisting of a documentary credit facility, a trust receipt facility and a bank guarantee facility) in the amount of $34 million and a foreign exchange and derivatives facility in the amount of $1 million. The general banking facility has a tenor of 150 days and the short-term loan facility has a tenor of 90 days.

As of June 30, 2010, $15 million of borrowings remained outstanding under the short-term loan facility and $1.8 million of borrowings remained outstanding under the general banking facility. These facilities are repayable on demand. The borrower also has the right to prepay any of the facilities, in whole or in part, by giving three business days' notice to the lender. There may be a break cost on any repayment and the payment of this fee is at the discretion of the lender.

The interest rate on the short-term loan facility is 3-month LIBOR plus 1.50% per annum. The interest rate on the trust receipt facility is 3-month LIBOR plus 1.25% per annum. The commission on bank guarantees provided is 0.75% per annum. The commission on advances under the documentary credit facility is 0.50% per annum.

The obligations under this agreement are secured by cross-guarantees provided by MB Holding, MBPS, Petrogas E&P LLC, Petrogas LLC, Mazoon Petrogas SAOC, Mawarid Mining LLC and United Engineering Services LLC. In addition, Mr. Mohamed Al Barwani provided a personal guarantee. As further security, the borrowers have each granted Barclays Bank Plc unconditional set-off rights in relation to all their assets held with Barclays Bank Plc.

Under the terms of the credit facilities agreement, the borrowers must comply with certain financial covenants. The breach of any of these financial covenants constitutes an event of default under the credit facilities agreement and could result in an acceleration of the borrowers' payment obligations. The financial covenants require that:

- the Net Tangible Assets (as defined in the credit facilities agreement), as tested on the audited consolidated financial statements of the MB Holding Group, are maintained above $150.0 million;
- the Gross Gearing (as defined in the credit facilities agreement), as tested on the audited consolidated financial statements of the MB Holding Group, is maintained below 150.0%; and
- the ratio of Debt to EBITDA (both as defined in the credit facilities agreement), as tested on the audited consolidated financial statements of the MB Holding Group, is maintained below a ratio of 3.5:10.

The credit facilities agreement contains customary affirmative and negative covenants for credit facilities agreements of this type. The negative covenants restrict the borrowers from, among other things, granting security over their assets, giving guarantees or indemnities, disposing of assets, changing the nature of their business, raising short-term borrowing that ranks higher in priority than the facilities under the credit facilities agreement or changing their constitution or ownership structure. The credit facilities agreement also contains affirmative covenants, requiring each of the borrowers to, among other things, provide audited financial statements each year, provide the half-year consolidated financials of MB Holding and its subsidiaries, provide notice upon the occurrence of an event of default, comply with all applicable laws and regulations and maintain appropriate insurance cover.

The loan agreement contains certain events of default that are customary for credit facilities agreements of this type and, subject to applicable materiality thresholds, grace periods, cure rights and agreed exceptions, it would be an event of default if, among other things, any of the borrowers or guarantors failed to make payment of amounts due under the credit facilities agreement or defaulted under any other agreement evidencing indebtedness, certain events occurred having a material adverse change on the business or financial condition of any of the borrowers, there was a change of control of any of the borrowers, certain bankruptcy or insolvency events occurred, there was a material breach of any material contract to which any borrower was a party or the counterparty to any material contract terminated such contract. The occurrence of an event of default may result in the acceleration of payment obligations under the credit facilities agreement.

MB Holding $31.0 million Dual Currency Loan Agreement with Ahli Bank SAOG and Ahli United Bank BSC

On September 30, 2009, MB Holding entered into a $31.0 million dual currency loan agreement with Ahli Bank SAOG and Ahli United Bank BSC. The loan was drawn down in a U.S. Dollar tranche of $17.0 million and an Omani Rial tranche of OMR 5.39 million ($14.0 million).

The U.S. Dollar tranche bears interest at a floating rate of LIBOR plus the applicable margin of 4.5% per annum, while the Omani Rial tranche bears interest at a fixed rate of 8.5% per annum. After an initial grace period of twelve months, the repayment of the loan started on September 30, 2010 and is being paid back in 40 equal monthly installments with the final payment due on January 30, 2014. As of June 30, 2010, $31.0 million of borrowings remained outstanding under the loan agreement.

The borrower has the right to prepay the loan in whole or in part by giving 30 business days' prior notice to the lenders. If the loan were to be repaid early, the borrower would have to pay a fee amounting to 1.0% of the amount prepaid.

The obligations under the loan agreement are secured by corporate guarantees given by MBPS, Petrogas E&P LLC, National Mining Company LLC (Mawarid Mining) and United Engineering

Services LLC. In addition, Mr. Mohamed Al Barwani has provided a personal guarantee and a mortgage over land to secure liabilities under the loan agreement.

Under the terms of the loan agreement, the borrower must comply with certain financial covenants. The breach of any of these financial covenants constitutes an event of default under the loan agreement and could result in the acceleration of the payment of the loan. The financial covenants require that:

- the borrower at all times maintains its Tangible Net Worth (as defined in the loan agreement) at not less than $350.0 million;
- the ratio of Total Liabilities (as defined in the loan agreement) to Tangible Net Worth is not, for each twelve-month period ending on December 31, greater than 2.5:1.0;
- at all times, the amounts outstanding in connection with the loan agreement do not exceed 35.0% of the value of the security provided in connection with the loan agreement (as set forth above); and
- at all times, the amounts outstanding under this agreement, the $35.0 million credit facilities agreement between the borrower and Ahli United Bank Bsc dated September 10, 2008 and the $10.0 million credit facilities agreement between MBPS and Ahli Bank SAOG dated July 26, 2007, do not exceed 60.0% of the value of the security provided in connection with these agreements.

The loan agreement contains customary affirmative and negative covenants for a loan agreement of this type. The negative covenants restrict the borrowers and guarantors from, among other things, disposing of assets, merging, changing their business, changing their ownership structure, giving guarantees and paying dividends. The loan agreement also contains affirmative covenants, requiring the borrower to, among other things: provide audited financial statements and consolidated half-year financial statements for the borrower and each guarantor; notify the lenders of any events of default; notify the lenders of information regarding litigation, arbitration or administrative procedures; comply with all laws; allow the lenders access to the property, premises and accounting books and records of the borrower; have at least OMR 25.0 million of business transactions routed through the collective bank accounts of the borrower and guarantors maintained with the lenders each year; and maintain appropriate insurance cover.

The loan agreement contains certain events of default that are customary for loan agreements of this type and, subject to applicable materiality thresholds, grace periods, cure rights and agreed exceptions, it would be an event of default if, among other things, there is a failure to make payment of amounts due under the agreement, there is a variation of more than 10% between the draft financial statements provided to the lenders and the audited financial statements, the borrower defaults under other agreements evidencing indebtedness, certain events occur having a material adverse change on the business or financial condition of the borrower or certain bankruptcy or insolvency events occur. The occurrence of an event of default may result in the acceleration of payment obligations under the loan agreement.

MB Holding $35.0 million Loan Agreement with Ahli United Bank BSC

On September 10, 2008, MB Holding entered into a $35.0 million loan agreement with Ahli United Bank BSC.

The loan bears interest at a rate of 3-month LIBOR plus the applicable margin of 2.0% per annum and any mandatory costs. As of June 30, 2010, $22.3 million of borrowings was outstanding under the agreement. The repayment of the loan is being made quarterly, with the final repayment due on August 11, 2013.

The borrower has the right to prepay the loan in whole or in part by giving five business days' prior notice, providing that such prepayments are made in U.S. Dollars and are in a minimum amount of $5.0 million. At any time the loan is prepaid, the borrower must also pay all accrued interest calculated at the date of prepayment.

As security for the loan, MB Holding pledged 41,786,980 shares of Ahli Bank SAOG and Al-Marjan Financial Services LLC has pledged 44,213,020 shares of Ahli Bank SAOG.

Under the terms of the loan agreement, the borrower must comply with certain financial covenants. The breach of any of these financial covenants constitutes an event of default and could result in the acceleration of the payment obligations under the agreement. The financial covenants require that the Loan Cover Ratio (as defined in the loan agreement) must, at all times, be maintained at a minimum of 150%.

The loan agreement contains customary affirmative and negative covenants for a loan agreement of this type. The negative covenants restrict the borrower from, among other things, disposing of its assets, merging or acquiring any assets or business other than in the ordinary course of business, granting any security interests over its assets or making a substantial change to its business. The loan agreement also contains affirmative covenants requiring the borrower to, among other things, provide its audited financial statements and consolidated half-year financial statements; provide notice upon the occurrence of an event of default; notify Ahli United Bank BSC of any information regarding litigation, arbitration or administrative procedures; comply with all laws; and maintain appropriate insurance cover.

The loan agreement contains certain events of default that are customary for loan agreements of this type and, subject to applicable materiality thresholds, grace periods, cure rights and agreed exceptions, it would be an event of default if, among other things, there is a failure to make payment of amounts due under the loan agreement or breach of any other provision of the loan agreement; there is a default under any other agreement evidencing indebtedness of the borrower; there is an event which has or could reasonably have a material adverse effect on the business, real estate, operations or condition (financial or otherwise) of the borrower or the group as a whole, the ability of the borrower to perform its obligations under the loan agreement or the validity or enforceability, or the rights of the lender under the loan agreement or security documents; or certain bankruptcy or insolvency events occur. The occurrence of an event of default may result in, among other things, the acceleration of the payment obligations under the loan agreement.

MB Holding OMR 6.0 million Term Loan with Bank Dhofar SAOG

On August 8, 2007, MB Holding entered into a term loan agreement with Bank Dhofar SAOG for the provision of an OMR 6.0 million ($15.6 million) term loan. The loan may be drawn down in either Omani Rials or dollars.

The loan bears interest payable monthly at a rate of 3-month LIBOR plus a margin of 1.25% per annum on outstanding amounts and at Bank Dhofar SAOG's maximum interest rate on arrears/defaulted amounts. As of June 30, 2010, OMR 3.77 million ($9.8 million) of borrowings remained outstanding under the loan, which will be fully settled in June 2012.

The loan is being repaid in 16 equal quarterly installments of OMR 375,000 ($975,000), commencing twelve months after the date of the first drawdown. The bank has the overriding right at any time to demand immediate repayment of the loan for any reason deemed fit by the bank. Any prepayment by the borrower may incur a penalty at the discretion of the bank.

The obligations of MB Holding are secured by a mortgage over two plots of land at Waqaiba and Multaga in Sohar and the proposed commercial and residential properties being constructed there, as well as by rent assignments of such properties once they are complete. The loan is further secured by the assignment of certain contract receivables and by a personal guarantee from Mr. Mohamed Al Barwani. In addition, the bank has an exclusive commercial pledge over all of MB Holding's fixed assets, goods, negotiable instruments, precious metals and any other assets, including inventory and receivables and any legal instruments representing such assets.

The loan agreement contains covenants requiring MB Holding to value the two plots of land at Waqaiba and Multaga in Sohar and complete an upfront registered mortgage of both properties, with such mortgage value to be subsequently enhanced upon completion of the construction of the properties to OMR 6.0 million ($15.6 million). MB Holding is also required to obtain adequate insurance over these properties.

The loan agreement requires MB Holding to deliver its audited financial statements to the bank within four months of the end of each financial year. MB Holding is also obligated to incorporate the bank's name as a joint beneficiary in the insurance policies of both of the mortgaged properties and in the life insurance policy of Mr. Mohamed Al Barwani. In addition, MB Holding undertakes to comply with the bank's requirement for periodical valuation of the mortgaged properties at its own cost.

The loan agreement contains certain customary events of default including, among others, failure by MB Holding to pay any amount of the principal or interest when due, utilization of the loan for a purpose other than as provided for and bankruptcy or similar events.

Petrogas

Petrogas E&P

Petrogas E&P LLC OMR 14,600,000 Credit Facilities Agreement with HSBC Bank Middle East Limited

On June 21, 2010, Petrogas E&P LLC entered into a credit facilities agreement with HSBC Bank Middle East Limited for the provision of credit facilities in the aggregate amount of OMR 14,600,000 ($37,960,000).

The credit facilities available to the borrower under this agreement consist of an installment loan of OMR 7,700,000 ($20,020,000), a guarantee line of OMR 2,300,000 ($5,980,000), an import line of OMR 3,000,000 ($7,800,000) (within which there is an import cash line of OMR 3,000,000 ($7,800,000)) and a standby documentary credit of OMR 1,600,000 ($4,160,000).

As of September 30, 2010, $20 million (OMR 7,692,308) of borrowings remained outstanding under the installment loan facility.

The guarantee line, import line and import cash line have been provided for guarantee and import finance requirements. The standby documentary credit has been provided in favor of Aban Singapore in respect of rental payments due to them in relation to an oil rig rented by the borrower. The installment loan has been provided to settle any outstanding amounts owed by the borrower to Bank Muscat to finance the purchase of materials in relation to a consortium agreement and drilling program.

The installment loan is repayable in 60 monthly installments of OMR 128,333.33 ($333,666.67) plus interest (calculated monthly in arrears), commencing six months from the initial drawdown date. The maximum tenor of the import line is 24 months. The import cash line facilities will be granted for periods of up to 120 days and the standby documentary credit facility is valid for one year. However, in relation to the guarantee line, the import line and the standby documentary credit, the bank has the right at any time to demand immediate repayment of all or any part of such facilities at its sole discretion by not less than ten days' notice in writing to the borrower.

The clean import loan, the bills receivable (both parts of the import line facility) and the installment loan facilities bear interest at a rate of 6.0% per annum below the bank's base lending rate of 12.0% per annum. Varying rates of commission are charged by the bank for the various facilities, either monthly or annually.

The obligations of the borrower under the credit facilities agreement are secured by a corporate guarantee of MB Holding which is limited to OMR 14,600,000 ($37,960,000), a corporate guarantee of Petrogas which is limited to OMR 14,600,000 ($37,960,000), a corporate guarantee of Petrogas Malih LLC which is limited to OMR 14,600,000 ($37,960,000), an irrevocable assignment of dividends payable by Mazoon Petrogas SAOC to Petrogas LLC and an irrevocable assignment of receivables from Itochu Corporation. In addition, the guarantee line, the import line and the standby documentary credit are secured by an exclusive commercial pledge over all of the borrower's goods, negotiable instruments, precious metals and other assets. The borrower was also required to undertake that Petrogas and Petrogas Malih LLC will not incur any additional debt for the term of the loans (unless otherwise agreed with the bank) and agreed to subordinate a loan of OMR 3,890,000 ($10,114,000) from Petrogas Malih LLC to the credit facilities.

The credit facilities agreement contains a reporting covenant pursuant to which the borrower must provide the bank with copies of its balance sheet and profitability statements within 45 days of the end of each quarter. A breach of this covenant could result in a cancellation or reduction in the facilities, an increase in pricing or the imposition of penalty charges. In addition, the borrower must provide the bank with its audited and signed financial statements on an annual basis within four months of the end of each financial year.

Mazoon Petrogas SAOG

Mazoon Petrogas SAOG $40.0 million Loan Agreement with Bank Muscat SAOG

On January 7, 2008, Mazoon Petrogas SAOG entered into an OMR 15.4 million ($40.0 million) term loan agreement with Bank Muscat SAOG. On July 29, 2009, Mazoon Petrogas SAOC entered into a term loan agreement with Bank Muscat SAOG revising the terms of the initial term loan and making available a new term loan in the amount of OMR 3.9 million ($10.1 million).

Under the loan agreements, the original term loan bears interest at a rate of 7.0% per annum and will be fully settled on March 31, 2012. The new term loan bears interest at a rate of 9.0% per annum and will be fully settled on June 1, 2012.

As of June 30, 2010, OMR 6.7 million ($17.5 million) of borrowings remained outstanding under the original term loan and OMR 3.1 million ($8.0 million) remained outstanding under the new term loan. The borrower has the right to prepay the loans in whole or in part by giving 15 business days' notice to the lender.

The obligations of MB Holding are secured by corporate guarantees of MB Holding and a personal guarantee of Mr. Mohamed Al Barwani. In addition, Mazoon Petrogas SAOG is required to route certain receivables to an account with Bank Muscat.

The loan agreements contain customary affirmative and negative covenants for a credit agreement of this type. The negative covenants restrict the borrower from, among other things, granting security over its assets, changing the nature of its business, changing its accounting year, changing its capital structure, and merging or disposing of assets. The loan agreements also contain affirmative covenants, requiring the borrower to, among other things, give notice upon the occurrence of events of default, comply with environmental regulations, maintain insurance coverage and comply with certain other standard obligations that require the borrower to operate its business in an orderly manner.

The loan agreements contains certain events of default that are customary for credit facilities agreements of this type and, subject to grace periods and cure rights, it would be an event of default if, among other things: the borrower failed to pay any sum due under these loan agreements or defaulted under any other agreement evidencing indebtedness; certain events occurred having a material adverse change on the assets, business, operations or condition (financial or otherwise) of the borrower; certain bankruptcy and insolvency events occurred; or if the borrower ceased to do business. The occurrence of an event of default may result in the acceleration of payment obligations under the loan agreements.

Mazoon Petrogas S.A.O.C. $18.0 million First Loan Agreement with International Finance Corporation

On February 26, 2005, Mazoon Petrogas S.A.O.C. entered into an $18.0 million loan agreement with International Finance Corporation. The purpose of the loan was to finance the borrower's share of capital expenditures in relation to a development plan and gas export project by Daleel Petroleum Company LLC (a company partly owned by the borrower).

The loan bears interest at 3-month LIBOR plus a spread. The loan is required to be repaid in quarterly amounts from January 15, 2006 through October 15, 2012. As of June 30, 2010, $6.15 million of borrowings was outstanding under the agreement.

The borrower has the right to prepay the loan by giving not less than 30 days' prior notice to the lender if (i) it pays all accrued interest and all other costs in addition to a prepayment premium (equaling 2.0% of the amount to be prepaid if prepayment occurs within two years of disbursement, 1.5% if prepayment occurs within three years of disbursement, or 1% if prepayment occurs within four years of disbursement); (ii) for a partial prepayment, the prepayment amount is not less than $5.0 million; and (iii) evidence satisfactory to the lender that all necessary authorizations with respect to prepayment have been obtained is provided to the lender at its request. No prepayment premium applies after four years from the date of disbursement.

The agreement includes a mandatory prepayment provision, such that if the borrower does not maintain minimum levels of the current debt service coverage ratio (1.5:1.0), future debt service coverage ratio (1.5:1.0), life of loan coverage ratio (1.7:1.0) or life of field coverage ratio (1.8:1.0), the borrower shall, at the bank's election, be required to prepay the loan within 30 days in an amount necessary to restore the relevant ratios to the applicable minimum levels.

The obligations under the agreement are secured by, among other things, an accounts agreement granting security over the debt service reserve account and revenue account, a pledge of shares of the borrower and collateral assignment of certain project agreements, including a petroleum agreement, transportation agreement and offtake agreement.

The agreement contains customary affirmative and negative covenants for credit facilities agreements of this type. The negative covenants restrict the borrower from, among other things: granting security over its assets; giving guarantees; disposing of assets; materially altering the scope of the project; making any distribution payment if any event of default is occurring or certain financial covenants are not met;

incurring debt, undertaking any merger or consolidation; terminating any project or transaction documents; amending its constitutional documents; or entering into any partnership or profit-sharing agreements unless otherwise required under project documents.

The agreement also contains affirmative covenants requiring the borrower to, among other things: conduct its business in accordance with the development plan and sound engineering, financial and business practices; maintain an accounting and control system; maintain internationally recognized independent public accountants; allow the bank to inspect the site; maintain all permits and authorizations; ensure all security granted to the bank is in full force and effect; maintain accounts according to the accounts agreement; provide notice upon the occurrence of an event of default; comply with all applicable laws and regulations; maintain appropriate insurance cover; and provide audited financial statements each year.

The loan agreement contains certain events of default that are customary for credit facilities agreements of this type and, subject to grace periods and cure rights, it would be an event of default if, among other things: the borrower failed to make payment of amounts due under the loan agreement or defaulted under any other loan agreement with the lender; certain events occurred having a substantial change on the business or financial condition of the borrower; any nationalization or seizure of a substantial part of the property or share capital of the borrower occurred; any authorization required for the project lapsed or ceased to be in full force and effect; any security document became invalid; certain bankruptcy or insolvency events occurred; or certain transaction documents relating to the project were terminated. The occurrence of an event of default could result in the acceleration of payment obligations under the loan agreement and a requirement that the borrower pay the prepayment premium on the amount that is accelerated.

Petrogas Rima LLC

In addition to the installment loan described below, Petrogas Rima LLC has a letter of credit facility with HSBC Bank Middle East Limited.

Petrogas Rima LLC OMR 3.85 million ($10.0 million) Loan Agreement with HSBC Bank

On November 23, 2009, Petrogas Rima entered into a facilities offer letter with HSBC Bank Middle East Limited with respect to, among other facilities, an OMR 3.85 million ($10.0 million) installment loan, which is further documented in an installment loan agreement between Petrogas Rima and HSBC Bank. Pursuant to the facilities offer letter, the purpose of the installment loan is for equipment purchases and payment to suppliers.

The interest rate under the loan agreement is 5.0% per annum below the lender's base lending rate, subject to fluctuation at the lender's discretion on advances and the bank's maximum rate (18.0% per annum as of the date of the agreement) on any excess or past due items. Interest payments are collected monthly in arrears.

As of June 30, 2010, OMR 3.85 million ($10.0 million) remained outstanding under the loan agreement. The loan is required to be repaid commencing twelve months from the initial drawdown in 48 equal monthly payments of $208,333 each. The loan will mature in January 2015.

Under the terms of the loan agreement, the lender is entitled to demand immediate repayment of the loan and immediate payment of all interest accrued if, among other things, the borrower fails to make its monthly payments, uses the facilities for a purpose other than defined or is in breach of the loan agreement. Under the facilities offer letter, the lender is entitled to (i) withdraw all or any of the facilities or (ii) demand that a cash deposit be placed with the bank as full collateral to cover all contingent or unmatured liabilities of the borrower to the bank at any time.

The borrower is required to inform the lender one month in advance if it intends to leave Oman and pay all amounts due to the bank before leaving.

The borrower's obligations are secured by two separate and irrevocable corporate guarantees given by MB Holding and Petrogas E&P, each in the amount of OMR 8.08 million (approximately $21 million), and an omnibus trust receipt agreement (commercial mortgage) over Petrogras Rima's assets (also in the amount of OMR 8.08 million). In addition, the borrower entered into an omnibus counter-indemnity with the lender whereby Petrogas Rima indemnified it against all actions, claims and liabilities (among other things) in connection with or arising in any way out of either of its corporate guarantees. The facilities offer letter also requires a performance bond guarantee in the amount of OMR 2.5 million and an irrevocable assignment of contract payments in the lender's favor from PDO as security.

Pursuant to covenants under the facilities offer letter, the borrower must: provide the lender with copies of certain financial documents of the borrower, including a company balance sheet and profitability statement, within 45 days of the end of each quarter and audited financial statements within four months of the end of each financial year; and not pay any dividends until at least 33% of the loan is repaid and unless all debt service/principal repayments are current.

Mawarid Mining

In addition to the facilities described below, Mawarid Mining has facilities with Caterpillar Financial Services and the National Bank of Oman.

Mawarid Mining $25.0 million Dual Currency Loan Agreement with Ahli Bank SAOG and Ahli United Bank BSC

On June 16, 2010, Mawarid Mining entered into a $25.0 million dual currency loan agreement with Ahli Bank SAOG and Ahli United Bank BSC (the "**Ahli Dual Currency Loan Agreement**"). Ahli Bank SAOG was appointed as security agent and facility agent under the loan agreement.

Mawarid Mining drew down the loan in an amount of $20.0 million on June 22, 2010 which consisted of a drawdown of OMR 1,925,000 and a second drawdown of $15.0 million. Subsequently, Mawarid Mining drew down $1.0 million on July 29, 2010, an additional $2.0 million on August 19, 2010, and a further $2.0 million on August 31, 2010. After an initial grace period of six months, the repayment of the loan will start on December 30, 2010, and will be paid back in 56 equal monthly installments, with the final payment due on June 30, 2015. As of September 30, 2010, $25.0 million of borrowings remained outstanding under the loan agreement.

The borrower has the right to prepay the loan in whole or in part by giving seven business days' prior notice to the lender, provided that, if paid off in part, the payment is in a minimum amount of $300,000 and integral multiples of $100,000 thereafter (or the equivalent in Omani Rials). A prepayment fee may be payable depending when the loan is repaid.

The U.S. Dollar tranche bears interest at a floating rate of 1-month LIBOR plus the applicable margin of 3.50% per annum. The Omani Rial tranche bears interest at a fixed rate of 6.25% per annum.

The obligations under the loan agreement are secured by a corporate guarantee provided by MB Holding and by a personal guarantee provided by Mr. Mohamed Al Barwani. In addition, Mawarid Mining has assigned the receivables under a specified trading contract to the lender and provided a negative pledge over a copper ore milling plant and machinery.

Under the terms of the loan agreement, the borrower must comply with certain financial covenants. The breach of any of these financial covenants constitutes an event of default under the loan agreement and could result in the acceleration of payment obligations under the loan agreement. The financial covenants require that:

- the minimum Tangible Net Worth (as defined in the loan agreement) of the borrower is not below $40 million as of December 31, 2010, $42 million as of December 31, 2011 and $45 million as of December 31, 2012 and as of December 31 of each year thereafter;
- the Tangible Net Worth less Dues from Related Parties (as defined in the loan agreement) of the borrower is not less than $20 million;
- the Leverage (as defined in the loan agreement) of the borrower does not exceed 1.75:1; and
- the Debt Service Cover Ratio (as defined in the loan agreement) of the borrower will at all times be not less than 1:1.

The loan agreement contains customary affirmative and negative covenants for a loan agreement of this type. The negative covenants restrict the borrower from, among other things, creating or allowing to subsist security over certain of its assets, disposing of assets, merging, making a substantial change to its business, granting guarantees, paying dividends in certain circumstances or entering into commodity derivatives for speculation purposes. The credit agreement also contains affirmative covenants, requiring the borrower to, among other things, provide the audited financial statements and consolidated half-year financial statements of the borrower; notify the lenders of any event of default; notify the lenders of any information regarding litigation, arbitration or administrative procedures; comply with all applicable laws; permit the facility agent access to the property, premises and accounting books and records of the borrower; ensure that 50% of the borrower's revenue is routed through bank accounts maintained by Ahli Bank SAOG; not terminate or substitute a specified contract; maintain appropriate insurance cover and open a reserve account for the deposit of three months of interest payable under the facility.

The loan agreement contains certain events of default that are customary for loan agreements of this type and, subject to applicable materiality thresholds, grace periods, cure rights and agreed exceptions, it would be an event of default if, among other things, the borrower fails to make payment of any amount due under the loan agreement or breaches any other provision of the loan agreement; the borrower or guarantors make any misrepresentation; the borrower or guarantors default under any other agreement evidencing indebtedness of any of them; an event occurs which has or could reasonably have a material adverse effect on the business, financial condition, assets or prospects of Mawarid Mining or the ability of Mawarid Mining to perform its obligations under the loan agreement; or certain bankruptcy and insolvency events occur. The occurrence of an event of default may result in, among other things, the acceleration of payment obligations under the agreement.

Mawarid Mining Company LLC OMR 7.8 million ($20.3 million) Credit Facilities Agreement with Bank Sohar SAOG

On February 3, 2010, National Mining Company LLC (now known as Mawarid Mining LLC) entered into a credit facilities agreement with Bank Sohar SAOG for the provision of credit facilities in the aggregate amount of OMR 7.8 million ($20.3 million).

The facilities available to the borrower under this credit facilities agreement consist of an overdraft facility of OMR 0.25 million ($0.65 million), a term loan in the amount of OMR 4.76 million ($12.4 million) and a facility for the provision of letters of credit in the amount of OMR 2.75 million ($7.2 million), with a sub-limit for the provision of loans against trust receipts in the amount of OMR 2.75 million ($7.2 million), a sub-limit for the provision of guarantees in the amount of OMR 0.5 million ($1.3 million) and a sub-limit for the provision of foreign exchange contracts in the amount of OMR 0.08 million ($0.2 million).

As of June 30, 2010, OMR 3.75 million ($9.75 million) of borrowings remained outstanding under the term loan facility, which will be fully settled in January 2014.

The interest rate on the term loan is 7.0% per annum, paid monthly, and the term loan is repayable in quarterly installments of $0.65 million. The interest rate on the overdraft facility is 7.5% per annum, paid monthly.

The obligations of the borrower under the credit facilities agreement are secured by a corporate guarantee of MB Holding, an assignment of certain receivables in the amount of approximately OMR 2.5 million ($6.5 million) per month and an assignment of the comprehensive insurance on certain of its project assets.

Mawarid Mining OMR 6.0 million Term Loan Agreement with HSBC Bank Plc

On June 20, 2010, Mawarid Mining LLC entered into a OMR 6.0 million ($15.6 million) term loan agreement with HSBC Bank Plc.

The loan was drawn down September 20, 2010 and is scheduled to be repaid by a bullet repayment on March 20, 2011. The loan bears interest at a rate of 6.5% per annum below HSBC Bank Plc's base lending rate (this lending rate was 12.0% as of June 30, 2010) and interest on the loan must be paid monthly.

This term loan agreement was subsequently combined with the OMR 4.25 million credit facility with HSBC Bank Plc described under the subsection "Mawarid Mining OMR 4.25 million Credit Facilities Agreement with HSBC Bank Plc". The obligations under the combined term loan agreement are secured by a corporate guarantee given by MB Holding in the amount of OMR 10.25 million and by a personal guarantee from Mr. Mohamed Al Barwani in the amount of OMR 6.0 million. In addition, the loan agreement provides that the lender will hold, as security for this loan agreement, any security that has been provided by virtue of any other loan agreement with the lender. When the term loan with HSBC and the subsequent one were combined, further security was provided in the form of Mawarid Mining's accounts and assets held by HSBC Bank Plc.

Mawarid Mining OMR 4.25 million Credit Facilities Agreement with HSBC Bank Plc

On March 21, 2010, Mawarid Mining entered into a credit facilities agreement with HSBC Bank Plc for the provision of credit facilities in the amount of OMR 4.25 million ($11 million).

Under the credit facilities agreement, the bank made available to the borrower an import line facility (available for sight documentary credits, bills receivable, deferred payment credits, clean import loans and deferred payment bills) in the amount of OMR 3.85 million ($10.0 million) and an overdraft facility in the amount of OMR 0.4 million ($1.0 million). These facilities are renewable annually.

As of June 30, 2010, $2.07 million of borrowings remained outstanding under this credit facilities agreement.

Under this credit facilities agreement, the bank has the right to require repayment in full of any amounts owing in respect of the facilities or any other amounts payable to the bank at any time or amend any part of the facilities at its sole discretion upon ten days' written notice to Mawarid Mining, without providing any justification. It is also entitled to withdraw at any time all or any of the facilities and demand that a cash deposit be placed with it as full collateral to cover all contingent or unmatured liabilities of Mawarid Mining to it.

The interest rate on the overdraft facility is 5.0% per annum below the lender's base lending rate (which was 12.0% as of June 30, 2010). The interest rate on bills receivable is the lender's base lending rate (which was 12.0% as of June 30, 2010). The interest rate on clean import loans is to be agreed on a case-by-case basis at the bank's discretion. The commission on sight documentary credits, deferred payment credits and deferred payment bills is 1/24% per month.

This term loan agreement was subsequently combined with the OMR 6.0 million credit facility with HSBC Plc described in the subsection entitled "Mawarid Mining OMR 6.0 million Term Loan Agreement with HSBC Bank Plc. The obligations under the combined credit facilities agreement are secured as described above.

Under the credit facilities agreement, the borrower is required to, among other things, provide audited financial statements each year, provide copies of the borrower's balance sheet and profitability statements each quarter and provide confirmation of environmental clearances and compliance with equator principles.

National Mining Company LLC $10 million Credit Facilities Agreement with Standard Chartered Bank

On May 20, 2009, National Mining Company LLC (Mawarid Mining) entered into a $10.0 million credit facility agreement with Standard Chartered Bank.

Under this credit facility agreement, the lender made available to the borrower a long-term loan in the amount of $10.0 million. The interest rate on the term loan is presently the cost of funds plus 3.75% per annum, subject to variation. In addition to the term loan, Standard Chartered Bank agreed to quote rates for (i) currency and interest rate options and swaps and (ii) forward transactions for up to three years. The maturity date of this facility is May 31, 2012.

As of June 30, 2010, approximately $6.9 million of borrowings remained outstanding under this credit facility agreement. The term loan is required to be repaid in 36 equal monthly payments ($277,780 per month).

The borrower's obligations are secured by a continuing corporate guarantee of MB Holding which has a limit of $10.0 million and a commercial mortgage (also limited to $10.0 million) over the borrower's assets at the plant, including rigs, vehicles and machinery. The borrower is required to arrange for insurance covering the insurable value to be assigned to the lender. The lender is entitled to require a formal valuation by an appraisal company acceptable to the bank once each year.

Under this facility, the borrower must comply with a financial covenant requiring that it maintains a net worth of $26 million at all times. In addition, the facility agreement contains customary affirmative and negative covenants for a facility agreement of this type. The borrower undertakes to, among other things, provide certain corporate documents and submit to the bank a signed original copy of its audited financial statements within four months of the end of each of its financial years. A failure to comply will result in the suspension of the facilities offered. The negative covenants restrict the borrower from selling, disposing of or creating security interests over its assets (including plant and machinery) without the prior written consent of the bank.

UES

In addition to the facilities described below, UES has facilities with Bank Muscat, Bank Dhofar and Standard Chartered Bank.

UES OMR 10.3 million Credit Facilities Agreement with HSBC Bank Plc

On April 23, 2010, UES entered into a credit facilities agreement with HSBC Bank Plc for the provision of credit facilities in the amount of OMR 10.3 million ($26.0 million).

Under this agreement, HSBC Bank Plc made available to the borrower a term loan facility in the amount of OMR 8.2 million ($21.2 million), an import line facility (available for sight documentary credits, bills receivables, deferred payment credits, clean import lines and deferred bill payments) in the amount of OMR 2.0 million ($5.2 million) and an overdraft facility in the amount of OMR 77,000 ($199,000).

As of June 30, 2010, no borrowings were outstanding under this credit facilities agreement; however, on August 22, 2010, OMR 1,000,000 was drawn down under the term loan facility. After an initial grace period of six months, the repayment of the loan will start on February 16, 2011 and will be paid back in 20 quarterly installments, with the final payment due February 16, 2016. The overdraft facility is repayable on demand. The import line facility can be granted for periods up to 150 days.

The interest rate on the term loan and overdraft facility is 6.0% per annum below the lender's base lending rate (which was 12.0% as of June 30, 2010). The interest rate on the clean import loan and bills receivables is also 6.0% per annum below the lender's base lending rate. The commission on sight documentary credits, deferred payment credits and deferred payment bills is 1/24% per month.

The obligations under this agreement are secured by a guarantee provided by MB Holding. A legal mortgage was also granted over a building upon its completion. In addition, certain insurance policies in respect of the building have been taken out in the joint names of the borrower and HSBC Bank Middle East Limited. As further security, the borrower granted HSBC Bank Plc an exclusive commercial pledge of and unconditional set-off rights in relation to all of its assets held by HSBC Bank Plc.

Under the terms of the credit facilities agreement, the borrowers must comply with certain financial covenants. The breach of any of these financial covenants constitutes an event of default under the credit facilities agreement and could result in an acceleration of the borrower's payment obligations. The financial covenants require that:

- the Minimum Tangible Net Worth (as defined in the credit facilities agreement), as tested on the audited consolidated financial statements of the borrower, is maintained at or above OMR 10.0 million; and
- the Total Gearing (as defined in the credit facilities agreement), as tested on the audited consolidated financial statements of the borrower, is maintained at 2:1 or better.

The credit facilities agreement contains customary affirmative covenants for credit facilities agreements of this type that require the borrower to, among other things, provide audited financial statements each year; provide, within 45 days of the end of each quarter, copies of the borrower's balance sheet and profitability statements; and provide up-to-date copies of progress reports on a quarterly basis on the progress of the building project (for which the funds under the credit facilities agreement have been used).

The credit facilities agreement contains certain events of default that are customary for credit facilities agreements of this type and, subject to applicable materiality thresholds, grace periods, cure rights and agreed exceptions, it would be an event of default if, among other things, the borrower fails to make payment of amounts due under the credit facilities agreement or commits a breach of any other term of the credit facilities agreement. The occurrence of an event of default may result in the acceleration of payment obligations under the credit facilities agreement.

Cameron Services Middle East LLC

In addition to the term loan described below, Cameron Services Middle East has facilities with Standard Chartered Bank and Bank Dhofar.

Cameron Services Middle East LLC $6.5 million Term Loan with Standard Chartered Bank

On July 30, 2009, Cameron Services Middle East LLC entered into a banking arrangements letter for the provision of a term loan in the amount of $6.5 million to finance the construction of a new building in the Rusail Industrial Area.

Under the bank arrangements letter, the term loan was capable of being drawn down in several tranches, with the availability period ending on December 31, 2009. The loan is required to be repaid in equal quarterly installments, commencing six months after the first drawdown. As of June 30, 2010, $5.4 million of borrowings was outstanding under the agreement.

The term loan bears interest at a variable rate determined by the lender, initially charged at 1.75% per annum over the cost of funds, payable monthly in arrears. The term loan will mature in June 2013.

As security for the term loan, the lender holds a first legal mortgage for $6.5 million over the building constructed in the Rusail Industrial Area.

Under the terms of the loan, the borrower must comply with financial covenants which require the maintenance of a leverage ratio (total liabilities to net worth) of less than 5.0:1.0 and ensuring that any dividend payments do not exceed net profit after tax in the relevant period. The term loan arrangement letter also contains customary affirmative and negative covenants for loan arrangement letters of this type. The negative covenants restrict the borrower from, among other things, disposing of assets and incurring any security interest over the assets without the consent of the lender. The affirmative covenants include requirements to submit half-yearly management accounts and audited financial statements within specified periods of time.

DESCRIPTION OF THE NOTES

In this "Description of the Notes," the word "**Issuer**" refers to MBPS Finance Company, "**MBPS**" refers only to Mohamed Al Barwani Petroleum Services LLC and not to any of its Subsidiaries and "**MB Holding**" refers only to Mohamed Al Barwani Holding Company LLC and not to any of its subsidiaries, except for the purposes of financial data determined on a consolidated basis. The word "**Notes,**" unless the context requires otherwise, also refers to "**book-entry interests**" in the Notes, as defined herein. The definitions of certain other terms used in this description are set forth throughout the text or under "*—Certain Definitions*."

The Issuer will issue, and the Guarantors will guarantee, the notes offered hereby (the "**Notes**") under an indenture dated on or around November 15, 2010 (the "**Indenture**") among, *inter alios*, the Issuer, the Guarantors and Deutsche Trustee Company Limited, as trustee (the "**Trustee**"). The terms of the Notes include those set forth in the Indenture. The Notes will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and will be subject to certain transfer restrictions.

The following description describes the rights of the Holders of the Notes and is a summary of the material terms of the Indenture. It does not restate the Indenture in its entirety. You should read the Indenture because it contains additional information and because it, and not this description, defines your rights as a Holder. A copy of the Indenture may be obtained by requesting it from the Issuer at the address indicated under "*General Information*", or, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market and to the extent that the rules of the Luxembourg Stock Exchange so require, from the office of the paying agent in Luxembourg.

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "**TIA**"). Consequently, the Holders of Notes generally will not be entitled to the protections provided under such TIA to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of Notes of certain relationships between it and the Issuer or the Guarantor.

The Issuer has made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF Market. If and so long as the Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, the Issuer will maintain a paying or transfer agent in Luxembourg. Please see the section entitled "*—Payments on the Notes; Paying Agents.*"

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Structure and Ranking of the Notes and the Guarantees

The Notes

The Notes will:

(a) be the Issuer's general unsecured obligations;

(b) mature on November 15, 2015;

(c) rank equally in right of payment with all of the Issuer's existing and future debt that is not subordinated in right of payment to the Notes;

(d) be effectively subordinated to all existing and future secured debt of the Issuer to the extent of the assets securing such debt;

(e) rank senior in right of payment to any and all of the Issuer's existing and future debt that is subordinated in right of payment to the Notes; and

(f) be guaranteed on a senior unsecured basis by the Guarantors.

The Guarantees

Each Guarantee will:

(a) be a general unsecured obligation of the Guarantor that granted such Guarantee;

(b) rank equally in right of payment with all existing and future debt of the applicable Guarantor that is not subordinated in right of payment to such Guarantee;

(c) be effectively subordinated to all existing and future secured debt of such Guarantor to the extent of the assets securing such debt; and

(d) rank senior in right of payment to any and all of such Guarantor's existing and future debt that is subordinated in right of payment to its Guarantee.

General

Not all of Subsidiaries of MB Holding and MBPS will Guarantee the Notes. See "*Summary Corporate and Financing Structure*." As of June 30, 2010, on a *pro forma* basis after giving effect to the issuance of the Notes and the use of proceeds thereof, there would have been $258.1 million of *Pari Passu* Debt that is secured, $16.8 million of *Pari Passu* Debt that is unsecured and $11.7 million of Debt of non-Guarantor Subsidiaries of MB Holding and of MBPS, which debt may be structurally senior to the Notes and the Guarantees.

The operations of MB Holding and MBPS are conducted through their Subsidiaries and, therefore, MB Holding and MBPS depend on the cash flow of their Subsidiaries to meet their obligations, including their obligations under their Guarantees. The Guarantees will be effectively subordinated in right of payment to all Debt and other liabilities and commitments (including trade payables and lease obligations) of the Subsidiaries that are not Guarantors. Any right of a Guarantor to receive assets of any of the Subsidiaries that are not Guarantors upon the liquidation or reorganization of such Subsidiary (and the consequent right of the Holders to participate in those assets) will be effectively subordinated to the claims of such Subsidiary's creditors, except to the extent that a Guarantor is itself recognized as a creditor of such Subsidiary, in which case the claims of the Guarantor would still be subordinate in right of payment to any security in the assets of such Subsidiary and any Debt of such Subsidiary senior to that held by such Guarantor.

As a result, in the event of a bankruptcy, liquidation or reorganization of any of the non-Guarantor Subsidiaries, the non-Guarantor Subsidiaries will likely be required to repay financial and trade creditors before distributing any assets to a Guarantor. For the six-month period ended June 30, 2010, on a *pro forma* basis after giving effect to the issuance of the Notes and the use of proceeds thereof, the non-guarantor Subsidiaries generated 11.3% of MBPS' consolidated revenues and 10% of MBPS' consolidated EBITDA.

As of the Issue Date, all of MBPS's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*," MBPS will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries of MBPS will not be subject to many of the restrictive covenants in the Indenture. Furthermore, Unrestricted Subsidiaries of MBPS will not Guarantee the Notes.

Although the Indenture will contain limitations on the amount of additional Debt that the Issuer, the Guarantors, the Restricted Subsidiaries and MB Holding and its other Subsidiaries may incur, the amount of such additional Debt could be substantial.

Principal, Maturity and Interest

The Notes will mature on November 15, 2015 on which date the Issuer will redeem the Notes that have not been previously redeemed or purchased and canceled at 100% of their principle amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date. The Issuer will issue the Notes in the aggregate principal amount of $320.0 million. Subject to the covenant described under "*—Certain Covenants—Limitation on Debt of MBPS*," the Issuer is permitted to issue additional Notes under the Indenture ("**Additional Notes**"); *provided* that if any Additional Notes are not fungible with the relevant series of Notes for U.S. federal income tax purposes, such Additional Notes will be issued as a separate series under the Indenture and will have a separate CUSIP number or common code and ISIN, as applicable, from the relevant series of Notes. The Notes and any Additional Notes that are issued will be treated as a single class for all purposes of the Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, references to the "**Notes**" for all purposes of the Indenture and in this "*Description of the Notes*" include references to any Additional Notes that are issued.

Each Note will bear interest at a rate per annum of 11.25% and will be payable semi-annually from the Issue Date or from the most recent interest payment date to which interest has been paid or provided for, whichever is later. Interest will be payable on each Note on and of each year, commencing on May 15,

2011. Interest will be payable to Holders of record on each Note in respect of the principal amount thereof outstanding as of the immediately preceding November 1 or May 1, as the case may be.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on overdue principal and interest will accrue at a rate that is 1% higher than the interest rate on the Notes. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

Form of Notes

The Notes will be issued on or around November 15, 2010, only in fully registered form without coupons and only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Notes will be initially in the form of one or more global notes (the "**Global Notes**"). The Global Notes representing Notes sold pursuant to Regulation S under the Securities Act will be deposited with and registered in the name of the common depositary for Euroclear and Clearstream Banking or a nominee of such common depositary. The Global Notes representing Notes sold pursuant to Rule 144A under the Securities Act will be registered in the name of Cede & Co., as nominee of DTC. Ownership of interests in the Global Notes, referred to in this description as "**book-entry interests**," will be limited to persons that have accounts with DTC, Euroclear or Clearstream Banking or their respective participants. The terms of the Indenture will provide for the issuance of definitive registered Notes in certain circumstances. Please see the section entitled "*Book-Entry, Delivery and Form.*"

Transfer

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Notice to Investors.*"

All transfers of book-entry interests between participants in DTC, Euroclear or Clearstream Banking will be effected by DTC, Euroclear or Clearstream Banking pursuant to customary procedures and subject to applicable rules and procedures established by DTC, Euroclear or Clearstream Banking and their respective participants. Please see the section entitled "*Book-Entry, Delivery and Form.*" In addition, the Indenture will provide for the transfer of the Notes by the Luxembourg Transfer Agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market and to the extent that the rules of the Luxembourg Stock Exchange so require. The initial Transfer Agent will be Deutsche Bank Luxembourg S.A. in Luxembourg.

The Transfer Agent and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. The Issuer will not be required to transfer or exchange any note selected for redemption. Also, the Issuer will not be required to transfer or exchange any note for a period of 15 days before a selection of notes to be redeemed.

Payments on the Notes; Paying Agent

The Issuer will maintain a paying agent (each a "**Paying Agent**") for the Notes in the Borough of Manhattan, City of New York; The Issuer will also maintain a Registrar with offices in (i) the Borough of Manhattan, City of New York; (ii) the City of London (the "**Principal Paying Agent**"); and (iii) Luxembourg for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market. The initial Paying Agents will be Deutsche Bank Trust Company Americas in New York, Deutsche Bank AG, London Branch in London and Deutsche Bank Luxembourg S.A. in Luxembourg. The Issuer will also maintain a transfer agent in New York and in Luxembourg. The initial U.S. Registrar will be Deutsche Bank Trust Company Americas in New York and the Luxembourg Registrar will be Deutsche Bank Luxembourg S.A. The initial transfer agents will be Deutsche Bank Trust Company Americas in New York.

The Issuer may change the Paying Agent, the Registrar or the transfer agent without prior notice to the Noteholders. For so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of paying agent, registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange. In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Notes other than for the purposes of effecting a redemption described under "*—Optional Redemption*" or an offer to purchase the Notes described under either of "*—Certain Covenants—Change of*

Control" and "*—Certain Covenants—Limitation on Asset Sales.*" The Issuer will make all payments in same-day funds. Payments on the Global Notes will be made to the common depositary as the registered holder of the Global Notes.

The Issuer undertakes that it will maintain a paying agent in an EU Member State that is not obligated to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any other Directative implementing the conclusions of the ECOFIN Council meeting of, November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

No service charge will be made for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Guarantees

General

Under the Indenture, the Guarantors will jointly and severally agree to guarantee the due and punctual payment of all amounts payable under the Notes, including principal, premium, if any, and interest payable under the Notes.

The obligations of each Guarantor under its Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor by law or without resulting in its obligations under its Guarantee being voidable or unenforceable under applicable laws relating to fraudulent transfer, financial assistance, insolvency and administration, equitable subordination principles, directors' duties to act in good faith and for proper purposes, or under similar laws affecting the rights of creditors generally or without causing the management of a Guarantor to contravene their duties, to incur civil or criminal liability or to contravene any legal prohibition, e.g., because of capital maintenance rules. Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor.

Release of the Guarantees

A Guarantee will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(1) upon the voluntary sale or disposition (including through merger, consolidation, amalgamation or other combination) or conveyance, transfer or lease of the Capital Stock, or all or substantially all of the assets, of a Subsidiary Guarantor (or a Holding Company thereof) if such sale is made in compliance either with the covenant described under "*—Certain Covenants—Limitation on Asset Sales*" or with the covenant described under "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" (and, in the latter instance, such covenant authorizes such release);

(2) upon a Legal Defeasance or satisfaction and discharge of the Indenture that complies with the provisions under "*—Defeasance*" or "*—Satisfaction and Discharge*";

(3) upon the designation by the Issuer of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

(4) upon payment in full of the aggregate principal amount of all Notes then outstanding and all other financial obligations under the Indenture and the Notes then due and owing; and

(5) as described under "*—Amendments and Waivers.*"

Upon any occurrence giving rise to a release of a Guarantee as specified above, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Guarantee. Neither the Issuer nor any Guarantor will be required to make a notation on the Notes to reflect any such Guarantee or any such release, termination or discharge.

Additional Amounts

All payments made under or with respect to the Notes or that the Guarantors make under or with respect to the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer or Guarantor is incorporated, organized, engaged in business, resident for tax purposes or generally subject to tax on a net income basis or from or through which payment on the Notes is made or any political subdivision or authority thereof or therein having the power to tax (each, a "**Relevant Taxing Jurisdiction**") and any interest, penalties and other liabilities with respect thereto (collectively, "**Taxes**"), unless the Issuer is required to so withhold or deduct such Taxes by law or by the relevant taxing authority's interpretation or administration thereof. In the event that the Issuer or a Guarantor is required to so withhold or deduct any amount for or on account of any such Taxes from any payment made under or with respect to the Notes the Issuer or such Guarantor, as the case may be, will pay such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount (including Additional Amounts) received by each Holder or beneficial owner of the Notes (including Additional Amounts) after such withholding or deduction will be not less than the amount that such Holder or beneficial owner would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will pay Additional Amounts to a Holder or beneficial owner of any Note in respect or on account of:

(a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the Holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction (including, but not limited to, citizenship, nationality, residence, domicile or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction) other than the mere receipt or holding of any Note or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under such Note or the Indenture;

(b) any Taxes that are imposed or withheld by reason of the failure of the Holder or beneficial owner of any Note, prior to the relevant date on which a payment under and with respect to the Notes is due and payable (the "**Relevant Payment Date**") to comply with the Issuer's written request addressed to the Holder or beneficial owner at least 30 calendar days prior to the Relevant Payment Date to provide accurate information with respect to any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction which the Holder or such beneficial owner is legally required to satisfy, whether imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(d) any Tax that is payable other than by deduction or withholding from payments made under or with respect to any Note;

(e) any Tax which would not have been so imposed but for the presentation (where presentation is required in order to receive payment) by the Holder or beneficial owner of a Note on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder or beneficial owner would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period;

(f) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any Directive otherwise implementing the conclusions of the ECOFIN Council meetings of, November 26 and 27, 2000 or any law implementing or complying with, or introduced in order to conform to, any such Directive; or

(g) any Tax that is imposed on or with respect to a payment made to a Holder or beneficial owner who would have been able to avoid such withholding or deduction by requesting that a payment on the Note be made by, or presenting a Note for a payment to, another paying agent in a Member State of the European Union.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items. Furthermore, Additional Amounts will not be paid to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settler with respect to the fiduciary, or a member of that partnership of a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settler, partner or beneficial owner been the Holder thereof.

The Issuer or the Guarantors will also make or cause to be made such withholding or deduction of Taxes and remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer will, upon request, make available to the Holders and the Trustee, within 30 days after the date on which the payment of any Taxes so deducted or withheld is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Issuer or if, notwithstanding the Issuer's reasonable efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee of such payment by the Issuer. If reasonably requested by the Trustee, the Issuer and (to the extent necessary) the Guarantor will provide to the Trustee such information as may be in the possession of the Issuer and the Guarantor (and not otherwise in the possession of the Trustee) to enable the Trustee to determine the amount of any withholding taxes attributable to any particular Holder(s); *provided*, *however*, that in no event shall either the Issuer or Guarantor be required to disclose any information that it reasonably deems to be confidential.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor will be obliged to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer or Guarantor will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable such Trustee or Paying Agent to pay such Additional Amounts to the Holders and beneficial owners on the payment date. The Trustee shall be entitled to rely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer will promptly publish a notice in accordance with the provisions set forth in "*—Notices*" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

The Indenture will further provide that if the Issuer or a Guarantor conducts business in any jurisdiction (an "**Additional Taxing Jurisdiction**") other than a Relevant Taxing Jurisdiction and, as a result, is required by the law of such Additional Taxing Jurisdiction to withhold or deduct any amount on account of the Taxes imposed by such Additional Taxing Jurisdiction from payment under the Notes or any Guarantee, as the case may be, which would not have been required to be so withheld or deducted but for such conduct of business in such Additional Taxing Jurisdiction, the Additional Amounts provision described above will be considered to apply as if references in such provision to "**Taxes**" included taxes imposed by way of withholding or deduction by any such Additional Taxing Jurisdiction (or any political subdivision thereof or therein).

In addition, the Issuer or the Guarantors will pay (i) any present or future stamp, issue, registration, transfer, documentation, court, excise or property taxes or other similar taxes, charges and duties, including interest, penalties and Additional Amounts with respect thereto in respect of the execution, issue, delivery, registration, redemption or retirement of, or receipt of payments with respect to, the Notes, the Indenture or the Guarantees, or any other document or instrument referred to thereunder; (ii) any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes, Guarantee or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes; and (iii) any stamp, court or documentary taxes (or similar charges or levies) imposed with respect to the receipt of any payments with respect to the Notes or the Guarantees.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any Surviving Entity (as defined below) or successor person to the Issuer or a Guarantor is incorporated, organized, engaged in business, resident for tax purposes or otherwise subject to taxation on a net income basis or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or this "*Description of the Notes*" there is mentioned, in any context, the payment of principal (and premiums, if any), Redemption Price, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to any Guarantee), such mention will be deemed to include mention of the payment of Additional Amounts.

Optional Redemption

Optional Redemption prior to November 15, 2013 upon Equity Offering

At any time prior to November 15, 2013, upon not less than 30 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes at a redemption price of 111.25% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net proceeds from one or more Equity Offerings. The Issuer may only do this, however, if:

(a) at least 65% of the aggregate principal amount of Notes that were initially issued would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 90 days after the closing of such Equity Offering.

Optional Redemption prior to November 15, 2013

At any time prior to November 15, 2013, upon not less than 30 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest to the redemption date.

Optional Redemption on or after November 15, 2013

At any time on or after November 15, 2013 and prior to maturity, upon not less than 30 nor more than 60 days' notice, the Issuer may, on any one or more occasion, redeem all or part of the Notes. These redemptions will be in amounts of $200,000 or integral multiples of $1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on November 15 of the years set forth below.

Year	Redemption Price
2013	105.625%
2014 and thereafter	100.000%

Redemption upon Changes in Withholding Taxes

The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer or any Guarantor is or, on the next date on which any amount would be payable in respect of the Notes, would be obliged to pay Additional Amounts which are more than a *de minimis* amount in respect of the Notes pursuant to the terms and conditions thereof, which the Issuer or a Guarantor, as the case may be, cannot avoid by the use of reasonable measures available to it (including making payment through a paying agent located in another jurisdiction) as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction affecting taxation which becomes effective on or after the date of the Indenture or, if such Relevant Taxing Jurisdiction has become a Relevant Taxing Jurisdiction since the date of the Indenture, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, on or after the date of assumption by the successor person of the Issuer's obligations hereunder); or

(b) any change in the official application, administration, or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction) on or after the date of the Indenture or, if such Relevant Taxing Jurisdiction has become a Relevant Taxing Jurisdiction since the date of the Indenture, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, on or after the date of assumption by the successor person of the Issuer's obligations hereunder) (each of the foregoing clauses (a) and (b), a "**Change in Tax Law**").

Notwithstanding the foregoing, the Issuer may not redeem the Notes under this provision if the Relevant Taxing Jurisdiction changes under the Indenture and the Issuer is obliged to pay Additional Amounts as a result of a Change in Tax Law of the then current Relevant Taxing Jurisdiction which, at the time the latter became the Relevant Taxing Jurisdiction under the Indenture, had been publicly announced as being or having been formally proposed.

No right to redeem the Notes will result from a Change in Tax Law affecting payments by a Guarantor or a successor person, unless the Change in Tax Law becomes effective after the date that such entity first makes a scheduled payment of principal or interest under the Notes. In the case of Additional Amounts required to be paid as a result of the Issuer conducting business in an Additional Taxing Jurisdiction (as defined above), the Change in Tax Law must become effective after the date the Issuer begins to conduct the business giving rise to the relevant withholding or deduction.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or Guarantor, as the case may be, would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, mailing of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

(a) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer or Guarantor taking reasonable measures available to it); and

(b) an opinion of independent tax counsel of recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or Guarantor, as the case may be, is or would be obliged to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept such Officers' Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

Notice of Optional Redemption

The Issuer will publish a notice of any optional redemption of the Notes described above in accordance with the provisions of the Indenture described under "*—Notices.*" The Issuer will inform the Luxembourg Stock Exchange of the principal amount of the Notes that have not been redeemed in connection with any optional redemption. If fewer than all the Notes are to be redeemed at any time, the Trustee or the applicable Registrar will select the Notes by a method that complies with the requirements, as certified to the Trustee or the applicable Registrar by the Issuer, of the principal securities exchange, if any, on which the Notes are listed at such time or, if the Notes are not listed on a securities exchange, *pro rata*, by lot or by such other method as the Trustee or the applicable Registrar in its sole discretion shall deem fair and appropriate; *provided* that no such partial redemption will reduce the portion of the principal amount of a Note not redeemed to less than $200,000. Neither the Trustee nor the applicable registrar will be liable for any selections made by it under this paragraph.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "*—Certain Covenants—Change of Control*" and "*—Certain Covenants—Limitation on Asset Sales.*" The Issuer, MB Holding, MBPS and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

Certain Covenants

The Indenture will contain, among others, the following covenants.

Limitation on Debt of MBPS

(1) MBPS will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "**Incur**" or, as appropriate, an "**Incurrence**"), any Debt (including any Acquired Debt); *provided* that MBPS and any Restricted Subsidiary will be permitted to Incur Debt (including Acquired Debt) if at the time of such Incurrence and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the Incurrence of such Debt, taken as one period, would be greater than 2.5 to 1.0; *provided* that the maximum aggregate principal amount of Debt incurred by Restricted Subsidiaries that are not Subsidiary Guarantors pursuant to this paragraph (1) shall not exceed $10 million at any one time outstanding.

(2) This "*Limitation on Debt of MBPS*" covenant will not, however, prohibit the following (collectively, "**Permitted Debt**"):

(a) the Incurrence by MBPS or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed an amount equal to (i) $60 million (provided that such amount shall be reduced to the extent of any MBPS Qualified Receivables Financing) minus (ii) the amount of any permanent repayments or permanent prepayments of such debt with, in each case, the proceeds of Asset Sales made in accordance with "Limitation on Asset Sales";

(b) the Incurrence by the Issuer of Debt pursuant to the Notes (other than Additional Notes) and the Incurrence of Debt by MBPS or the Subsidiary Guarantors pursuant to the Guarantees (other than Guarantees of Additional Notes);

(c) any Debt of MBPS or any Restricted Subsidiary outstanding on the Issue Date;

(d) the Incurrence by MBPS, the Issuer or any Restricted Subsidiary of intercompany Debt between or among MBPS, the Issuer and any Restricted Subsidiary; *provided* that:

(i) if the Issuer, MBPS or a Subsidiary Guarantor is the obligor on any such Debt and the lender of such Debt is not the Issuer, MBPS or a Subsidiary Guarantor it is (x) unsecured and (y) it is expressly subordinated in right of payment to the prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Notes or its Guarantee, as the case may be; and

(ii) (x) any disposition, pledge or transfer of any such Debt to any Person (other than a disposition, pledge or transfer to MBPS or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing to MBPS or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an Incurrence of such Debt not permitted by this clause (d);

(e) guarantees of the Notes made in accordance with the provisions of the "*Additional Guarantees*" covenant described below;

(f) the Incurrence by MBPS or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt Incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or assets, in each case, Incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property, plant or equipment used in MBPS's or any Restricted Subsidiary's business (including any reasonable related fees or expenses Incurred in connection with such acquisition or development); *provided* that the principal amount of such Debt so Incurred when aggregated with other Debt previously Incurred in reliance on this clause (f) and still outstanding shall not in the aggregate exceed $10 million;

(g) Acquired Debt of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of MBPS or another Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) MBPS or any Restricted Subsidiary; provided, however, with respect to this clause (g), that at the time of such acquisition or other transaction (x) MBPS would have been able to Incur $1.00 of additional Debt pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Debt pursuant to this clause (g) or (y) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(h) Debt in an aggregate outstanding principal amount which will not exceed 100% of the Net Cash Proceeds received by MBPS from an Equity Offering subsequent to the Issue Date; *provided, however*, that any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under clause (2)(c)(ii) of the covenant described below under "*Limitation on Restricted Payments of MBPS*" to the extent the Parent or its Restricted Subsidiaries incur Debt in reliance thereon;

(i) the Incurrence by MBPS or any Restricted Subsidiary of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by MBPS or any Restricted Subsidiary of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the net proceeds, including non cash proceeds (the Fair Market Value of such non cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(j) the Incurrence by MBPS or any Subsidiary Guarantor of Debt under Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;

(k) the Incurrence by MBPS or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, or pursuant to self-insurance obligations, performance and surety bonds, bid bonds and guarantees relating to the purchase of goods and materials in the ordinary course of business;

(l) Debt Incurred pursuant to any MBPS Qualified Receivables Financing that is not recourse to MBPS or any Restricted Subsidiary except for such recourse as arises through Standard Securitization Undertakings;

(m) the Incurrence of Debt by MBPS or any Restricted Subsidiary arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within five business days of Incurrence, (ii) bankers' acceptances, and (iii) completion guarantees provided or letters of credit obtained by MBPS or any Restricted Subsidiary in the ordinary course of business;

(n) the Incurrence by MBPS or any Restricted Subsidiary of Permitted Refinancing Debt in exchange for or the net proceeds of which are used to renew, refund, discharge, replace, defease or refinance Debt Incurred by it pursuant to, or described in, paragraphs (1) and 2(b) and (c) of this "*Limitation on Debt of MBPS*" covenant, as the case may be;

(o) the guarantee by MBPS or any of the Restricted Subsidiaries of Debt of MBPS or a Restricted Subsidiary of MBPS, to the extent that the guaranteed Debt was permitted to be incurred by another provision of this covenant; *provided* that if the Debt being guaranteed is subordinated to or *pari passu* with the Notes, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Debt guaranteed;

(p) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(q) Subordinated Shareholder Funding;

(r) the Incurrence by MBPS of intercompany Debt between or among MBPS and MB Holding in an aggregate principal amount at any one time outstanding not to exceed $5 million; *provided* that such Debt is Incurred (i) for the purposes of liquidity management transactions between or among MBPS and MB Holding consistent with past practice and (ii) pursuant to a written agreement; and

(s) the Incurrence of Debt by MBPS or any Subsidiary Guarantor (other than and in addition to Debt permitted under clauses (a) through (r) above) in an aggregate principal amount at any one time outstanding not to exceed $20 million.

(3) For purposes of determining compliance with this "*Limitation on Debt of MBPS*" covenant, in the event that an item of Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (a) through (s) of paragraph (2) above, or is entitled to be Incurred pursuant to the paragraph (1) of this "*Limitation on Debt of MBPS*" covenant, MBPS will be permitted to classify such item of Debt on the date of its Incurrence in any manner that complies with this "*Limitation on Debt of MBPS*" covenant. Debt under Credit Facilities that are revolving credit facilities outstanding on the date on which the Notes are first issued will initially be deemed to have been Incurred on such date in reliance on the exception provided by clause (a) of paragraph (2) above. In addition, any item of Debt initially classified as Incurred pursuant to one of the categories of Permitted Debt described in clauses (b) through (s) of paragraph (2) above, or is entitled to be Incurred pursuant to the paragraph (1) of this "*Limitation on Debt of MBPS*" covenant, may later be reclassified by the Issuer such that it will be deemed as having been Incurred pursuant to such new clause or paragraph (1) of this "*Limitation on Debt of MBPS*" covenant to the extent that such reclassified Debt could be Incurred pursuant to such new clause or paragraph (1) of this "*Limitation on Debt of MBPS*" covenant at the time of such reclassification.

(4) For purposes of determining compliance with any restriction on the Incurrence of Debt in U.S. Dollars where Debt is denominated in a different currency, the amount of such Debt will be the U.S. Dollar Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to U.S. Dollars) covering principal amounts payable on such Debt, the amount of such Debt expressed in U.S. Dollars will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt Incurred in the same currency as the Debt being refinanced will be the U.S. Dollar Equivalent of the Debt being refinanced determined on the date such Debt being refinanced was initially Incurred. Notwithstanding any other provision of this "*Limitation on Debt of MBPS*" covenant, for purposes of determining compliance with this "*Limitation on Debt of MBPS*" covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that MBPS or a Restricted Subsidiary may Incur under the "*Limitation on Debt of MBPS*" covenant.

(5) For purposes of determining any particular amount of Debt under the "*Limitation on Debt of MBPS*" covenant:

(a) obligations in the form of letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount;

(b) any Liens granted pursuant to the equal and ratable provisions referred to in the "*Limitation on Liens*" covenant; and

(c) accrual of interest, accrual of dividends, the accretion or amortization of original issue discount or of accreted value, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Debt; *provided*, in each case, that the amount of any such accrual, accretion or payment is included in the Consolidated Interest Expense of MBPS as accrued,

will not, in any case, be treated as Debt.

Limitation on Debt of MB Holding

(1) MB Holding will not, and will not permit any of its Subsidiaries (other than MBPS, the Issuer or any Restricted Subsidiary) to, Incur any Debt (including any MB Holding Acquired Debt); *provided* that the MB Holding and any of its Subsidiaries to which this clause is applicable will be permitted to Incur Debt (including MB Holding Acquired Debt) if at the time of such Incurrence and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the MB Holding Consolidated Leverage Ratio would be less than 3.5 to 1.0.

(2) This "*Limitation on Debt of MB Holding*" covenant will not, however, prohibit the following (collectively, "**MB Holding Permitted Debt**"):

(a) The Incurrence by MB Holding or any of its Subsidiaries (other than MBPS, the Issuer or any Restricted Subsidiary) of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed $225 million (provided that such amount shall be reduced to the extent of any MB Holding Qualified Receivables Financing);

(b) the Incurrence by MB Holding of Debt pursuant to its Guarantee (other than a Guarantee of Additional Notes);

(c) any Debt of MB Holding or any of its Subsidiaries (other than MBPS, the Issuer or any Restricted Subsidiary) outstanding on the Issue Date;

(d) the Incurrence by MB Holding or any Subsidiary of MB Holding of intercompany Debt between or among MB Holding or any Subsidiary of MB Holding; *provided* that:

(i) if MB Holding is the obligor on any such Debt is (x) unsecured and (y) it is expressly subordinated in right of payment to the prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under its Guarantee; and

(ii) (x) any disposition, pledge or transfer of any such Debt to any Person (other than a disposition, pledge or transfer to MB Holding or a Subsidiary of MB Holding) and (y) any transaction pursuant to which any Subsidiary of MB Holding that has Debt owing to MB Holding or another Subsidiary of MB Holding ceases to be a Subsidiary of MB Holding, will, in each case, be deemed to be an Incurrence of such Debt not permitted by this clause (d);

(e) the Incurrence by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding of Debt represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt Incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or assets, in each case, Incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property, plant or equipment used in MB Holding's or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary of MBPS) of MB Holding's business (including any reasonable related fees or expenses Incurred in connection with such acquisition or development); *provided* that the principal amount of such Debt so Incurred when aggregated with other Debt previously Incurred in reliance on this clause (e) and still outstanding shall not in the aggregate exceed $15 million;

(f) MB Holding Acquired Debt of any Person incurred and outstanding on the date on which such Person becomes a Subsidiary of MB Holding or another Subsidiary of MB Holding (in each case, other than a Subsidiary of MBPS, the Issuer or any Restricted Subsidiary) or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) MB Holding or any Subsidiary of MB Holding; provided, however, with respect to this clause (f), that at the time of such acquisition or other transaction (x) MB Holding would have been able to Incur $1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (f) or (y) the MB Holding Consolidated Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

(g) the Incurrence by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the net proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(h) the Incurrence by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding of Debt under Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;

(i) the Incurrence by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding of Debt in respect of workers' compensation and claims arising under similar legislation, or pursuant to self-insurance obligations, performance and surety bonds, bid bonds and guarantees relating to purchase of goods and materials in the ordinary course of business;

(j) Debt Incurred pursuant to any MB Holding Qualified Receivables Financing that is not recourse to MB Holding or any Subsidiary of MB Holding except for such recourse as arises through Standard Securitization Undertakings;

(k) the Incurrence of Debt by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within five business days of Incurrence, (ii) bankers' acceptances, and (iii) completion guarantees provided or letters of credit obtained by MB Holding or any Subsidiary of MB Holding in the ordinary course of business;

(l) the Incurrence by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding of Permitted Refinancing Debt in exchange for or the net proceeds of which are used to renew, refund, discharge, replace, defease or refinance Debt Incurred by it pursuant to, or described in, paragraphs (1) and 2(b) and (c) of this "*Limitation on Debt of MB Holding*" covenant, as the case may be;

(m) the guarantee by MB Holding or any Subsidiary (other than MBPS, the Issuer or any Restricted Subsidiary) of MB Holding of Debt of MB Holding or any Subsidiary of MB Holding, to the extent that the guaranteed Debt was permitted to be incurred by another provision of this covenant; *provided* that if the Debt being guaranteed is subordinated to or *pari passu* with the Guarantee of MB Holding, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Debt guaranteed;

(n) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(o) Subordinated Shareholder Funding;

(p) Debt in an aggregate outstanding principal amount which will not exceed 100% of the Net Cash Proceeds received by MB Holding from an Equity Offering subsequent to the Issue Date;

(q) the Incurrence by MB Holding or any Subsidiary of MB Holding (other than the Issuer, MBPS or any Subsidiary of MBPS) of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by MB Holding or any Subsidiary of MB Holding (other than the Issuer, MBPS or any Subsidiary of MBPS) of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (q) will at no time exceed the net proceeds, including non cash proceeds (the Fair Market Value of such non cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(r) In addition to clause (d) above, the Incurrence by MB Holding of intercompany Debt between or among MB Holding and MBPS in an aggregate principal amount at any one time outstanding not to exceed $5 million; *provided* that such Debt is Incurred (i) for the purposes of liquidity management transactions between or among MBPS and MB Holding consistent with past practice and (ii) pursuant to a written agreement; and

(s) the Incurrence of Debt by MB Holding or any Subsidiary (other than the Issuer, MBPS and any Subsidiary of MBPS) (other than and in addition to Debt permitted under clauses (a) through (s) above) in an aggregate principal amount at any one time outstanding not to exceed $30 million.

(3) For purposes of determining compliance with this "*Limitation on Debt of MB Holding*" covenant, in the event that an item of Debt meets the criteria of more than one of the categories of MB Holding Permitted Debt described in clauses (a) through (s) of paragraph (2) above, or is entitled to be Incurred pursuant to the paragraph (1) of this "*Limitation on Debt of MB Holding*" covenant, MB Holding will be permitted to classify such item of Debt on the date of its Incurrence in any manner that complies with this "*Limitation on Debt of MB Holding*" covenant. Debt under Credit Facilities outstanding on the date on which the Notes are first issued will initially be deemed to have been Incurred on such date in reliance on the exception provided by clause (a) of paragraph (2) above. In addition, any item of Debt initially classified as Incurred pursuant to one of the categories of MB Holding Permitted Debt described in clauses (b) through (s) of paragraph (2) above, or is entitled to be Incurred pursuant to the paragraph (1) of this "*Limitation on Debt of MB Holding*" covenant, may later be reclassified by the Issuer such that it will be deemed as having been Incurred pursuant to such new clause or paragraph (1) of this "*Limitation on Debt of MB Holding*" covenant to the extent that such reclassified Debt could be Incurred pursuant to such new clause or paragraph (1) of this "*Limitation on Debt of MB Holding*" covenant at the time of such reclassification.

(4) For purposes of determining compliance with any restriction on the Incurrence of Debt in U.S. Dollars where Debt is denominated in a different currency, the amount of such Debt will be the U.S. Dollar Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to U.S. Dollars) covering principal amounts payable on such Debt, the amount of such Debt expressed in U.S. Dollars will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt Incurred in the same currency as the Debt being refinanced will be the U.S. Dollar Equivalent of the Debt being refinanced determined on the date such Debt being refinanced was initially Incurred. Notwithstanding any other provision of this "*Limitation on Debt of MB Holding*" covenant, for purposes of determining compliance with this "*Limitation on Debt of MB Holding*" covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that MBPS or a Restricted Subsidiary may Incur under the "*Limitation on Debt of MB Holding*" covenant.

(5) For purposes of determining any particular amount of Debt under the "*Limitation on Debt of MB Holding*" covenant:

(a) obligations in the form of letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount will not be included;

(b) accrual of interest, accrual of dividends, the accretion or amortization of original issue discount or of accreted value, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Debt; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in the MB Holding Consolidated Interest Expense as accrued,

will not, in any case, be treated as Debt.

Limitation on Restricted Payments of MBPS

(1) MBPS will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a "**MBPS Restricted Payment**" and which are collectively referred to as "**MBPS Restricted Payments**"):

(a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of MBPS's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other combination involving MBPS or any Restricted Subsidiary) (other than to MBPS or any Restricted Subsidiary) except for dividends or distributions payable solely in shares of MBPS's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock;

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other combination), directly or indirectly, any shares of MBPS's Capital Stock or any Capital Stock of any Affiliate of MBPS held by persons other than MBPS or a Restricted Subsidiary (other than Capital Stock of any Restricted Subsidiary or any entity that becomes a Restricted Subsidiary as a result thereof) or any options, warrants or other rights to acquire such shares of Capital Stock;

(c) make any payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, sinking fund payment or Stated Maturity, any Subordinated Debt (other than intercompany Debt between MBPS and any Restricted Subsidiary or among Restricted Subsidiaries); or

(d) make any Investment (other than any Permitted Investment) in any Person.

If any MBPS Restricted Payment described above is not made in cash, the amount of the proposed MBPS Restricted Payment will be the Fair Market Value of the asset to be transferred as of the date of transfer.

(2) Notwithstanding paragraph (1) above, MBPS or any Restricted Subsidiary may make a MBPS Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed MBPS Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing;

(b) MBPS could Incur at least $1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt of MBPS*" covenant; and

(c) the aggregate amount of all MBPS Restricted Payments declared or made after the Issue Date, and after giving effect to any reductions required by paragraph (4), does not exceed the sum of:

(i) 50% of aggregate Consolidated Net Income on a cumulative basis during the period beginning on the first day of the fiscal quarter in which the Notes are issued and ending on the last day of MBPS's last fiscal quarter ending prior to the date of such proposed MBPS Restricted Payment (or, if such aggregate cumulative Consolidated Net Income shall be a negative number, minus 100% of such negative amount); *plus*

(ii) the aggregate Net Cash Proceeds received by MBPS after the Issue Date as equity capital contributions, Subordinated Shareholder Funding or from the issuance or sale (other than to any Subsidiary) of shares of MBPS's Qualified Capital Stock (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of MBPS's Qualified Capital Stock (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clause (d) or (e) of paragraph (3) below) (excluding the Net Cash Proceeds from the issuance of MBPS's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from MBPS or any Subsidiary until and to the extent such borrowing is repaid and excluding Excluded Contributions); *plus*

(iii) (x) the amount by which MBPS's Debt or Debt of any Restricted Subsidiary is reduced on MBPS's consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by a Subsidiary) of such Debt into MBPS's Qualified Capital Stock and (y) the aggregate Net Cash Proceeds received after the Issue Date by MBPS from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for MBPS's Qualified Capital Stock, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate Net Cash Proceeds received by MBPS at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of MBPS's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from MBPS or any Subsidiary until and to the extent such borrowing is repaid); *plus*

(iv) (x) in the case of the disposition or repayment of any Investment constituting an MBPS Restricted Payment made after the Issue Date, or an Investment made in an entity that subsequently becomes a Restricted Subsidiary of MBPS, an amount (to the extent not included in Consolidated Net Income) equal to the lesser of the amount of cash received upon such disposition or repayment and the initial amount of such Investment, in either case, less the cost of the disposition of such Investment and net of taxes and (y) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a MBPS Restricted Payment), the Fair Market Value of MBPS's interest in such Subsidiary; *provided* that such amount will not in any case exceed the amount of the MBPS Restricted Payment deemed made at the time that the Subsidiary was designated as an Unrestricted Subsidiary.

(3) Notwithstanding paragraphs (1) and (2) above, MBPS and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (c) through (k) below) no Default or Event of Default has occurred and is continuing:

(a) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of its declaration or giving of the redemption notice, as the case may be, if at such date of its declaration such payment would have been permitted by the provisions of this "*Limitation on Restricted Payments of MBPS*" covenant;

(b) cash payments in lieu of issuing fractional shares pursuant to the exchange or conversion of any exchangeable or convertible securities;

(c) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of MBPS or any Restricted Subsidiary of MBPS held by any current or former officer, director or employee of MBPS or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed $2 million in any twelve-month period;

(d) the repurchase, redemption or other acquisition or retirement for value of any shares of MBPS's Capital Stock or options, warrants or other rights to acquire such Capital Stock in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of MBPS's Qualified Capital Stock or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding;

(e) the repurchase, redemption, defeasance or other acquisition or retirement for value or payment of principal or interest of any Subordinated Debt or Subordinated Shareholder Funding in exchange for, or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of MBPS's Qualified Capital Stock;

(f) the purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (other than Redeemable Capital Stock) or Subordinated Shareholder Funding in exchange for, or out of the Net Cash Proceeds of a substantially concurrent Incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt or new Subordinated Shareholder Funding;

(g) the declaration or payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) to all holders of Capital Stock of a Restricted Subsidiary on a *pro rata* basis or on a basis that results in the receipt by MBPS or a Restricted Subsidiary of dividends or distributions of greater value than MBPS or such Restricted Subsidiary would receive on a *pro rata* basis;

(h) the repurchase of Capital Stock deemed to occur upon the exercise of stock options with respect to which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such options received;

(i) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock issued in accordance with the "*Limitation on Debt of MBPS*" covenant;

(j) payments of cash, dividends, distributions, advances or other MBPS Restricted Payments to allow the payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants or (ii) the conversion or exchange of Capital Stock of any such Person;

(k) Permitted Payments to MB Holding;

(l) the payment of any Receivables Fees or purchases of Receivables Assets and related assets pursuant to a Receivables Repurchase Obligation in connection with an MBPS Qualified Receivables Financing;

(m) so long as no Default or Event of Default has occurred and is continuing, following the first public offering of MBPS's common stock or the common stock of any Holding Company of MBPS, as the case may be, after the Issue Date, the payment of dividends on MBPS's common stock (or the payment of dividends to such Holding Company to fund the payment by such Holding Company of dividends of such Holding Company's common stock) of up to 6% per annum of the net cash proceeds of such public offering received by, and in the case of a public offering of such Holding Company, contributed to the common equity capital of, MBPS; *provided*, *however*, that the aggregate amount of all such dividends shall not exceed the aggregate amount of net cash proceeds received by MBPS (or so contributed to MBPS) from such public offering;

(n) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (n); and

(o) so long as no Default or Event of Default has occurred and is continuing, any other MBPS Restricted Payment; *provided* that the total aggregate amount of MBPS Restricted Payments made under this clause (l) does not exceed $10 million.

(4) The actions described in clauses (a) and (c) of paragraph (3) above are MBPS Restricted Payments that will be permitted to be made in accordance with paragraph (3) but that will reduce the amount that would otherwise be available for MBPS Restricted Payments under clause (c) of paragraph (2) above.

Limitation on Restricted Payments of MB Holding

(1) MB Holding will not, and will not permit any of its Subsidiaries (other than MBPS, the Issuer or any Restricted Subsidiary) to, directly or indirectly take any of the following actions (each of which is a "**MB Holding Restricted Payment**" and which are collectively referred to as "**MB Holding Restricted Payments**"):

(a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of Capital Stock of MB Holding or any of its Subsidiaries' Capital Stock (other than Capital Stock of MBPS, the Issuer or any Restricted Subsidiary) including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other combination involving MB Holding or any of its Subsidiaries (other than MBPS, the Issuer or any Restricted Subsidiary) (other than to MB Holding or any of its Subsidiaries) except for dividends or distributions payable solely in shares of Qualified Capital Stock of MB Holding or in options, warrants or other rights to acquire such shares of Qualified Capital Stock;

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other combination), directly or indirectly, any shares of Capital Stock of MB Holding held by persons other than MB Holding or any of its Subsidiaries or any options, warrants or other rights to acquire such shares of Capital Stock; or

(c) make any payment on, or repurchase, redeem, defease or otherwise acquire for value, prior to any scheduled principal payment, sinking fund payment of Stated Maturity, any Subordinated Debt (other than intercompany Debt between MB Holding and any Subsidiary of MB Holding); *provided* that MB Holding shall be able to do any of the foregoing in connection with the Incurrence of Permitted Refinancing Debt.

If any MB Holding Restricted Payment described above is not made in cash, the amount of the proposed MB Holding Restricted Payment will be the Fair Market Value of the asset to be transferred as of the date of transfer; *provided* that MB Holding shall be able to do any of the foregoing in connection with the Incurrence of Permitted Refinancing Debt.

(2) Notwithstanding paragraph (1) above, MB Holding or any of its Subsidiaries may make a MB Holding Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed MB Holding Restricted Payment, (a) no Default or Event of Default has occurred and is continuing and (b) MB Holding could Incur at least $1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt of MB Holding*" covenant.

(3) Notwithstanding paragraphs (1) and (2) above, MB Holding and any of its Subsidiaries may, so long as (i) no Default or Event of Default specified in clauses (1)(a), (b), (d), (e), (g), (h), (i), (j), (k) or (l) under "*Events of Default*" has occurred and is continuing and (ii) there has been no declaration of acceleration under the Indenture, at any time make an MB Holding Restricted Payment; *provided* that the total aggregate amount of MB Holding Restricted Payments made under this paragraph (3) does not exceed $15 million in any twelve-month period.

Limitation on Transactions with Affiliates

(1) MBPS will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of MBPS or any other Restricted Subsidiary having a value greater than $2.5 million, unless such transaction or series of transactions is entered into in good faith and:

(a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to MBPS or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's-length transaction with third parties that are not Affiliates;

(b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than $7.5 million, MBPS will deliver a resolution of its Board of Directors (attached to an Officers' Certificate to the Trustee) resolving that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Members (or, in the event that there is only one Disinterested Member, by such Disinterested Member) of the Board of Directors; and

(c) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than $15 million (including, for the avoidance of doubt, transactions described in clause (v) of paragraph (2) of this "*Limitation on Transactions with Affiliates*" covenant having an aggregate value greater than $15 million in any twelve-month period), MBPS will deliver to the Trustee a written opinion of an Independent Financial Advisor stating that the transaction or series of transactions is fair to MBPS or such Restricted Subsidiary from a financial point of view.

(2) Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

(i) customary directors' fees, indemnities and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee compensation, employee and director bonuses, employment agreements and arrangements or employee benefit arrangements, including stock options or legal fees;

(ii) any MBPS Restricted Payment not prohibited by the "*Limitation on Restricted Payments of MBPS*" covenant;

(iii) transactions between or among any of MBPS, any of its Subsidiaries and any Person in connection with an MBPS Qualified Receivables Financing; *provided* that, in each case, such transactions are not otherwise prohibited by the Indenture;

(iv) loans and advances (or guarantees to third-party loans, but not any forgiveness of such loans or advances) to directors, officers or employees of MBPS or any Restricted Subsidiary made in the ordinary course of business and consistent with MBPS's past practices or past practices of the relevant Restricted Subsidiary, as the case may be, in an amount outstanding not to exceed at any one time $2 million;

(v) transactions with a Person (other than an Unrestricted Subsidiary of MBPS) that is an Affiliate of MBPS solely because MBPS owns, directly or indirectly, Capital Stock in, or controls, such Person;

(vi) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of MBPS or any of its Restricted Subsidiaries; *provided* that the total aggregate Fair Market Value of such transactions does not exceed $1 million in any twelve-month period;

(vii) Permitted Payments to MB Holding;

(viii) agreements and arrangements with Petrogas E&P LLC and Daleel Petroleum Company in the ordinary course of business and consistent with past practice, having an aggregate amount not exceeding $15 million per contract in any twelve-month period, *provided* that (A) such agreements and arrangements are on a basis substantially similar to that which would be conducted in an arm's-length transaction with third parties who are not Affiliates and (B) the total value of such agreements and arrangements does not exceed $50 million in any twelve-month period;

(ix) agreements and arrangements existing on the Issue Date and any amendment, modification or supplement thereto; *provided* that any such amendment, modification or supplement to the terms thereof is not more disadvantageous to the holders of the Notes and to MBPS and the Restricted Subsidiaries, as applicable, in any material respect than the original agreement or arrangement as in effect on the Issue Date; and *provided*, *further*, that such amendment or modification is on a basis substantially similar to that which would be conducted in an arm's-length transaction with third parties who are not Affiliates;

(x) the issuance of securities pursuant to, or for the purpose of the funding of, employment arrangements, stock options and stock ownership plans, as long as the terms thereof are or have been previously approved by MBPS's Board of Directors;

(xi) the granting and performance of registration rights for MBPS's securities;

(xii) transactions between or among MBPS and its Restricted Subsidiaries or between or among any Restricted Subsidiaries;

(xiii) any issuance of Capital Stock (other than Redeemable Capital Stock) of MBPS or any Incurrence of Subordinated Shareholder Funding;

(xiv) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, and transactions relating to insurance obtained by MB Holding, MBPS or any Restricted Subsidiary, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to MBPS or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of MBPS or the relevant Restricted Subsidiary, as applicable, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(xv) (a) payments by MBPS or any Restricted Subsidiary to any Permitted Holder or Related Party of any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed $2 million per year; *provided* that such payments are approved by a majority of the MBPS Board of Directors in good faith;

(xvi) for Incurrence of Debt between and among MBPS and MB Holding; and

(xvii) the existence of, or the performance by MBPS or any of its Restricted Subsidiaries of its obligations under the terms of, any stockholders agreement (including any registration rights agreement or purchase agreement relating thereto) to which it is a party as of the Issue Date and any similar agreements which it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by MBPS or any of its Restricted Subsidiaries of, obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (ix) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous to the holders of the Notes when taken as a whole.

Limitation on Liens

MBPS will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause to suffer to exist or become effective any Lien (an "**Initial Lien**") of any kind securing Debt upon any of their property or assets, now owned or hereafter acquired except Permitted Liens, unless contemporaneously with the incurrence of such Initial Lien provision is made to secure the Debt due under the Indenture and the Notes or, in respect of Liens on any Guarantor's property or assets, such Guarantor's Guarantee, equally and ratably with the Debt secured by such Initial Lien for so long as such Debt is so secured. Any such Lien thereby created in favor of the Notes or the Guarantees will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, (ii) any sale, exchange or transfer to any Person other than the Issuer or any Subsidiary of the Issuer of the property or assets secured by such Initial Lien or (iii) upon the defeasance or discharge of the Notes in accordance with the Indenture.

Change of Control

(1) If a Change of Control occurs at any time, the Issuer will make an offer (a "**Change of Control Offer**") to each holder of Notes to purchase such holder's Notes, in whole or in part, in minimum denominations of $200,000 and integral multiples of $1,000 at a purchase price (the "**Change of Control Purchase Price**") in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the "**Change of Control Purchase Date**").

(2) Within 30 days following any Change of Control, the Issuer will:

(a) cause a notice of the Change of Control Offer to be published (i) in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*); (ii) through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency; and (iii) if at the time of such notice the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules of the Luxembourg Stock Exchange so require, in the *Luxemburger Wort* (or another leading newspaper of general circulation in Luxembourg) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*); and

(b) send notice of the Change of Control Offer by first class mail, with a copy to the Trustee, to each holder of Notes to the address of such holder appearing in the register, which notice will state:

(i) that a Change of Control has occurred and the date it occurred;

(ii) the circumstances and relevant facts regarding such Change of Control;

(iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a business day no earlier than 30 days nor later than 60 days after the date such notice is mailed, or such later date as is necessary to comply with any requirements under the Exchange Act and any other applicable securities laws or regulations;

(iv) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid on such date;

(v) that any Note or part thereof not tendered will continue to accrue interest; and

(vi) any other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance (which procedures may also be performed at the office of the paying agent in Luxembourg as long as the Notes are listed on the Official

List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules of the Luxembourg Stock Exchange so require).

(3) The Trustee or an authenticating agent will promptly authenticate and deliver a new Note or Notes in a principal amount equal to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated Notes; *provided* that each such new Note will be in a principal amount of $200,000 or in integral multiples of $1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

(4) The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party has made, and not terminated, a tender offer for all of the Notes in the manner and at the times applicable to a Change of Control Offer, at a tender offer purchase price in cash equal to at least 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and such third-party purchases all of the Notes validly tendered and not withdrawn under such tender offer.

(5) The Issuer and the Guarantors will comply with the applicable tender offer rules, including Rule l4e l under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Guarantors will comply with such applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of such conflict.

The provisions of the Indenture will not give holders the right to require the repurchase of the Notes in the event of certain transactions including a reorganization, restructuring, merger or similar transaction that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including those described under "*—Certain Covenants—Limitation on Debt of MBPS.*" The existence, however, of a holder of the Notes' right to require the Issuer to repurchase such holder's Notes upon a Change of Control may deter a third party from acquiring MBPS or any of its Subsidiaries if such acquisition would constitute a Change of Control.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by holders of the Notes seeking to accept the Change of Control Offer. Even if sufficient funds were available, the terms of the other debt of MBPS and its Subsidiaries may prohibit the repurchase of the Notes prior to their scheduled maturity. If MBPS were not able to prepay any debt containing any such restrictions, or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to holders of Notes who accept the Change of Control Offer. If a Change of Control Offer was not made or consummated or the Change of Control Purchase Price was not paid when due, such failure would result in an Event of Default and would give the Trustee and the holders of the Notes the rights described under "*—Events of Default.*" An Event of Default under the Indenture, unless waived, would result in a cross-default under certain of the financing arrangements described under "*Description of Other Debt.*"

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of MBPS and the Restricted Subsidiaries to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of MBPS and the Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes following a Change of Control may be waived or modified with the prior written consent of the holders of a majority in principal amount of the Notes. Please see the section entitled "*—Amendments and Waivers.*"

(6) Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned on the consummation of such Change of Control, if

a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

Limitation on Asset Sales

(1) MBPS will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:

(a) the consideration MBPS or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold (as determined by MBPS's Board of Directors);

(b) at least 75% of the consideration MBPS or such Restricted Subsidiary receives in respect of such Asset Sale consists of:

(i) cash (including any Net Cash Proceeds received from the conversion within 60 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) MBPS's Debt or Debt of any Restricted Subsidiary (other than Subordinated Debt) as a result of which none of MBPS or any of the Restricted Subsidiaries remains obligated in respect of such Debt or (y) Debt of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if MBPS and each other Restricted Subsidiary is released from any guarantee of such Debt as a result of such Asset Sale;

(iv) any Capital Stock or assets of the kind referred to in sub-clauses (b) and (c) of clause (2) below; or

(v) a combination of the consideration specified in clauses (i) through (iv); and

(c) MBPS delivers an Officers' Certificate to the Trustee certifying that such Asset Sale complies with the provisions described in the foregoing clauses (a) and (b).

(2) If MBPS or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 365 days of the consummation of such Asset Sale may be used by MBPS or such Restricted Subsidiary to:

(a) permanently repay or prepay any then outstanding Debt of the Issuer, MBPS or a Restricted Subsidiary (and to permanently reduce the corresponding commitment by an equal amount Incurred under clause (a) of paragraph 2 of the "*Limitation on Debt of MBPS*" covenant if the Debt repaid or prepaid was incurred under such clause);

(b) invest in any Replacement Assets;

(c) to acquire all or substantially all of the non-current assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of MBPS; or

(d) any combination of the foregoing.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph (2) constitutes "**Excess Proceeds.**" Pending the final application of any such Net Cash Proceeds, MBPS (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

(3) When the aggregate amount of Excess Proceeds exceeds $15 million, the Issuer will, within 15 Business Days, make an offer to purchase (an "**Excess Proceeds Offer**") from all holders of Notes and from the holders of any *Pari Passu* Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such *Pari Passu* Debt, the maximum principal amount (expressed as a minimum amount of $200,000 and integral multiples of $1,000 in excess thereof) of the Notes and any such *Pari Passu* Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such *Pari Passu* Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note and (solely

in the case of *Pari Passu* Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such *Pari Passu* Debt, plus, in each case, accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such *Pari Passu* Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, MBPS may use the amount of such Excess Proceeds not used to purchase Notes and *Pari Passu* Debt for general corporate purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such *Pari Passu* Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such *Pari Passu* Debt to be purchased will be selected by the Trustee on a *pro rata* basis (based upon the principal amount of Notes and the principal amount or accreted value of such *Pari Passu* Debt tendered by each holder). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

(4) If the Issuer is obliged to make an Excess Proceeds Offer, the Issuer will purchase the Notes and *Pari Passu* Debt, at the option of the holders thereof, in whole or in part in a minimum amount of $200,000 and integral multiples of $1,000 in excess thereof on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act.

Pending the final application of any Net Cash Proceeds, MBPS (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with any applicable tender offer rules, including Rule 14e1 under the Exchange Act, and any other applicable securities laws and regulations, including the requirements of any applicable securities exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this "*Limitation on Asset Sales*" covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this "*Limitation on Asset Sales*" covenant by virtue thereof.

Limitation on Issuer Activities

(1) The Issuer will not engage in any business activity or undertake any other activity, except any activity:

(a) reasonably relating to the offering, sale, issuance and servicing, purchase, redemption, financing or retirement of the Notes or the Incurrence of other Debt permitted by the terms of the Indenture and distributions, lending or otherwise advancing funds to MBPS or any of its Restricted Subsidiaries;

(b) undertaken with the purpose of fulfilling any other obligations under the Notes and other Debt permitted by the terms of the Indenture; and

(c) other activities not specifically enumerated above that are *de minimis* in nature.

(2) The Issuer will not create, incur, assume or suffer to exist any Lien over any of its property or assets, or any proceeds therefrom, to secure Debt, except for Liens to secure the Notes or other Debt Permitted to be Incurred under the Indenture to the extent Liens securing such Debt are permitted to be incurred under the Indenture.

(3) The Issuer will at all times remain a wholly owned Restricted Subsidiary of MBPS. Except in accordance with the "*Merger, Consolidation or Sale of Assets*" covenant, the Issuer will not merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation) or, other than in connection with the Incurrence of a Permitted Lien, sell, assign, transfer, lease, convey or otherwise dispose of any material, property or assets to any Person in one or more related transactions.

(4) For so long as any Notes remain outstanding, none of MBPS or any of its Restricted Subsidiaries will commence or take any action or facilitate a winding-up, liquidation or other analogous proceeding in respect of the Issuer.

Additional Guarantees

(1) MBPS will not cause or permit any of its Restricted Subsidiaries that are not Subsidiary Guarantors, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Debt of MBPS or a Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Debt.

(2) MBPS shall ensure that within 150 days after the end of any fiscal year of MBPS beginning with each fiscal year ending December 3l, 2010:

(a) if the combined EBITDA (determined separately and without double counting and calculated on the same basis as Consolidated EBITDA) for such ended fiscal year of each of MBPS and the Subsidiary Guarantors as a percentage of the Consolidated EBITDA for such ended fiscal year of MBPS and its Restricted Subsidiaries (the "**EBITDA Threshold**") shall be less than 70% then MBPS shall cause one or more of its Restricted Subsidiaries that are not Subsidiary Guarantors to become Guarantors to the extent necessary to ensure that the EBITDA Threshold is at least 75%; and

(b) if the combined Tangible Assets (determined separately, without double counting (for the avoidance of doubt, all intra-group items and investments in Subsidiaries by MBPS or any of its Restricted Subsidiaries shall be excluded)) as of the last day of such ended fiscal year of MBPS and the Subsidiary Guarantors as a percentage of the Tangible Assets of MBPS and the Subsidiary Guarantors shall be less than 70% (the "**Tangible Assets Threshold**") then MBPS shall cause one or more of its Restricted Subsidiaries that are not Subsidiary Guarantors to become Guarantors to the extent necessary to ensure that the Tangible Assets Threshold is at least 75%.

A Restricted Subsidiary that is not a Subsidiary Guarantor may become a Subsidiary Guarantor if it executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will Guarantee payment of the Notes on the terms and conditions set forth in the Indenture and the Guarantees.

Simultaneously with the execution of such supplemental indenture by a Restricted Subsidiary, MBPS will cause all of the Capital Stock in such Restricted Subsidiary owned by MBPS and its Restricted Subsidiaries to be pledged to secure the Notes and the Guarantees.

(3) Each additional Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, MBPS shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to MBPS or the Restricted Subsidiary or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) MBPS will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;

(b) pay any Debt owed to MBPS or any other Restricted Subsidiary;

(c) make loans or advances to MBPS or any other Restricted Subsidiary; or

(d) transfer any of its properties or assets to MBPS or any other Restricted Subsidiary.

(2) The provisions of the "*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*" covenant described in paragraph (1) above will not apply to:

(a) encumbrances and restrictions imposed by the Notes, the Indenture and the Guarantees;

(b) encumbrances or restrictions imposed by Debt permitted to be Incurred under the provisions of the covenant described above under the caption "*Limitation on Debt of MBPS*";

(c) encumbrances or restrictions contained in any agreement in effect on the Issue Date;

(d) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances and restrictions: (i) that restrict in a customary manner the subletting, assignment or transfer of any properties or assets that are subject to a lease, license, conveyance or other similar agreement to which the Issuer or any Restricted Subsidiary is a party; and (ii) contained in operating leases for real property and restricting only the transfer of such real property upon the occurrence and during the continuance of a default in the payment of rent;

(e) encumbrances or restrictions contained in any agreement or other instrument of a Person acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(f) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets permitted by the "*Limitation on Asset Sales*" covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets or any of the Issuer's Subsidiaries by another Person;

(g) encumbrances or restrictions imposed by applicable law or regulation or by governmental licenses, concessions, franchises or permits;

(h) encumbrances or restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(i) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of MBPS's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(j) customary encumbrances or restrictions in connection with purchase money obligations, mortgage financings and Capitalized Lease Obligations for property acquired in the ordinary course of business;

(k) any encumbrance or restriction pursuant to an agreement related to Debt in respect of any MBPS Qualified Receivables Financing which is permitted under clause (l) of paragraph (2) of the covenant described under "*—Limitation on Debt of MBPS*"; *provided* that such encumbrances or restrictions are customarily required by the institutional sponsor or arranger of such MBPS Qualified Receivables Financing in similar types of documents relating to the purchase of similar receivables in connection with the financing thereof;

(l) any encumbrance or restriction arising by reason of customary non-assignment provisions in agreements and licenses entered into in the ordinary course of business;

(m) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Debt Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument referred to in clauses (a), (b) or (c) of this paragraph (an "**Initial Agreement**") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (a), (b) or (c) of this paragraph; *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the holders of the Notes taken as a whole than the encumbrances and restrictions contained in such agreements and instruments referred to in clauses (a), (b) or (c) of this paragraph (as determined in good faith by MBPS);

(n) Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Limitation on Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(o) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Debt permitted to be Incurred after the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Debt of MBPS,*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Initial Agreements (as determined in good faith by MBPS); or

(p) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, extensions, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (m) through (o) of this paragraph; *provided* that such amendments, modifications, restatements, renewals, extension, increases, supplements, refundings, replacements or refinancings are, in the good-faith judgment of MBPS's Board of Directors, no more restrictive (taken as a whole) with respect to such encumbrances or restrictions than those contained in the encumbrances or restrictions prior to such amendment, modification, restatement, renewal, extension, increase, supplement, refunding, replacement or refinancing.

Designation of Unrestricted and Restricted Subsidiaries

(1) MBPS's Board of Directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) to be an "**Unrestricted Subsidiary**" only if:

(a) no Default has occurred and is continuing at the time of or after giving effect to such designation;

(b) MBPS would be permitted to make an Investment at the time of designation (assuming the effectiveness of such designation) pursuant to the "*Limitation on Restricted Payments of MBPS*" covenant in an amount equal to the greater of (i) the net book value of MBPS's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of MBPS's interest in such Subsidiary;

(c) neither MBPS nor any Restricted Subsidiary has a contract, agreement, arrangement, understanding or obligation of any kind, whether written or oral, with such Subsidiary unless the terms of such contract, arrangement, understanding or obligation are no less favorable to MBPS or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of MBPS or of any Restricted Subsidiary;

(d) such Subsidiary does not own any Capital Stock, Redeemable Capital Stock or Debt of, or own or hold any Lien on any property or assets of, or have any Investment in, MBPS or any other Restricted Subsidiary;

(e) such Subsidiary is not liable, directly or indirectly, with respect to any Debt, Lien or other obligation that, if in default, would result (with the passage of time or giving of notice or otherwise) in a default on any of MBPS's Debt or Debt of any Restricted Subsidiary; *provided* that an Unrestricted Subsidiary may provide a Guarantee for the Notes; and

(f) such Subsidiary is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation to:

(i) subscribe for additional Capital Stock of such Person; or

(ii) maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

(2) In the event of any such designation, MBPS will be deemed to have made an Investment constituting a MBPS Restricted Payment pursuant to the "*Limitation on Restricted Payments of MBPS*" covenant for all purposes of the Indenture in an amount equal to the greater of (i) the net book value of MBPS's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of MBPS's interest in such Subsidiary.

(3) MBPS's Board of Directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary:

(a) if no Default or Event of Default has occurred and is continuing at the time of, or will occur and be continuing after giving effect to, such designation; and

(b) unless such designated Unrestricted Subsidiary shall not have any Debt outstanding (other than Debt that would be Permitted Debt), immediately before and after giving effect to such proposed designation, and after giving *pro forma* effect to the Incurrence of any such Debt of such designated Unrestricted Subsidiary as if such Debt was Incurred on the date of its designation as a Restricted Subsidiary, MBPS could Incur at least $1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt of MBPS*" covenant.

(4) Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by MBPS's Board of Directors will be evidenced to the Trustee by filing a resolution of MBPS's Board of Directors with the Trustee giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation. Any such filing with the Trustee must occur within 45 days after the end of MBPS's fiscal quarter in which such designation is made (or, in the case of a designation made during the last fiscal quarter of MBPS's fiscal year, within 90 days after the end of such fiscal year).

Reports to Holders

(1) So long as any Notes are outstanding, MBPS will furnish to the Trustee (who, at MBPS's expense, will furnish by mail to those holders of the Notes) who make written request for the same to the Trustee:

(a) within 150 days after the end of MBPS's fiscal years ended December 31, 2010 and 2011 and within 120 days after the end of each fiscal year thereafter, annual reports containing: (i) information with a level of detail that is substantially comparable in all material respects to the sections in this Offering Memorandum entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Related Party Transactions*" and "*Description of Other Indebtedness*"; (ii) the audited consolidated balance sheet of MBPS as of the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of MBPS for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as of the end of such fiscal years and the report of the independent auditors on the financial statements; and (iii) the audited consolidated balance sheet of MB Holding as of the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of MB Holding for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as of the end of such fiscal years and the report of the independent auditors on the financial statements;

(b) within 60 days following Issue Date in the case of the fiscal quarter ended September 30, 2010 and within 60 days following the end of each of the first three fiscal quarters in each fiscal year of MBPS thereafter, quarterly financial statements containing the following information: (i) MBPS's unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; and (ii) MB Holding's unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed consolidated statements of income and cash flows for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; and (iii) an operating and financial review of the unaudited financial statements including a discussion of the results of operations, financial condition, material changes in liquidity and capital resources of MBPS and MB Holding; and

(c) promptly after the occurrence of a material event, acquisition, disposition, restructuring, senior management changes at MBPS or MB Holding or a change in auditors of MBPS or MB Holding, a report containing a description of such event.

(2) In addition, MBPS and MB Holding shall furnish to the holders of the Notes and to prospective investors, upon the request of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

(3) MBPS and MB Holding further agree that, for so long as any Notes remain outstanding, MBPS and MB Holding will use commercially reasonable efforts to hold and participate in quarterly conference calls with the holders of the Notes and securities analysts relating to the financial condition and results of operations of the MBPS, the Issuer, MB Holding and the Restricted Subsidiaries.

(4) MBPS shall also make available copies of all reports furnished to the Trustee: (a) on MBPS's public website (which shall not be password protected); (b) through the newswire service of Bloomberg, or, if Bloomberg does not then operate, any similar agency; and (c) if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules of the Luxembourg Stock Exchange so require, copies of all reports furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

(5) No report need include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of MBPS or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum.

(6) All reports provided pursuant to this "*Reports to Holders*" covenant shall be made in the English language.

Merger, Consolidation or Sale of Assets

MBPS

(1) MBPS will not, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or other combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by MBPS's Board of Directors or shareholders with respect to a demerger or division pursuant to which MBPS would dispose of, all or substantially all of MBPS's properties and assets to any other Person or Persons and MBPS will not permit any Restricted Subsidiary to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of MBPS and its Restricted Subsidiaries on a consolidated basis to any other Person or Persons. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) either: (i) MBPS will be the continuing corporation; or (ii) the Person (if other than MBPS) formed by or surviving any such merger, consolidation, amalgamation or other combination or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of MBPS and the Restricted Subsidiaries on a consolidated basis has been made (the "**Surviving Entity**"):

(x) (i) will be a corporation duly incorporated and validly existing under the laws of the Sultanate of Oman, any member state of the European Union as of the Issue Date, the United States of America, any state thereof, or the District of Columbia; and

(y) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, MBPS's obligations under its Guarantee and the Indenture, and the Guarantee of MBPS and the Indenture will remain in full force and effect as so supplemented;

(b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (and treating any obligation of MBPS or any Restricted Subsidiary Incurred in connection with or as a result of such transaction or series of transactions as having been Incurred by MBPS or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(c) immediately before and immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (on the assumption that the transaction or series of transactions occurred on the first day of the four quarter fiscal period immediately prior to the consummation of such transaction or series of transactions with the appropriate adjustments with respect to the transaction or series of transactions being included in such *pro forma* calculation), either (i) MBPS (or the Surviving Entity if MBPS is not the continuing obligor under the Indenture) could Incur at least \$1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt of MBPS*" covenant or (ii) such ratio shall not decrease on a *pro forma* basis as a result of such transaction or series of transactions;

(d) any Guarantor, unless it is the other party to the transactions described above, has, by way of execution of a supplemental indenture, confirmed that its Guarantee will apply to such Person's obligations under the Indenture and the Notes; and

(e) MBPS or the Surviving Entity has delivered to the Trustee, in form and substance satisfactory to the Trustee, an Officers' Certificate (attaching the computations to demonstrate compliance with clauses (b)(ii) and (c) above) stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture constitutes a legal, valid and binding obligation of MBPS or the Surviving Entity enforceable in accordance with its terms.

(2) The Surviving Entity will succeed to, and be substituted for, and may exercise every right and power of, MBPS under the Indenture, but, in the case of a lease of all or substantially all of MBPS's assets, MBPS will not be released from its obligation under its Guarantee.

Nothing in the Indenture will prevent: (i) any Restricted Subsidiary that is not a Subsidiary Guarantor from consolidating with, merging into or transferring all or substantially all of its properties and assets to MBPS, a Subsidiary Guarantor or any other Restricted Subsidiary that is not a Subsidiary Guarantor; or (ii) any Subsidiary Guarantor from merging into or transferring all or part of its properties and assets to MBPS or another Subsidiary Guarantor.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The Issuer will publish a notice of any merger, consolidation, amalgamation or other combination or sale of assets described above in accordance with the provisions of the Indenture described under "*—Notices*" and, for as long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules of the Luxembourg Stock Exchange so require, notify such exchange of any such merger, consolidation, amalgamation or other combination or sale.

Subsidiary Guarantors

(1) Subject to the provisions described under "*—Guarantees—Release of Guarantees*," no Subsidiary Guarantor will, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or other combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by such Subsidiary Guarantor's Board of Directors or shareholders with respect to a demerger or division pursuant to which such Subsidiary Guarantor will dispose of, all or substantially all of such Subsidiary Guarantor's properties and assets to any other Person or Persons. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) such Subsidiary Guarantor is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of the Sultanate of Oman, any member state of the European Union as of the Issue Date, the United States of America, any state thereof, or the District of Columbia (such Subsidiary Guarantor or such Person, as the case may be, being herein called the "**Successor Subsidiary Guarantor**");

(b) the Successor Subsidiary Guarantor (if other than such Subsidiary Guarantor) expressly assumes all the obligations of such Subsidiary Guarantor under its Guarantee and the Indenture, pursuant to a supplemental indentures in form reasonably satisfactory to the Trustee;

(c) immediately after giving *pro forma* effect to such transaction, no Default or Event of Default exists and is continuing; and

(d) the Subsidiary Guarantor or the Successor Subsidiary Guarantor has delivered to the Trustee, in form and substance satisfactory to the Trustee, an Officers' Certificate and an opinion of counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Guarantee constitutes a legal, valid and binding obligation of the Subsidiary Guarantor or Successor Subsidiary Guarantor, enforceable in accordance with its terms.

(2) The Successor Subsidiary Guarantor will succeed to, and be substituted for, and may exercise every right and power of, the relevant Subsidiary Guarantor under the Indenture, but, in the case of a lease of all or substantially all of the Subsidiary Guarantor's assets, the Subsidiary Guarantor will not be released from the obligation to pay the principal of, premium, if any, and interest, on the Notes.

(3) Nothing in the Indenture will prevent: (i) any Restricted Subsidiary that is not a Subsidiary Guarantor from consolidating with, merging into or transferring all or substantially all of its properties and assets to MBPS, a Subsidiary Guarantor or any other Restricted Subsidiary that is not a Subsidiary Guarantor; or (ii) any Subsidiary Guarantor from merging into or transferring all or part of its properties and assets to MBPS or another Subsidiary Guarantor.

Business Activities

MBPS will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to the extent that would not be material to MBPS and its Restricted Subsidiaries taken as a whole.

Payments for Consent

MBPS will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in any documents distributed relating to such consent, waiver or agreement.

Covenant Suspension

If on any date following the date of the Indenture:

(1) the Notes have any two of the following ratings: Baa3 or better by Moody's, BBB− or better by S&P and BBB− or better by Fitch (or, if any such entity ceases to rate the Notes for reasons outside of the control of the Issuer, the equivalent investment-grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency); and

(2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this Offering Memorandum will be suspended:

(1) "*—Limitation on Debt of MBPS*";

(2) "*—Limitation on Debt of MB Holding*";

(3) "*—Limitation on Restricted Payments of MBPS*";

(4) "*—Limitation on Restricted Payments of MB Holding*";

(5) "*—Limitation on Transactions with Affiliates*";

(6) "*—Limitation on Liens*";

(7) "*—Limitation on Asset Sales*";

(8) "*—Limitation on Additional Guarantees*";

(9) "*—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*"; and

(10) clause (1)(c) of the covenant described above under the caption "*—Merger, Consolidation or Sale of Assets.*"

The Issuer shall inform the Trustee should the Notes achieve investment grade status.

During any period that the foregoing covenants have been suspended, MBPS's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption "*—Designation of Restricted and Unrestricted Subsidiaries*" or the second paragraph of the definition of "*Unrestricted Subsidiary.*"

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Calculations under the reinstated "*Restricted Payments of MBPS*" and "*Restricted Payments of MB Holding*" covenants will be made as if the "*Restricted Payments of MBPS*" and "*Restricted Payments of MB Holding*" covenants had been in effect since the Issue Date except that no default will be deemed to have occurred solely by reason of a MBPS Restricted Payment or MB Holding Restricted Payment made while those covenants were suspended. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Events of Default

(1) Each of the following will be an "**Event of Default**" under the Indenture:

(a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;

(b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise);

(c) failure to comply with the provisions of "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(d) failure to make or consummate an Excess Proceeds Offer in accordance with the provisions of "*—Certain Covenants—Limitation on Asset Sales*";

(e) failure to make or consummate a Change of Control Offer in accordance with the provisions of "*—Certain Covenants—Change of Control*";

(f) failure to comply with any covenant or agreement of MB Holding, MBPS, the Issuer or of any Restricted Subsidiary that is contained in the Indenture (other than specified in clause (a), (b), (c), (d) or (e) above) and such failure continues for a period of 60 days or more;

(g) default under the terms of any instrument evidencing or securing the Debt of MBPS, the Issuer or any Restricted Subsidiary having an outstanding principal amount in excess of $15 million individually or in the aggregate, if that default:

(x) results in the acceleration of the payment of such Debt; or

(y) is caused by the failure to pay such Debt at final maturity thereof after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended;

(h) default under the terms of any instrument evidencing or securing the Debt of MB Holding or any Subsidiary (other than the Issuer, MBPS or any Restricted Subsidiary) of MB Holding having an outstanding principal amount in excess of $20 million individually or in the aggregate, if that default:

(x) results in the acceleration of the payment of such Debt being served; or

(y) is caused by the failure to pay such Debt at final maturity thereof after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended;

(i) any Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture or any Guarantee);

(j) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall be rendered against MBPS, the Issuer, or any Restricted Subsidiary either individually or in an aggregate amount, in each case in excess of $10 million, and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect;

(k) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall be rendered against MB Holding or any Subsidiary of MB Holding (other than MBPS, the Issuer or any Restricted Subsidiary) either individually or in an aggregate amount, in each case in excess of $10 million, and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect; and

(l) the occurrence of certain events of bankruptcy, insolvency, receivership, schemes of arrangement (where any creditors are impaired) or reorganization with respect to MB Holding, MBPS, the Issuer or any Restricted Subsidiary.

(2) If an Event of Default (other than as specified in clause (1)(l) above) occurs and is continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the holders) may, and the Trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, any Additional Amounts and accrued interest on all of the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.

(3) If an Event of Default specified in clause (1)(l) above occurs and is continuing, then the principal of, premium, if any, Additional Amounts and accrued and unpaid interest on all of the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes.

(4) At any time after a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Issuer and the Trustee, may waive all past Defaults and rescind and annul such declaration of acceleration and its consequences if:

(a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue interest, if any, and Additional Amounts, if any, on all of the Notes then outstanding;

(ii) all unpaid principal of and premium, if any, on any outstanding Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes;

(iii) to the extent that payment of such interest is lawful, interest upon overdue interest, if any, at the rate borne by the Notes; and

(iv) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest accrued on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

(5) The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all of the Notes, waive any past defaults under the Indenture, except a default:

(a) in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note; or

(b) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holders of 90% in principal amount of the then outstanding Notes,

in which case, the consent of the holders of 90% in principal amount of the then outstanding Notes shall be required.

(6) No holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request and offered an indemnity and/or security satisfactory to the Trustee to institute such proceeding as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such notice and the Trustee within such 60-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

(7) If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Notes notice of the Default or Event of Default within 15 Business Days after its occurrence. Except in the case of a Default or an Event of Default in the payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the giving of such notice to the holders of such Notes if a committee of its trust officers in good faith determines that withholding the giving of such notice is in the best interests of the holders of the Notes.

(8) The Issuer will be required to furnish to the Trustee annual statements (and also following reasonable requests) as to the performance of MB Holding, MBPS, the Issuer, and the Restricted Subsidiaries under the Indenture and as to any default in such performance. The Issuer will also be required to notify the Trustee within 15 Business Days of the occurrence of any Default.

Defeasance

(1) The Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Notes, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, Additional Amounts and interest on such Notes when such payments are due;

(b) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments on trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the Legal Defeasance provisions of the Indenture.

(2) In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture

("**Covenant Defeasance**") and thereafter any failure to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event that a Covenant Defeasance occurs, certain events described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events will not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised any Covenant Defeasance.

(3) In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited on trust with the Trustee, for the benefit of the holders of the Notes, cash in U.S. Dollars, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, Additional Amounts and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must: (i) specify whether the Notes are being defeased to maturity or to a particular redemption date; and (ii) if applicable, have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes;

(b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that: (x) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or (y) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee opinions of counsel reasonably acceptable to the Trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default will have occurred and be continuing: (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit); or (ii) insofar as bankruptcy or insolvency events described in clause (1)(l) of "*—Events of Default*" above are concerned, at any time during the period ending on the 123rd day after the date of such deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), the Indenture or any material agreement or instrument to which the Issuer, MBPS or any Restricted Subsidiary is a party or by which the Issuer, MBPS or any Restricted Subsidiary is bound;

(f) the Issuer must have delivered to the Trustee an opinion of counsel in the country of the Issuer's incorporation to the effect that after the 123rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and an opinion of counsel reasonably acceptable to the Trustee that the Trustee shall have a perfected security interest in such trust funds for the ratable benefit of the holders of the Notes;

(g) the Issuer must have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors;

(h) no event or condition exists that would prevent the Issuer from making payments of the principal of, premium, if any, Additional Amounts and interest on the Notes on the date of such deposit or at any time ending on the 123rd day after the date of such deposit; and

(i) the Issuer must have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

(4) If the funds deposited with the Trustee to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, Additional Amounts and interest on the Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) when:

(a) the Issuer has irrevocably deposited or caused to be deposited with the Trustee as funds on trust for such purpose an amount in U.S. Dollars or U.S. Government Obligations sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the Trustee for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be, and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of Notes at Stated Maturity or on the redemption date, as the case may be and either:

(i) all of the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for which payment money has been deposited on trust or segregated and held on trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or

(ii) all Notes that have not been delivered to the Trustee for cancellation: (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise); (y) will become due and payable within one year of Stated Maturity; or (z) are to be called for redemption within one year of the proposed discharge date under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the Issuer's name and at the Issuer's expense;

(b) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer under the Indenture; and

(c) the Issuer has delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that:

(i) all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; and

(ii) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer, MBPS or any Subsidiary of MBPS is a party or by which the Issuer, MBPS or any Subsidiary of MBPS is bound.

Amendments and Waivers

(1) With the consent of the holders of not less than a majority in aggregate principal amount of the Notes then outstanding, the Issuer, the Guarantors and the Trustee are permitted to amend or supplement the Indenture; *provided* that no such modification or amendment may, without the consent of the holders of 90% of the then outstanding Notes:

(a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Note (or change any Default or Event of Default related thereto);

(b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Note (or change any Default or Event of Default related thereto);

(c) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable;

(d) impair the right to institute suit for the enforcement of any payment of any Note in accordance with the provisions of such Note and the Indenture;

(e) reduce the principal amount of Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Indenture;

(f) modify any of the provisions relating to supplemental indentures requiring the consent of holders of the Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Note affected thereby; or

(g) release any Guarantee except in compliance with the terms of the Indenture;

(2) Notwithstanding the foregoing, without the consent of any holder of the Notes, the Issuer, the Guarantors and the Trustee may modify, amend or supplement the Indenture:

(i) to evidence the succession of another Person to MBPS, the Issuer or a Guarantor and the assumption by any such successor of the covenants in the Indenture and in the Notes in accordance with "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(ii) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;

(iii) to cure any ambiguity, or to correct or supplement any provision in the Indenture, the Notes or any Guarantee that may be defective or inconsistent with any other provision in the Indenture, the Notes or any Guarantee make any other provisions with respect to matters or questions arising under the Indenture, the Notes, or any Guarantee; *provided* that, in each case, such provisions shall not materially adversely affect the interests of the holders of the Notes;

(iv) to conform the text of the Indenture, the Notes or any Guarantee to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or any Guarantee;

(v) to release any Guarantor in accordance with (and if permitted by) the terms of the Indenture;

(vi) to add a Guarantor or other guarantor under the Indenture;

(vii) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(viii)to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the holders of the Notes as additional security for the payment and performance of the Issuer's and any Guarantor's obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to the Indenture or otherwise;

(ix) to provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

(3) The holders of a majority in aggregate principal amount of the Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture.

In formulating its decisions on such matters the trustee shall be entitled to require and rely absolutely on such information as it considers appropriate, including Officers' Certificate and opinions of counsel.

Currency Indemnity

The U.S. Dollar is the sole currency of account and payment for all sums payable under the Notes, the Guarantees and the Indenture. Any amount received or recovered in respect of the Notes or the Guarantees in a currency other than the U.S. Dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of MB Holding, the Issuer, any Subsidiary or otherwise) by the Trustee or a holder of the Notes in respect of any sum expressed to be due to such holder from the Issuer or the Guarantors will constitute a discharge of their obligation only to the extent of the U.S. Dollar amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase Euro on that date, on the first date on which it is possible to do so). If the U.S. Dollar amount that could be recovered following such a purchase is less than the U.S. Dollar amount expressed to be due to the recipient under any Note, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of U.S. Dollars in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the holder to certify that it would have suffered a loss had the actual purchase of U.S. Dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. Dollars on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any holder of a Note; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Notices

Notices regarding the Notes will be:

(a) published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and (ii) through the newswire service of Bloomberg or, if Bloomberg does not then operate, any similar agency and (iii) if and for as long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules of the Luxembourg Stock Exchange so require, a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*); and

(b) in the case of certificated Notes, mailed to holders of such Notes by first class mail at their respective addresses as they appear on the registration books of the registrar.

Notices given by first class mail will be deemed given five calendar days after mailing and notices given by publication will be deemed given on the first date on which publication is made.

If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture or the Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note will waive and release all such liability. The waiver and release will be part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

The Trustee

The Indenture will contain limitations on the rights of the Trustee under the Indenture in the event the Trustee becomes a creditor of the Issuer or any Guarantor. These will include limitations on the

Trustee's rights to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise.

The Indenture will contain provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

Governing Law

The Indenture, the Notes and the Guarantees will be governed by and construed in accordance with the laws of New York.

Consent to Jurisdiction and Service

The Indenture will provide that the Issuer and each Guarantor will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in New York and will submit to the jurisdiction of such courts.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Certain Definitions

"**Acquired Debt**" means Debt of a Person:

(a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with MBPS, the Issuer or any Restricted Subsidiary; or

(b) assumed in connection with the acquisition of assets from any such Person,

in each case *provided* that such Debt was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Debt will be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary (or is merged into or consolidated with MBPS, the Issuer or any Restricted Subsidiary, as the case may be) or the date of the related acquisition of assets from any Person.

"**Affiliate**" means, with respect to any specified Person:

(a) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person;

(b) any other Person that owns, directly or indirectly, 15% or more of such specified Person's Capital Stock or any officer or director of any such specified Person or other Person or, with respect to any natural Person, any Person having a relationship with such Person by blood, marriage or adoption not more remote than first cousin; or

(c) any other Person 15% or more of the Voting Stock of which is beneficially owned or held, directly or indirectly by such specified Person.

Notwithstanding the foregoing, none of Ahli Bank SAOG, Al Madina Gulf Insurance Company SAOG or Risk Management Services LLC shall be deemed to be an "Affiliate" of MBPS or any Restricted Subsidiary if the Permitted Holders (i) own directly or indirectly less than 50% of the Capital Stock of such Person and (ii) do not otherwise control, directly or indirectly, such Person.

For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling," "controlled" have meanings correlative to the foregoing.

"**Applicable Redemption Premium**" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Note at November 15, 2013 (such redemption price being set forth in the table appearing below the caption "*Optional Redemption—Optional Redemption on or after November 15, 2013*"); *plus* (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and November 15, 2013 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate at such redemption date *plus* 50 basis points; over

(ii) the outstanding principal amount of the Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or a Paying Agent.

"**Asset Sale**" means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation, amalgamation or other combination or sale and leaseback transaction) (collectively, a "**transfer**"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than MBPS or a Subsidiary);

(b) all or substantially all of the properties and assets of any division or line of business of MBPS or any Restricted Subsidiary; or

(c) any other of MBPS's or any Restricted Subsidiary's properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(i) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than $10 million;

(ii) any transfer or disposition of assets by MBPS to any Restricted Subsidiary, or by any Restricted Subsidiary to MBPS or any Restricted Subsidiary and otherwise in accordance with the terms of the Indenture;

(iii) the sale, lease or other transfer of products, inventory, trading stock, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of Parent, no longer economically practicable to maintain or useful in the conduct of the business of Parent and its Restricted Subsidiaries taken as a whole);

(iv) any transfer or disposition of assets that is governed by the provisions of the Indenture described under "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" and "*—Certain Covenants—Change of Control*";

(v) for the purposes of "*—Certain Covenants—Limitation on Asset Sales*" only, the making of a Permitted Investment or a disposition permitted under "*—Certain Covenants—Limitation on Restricted Payments of MBPS*";

(vi) the sale, lease, sublease, assignment or other disposition of any real or personal property or any equipment, inventory or other assets in the ordinary course of business;

(vii) an issuance of Capital Stock by a Restricted Subsidiary to MBPS or to another Restricted Subsidiary;

(viii) licenses and sublicenses by MB Holding, MBPS or any of its Restricted Subsidiaries of software or intellectual property;

(ix) sales or dispositions of Receivables Assets in connection with any MBPS Qualified Receivables Financing or any factoring transaction in the ordinary course of business;

(x) any foreclosure, condemnation or any similar\r action with respect to any property or other assets or surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(xi) the sale or other disposition of cash or Cash Equivalents;

(xii) any transfer, termination, unwinding or other disposition of Hedging Agreements in the ordinary course of business and not for speculative purposes;

(xiii) the granting of Liens not prohibited by the covenant described under caption "*—Certain Covenants—Limitation on Liens*" or sales of assets received by MBPS or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of MBPS or any Restricted Subsidiary; or

(xiv) a disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements.

"**Average Life**" means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

(a) the sum of the products of:

(i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt; multiplied by

(ii) the amount of each such principal payment;

by

(b) the sum of all such principal payments.

"**Board of Directors**" means:

(a) with respect to any corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, shall be the executive or management board) or any duly authorized committee thereof;

(b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof;

(c) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or any duly authorized committee thereof or committee of such Person serving a similar function.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which banking institutions in the Sultanate of Oman, London, New York or a place of payment under the Indenture are authorized or required by law to close.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for, or convertible into, such Capital Stock, whether now outstanding or issued after the Issue Date.

"**Capitalized Lease Obligation**" means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under IFRS, and, for purposes of the Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with IFRS and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“**Cash Equivalents**” means any of the following:

(a) any evidence of Debt, issued or directly and fully guaranteed or insured by a member state (an “**EU Member State**”) of the European Union whose long-term, unsecured, unsubordinated credit-rating, at the time any investment is made in such Debt, is at least A or the equivalent from S&P and at least A-2 or the equivalent thereof from Moody’s, the United States of America, any state thereof or the District of Columbia, or any agency or instrumentality thereof;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, money market deposits or bankers’ acceptances with a maturity of twelve months or less from the date of acquisition issued by a bank or trust company organized in an EU Member State or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having combined capital and surplus and undivided profits of not less than $500 million, whose long-term, unsecured, unsubordinated and unguaranteed debt has a rating, at the time any investment is made therein, of at least A or the equivalent thereof from S&P and at least A-2 or the equivalent thereof from Moody’s;

(c) commercial paper with a maturity of within twelve months from the date of acquisition issued by a corporation that is not the Issuer’s or any Restricted Subsidiary’s Affiliate and which is incorporated under the laws of an EU Member State, the United States of America or any state thereof and, at the time of acquisition, having a short-term credit rating of at least A-1 or the equivalent thereof from S&P or at least P-l or the equivalent thereof from Moody’s;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clause (a) above, entered into with a financial institution meeting the qualifications described in clause (b) above; and

(e) Investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (d) above.

“**Change of Control**” means the occurrence of any of the following events:

(a) prior to the consummation of an initial Public Equity Offering, any event, the result of which is that the Permitted Holders cease to be the “beneficial owners” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of shares representing 50% or more of the voting power of MBPS’s Voting Stock;

(b) after the consummation of an initial Public Equity Offering, the Permitted Holders do not beneficially own a larger percentage of such Voting Stock than any other person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) (for the purposes of this clause (b), such other person or group shall be deemed to beneficially own all Voting Stock of a specified entity directly held by a parent entity) if such other person or group becomes the “beneficial owner” (as defined in clause (a)) above, directly or indirectly, of more than 30% of the Voting Stock of such parent entity and the Permitted Holders do not beneficially own more than 30% of the Voting Stock of such parent entity;

(c) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of MBPS and its Subsidiaries, taken as a whole, to any Person other than a Permitted Holder; or

(d) during any consecutive two year period following the Issue Date, individuals who at the beginning of such period constituted MBPS’s Board of Directors (together with any new members whose election to such Board of Directors, or whose nomination for election by MBPS’s shareholders, was approved by a vote of at least a majority of the members of MBPS’s Board of Directors then still in office who were either members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of MBPS’s Board of Directors then in office.

“**Commission**” means the U.S. Securities and Exchange Commission.

“**Commodity Hedging Agreements**” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"**Consolidated EBITDA**" means the sum of (A) Consolidated Net Income *plus* (B) in each case to the extent deducted in computing Consolidated Net Income for such period:

(a) Consolidated Interest Expense;

(b) Consolidated Tax Expense;

(c) Consolidated Non-cash Charges, less all non-cash items increasing Consolidated Net Income for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Net Income in determining the Consolidated Fixed Charge Coverage Ratio in any prior period;

(d) any net after-tax extraordinary gains or losses;

(e) any foreign currency translation losses (including losses related to currency remeasurements of Debt); and

(f) any net after-tax gains attributable to sales of assets of MBPS or any Restricted Subsidiary that are not sold in the ordinary course of business.

"**Consolidated Fixed Charge Coverage Ratio**" of MBPS means, for any period, the ratio of (1) Consolidated EBITDA to (2) Consolidated Interest Expense; *provided* that:

(a) if MBPS or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an Incurrence of Debt or both, Consolidated Net Income and Consolidated Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period;

(b) if, since the beginning of such period, MBPS or any Restricted Subsidiary shall have made any asset sale, Consolidated Net Income for such period shall be reduced by an amount equal to the Consolidated Net Income (if positive) directly attributable to the assets which are the subject of such asset sale for such period, or increased by an amount equal to the Consolidated Net Income (if negative) directly attributable thereto, for such period and the Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Debt of MBPS or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such asset sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent MBPS and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(c) if, since the beginning of such period MBPS or any Restricted Subsidiary (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated Net Income and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

(d) if, since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into MBPS or any Restricted Subsidiary since the beginning of such period) shall have made any asset sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (b) or (c) if made by MBPS or a Restricted Subsidiary during such period, Consolidated Net Income and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such asset sale or Investment or acquisition occurred on the first day of such period.

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

"**Consolidated Interest Expense**" means, for any period, without duplication and in each case determined on a consolidated basis in accordance with IFRS, the sum of:

(a) MBPS's and the Restricted Subsidiaries' finance costs for such period, *plus*, to the extent not otherwise included in finance costs:

(i) amortization of debt discount and original issue discount;

(ii) the net costs of Hedging Agreements (including amortization of fees and discounts);

(iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions; and

(iv) the interest portion of any deferred payment obligation and amortization of debt issuance costs; *plus*

(b) the interest component of MBPS's and the Restricted Subsidiaries' Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among MBPS and any Restricted Subsidiary or between or among Restricted Subsidiaries; *plus*

(c) MBPS's and the Restricted Subsidiaries non-cash interest expenses and interest that was capitalized during such period (excluding any such interest in respect of Subordinated Shareholder Funding); *plus*

(d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by MBPS or any Restricted Subsidiary or secured by a Lien on MBPS's or any Restricted Subsidiary's assets, but only to the extent that such interest is actually paid by MBPS or such Restricted Subsidiary; *plus*

(e) cash and non cash dividends due (whether or not declared) on MBPS's Redeemable Capital Stock and any Restricted Subsidiary's Preferred Stock (to any Person other than MBPS and any Restricted Subsidiary), in each case for such period.

"**Consolidated Net Income**" means, for any period, MBPS's and the Restricted Subsidiaries' consolidated profit for such period as determined in accordance with IFRS, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

(a) the portion of net income (but not the loss) of any Person (other than MBPS or a Restricted Subsidiary), including Unrestricted Subsidiaries, in which MBPS or any Restricted Subsidiary has an equity ownership interest, except that MBPS's or a Restricted Subsidiary's equity in the net income of such Person for such period shall be included in such Consolidated Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to MBPS or any Restricted Subsidiary in cash dividends or other distributions during such period;

(b) the net income (but not the loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the date of determination permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its shareholders (other than restrictions contained in the Credit Facilities and related agreements permitted by clause 2(a) of "*—Certain Covenants—Limitation on Debt of MBPS*");

(c) net after-tax gains attributable to the termination of any employee pension benefit plan;

(d) any net gain arising from the acquisition of any securities or extinguishment, under IFRS, of any Debt of such Person;

(e) any non-cash interest expense or interest that was capitalized, in each case in respect of Subordinated Shareholder Funding; and

(f) any gains (but not losses) from currency exchange transactions not in the ordinary course of business.

"**Consolidated Non-cash Charges**" means, for any period, the aggregate depreciation, amortization and other non-cash expenses of MBPS and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with IFRS (excluding any such non-cash charge that requires an accrual of or reserve for cash charges for any future period).

"**Consolidated Tax Expense**" means, for any period with respect to any Relevant Taxing Jurisdiction, the provision for all national, local and foreign federal, state or other income taxes of MBPS and the Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with IFRS.

"**Credit Facility**" or "**Credit Facilities**" means, one or more debt facilities or indentures, as the case may be, or commercial paper facilities with banks, insurance companies or other institutional lenders providing for revolving credit loans, term loans, notes, letters of credit or other forms of guarantees and assurances or other credit facilities or extensions of credit, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, or refinanced, repaid, increased or extended in whole or in part from time to time.

"**Currency Agreements**" means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

"**Debt**" means, with respect to any Person, without duplication:

(a) all liabilities of such Person for borrowed money (including overdrafts) or for the deferred purchase price of property or services due more than six months after such property is acquired or such services are completed, excluding any trade payables and other accrued liabilities Incurred in the ordinary course of business;

(b) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all obligations, contingent or otherwise, of such Person in connection with any letters of credit, bankers' acceptances, receivables facilities or other similar facilities;

(d) all debt of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

(e) all Capitalized Lease Obligations of such Person;

(f) all obligations of such Person under or in respect of Hedging Agreements;

(g) all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the obligation so secured);

(h) all guarantees by such Person of Debt referred to in this definition of any other Person;

(i) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price *plus* accrued and unpaid dividends; and

(j) Preferred Stock of any Restricted Subsidiary,

if and to the extent any of the preceding items would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS.

The term "**Debt**" shall not include: (i) contingent or installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 180 days due; (ii) anything accounted for as an operating lease in accordance with IFRS as of the Issue Date; (iii) any pension, pension fund for early retirement obligations or any obligations in respect of workers' compensation claims or social security, of MB Holding, the Parent, the Issuer or a Restricted Subsidiary; (iv) in connection with the purchase by MB Holding, the Parent or any Restricted Subsidiary of any assets or business, any post closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; and (v) Subordinated Shareholder Funding.

For purposes of this definition, the "**maximum fixed repurchase price**" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value will be determined in good faith by the Board of Directors of the issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"**Default**" means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

"**Disinterested Member**" means, with respect to any transaction or series of related transactions, a member of the MBPS' Board of Directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director, member of a supervisory, executive or management board or employee of any Person (other than MBPS) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"**Equity Offering**" means a sale of Capital Stock (which is Qualified Capital Stock) of MB Holding or MBPS or any Holding Company of MBPS (other than Capital Stock issued under any employee benefit plan).

"**Euro**" means the lawful currency of the Member States of the European Union that participate in the third stage of the European Economic and Monetary Union.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Excluded Contribution**" means Net Cash Proceeds or property or assets received by MBPS as capital contributions to the equity of MBPS after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by MBPS or any Subsidiary of MBPS for the benefit of its employees to the extent funded by MBPS or any Restricted Subsidiary) of Qualified Capital Stock of MBPS, in each case, to the extent designated as an Excluded Contribution pursuant to an Officers' Certificate of MBPS.

"**Fair Market Value**" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by MBPS's Board of Directors.

"**Fitch**" means Fitch Ratings Ltd. and its successors.

"**guarantee**" means, as applied to any obligation:

(a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and

(b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

"**Guarantee**" means any guarantee of the Issuer's obligations under the Indenture and the Notes by any Guarantor or any other Person in accordance with the provisions of the Indenture. When used as a verb, "**Guarantee**" shall have a corresponding meaning.

"**Guarantors**" means each of MB Holding, MBPS and the Subsidiary Guarantors.

"**Hedging Agreements**" means Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements.

"**Hedging Obligations**" means, with respect to any Person, the obligations of such Person under Hedging Agreements.

"**Holder**" means the Person in whose name a Note is recorded on the Registrar's books.

"**Holding Company**" of a Person means any other Person (other than a natural person) of which the first Person is a Subsidiary.

"**IFRS**" means International Financial Reporting Standards as in effect from time to time.

"**Independent Financial Advisor**" means an investment banking firm, bank, accounting firm or third-party appraiser, in any such case, of international standing; *provided* that such firm is not an Affiliate of the Issuer.

"**Interest Rate Agreements**" means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other similar obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions in consideration of Debt, Capital Stock or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If MBPS or any Restricted Subsidiary of MBPS sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of MBPS such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of MBPS, MBPS will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of MBPS's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the definition of Fair Market Value. The acquisition by MBPS or any Restricted Subsidiary of MBPS of a Person that holds an Investment in a third person will be deemed to be an Investment by MBPS or such Restricted Subsidiary in such third person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third person. Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"**Issue Date**" means November 15, 2010.

"**Lien**" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for or by way of security, claim, or preference or priority or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"**Maturity**" means, with respect to any debt, the date on which any principal of such debt becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"**MB Holding Acquired Debt**" means Debt of a Person:

(a) existing at the time such Person becomes a Subsidiary of MB Holding (but not a Subsidiary, directly or indirectly, of MBPS) or is merged into or consolidated with the MB Holding or any Subsidiary (other than a Subsidiary, directly or indirectly, of MBPS) of MB Holding; or

(b) assumed in connection with the acquisition of assets from any such Person,

in each case *provided* that such Debt was not Incurred in connection with, or in contemplation of, such Person becoming a Subsidiary of MB Holding or such acquisition, as the case may be.

MB Holding Acquired Debt will be deemed to be Incurred on the date the acquired Person becomes a Subsidiary of MB Holding (or is merged into or consolidated with the MB Holding or any Subsidiary of MB Holding, as the case may be) or the date of the related acquisition of assets from any Person.

"**MB Holding Consolidated EBITDA**" means the sum of (A) MB Holding Consolidated Net Income *plus* (B) in each case to the extent deducted in computing MB Holding Consolidated Net Income for such period:

(a) MB Holding Consolidated Interest Expense;

(b) MB Holding Consolidated Tax Expense;

(c) MB Holding Consolidated Non-cash Charges, less all non-cash items increasing MB Holding Consolidated Net Income for such period and less all cash payments during such period relating to non-cash charges that were added back to MB Holding Consolidated Net Income in determining the MB Holding Consolidated Leverage Ratio in any prior period;

(d) any net after-tax extraordinary gains or losses; and

(e) any net after-tax gains attributable to sales of assets of the MB Holding or any Subsidiary of MB Holding that are not sold in the ordinary course of business.

"**MB Holding Consolidated Interest Expense**" means, for any period, without duplication and in each case determined on a consolidated basis in accordance with IFRS, the sum of:

(a) finance costs of MB Holding and its Subsidiaries for such period, *plus*, to the extent not otherwise included in finance costs:

(i) amortization of debt discount and original issue discount;

(ii) the net costs of Hedging Agreements (including amortization of fees and discounts);

(iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions; and

(iv) the interest portion of any deferred payment obligation and amortization of debt issuance costs; *plus*

(b) the interest component of the Capitalized Lease Obligations of MB Holding and its Subsidiaries accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among MB Holding and any of its Subsidiaries or between or among Subsidiaries of MB Holding; *plus*

(c) MB Holding's and its Subsidiaries non-cash interest expenses and interest that was capitalized during such period (excluding any such interest in respect of Subordinated Shareholder Funding); *plus*

(d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by MB Holding or any of its Subsidiaries or secured by a Lien on the MB Holding's or any Subsidiary of MB Holding's assets, but only to the extent that such interest is actually paid by MB Holdings such Subsidiary of MB Holdings; *plus*

(e) any Receivables Fees; *plus*

(f) cash and non-cash dividends due (whether or not declared) on MB Holding's Redeemable Capital Stock and any Subsidiary of MB Holding's Preferred Stock (to any Person other than MB Holding and any wholly owned Subsidiary of MB Holdings), in each case for such period.

"**MB Holding Consolidated Leverage**" means the total amount of Debt of MB Holding and its subsidiaries on a consolidated basis.

"**MB Holding Consolidated Leverage Ratio**" means, as of any date of determination , the ratio of (a) MB Holding Consolidated Leverage on such date to (b) the MB Holding Consolidated EBITDA for MB Holding's four most recently ended fiscal quarters for which internal financial statements are available; *provided* that:

(a) if MB Holding or any Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the MB Holding Consolidated Leverage Ratio is an Incurrence of Debt or both, MB Holding Consolidated Net Income and MB Holding Consolidated Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period;

(b) if, since the beginning of such period, MB Holding or any Subsidiary of MB Holding shall have made any asset sale, MB Holding Consolidated Net Income for such period shall be reduced by an amount equal to the MB Holding Consolidated Net Income (if positive) directly attributable to the assets which are the subject of such asset sale for such period, or increased by an amount equal to the MB Holding Consolidated Net Income (if negative) directly attributable thereto, for such period and the MB Holding Consolidated Interest Expense for such period shall be reduced by an amount equal to the MB Holding Consolidated Interest Expense directly attributable to any Debt of MB Holding or of any Subsidiary of MB Holding repaid, repurchased, defeased or otherwise discharged with respect to the MB Holding and the continuing Subsidiaries of MB Holding in connection with such asset sale for such period (or, if the Capital Stock of any Subsidiary of MB Holding is sold, the MB Holding Consolidated Interest Expense for such period directly attributable to the Debt of such Subsidiary to the extent MB Holding and the continuing Subsidiaries of MB Holding are no longer liable for such Debt after such sale);

(c) if, since the beginning of such period MB Holding or any Subsidiary of MB Holding (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Subsidiary of MB Holding (or any Person which becomes a Subsidiary of MB Holding) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, MB Holding Consolidated Net Income and MB Holding Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

(d) if, since the beginning of such period any Person (that subsequently became a Subsidiary of MB Holding or was merged with or into MB Holding or any Subsidiary of MB Holding since the beginning of such period) shall have made any asset sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (b) or (c) if made by the MB Holding or a Subsidiary of MB Holding during such period, MB Holding Consolidated Net Income and MB Holding Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such asset sale or Investment or acquisition occurred on the first day of such period.

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

"**MB Holding Consolidated Net Income**" means, for any period, MB Holding's and its Subsidiaries' consolidated profit for the year for such period as determined in accordance with IFRS, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

(a) the portion of net income (but not the loss) of any Person (other than MB Holding and its Subsidiaries), in which MB Holding or any of its Subsidiaries has an equity ownership interest, except that MB Holding's or a Subsidiary of MB Holding's equity in the net income of such Person for such period shall be included in such MB Holding Consolidated Net Income to the extent of the aggregate amount of dividends or other distributions actually paid MB Holding or any Subsidiary of MB Holding in cash dividends or other distributions during such period;

(b) the net income (but not the loss) of any Subsidiary of MB Holding to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of MB Holding is not at the date of determination permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary of MB Holding or its shareholders;

(c) net after-tax gains attributable to the termination of any employee pension benefit plan;

(d) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the Issue Date;

(e) any net gain arising from the acquisition of any securities or extinguishment, under IFRS, of any Debt of such Person;

(f) the net income attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);

(g) any non-cash interest expense or interest that was capitalized, in each case in respect of Subordinated Shareholder Funding; and

(h) any gains (but not losses) from currency exchange transactions not in the ordinary course of business.

"**MB Holding Consolidated Non-cash Charges**" means, for any period, the aggregate depreciation, amortization and other non-cash expenses of MB Holding and its Subsidiaries for such period, determined on a consolidated basis in accordance with IFRS (excluding any such non-cash charge that requires an accrual of or reserve for cash charges for any future period).

"**MB Holding Consolidated Tax Expense**" means, for any period, the provision for all national, local and foreign federal, state or other income taxes of the MB Holding and its Subsidiaries for such period as determined on a consolidated basis in accordance with IFRS.

"**MB Holding Qualified Receivables Financing**" means any financing pursuant to which MB Holding or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of MB Holding or any of its Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by MB Holding's Board of Directors or senior management) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by MB Holding's Board of Directors or senior management) at the time such financing is entered into and (c) such financing shall be non-recourse to MB Holding or any of its Subsidiaries except to a limited extent customary for such transactions.

"**MBPS Qualified Receivables Financing**" means any financing pursuant to which MBPS or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of MBPS or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by MBPS's Board of Directors or senior management) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by MBPS's Board of Directors or senior management) at the time such financing is entered into and (c) such financing shall be non recourse to MBPS or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Net Cash Proceeds**" means:

(a) with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

(i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;

(ii) provisions for all taxes paid or payable as a result of such Asset Sale;

(iii) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

(iv) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "*—Certain Covenants—Limitation on Restricted Payments of MBPS,*" the proceeds of such issuance or sale in the form of cash or Cash Equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to MBPS or any Restricted Subsidiary), net of legal counsel's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Officer's Certificate**" means a certificate signed by an officer of MBPS, a Subsidiary Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

"***Pari Passu* Debt**" means (a) any Debt of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

"**Permitted Business**" means the businesses of MBPS and its Subsidiaries engaged in on the Issue Date and any other activities that are similar, ancillary to or reasonably related to, or a reasonable extension, expansion or development of, such businesses or ancillary thereto.

"**Permitted Debt**" has the meaning given to such term under "*—Certain Covenants—Limitation on Debt of MBPS.*"

"**Permitted Holders**" means (i) Mohammad Al Barwani, Sharifaa Al Harthy, Usama Al Barwani, Tariq Al Barwani, Safana Al Barwani, Iman Al Barwani and Rahma Al Barwani; (ii) any Related Party of any Persons referred to in (i) hereof; and (iii) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of MBPS, the Issuer or MB Holding or any Holding Company of any of such Persons, acting in such capacity.

"**Permitted Investments**" means any of the following:

(a) Investments in cash or Cash Equivalents;

(b) intercompany Debt to the extent permitted under clauses (d) and (q) of the definition of "Permitted Debt";

(c) Investments in the form of loans or advances to (i) MBPS; (ii) a Restricted Subsidiary (including the purchase of Capital Stock of any Restricted Subsidiary from a Person other than an Affiliate of MBPS); or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;

(d) Investments made by MBPS or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with "*—Certain Covenants—Limitation on Asset Sales*" to the extent such Investments are non cash proceeds permitted thereunder;

(e) expenses or advances to cover payroll, travel entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS;

(f) Investments in the Notes;

(g) any Investment existing on, or made pursuant to binding commitments existing on, the date of the Indenture and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the Indenture; *provided* that the amount of any such Investment may be increased (i) as required by the terms of such Investment as in existence on the date of the Indenture or (ii) as otherwise permitted under the Indenture;

(h) Investments in Hedging Agreements permitted under clause (h) of "*—Certain Covenants—Limitation on Debt of MBPS*";

(i) Investments in connection with an MBPS Qualified Receivables Financing that, in the good faith determination of the Board of Directors of MBPS, are necessary or advisable to effect or maintain such MBPS Qualified Receivables Financing;

(j) loans and advances (or guarantees to third-party loans, but not any forgiveness of such loans or advances) to directors, officers or employees of MBPS or any Restricted Subsidiary made in the ordinary course of business and consistent with the Issuer's past practices or past practices of the Restricted Subsidiaries, as the case may be, in an amount outstanding not to exceed at any one time $2 million;

(k) Investments in a Person to the extent that the consideration therefor consists of the net proceeds of the substantially concurrent issue and sale (other than to any Subsidiary) of shares of MBPS's Qualified Capital Stock; *provided* that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of "*—Certain Covenants—Limitation on Restricted Payments of MBPS*";

(l) (i) stock, obligations or securities received in satisfaction of judgments, foreclosure of liens or settlement of debts and (ii) any Investments received in compromise of obligations of such persons Incurred in the ordinary course of trade creditors or customers that were Incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(m) receivables owing to MBPS or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as MBPS or any such Restricted Subsidiary deems reasonable under the circumstances;

(n) Hedging Obligations, which transactions or obligations are incurred in compliance with "*—Certain Covenants—Limitation on Debt of MBPS*" or "*Certain Covenants—Limitation on Debt of MB Holding*";

(o) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Debt of MBPS*" or "*Certain Covenants—Limitation on Debt of MB Holding*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(p) any acquisition of assets or Capital Stock solely in exchange for the issuance of Capital Stock (other than Disqualified Stock) of MBPS or Subordinated Shareholder Funding;

(q) Investments represented by Hedging Agreements;

(r) Investments acquired after the date of the Indenture as a result of the acquisition by MBPS or any Restricted Subsidiary of MBPS of another Person, including by way of a merger, amalgamation or consolidation with or into MBPS or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Merger, Consolidation or Sale of Assets*" after the date of the Indenture to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation; and

(s) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (s) that are at the time outstanding, not to exceed $10 million.

"**Permitted Liens**" means the following types of Liens:

(a) Liens existing as of the date of the issuance of the Notes;

(b) Liens securing Debt under Credit Facilities permitted to be Incurred pursuant to clause (a) of the definition of "Permitted Debt";

(c) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issue or any Restricted Subsidiary;

(d) Liens on any of MBPS's or any Restricted Subsidiary's property or assets securing the Notes or any Guarantee;

(e) any interest or title of a lessor under any Capitalized Lease Obligation and Liens to secure Debt (including Capitalized Lease Obligations) permitted by clause (f) of the definition of "Permitted Debt" covering only the assets acquired with such Debt;

(f) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by MBPS or any Restricted Subsidiary in the ordinary course of business;

(g) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of MBPS's or any Restricted Subsidiary's business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made or Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(h) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(i) Liens Incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), statutory or regulatory obligations, surety or appeal bonds, performance bonds, letters of credit, guarantees, assignment of receivables or other obligations of a like nature Incurred in the ordinary course of business;

(j) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of MBPS and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;

(k) Liens arising by reason of any judgment, decree or order of any court and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(l) Liens on property of, or on shares of Capital Stock or Debt of, any Person existing at the time such Person is acquired by, merged with or into or consolidated with, MBPS or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of MBPS or any Restricted Subsidiary other than the property or assets acquired or than those of the Person merged into or consolidated with MBPS or Restricted Subsidiary;

(m) Liens securing MBPS's or any Restricted Subsidiary's obligations under Hedging Agreements permitted under clause (h) of the "*Limitation on Debt of MBPS*" covenant or any collateral for the Debt to which such Hedging Agreements relate;

(n) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance;

(o) Liens Incurred in connection with any cash management program established in the ordinary course of business for MBPS's benefit or that of any Restricted Subsidiary in favor of a bank or trust company;

(p) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of MBPS or any Restricted Subsidiary, including rights of offset and set off;

(q) Liens securing Debt Incurred to refinance Debt that has been secured by a Lien permitted by the Indenture; *provided* that: (i) any such Lien shall not extend to or cover any assets not securing the Debt so refinanced; and (ii) the Debt so refinanced shall have been permitted to be Incurred pursuant to clause (m) of the definition of "Permitted Debt";

(r) purchase money Liens to finance property or assets of MBPS or any Restricted Subsidiary acquired in the ordinary course of business; *provided* that: (i) the related purchase money Debt shall not exceed the cost of such property or assets and shall not be secured by any property or assets of MBPS or any Restricted Subsidiary other than the property and assets so acquired; and (ii) the Lien securing such Debt shall be created within 90 days of any such acquisitions;

(s) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(t) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of MBPS's or any Restricted Subsidiary's business or operations as Liens only for Debt to a bank or financial institution directly relating to the goods or documents on or over which that pledge exists;

(u) Liens created on any asset acquired by MBPS or a Restricted Subsidiary or developed by MBPS or a Restricted Subsidiary after the Issue Date for the sole purpose of financing or refinancing that acquisition or development and securing not more than 100% of the cost of acquisition or development;

(v) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by MBPS or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 25% of the net proceeds of such disposal;

(w) limited recourse Liens in respect of the ownership interest or assets owned by joint ventures securing obligations of joint ventures; *provided* that the liability secured by such Lien constitutes Permitted Debt;

(x) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (y); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets; and

(y) Liens Incurred in the ordinary course of business of MBPS or any Restricted Subsidiary with respect to obligations that do not exceed \$10 million at any one time outstanding and that: (i) are not Incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business); and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of MBPS's or such Restricted Subsidiary's business.

"**Permitted Payments to MB Holding**" means:

(a) Payments to MB Holding to permit MB Holding to pay reasonable accounting, legal, operating and administrative expenses of MB Holding when due not exceeding \$4.0 million in any twelve-month period; and

(b) for so long as MBPS is a member of a group filing a consolidated or combined tax return with MB Holding, payments to MB Holding in respect of an allocable portion of the tax liabilities of such group that is attributable to MBPS and its Subsidiaries ("**Tax Payments**"). The Tax Payments shall not exceed the lesser of (i) the amount of the relevant tax (including any penalties and interest) that MBPS would owe if MBPS were filing a separate tax return (or a separate consolidated or combined return with its Subsidiaries that are members of the consolidated or combined group), taking into account any carryovers and carrybacks of tax attributes (such as net operating losses) of MBPS and such Subsidiaries from other taxable years, and (ii) the net amount of the relevant tax that MB Holding actually owes to the appropriate taxing authority. Any Tax Payments received from MBPS shall be paid over to the appropriate taxing authority within 30 days of MB Holding's receipt of such Tax Payments or refunded to MBPS.

"**Permitted Refinancing Debt**" means any renewals, extensions, substitutions, defeasances, discharges, refinancings or replacements (each, a "**refinancing**") of any Debt of MBPS or a Restricted Subsidiary (for purposes of "*—Certain Covenants—Limitation on Debt of MBPS*" and "*—Certain Covenants—Limitation on Restricted Payments of MBPS*") or MB Holding or a Subsidiary of MB Holding (for purposes of "*—Certain Covenants—Limitation on Debt of MB Holding*" and "*—Certain Covenants—Limitation on Restricted Payments of MB Holding*") or pursuant to this definition, including any successive refinancings, as long as:

(c) such Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced; and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(d) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being refinanced;

(e) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced;

(f) if the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced is subordinated in right of payment to the Notes or the Guarantees (as applicable), such Permitted Refinancing Debt is subordinated in right of payment to, the Notes or the Guarantees (as applicable) on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced;

(g) the new Debt is not senior in right of payment to the Debt that is being refinanced; and

(h) such Debt is Incurred either by MBPS or by the Restricted Subsidiary (for purposes of "*—Certain Covenants—Limitation on Debt of MBPS*") or MB Holding or a Subsidiary of MB Holding (for purposes of "*—Certain Covenants—Limitation on Debt of MB Holding*") who is the obligor in relation to the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced.

"**Person**" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Pre-Expansion European Union**" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"**Preferred Stock**" means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person, whether now outstanding or issued after the Issue Date and including, without limitation, all classes and series of preferred or preference stock of such Person.

"***pro forma***" means, with respect to any calculation made or required to be made pursuant to the terms of the Notes, a calculation made in good faith by MBPS's Chief Financial Officer.

"**property**" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any property shall be its Fair Market Value.

"**Public Equity Offering**" means a bona fide underwritten primary public offering of Capital Stock (which is Qualified Capital Stock) of MBPS or any Holding Company of MBPS, either:

(1) pursuant to a flotation on the main market of the London Stock Exchange or any other internationally recognized regulated stock exchange or listing authority in a member state of the Pre-Expansion European Union, the Sultanate of Oman or the United Arab Emirates; or

(2) pursuant to an effective registration statement under the Securities Act (other than a registration statement on Form S-8 or otherwise relating to Capital Stock issued or issuable under any employee benefit plan).

"**Qualified Capital Stock**" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or provision of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obliged to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined in accordance with IFRS.

"**Receivables Assets**" are any Receivables and Related Receivables Assets that are or will be the subject of an MBPS Qualified Receivables Financing or an MB Holding Qualified Receivables Financing.

"**Receivables Fees**" means any distributions or payments made directly or by means of discounts with respect to any Receivables Assets sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any MBPS Qualified Receivables Financing or an MB Holding Qualified Receivables Financing.

"**Receivables Repurchase Obligation**" means: (a) any obligation of a seller of receivables in an MBPS Qualified Receivables Financing or an MB Holding Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller; and (b) any right of a seller of receivables in an MBPS Qualified Receivables Financing of an MB Holding Qualified Receivables Financing to repurchase defaulted receivables in order to obtain any VAT bad debt relief or similar benefit.

"**Redeemable Capital Stock**" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of MBPS in circumstances in which the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "*—Certain Covenants—Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control*" covenants described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Notes as are required to be repurchased pursuant to "*—Certain Covenants—Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control.*"

"**Related Party**" with respect to any Permitted Holder, means any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"**Related Receivables Assets**" means, with respect to any Receivables that are, or are to be, the subject of any MBPS Qualified Receivables Financing or an MB Holding Qualified Receivables Financing, all collateral securing such Receivables, all agreements and arrangements that support or secure the payments of the relevant Receivables by the debtor(s) in respect of such Receivables (including, without limitation, the relevant seller's interest in any goods and work in progress, rights to returned or repossessed goods and work in progress, all insurance policies, security deposits, guarantees, indemnities, letters of credit, bills of exchange or other documentary credits, checks or other negotiable instruments, warranties and retention of title claims), the proceeds of such Receivables (including any bank accounts to which such proceeds are credited and no other proceeds are credited) and any other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions or factoring arrangements involving that type of accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such Receivables.

"**Replacement Assets**" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Sale or non-current properties and assets that will be used in MBPS's business or in that of the Restricted Subsidiaries or any and all businesses that in the good-faith judgment of the Board of Directors of MBPS are reasonably related.

"**Restricted Investment**" means any Investment that is not a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of MBPS other than an Unrestricted Subsidiary and Koller Workover International GmbH registered with the local court of Lüneburg under HRB 101238 and currently under liquidation.

"**S&P**" means Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by MB Holding, MPBS or any of their respective Subsidiaries which MB Holding or MBPS, as the case may be, has determined in good faith to be customary, in the context of the Omani securitization market for assets such as the relevant Receivables Assets utilizing the relevant securitization structure, in an MB Holding Qualified Receivables Financing or an MBPS Qualified Receivables Financing, as the case may be, including, without limitation, those relating to the servicing of the Receivables Assets, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest, respectively, is due and payable, and, when used with respect to any other debt, means the date specified in the instrument governing such debt as the fixed date on which the principal of such debt, or any installment of interest thereon, is due and payable.

"**Subordinated Debt**" means Debt of the Issuer or any of the Guarantors that is subordinated in right of payment to the Notes or the Guarantees of such Guarantors, as the case may be.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to a Person by any direct or indirect parent of such Person, any Affiliate of any such parent, any Permitted Holder or any other holder of Capital Stock of any such parent or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided* that such Subordinated Shareholder Funding:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Qualified Capital Stock or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity or confer on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(4) is not secured by a lien on any assets of such Person or a Restricted Subsidiary and is not guaranteed by any Subsidiary of such Person;

(5) is subordinated in right of payment to the prior payment in full of the Notes in the event of any Default, bankruptcy, reorganization, liquidation, winding-up or other disposition of assets of such Person;

(6) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by such Person with its obligations under the Notes and the Indenture;

(7) does not (including upon the happening of an event) constitute Voting Stock; and

(8) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder; in whole or in part, prior to the date on which the Notes mature, other than into or for Qualified Capital Stock of such Person.

"**Subsidiary**" means, with respect to any Person:

(a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person; and

(b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

"**Subsidiary Guarantors**" means MB Petroleum Deutschland GmbH, Erdöl-Erdgas Workover GmbH, Koller Verwaltungs- und Beteiligungs-GmbH, Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG, Koller Workover & Drilling GmbH, Koller Maschinen- und Anlagenbau GmbH, MB Century Drilling Pty Ltd., Century Energy Services Pty Ltd., and Century Resources International Pty Ltd. and any Restricted Subsidiary of MBPS that Incurs a Guarantee in accordance with the provisions of the Indenture.

"**Tangible Assets**" means, with respect to any specified Person, the total assets of such Person as shown on the most recent balance sheet of such Person, determined on an entity, consolidated or combined basis, as applicable, in each case excluding goodwill.

"**Treasury Rate**" means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market date selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to November 15, 2013; *provided*, *however*, that if the period from the redemption date to November 15, 2013 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the period from the redemption date to , 2015 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

"**Unrestricted Subsidiary**" means:

(a) any Subsidiary of MBPS that at the time of determination is an Unrestricted Subsidiary (as designated by MBPS's Board of Directors pursuant to the "*Designation of Unrestricted and Restricted Subsidiaries*" covenant); and

(b) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such foreign currency involved in such computation into U.S. Dollars at the spot right for the purchase of U.S. Dollars with the applicable foreign currency as published under "Currency Rates" in the section of the *Financial Times* entitled "*Currencies, Bonds & Interest Rates*" on the date two Business Days prior to such determination.

"**U.S. Dollars**" means the lawful currency of the United States of America.

"**U.S. Government Obligations**" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"**Voting Stock**" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes will initially be issued in the form of several global notes in registered form without interest coupons attached. Each series of the Notes offered and sold in the United States to qualified institutional buyers in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons attached (the "**Rule 144A Global Notes**"). Each series of the Notes offered and sold outside the United States pursuant to Regulation S will be represented by beneficial interests in one or more permanent global notes in fully registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**").

The Rule 144A Global Notes will be deposited with a custodian for DTC, and registered in the name of Cede & Co. as nominee of DTC. The Regulation S Global Notes will be deposited with, and registered in the name of, a nominee of a common depository for Euroclear and Clearstream. The Notes will be issued in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Ownership of interests in the Global Notes will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to Investors." Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC, Euroclear or Clearstream as applicable, or to a successor of DTC, Euroclear or Clearstream as applicable, or their nominees. Book-Entry Interests in the Global Notes may not be exchanged for definitive notes in registered certificated form ("**Certificated Notes**") except in the limited circumstances described below. Please see "—Exchange of Global Notes for Certificated Notes." The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests.

In addition, while the Notes are in global form, "holders" of Book-Entry Interests will not be considered the owners or "Holders" of Notes for any purpose. So long as the Notes are held in global form, DTC, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the Holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of Holders under the Indenture. Neither we nor the Trustee nor any of our respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, interest and premium, if any) will be made by us to the paying agents. The paying agents will, in turn, make such payments to DTC or its nominee (in the case of the Rule 144A Global Notes) and to the common depositary for Euroclear and Clearstream (in the case of the Regulation S Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, we the paying agents, registrars and the Trustee will treat the registered holder of the Global Notes (i.e., DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the paying agents, registrars and Trustee or any of our respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participants, or for maintaining supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- any other matter relating to the actions and practices of DTC, Euroclear or Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes of any series as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form, and to distribute such definitive registered Notes to their respective participants.

Exchanges between the Global Notes

The Global Notes will bear a legend to the effect set forth in "Notice to Investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Notice to Investors." Book-Entry Interests in any Rule 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes of the same series only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note of such series to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If definitive registered notes are issued, they will be issued only in minimum denominations of $200,000 principal amount and integral multiples of $1,000, respectively, in excess thereof, as the case may be, upon receipt by the registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant who owns the relevant Book-Entry Interests. Definitive registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Notice to Investors." In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

(1) in the case of a Rule 144A Global Note, if DTC (a) notifies us that it is unwilling or unable to continue as depositary for such Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, we fail to appoint a successor depositary;

(2) in the case of a Regulation S Global Note, if Euroclear or Clearstream notifies us that it is unwilling or unable to continue as depositary for such Global Notes, and we have failed to appoint a qualified successor; or

(3) there has occurred and is continuing a default or event of default with respect to the Notes.

In addition, Book-Entry Interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC, Euroclear or Clearstream, as applicable, in accordance with the Indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the restrictive legend referred to in "Notice to Investors," unless that legend is not required by applicable law.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures. The Issuer and the Guarantors understand as follows with respect to DTC and Euroclear and Clearstream:

DTC. DTC is:

- a limited purpose trust company organized under New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Euroclear and Clearstream. Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Global Clearance and Settlement under the Book-Entry System

The notes represented by the Global Notes are to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market. The Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the Notes will, therefore, be required by DTC to be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross-market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by the common depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes from DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received by Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The Book-Entry Interests will trade through participants of DTC, Euroclear or Clearstream will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee or the paying agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

PLAN OF DISTRIBUTION

Barclays Bank PLC, HSBC Bank plc and Standard Chartered Bank are the Initial Purchasers. Subject to the terms and conditions set forth in a purchase agreement among the Issuer, the Guarantors and the Initial Purchasers, the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from the Issuer, the principal amount of Notes set forth opposite its name below.

Initial Purchaser	Principal amount of Notes
Barclays Bank PLC *5 The North Colonnade, Canary Wharf, London E14 4BB;*	$106,667,000
HSBC Bank plc *8 Canada Square, Canary Wharf, London E14 5HQ and*	$106,667,000
Standard Chartered Bank *6 Battery Road, #09-00, Singapore 049909*	$106,666,000
Total	$320,000,000

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the purchase agreement if any of the Notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Commissions and Discounts

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum. After the initial offering, the offering price or any other term of the Offering may change.

Certain purchasers of Notes in the Offering purchasing on behalf of non-institutional investors will be offered a rebate resulting in an effective purchase price of the Notes to such purchasers of 99.50%. This rebate will be paid in part by the Initial Purchasers out of their gross commissions and in part by MB Holding on behalf of MBPS and will therefore not affect the gross proceeds from the Offering received by the Issuer. The portion of the rebate paid by MB Holding on behalf of the Issuer is included in the estimated $8.0 million of transaction fees and expenses referred to under "Use of Proceeds" in this Offering Memorandum.

Notes are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the U.S. Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of the Offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Securities

The Notes are a new issue of securities with no established trading market. The Issuer has applied, through its listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF Market; however, the Issuer cannot assure you that such listing will be maintained. The Issuer has been advised by the Initial Purchasers that they presently intend to make a market in the Notes after completion of the Offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. The Issuer cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

The Issuer expects that delivery of the Notes will be made to investors on or about the date specified in the last paragraph of the cover page of the Offering Memorandum, which will be the fourth business day following the date of the Offering Memorandum (such settlement being referred to as "T+4"). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 180 days after the date of the Offering Memorandum, without first obtaining the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Price Stabilization and Short Positions

In connection with the offering, the Initial Purchasers (or persons acting on their behalf) may engage in transactions that stabilize the market price of the Notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Notes. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing the Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither the Issuer nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Issuer nor any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Other Relationships

The Initial Purchasers or their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the MB Holding Group, MBPS or their respective affiliates. They have received, and expect to receive, customary fees and commissions for these transactions.

TAXATION

Cayman Islands Taxation

Prospective investors should consult their professional advisors on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

- payments on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.
- No stamp duty is payable in respect of the issue of the Notes. The Notes themselves may be stampable if they are executed in or brought into the Cayman Islands.
- An instrument of transfer in respect of any Notes is stampable if executed in or brought into the Cayman Islands.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of material U.S. federal income tax consequences relevant to the purchase, ownership and disposition of the notes by a U.S. holder (as defined below) but does not purport to be a complete analysis of all potential tax effects. The discussion is based upon the Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury Regulations issued thereunder, Internal Revenue Service ("**IRS**") rulings and pronouncements, and judicial decisions, all as of the date hereof and all of which are subject to change at any time. Any such change may be applied retroactively in a manner that could adversely affect a holder of the notes. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following discussion, and there can be no assurance that the IRS will agree with such statements and conclusions.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, including, without limitation:

- banks, insurance companies and other financial institutions;
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- holders subject to the alternative minimum tax;
- dealers in securities or currencies;
- traders in securities;
- partnerships, S corporations or other pass-through entities;
- U.S. holders (as defined below) whose functional currency is not the U.S. Dollar;
- tax-exempt organizations;
- persons holding the notes as part of a "straddle," "hedge," "conversion transaction" or other risk reduction transaction; and
- persons deemed to sell the Notes under the constructive sale provisions of the Code.

If a partnership or other entity taxable as a partnership holds the Notes, the tax treatment of the partners in the partnership generally will depend on the status of the particular partner in question and the activities of the partnership. Such partners should consult their tax advisors as to the specific tax consequences to them of holding the Notes indirectly through ownership of their partnership interests.

In addition, this discussion is limited to persons purchasing the Notes for cash at original issue and at their original "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the Notes are sold to the public for cash). Moreover, the effects of other U.S. federal tax laws (such as estate and gift tax laws and the newly enacted Medicare tax on investment income) and any applicable state, local or foreign tax laws are not discussed. The discussion deals only with Notes held as "capital assets" within the meaning of Section 1221 of the Code.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

U.S. Holders

As used herein, "**U.S. holder**" means a beneficial owner of the Notes who is for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust, if a U.S. court can exercise primary supervision over the administration of the trust and one or more "United States persons" within the meaning of the Code can control all substantial trust decisions, or, if the trust was in existence on August 20, 1996, it has elected to continue to be treated as a United States person.

Payments of Stated Interest

Payments of stated interest on the Notes, including any additional amount with respect thereto as described under "Description of the Notes—Additional Amounts," generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with the a U.S. holder's method of tax accounting for U.S. federal income tax purposes.

In addition to interest on the Notes, a U.S. holder will be required to include in income the amount of any foreign tax withheld from the interest payments received by such holder. Thus, a U.S. holder could be required to report income in an amount greater than the cash the holder receives in respect of payments on the Notes. A U.S. holder may be entitled to deduct or credit this tax, subject to certain limitations (including the election to deduct or credit foreign taxes applies to all of the holder's foreign taxes for a particular tax year).

Interest income (including OID, which is discussed below) will constitute foreign source "passive category" income, or, in the case of certain U.S. holders, "general category" income for foreign tax credit purposes. The rules relating to foreign tax credits and the timing thereof are complex and you should consult your own tax advisor regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to your particular situation.

Original Issue Discount

The Notes will be issued with OID if the Notes' stated principal amount exceeds their issue price (as defined above) by more than a statutorily defined *de minimis* amount. In the event the Notes are issued with OID, U.S. holders would generally be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of tax accounting. As a result, U.S. holders will include any OID in income in advance of the receipt of cash attributable to such income.

If the Notes are issued with OID, the amount of OID includible in income by a U.S. holder of a Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such note ("**accrued OID**"). A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The "accrual period" of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of qualified stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is equal to its issue price, increased by the accrued OID for each prior accrual period.

Sale or Other Taxable Disposition of Notes

A U.S. holder will generally recognize gain or loss upon the sale, exchange, redemption or other taxable disposition of a Note equal to the difference between the amount realized upon the sale, exchange, redemption or other taxable disposition (less an amount attributable to any accrued stated interest, which will be taxable as interest income to the extent not previously included in income) and the holder's adjusted tax basis in the note. A U.S. holder's adjusted tax basis in a Note will generally equal the amount such holder paid for the Note, increased by any OID included in gross income with respect to the Note.

Any gain or loss recognized on a disposition of the Note by a U.S. holder will be U.S. source capital gain or loss, and will be long-term capital gain or loss if at the time of the sale, exchange, redemption or other disposition such holder has held the Note for more than one year. Consequently, a U.S. holder may not be able to claim a credit for any foreign taxes imposed upon a disposition of the Note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. Long-term capital gain realized by a non-corporate U.S. holder will generally be subject to taxation at a reduced rate. A U.S. holder's ability to deduct capital losses may be limited.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal and interest (including OID, if any) on the Notes and to the proceeds of the sale or other disposition of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

In addition, for taxable years beginning after March 18, 2010, new legislation requires certain U.S. holders who are individuals owning over $50,000 in "specified foreign financial assets" (which does not include certain assets held in an account maintained by certain financial institutions) to report information relating to such assets on their tax returns. U.S. holders that are individuals are advised to consult their tax advisors regarding the application of these new provisions to their ownership and holding of the Notes.

Certain U.K. Tax Considerations

The comments below, which are of a general nature and are based on the Issuer's understanding of current U.K. law and H.M. Revenue & Customs ("HMRC") practice. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Any prospective holders of the Notes who may be subject to tax in a jurisdiction other than the United Kingdom or who are in doubt as to their tax position should consult their own professional advisors.

Interest on the Notes

The Notes should constitute "quoted Eurobonds' within the meaning of section 987 of the Income Tax Act 2007 (the "**ITA**"), as long as the Notes are, and continue to be, "listed on a recognized stock exchange" within the meaning of section 1005(4) ITA. By order of the Commissioners of HMRC, any stock exchange which is a stock exchange within the meaning of the law of Luxembourg is a recognized stock exchange.

Section 1005 ITA provides that securities will be treated as listed on a recognized stock exchange if (and only if) they are admitted to trading on that exchange and either they are included in the U.K. Official List by the U.K. Listing Authority or they are officially listed, in accordance with provisions corresponding to those generally applicable in EEA states, in a country outside the United Kingdom in which there is a recognized stock exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of U.K. income tax.

Interest on the Notes may also be paid without withholding or deduction on account of U.K. tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to U.K. corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount may have to be withheld from payments of interest on the Notes for or on account of U.K. income tax at the basic rate (currently 20.0%), subject to any direction to the contrary by HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double tax treaty.

Where interest has been paid under deduction of U.K. income tax, holders of the Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted under an appropriate provision of an applicable double tax treaty.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) it is possible that such payments may be subject to U.K. withholding tax at the basic rate (currently 20.0%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by a Guarantor may not be eligible for the quoted Eurobond exemption described above.

Provision of Information

Holders of the Notes may wish to note that HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. HMRC also has power in certain circumstances to obtain information from any person in the United Kingdom who either pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to, or receives such amounts for the benefit of, an individual, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before April 5, 2011. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

Sale, Exchange and Redemption of Notes

U.K. Corporation Taxpayers

In general, holders of the Notes which are within the charge to U.K. corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to interest, currency fluctuations or otherwise) broadly in accordance with their statutory accounts, calculated in accordance with generally accepted accounting practice, and as such no chargeable gain for the purposes of the Taxation of Chargeable Gains Act 1992 should arise on the disposal of the Notes.

Other U.K. Taxpayers

A disposal of Notes (including a redemption) by an individual holder of the Notes who is resident or ordinarily resident for tax purposes in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purpose of U.K. capital gains tax.

Taxation of Discount

If the Notes constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 then any gain realized on redemption or transfer of the Notes by a holder of the Notes who is within the charge to U.K. income tax in respect of the Notes will generally be taxable as income.

Accrued Income Scheme

On a disposal of Notes (if they do not constitute deeply discounted securities) by a holder of the Notes, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that holder of the Notes is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

Holders Who are Not Resident in the United Kingdom

A body corporate that is neither resident in the United Kingdom for tax purposes nor carrying on a trade in the United Kingdom through a permanent establishment should not be liable for United Kingdom corporation tax on profits, gains and losses on, or fluctuations in value of, the Notes.

Other holders of Notes who are not resident in the United Kingdom for tax purposes and who do not carry on a trade, profession, or vocation in the United Kingdom through a branch or agency in connection with which the interest is received or to which the Notes are attributable, should not be liable for U.K. tax on chargeable gains realized on or profits arising on the disposal of the Notes, whether by withholding or otherwise.

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty or stamp duty reserve tax is payable on the issue or transfer of the Notes.

EC Council Directive

Directive 2003/48/EC provides for the tax authorities of the Member States to provide each other with details of payments of interest and similar income made to individuals but permits Austria, Belgium and Luxembourg instead to impose a withholding tax on the payments concerned for a 'transitional period" (although it also provides that no such withholding tax should be levied where the beneficial owner of the payment authorizes an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the Member State in which such beneficial owner is resident). The Directive does not preclude Member States from levying other types of withholding tax.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisors regarding the consequences of the Directive in their particular circumstances.

Certain Australian Tax Considerations

The following is a summary of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the "**Australian Tax Act**"), at the date of this Offering Memorandum, of payments of interest (as defined in the Australian Tax Act) on the Notes and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Notes (including, dealers in securities, custodians or other third parties who hold the Notes on behalf of any absolute beneficial owners of Notes).

The following is general guide and should be treated with appropriate caution. Prospective holders of Notes should consult their professional advisors on the tax implications of an investment in the Notes for their particular circumstances.

Australian Interest Withholding Tax

Payments by the Issuer of interest on the Notes will not be subject to Australian interest withholding tax because those payments will not be made by a resident of Australia, or by a non-resident of Australia as an outgoing incurred in a business carried on by it at or through a permanent establishment in Australia.

Australian law is not settled in relation to payments by an Australian resident guarantor (such as MB Century, Century Energy Services Pty Limited and Century Resources International Pty Limited) in relation to interest obligations of the Issuer. The Australian Commissioner of Taxation has expressed the view that payments by an Australian resident guarantor in relation to interest are themselves in the nature of interest and subject to Australian interest withholding tax. While that expression of opinion has no binding effect, it is an indication that the Australian Commissioner of Taxation may seek to collect Australian interest withholding tax on payments of that kind. In the event that any withholding taxes are required to be withheld or deducted from any payments under the guarantees, the Guarantors will, subject to certain exceptions described in this Offering Memorandum, be required to pay such additional amounts as will result, after deduction or withholding of such taxes, in the receipt of the amounts which would have been receivable under the guarantees had no such withholding or deduction been required.

Other Tax Matters

Under Australian laws as presently in effect:

- *Taxation of Financial Arrangements*. A holder of Notes who is a resident of Australia, or who is a non-resident of Australia that holds the Notes in the course of carrying on business at or through a permanent establishment in Australia, may be required to account for the interest on the Notes in accordance with the recently introduced rules for the taxation of financial arrangements;
- *Gains on Disposal of Notes*. No Australian income or other tax is payable on any profit on sale or redemption of the Notes that are held by non-residents of Australia (other than Notes that have been held through a permanent establishment in Australia at any time) except if the Notes are purchased with the intention of deriving that profit, or the Notes are trading stock of the vendor or if an ordinary incident of the vendor's business is the sale of securities for a profit and, in each case, the profit has a source in Australia. The profit will generally only have a source in Australia if the business is conducted in Australia, if the Notes are sold in Australia or the Notes are physically held in Australia. Notwithstanding that a profit from a sale or redemption of Notes is prima facie assessable within Australia in the circumstances referred to above, if the vendor is a resident of a country with which Australia has a double taxation agreement, then depending on the circumstances of the case and the terms of the relevant treaty, relief from Australian tax may nevertheless be available under the treaty;
- *Death Duties*. No Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- *Stamp Duty and Other Taxes*. No *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issuance or transfer of any Notes;
- *Garnishee Directions*. The Australian Commissioner of Taxation may give a direction under section 255 of the Australian Tax Act or section 260-5 of the Taxation Administration Act 1953 of Australia or any similar provision requiring a guarantor to deduct from any payment to any other party (including any holder of the Notes) any amount in respect of Australian tax payable by that other party; and
- *Taxation of Foreign Exchange Gains and Losses*. The Australian Tax Act contains rules to deal with the taxation consequences of non-Australian Dollar denominated transactions. The rules are complex and may apply to any holder of Notes who is an Australian resident, or who is a non-resident of Australia that holds the Notes in the course of carrying on business at or through a permanent establishment in Australia. Any such holder of Notes should consult their professional advisors for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of the Notes.

Certain Omani Tax Considerations

MB Holding, MBPS and other companies of the MB Holding Group are incorporated and registered in Oman. These companies are subject to corporate income tax in Oman on their taxable income computed in accordance with Oman's Income Tax Law (Royal Decree 28/2009) (the "**Oman Tax Law**"). Under the Oman Tax Law, corporate entities are subject to tax at a flat rate of 12% on taxable income, earned in a tax year, in excess of RO 30,000.

Capital gains arising to Omani taxpayers are taxed as a part of income subject to tax, and consequently, capital gains arising from a sale of securities held by an Omani taxpayer would be subject to tax. However, profit on sale of securities listed on the Muscat Securities Market ("**MSM**") are exempt from tax. Neither MB Holding nor MBPS or any of the Subsidiary Guarantors are listed on the MSM and accordingly capital gains arising from a sale of securities of the aforesaid entities would be taxable in the hands of the recipient entity.

Dividend income earned by a taxable entity in Oman, from its shareholding in another Omani registered company is not taxable in the hands of the recipient. However, dividend income earned by a taxable entity in Oman, from its shareholding in a foreign company is taxable.

Interest income received by a taxable entity in Oman is taxable irrespective of whether the interest is received from a local company or a foreign company.

Currently, no withholding tax is applied on dividends or interest paid by an Omani corporate entity to foreign shareholders.

The Oman Tax Law imposes withholding taxes on payments made by an established Omani company or a permanent establishment to a foreign entity that does not have a permanent establishment in Oman, or the payment is not included as part of the income of the permanent establishment in Oman on account of: (i) royalties; (ii) consideration for research and development; (iii) consideration for the use or the right to use computer programs; and (iv) management fees. However, since any payments that may require to be made by the Omani Guarantors in respect of interest on the Notes (including repayment of amounts subscribed for the Notes or other amounts due under the Notes) would not fall within the specified categories of payment in respect of which withholding taxes are levied, payments on account of interest and repayments due on the Notes will not be subject to withholding taxes in Oman.

The above taxation information is only intended to provide general information on Omani tax to the investors and is neither designed nor intended to be a substitute for professional tax advice.

In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax advisor with respect to the specific tax implications arising out of their participation in the issue.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES

Set forth below is a summary of certain limitations on the enforceability of the Guarantees in each of the jurisdictions in which the Guarantors (or intended Guarantors) are organized. It is a summary only and in the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Guarantees.

Oman

Each of MB Holding and MBPS are Guarantors incorporated as limited liability companies ("**LLC**") under the laws of Oman. In the event that an Omani Guarantor becomes insolvent, insolvency proceedings in respect of that Guarantor will proceed under, and be governed by, Omani Law.

Guarantees under Omani Law

The Oman Commercial Law (the "**OCL**") (Royal Decree 55/90) recognizes the concept of a guarantee and it is permissible for an Omani company to guarantee the obligations of its parent or a subsidiary. However, since Article 8 of Oman's Commercial Companies Law (Royal Decree 4/74) (the "**CCL**") stipulates that members, managers and directors of a commercial company may not, except with the prior consent of all members of the company (in the case of an LLC) or with the consent of shareholders of the company in general meeting (in the case of a joint stock company) use the company's assets or property for their own benefit or for the benefit of third parties; and Article 152 of the CCL provides that the managers of an LLC shall not guarantee the debts of third parties, except guarantees made in the ordinary course of business for the fulfillment of the company's objectives, unless expressly authorized to do so by the company's memorandum of association or by a unanimous decision of all the partners, it is necessary for the Guarantee to be executed pursuant to a unanimous resolution of all the shareholders of each of the Omani Guarantors (since each of the Omani Guarantors has been incorporated and registered as a limited liability company).

Through Articles 235, 241, 242 and 246, the OCL incorporates provisions that seek to protect the interests of guarantors.

- Article 235 of the OCL provides that if a debt which has been guaranteed is deferred in respect of the principal debtor, it shall likewise be deferred in respect of the guarantor.
- Article 241 of the OCL imposes a duty on the creditor to safeguard such securities as may be held to cover a guaranteed debt and in so doing to take account of the interests of guarantors. If a creditor fails in this duty and the guarantor suffers a loss as a result, the guarantor is released to that extent. For the purposes of this Article, securities means all securities in relation to the debt even if they were granted after the guarantee was put in place.
- Under Article 242 of the OCL, a creditor in a bankruptcy situation must pursue his claim in the bankruptcy. If the creditor fails to do so and the guarantor sustains loss, the creditor forfeits his right to seek recourse against the guarantor to the extent of that loss.
- Article 246 of the OCL provides that the guarantor may "release his liability for the guarantee" where the creditor grants the debtor a period of time for payment without the approval of the guarantor. In addition, in the event that a debt falls due and the creditor fails to make a claim for payment, a guarantor is entitled to notify the creditor that legal measures must be taken to settle the debt within a period not to exceed one month. If that period comes to an end and the debtor has not yet been asked to make payment, the guarantor is released save where the debtor provides the guarantor with adequate security in respect of the guarantee obligation.

Enforcement of the Guarantee against the Omani Guarantors

The Guarantees are governed by the laws of the State of New York and are subject to the jurisdiction of the courts of the State of New York. However, enforcement of a judgment passed by a court in the State of New York, would need to be enforced against the Omani Guarantors through the Omani courts. With respect to the recognition of foreign judgments there are express provisions within Omani Law that must be satisfied prior to enforcement. Article 352 of the Civil Procedure Law (Royal Decree 29/2002) states that judgments and orders issued in a foreign country may be executed within Oman according to the same terms applicable in the law of that country with regard to the execution of judgments and orders issued in Oman. The consequence of this is that reciprocity is the key to seeking enforcement of a foreign judgment. There are further requirements, and Article 352 continues "the order for enforcing execution shall not be effected unless the following are satisfied:

- the concerned judgment or order is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the said judgment or order is passed, and becomes final according to that law and was not grounded on deception;
- the parties to the said law suit in relation to which a foreign judgment was issued were summoned to appear and were properly represented;
- the judgment or order does not include any requests, the basis of which breaches the laws enforced in Oman;
- it does not contradict any judgment or order previously issued by Omani courts, and it does not include anything contravening public order or morals; and
- the country in which the said judgment which is intended to be executed was issued, accepts the execution of judgments of Omani courts within its territories.

Apart from a judgment passed by the Appeal Court where it was held that a judgment of a United Arab Emirates court was enforceable in Oman pursuant to the terms of the GCC reciprocity treaty, to our knowledge no judgment of a foreign court has ever been enforced directly in Oman. Oman is not a signatory to any international treaties providing for the recognition of foreign judgments with the exception of the reciprocity treaty between the six GCC countries.

The enforceability of the Guarantee against the Omani Guarantors would be affected by laws relative to bankruptcy, insolvency, winding-up, liquidation, receivership and similar laws that are in force in Oman.

Book V of the OCL contains the rules and procedures governing insolvency of merchants. The term "merchant" has been defined by Articles 16 to 19 of the OCL to include any persons, corporate entities and branches of foreign companies and firms engaged in commercial activity in Oman.

Although there have been some bankruptcies in Oman, the Omani courts have not been inclined towards passing bankruptcy orders unless a judgment has been obtained for an outstanding debt and attempts have been made to enforce the judgment and have not been successful. While the court's approach has not been consistent with the insolvency laws of Oman, their actions may have resulted from policy consideration.

Winding-up

The CCL contains various grounds upon which a company may be wound up, including the loss of capital.

Insolvency Proceedings

The OCL contemplates the following kinds of insolvency proceedings: voluntary liquidation; court liquidation upon a creditor's application; court-initiated liquidation i.e., by the court of its own accord without an application being made by either creditor or the company; receivership; judicial composition; and preventive composition.

As to a bankruptcy, a creditor or the directors of a company (or the managers, in the case of an LLC), with the consent of a general meeting of the shareholders, can apply to the courts of Oman for an adjudication of bankruptcy if the company ceases to be able to pay its commercial debts. Upon adjudication, the courts of Oman will appoint a bankruptcy judge and a receiver who will take over the management of all assets of the bankrupt. Article 593 of the OCL provides that an interested outside party, (in this case the Trustee) may contest the adjudication of bankruptcy by way of an objection within 15 days of the publication of the summary of the adjudication in the Official Gazette.

The receiver represents all creditors other than secured creditors, who are generally free to continue separate enforcement proceedings against secured assets.

Preventive Composition

With the approval of a majority of its shareholders, a commercial company which is not in the process of liquidation but whose financial difficulties are sufficient to result in its ceasing to make payments of its commercial debts as they fall due may apply to the courts of Oman for an order for preventive composition. A judgment granting preventive composition will allow the debtor to continue to administer its own assets in the normal course of business but under the supervision of a court-appointed supervisor. Ordinary creditors (but not secured creditors) are entitled to vote to accept or reject the composition arrangement. Secured creditors do have the right to contest the application for composition but there is no indication under Omani law of the basis upon which the courts of Oman might refuse to ratify the application if secured creditors do in fact object.

In the case of the Omani Guarantors, the result of a successful application for preventive composition would be that the holders of the Notes, along with other creditors, would be prevented, pursuant to Article 709 of the OCL, for a period of up to five years from claiming any outstanding debt from the relevant Omani Guarantor. It is not entirely clear whether or not an order for preventive composition would interrupt applicable limitation periods; however, Omani counsel are of the opinion that it would be unreasonable if that were not the case.

An application for preventive composition may only be brought by an Omani Guarantor with the approval of the majority of its shareholders.

Deferral

Article 686 of the OCL states that "the Court may, at its own discretion or at the request of the company or the Penal Prosecution Authority defer an adjudication of bankruptcy in respect of a company where there is a likelihood that its financial position will be strengthened." No indication is given as to the period of any such deferral or as to whether proceedings can be deferred more than once. We are not aware of any case in which the court has deferred an adjudication of bankruptcy under Article 686.

Powers of Court-Appointed Trustee

The court appoints a trustee to whom the assets of the bankrupt are relinquished on the date of adjudication of bankruptcy.

The powers of the trustee are prescribed by the OCL (Articles 645-665). Broadly, the powers are to get in, collect and realize assets.

Article 661 of the OCL provides that, at the request of either the trustee or the company, after seeking the opinion of the supervisor appointed pursuant to Article 651, the judge in bankruptcy "may authorize the continued operation of the business concern where the public interest, the interest of the debtor or the interest of the creditors so requires." The trustee is required to supervise the person authorized to administer the company and must submit a monthly report to the judge in bankruptcy on the state of the business.

The judge in bankruptcy may appoint one or more supervisors from among those creditors who put themselves forward for this purpose. The supervisors may inspect the balance sheet of the company and the report submitted by the trustee and assist the judge in bankruptcy in supervising the trustee.

Article 633 of the OCL provides that binding contracts to which the company is a party shall not be cancelled on the adjudication of bankruptcy, "unless based on personal considerations" (which we take to mean "exceptional circumstances"). Omani counsel are of the view that it would not be open to the trustee to release an Omani Guarantor from its obligations under its Guarantee pursuant to Article 633 of the OCL.

Article 633 goes on to say that if the trustee does not "implement" the contract, the other party may apply for cancellation of the contract and participate in the bankruptcy for compensation due to such cancellation.

The trustee is appointed by the court. The OCL is silent as to responsibility for the trustee's costs and expenses except to the extent that these are determined by the judge in bankruptcy once the receiver has submitted a report on his administration.

Australia

Insolvency

Each of MB Century, Century Energy Services Pty Limited and Century Resources International Pty Limited are Guarantors incorporated under the laws of Australia. In the event that an Australian Guarantor becomes insolvent, insolvency proceedings in respect of that Guarantor will likely proceed under, and be governed by, Australian laws. Australian insolvency laws are different from the insolvency laws of certain other jurisdictions. In particular, the voluntary administration procedure under the Corporations Act 2001 (Cth), which provides for the potential re-organization of an insolvent company while imposing a temporary enforcement moratorium, differs significantly from chapter 11 under the U.S. Bankruptcy Code and may differ from the insolvency laws of other non-Australian jurisdictions.

If an Australian Guarantor becomes insolvent, the treatment and ranking of holders of the Notes and each Australian Guarantor's shareholders under Australian law may be different from the treatment and ranking of holders of the Notes and each Australian Guarantor's shareholders if each Australian guarantor were subject to the insolvency laws of certain other jurisdictions. As a general proposition, however, under Australian insolvency laws, secured creditors rank ahead of unsecured creditors in respect of secured assets (with some exceptions relating to employees' entitlements, tax authorities and some other preferred creditors) and all creditors, including subordinated creditors, rank ahead of shareholders (except in relation to some types of unsecured liabilities owing to shareholders). For instance, the Australian High Court recently ruled that shareholders may, in certain circumstances, rank alongside unsecured creditors in a winding-up or administration where shareholders have an independent damages claim against the debtor company arising out of the purchase of their shares. The Australian government has recently released a draft of the Corporations Amendment (Sons of Gwalia) Bill 2010, which proposes to reverse this ruling.

Under Australian law, if an order to wind up were to be made against any Australian Guarantor and a liquidator was appointed to any such Guarantor, the liquidator would have the power to investigate the validity of past transactions and may seek various court orders, including orders to void certain transactions entered into prior to the winding-up of such Guarantor and for the repayment of money. These include transactions entered into within a specified period of the winding-up that a court considers uncommercial transactions or transactions entered into when winding up was imminent that had the effect of preferring a creditor or creditors or otherwise defeating, delaying or interfering with the rights of creditors.

In addition to the matters described above, the Guarantees given by the Australian Guarantors may be set aside, subordinated or otherwise avoided by the application of financial assistance, insolvency and administration, equitable subordination principles or other similar provisions or principles existing under Australian law, including as a result of the application of laws in relation to the duties of directors to act in good faith and for proper purposes. If one or more of the Guarantees are set aside or otherwise avoided, your claim against the Guarantors giving those Guarantees could be lost or limited and it is possible that you will only have a claim against the Issuers and any remaining Guarantors.

Enforcement of Civil Liabilities

MB Century, Century Energy Services Pty Limited and Century Resources International Pty Limited are Guarantors incorporated under the laws of a country other than the United States. Substantially all the directors and officers of these entities, and some of the experts named in this Offering Memorandum, reside outside the United States, including in Australia. A substantial portion of the assets of these entities, and the assets of the directors, officers and experts are located outside the United States. Therefore, you may not be able to effect service of process within the United States upon these entities or persons so that you may enforce judgments of U.S. courts against them in the United States based on the civil liability provisions of the U.S. federal securities laws.

In addition, there are doubts as to the enforceability in Australia in original actions, or in actions for enforcement of judgments of U.S. courts, of civil liabilities based on U.S. federal securities laws. Also, judgments of U.S. courts (whether or not such judgments relate to U.S. federal securities laws) will not be enforceable in Australia in certain other circumstances, including, among others, where such judgments:

- contravene local public policy;
- were obtained by fraud or duress;
- breach the rules of natural justice or general principles of fairness;

- are not for a fixed or readily ascertainable sum;
- are subject to appeal, dismissal, stay of execution;
- a declaration under the Foreign Proceedings (Excess of Jurisdiction) Act 1984 (Cth) has been made in respect of it;
- are not otherwise final and conclusive;
- involve consequential, multiple or punitive damages;
- where the proceedings in such courts were of a revenue or penal nature; or
- were registered in contravention of the registration provisions of the Foreign Judgments Act 1991 (Cth) or is a judgment to which the Act no longer applies.

The Indenture pursuant to which the Notes will be issued, and which the Notes and the Guarantees will be governed by, will be construed in accordance with the laws of the State of New York. Each Australian Guarantor has submitted to the non-exclusive jurisdiction of any New York State or U.S. federal court sitting in the City of New York, New York over any legal action, suit, or proceeding against them or their properties, assets or revenues with respect to their obligations, liabilities or any other matter arising out of or in connection with the indenture, the Notes and the Guarantees. Please see "Description of the Notes—Governing Law."

Each Australian Guarantor has appointed CT Corporation System as their agent for service of process in the United States in respect of any civil suit or action brought against or involving any one or more of them in a U.S. federal or state court located in the Borough of Manhattan of the City of New York arising out of, related to or concerning the offering of the Notes and the Guarantees.

Australian Exchange Control Restrictions

The Australian Dollar is freely convertible into U.S. Dollars and other currencies at market-determined rates. However, the Banking (Foreign Exchange) Regulations 1959 (Cth) restrict or prohibit payments, transactions or other dealings with assets having a proscribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism, including certain payments or other dealings involving or connected in certain ways with the Governments of Zimbabwe and Burma, certain former Yugoslavian entities or individuals, certain Iranian entities or North Korea. The Reserve Bank of Australia maintains a list on its website at *http://www.rba.gov.au/mkt-operations/fin-sanctions*.

In addition, other legislation implements United Nations sanctions and asset freezing regimes. Australia's Department of Foreign Affairs and Trade maintains a list of those affected on its website at *http://www.dfat.gov.au/icat/unsc_financial_sanctions.html*.

Germany

Insolvency

Certain Subsidiary Guarantors are organized under the laws of Germany and/or are having its center of main interests in Germany ("**German Guarantors**"). Accordingly, insolvency proceedings with respect to the German Guarantors would likely be initiated under, and be governed by, German insolvency law. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*), may be less favorable to your interests as creditors than the insolvency laws of the United States or another jurisdiction with which you may be familiar, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising and other insolvency laws. However, pursuant to the EC Regulation on Insolvency Proceedings, where a German company conducts business in more than one member state of the European Union, the jurisdiction of the German courts may be limited if the company's "center of main interests" is found to be in a member state other than Germany. There are a number of factors that are taken into account to ascertain the center of main interests, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The company's "center of main interests" at the time of the filing of the insolvency petition are opened will be decisive for determining the applicable insolvency regime.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). The debtor is over-indebted if its liabilities exceed the value of its assets which must be assessed on the basis of an over-indebtedness balance sheet (according to temporary legislation being in force until the end of 2013, the debtor is in any case not over-indebted if its continuation as a going concern is predominantly likely). In addition, the debtor can file for insolvency proceedings if it is imminently at risk to be unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). If a limited liability company (*Gesellschaft mit beschränkter Haftung*) or any other limited liability company or any company not having an individual as personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the management of such company is obligated to file for insolvency without delay. The insolvency proceedings are court controlled, and the court opens the insolvency proceedings if certain formal requirements are met and if there are sufficient assets to cover at least the costs of the proceedings. Upon opening of the insolvency proceedings, the court usually appoints an insolvency administrator (*Insolvenzverwalter*) that has full administrative and disposal authority over the debtor's assets. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings.

For the holders of the Notes, the most important consequences of the opening of German insolvency proceedings against a German Guarantor or any other subsidiary subject to the German insolvency regime would be the following:

- the right to administer and dispose of the German Guarantor's or such subsidiary's assets would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by the German Guarantor's or such subsidiary's management after the opening of insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings; and
- claims against a German Guarantor or such subsidiary may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. Certain secured creditors are not entitled to enforce their security interests outside the insolvency proceedings and in many cases the insolvency administrator will have the sole right to enforce the security. Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts will be allocated to the insolvency estate and would, after deduction of the costs of the insolvency proceedings (e.g., fees for and expenses of the insolvency administrator and the insolvency court as well as the members of the creditors' committee), after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If a German Guarantor or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from such collateral may not be sufficient to satisfy the holders of the Notes under the Guarantees granted by the German Guarantors after satisfaction of such secured creditors. In addition, it may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (i.e., there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

Limitation on Enforcement

The German Guarantors are incorporated in Germany in the form of a GmbH (a form of limited liability company) or a GmbH & Co. KG, a limited partnership with a GmbH as its sole general partner. Consequently, the grant of guarantees by these companies is subject to certain capital maintenance rules of the German Limited Liability Company Act (the "**GmbHG**").

As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (i.e., assets minus liabilities and liability reserves) is or would fall below the amount of its stated share capital (*Stammkapital*). Guarantees granted by a GmbH in order to guarantee liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a limited partnership with a GmbH as its sole general partner. Pursuant to such limitation language, the beneficiaries of the guarantees contractually agree to enforce the guarantees against the German subsidiary only if and to the extent that such enforcement does not result in the subsidiary's net assets falling below, or increasing an existing shortfall of, its stated share capital. Accordingly, as a matter of German corporate law the documentation in relation to the Guarantees provided by the German Guarantors contains such contractual limitation language and such Guarantees are limited in the manner described.

In addition to the limitations resulting from the capital maintenance rules, the Guarantees granted by the German subsidiaries of the Issuer will contain additional provisions limiting the enforcement in the event the enforcement would result in an illiquidity of the relevant German subsidiary.

German capital maintenance rules are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a GmbH or a limited partnership with a GmbH as its sole general partner, which can negatively affect the ability of the Issuer to make payment on the Notes or of the German subsidiaries to make payments on the Guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a Guarantee granted by the German Guarantors. In such case, the amount of proceeds to be realized in an enforcement process may be reduced. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the stressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of Guarantees by the German Guarantors.

Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Hardening Periods and Fraudulent Transfer

In the event of insolvency proceedings with respect to a German Guarantor, which would be based on and governed by the insolvency laws of Germany, the guarantee provided by such Guarantor could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set forth in the German Insolvency Code (*Insolvenzordnung*). Based on these rules, an insolvency administrator may challenge transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings. The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the 10-year period prior to the commencement of insolvency proceedings.

In the event such a transaction is successfully voided or the Guarantee is held unenforceable for any reasons, the holders of the Notes would be under an obligation to repay the amounts received under a respective Guarantee to the insolvency estate or to waive such Guarantee.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the provision of security (including guarantees) or the repayment of debt) may be voided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances imperatively suggesting such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing; (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time; or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggest such detrimental effect);
- any transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, provided it was entered into (i) during the three months prior to the filing of the petition of the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the opining of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act performed by the debtor during the 10 years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act;
- any act that provides security or satisfaction for a shareholder loan made to the debtor or a similar claim if (i) in the case of the provision of security, the act took place during the 10 years prior to the

filing of the petition for the opening of insolvency proceedings or after the filing of such petition; or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and

- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for commencement of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (e.g., the relevant German Guarantor) was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party," there is a general statutory presumption that such party had "knowledge." The term "related party" includes, subject to certain limitations, in the case of debtors that are corporate persons, members of the management or supervisory board, shareholders owning more than 25% of the debtor's stated share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and persons that are spouses, relatives or members of the household of any of the foregoing persons.

Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

Enforcement of Foreign Judgments

The following provides a brief overview with respect to the enforceability of certain U.S. court judgments in Germany. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters.

Notwithstanding the foregoing, a final and conclusive judgment for payment of a definitive sum rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be enforced by German courts if any of the reasons for excluding enforceability set forth in the German Code of Civil Procedure (*Zivilprozessordnung*) exist, in particular:

(a) if, applying German law principles of jurisdictional competence, the U.S. court having rendered the U.S. judgment did not have jurisdiction;

(b) if the document introducing the proceedings has not been duly served or has not been served in a timely fashion to permit a defense;

(c) if the judgment is contrary to (i) any prior judgment which became *res judicata* rendered by a German court, (ii) any prior judgment which became *res judicata* rendered by a foreign court which is to be recognized in Germany, or (iii) the procedure leading to the respective judgment is inconsistent with any such prior judgment or a proceeding previously commenced in Germany;

(d) if a recognition of the judgment would be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;

(e) the reciprocity of enforcement of judgments is not guaranteed; and

(f) the judgment did not become final and conclusive in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Even if a U.S. judgment is recognized in Germany, it does not necessarily mean that it will be enforced in all circumstances. In particular, the obligations need to be of a specific kind and type for which an enforcement procedure exists under German law. Also, if circumstances have arisen after the date on which such foreign judgment became legally effective and final, a defense against execution may arise. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditor's rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been registered under the U.S. Securities Act or any state securities laws and, unless so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws in any jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to QIBs in reliance on Rule 144A and outside the United States in offshore transactions (as defined in Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities law, including sales pursuant to Rule 144A, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set out in paragraph (5) below.

(2) It is not an "**affiliate**" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or acting on the Issuer's behalf and it is either:

(i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A and the acquisition of Notes will be for its own account or for the account of another QIB; or

(ii) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) It acknowledges that none of the Issuer, the Guarantors or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the offering or sale of any Notes, other than the information contained in the Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposal of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of Notes issued in reliance on Rule 144A ("**Rule 144A Notes**") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year after the later of the date of the Issue Date and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only: (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act; (v) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the U.S. Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional

accredited investor, in each case in a minimum principal amount of Notes of $250,000; or (vi) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposal of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv), (v) or (vi) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each Rule 144A note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE U.S. SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSAL OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE.

(6) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(7) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(8) It acknowledges that the transfer agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set out therein have been complied with.

It acknowledges that the Issuer, the Guarantors and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Latham & Watkins LLP, as to matters of U.S. federal, New York state and German law and Al Busaidy, Mansoor Jamal & Co. as to matters of Omani law and Maples and Calder as to matters of Cayman Islands law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Shearman & Sterling (London) LLP, as to matters of U.S. federal, New York state and German law and Trowers and Hamlins as to matters of Omani law.

CERTAIN LEGAL INFORMATION ABOUT THE ISSUER

General

The Issuer was incorporated as an exempted company with limited liability in the Cayman Islands under the laws of the Cayman Islands on October 11, 2010 under the name MBPS Finance Company (with registered number 246366). The registered office of the Issuer is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The share capital of the Issuer is $50,000 and is comprised of 50,000 shares of par value $1.00 each. The paid-up share capital at present is $100.00 and this is non-assessable. The Issuer is a 100% owned subsidiary of MBPS and will have no debt other than the Notes.

Business/Principal Activities

The Issuer is organized as an exempted company, with full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to: (i) its registration as an exempted company; (ii) the authorization of the issuance of the Notes; (iii) the other matters contemplated in this Offering Memorandum; (iv) the authorization and execution of the other documents referred to in this Offering Memorandum to which it is or will be a party; and (v) other matters that are incidental or ancillary to those activities.

The Issuer's ongoing activities will be principally comprised of: (i) the issuance of the Notes; (ii) the entering into of any documents related to the issuance of Notes; and (iii) the exercise of related rights and powers and other activities referred to in this Offering Memorandum or reasonably incidental to those activities.

Organizational Structure

The Issuer has no subsidiaries, employees or non-executive directors.

Management/Directors

The Directors of the Issuer and their respective business addresses and principal activities are:

Name	Business Address	Principal Activities
Mr. Mohamed Ali Mohamed Al Barwani	c/o MB Petroleum Services LLC, P.O. Box 695, CPO Seeb, Sultanate of Oman, Postal Code 111	Founder, owner and Chairman of MB Holding
Mr. Usama Mohamed Ali Al Barwani	c/o MB Petroleum Services LLC, P.O. Box 695, CPO Seeb, Sultanate of Oman, Postal Code 111	Director of Business Development for MB Holding

Financial Statements

The Issuer has not prepared any financial statements since the date of its incorporation, and will not do so in the future.

The financial year of the Issuer begins on January 1 and ends on December 31 of each year.

CERTAIN LEGAL INFORMATION ABOUT MB HOLDING

MB Holding was incorporated as a limited liability company in Oman (with registered number 1500708) under the commercial companies laws of Oman on October 10, 1995 for an unlimited duration. The head office of MB Holding is in Muscat Governorate, Mutrah, Al Wattayah, Oman. The authorized, issued and paid-up share capital of MB Holding is Omani Rial 20,000,000 (twenty million) divided into 20,000,000 (twenty million) shares of par value Omani Rial 1.0 (one) each. The financial year of MB Holding begins on January 1 and ends on December 31 of each year.

INDEPENDENT AUDITORS

The consolidated financial information of MB Holding and MBPS as of and for the years ended December 31, 2007, 2008 and 2009 included in this Offering Memorandum has been audited by Ernst & Young, Muscat, independent auditors, as stated in their reports appearing herein.

The consolidated special purpose financial statements of MB Century for the periods ended December 31, 2008 and 2009 included in this Offering Memorandum have been audited by Deloitte Touche Tohmatsu, independent accountants, as stated in their reports appearing herein.

The Issuer has not published any financial information to date.

INDEPENDENT CONSULTANTS

Certain information relating to Petrogas's oil and gas reserves in Block 5 and Block 7 are included from reports prepared by TRACS International Consultancy Limited.

Certain information relating to Mawarid Mining's deposit and reserve resources are included from reports prepared by Wardell Armstrong International.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers was furnished with a copy of the Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum was deemed to acknowledge that:

(i) such person was afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(ii) such person did not rely on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(iii) except as provided pursuant to (i) above, no person was authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

The Issuer is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. Please see "Description of the Notes—Certain Covenants—Reports to Holders."

For so long as the Notes are listed on the Luxembourg Stock Exchange, and the rules of that exchange so require, copies of the Issuer's organizational documents and the Indenture and our most recent consolidated financial statements published by us may be inspected and obtained at the registered office of the Issuer, and will be available free of charge at the office of the Luxembourg listing agent. Please see "Listing and General Information."

LISTING AND GENERAL INFORMATION

1. The Issuer was incorporated in the Cayman Islands on October 11, 2010. The address of the Issuer is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
2. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF Market.
3. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market and the rules of such exchange shall so require, copies of the Issuer's Articles of Association and those of the Guarantors and the Indenture will be available free of charge at the specified office of the paying agent in Luxembourg referred to in paragraph 7 below. The guarantees will be contained in and issued pursuant to the Indenture. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of such exchange shall so require, copies of the financial statements included in this Offering Memorandum will be available free of charge during normal business hours on any weekday at the offices of such paying agent in Luxembourg referred to in paragraph 7 below.
4. We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.
5. Except as disclosed herein, there has been no material adverse change in the consolidated financial position of the Guarantors since December 31, 2009, and there has been no material adverse change in the financial position of the Issuer since its incorporation.
6. Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.
7. We have appointed Deutsche Bank Luxembourg S.A., as our paying agent and transfer agent in Luxembourg. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website, *www.bourse.lu*. The paying agent in Luxembourg will act as intermediary between the holders of the Notes and us, and so long as the Notes are listed on the Luxembourg Stock Exchange's Euro MTF Market, we will maintain paying and transfer agents in Luxembourg.
8. The issuance of the Notes was authorized by resolutions of the board of directors of the Issuer passed at meetings held on November 1, 2010. The Guarantees were authorized by resolutions of the appropriate corporate body or individual of each of the Guarantors.
9. The Global Notes sold pursuant to Regulation S under the U.S. Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear under common code 055915571. The ISIN for the Global Notes sold pursuant to Regulation S is XS0559155717. The Global Notes sold pursuant to Rule 144A under the Securities Act have been accepted for clearance through the facilities of DTC. The Global Notes sold pursuant to Rule 144A under the U.S. Securities Act have been assigned CUSIP number 55277V AA9. The common code for the Global Note sold pursuant to Rule 144A is 055942862, and the ISIN for the Global Note sold pursuant to Rule 144A is US55277VAA98. Application has been made to list both the Regulation S and the Rule 144A Notes on the Official List of the Luxembourg Stock Exchange.

GLOSSARY OF TECHNICAL TERMS

"1P"	means those quantities of petroleum which can be estimated with reasonable certainty to be commercially recoverable, from a given date, under defined economic conditions, operating methods and regulations.
"2P"	means additional quantities of petroleum reserves that together with 1P, have a lesser likelihood of being recovered.
"3P"	means those additional quantities of petroleum reserves which have the least likelihood of being recovered.
"Beam pump"	means the overground drive for a reciprocating piston pump installed in an oil well which is used to mechanically lift liquid out of the well if there is not enough bottom-hole pressure for the liquid to flow all the way to the surface.
"BOE"	means the amount of energy that is equivalent to the amount of energy found in a barrel of crude oil.
"C&M"	means Connectors and Measurement Equipment.
"C&M"	means connectors and measurement equipment.
"CNC"	means Computerized Numerical Controls, which involves the automation of machine tools that are operated by programmed commands that are encoded on a storage medium.
"Coiled tubing"	means metal piping, normally 1″ to 3.25″ in diameter, used for interventions in oil and gas wells and sometimes as production tubing in depleted gas wells, which comes spooled on a large reel.
"CTNP"	means coiled tubing, nitrogen and pumping services.
"CTP"	means coiled tubing, nitrogen and pumping services.
"day rate"	means the amount paid per day that a rig is in operation.
"Drilling fluids"	often described simply as "mud," means fluids used when drilling boreholes into the earth's surface in order to remove cuttings from a well, control formation pressures, maintain wellbore stability, cool, lubricate and support the bit and drilling assembly and control corrosion, among other things.
"E&P"	means engineering and procurement.
"Keystone slotted liner sand control technology"	means the method by which drillers maintain structural integrity and separate various compounds in the borehole.
"LNG"	means Liquefied Natural Gas.
"Mature fields"	means fields that have reached the peak of their production or are still producing but in declining mode.
"Multiphase flow meter and pumping services"	means services (ancillary to pumping services) that measure the individual phase flow rates of petroleum, water and gas mixtures produced during oil production processes.
"OCTG"	means Oil Country Tubular Goods.
"PCP"	means Progressive Cavity Pumping.
"Pit copper mine"	means a copper mine in which copper is extracted from the earth by its removal from an open pit or borrow (as opposed to mines that involve tunneling activities).
"Post-frac clean-up services"	means activities undertaken to separate compounds after a driller completes hydraulic fracturing.
"Slickline services"	means activities undertaken to lower down-hole tools into an oil or gas well to perform a specified maintenance job.

"STOIP"	means Stock Tank Oil Initially in Place.
"Utilization rate"	means the number of days that a rig operates in a given period.
"Well completion"	means to the process of making a well ready for production (or injection). This principally involves preparing the bottom of the hole to the required specifications, running in the production tubing and its associated down-hole tools as well as perforating and stimulating as required.
"Well testing"	means tests conducted to evaluate the amount of oil or gas that can be pumped from a particular well.
"Wireline" or "wirelining"	means a cabling technology used by operators of oil and gas wells to lower equipment or measurement devices into the well for the purposes of well intervention and reservoir evaluation.
"Workover"	means minor remedial operations required to maintain maximum oil and gas production rates.
"Workover services"	means minor remedial operations required to maintain maximum oil and gas production rates.
"WTI"	means West Texas Intermediate crude oil.

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MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MB PETROLEUM SERVICES LLC AND ITS SUBSIDIARIES

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MB Petroleum Services LLC and its subsidiaries ("the group") which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

16 May 2010
Muscat

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009 US $ 000	2008 US $ 000
Continuing operations			
Revenue	5	**353,624**	315,480
Cost of sales		**(306,764)**	(302,287)
Gross profit		**46,860**	13,193
Interest income		**466**	104
Other income	6	**8,638**	20,840
General and administration expenses		**(20,882)**	(15,076)
Finance costs	7	**(15,818)**	(11,913)
Depreciation and amortisation charges	10	**(755)**	(1,115)
Profit before tax		**18,509**	6,033
Income tax expense	8	**(3,106)**	(3,127)
Profit for the year from continuing operations		**15,403**	2,906
Discontinued operations			
Loss from discontinued operations	26	**—**	(948)
PROFIT FOR THE YEAR	9	**15,403**	1,958
Other comprehensive income			
Exchange differences on translation of foreign operations		**844**	(1,334)
Other comprehensive income for the year, net of tax		**844**	(1,334)
Total comprehensive income for the year, net of tax		**16,247**	624
Profit attributable to:			
Equity holders of the parent		**15,403**	1,958
Non controlling interests		**—**	—
		15,403	1,958
Total comprehensive income attributable to:			
Equity holders of the parent		**16,247**	624
Non controlling interests		**—**	—
		16,247	624

The attached notes 1 to 33 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 US $ 000	2008 US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**255,277**	228,825
Intangible assets	11	**277**	1,072
Investment in an associate	12	**18**	20
Investment securities	13	**—**	18
Deferred tax asset	8	**1,188**	1,220
		256,760	231,155
Current assets			
Inventories	14	**31,734**	37,571
Accounts receivable and prepayments	15	**114,214**	110,649
Bank balances and cash	16	**10,329**	4,747
		156,277	152,967
Assets classified as held for sale	17	**5,115**	5,043
		161,392	158,010
TOTAL ASSETS		**418,152**	389,165
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**49,415**	49,415
Statutory reserve	19	**4,815**	4,204
Translation reserve	20	**(784)**	(1,628)
Retained earnings		**28,100**	13,308
Equity attributable to equity holders of the parent		**81,546**	65,299
Non controlling interests		**(21)**	(21)
Total equity		**81,525**	65,278
Non-current liabilities			
Term loans	21	**145,138**	120,181
Deferred tax liability	8	**3,293**	2,419
Government grants	22	**2,298**	1,731
Employees' end of service benefits	23	**6,185**	4,551
Other payables		**—**	1,037
		156,914	129,919
Current liabilities			
Accounts payable and accruals	24	**73,794**	81,086
Bank overdrafts and other borrowings	16	**30,412**	34,504
Short term loans	25	**2,304**	5,770
Term loans	21	**69,458**	69,439
Income tax payable	8	**3,370**	2,943
Government grants	22	**375**	226
		179,713	193,968
Total liabilities		**336,627**	323,887
TOTAL EQUITY AND LIABILITIES		**418,152**	389,165

The financial statements were authorised for issue in accordance with a resolution of the directors on 16 May, 2010.

Chairman

The attached notes 1 to 33 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to equity holders of the parent							
	Share capital US $ 000	**Proposed increase in share capital US $ 000**	**Statutory reserve US $ 000**	**Translation reserve US $ 000**	**Retained earnings US $ 000**	**Total US $ 000**	**Non-controlling interests US $ 000**	**Total equity US $ 000**
At 1 January 2008	39,012	10,403	4,204	(294)	11,350	64,675	(21)	64,654
Profit for the year	—	—	—	—	1,958	1,958	—	1,958
Other comprehensive income	—	—	—	(1,334)	—	(1,334)	—	(1,334)
Total comprehensive income	—	—	—	(1,334)	1,958	624	—	624
Increase in share capital	10,403	(10,403)	—	—	—	—	—	—
Balance at 31 December 2008	49,415	—	4,204	(1,628)	13,308	65,299	(21)	65,278
Profit for the year	—	—	—	—	15,403	15,403	—	15,403
Other comprehensive income	—	—	—	844	—	844	—	844
Total comprehensive income	—	—	—	844	15,403	16,247	—	16,247
Transfer to statutory reserve	—	—	611	—	(611)	—	—	—
Balance at 31 December 2009	**49,415**	**—**	**4,815**	**(784)**	**28,100**	**81,546**	**(21)**	**81,525**

The attached notes 1 to 33 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 US $ 000	2008 US $ 000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**18,509**	6,033
Loss from discontinued operations		**—**	(948)
Profit before tax		**18,509**	5,085
Adjustments for:			
Depreciation and amortisation charges	10	**28,757**	41,007
Profit on sale of property, plant and equipment	6	**(756)**	(17,123)
Accrual for employees' end of service benefits	23	**2,651**	1,658
Interest income		**(466)**	(104)
Release of government grant		**(275)**	(83)
Interest expense		**15,818**	11,913
		64,238	42,353
Working capital changes:			
Inventories		**5,837**	307
Receivables		**(3,564)**	(5,835)
Payables		**(8,329)**	1,077
Cash from operations		**58,182**	37,902
Employees' end of service benefits paid	23	**(1,017)**	(686)
Taxation		**(1,773)**	(2,547)
Net cash from operating activities		**55,392**	34,669
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(57,868)**	(72,892)
Proceeds from sale of property, plant and equipment		**4,928**	28,870
Acquisition of subsidiary	3	**—**	(1,499)
Interest income		**466**	104
Additions to intangible asset		**(191)**	—
Receipt of government grants	22	**958**	1,133
Net cash used in investing activities		**(51,707)**	(44,284)
FINANCING ACTIVITIES			
New term loans		**101,915**	98,097
Repayment of term loans		**(76,939)**	(84,569)
Net movement in short term loan		**(3,466)**	(2,282)
Net movement in bank borrowings		**(2,445)**	8,250
Interest paid		**(15,818)**	(11,913)
Net cash from financing activities		**3,247**	7,583
Translation difference		**297**	(968)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,229**	(3,000)
Cash and cash equivalents at the beginning of the year		**1,582**	4,582
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	**8,811**	1,582

The attached notes 1 to 33 form part of these consolidated financial statements.

1 ACTIVITIES

MB Petroleum Services L.L.C. (the company) and its subsidiaries (the group) owns and operates oil well drilling equipment, well servicing equipment and rigs, provides oilfield services, oil and gas well production and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry. The address of its registered head office is PO Box 695 CPO, Seeb, Postal Code 111, Sultanate of Oman.

The ultimate parent of the company is MB Holding Company LLC, a limited liability company registered in the Sultanate of Oman. The registered head office address of MB Holding Company LLC is PO Box 695 CPO, Seeb, Postal Code 111, Sultanate of Oman.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of investments classified as available for sale.

The group comprises operations with a number of functional currencies. Management uses US Dollars for controlling and maintaining the performance and financial position of the group accordingly the consolidated financial statements are presented in US Dollars. All values are rounded to the nearest thousand (US$ 000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and applicable requirements of the Commercial Company Law of the Sultanate of Oman.

Basis of consolidation

The consolidated financial statements comprise those of MB Petroleum Services LLC and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Non controlling interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 Changes in accounting policy

The accounting policies are consistent with those used in the previous year, except for where the group has adopted certain new standards of, amendments and interpretations to IFRS as described below:

New standards of, amendments and interpretations to IFRS relevant to the group

The group has adopted the following new and amended IFRS as of 1 January 2009:

- IAS 1 Presentation of Financial Statements (amended) effective 1 January 2009

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRS 7 Financial Instruments: Disclosures (amended) effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the group, its impact is described below:

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present both the income statement and a separate statement of comprehensive income in one statement of comprehensive income.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are not significantly impacted by the amendments and are presented in note 31. The liquidity risk disclosures are also not significantly impacted by the amendments and are presented in note 30.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 4.

The following related standards, amendments and interpretations are not yet effective:

Phase 1 of IFRS 9

On 12 November 2009, the International Accounting Standard Board (IASB) published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39: Financial Instruments: Recognition and Measurement. Whilst IFRS 9 is not mandatory until 1 January 2013, entities may adopt for reporting periods ending on or after 31 December 2009. The phase 1 of the standard when adopted is not expected to have any significant impact on the Company's financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The group does not expect IFRIC 17 to have any significant impact on the financial statements.

Other related IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been adopted by the Company, are not expected to have a material impact on the group's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 3 (Amended) Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and are effective prospectively for financial years beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such a transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures.

2.3 The significant accounting policies adopted by the group are as follows:

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Revenue recognition

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Stage of completion is measured by reference to labour hours incurred to the date as a percentage of total estimated labour hours for each contract.

Dividend income is recognised when the right to receive payment is established.

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxation is provided in accordance with Omani regulations.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

• Freehold buildings	16⅔ to 40 years
• Porta cabins and plant and machinery	3 to 15 years
• Rigs and allied equipment	10 to 15 years
• Vehicles	5 to 8 years
• Furniture, fixtures and office equipment	3 to 6⅔ years

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets and amortisation

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Investments in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried at cost plus post- acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

Available for sale investments

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition the cumulative gain or loss or on impairment the cumulative loss previously reported in equity is included in the income statement for the period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Term deposits

Term deposits are carried at their principal amount. Interest received in advance is charged to income as it accrues, with amounts received in advance included in "accounts payable and accruals" to the extent due within one year.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spares, consumables and goods for resale	purchase cost on a weighted average
Work in progress	percentage completion basis

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice value less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Cash Flows Statement, cash and cash equivalents consists of cash and bank balances, net of outstanding bank overdrafts, and bank deposits with original maturities of three months or less.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated / amortised.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Term loans

Term loans are carried at their principal amount. Instalments due within one year are shown as a current liability. Interest is charged as an expense as it accrues with unpaid amounts included in "accounts payable and accruals". Interest is calculated using the effective interest method.

Employees' end of service benefits

The group provides staff terminal benefits to its employees under the laws of the country in which they are employed. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Group companies registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The group's obligations are limited to these contributions, which are expensed when due.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Provisions

Provisions are recognised when the group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group as a lessor

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies

The consolidated financial statements of the group are prepared in Rial Omani which is the parent company's functional currency and presented in US Dollars.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the parent company (the Rial Omani) at the rate of exchange ruling at the reporting date and, its income statement is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income and recorded in the foreign currency translation reserve in equity. The consolidated financial statements are presented in the US Dollars at an exchange rate of 2.6 US Dollars to each Rial Omani.

On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS

The consolidated financial statements incorporate the financial statements of the following companies in which the group has the following controlling interest:

Name	Type	Country of registration	2009	2008
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
Erdöl-Erdgas Workover GmbH	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover Verwaltungs GmbH	Limited liability company	Germany	**100%**	100%
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG(i)	Limited liability partnership	Germany	**100%**	100%
Koller Verwaltungs- und Beteiligungs-GmbH(i)	Limited liability company	Germany	**100%**	100%
Fiberglass Tubes & Services GmbH(i)	Limited liability company	Germany	**100%**	100%
Koller Maschinen- und Anlagenbau GmbH(i)	Limited liability company	Germany	**100%**	100%
Koller Workover & Drilling GmbH(i)	Limited liability company	Germany	**100%**	100%
Koller Workover International GmbH(i)	Limited liability company	Germany	**100%**	100%
DWS Drilling—Workover Service GmbH(i)	Limited liability company	Germany	**100%**	100%
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
MBPS Malaysia SDN BHD	Limited liability company	Malaysia	**75%**	75%
MB Petroleum Services Company Limited	Limited liability company	Saudi Arabia	**100%**	100%

(i) On July 24, 2008, MB Petroleum Deutschland GmbH acquired 100% of the limited liability capital of the Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG and its general partner Koller Verwaltungs- und Beteiligungs-GmbH.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

The fair value of the identifiable assets and liabilities of the subsidiaries acquired during 2008 as at the date of acquisitions are:

	2008 US $ 000
Property, plant and equipment (note 10)	12,717
Customers portfolio (note 11)	1,079
Cash and cash equivalents	57
Accounts receivable and prepayments	6,553
Assets held for sale (note 17)	5,636
Inventories	6,250
Deferred tax assets	1,037
	33,329
Notes payable to bank	(20,110)
Accounts payable and accruals	(8,617)
Government grants (note 22)	(462)
Deferred income tax liability (note 8)	(1,199)
Other long term liabilities	(1,137)
	(31,525)
Net assets	1,804
Group's share in net assets	1,804
Add : Goodwill arising on acquisition (note 11)	269
Total purchase consideration	2,073
Details regarding purchase consideration are set out below:	
Cash paid	1,415
Costs associated with the acquisition	361
Conditional purchase price obligation	297
Total purchase consideration	2,073
Details regarding cash outflow on acquisition are set out below:	
Cash paid	(1,415)
Net cash acquired from the subsidiaries	57
Disbursed costs associated with the acquisition	(141)
Net cash outflow on acquisition of subsidiaries	(1,499)

Prior to the acquisition, the group as acquiree had decided to sell an unprofitable rig which is disclosed as asset held for sale (note 17). The new subsidiaries have contributed US $ 231,000 from the date of acquisition (24 July 2008) to 31 December 2008 to the profit for the year from continuing operations.

4 SEGMENT INFORMATION

The group primarily provides services to oil industry and its operations are spread over several geographical locations.

4 SEGMENT INFORMATION (Continued)

The following table presents revenue, expenditure and certain asset information regarding the group's geographical segments:

31 December 2009	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	268,123	362,884	—	362,884	38,759
Europe	87,867	80,377	—	80,377	19,104
Far East & South Asia	184	448	18	466	5
Inter group	(2,550)	(25,575)	—	(25,575)	—
Total	353,624	418,134	18	418,152	57,868

31 December 2008	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	229,714	336,957	—	336,957	55,128
Europe	82,492	81,894	—	81,894	30,432
Far East & South Asia	794	1,227	20	1,247	38
Africa	5,730	256	—	256	11
Inter group	(3,250)	(31,189)	—	(31,189)	—
Total	315,480	389,145	20	389,165	85,609

5 REVENUE

	2009 US $ 000	2008 US $ 000
Service revenue	**323,291**	293,213
Trading revenue	**30,333**	22,267
	353,624	315,480

6 OTHER INCOME

	2009 US $ 000	2008 US $ 000
Gain on sale of property, plant and equipment	**756**	17,123
Other income	**7,882**	3,717
	8,638	20,840

7 FINANCE COSTS

	2009 US $ 000	2008 US $ 000
Interest expense on term loan	**10,193**	6,999
Interest expense on bank borrowings	**5,597**	4,859
Others	**28**	55
	15,818	11,913

8 INCOME TAX

	2009 US $ 000	2008 US $ 000
Income statement:		
Current year	**2,204**	3,435
Deferred taxation	**902**	(308)
	3,106	3,127
Current liability:		
Current year	**3,216**	2,789
Prior years	**154**	154
	3,370	2,943
Deferred tax liability:		
At 1 January	**2,419**	1,356
Relating to acquisition of a subsidiary (note 3)	**—**	1,199
Currency translation differences	**21**	172
Movement for the year	**853**	(308)
At 31 December	**3,293**	2,419
Deferred tax assets:		
At 1 January	**1,220**	—
Relating to acquisition of a subsidiary (note 3)	**—**	1,037
Currency translation differences	**21**	—
Movement for the year	**(53)**	183
At 31 December	**1,188**	1,220
The deferred tax liability comprises the following types of temporary differences:		
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**4,933**	2,419
Deductible timing difference on provisions	**(21)**	—
Deductible timing difference on brought forward losses	**(2,366)**	—
Other deductible timing differences	**747**	—
At 31 December	**3,293**	2,419

The deferred tax asset comprises deductable timing difference as brought forward losses of a subsidiary and is reported separately.

Omani taxation

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 12%. For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

In respect of MB Petroleum Services LLC (the parent company), no provision for current taxation has been made as the parent company has made a taxable loss during the year (2008—taxable loss). Unutilised tax losses upto 2009 amounted to US $ 19,713,256 which is available for set off up to 2013 (2008: US $ 12,949,759).

The assessments of subsidiaries with the Omani tax authorities are at different stages of completion.

8 INCOME TAX (Continued)

Overseas taxation

MB Petroleum (Asia, Pacific) Ltd: no provision for Hong Kong profit tax has been made as the company had been approved for full exemption of profit tax on profits derived outside Hong Kong.

MB Petroleum Deutschland GmbH: the current income tax relates to trade tax payable by the operating subsidiary and corporation tax payable by the company. The current tax rate comprises corporation tax with an effective rate of 15.83% (2008: 15.83%) and trade tax of approximately 11.90% (2008: 11.90%).

MB Drilling Overseas Limited: taxation has been provided for in accordance with Cypriot, Syrian and Hungarian fiscal regulation. The corporation tax rate is 10%.

MBPS (Malaysia) SDN BHD: has not made any provision for tax in view of availability of unabsorbed tax losses which is available to be adjusted against current year taxable income.

MB Petroleum Services Company Limited (Saudi Arabia): Zakat provision has been provided in accordance with Saudi Arabian fiscal regulations.

9 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2009 US $ 000	2008 US $ 000
Staff costs	**111,584**	100,673

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Depreciation and amortisation charges

The depreciation and amortisation charges for the year has been dealt with in the income statement as follows:

	2009 US $ 000	2008 US $ 000
Depreciation	**27,755**	40,831
Amortisation and impairment of intangible assets (note 11)	**1,002**	176
	28,757	41,007
Included in depreciation and amortisation charges relating to:		
Cost of sales	**28,002**	39,892
Depreciation and amortisation charges	**755**	1,115
	28,757	41,007

10.2 During 2008 the parent company transferred a rig previously held as capital work in progress to Inventory. The sale was completed at a value of RO 4.41 million (US $ 11.48 million) subsequent to 31 December 2008 with the signing of a sales agreement dated 21 April 2009.

10.3 During the year, the group revised the estimated useful lives of certain assets. As a result of the change, the depreciation charge for the year decreased by US $ 17,920,582 (2008: US $ 1,703,186).

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

The major impact arose in the depreciation charge for plant and machinery and rigs and allied equipment. The estimated useful lives of plant and machinery assets were revised from 2 to 15 years to 3 to 15 years and the estimated useful lives of rigs and allied equipment were revised from 5 to 10 years to 10 to 15 years.

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2009, net of accumulated depreciation:	8,934	7,918	69,420	102,324	22,846	7,531	9,852	228,825
Additions made during the year	213	672	31,615	22,609	1,122	2,178	(541)	57,868
Transfers from capital work in progress	—	—	3,182	—	—	—	(3,182)	—
Depreciation charge for the year (note 10.1)	(305)	(1,499)	(10,461)	(9,212)	(4,436)	(1,842)	—	(27,755)
Disposals	(2)	—	(1,523)	(588)	(1,759)	(34)	(266)	(4,172)
Currency translation adjustment	108	—	361	—	(19)	9	52	511
Balance at 31 December 2009, net of accumulated depreciation	8,948	7,091	92,594	115,133	17,754	7,842	5,915	255,277
At 31 December 2009								
Cost	11,101	23,123	183,239	204,384	41,970	15,967	5,915	485,699
Accumulated depreciation	(2,153)	(16,032)	(90,645)	(89,251)	(24,216)	(8,125)	—	(230,422)
	8,948	7,091	92,594	115,133	17,754	7,842	5,915	255,277

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2008, net of accumulated depreciation:	6,059	7,629	50,884	93,791	18,996	3,132	20,666	201,157
Additions made during the year	337	1,666	30,845	29,084	8,749	3,708	1,352	75,741
Acquisition of a subsidiary (note 3)	6,560	—	4,266	—	—	1,879	12	12,717
Transfers from capital work in progress	—	—	996	—	128	3	(1,127)	—
Depreciation charge for the year (note 10.1)	(729)	(2,052)	(15,556)	(17,280)	(4,331)	(883)	—	(40,831)
Disposals	(3,053)	(136)	(1,946)	(1,955)	(722)	(372)	(3,563)	(11,747)
Reclassification adjustment	(8)	811	436	(1,316)	(33)	110	—	—
Currency translation adjustment	(232)	—	(505)	—	59	(46)	(102)	(826)
Transfer to Inventory (note 10.2)	—	—	—	—	—	—	(7,386)	(7,386)
Balance at 31 December 2008, net of accumulated depreciation	8,934	7,918	69,420	102,324	22,846	7,531	9,852	228,825
At 31 December 2008								
Cost	11,056	22,413	150,408	184,590	42,951	13,880	9,852	435,150
Accumulated depreciation	(2,122)	(14,495)	(80,988)	(82,266)	(20,105)	(6,349)	—	(206,325)
	8,934	7,918	69,420	102,324	22,846	7,531	9,852	228,825

11 INTANGIBLE ASSETS

	Goodwill US $ 000	Customer portfolio US $ 000	Other intangible assets US $ 000	Total US $ 000
Cost				
At 1 January 2009	241	966	91	1,298
Additions	—	—	191	191
Currency translation adjustment	4	16	1	21
At 31 December 2009	245	982	283	1,510
Amortisation and impairment				
At 1 January 2009	—	142	84	226
Amortisation and impairment (note 10.1)	245	702	55	1,002
Currency translation adjustment	—	3	2	5
At 31 December 2009	245	847	141	1,233
Net book value				
At 31 December 2009	—	135	142	277
At 31 December 2008	241	824	7	1,072

Goodwill

Goodwill acquired through business combinations (see note 3) has being fully allocated to machine building Koller Maschinen-und Anlagenbau GmbH (KMA) as a cash generating unit.

The group has performed its annual impairment test as at 31 December 2009. The group considers the decline in construction and development activities as well the ongoing economic uncertainty have led to decreased demand in the unit. KMA realised loss in 2009, as a result of this analysis, management has recognised an impairment charge of US $ 245,000 against goodwill.

Customer portfolio

Due to the termination of a framework contract as at 31 December 2009 the group recorded an impairment charge of US $ 355,000 against customer portfolio.

	Goodwill US $ 000	Customer portfolio US $ 000	Other intangible assets US $ 000	Total US $ 000
Cost				
At 1 January 2008	—	—	94	94
Relating to acquisition of a subsidiary (note 3)	269	1,079	—	1,348
Currency translation adjustment	(28)	(113)	(3)	(144)
At 31 December 2008	241	966	91	1,298
Amortisation and impairment				
At 1 January 2008	—	—	69	69
Amortisation and impairment (note 10.1)	—	159	17	176
Currency translation adjustment	—	(17)	(2)	(19)
At 31 December 2008	—	142	84	226
Net book value				
At 31 December 2008	241	824	7	1,072
At 31 December 2007	—	—	25	25

12 INVESTMENT IN AN ASSOCIATE

As of the reporting date, investment in an associate is as follows:

	2009 Proportion held	2008 Proportion held
MB Oilfield Services (M) SDN.BHD. (MBOS)	**30.00%**	30.00%

The following table illustrates summarised information of the investment in associates.

	2009 US $ 000	2008 US $ 000
Share of the associate's balance sheet:		
Current assets	**23**	23
Current liabilities	**(5)**	(3)
Net assets	**18**	20

13 INVESTMENT SECURITIES

	2009 US $ 000	2008 US $ 000
Available for sale—unquoted investments	**—**	18

14 INVENTORIES

	2009 US $ 000	2008 US $ 000
Consumables	**21,387**	18,354
Goods for resale	**4,788**	13,296
Work in progress	**5,559**	5,921
	31,734	37,571

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009 US $ 000	2008 US $ 000
Trade accounts receivable	**41,722**	49,137
Accrued income	**15,088**	16,935
Prepaid expenses and other receivables	**7,808**	5,540
Advances to suppliers	**4,430**	6,346
Amounts due from related parties (note 28)	**45,011**	31,859
Tax receivables	**155**	832
	114,214	110,649

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

As at 31 December 2009, trade receivables of nominal value of US $ 524,103 (2008: US $ 365,121) were impaired. Movements in allowance for impairment of receivables were as follows:

	2009 US $ 000	2008 US $ 000
At 1 January	365	393
Charge for the year	233	145
Reversal	(74)	(173)
At 31 December	**524**	365

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total US $ 000	Neither past due nor impaired US $ 000	Past due but not impaired < 30 days US $ 000	30 - 60 days US $ 000	60 - 90 day US $ 000	> 90 days US $ 000
2009	**41,722**	**32,546**	**4,746**	**1,275**	**873**	**2,282**
2008	49,137	31,688	6,651	5,237	3,797	1,764

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2009 US $ 000	2008 US $ 000
Bank balances and cash	**10,329**	4,747
Bank overdrafts	**(1,518)**	(3,165)
	8,811	1,582

Bank overdrafts and other borrowings at the reporting date comprise the following:

	2009 US $ 000	2008 US $ 000
Bills discounted(i)	**18,396**	31,140
Bank overdrafts(ii)	**1,518**	3,165
Loan against trust receipts	**2,324**	199
Other short term loans(iii)	**8,174**	—
	30,412	34,504

(i) Funding under bills discounted is at the agreed commercial rates. The funding is for a period of 60 days (2008—60 days) from the date of issue of the invoice to the customer.

(ii) Bank overdraft facilities are at the agreed commercial rates.

(iii) The short term loans are advanced to subsidiaries and secured on certain of the subsidiaries assets. The loans are denominated in Euro, carry varying rates of interest.

17 ASSETS HELD FOR SALE

	2009 US $ 000	2008 US $ 000
Subsidiary (note 3)	**5,115**	5,043

Prior to the acquisition of the German subsidiary in 2008, the previous owner had decided to dispose of a rig and reduced the carrying amount of the rig to the fair value less costs to sell. The group assumed the decision and therefore the rig is classified as held for sale. A sale agreement which was signed in January 2009 failed during the year. Nevertheless the group still is continuously looking for a buyer and presently there are some prospective negotiations.

18 SHARE CAPITAL

	Authorised, issued and fully paid	
	2009 US $ 000	2008 US $ 000
19,000,000 shares (2008—15,000,000 shares) of US $ 2.6 each	**49,415**	49,415

19 STATUTORY RESERVE

As required by the Commercial Company Law of Oman, 10% of the parent company profit of the year is required to be transferred to a statutory reserve until such time the reserve totals one third of the issued share capital of the parent company. The reserve is not available for distribution.

20 TRANSLATION RESERVE

The accounting records of the following subsidiaries are maintained in foreign currencies:

Name	Country of registration	Currency
MB Petroleum Deutschland GmbH	Germany	Euro
MBPS Malaysia SDN BHD	Malaysia	Malaysian Ringits
MB Petroleum Services Company Limited	Saudi Arabia	Saudi Rial

Exchange differences arising from statement of comprehensive income items (translated at annual average rate) and items in the statement of financial position (translated at closing year end rate) have been included as other comprehensive income and recorded in the translation reserve in equity.

21 TERM LOANS

	2009 US $ 000	2008 US $ 000
Term loans—parent company	**174,071**	150,753
Terms loans—subsidiaries	**40,525**	38,867
	214,596	189,620
Less: current portion classified under current liabilities	**(69,458)**	(69,439)
	145,138	120,181

21 TERM LOANS (Continued)

Included in term loans from banks are the following:

Parent company

Loan to MB Petroleum Services LLC amounting to US $ 174,071,000 (2008: US $ 150,753,000) include an amount of US $ 93,428,343(2008: US $ 111,088,583) payable in United States Dollars and US $ 80,642,657 (2008: US $ 39,664,417) payable in Omani Rials. The term loans' principal amounts are repayable in varying installments, the final installment is due on 30 November 2014. The loans carry interest at variable commercial rates.

The loans are secured by:

- Undertaking to mortgage land and building beneficially owned by subsidiary but registered in the name of a shareholder
- Certain personal properties of the chairman
- Joint registration of certain rigs
- Joint and several personal guarantees of the shareholders and directors
- Assignment of insurance on equipment
- Proportionate assignment of contract revenue and receivables
- Pledge of certain investment securities and equipment used in operations
- Corporate guarantee of MB Holding Company LLC

Subsidiary companies

i) Loans to MB Deutschland Gmbh amounting to US $ 26,358,274 (2008: US $ 19,700,584) are denominated in Euros. The term loans' principal amounts are repayable in varying installments and the final installment is due on 31 July 2021. The loans carry interest at variable commercial rates. The loans are secured on various assets of the subsidiary companies.

ii) Loans to Crest Oil & Gas LLC amounting to US $ 14,165,934 (2008: US $ 19,165,934) is denominated in US Dollars and carries interest at an agreed commercial rate. The loan is repayable in equal monthly instalments which commenced from October 2008 with final instalment due on 31 October 2012. The term loans are secured on the fixed assets of the subsidiary company and a corporate guarantee of MB Holding Company LLC.

Loan instalments due within one year are disclosed as a current liability.

22 GOVERNMENT GRANTS

Certain subsidiaries of the group have received Government grants relating to the acquisition of assets. The details are set out below:

	2009 US $ 000	2008 US $ 000
At 1 Janaury	**1,957**	511
Received during the year	**958**	1,133
Relating to acquisition of subsidiary (note 3)	**—**	462
Released to income statement	**(275)**	(83)
Currency translation adjustment	**33**	(66)
At 31 December	**2,673**	1,957
Disclosed as:		
Non current portion	**2,298**	1,731
Current portion	**375**	226
	2,673	1,957

23 EMPLOYEES' END OF SERVICE BENEFITS

	2009 US $ 000	2008 US $ 000
Movements in the liability recognised in the balance sheet are as follows:		
Liability at beginning of the year	**4,551**	3,579
Provided during the year	**2,651**	1,658
End of service benefits paid	**(1,017)**	(686)
Liability at the end of the year	**6,185**	4,551

24 ACCOUNTS PAYABLE AND ACCRUALS

	2009 US $ 000	2008 US $ 000
Trade accounts payable	**35,671**	39,988
Accrued expenses and other payables	**24,801**	27,068
Amounts due to related parties (note 28)	**3,132**	2,823
Other payables	**10,190**	11,207
	73,794	81,086

25 SHORT TERM LOANS

Short term loans are mainly denominated in US Dollars and are secured by assets and guarantees as mentioned in note 21. They carry interest at commercial rates and have maturity periods ranging between 2 to 6 months from the date of drawdown.

26 DISCONTINUED OPERATIONS

The parents company's shareholders have transferred the operations under Rusyil Oilfield Center (ROC) to a related party with effect from 31 December 2008. Accordingly, all the assets and liabilities relating to the operations as of that date have been transferred at their carrying value to the related party, and hence no longer included in the statement of financial position.

26 DISCONTINUED OPERATIONS (Continued)

The results of the ROC operations for the year are as follows:

	2008 US $ 000
Revenue earned from the operations	2,290
Administration expenses incurred on account of the plant operations	(2,952)
Depreciation on property, plant and equipment	(286)
Loss for the year on account of ROC operations	(948)

The ROC operations affected the cash flow statement as follows:

	2008 US $ 000
Net cash used in operating activities	(662)

The net consideration of US $ 6.34 million receivable on transfer of all the assets and liabilities relating to the ROC operations at their carrying was adjusted against the related party receivable balances at 31 December 2008.

27 COMMITMENTS

	2009 US $ 000	2008 US $ 000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Plant and equipment	**13,892**	29,909

All of the above commitments are expected to be settled within one year.

	2009 US $ 000	2008 US $ 000
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	**525**	560
Later than one year but not later than five years	**720**	751
Aggregate operating lease expenditure contracted for at the reporting date	**1,245**	1,311

28 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the financial statements are as follows:

	2009			2008		
	Sales US $ 000	Purchases US $ 000	Finance cost US $ 000	Sales US $ 000	Purchases US $ 000	Finance cost US $ 000
Parent company	**—**	**904**	**—**	—	—	—
Companies under common ownership	**36,060**	**11,291**	**37**	23,532	17,430	60
	36,060	**12,195**	**37**	23,532	17,430	60

28 RELATED PARTY TRANSACTIONS (Continued)

Balances with related parties included in the statement of financial position are as follows:

	2009		2008	
	Receivables US $ 000	Trade Payables US $ 000	Receivables US $ 000	Trade payables US $ 000
Shareholders	**24,113**	**726**	17,964	1,081
Companies under common ownership	**20,898**	**2,406**	13,895	1,742
	45,011	**3,132**	31,859	2,823

Amounts due from and due to related parties are disclosed in notes 15 and 24. Details regarding the sale of a business to a related party are set out in note 10 and 26.

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2009, the group has not recorded any impairment of amounts owed by related parties (2008—nil).

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009 US $ 000	2008 US $ 000
Short-term benefits	**4,361**	3,359
Employees' end of service benefits	**1,204**	758
	5,565	4,117

29 CONTINGENT LIABILITIES

At 31 December 2009 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 7,205,000 (2008—US $ 6,251,000).

30 RISK MANAGEMENT

The group's principal financial liabilities comprise term loans, bank overdrafts and other borrowings and accounts payables and accruals. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as investment in associates, available-for-sale investments, bank balances and accounts receivables and prepayments, which arise directly from its operations.

The main risks arising from the group's financial instruments are cash flow interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and loans).The interest rate sensitivity position in respect of the term loans of the group is based on the contractual repricing of the loans or the date of final repayment, whichever is earlier, and is as follows:

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

30 RISK MANAGEMENT (Continued)

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009.

	Increase/decrease in basis points	Effect on profit for the year US $ 000
2009		
US Dollar	**+15**	**(153)**
Euro	**+60**	**(54)**
US Dollar	**−10**	**107**
Euro	**−60**	**54**
2008		
US Dollar	+15	(165)
Euro	+20	(17)
US Dollar	−10	110
Euro	−20	17

Credit risk

The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The group sells its products and services to a number of oil companies in Oman, Hungary, Syria, Cyprus and Germany. One customer (2008—one customer) accounts for 22% (2008—16%) of trade accounts receivable outstanding as of 31 December 2009. As this exposure is with a quasi -Government entity, management expects the credit risk to be minimal.

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

With respect to credit risk arising from the other financial assets of the group, including cash and cash equivalents, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group limits its liquidity risk by ensuring bank facilities are available. The group's terms of sales require trade accounts receivable amounts to be paid within 45 to 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarises the maturities of the group's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market interest rates.

Year ended 31 December 2009	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 years US $ 000	> 5 years US $ 000	Total US $ 000
Term loan	**20,240**	**58,931**	**154,101**	**2,799**	**236,071**
Accounts payables and accruals	**59,437**	**10,458**	**3,899**	**—**	**73,794**
Bank overdrafts and borrowings	**30,412**	**—**	**—**	**—**	**30,412**
Income tax payable	**—**	**3,370**	**—**	**—**	**3,370**
Short term loans	**2,304**	**—**	**—**	**—**	**2,304**
	112,393	**72,759**	**158,000**	**2,799**	**345,951**

30 RISK MANAGEMENT (Continued)

Year ended 31 December 2008	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 years US $ 000	> 5 years US $ 000	Total US $ 000
Term loan	18,335	50,606	116,235	3,945	189,620
Accounts payables and accruals	70,508	10,065	512	—	81,086
Bank overdrafts and borrowings	34,504	—	—	—	34,504
Income tax payable	—	2,943	—	—	2,943
Short term loans	5,771	—	—	—	5,771
Other payables	—	1,037	—	—	1,037
	129,118	64,651	116,747	3,945	314,461

Currency risk

Certain of the group's loans are denominated in United States Dollars and Euro as detailed in notes 16 and 21. No forward exchange contract cover on these loans was in place at the reporting date as the directors perceive the related currency risk to be minimal.

Trade accounts receivable includes an amount of US $ 31,382,000 (2008—US $ 23,497,000) due in foreign currencies, mainly in United States Dollars. As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal. Receivables in other currencies are not significant.

Trade accounts payable include an amount of US $ 24,107,500 (2008—US $ 6,936,000) due in foreign currencies, mainly in United States Dollars. Payables in other currencies are not significant.

Capital management

The primary objective of the group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of bank overdrafts and other borrowings, term loans and payables.

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of 31 December 2009 and 2008, the group does not have any financial instrument which is recorded at fair value. The fair values of the financial instruments are not materially different from their carrying values.

32 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were US $ 42,246,000 (2008: US $ 49,502,000) and the provision for doubtful debts was US $ 524,000 (2008: US $ 365,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, consumables were US $ 27,887,000 (2008: US $ 25,503,000) and goods for resale were US $ 4,864,000 (2008: US $ 13,152,000), with provisions for old and obsolete inventories of US $ 941,000 (2008: US $ 941,000) and US $ 76,000 (2008: US $ 143,000) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

33 COMPARATIVE FIGURES

Certain corresponding figures for 2008 have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MB PETROLEUM SERVICES LLC AND ITS SUBSIDIARIES

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MB Petroleum Services LLC and its subsidiaries ("the group") which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

15 June 2009
Muscat

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 US $ 000	2007 US $ 000
Continuing operations			
Revenue	5	**315,480**	299,638
Cost of sales		**(302,287)**	(257,955)
GROSS PROFIT		**13,193**	41,683
Interest income		**104**	125
Other operating income	6	**20,840**	5,022
General and administration expenses		**(15,350)**	(11,837)
Finance costs	7	**(11,639)**	(11,500)
Depreciation and amortisation charges	10	**(1,115)**	(646)
PROFIT BEFORE TAX		**6,033**	22,847
Income tax expense	8	**(3,127)**	(4,080)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**2,906**	18,767
Discontinued operations			
(Loss) profit from discontinued operations	26	**(948)**	49
PROFIT FOR THE YEAR	9	**1,958**	18,816
Profit attributable to:			
Equity holders of the parent		**1,958**	18,816
Minority interests		**—**	—
		1,958	18,816

The attached notes 1 to 33 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 US $ 000	2007 US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**228,825**	201,157
Intangible assets	11	**1,072**	25
Investment in an associate	12	**20**	24
Investment securities	13	**18**	20
Deferred tax asset	8	**1,220**	—
		231,155	201,226
Current assets			
Inventories	14	**30,185**	24,242
Accounts receivable and prepayments	15	**110,649**	101,110
Bank balances and cash	16	**4,747**	9,462
		145,581	134,814
Assets held for sale	17	**12,429**	—
TOTAL ASSETS		**389,165**	336,040
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	18	**49,415**	39,012
Increase in share capital		**—**	10,403
Statutory reserve	19	**4,204**	4,204
Translation reserve	20	**(1,628)**	(294)
Retained earnings		**13,308**	11,350
		65,299	64,675
Minority interests		**(21)**	(21)
Total equity		**65,278**	64,654
Non-current liabilities			
Term loans	21	**120,181**	99,127
Deferred tax liability	8	**2,419**	1,356
Government grants	22	**1,731**	457
Employees' end of service benefits	23	**4,551**	3,579
Other payables		**1,037**	65
		129,919	104,584
Current liabilities			
Accounts payable and accruals	24	**81,086**	71,310
Bank overdrafts and other borrowings	16	**34,504**	27,969
Short term loans	25	**5,770**	8,052
Term loans	21	**69,439**	57,304
Income tax payable	9	**2,943**	2,113
Government grants	22	**226**	54
		193,968	166,802
Total liabilities		**323,887**	271,386
TOTAL EQUITY AND LIABILITIES		**389,165**	336,040

The financial statements were authorised for issue in accordance with a resolution of the directors on 28 April 2009.

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Chairman

The attached notes 1 to 33 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 US $ 000	2007 US $ 000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**6,033**	22,847
(Loss) profit from discontinued operations		**(948)**	49
Profit before tax		**5,085**	22,896
Adjustments for:			
Depreciation and amortisation charges	10	**44,557**	33,755
Profit on sale of property, plant and equipment	6	**(17,123)**	(1,432)
Accrual for employees' end of service benefits	23	**1,658**	1,381
Interest and dividend income		**(104)**	(125)
Interest expense		**11,639**	11,500
Translation difference		**—**	3
		45,712	67,978
Working capital changes:			
Inventories		**307**	(8,804)
Receivables		**(2,986)**	(36,041)
Payables		**994**	24,901
Cash from operations		**44,027**	48,034
Employees' end of service benefits paid	23	**(686)**	(587)
Taxation		**(2,547)**	(2,136)
Net cash from operating activities		**40,794**	45,311
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(79,291)**	(107,687)
Proceeds from sale of property, plant and		**28,870**	3,434
Purchase of intangibles		**—**	(22)
Acquisition of subsidiary	3	**(1,499)**	—
Purchase of investment securities		**—**	(4)
Interest and dividend income		**104**	125
Receipt of government grants		**1,133**	511
Term deposit		**—**	(76)
Net cash used in investing activities		**(50,683)**	(103,719)
FINANCING ACTIVITIES			
New term loans		**98,097**	81,861
Repayment of term loans		**(84,569)**	(46,320)
Net movement in short term loan		**(2,282)**	8,052
Net movement in bank borrowings		**8,250**	12,578
Interest paid		**(11,639)**	(11,500)
Advance towards share capital		**—**	10,403
Net cash from financing activities		**78,567**	55,074
Translation difference		**(968)**	152
DECREASE IN CASH AND CASH EQUIVALENTS		**(3,000)**	(3,182)
Cash and cash equivalents at the beginning of the year		**4,582**	7,764
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16	**1,582**	4,582

The attached notes 1 to 33 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the parent							
	Share capital US $ 000	Proposed increase in share capital US $ 000	Statutory reserve US $ 000	Translation reserve US $ 000	Retained earnings US $ 000	Total US $ 000	Minority interests US $ 000	Total US $ 000
At 1 January 2007	36,411	2,601	3,168	(696)	(6,430)	35,054	(21)	35,033
Currency translation difference (note 20)	—	—	—	402	—	402	—	402
Profit for the year	—	—	—	—	18,816	18,816	—	18,816
Total income and expense for the year	—	—	—	402	18,816	19,218	—	19,218
Transfer to statutory reserve	—	—	1,036	—	(1,036)	—	—	—
Increase in share capital	2,601	(2,601)	—	—	—	—	—	—
Proposed increase in share capital	—	10,403	—	—	—	10,403	—	10,403
Balance at 31 December 2007	39,012	10,403	4,204	(294)	11,350	64,675	(21)	64,654
Currency translation difference (note 20)	—	—	—	(1,334)	—	(1,334)	—	(1,334)
Profit for the year	—	—	—	—	1,958	1,958	—	1,958
Total income and expense for the year	—	—	—	(1,334)	1,958	624	—	624
Increase in share capital	10,403	(10,403)	—	—	—	—	—	—
Balance at 31 December 2008	**49,415**	**—**	**4,204**	**(1,628)**	**13,308**	**65,299**	**(21)**	**65,278**

The attached notes 1 to 33 form part of these consolidated financial statements

1 ACTIVITIES

MB Petroleum Services L.L.C. (the company) and its subsidiaries (the group) owns and operates oil well drilling equipment, well servicing equipment and rigs, provides oilfield services, oil and gas well production and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry. The address of its registered head office is PO Box 695 CPO, Seeb, Postal Code 111, Sultanate of Oman.

The ultimate parent of the company is MB Holding Company LLC, a limited liability company registered in the Sultanate of Oman. The registered head office address of MB Holding Company LLC is PO Box 695 CPO, Seeb, Postal Code 111, Sultanate of Oman.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of investments classified as available for sale.

The group comprises operations with a number of functional currencies. Management uses US Dollars for controlling and maintaining the performance and financial position of the group accordingly the consolidated financial statements are presented in US Dollars. All values are rounded to the nearest thousand (US $ 000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the international Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements comprise those of MB Petroleum Services LLC and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Changes in accounting policy

The accounting policies are consistent with those used in the previous financial year.

International Accounting Standards Board (IASB) Standards and Interpretations issued but not adopted

The group has not adopted the revised IAS 1 "Presentation of Financial Statements" which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the consolidated financial statements. The standard introduces the statement of

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

comprehensive income: it presents all items of recognised income and expense, either in one statement, or in two linked statements. The group is still evaluating whether it will have one or two statements.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.

The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.

The significant accounting policies adopted by the group are as follows:

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date. Stage of completion is measured by reference to labour hours incurred to the date as a percentage of total estimated labour hours for each contract.

Dividend income is recognised when the right to receive payment is established.

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Taxation

Taxation is provided for based on relevant tax laws of the respective countries in which the group operates.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

• Freehold buildings	16⅔ to 40 years
• Portacabins and plant and machinery	2 to 15 years
• Rigs and allied equipment	5 to 10 years
• Vehicles	3 to 6⅔ years
• Furniture, fixtures and office equipment	3 to 6⅔ years
• Laboratory equipment	4 to 6⅔ years

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets and amortisation

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Investments in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

Available for sale investments

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition the cumulative gain or loss or on impairment the cumulative loss previously reported in equity is included in the income statement for the period.

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Term deposits

Term deposits are carried on the balance sheet at their principal amount. Interest received in advance is charged to income as it accrues, with amounts received in advance included in "accounts payable and accruals" to the extent due within one year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spares, consumables and goods for resale	purchase cost on a weighted average
Work in progress	percentage completion basis

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice value less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Cash Flows Statement, cash and cash equivalents consists of cash and bank balances, net of outstanding bank overdrafts, and bank deposits with original maturities of three months or less.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated/amortised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans

Term loans are carried on the balance sheet at their principal amount. Instalments due within one year are shown as a current liability. Interest is charged as an expense as it accrues with unpaid amounts included in "accounts payable and accruals". Interest is calculated using the effective interest method.

Employees' end of service benefits

The group provides staff terminal benefits to its employees under the laws of the country in which they are employed. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Group companies registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The group's obligations are limited to these contributions, which are expensed when due.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Provisions

Provisions are recognised when the group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies

The consolidated financial statements of the group are prepared in Rial Omani which is the group's functional currency and presented in US Dollars.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the consolidated financial statements (the Rial Omani) at the rate of exchange ruling at the balance sheet date and, its income statement is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency translation reserve in equity. The consolidated financial statements are presented in the US Dollars at an exchange rate of 2.6 US Dollars to each Rial Omani.

On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted foreign investments. Such investments are measured at cost.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS

The consolidated financial statements incorporate the financial statements of the following companies in which the group has the following controlling interest:

Name	Type	Country of registration	2008	2007
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
Erdöl-Erdgas Workover GmbH & Co. KG	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover Verwaltungs GmbH	Limited liability company	Germany	**100%**	100%
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG(i)	Limited liability company	Germany	**100%**	—
Koller Verwaltungs- und Beteiligungs-GmbH(i)	Limited liability company	Germany	**100%**	—
Fiberglass Tubes & Services GmbH(i)	Limited liability company	Germany	**100%**	—
Koller Maschinen- und Anlagenbau GmbH(i)	Limited liability company	Germany	**100%**	—
Koller Workover & Drilling GmbH(i)	Limited liability company	Germany	**100%**	—
Koller Workover International GmbH(i)	Limited liability company	Germany	**100%**	—
DWS Drilling—Workover Service GmbH(i)	Limited liability company	Germany	**100%**	—
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
MBPS Malaysia SDN BHD	Limited liability company	Malaysia	**75%**	75%
MB Petroleum Services Company Limited	Limited liability company	Saudi Arabia	**100%**	100%

(i) On 24 July 2008, MB Petroleum Deutschland GmbH acquired 100% of the limited liability capital of the Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG and its general partner Koller Verwaltungs- und Beteiligungs-GmbH.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

The fair value of the identifiable assets and liabilities of the subsidiaries acquired during the current year as at the date of acquisitions are:

	2008 US $ 000
Property, plant and equipment (note 10)	**12,717**
Customers portfolio (note 11)	**1,079**
Cash and cash equivalents	**57**
Accounts receivable and prepayments	**6,553**
Assets held for sale (note 17)	**5,636**
Inventories	**6,250**
Deferred tax assets	**1,037**
	33,329
Notes payable to bank	**(20,110)**
Accounts payable and accruals	**(8,617)**
Government grants (note 22)	**(462)**
Deferred income tax liability (note 8)	**(1,199)**
Other long term liabilities	**(1,137)**
	(31,525)
Net assets	**1,804**
Group's share in net assets	**1,804**
Add : Goodwill arising on acquisition (note 11)	**269**
Total purchase consideration	**2,073**
Details regarding purchase consideration are set out below:	
Cash paid	**1,415**
Costs associated with the acquisition	**361**
Conditional purchase price obligation	**297**
Total purchase consideration	**2,073**
Details regarding cash outflow on acquisition are set out below:	
Cash paid	**(1,415)**
Net cash acquired from the subsidiaries	**57**
Disbursed costs associated with the acquisition	**(141)**
Net cash outflow on acquisition of subsidiaries	**(1,499)**

From the date of acquisition, the new subsidiaries have contributed US $ 231,100. Prior to the acquisition the group as acquree had decided to sell an unprofitable rig which is disclosed as asset held for sale (note 17)

4 SEGMENT INFORMATION

The group primarily operates in the service industry and its operations are spread over several geographical locations

4 SEGMENT INFORMATION (Continued)

The following table presents revenue, expenditure and certain asset information regarding the group's geographical segments:

31 December 2008	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	229,714	336,957	—	336,957	61,527
Europe	82,492	81,894	—	81,894	30,432
Far East & South Asia	794	1,227	20	1,247	38
Africa	5,730	256	—	256	11
Inter group	(3,250)	(31,189)	—	(31,189)	—
Total	315,480	389,145	20	389,165	92,800

31 December 2007	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	254,260	328,142	—	328,142	98,256
Europe	39,621	26,268	—	26,268	8,984
Far East & South Asia	3,569	3,409	24	3,433	82
Africa	7,930	1,027	—	1,027	369
Inter group	(5,742)	(22,830)	—	(22,830)	—
Total	299,638	336,016	24	336,040	107,691

5 REVENUE

	2008 US $ 000	2007 US $ 000
Service revenue	**293,213**	231,512
Trading revenue	**22,267**	68,126
	315,480	299,638

6 OTHER OPERATING INCOME

	2008 US $ 000	2007 US $ 000
Gain on sale of property, plant and equipment	**17,123**	1,308
Other income	**3,717**	3,714
	20,840	5,022

7 FINANCE COSTS

	2008 US $ 000	2007 US $ 000
Interest expense on term loan	**6,999**	8,461
Interest expense on bank borrowings	**4,585**	2,333
Others	**55**	706
	11,639	11,500

8 INCOME TAX

	2008 US $ 000	2007 US $ 000
Income statement:		
Current year	**3,435**	2,806
Deferred taxation	**(308)**	1,274
	3,127	4,080
Current liability:		
Current year	**2,789**	2,110
Prior years	**154**	3
	2,943	2,113
Deferred tax liability:		
At 1 January	**1,356**	68
Relating to acquisition of a subsidiary (note 3)	**1,199**	
Currency translation differences	**172**	14
Movement for the year	**(308)**	1,274
At 31 December	**2,419**	1,356
Deferred tax assets:		
At 1 January	**—**	—
Relating to acquisition of a subsidiary (note 3)	**1,220**	—
Currency translation differences	**—**	—
Movement for the year	**—**	—
At 31 December	**1,220**	—
The deferred tax liability comprises the following types of temporary differences:		
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**2,419**	1,527
Deductible timing difference on provisions	**—**	(160)
Deductible timing difference on bought forward losses	**—**	(11)
At 31 December	**2,419**	1,356

Omani taxation

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 12%. For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

In respect of MB Petroleum Services LLC (the parent company), no provision for taxation has been made as the parent company has made a taxable loss during the year (2007—taxable loss). Unutilised tax losses upto 2008 amounted to US $ 12,949,759 which is available for set off upto 2013 (2007: US $ 90,978).

The assessments of subsidiaries with the Omani tax authorities are at different stages of completion.

Overseas taxation

MB Petroleum (Asia, Pacific) Ltd, no provision for Hong Kong profit tax has been made as the company had been approved for full exemption of profit tax on profits derived outside Hong Kong.

8 INCOME TAX (Continued)

MB Petroleum Deutschland GmbH, the current income tax relates to trade tax payable by the operating subsidiary and corporation tax payable by the company. The current tax rate comprises corporation tax with an effective rate of 15.83% (2007 : 26.38%) and trade tax of approximately 11.90%

MB Drilling Overseas Limited, taxation has been provided for in accordance with Cypriot, Syrian and Hungarian fiscal regulation. The corporation tax rate is 10%.

MBPS (Malaysia) SDN BHD, has not made any provision for tax in view of availability of unabsorbed tax losses which is available to be adjusted against current year taxable income.

No provision has been made for Saudi Arabia zakat in MB Pertoleum Services Company Limited's financial statements due to negative zakat base.

9 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2008 US $ 000	2007 US $ 000
Staff costs	**100,673**	77,780

10 PROPERTY, PLANT AND EQUIPMENT

10.1 Depreciation and amortisation charges

The depreciation and amortisation charges for the year has been dealt with in the income statement as follows:

	2008 US $ 000	2007 US $ 000
Depreciation	**44,381**	33,722
Amortisation of intangible assets (note 11)	**176**	—
	44,557	33,722
Included in depreciation and amortisation charges relating to:		
Cost of sales	**43,442**	33,076
Depreciation and amortisation charges	**1,115**	646
	44,557	33,722

10.2 Freehold land and buildings include certain plots of land owned by a subsidiary of US $ Nil (2007— US $ 1,405,000) which are registered in the name of a shareholder who holds them in trust on their behalf.

10.3 In October 2008 the parent company transferred a rig previously held as capital work in progress to assets held for sale pending a trial period by the purchaser. The sale was completed at a value of RO 4.41 million (US $ 11.48 million) subsequent to the balance sheet date with the signing of a sales agreement dated 21 April 2009.

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

10.4 During the year, the parent company revised the estimated useful lives of certain plant and machinery units from 5 years to 7 years. As a result of the change, the depreciation charge for the year decreased by US $ 1,703,186.

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2008, net of accumulated depreciation:	6,059	7,629	50,884	93,791	18,996	3,132	20,666	201,157
Additions made during the year	337	1,666	33,618	29,085	9,195	4,038	1,352	79,291
Acquisition of a subsidiary (note 3)	6,560	—	4,266			1,879	12	12,717
Transfers from capital work in progress	—	—	996	—	128	3	(1,127)	—
Depreciation charge for the year	(729)	(2,052)	(18,329)	(17,281)	(4,777)	(1,213)	—	(44,381)
Disposals	(3,053)	(136)	(1,946)	(1,955)	(722)	(372)	(3,563)	(11,747)
Reclassification adjustment	(8)	811	436	(1,316)	(33)	110	—	—
Currency translation adjustment	(232)	—	(505)	—	59	(46)	(102)	(826)
Transfer to assets held for sale (note 17)	—	—	—	—	—	—	(7,386)	(7,386)
Balance at 31 December 2008, net of accumulated depreciation	**8,934**	**7,918**	**69,420**	**102,324**	**22,846**	**7,531**	**9,852**	**228,825**
At 31 December 2008								
Cost	11,056	22,413	150,408	184,590	42,951	13,880	9,852	435,150
Accumulated depreciation	(2,122)	(14,495)	(80,988)	(82,266)	(20,105)	(6,349)	—	(206,325)
	8,934	**7,918**	**69,420**	**102,324**	**22,846**	**7,531**	**9,852**	**228,825**

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2007, net of accumulated depreciation:	5,933	4,203	39,472	62,297	10,270	1,723	4,056	127,954
Additions made during the year	475	5,496	23,520	46,230	11,766	2,335	17,869	107,691
Transfers from capital work in progress	—	—	559	—	—	—	(559)	—
Depreciation charge for the year	(665)	(1,734)	(12,989)	(14,623)	(2,890)	(821)	—	(33,722)
Disposals	—	(336)	(568)	(113)	(150)	(25)	(812)	(2,004)
Currency translation adjustment	316	—	890	—	—	(80)	112	1,238
Balance at 31 December 2007, net of accumulated depreciation	6,059	7,629	50,884	93,791	18,996	3,132	20,666	201,157
At 31 December 2007								
Cost	10,211	20,908	119,051	158,124	36,346	9,671	20,666	374,977
Accumulated depreciation	(4,152)	(13,279)	(68,167)	(64,333)	(17,350)	(6,539)	—	(173,820)
	6,059	7,629	50,884	93,791	18,996	3,132	20,666	201,157

11 INTANGIBLE ASSETS

	Goodwill US $ 000	Customer portfolio US $ 000	Other intangible assets US $ 000	Total US $ 000
Cost				
At 1 January 2008	—	—	94	94
Relating to acquisition of a subsidiary (note 3)	269	1,079	—	1,348
Currency translation adjustment	(28)	(113)	(3)	(144)
At 31 December 2008	**241**	**966**	**91**	**1,298**
Amortisation and impairment				
At 1 January 2008	—	—	69	69
Amortisation (note 10.1)	—	159	17	176
Currency translation adjustment	—	(17)	(2)	(19)
At 31 December 2008	**—**	**142**	**84**	**226**
Net book value				
At 31 December 2008	**241**	**824**	**7**	**1,072**
At 31 December 2007	—	—	25	25

Goodwill

Goodwill acquired through business combinations (see note 3) has being fully allocated to machine building KMA as a cash generating unit.

The group has performed its annual impairment testing over intangible assets and there have been no events or changes in circumstances to indicate that the carrying value of these may be impaired.

12 INVESTMENT IN AN ASSOCIATES

As of the balance sheet date, investment in an associate is as follows:

Notes	2008 Proportion held	2007 Proportion held
MB Oilfield Services (M) SDN.BHD. (MBOS)	**30.00%**	30.00%

The following table illustrates summarised information of the investment in associates.

	2008 US $	2007 US $
Share of the associate's balance sheet:		
Current assets	**23**	27
Current liabilities	**(3)**	(3)
Net assets	**20**	24

13 INVESTMENT SECURITIES

	2008 US $ 000	2007 US $ 000
Available for sale—unquoted investments	**18**	20

14 INVENTORIES

	2008 US $ 000	2007 US $ 000
Consumables	**18,354**	19,864
Goods for resale	**5,910**	4,378
Work in progress	**5,921**	—
	30,185	24,242

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008 US $ 000	2007 US $ 000
Trade accounts receivable	**49,137**	56,276
Accrued income	**16,935**	24,307
Prepaid expenses and other receivables	**5,540**	3,812
Advances to suppliers	**6,346**	7,835
Amounts due from related parties (note 28)	**31,859**	8,110
Tax receivables	**832**	694
Other deposits	**—**	76
	110,649	101,110

As at 31 December 2008, trade receivables of nominal value of US $ 109,903 (2007—US $ 109,130) were impaired. Movements in allowance for impairment of receivables were as follows:

	2008 US $ 000	2007 US $ 000
At 1 January	**109**	109
Charge for the year	**110**	—
Reversal	**(109)**	—
At 31 December	**110**	109

As at 31 December, the ageing of unimpaired trade receivables is as follows:

		Neither past due nor impaired	Past due but not impaired			
	Total US $ 000	US $ 000	< 30 days US $ 000	30-60 days US $ 000	60-90 days US $ 000	> 90 days US $ 000
2008	**49,137**	**31,688**	**6,651**	**5,237**	**3,797**	**1,764**
2007	56,276	47,993	4,336	2,081	825	1,041

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2008 US $ 000	2007 US $ 000
Bank balances and cash	**4,747**	9,462
Bank overdrafts	**(3,165)**	(4,880)
	1,582	4,582

Bank overdrafts and other borrowings in the balance sheet comprise the following:

	2008 US $ 000	2007 US $ 000
Bills discounted(i)	**31,140**	18,872
Bank overdrafts(ii)	**3,165**	4,880
Loan against trust receipts	**199**	4,217
	34,504	27,969

(i) Funding under bills discounted

- Funding under bills discounted is at an effective annual interest rate of Libor + 1.25% (2007—Libor + 1.25%)
- The funding is for a period of 60 days (2007—60 days) from the date of issue of the invoice to the customer.

(ii) Bank overdraft facilities carry an annual effective interest rate of 6% (2007: 6%) and are unsecured.

17 ASSETS HELD FOR SALE

	2008 US $ 000	2007 US $ 000
Parent company (note 10)	**7,386**	—
Subsidiary (note 3)	**5,043**	—
	12,429	—

18 SHARE CAPITAL

	Authorised, issued and fully paid	
	2008 US $ 000	2007 US $ 000
19,000,000 shares (2007—15,000,000 shares) of US $ 2.6 each	**49,415**	39,012

During the year 4,000,000 shares of US $ 2.60 each were issued against the US $ 10,403,000 received from the shareholders in the previous year.

19 STATUTORY RESERVE

As required by the Commercial Company Law of Oman, 10% of the parent company profit of the year is required to be transferred to a statutory reserve until such time the reserve totals one third of the issued share capital of the parent company The reserve is not available for distribution.

No transfers was made during the year as the parent company has reported a loss.

20 TRANSLATION RESERVE

The accounting records of the following subsidiaries are maintained in foreign currencies:

Name	Country of registration	Currency
MB Petroleum Deutschland GmbH	Germany	Euro
MBPS Malaysia SDN BHD	Malaysia	Malaysian Ringits
MB Petroleum Services Company Limited	Saudi Arabia	Saudi Rial

Exchange differences arising from income statement items (at annual average rate) and balance sheet items (at closing year end rate) have been included in the translation reserve in equity.

21 TERM LOANS

	2008 US $ 000	2007 US $ 000
Term loans—parent company	**150,753**	126,603
Terms loans—subsidiaries	**38,867**	29,828
	189,620	156,431
Less: current portion classified under current liabilities	**(69,439)**	(57,304)
	120,181	99,127

Included in term loans from banks are the following:

Parent company

Loan to MB Petroleum Services LLC (MBPS) amounting to US $ 150,753,000 (2007: US $ 126,603,000) include an amount of US $ 111,088,583 (2007 US $ 99,964,000) payable in foreign currencies, mainly United States Dollars. The term loans' principal amounts are repayable in varying installments, the final installment is due on 30 November 2014. The loans carries interest at variable commercial rates.

Subsidiary companies

i) Loans to MB Petroleum Deutschland GmbH amounting to US $ 19,700,584 (2007: US $ 5,567,000) are denominated in Euros. The term loans' principal amounts are repayable in varying installments and the final installment is due on 1 September 2015. The loan bears effective interest rate at 6-months Euro plus margin.

ii) Loans to Crest Oil & Gas LLC amounting to US $ 19,165,934 (2007: US $ 24,261,000) is denominated in US Dollars carry an effective annual interest rate of 3 months LIBOR + 2% subject to a minimum of 6% (2007—3 months LIBOR + 1.4% p.a). The loan is repayable in equal monthly instalments which commenced from October 2007 with final instalment due on 31 October 2012.

The loans are secured by:

- Undertaking to mortgage land and building beneficially owned by subsidiary but registered in the name of a shareholder
- Certain personal properties of the chairman
- Joint registration of certain rigs
- Joint and several personal guarantees of the shareholders and directors
- Assignment of insurance on equipment
- Proportionate assignment of contract revenue and receivables

21 TERM LOANS (Continued)

- Pledge of certain investment securities and equipment used in operations
- Corporate guarantee of MB Holding Company LLC
- Certain trade receivables in Germany
- Guarantee of a commercial bank in Oman

Loan instalments due within one year are disclosed as a current liability.

22 GOVERNMENT GRANTS

Certain a subsidiaries of the group have received Government grants relating to the acquisition of assets. The details are set out below:

	2008 US $ 000	2007 US $ 000
At 1 Janaury	**511**	—
Received during the year	**1,133**	524
Relating to acquisition of subsidiary (note 3)	**462**	—
Released to income statement	**(83)**	(13)
Currency translation adjustment	**(66)**	—
At 31 December	**1,957**	511
Disclosed as:		
Non current portion	**1,731**	457
Current portion	**226**	54
	1,957	511

23 EMPLOYEES' END OF SERVICE BENEFITS

	2008 US $ 000	2007 US $ 000
Movements in the liability recognised in the balance sheet are as follows:		
Liability at beginning of the year	**3,579**	2,785
Provided during the year	**1,658**	1,381
End of service benefits paid	**(686)**	(587)
Liability at the end of the year	**4,551**	3,579

24 ACCOUNTS PAYABLE AND ACCRUALS

	2008 US $ 000	2007 US $ 000
Trade accounts payable	**39,988**	32,814
Accrued expenses and other payables	**27,068**	26,270
Amounts due to related parties (note 28)	**2,823**	4,663
Other payables	**11,207**	7,563
	81,086	71,310

25 SHORT TERM LOANS

Short term loans are mainly denominated in US Dollars and are secured by a personal guarantee of the chairman and a director of the parent company, corporate guarantees of certain group companies and charge over certain investment securities. They carry interest at commercial rates and have maturity periods ranging between 2 to 6 months from the date of drawdown.

26 DISCONTINUED OPERATIONS

The parents company's shareholders have resolved to transfer the operations under Rusyil Oilfield Center (ROC) to a related party with effect from 31 December 2008. Accordingly, all the assets and liabilities relating to the operations as of that date have been transferred at their carrying value to the related party to be settled as of that date, and hence are no longer included in the balance sheet.

The results of the ROC operations for the year are as follows:

	2008 US $ 000	2007 US $ 000
Revenue earned from the operations	**2,290**	2,803
Administration expenses incurred on account of the plant operations	**(2,952)**	(2,465)
Depreciation on property, plant and equipment	**(286)**	(288)
(Loss) profit for the year on account of ROC operations	**(948)**	49

The ROC operations affected the cash flow statement as follows:

	2008 US $ 000	2007 US $ 000
Net cash (used in) from operating activities	**(662,040)**	338,305

The net consideration of US $ 6.34 million receivable on transfer of all the assets and liabilities relating to the ROC operations at their carrying value has been adjusted against the related party receivable balances.

27 COMMITMENTS

	2008 US $ 000	2007 US $ 000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Plant and equipment	**29,909**	35,456

All of the above commitments are expected to be settled within one year.

	2008 US $ 000	2007 US $ 000
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	**560**	—
Later than one year but not later than five years	**751**	—
More than five years	**—**	—
Aggregate operating lease expenditure contracted for at the balance sheet date	**1,311**	—

28 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

28 RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties included in the financial statements are as follows:

	2008			2007		
	Sales US $ 000	Purchases US $ 000	Finance cost US $ 000	Sales US $ 000	Purchases US $ 000	Finance cost US $ 000
Other related parties	**23,532**	**17,430**	**60**	31,154	5,387	84

Balances with related parties included in the balance sheet are as follows:

	2008		2007	
	Receivables US $ 000	Trade Payables US $ 000	Receivables US $ 000	Trade payables US $ 000
Shareholders	**17,964**	**1,081**	7,669	1,647
Other related parties	**13,895**	**1,742**	441	3,016
	31,859	**2,823**	8,110	4,663

Amounts due from and due to related parties are disclosed in notes 15 and 24. Details regarding the sale of a business to a related party are set out in note 10 and 26.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008 US $ 000	2007 US $ 000
Short-term benefits	**3,359**	1,855
Employees' end of service benefits	**758**	229
	4,117	2,084

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2008, the group has not recorded any impairment of amounts owed by related parties (2007—nil).

29 CONTINGENT LIABILITIES

At 31 December 2008 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 6,251,000 (2007—US $ 5,064,000).

30 RISK MANAGEMENT

The group's principal financial liabilities comprise term loans, bank overdrafts and other borrowings and accounts payables and accruals. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as investment in associates, available-for-sale investments, fair, bank balances and accounts receivables and prepayments, which arise directly from its operations.

30 RISK MANAGEMENT (Continued)

The main risks arising from the group's financial instruments are cash flow interest rate risk, commodity price risk, credit risk, equity price risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and loans).The interest rate sensitivity position in respect of the term loans of the group is based on the contractual repricing of the loans or the date of final repayment, whichever is earlier, and is as follows:

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2008.

	Increase/decrease in basis points	Effect on profit for the year US $ 000
2008		
US $	**+15**	**(383)**
US $	**−10**	**255**
2007		
US $	+15	(315)
US $	−10	210

Credit risk

The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The group sells its products and services to a number of oil companies in Oman, Hungary, Syria, Cyprus and Germany. One customer (2007—one customer) accounts for 16% (2007—13%) of trade accounts receivable outstanding as of 31 December 2008. As this exposure is with a quasi-Government entity, management expects the credit risk to be minimal.

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

With respect to credit risk arising from the other financial assets of the group, including cash and cash equivalents, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group limits its liquidity risk by ensuring bank facilities are available. The group's terms of sales require trade accounts receivable amounts to be paid within 45 to 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

30 RISK MANAGEMENT (Continued)

The table below summarises the maturities of the group's undiscounted financial liabilities at 31 December 2008, based on contractual payment dates and current market interest rates.

Year ended 31 December 2008	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 years US $ 000	> 5 years US $ 000	Total US $ 000
Term loan	18,335	50,606	116,235	3,945	189,620
Accounts payables and accruals	70,508	10,065	512		81,086
Bank overdrafts and borrowings	34,504	—	—	—	34,504
Income tax payable	—	2,943	—	—	2,943
Short term loans	5,771	—	—	—	5,771
Other payables	—	1,037	—	—	1,037
	129,118	64,651	116,747	3,945	314,461

Year ended 31 December 2007	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 years US $ 000	> 5 years US $ 000	Total US $ 000
Term loan	14,092	43,212	99,127	—	156,431
Accounts payables and accruals	60,220	10,968	122	—	71,310
Bank overdrafts and borrowings	27,969	—	—	—	27,969
Income tax payable	3	2,110	—	—	2,113
Short term loans	8,052		—	—	8,052
Other payables	—	65	—	—	65
	110,336	56,355	99,249	—	265,940

Currency risk

Certain of the group's loans are denominated in United States Dollars and Euro. No forward exchange contract cover on these loans was in place at the balance sheet date as the directors perceive the related currency risk to be minimal.

Trade accounts receivable includes an amount of US $ 23,497,000 (2007—US $ 32,370,000) due in foreign currencies, mainly United States Dollars. As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal. Receivables in other currencies mainly in Euro are not significant.

Trade accounts payable include an amount of US $ 6,936,000 (2007—US $ 14,118,000) due in foreign currencies, mainly United States Dollars. Payables in other currencies mainly in Euro are not significant.

Capital management

The primary objective of the group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of bank overdrafts, term loans, obligations under finance leases and payables. The fair values of

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

financial instruments, with the exception of certain available-for-sale investments carried at cost (see note 13), are not materially different from their carrying values.

32 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were US $ 49,502,000 (2007: US $ 56,669,000) and the provision for doubtful debts was US $ 365,000 (2007: US $ 393,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, consumables were US $ 25,503,000 (2007: US $ 20,910,000) and goods for resale were US $ 5,766,000 (2007: US $ 4,378,000), with provisions for old and obsolete inventories of US $ 1,084,000 (2007: US $ 1,046,000) and nil respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

33 COMPARATIVE AMOUNTS

Certain of the corresponding figures for 2007 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.

MB Petroleum Services LLC and its subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MB PETROLEUM SERVICES LLC AND ITS SUBSIDIARIES

We have audited the accompanying consolidated financial statements of MB Petroleum Services LLC and its subsidiaries ("the group") which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

15 July 2008
Muscat

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 US $ 000	2006 US $ 000
Revenue		**302,441**	189,424
Cost of sales		**(257,955)**	(170,757)
GROSS PROFIT		**44,486**	18,667
Interest income		**125**	—
Other operating income		**5,022**	2,100
General and administration expenses		**(14,302)**	(11,475)
Finance costs	5	**(11,500)**	(7,387)
Depreciation and amortisation charges		**(935)**	(3,088)
Impairment of goodwill		**—**	(165)
PROFIT/(LOSS) BEFORE TAX		**22,896**	(1,348)
Income tax expense	6	**(4,080)**	(1,373)
PROFIT/(LOSS) FOR THE YEAR		**18,816**	(2,721)
Profit/(loss) attributable to:			
Equity holders of the parent		**18,816**	(2,721)
Minority interests		**—**	—
		18,816	(2,721)
Basic and diluted earnings per share (US $)		**1.25**	(0.19)

The attached notes 1 to 28 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 US $ 000	2006 US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**201,157**	127,954
Intangible assets		**25**	30
Investment in associates	9	**24**	24
Investment securities	10	**20**	16
		201,226	128,024
Current assets			
Inventories	11	**24,242**	15,272
Accounts receivable and prepayments	12	**101,110**	64,922
Bank balances and cash	13	**9,462**	7,784
		134,814	87,978
TOTAL ASSETS		**336,040**	216,002
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**39,012**	36,411
Increase in share capital	14	**10,403**	2,601
Statutory reserve	15	**4,204**	3,168
Translation reserve	16	**(294)**	(696)
Retained earnings		**11,350**	(6,430)
		64,675	35,054
Minority interests		**(21)**	(21)
Total equity		**64,654**	35,033
Non-current liabilities			
Term loans	17	**99,127**	82,796
Loan from a shareholder		**—**	1,057
Deferred tax liability	6	**1,356**	67
Government grant	18	**457**	—
Employees' end of service benefits	19	**3,579**	2,785
Other payables		**65**	653
		104,584	87,358
Current liabilities			
Accounts payable and accruals	20	**71,310**	44,260
Bank overdrafts and other borrowings	13	**27,969**	10,531
Short term loans	21	**8,052**	
Term loans	17	**57,304**	38,094
Income tax payable	6	**2,113**	726
Government grant	18	**54**	—
		166,802	93,611
Total liabilities		**271,386**	180,969
TOTAL EQUITY AND LIABILITIES		**336,040**	216,002

The financial statements were authorised for issue in accordance with a resolution of the directors on 15 July 2008.

Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 US $ 000	2006 US $ 000
OPERATING ACTIVITIES			
Profit before tax		**22,896**	(1,348)
Adjustments for:			
Depreciation and amortisation charges	8	**33,755**	22,462
Profit on sale of property, plant and equipment		**(1,432)**	(445)
Accrual for employees' end of service benefits	19	**1,381**	1,018
Interest and dividend income		**(125)**	(121)
Interest expense		**11,500**	7,312
Translation difference		**3**	—
Goodwill impairment		**—**	165
		67,978	29,043
Working capital changes:			
Inventories		**(8,804)**	(4,603)
Receivables		**(36,041)**	(16,337)
Payables		**24,901**	12,326
Cash from operations		**48,034**	20,429
Employees' end of service benefits paid	19	**(587)**	(837)
Taxation		**(2,136)**	(1,030)
Net cash from operating activities		**45,311**	18,562
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired		**—**	(16)
Purchase of property, plant and equipment		**(107,687)**	(84,117)
Proceeds from sale of property, plant and		**3,434**	763
Purchase of intangibles		**(22)**	—
Purchase of investment in associates		**—**	(25)
Purchase of investment securities		**(4)**	—
Interest and dividend income		**125**	121
Receipt of government grants		**511**	—
Term deposit		**(76)**	—
Net cash used in investing activities		**(103,719)**	(83,274)
FINANCING ACTIVITIES			
New term loans		**81,861**	89,907
Repayment of term loans		**(46,320)**	(35,697)
Net movement in short term loan		**8,052**	4,016
Repayment of short term loan		**—**	(5,035)
Net movement in bank borrowings		**12,578**	8,032
Interest paid		**(11,500)**	(7,312)
Increase in share capital	14	**—**	10,403
Advance towards share capital		**10,403**	2,601
Net cash from financing activities		**55,074**	66,915
Translation difference		**152**	(48)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,182)**	2,155
Cash and cash equivalents at the beginning of the year		**7,764**	5,609
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**4,582**	7,764

The attached notes 1 to 28 form part of these consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Share capital US $ 000	Proposed increase in share capital US $ 000	Statutory reserve US $ 000	Translation reserve US $ 000	Retained earnings US $ 000	Total US $ 000	Minority interests US $ 000	Total US $ 000
At 1 January 2006	26,008	—	3,168	(986)	(3,709)	24,481	(21)	24,460
Currency translation difference	—	—	—	290	—	290	—	290
Loss for the year	—	—	—	—	(2,721)	(2,721)	—	(2,721)
Total income and expense for the year	—	—	—	290	(2,721)	(2,431)	—	(2,431)
Increase in share capital (note 14)	10,403	2,601	—	—	—	13,004	—	13,004
Balance at 31 December 2006	36,411	2,601	3,168	(696)	(6,430)	35,054	(21)	35,033
Increase in share capital	2,601	(2,601)	—	—	—	—	—	—
Proposed increase in share capital	—	10,403	—	—	—	10,403	—	10,403
Currency translation difference (note 16)	—	—	—	402	—	402	—	402
Profit for the year	—	—	1,036	—	17,780	18,816	—	18,816
Total income and expense for the year	—	—	1,036	402	17,780	19,218	—	19,218
Balance at 31 December 2007	**39,012**	**10,403**	**4,204**	**(294)**	**11,350**	**64,675**	**(21)**	**64,654**

The attached notes 1 to 28 form part of these consolidated financial statements

1 ACTIVITIES

MB Petroleum Services L.L.C. (the company) and its subsidiaries (the group) owns and operates oil well drilling equipment, well servicing equipment and rigs, provides oilfield services, oil and gas well production and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry. The address of its registered head office is PO Box 695 CPO, Seeb, Postal Code 111, Sultanate of Oman.

The ultimate parent of the company is MB Holding Company LLC, a limited liability company registered in the Sultanate of Oman.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Commercial Companies Law of the Sultanate of Oman.

The group comprises operations with a number of functional currencies. Management uses US Dollars for controlling and maintaining the performance and financial position of the group accordingly the consolidated financial statements are presented in US Dollars. All values are rounded to the nearest thousand (US$ 000) except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of investments classified as available for sale and fair value through profit or loss.

Basis of consolidation

The consolidated financial statements comprise those of MB Petroleum Services LLC and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Changes in accounting policies

The accounting polices adopted are consistent with those of previous year except as follows:

The group has adopted the following new or amended IFRS during the year. Adoption of these standards did not have any effect on the group's financial performance or position. They did however give rise to additional disclosures:

IFRS 7—Financial Instruments: Disclosures
IAS 1—Amendment—Presentation of Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the consolidated financial statements to evaluate the significance of the group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

Amendments to IAS 1—Presentation of Financial Statements

This amendment requires the group to make new disclosures to enable users of the consolidated financial statements to evaluate the group's objectives, policies and processes for managing capital. These new disclosures are included in note 33.

New Standards and Interpretations issues but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) but are not mandatory for these consolidated financial statements:

- IAS 1—Presentation of financial statements (Revised) (effective for annual periods commencing 1 January 2009). The application of IAS 1 (Revised) will result in amendments to the presentation of the financial statements.
- IFRS 8 Operating Segments was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the group discloses information about its operating segments.

The significant accounting policies adopted by the group are as follows:

Business combinations and goodwill

Business combinations are accounted for using the purchase method.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the group's primary or the group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date. Stage of completion is measured by reference to labour hours incurred to the date as a percentage of total estimated labour hours for each contract.

Dividend income is recognised when the right to receive payment is established.

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Taxation

Taxation is provided for based on relevant tax laws of the respective countries in which the group operates.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

• Freehold buildings	16⅔ to 40 years
• Portacabins and plant and machinery	2 to 15 years
• Rigs and allied equipment	5 and 10 years
• Vehicles	3 to 6⅔ years
• Furniture, fixtures and office equipment	3 to 6⅔ years
• Laboratory equipment	4 to 6⅔ years

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets and amortisation

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Investments in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The associates' accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Available for sale

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition the cumulative gain or loss or on

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

impairment the cumulative loss previously reported in equity is included in the income statement for the period.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Term deposits

Term deposits are carried on the balance sheet at their principal amount. Interest received in advance is charged to income as it accrues, with amounts received in advance included in "accounts payable and accruals" to the extent due within one year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spares, consumables and goods for resale	purchase cost on a weighted average.
Work in progress	percentage completion basis

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice value less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Cash Flows Statement, cash and cash equivalents consists of cash and bank balances, net of outstanding bank overdrafts, and bank deposits with original maturities of three months or less.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans

Term loans are carried on the balance sheet at their principal amount. Instalments due within one year are shown as a current liability. Interest is charged as an expense as it accrues with unpaid amounts included in "accounts payable and accruals". Interest is calculated using the effective interest method.

Employees' end of service benefits

The group provides staff terminal benefits to its employees under the laws of the country in which they are employed. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Group companies registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The group accrues for estimated abandonment and site restoration costs of oil exploration and producing properties on a unit of production basis.

Foreign currencies

The consolidated financial statements of the group are prepared in Rial Omani which is the group's functional currency and presented in US Dollars.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the consolidated financial statements (the Rial Omani) at the rate of exchange ruling at the balance sheet date and, its income statement is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency translation reserve in equity. The consolidated financial statements are presented in the US Dollars at an exchange rate of 2.6 US Dollars to each Rial Omani.

On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted foreign investments. Such investments are measured at cost.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Trade and settlement date accounting

All regular way purchases or sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase or sell the asset.

Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the group's accounting policies, management has makes judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements. Further details are given in note 36.

3 SUBSIDIARY COMPANIES

The consolidated financial statements incorporate the financial statements of the following companies in which the group has the following controlling interest:

Name	Type	Country of registration	2007	2006
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
MB Petroleum Services	Limited liability company	Saudi Arabia	**100%**	—
Erdöl-Erdgas Workover GmbH & Co. KG	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover Verwaltungs GmbH	Limited liability company	Germany	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
MBPS Malaysia SDN BHD	Limited liability company	Malaysia	**75%**	75%
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%

(i) A related party and a shareholder hold the investments in their name in trust on behalf of the parent company.

(ii) During the year the parent company established a 100% subsidiary in Saudi Arabia at an investment cost of US$ 133,355.

4 SEGMENT INFORMATION

The group's operating under primary service segment only. Secondary information is reported geographically.

i) Geographical segments

The following table presents revenue expenditure and certain asset information regarding the group's geographical segments:

31 December 2007	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	257,063	328,142	—	328,142	98,256
Europe	39,621	26,268	—	26,268	8,984
Far East & South Asia	3,569	3,409	24	3,433	82
Africa	7,930	1,027	—	1,027	369
Inter group	(5,742)	(22,830)	—	(22,830)	—
Total	302,441	336,016	24	336,040	107,691

31 December 2006	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	156,489	214,388	—	214,388	82,549
Europe	28,378	16,650	—	16,650	1,678
Far East & South Asia	4,557	1,601	24	1,625	130
Africa	—	—	—	—	—
Inter group	(176)	(16,661)		(16,661)	—
Total	189,424	215,978	24	216,002	84,357

5 FINANCE COSTS

	2007 US $ 000	2006 US $ 000
Term loan interest expense	**8,461**	5,967
Bank interest expense	**2,333**	750
Others	**706**	670
Total finance costs	**11,500**	7,387

6 INCOME TAX

	2007 US $ 000	2006 US $ 000
Income statement:		
Current year	**2,806**	1,316
Prior years	**—**	6
Deferred taxation	**1,274**	51
	4,080	1,373
Current liability:		
Current year	**2,110**	705
Prior years	**3**	21
	2,113	726
Deferred tax liability:		
At 1 January	**68**	14
Currency translation differences	**14**	—
Movement for the year	**1,274**	53
At 31 December	**1,356**	67
The deferred tax liability comprises the following types of temporary differences:		
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**1,527**	67
Deductible timing difference on provisions	**(160)**	—
Deductible timing difference on bought forward losses	**(11)**	—
At 31 December	**1,356**	67

Omani taxation

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 12%. For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

In respect of MB Petroleum Services LLC (the parent company), no provision for taxation has been made as the parent company has made a taxable loss during the year (2006—taxable loss).

The amount charged to the income statement includes following:

a) US $ 831,000 in respect of Zakat in relation to the operations of the branch in Saudi Arabia,

b) US $ 58,000 in respect of Indian income tax in relation to the operations of the branch in India.

Unutilised tax losses upto 2007 amounted to US $ 91,000 which is available for set off upto 2011 (2006: US $ 7,223,000).

The assessments of subsidiaries with the Omani tax authorities are at different stages of completion.

Overseas taxation

MB Petroleum (Asia, Pacific) Ltd, no provision for Hong Kong profit tax has been made as the company had been approved for full exemption of profit tax on profits derived outside Hong Kong. The company has paid US $ 73,000 as taxes in China.

MB Petroleum Deutschland, the current income tax relates to trade tax payable by the operating subsidiary and corporation tax payable by the company. The current tax rate comprises corporation tax

6 INCOME TAX (Continued)

with an effective rate of 26.38% (2006: 26.38%) and trade tax of approximately 14.53% (2006: 14.53%), giving a total effective tax rate of 37% (2006: 37%) for the year 2007.

MB Drilling Overseas Limited, Cyprus taxation has been provided for in accordance with Cypriot fiscal regulations. The company's financial statements include the results of its branch operations in Syria and its subsidiaries, the tax liability on which have been calculated in accordance with Syrian fiscal regulations.

MBPS (Malaysia) SDN BHD, has not made any provision for tax in view of availability of unabsorbed tax losses which is available to be adjusted against current year taxable income.

7 PROFIT FOR THE YEAR

The profit (loss) for the year is stated after charging:

	2007 US $ 000	2006 US $ 000
Staff costs	**77,780**	64,287

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Depreciation and amortisation charges

The depreciation and amortisation charges for the year has been dealt with in the income statement as follows:

	2007 US $ 000	2006 US $ 000
Included in cost of sales relating to:		
Property, plant and equipment	**32,787**	19,416
Intangible assets	**5**	—
	32,792	19,416
Included in depreciation and amortisation charges relating to:		
Property, plant and equipment	**935**	3,088
	935	3,088
	33,722	22,504

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

8.2 Ownership

Freehold land and buildings include certain plots of land owned by the parent company and a subsidiary of US $ 1,405,000 (2006—1,405,000) which are registered in the name of a shareholder who holds them in trust on their behalf.

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2007, net of accumulated depreciation:	5,933	4,203	39,472	62,297	10,270	1,723	4,056	127,954
Currency translation adjustment	316	—	890	—	—	(80)	112	1,238
Additions made during the year	475	5,496	23,520	52,163	11,766	2,335	11,936	107,691
Transfers (note 10)	—	—	559	—	—	—	(559)	—
Depreciation charge for the year	(665)	(1,734)	(12,989)	(14,623)	(2,890)	(821)	—	(33,722)
Disposals	—	(336)	(568)	(113)	(150)	(25)	(812)	(2,004)
Balance at 31 December 2007, net of accumulated depreciation	**6,059**	**7,629**	**50,884**	**99,724**	**18,996**	**3,132**	**14,733**	**201,157**
At 31 December 2007								
Cost	10,211	20,908	119,051	164,057	36,346	9,671	14,733	374,977
Accumulated depreciation	(4,152)	(13,279)	(68,167)	(64,333)	(17,350)	(6,539)	—	(173,820)
	6,059	**7,629**	**50,884**	**99,724**	**18,996**	**3,132**	**14,733**	**201,157**

	Freehold land and buildings US $ 000	Porta cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2006, net of accumulated depreciation:	5,748	2,179	18,181	33,733	3,532	1,389	910	65,672
Currency translation adjustment	89	—	502	—	—	78	8	677
Acquisition of subsidiaries during the year			5			35		40
Additions made during the year	620	3,259	30,719	37,363	7,879	823	3,694	84,357
Transfers (note 10)	—	—	403	9	18	2	(432)	—
Depreciation charge for the year	(524)	(1,235)	(10,200)	(8,806)	(1,135)	(604)	—	(22,504)
Disposals	—	—	(138)	—	(26)		(124)	(288)
Balance at 31 December 2006, net of accumulated depreciation	5,933	4,203	39,472	62,299	10,268	1,723	4,056	127,954
At 31 December 2006								
Cost	9,053	15,926	90,930	112,006	25,655	6,934	4,048	264,552
Currency translation adjustment	89	—	502	—	—	78	8	677
Accumulated depreciation	(3,209)	(11,723)	(51,960)	(49,709)	(15,385)	(5,289)	—	(137,275)
	5,933	4,203	39,472	62,297	10,270	1,723	4,056	127,954

9 INVESTMENT IN ASSOCIATES

As of the balance sheet date, investments in associates are as follows:

	2007 Proportion held	2006 Proportion held
MB Oilfield Services (M) SDN.BHD. (MBOS)	**30.00%**	30.00%

i) A related party holds these associates investments in its name in trust on behalf of the group.

The following table illustrates summarised information of the investment in associates.

	2007 US $	2006 US $
Share of the associate's balance sheet:		
Current assets	**27**	27
Non-current assets	**—**	—
Current liabilities	**(3)**	(3)
Non-current liabilities	**—**	—
Net assets	**24**	24
Share of the associate's income statement:		
Revenue	**—**	—
Loss	**—**	—

10 INVESTMENT SECURITIES

	2007 US $ 000	2006 US $ 000
Available for sale—unquoted investments	**20**	16

11 INVENTORIES

	2007 US $ 000	2006 US $ 000
Consumables	**19,864**	11,361
Goods for resale	**4,378**	2,572
Work in progress	**—**	1,228
Goods in transit	**—**	111
	24,242	15,272

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007 US $ 000	2006 US $ 000
Trade accounts receivable	**56,276**	24,005
Accrued income	**24,307**	12,615
Prepaid expenses and other receivables	**3,812**	1,787
Advances to suppliers	**7,835**	13,819
Amounts due from related parties (note 3)	**8,110**	12,696
Tax receivables	**694**	—
Other deposits	**76**	—
	101,110	64,922

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

As at 31 December, the ageing of unimpaired trade receivables is as follows:

		Neither past due nor impaired		Past due but not impaired		
	Total US $ 000	US $ 000	< 30 days US $ 000	30-60 days US $ 000	60-90 days US $ 000	> 90 days US $ 000
2007	**56,276**	**47,993**	**4,336**	**2,081**	**825**	**1,041**
2006	24,005	21,997	610	668	534	196

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2007 US $ 000	2006 US $ 000
Bank balances and cash	**9,462**	7,784
Bank overdrafts	**(4,880)**	(20)
	4,582	7,764

Bank overdrafts and other borrowings in the balance sheet comprise the following:

	2007 US $ 000	2006 US $ 000
Bills discounted(i)	**18,872**	9,341
Bank overdrafts(ii)	**4,880**	20
Loan against trust receipts	**4,217**	1,170
	27,969	10,531

(i) Funding under bills discounted

- Funding under bills discounted is at an effective annual interest rate of Libor + 1.25% (2006—Libor + 1.25%)

The funding is for a period of 60 days (2006—60 days) from the date of issue of the invoice to the customer.

(ii) Bank overdraft facilities carry an annual effective interest rate of 6% (2006: 6%) and are unsecured.

14 SHARE CAPITAL

	Authorised, issued and fully paid	
	2007 US $ 000	2006 US $ 000
15,000,000 shares (2006—14,000,000 shares) of US $ 2.6 each	**39,012**	36,411

During the year 1,000,000 shares of RO 1 (US $ 2.60) each were issued against the RO 1,000,000 received from the shareholders in the previous year at RO 1 (US $ 2.60) per share.

Further, during the year, the shareholders have contributed an amount of RO 4,000,000 (US $ 10,403,120) towards increasing the share capital of the company. The amount will be converted to

14 SHARE CAPITAL (Continued)

issued share capital in 2008, once the increase in capital is registered with the Ministry of Commerce and Industry, Sultanate of Oman.

15 STATUTORY RESERVE

As required by the Commercial Company Law of Oman, 10% of the parent company profit of the year is required to be transferred to a statutory reserve until such time the reserve totals one third of the issued share capital of the parent company. The parent company has resolved to discontinue any further transfers to this reserve, as the reserve equals one third of the issued share capital. The reserve is not available for distribution.

16 TRANSLATION RESERVE

The accounting records of the following subsidiaries are maintained in foreign currencies:

Name	Country of registration	Currency
MB Petroleum Deutschland GmbH	Germany	Euro
MBPS Malaysia SDN BHD	Malaysia	Malaysian Ringits

The differences arising due to the above translations of income statement items at an average rate and the balance sheet items at a closing year end rate have been included in the translation reserve in equity.

17 TERM LOANS

	2007 US $ 000	2006 US $ 000
Term loans—parent company	**126,603**	117,610
Terms loans—subsidiaries	**29,828**	3,280
	156,431	120,890
Less: current portion classified under current liabilities	**(57,304)**	(38,094)
	99,127	82,796

Included in term loans from banks are the following:

Parent company

Loan to MB Petroleum Services LLC (MBPS) amounting to US $ 126,603,000 (2006: US $ 117,610,000) include an amount of US $ 99,964,000 (2006 US $ 81,227,000) payable in foreign currencies, mainly United States Dollars. The term loans' principal amounts are repayable in varying installments, the final installment is due on 30 September 2011. The loans carry effective interest rate of 5.92%.

Subsidiary companies

i) Loans to MB Petroleum Deutschland GmbH amounting to US $ 5,567,000 (2006: US $ 3,280,000) are denominated in Euros. The term loans' principal amounts are repayable in varying installments and the final installment is due on 28 February 2014. The loan bears effective interest rate at 6-months Euro plus margin.

ii) Loans to Crest Oil & Gas LLC amounting to US $ 24,261,000 (2006 : nil) is denominated in US Dollars carries an effective annual interest rate of 3 months LIBOR + 1.4% p.a. The loan is repayable in sixty monthly instalments commencing from October 2007. The final instalment is due on October 2012.

17 TERM LOANS (Continued)

The loans are secured by:

- Undertaking to mortgage land and building beneficially owned by subsidiary but registered in the name of a shareholder
- Certain personal properties of the chairman
- Joint registration of certain rigs
- Personal guarantee of the Chairman and the Vice President
- Joint and several personal guarantees of the shareholders
- Assignment of insurance on equipment
- Proportionate assignment of contract revenue and receivables
- Pledge of certain investment securities and equipment used in operations
- Corporate guarantee of MB Holding Company LLC
- Certain trade receivables in Germany
- Guarantee of a commercial bank in Oman

As the floating rate term loans attract interest at rates which vary with market movements, the fair value of the loans approximate carrying value. The fair value of fixed rate term loans are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. There was no material difference between the carrying value of such loans and their fair value on comparison as of the balance sheet date.

Loan instalments due within one year are disclosed as a current liability.

18 GOVERNMENT GRANT

During the year a subsidiary received Government grants relating to the acquisition of certain assets. The details are set out below:

	2007 US $ 000
Received during the year	**524**
Released to income statement	**(13)**
At 31 December 2007	**511**
Non current	**457**
Current	**54**
	511

19 EMPLOYEES' END OF SERVICE BENEFITS

	2007 US $ 000	2006 US $ 000
Movements in the liability recognised in the balance sheet are as follows:		
Liability at beginning of the year	**2,785**	2,604
Provided during the year	**1,381**	1,018
End of service benefits paid	**(587)**	(837)
Liability at the end of the year	**3,579**	2,785

20 ACCOUNTS PAYABLE AND ACCRUALS

	2007 US $ 000	2006 US $ 000
Accrued expenses and other payables	**26,270**	15,820
Trade accounts payable	**32,814**	24,583
Amounts due to related parties (note 3)	**4,663**	3,460
Other payables	**7,563**	397
	71,310	44,260

21 SHORT TERM LOANS

Short term loans are mainly denominated in US Dollars and are secured by a personal guarantee of the chairman and a director of the company, corporate guarantees of group companies and charge over certain investment securities. They carry interest at commercial rates and have maturity periods ranging between 2 to 6 months from the date of drawdown.

As short term loans attract interest at rates that vary with market movements, the fair values of the loans approximate their carrying values.

22 COMMITMENTS

	2007 US $ 000	2006 US $ 000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Plant and equipment	**35,456**	40,998

All of the above commitments are expected to be settled within one year.

23 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the financial statements are as follows:

	2007			2006		
	Sales US $ 000	Purchases US $ 000	Finance cost US $ 000	Sales US $ 000	Purchases US $ 000	Finance cost US $ 000
Other related parties	**31,154**	**5,387**	**84**	3,467	203	—

Balances with related parties included in the balance sheet are as follows:

	2007		2006	
	Receivables US $ 000	Trade payables US $ 000	Receivables US $ 000	Trade payables US $ 000
Shareholders	**7,669**	**1,647**	6,622	1,979
Other related parties	**441**	**3,016**	6,074	1,481
	8,110	**4,663**	12,696	3,460

23 RELATED PARTY TRANSACTIONS (Continued)

Amounts due from and due to related parties are disclosed in notes 12 and 20.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007 US $ 000	2006 US $ 000
Short-term benefits	**1,855**	1,324
Employees' end of service benefits	**229**	109
	2,084	1,433

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2007, the group has not recorded any impairment of amounts owed by related parties (2006: nil).

24 CONTINGENT LIABILITIES

At 31 December 2007 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 5,064,000 (2006—US $ 4,649,000).

25 RISK MANAGEMENT

The group's principal financial liabilities comprise term loans, bank overdrafts and other borrowings and accounts payables and accruals. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as investment in associates, available-for-sale investments, fair value through profit or loss investments, advance towards a joint venture, bank balances and accounts receivables and prepayments, which arise directly from its operations.

The main risks arising from the group's financial instruments are cash flow interest rate risk, commodity price risk, credit risk, equity price risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and loans).The interest rate sensitivity position in respect of the term loans of the group is based on the contractual repricing of the loans or the date of final repayment, whichever is earlier, and is as follows:

Bank deposits are at fixed interest rates.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

25 RISK MANAGEMENT (Continued)

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2007.

	Increase/decrease in basis points	Effect on profit for the year US $ 000
2007		
US $	**+15**	**(315)**
US $	**−10**	**210**
2006		
US $	+15	(252)
US $	−10	168

Credit risk

The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The group sells its products and services to a number of oil companies in Oman, Hungary, Syria, Cyprus and Germany. One customer (2006—one customer) accounts for 13% (2006—43%) of trade accounts receivable outstanding as of 31 December 2007.

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

With respect to credit risk arising from the other financial assets of the group, including cash and cash equivalents, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group limits its liquidity risk by ensuring bank facilities are available. The group's terms of sales require trade accounts receivable amounts to be paid within 45 to 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarises the maturities of the group's undiscounted financial liabilities at 31 December 2007, based on contractual payment dates and current market interest rates.

Year ended 31 December 2007	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Term loan	14,092	43,212	99,127	—	156,431
Accounts payables and accruals	60,220	10,968	122	—	71,310
Bank overdrafts and borrowings	27,969	—	—	—	27,969
Income tax payable	3	2,110	—	—	2,113
Short term loans	8,052		—	—	8,052
Other payables	5445	—	66	—	5,511
Total	115,781	56,290	99,315	—	271,386

25 RISK MANAGEMENT (Continued)

Year ended 31 December 2006	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Term loan	9,190	28,904	82,796	—	120,890
Accounts payables and accruals	32,213	11,925	122	—	44,260
Bank overdrafts and borrowings	10,531	—	—	—	10,531
Income tax payable	—	726	—	—	726
Short term loans			—	—	
Other payables	3,909	—	653	—	4,562
Total	55,843	41,555	83,571	—	180,969

Currency risk

Certain of the group's term loans, trade accounts and notes payable are denominated in United States Dollars and Euros.

Trade accounts receivable includes an amount of US $ 32,370,000 (2006—US $ 6,851,000) due in foreign currencies, mainly United States Dollars. As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal. Receivables in other currencies mainly in Euro are not significant.

Trade accounts payable include an amount of US $ 14,118,000 (2006—US $ 1,280,000) due in foreign currencies, mainly United States Dollars. Payables in other currencies mainly in Euro are not significant.

Capital management

The primary objective of the group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of bank overdrafts, term loans, obligations under finance leases and payables.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost (see note 10), are not materially different from their carrying values.

27 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed

27 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were US $ 56,669,000 (2006: US $ 24,116,000) and the provision for doubtful debts was US $ 393,000 (2006: US $ 111,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, consumables were US $ 20,910,000 (2006: US $ 13,712,000) and goods for resale were US $ 4,378,000 (2006: US $ 2,572,000), with provisions for old and obsolete inventories of US $ 1,046,000 (2006: US $ 1,012,000) and nil respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

28 COMPARATIVE AMOUNTS

Certain of the corresponding figures for 2006 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.

MB Petroleum Services LLC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE DIRECTORS OF MB PETROLEUM SERVICES LLC AND ITS SUBSIDIARIES

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of MB Petroleum Services LLC ("the company") and its subsidiaries ("the group") as at 30 June 2010, comprising of the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

ERNST & YOUNG

4 October 2010
Muscat

MB Petroleum Services LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2010 (Unaudited)

	Notes	Six months ended 30 June 2010 US $ 000	Six months ended 30 June 2009 Restated* US $ 000
Revenue		**204,423**	203,140
Cost of sales		**(178,541)**	(182,365)
Gross profit		**25,882**	20,775
Interest income		**—**	23
Other income		**1,866**	1,733
General and administration expenses		**(15,947)**	(14,119)
Depreciation and amortisation charges		**(217)**	(601)
Finance costs		**(9,822)**	(14,673)
Negative goodwill	3(ii)	**4,022**	5,422
Profit (loss) before tax		**5,784**	(1,440)
Income tax	5	**(2,276)**	1,343
Profit (loss) for the period		**3,508**	(97)
Profit (loss) attributable to:			
Equity holders of the parent		**9,561**	4,499
Non controlling interests		**(6,053)**	(4,596)
		3,508	(97)
Basic and diluted earnings per share for the equity holders of the parent (US $)		**0.50**	0.24
Other comprehensive (loss) income			
Exchange differences on translation of foreign operations		**(5,866)**	6,191
Other comprehensive (loss) income for the period, net of tax		**(5,866)**	6,191
Total comprehensive (loss) income for the period, net of tax		**(2,358)**	6,094
Total comprehensive (loss) income attributable to:			
Equity holders of the parent		**4,623**	7,656
Non controlling interests		**(6,981)**	(1,562)
		(2,358)	6,094

* Prior period figures do not correspond to the unaudited interim condensed consolidated financial statements for the period ended 30 June 2009 and reflect adjustments made as detailed in note 3 (ii).

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010 (Unaudited)

	Notes	30 June 2010 US $ 000	Audited 31 December 2009 Restated* US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**405,631**	398,104
Intangible assets		**170**	277
Investment in an associate		**18**	18
Deferred tax asset		**10,538**	11,546
		416,357	409,945
Current assets			
Inventories		**46,654**	43,983
Accounts receivable and prepayments		**112,031**	116,928
Bank balances and cash	7	**9,913**	13,209
		168,598	174,120
Assets classified as held for sale		**4,936**	5,665
		173,534	179,785
TOTAL ASSETS		**589,891**	589,730
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		**49,415**	49,415
Statutory reserve		**4,815**	4,815
Translation reserve		**(9,843)**	(4,905)
Retained earnings		**41,548**	29,380
		85,935	78,705
Non controlling interests		**(21)**	45,424
Total equity		**85,914**	124,129
Non-current liabilities			
Term loans	8	**162,192**	172,138
Deferred tax liability		**14,251**	13,399
Government grants		**1,808**	2,298
Employees' end of service benefits		**6,524**	6,263
		184,775	194,098
Current liabilities			
Accounts payable and accruals		**111,630**	155,648
Bank overdrafts and other borrowings	7	**41,872**	30,412
Short term loans	9	**84,438**	2,304
Term loans	8	**79,065**	78,458
Income tax payable		**1,876**	4,306
Government grants		**321**	375
		319,202	271,503
Total liabilities		**503,977**	465,601
TOTAL EQUITY AND LIABILITIES		**589,891**	589,730

* Prior year figures do not correspond to the audited 2009 consolidated financial statements and reflect adjustments made as detailed in note 3(ii).

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 4 October 2010.

Chairman

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2010 (Unaudited)

	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Share capital US $ 000	Statutory reserve US $ 000	Translation reserve US $ 000	Retained earnings US $ 000	Total US $ 000	US$ 000	US $ 000
At 1 January 2009	49,415	4,204	(1,628)	13,308	65,299	(21)	65,278
Restatement (note 3 (ii))	—	—	(7,842)	10,852	3,010	51,713	54,723
At 1 January 2009 (restated*)	49,415	4,204	(9,470)	24,160	68,309	51,692	120,001
Profit for the period (restated*)	—	—	—	4,499	4,499	(4,596)	(97)
Other comprehensive income for the period (restated*)	—	—	3,157	—	3,157	3,034	6,191
Total comprehensive income for the period (restated*)	—	—	3,157	4,499	7,656	(1,562)	6,094
At 30 June 2009 (restated*)	**49,415**	**4,204**	**(6,313)**	**28,659**	**75,965**	**50,130**	**126,095**
At 1 January 2010 (restated*)	**49,415**	**4,815**	**(4,905)**	**29,380**	**78,705**	**45,424**	**124,129**
Profit for the period	—	—	—	9,561	9,561	(6,053)	3,508
Other comprehensive income for the period	—	—	(4,938)	—	(4,938)	(928)	(5,866)
Total comprehensive income for the period	—	—	(4,938)	9,561	4,623	(6,981)	(2,358)
Acquisition of additional interest in a subsidiary (note 3 (ii))	—	—	—	2,607	2,607	(38,464)	(35,857)
At 30 June 2010	**49,415**	**4,815**	**(9,843)**	**41,548**	**85,935**	**(21)**	**85,914**

Transfer to the statutory reserve is made on an annual basis.

* Prior period figures do not correspond to the unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2009 and reflect adjustments made as detailed in note 3 (ii).

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

MB Petroleum Services LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2010 (Unaudited)

	Notes	Six months ended 30 June 2010 US $ 000	Six months ended 30 June 2009 Restated* US $ 000
OPERATING ACTIVITIES			
Profit (loss) before tax		**5,784**	(1,440)
Adjustments for:			
Depreciation and amortisation charges		**20,089**	17,482
Profit on sale of property, plant and equipment	6	**(25)**	(706)
Accrual for employees' end of service benefits		**636**	1,550
Interest income		**—**	(23)
Release of government grant		**(544)**	(275)
Interest expense		**9,822**	14,673
Negative goodwill		**(4,022)**	(5,422)
		31,740	25,839
Working capital changes:			
Inventories		**(2,671)**	(403)
Receivables		**4,897**	7,953
Payables		**(39,996)**	(2,802)
Cash (used in) from operations		**(6,030)**	30,587
Employees' end of service benefits paid		**(375)**	(324)
Taxation		**(2,846)**	(1,436)
Net cash (used in) from operating activities		**(9,251)**	28,827
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(27,239)**	(37,406)
Proceeds from sale of property, plant and equipment	6	**484**	2,327
Additional investment in a subsidiary	3 (ii)	**(35,857)**	—
Net movement in investment in an associate		**—**	20
Interest received		**—**	23
Net cash used in investing activities		**(62,612)**	(35,036)
FINANCING ACTIVITIES			
New term loans		**29,052**	39,965
Repayment of term loans		**(38,391)**	(37,671)
Net movement in short term loans		**82,134**	5,737
Net movement in bank borrowings		**6,354**	(5,490)
Interest paid		**(9,822)**	(14,673)
Receipt of government grants		**—**	603
Net cash from (used in) financing activities		**69,327**	(11,529)
Translation difference		**(5,866)**	6,191
DECREASE IN CASH AND CASH EQUIVALENTS		**(8,402)**	(11,547)
Cash and cash equivalents at the beginning of the period		**11,691**	3,658
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	**3,289**	(7,889)

* Prior period figures do not correspond to the unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2009 and reflect adjustments made as detailed in note 3 (ii).

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

MB Petroleum Services LLC (the company) and its subsidiaries (the group) owns and operates oil well drilling & well servicing equipment, provides production services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil and gas industry. The address of its registered head office is PO Box 695, CPO, Seeb, Postal Code 111, Sultanate of Oman.

The ultimate parent of the company is MB Holding Company LLC, a limited liability company registered in the Sultanate of Oman. The registered head office address of MB Holding Company LLC is PO Box 695, CPO, Seeb, Postal Code 111, Sultanate of Oman.

The group intends to issue corporate bonds in due course. These interim condensed consolidated financial statements have been prepared to facilitate the bond issue.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting (IAS 34).

These interim condensed financial statements do not contain all information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the group's annual consolidated financial statements as at 31 December 2009. In addition, results for the six months ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

The interim condensed consolidated financial statements are presented in US Dollars, rounded to the nearest thousand except when otherwise indicated.

2.2 Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2009, except for where the group has adopted certain new standards of, amendments and interpretations to IFRS described below.

New standards of, amendments and interpretations to IFRS relevant to the group

The group has adopted the following new and amended standards and interpretations as of 1 January 2010:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRIC 17 Distributions of Non-cash Assets to Owners

When the adoption of the standard or interpretation is deemed to have an impact on the interim condensed consolidated financial statements or performance of the group, its impact is described below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as

2 ACCOUNTING POLICIES (Continued)

owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The change in accounting policy was applied prospectively, and as a result the group's acquisition of additional 49% in a subsidiary was recorded as a transaction with owners in their capacity as owners (refer note 3 (ii)).

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the group.

Other amendments resulting from improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the group.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS

The interim condensed consolidated financial statements incorporate the interim condensed financial statements of the following companies in which the group has the following controlling interest:

Name	Type	Country of registration	2010	2009
MB Century Drilling Pty Limited[(ii)]	Limited liability company	Australia	**100%**	51%
Century Energy Services Pty Limited[(ii)]	Limited liability company	Australia	**100%**	51%
Century Resources International Pty Limited[(ii)]	Limited liability company	Australia	**100%**	51%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover GmbH & Co. KG	Limited liability company	Germany	**100%**	100%
Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG	Limited liability partnership	Germany	**100%**	100%
Koller Verwaltungs- und Beteiligungs-GmbH	Limited liability company	Germany	**100%**	100%
Fiberglass Tubes & Services GmbH	Limited liability company	Germany	**100%**	100%
Koller Maschinen- und Anlagenbau GmbH	Limited liability company	Germany	**100%**	100%
Koller Workover & Drilling GmbH	Limited liability company	Germany	**100%**	100%
Koller Workover International GmbH	Limited liability company	Germany	**100%**	100%
DWS Drilling—Workover Service GmbH	Limited liability company	Germany	**100%**	100%
RELLOK Cutting Solutions GmbH[(i)]	Limited liability company	Germany	**100%**	—
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
PT Century Dinamik Drilling[(ii)]	Limited liability company	Indonesia	**100%**	51%
PT Ogspiras Bina Drilling[(ii)]	Limited liability company	Indonesia	**100%**	51%
MBPS Malaysia Sdn Bhd	Limited liability company	Malaysia	**75%**	75%
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
MB Petroleum Services Company Limited	Limited liability company	Saudi Arabia	**100%**	100%
MB Century Holding Pte Limited[(ii)]	Limited liability company	Singapore	**100%**	51%
MB Century (Thailand) Limited[(ii)]	Limited liability company	Thailand	**49%**	49%

(i) During the period ended 30 June 2010, the group formed a 100% subsidiary, RELLOK Cutting Solutions GmbH, a company incorporated in Germany. It plans to transfer a portion of another one of its subsidiary's operations to this company in the foreseeable future.

(ii) On 1 January 2010, MB Holding Company LLC, the ultimate parent company of the group, transferred its shareholding in MB Century Holding Pte Limited (MBCH) along with the related borrowing and funding arrangements to MB Petroleum Services LLC at their carrying values. The related details of the transfer are set out below:

	US $ 000
Net investment in MBCH	36,000
Related parties balances	65,650

In 2007, MBCH acquired 51% of the voting shares of MB Century Pty Limited and its subsidiary (MBCD), its ultimate parent company registered in Australia. In accordance with the sale and purchase agreement, the group had an option to acquire the remaining 49% in these companies by 1 July 2010. Further the seller had warranted an amount of minimum earnings before interest and tax to the group for three years. In 2009 and 2010, MBCD was unable to achieve the warranted minimum earnings. As a result, the group received compensation recorded as negative goodwill of US $ 4,022 thousand (2009: US $ 5,422 thousand) in the interim consolidated statement of comprehensive income.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

The transfer of MBCH from MB Holding Company LLC to MB Petroleum Company LLC is a transfer between entities under common control and accordingly the group has applied the pooling of interest method of accounting as set out below:

- The assets and liabilities of the combining entities are reflected at their carrying amounts and no adjustments have been made to reflect fair values or recognize any new assets or liabilities.
- Comparatives have been presented as if the entities had always been combined and the related borrowings and funding arrangements were taken over by the group.

The prior period figures presented in these interim condensed consolidated financial statements have been restated and the related effects are summarised below:

Impact on the interim consolidated statement of comprehensive income for the six months period ended 30 June 2009:

	US $ 000
Increase in revenue	28,439
Decrease in gross profit	1,140
Negative goodwill written back	5,422
Decrease in net profit before tax	7,235
Decrease in tax charge	2,949
Decrease in net profit after tax	4,286

Impact on the consolidated statement of financial position as of 31 December 2009:

	Assets US $ 000	Liabilities US $ 000	Equity US $ 000
Increase in non current assets	153,185	—	—
Increase in current assets	18,393	—	—
Increase in non current liabilities	—	37,185	—
Increase in current liabilities	—	91,790	—
Decrease in translation reserve as at 1 January 2009	—	—	(7,842)
Increase in retained earnings as at 1 January 2009	—	—	10,852
Increase in non controlling interests as at 1 January 2009	—	—	51,713
Decrease in profit for the year ended 31 December 2009 attributable to equity holders of the parent	—	—	(9,571)
Increase in exchange differences on translation of foreign operations for the year ended 31 December 2009	—	—	3,720
Decrease in movement in non controlling interest for the year ended 31 December 2009	—	—	(6,269)
Total	171,578	128,975	42,603

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

Purchase of additional 49% shareholding in MBCD

On 29 June 2010, the group exercised its option to acquire 49% of MBCD group, thereby increasing its ownership in MBCD from 51% to 100%. The fair value of the identifiable assets and liabilities of the subsidiary acquired during 2010 as at the date of acquisition is as follows:

	US $ 000
Net assets in MBCD and its subsidiaries	78,497
49% of net assets	38,464
Less: negative goodwill arising on acquisition recognised in the statement of changes in equity as a transaction with owners in their capacity as owners	(2,607)
Total purchase consideration	35,857

4 SEGMENT INFORMATION

The group primarily provides services to oil industry and its operations are spread over several geographical locations. The following table presents revenue, expenditure and certain asset information regarding the group's geographical segments:

30 June 2010	Revenue US $ 000	Capital expenditure US $ 000	Total assets US $ 000
Middle East	129,478	11,350	504,073
Europe	43,523	1,418	76,781
Australia and New Zealand	24,310	2,714	41,777
Far East & South Asia	8,817	11,757	234,432
Inter group	(1,705)	—	(267,172)
	204,423	27,239	589,891
30 June 2009/31 December 2009 (as restated)			
Middle East	132,697	20,495	367,198
Europe	43,138	13,613	76,063
Australia and New Zealand	21,061	1,810	47,586
Far East & South Asia	7,519	1,488	152,663
Inter group	(1,275)	—	(53,780)
	203,140	37,406	589,730

The comparative figures for revenue earned and capital expenditure incurred have been disclosed for the six months ended 30 June 2009. The comparative figures for the total assets have been disclosed as of 31 December 2009.

5 INCOME TAX

The major components of income tax expense in the interim consolidated statement of comprehensive income are:

	Six months ended 30 June	
	2010 US $ 000	2009 US $ 000
Statement of comprehensive income:		
Current period	**416**	1,644
Deferred taxation expense (income)	**1,860**	(2,987)
	2,276	(1,343)

6 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six month period ended 30 June 2010, the group acquired assets with a cost of US $ 27,239 thousand (2009—US $ 37,406 thousand).

Assets with a net book value of US $ 459 thousand were disposed of by the group during the six months ended 30 June 2010 (2009—US $ 1,621 thousand) resulting in a net gain on disposal of US $ 25 thousand (2009—US $ 706 thousand).

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim consolidated statement of cash flows comprise the following amounts in the interim consolidated statement of financial position:

	30 June 2010 US $ 000	31 December 2009 US $ 000	30 June 2009 US $ 000
Bank balances and cash	**9,913**	13,209	6,005
Bank overdrafts	**(6,624)**	(1,518)	(13,894)
	3,289	11,691	(7,889)

Bank overdraft and other borrowings in the consolidated statement of financial position comprise the following:

	30 June 2010 US $ 000	31 December 2009 US $ 000	30 June 2009 US $ 000
Bank overdrafts	**6,624**	1,518	13,894
Other borrowings	**35,248**	28,894	29,999
	41,872	30,412	43,893

8 TERM LOANS

	30 June 2010 US $ 000	31 December 2009 US $ 000
Term loans—parent company	**208,962**	210,071
Terms loans—subsidiaries	**32,295**	40,525
	241,257	250,596
Less: current portion classified under current liabilities	**(79,065)**	(78,458)
	162,192	172,138

9 SHORT TERM LOANS

During the period, the group availed bridge loans amounting to US $ 82,133 thousand from certain commercial banks for the purpose of financing the purchase of additional 49% shareholding in a subsidiary (note 3 (ii)) and in order to settle certain liabilities of the acquired subsidiary in favour of the selling shareholder. The loans are denominated in US Dollars, carry interest at floating commercial rates and are covered by a corporate guarantee provided by the parent company.

10 COMMITMENTS

	30 June 2010 US $ 000	31 December 2009 US $ 000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Plant and equipment	**8,672**	15,134

All of the above commitments are expected to be settled within one year.

	30 June 2010 US $ 000	31 December 2009 US $ 000
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	**1,898**	1,280
Later than one year but not later than five years	**5,689**	2,128
Aggregate operating lease expenditure contracted for at the reporting date	**7,587**	3,408

11 CONTINGENT LIABILITIES

At 30 June 2010 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 15,019 thousand (2009—US $ 13,672 thousand).

12 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

12 RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties included in the interim consolidated statement of comprehensive income are as follows:

	Six months ended 30 June			
	2010		2009	
	Sales US $ 000	Purchases US $ 000	Sales US $ 000	Purchases US $ 000
Companies under common ownership	**18,657**	**1,599**	17,787	1,764

Balances with related parties included in the interim consolidated statement of financial position are as follows:

	30 June 2010		31 December 2009	
	Receivables US $ 000	Trade Payables US $ 000	Receivables US $ 000	Trade payables US $ 000
Shareholders	**—**	**7,437**	—	6,241
Companies under common ownership	**12,510**	**1,145**	8,016	2,406
	12,510	**8,582**	8,016	8,647

Outstanding balances at the period-end arise in the normal course of business. For the period ended 30 June 2010, the group has not recorded any impairment of amounts owed by related parties (2009—nil).

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2010 US $ 000	2009 US $ 000
Short-term benefits	**2,753**	2,654
Employees' end of service benefits	**63**	84
	2,816	2,738

MB Holding Company LLC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MB HOLDING COMPANY LLC AND ITS SUBSIDIARIES

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MB Holding Company LLC and its subsidiaries ("the group") which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Muscat
20 June 2010

MB Holding Company LLC and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009 US $ 000	2008 US $ 000
Revenue	4	**884,420**	986,490
Cost of sales		**(748,035)**	(816,420)
GROSS PROFIT		**136,385**	170,070
Investment (expense) income	5	**(1,852)**	2
Other operating income (expense) (net)		**8,728**	(7,976)
General and administration expenses		**(57,882)**	(52,053)
Finance costs	6	**(31,075)**	(23,973)
Depreciation and amortisation charges	9	**(4,771)**	(4,312)
Abandonment cost provision	27	**(1,452)**	(674)
Share in results of associates	13	**3,993**	4,546
Negative goodwill	3	**5,422**	955
PROFIT BEFORE TAX		**57,496**	86,585
Income tax expense	7	**(3,217)**	(4,767)
PROFIT FOR THE YEAR	8	**54,279**	81,818
Profit attributable to:			
Equity holders of the parent		**62,792**	81,820
Non controlling interests		**(8,513)**	(2)
		54,279	81,818
Basic and diluted earnings per share (US $)	35	**2.71**	4.09
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**8,172**	(10,413)
Unrealised gain (loss) on fair value of available for sale investments and associates		**1,650**	(875)
Realised gain on sale of investments transferred to profit for the year		**—**	(832)
Other comprehensive income (expense) for the year, net of tax		**9,822**	(12,120)
Total comprehensive income for the year, net of tax		**64,101**	69,698
Total comprehensive income attributable to:			
Equity holders of the parent		**69,039**	74,139
Non controlling interests		**(4,938)**	(4,441)
		64,101	69,698

The attached notes 1 to 39 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 US $ 000	2008 US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**504,927**	456,677
Oil and gas exploration and producing assets	10	**283,726**	221,882
Deferred mineral prospects	11	**4,617**	4,425
Intangible assets	12	**28,754**	31,388
Investment in associates	13	**88,436**	87,802
Investment securities	14	**23,709**	21,086
Deferred tax assets	7	**11,715**	5,255
		945,884	828,515
Current assets			
Inventories	15	**74,630**	79,523
Accounts receivable and prepayments	16	**157,488**	179,821
Bank balances and cash	17	**31,397**	38,805
		263,515	298,149
Assets held for sale	18	**5,665**	5,043
TOTAL ASSETS		**1,215,064**	1,131,707
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	19	**52,015**	52,015
Statutory reserve	20	**17,339**	17,339
Translation reserve	21	**(3,892)**	(8,489)
Cumulative changes in fair value		**843**	(807)
Revaluation reserve	22	**3,474**	3,474
Retained earnings		**337,603**	287,816
		407,382	351,348
Non controlling interests		**49,924**	54,862
Total equity		**457,306**	406,210
Non-current liabilities			
Term loans	24	**291,273**	258,428
Deferred tax liability	7	**13,615**	8,364
Government grants	25	**2,298**	1,731
Employees' end of service benefits	26	**9,526**	7,114
Abandonment cost provision	27	**8,716**	6,729
Other payables	28	**—**	1,037
		325,428	283,403
Current liabilities			
Accounts payable and accruals	28	**238,943**	214,104
Bank overdrafts and other borrowings	17	**35,109**	45,056
Short term loans	29	**2,304**	9,478
Term loans	24	**148,445**	166,300
Government grants	25	**375**	226
Income tax payable	7	**7,154**	6,930
		432,330	442,094
Total liabilities		**757,758**	725,497
TOTAL EQUITY AND LIABILITIES		**1,215,064**	1,131,707

The financial statements were authorised for issue in accordance with a resolution of the directors on 20 June 2010.

Chairman

The attached notes 1 to 39 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 US $ 000	2008 US $ 000
OPERATING ACTIVITIES			
Profit before tax		**57,496**	86,585
Adjustments for:			
Depreciation and amortisation charges	9	**91,968**	93,172
(Gain) / loss on sale of property, plant and equipment		**(144)**	12,710
Net loss on investments classified as fair value through profit or loss	5	**2,216**	2,004
Net gains on investments available for sale		**—**	(1,277)
Accrual for employees' end of service benefits	26	**3,589**	2,596
Abandonment costs provision	27	**1,452**	674
Interest and dividend income		**(364)**	(729)
Share in results of associates	13	**(3,993)**	(4,546)
Interest expense	6	**31,075**	23,973
Release of government grant		**(275)**	(83)
Negative goodwill	3	**(5,422)**	(955)
		177,598	214,124
Working capital changes:			
Inventories		**4,893**	(11,902)
Receivables		**(2,611)**	(22,852)
Payables		**42,426**	(1,940)
Cash from operations		**222,306**	177,430
Employees' end of service benefits paid	26	**(1,177)**	(870)
Taxation paid		**(3,911)**	(4,361)
Net cash from operating activities		**217,218**	172,199
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired		**—**	(1,499)
Purchase of property, plant and equipment	9	**(86,708)**	(133,157)
Proceeds from sale of property, plant and equipment and gas exploration and producing assets		**10,350**	23,988
Additions to oil and gas exploration and producing assets	10	**(94,498)**	(87,939)
Additions to deferred mineral prospects	11	**(2,154)**	(1,919)
Additions to intangible assets	12	**(500)**	(7,436)
Purchase of investment in associates		**—**	(7,856)
Purchase of investment securities		**(2,866)**	(15,605)
Proceeds from sale of investments securities		**—**	15,773
Dividend from associates		**2,841**	1,683
Interest and dividend income		**363**	729
Receipt of government grants		**958**	1,133
Net cash used in investing activities		**(172,214)**	(212,105)
FINANCING ACTIVITIES			
New term loans		**166,511**	218,819
Repayment of term loans		**(151,522)**	(130,688)
Net movement in short term loan		**(7,174)**	(18,932)
Net movement in bank borrowings		**1,680**	8,250
Interest paid		**(30,105)**	(23,867)
Dividend paid		**(13,005)**	(13,591)
Net cash (used in) from financing activities		**(33,615)**	39,991
Translation difference		**(7,171)**	(6,318)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,218**	(6,233)
Cash and cash equivalents at the beginning of the year		**25,088**	31,321
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	**29,306**	25,088

The attached notes 1 to 39 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to equity holders of the parent								
	Share capital US $ 000	Statutory reserve US $ 000	Translation reserve US $ 000	Cumulative changes in fair value US $ 000	Revaluation reserve US $ 000	Retained earnings US $ 000	Total US $ 000	Non controlling interests US $ 000	Total US $ 000
	(note 19)	(note 20)	(note 21)		(note 22)				
Balance at 31 December 2007	52,015	17,339	(2,515)	900	3,474	219,564	290,777	59,757	350,534
Profit for the year	—	—	—	—	—	81,820	81,820	(2)	81,818
Other comprehensive income	—	—	(5,974)	(1,707)	—	—	(7,681)	(4,439)	(12,120)
Total comprehensive income	—	—	(5,974)	(1,707)	—	81,820	74,139	(4,441)	69,698
Dividends paid	—	—	—	—	—	(13,568)	(13,568)	—	(13,568)
Dividends paid by subsidiaries	—	—	—	—	—	—	—	(454)	(454)
Balance at 31 December 2008	**52,015**	**17,339**	**(8,489)**	**(807)**	**3,474**	**287,816**	**351,348**	**54,862**	**406,210**
Profit for the year	—	—	—	—	—	62,792	62,792	(8,513)	54,279
Other comprehensive income	—	—	4,597	1,650	—	—	6,247	3,575	9,822
Total comprehensive income	—	—	4,597	1,650	—	62,792	69,039	(4,938)	64,101
Dividends paid	—	—	—	—	—	(13,005)	(13,005)	—	(13,005)
Balance at 31 December 2009	**52,015**	**17,339**	**(3,892)**	**843**	**3,474**	**337,603**	**407,382**	**49,924**	**457,306**

The attached notes 1 to 39 form part of these consolidated financial statements

MB Holding Company LLC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

1 ACTIVITIES

MB Holding Company LLC (the company) and its subsidiaries (the group) conduct oil, gas and mining exploration and development activities through production sharing and mineral exploration licence agreements. In addition the group owns and operates oil well drilling and service equipment and rigs, provides oilfield and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry. The group also invests in financial securities. The group operates in fifteen countries and its registered head office address is at PO Box 695, CPO Seeb, Postal Code 111, Sultanate of Oman.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The group comprises operations with a number of functional currencies. Management uses US Dollars for controlling and maintaining the performance and financial position of the group accordingly the consolidated financial statements are presented in US Dollars. All values are rounded to the nearest thousand (US$ 000) except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of investments classified as available for sale and fair value through profit or loss.

Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and applicable requirements of the Commercial Companies Law of the Sultanate of Oman.

Basis of consolidation

The consolidated financial statements comprise those of MB Holding Company LLC and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Non controlling interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non controlling interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 Changes in accounting policy and disclosures

The accounting policies are consistent with those used in the previous year, except for where the group has adopted certain new standards of, amendments and interpretations to IFRS as described below:

New standards of, amendments and interpretations to IFRS relevant to the group

- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the group, its impact is described below:

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present a single statement of comprehensive income.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 37. The liquidity risk disclosures are also not significantly impacted by the amendments and are presented in note 36.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 4.

The following related standards, amendments and interpretations are issued but not yet effective:

Phase 1 of IFRS 9

On 12 November 2009, the International Accounting Standard Board (IASB) published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39: Financial Instruments: Recognition and Measurement. Whilst IFRS 9 is not mandatory until 1 January 2013, entities may adopt for reporting periods ending on or after 31 December 2009. The phase 1 of the standard when adopted is not expected to have any significant impact on the Company's financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The group does not expect IFRIC 17 to have any significant impact on the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 3 (Amended) Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and are effective prospectively for financial years beginning on or after 1 July 2009. IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such a transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures.

Other related IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been adopted by the group, are not expected to have a material impact on the group's financial statements.

2.3 The significant accounting policies adopted by the group are as follows:

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Revenue recognition

Sales

Sales are recognised when the significant risks and rewards of ownership of the goods have passed or services have been rendered to the buyer and the amount of revenue can be measured reliably.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Oil sales

Oil sales represent the gross invoiced value of crude oil sold during the year. Government entitlement represents reimbursement to Governments of their entitlement under petroleum agreements, of oil production sold by the group and is included in cost of sales.

Mining activities

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date. For copper concentrates, which are sold for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for treatment and refining charges. Revenue includes revenues from the sale of by-products. Copper concentrate sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average London Metal Exchange ("LME") copper price for specified future periods or a fixed price agreed between the parties. Specified future periods normally range from 30 to 120 days after delivery to the customer.

Service revenue

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Commission income

Commission income earned is accounted for when entitlement to receive commission is established.

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxation is provided based on relevant laws of the respective countries in which the group operates.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Income tax relating to items recognised directly in other comprehensive income are recognised as other comprehensive income items.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

• Freehold buildings	16⅔ to 40 years
• Portacabins and plant and machinery	2 to 15 years
• Rigs and allied equipment	10 to 15 years
• Vehicles	3 to 6⅔ years
• Furniture, fixtures and office equipment	3 to 6⅔ years
• Laboratory equipment	4 to 6⅔ years

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Oil and gas exploration and producing assets

The group conducts oil and gas exploration and development activities under two types of agreement:

(a) production sharing agreements which entitle it to a contractual portion of the oil and gas production to reimburse its operating, exploration and development costs (cost oil). In addition the group is entitled to share a portion of the net oil and gas production subject to the terms of the agreement (profit oil).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) service agreements which entitle it to a contractual portion of oil production as a service fee.

Exploration and development costs incurred under these agreements are accounted for by applying the area of interest method of accounting described below:

The group considers each exploration block or field to be a separate area of interest. Areas of interest are individual geological areas which have the potential or are proven to contain mineral resources.

Non-developed areas of interest

— Exploration costs

Exploration costs consist of costs incurred in:

(a) conducting geological and geophysical studies; and

(b) carrying out exploratory drilling, trenching and sampling activities.

Exploration costs are initially included in work-in-progress pending determination of commercial viability. At each reporting date an impairment test is carried out and expenditure that is assessed as impaired is written off. On determination of commercial viability of the area of interest, the exploration costs are capitalised. If it is determined that an area if interest is not commercially viable or there is no additional exploratory work in progress or firmly planned, exploration costs are expensed in the year of determination or cessation of exploration activity.

— Exploration costs

Geological and geophysical costs are expensed in the year incurred. Drilling in progress and completed wells where reserves are discovered in commercial quantities are capitalised. Costs of exploratory drilling that have not resulted in discoveries of reserves in commercial quantities are expensed.

— Development costs

Development costs that relate to the acquisition and installation of production facilities, development drilling costs and other applicable costs are capitalised.

Oil and gas producing assets are depreciated using the unit-of-production method by area of interest.

Deferred mineral prospects

The group conducts mineral exploration and development activities under its mineral exploration licence agreements. Exploration, evaluation and development costs incurred under these agreements are accumulated in respect of each separate area of interest. These costs are carried forward as an asset where the right of tenure of the area of interest is current, provided one of the following conditions is met:

- such costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or
- exploration activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise, of recoverable mineral resources, and active and significant operations in relation to the area are continuing

Exploration expenditure failing to meet at least one of the above conditions is written off.

Deferred mineral prospects expenditure is not depreciated until production commences. Producing assets are amortised on a unit of production basis over the life of the economically recoverable reserves of the area of interest.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets and amortisation

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Investments in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post- acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The associates' accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Investments carried at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in statement of comprehensive income.

The group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The group evaluates whether the intent to sell its financial assets at fair value through profit and loss (held for trading) in the near term is still appropriate. When the group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the group may elect to reclassify these financial assets in rare circumstances. The reclassification is to loans and receivables, available-for-sale or held to maturity depending on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available for sale

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss.

Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported as "cumulative changes in fair value" within equity, is included in the statement of comprehensive income for the period. Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of comprehensive income as 'Investment income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of comprehensive income and removed from the 'Cumulative changes in fair value reserve'.

Derecognition of financial assets and financial liabilities

Financial assets:

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in comprehensive income statement.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the statement of comprehensive income. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Term deposits

Term deposits are carried on the statement of financial position at their principal amount. Interest received in advance is charged to income as it accrues, with amounts received in advance included in "accounts payable and accruals" to the extent due within one year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spares, consumables and goods for resale	Purchase cost on a weighted average basis
Broken ore stockpile	Broken ore stockpiles are valued at average cost per tonne plus the moving cost of mining and stockpiling the ore. Average cost per tonne is derived from the annual excavation costs and total ore tonnage mined
Work in progress	Percentage of completion basis

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice value less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consists of cash and bank balances, net of outstanding bank overdrafts, and bank deposits with original maturities of three months or less.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated / amortised.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in comprehensive income statement when the liabilities are derecognised as well as through the amortisation process.

Employees' end of service benefits

The group provides staff terminal benefits to its employees under the laws of the country in which they are employed. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Group companies registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The group's obligations are limited to these contributions, which are expensed when due.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The group accrues for estimated abandonment and site restoration costs of oil exploration and producing properties on a unit of production basis.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005 not previously accounted for as leases, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The group recognises its interest in the joint venture using proportionate consolidation. The group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The consolidated financial statements of the group are prepared in Rial Omani which is the parent company's functional currency and presented in US Dollars.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the consolidated financial statements (the Rial Omani) at the rate of exchange ruling at the reporting date and its statement of comprehensive income is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency translation reserve in equity. The consolidated financial statements are presented in the US Dollars at an exchange rate of 2.6 US Dollars to each Rial Omani.

On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted foreign investments. Such investments are measured at cost.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS

The consolidated financial statements incorporate the financial statements of the following companies in which the group has a controlling interest:

Name	Type	Country of registration	2009	2008
Cameron services Middle East LLC	Limited liability company	Oman	**51%**	51%
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
MB Petroleum Services LLC	Limited liability company	Oman	**100%**	100%
National Mining Company LLC[(ii)]	Limited liability company	Oman	**100%**	100%
Mazoon Petrogas SAOC	Joint stock (closed) company	Oman	**100%**	100%
Petrogas E&P LLC	Limited liability company	Oman	**100%**	100%
Petrogas LLC	Limited liability company	Oman	**100%**	100%
Petrogas Malih LLC	Limited liability company	Oman	**100%**	100%
Petrogas Rima LLC	Limited liability company	Oman	**100%**	100%
United Engineering Services LLC	Limited liability company	Oman	**100%**	100%
MB Century Drilling Pty Limited[(i)]	Limited liability company	Australia	**51%**	51%
Century Resource Services Limited	Limited liability company	New Zealand	**51%**	51%
Century Energy Services Pty Limited	Limited liability company	Australia	**51%**	51%
Century Resources International Pty Limited	Limited liability company	Australia	**51%**	51%
MB Overseas Limited	Limited liability company	British Virgin Island	**100%**	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
Erdöl-Erdgas Workover GmbH & Co. KG	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover Verwaltungs GmbH	Limited liability company	Germany	**100%**	100%
Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG	Limited liability partnership	Germany	**100%**	100%
Fiberglass Tubes & Services GmbH	Limited liability company	Germany	**100%**	100%
Koller Verwaltungs- und Beteiligungs-GmbH	Limited liability company	Germany	**100%**	100%
Koller Maschinen- und Anlagenbau GmbH	Limited liability company	Germany	**100%**	100%
Koller Workover & Drilling GmbH	Limited liability company	Germany	**100%**	100%
Koller Workover International GmbH	Limited liability company	Germany	**100%**	100%
DWS Drilling—Workover Service GmbH	Limited liability company	Germany	**100%**	100%
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
MB Informatics Private Limited	Limited liability company	India	**100%**	100%
PT Century Dinamik Drilling	Limited liability company	Indonesia	**51%**	51%
MBPS Malaysia SDN BHD	Limited liability company	Malaysia	**75%**	75%
MB Holding Mauritius Limited	Limited liability company	Mauritius	**100%**	100%

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

Name	Type	Country of registration	2009	2008
Century Drilling & Energy Services Limited	Limited liability company	New Zealand	**51%**	51%
MB Century Holding Pte Ltd	Limited liability company	Singapore	**100%**	100%
MB Petroleum Services Company Limited	Limited liability company	Saudi Arabia	**100%**	100%
MB Century (Thailand) Limited.	Limited liability company	Thailand	**51%**	—

(i) In 2007, the group had acquired 51% of the voting shares of MB Century Drilling Pty Limited and its subsidiaries, a group with its parent company registered in Australia. In accordance with the sale and purchase agreement the group has an option to acquire the remaining 49% in these companies by January 2011. Further the seller had warranted an amount of minimum earnings before interest and tax to the group for the next three years.

In 2009, the company was unable to achieve the warranted minimum earnings. As a result the group received compensation recorded as negative goodwill of US $ 5,422,000 (2008: US $ 955,000) in the statement of comprehensive income.

The group intends to exercise its call option under the Sale and purchase agreement and acquire the remaining 49% shareholding in the MB Century Pty Limited and its subsidiaries from Downer EDI Limited by 30 June 2010.

(ii) The subsidiary National Mining Company LLC has changed its name to Mawarid Mining LLC with effect from 6 January 2010.

4 SEGMENT INFORMATION

The group reports segment information in business segments and geographical segments.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

i) Business segments information

For management purposes, the group is organised into business segments based on their products and services and has five reportable operating segments as follows:

Exploration and production—Exploration and production segment is engaged in owning and operating a portfolio of production and exploration oilfields.

Services—Services segment is engaged in owning and operating oil well drilling equipment, well servicing equipment and rigs, providing oilfield services, oil and gas well production and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry.

Manufacturing and engineering—Manufacturing and engineering segment is engaged in the provision of service engineering facilities to the oil, gas and water industries and in the manufacture, sale, service, refurbishment or pressure control equipment and rental of oilfield tools for the oil and gas industries.

Mining—Mining segment is engaged in mining exploration and development and other related activities.

4 SEGMENT INFORMATION (Continued)

Investment—Investment segment is engaged in investing in financial securities and identifying, acquiring, managing and operating interests in petroleum and other related enterprises.

	Exploration and production US $ 000	Services US $ 000	Manufacturing and engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Year ended 31 December 2009							
Revenue	296,065	413,607	141,236	67,579	—	(34,067)	884,420
Segment results	34,709	10,760	22,331	15,702	953	—	84,455
Net finance costs							(30,952)
Share in results of associates							3,993
Profit for the year before income tax							57,496
Deferred tax							2,725
Income tax expense							(5,942)
Profit for the year							54,279

	Exploration and production US $ 000	Services US $ 000	Manufacturing and engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
As at 31 December 2009							
Assets and liabilities							
Segment assets	328,437	589,397	99,956	82,379	101,981	(87,237)	1,114,913
Investment in associates	—	18	1,738	—	86,680	—	88,436
Deferred tax assets	—	11,547	107	—	61	—	11,715
Total assets	328,437	600,962	101,801	82,379	188,722	(87,237)	1,215,064
Segment liabilities (excluding term loans)	96,581	198,504	34,753	14,148	40,522	(87,237)	297,271
Term loans	51,017	214,596	10,654	23,769	139,682	—	439,718
Income tax payable	—	4,306	2,848	—	—	—	7,154
Deferred tax liability	132	13,399	84	—	—	—	13,615
Total liabilities	147,730	430,805	48,339	37,917	180,204	(87,237)	757,758
Other segment information							
Capital expenditure	95,864	69,767	8,465	14,354	6,887	—	195,337
Depreciation and amortisation	34,714	37,347	2,943	15,055	1,909	—	91,968

4 SEGMENT INFORMATION (Continued)

	Exploration and production US $ 000	Services US $ 000	Manufacturing and Engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Year ended 31 December 2008							
Revenue	379,989	411,723	126,194	98,467	—	(29,883)	986,490
Segment results	45,255	17,107	15,139	50,639	(5,900)	(16,580)	105,660
Net finance costs							(23,621)
Share in results of associates							4,546
Profit for the year before income tax							86,585
Deferred tax							360
Income tax expense							(5,127)
Profit for the year							**81,818**

	Exploration and production US $ 000	Services US $ 000	Manufacturing and Engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
As at 31 December 2008							
Assets and liabilities							
Segment assets	299,887	541,000	106,934	71,490	117,785	(98,446)	1,038,650
Investment in associates	—	20	1,543	—	86,239	—	87,802
Deferred tax assets	—	5,255	—	—	—	—	5,255
Total assets	299,887	546,275	108,477	71,490	204,024	(98,446)	1,131,707
Segment liabilities (excluding term loans)	72,553	156,793	51,331	22,869	80,375	(98,446)	285,475
Term loans	56,883	205,129	8,903	7,955	145,858	—	424,728
Income tax payable	—	5,428	1,502	—	—	—	6,930
Deferred tax liability	—	8,190	174	—	—	—	8,364
Total liabilities	129,436	375,540	61,910	30,824	226,233	(98,446)	725,497
Other segment information							
Capital expenditure	106,987	93,012	14,427	24,617	7,793	—	246,836
Depreciation and amortisation	26,161	53,292	1,503	10,880	1,336	—	93,172

4 SEGMENT INFORMATION (Continued)

ii) Geographical information

The following table presents revenue, expenditure and certain asset information regarding the group's geographical segments:

31 December 2009	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	**738,937**	**943,549**	**85,907**	**1,029,456**	**142,641**
Europe	**87,867**	**80,377**	**—**	**80,377**	**19,104**
Far East and South Asia	**24,298**	**165,234**	**2,529**	**167,763**	**27,503**
Africa	**—**	**37,209**	**—**	**37,209**	**5,341**
Australia	**12,308**	**47,586**	**—**	**47,586**	**748**
New Zealand	**35,037**	**—**	**—**	**—**	**—**
Eliminations	**(14,027)**	**(147,327)**	**—**	**(147,327)**	**—**
Total	**884,420**	**1,126,628**	**88,436**	**1,215,064**	**195,337**

31 December 2008	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	812,266	859,686	84,845	944,531	198,950
Europe	82,492	81,894	—	81,894	30,432
Far East and South Asia	53,045	122,773	2,957	125,730	11,238
Africa	5,730	32,291	—	32,291	11
Australia	21,838	25,515	—	25,515	3,772
New Zealand	41,002	20,192	—	20,192	2,433
Eliminations	(29,883)	(98,446)	—	(98,446)	—
Total	**986,490**	**1,043,905**	**87,802**	**1,131,707**	**246,836**

5 INVESTMENT (EXPENSE) INCOME

	2009 US $ 000	2008 US $ 000
Net loss on investments classified as fair value through profit or loss	**(2,216)**	(2,004)
Net gains on investments classified as investments available for sale	**—**	1,277
Dividend income	**241**	377
Interest on bank deposits and bonds	**123**	352
	(1,852)	2

6 FINANCE COSTS

	2009 US $ 000	2008 US $ 000
Interest expense on term loan	**23,679**	16,952
Interest expense on bank borrowings	**6,116**	6,189
Others	**1,280**	832
	31,075	23,973

7 INCOME TAX

	2009 US $ 000	2008 US $ 000
Statement of comprehensive income:		
Current year	**5,939**	5,103
Prior years	**5**	24
Deferred taxation	**(2,727)**	(360)
	3,217	4,767
Current liability:		
Current year	**6,988**	4,458
Prior years	**166**	2,472
	7,154	6,930
Deferred tax liability:		
At 1 January	**8,364**	9,337
Relating to acquisition of a subsidiary	**—**	1,199
Currency translation differences	**1,799**	(2,280)
Movement for the year	**3,452**	108
At 31 December	**13,615**	8,364
Deferred tax assets:		
At 1 January	**5,255**	2,524
Relating to acquisition of a subsidiary	**—**	1,037
Currency translation differences	**281**	1,222
Movement for the year	**6,179**	472
At 31 December	**11,715**	5,255
The deferred tax liability comprises the following types of temporary differences:		
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**15,533**	8,422
Deductible timing difference on provisions	**(160)**	(58)
Deductible timing difference on bought forward losses	**(2,505)**	—
Other timing differences	**747**	—
At 31 December	**13,615**	8,364

Deferred tax asset relates mainly to timing differences arising from provisions. The effective tax rate is 5.6%, which is less than the statutory tax rate in taxable jurisdictions due to the impact of non-taxable jurisdictions and other deductions as explained below:

Omani taxation

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 12% (2008—12%). For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

In respect of MB Holding Company LLC (the parent company), no provision for taxation has been made as the parent company has made a taxable loss during the year (2008—taxable loss). The parent company's tax assessments have been completed by the Oman tax authorities up to 31 December 2003.

Unutilised tax losses up to 2009 amounted to US $ 22,553,000 which is available for set off up to 2013 (2008: US $ 31,154,000).

7 INCOME TAX (Continued)

The assessments of subsidiaries with the Omani tax authorities are at different stages of completion.

Overseas taxation

MB Petroleum (Asia, Pacific) Ltd, no provision for Hong Kong profit tax has been made as the company had been approved for full exemption of profit tax on profits derived outside Hong Kong.

MB Petroleum Deutschland GmbH, the current income tax relates to trade tax payable by the operating subsidiary and corporation tax payable by the company. The current tax rate comprises corporation tax with an effective rate of 15.83% (2008: 15.83%) and trade tax of approximately 11.90% .

MB Drilling Overseas Limited, taxation has been provided for in accordance with Cypriot, Syrian and Hungarian fiscal regulation. The corporation tax rate is 10%.

MBPS (Malaysia) SDN BHD, has not made any provision for tax in view of availability of unabsorbed tax losses which is available to be adjusted against current year taxable income.

MB Informatics Private Limited (India) has not made any provision for tax in view of net taxable loss incurred during current year.

MB Overseas Limited incorporated in the British Virgin Islands is tax exempt on income derived outside BVI.

MB Century Drilling Pty Limited (MBCDP) and its wholly owned Australian controlled entities are in the process of creating a tax consolidated group under Australian taxation law wherein MBCDP will be designated as head entity in the tax consolidated group. Entities within the tax consolidated group will enter into a tax funding arrangement and tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, the MBCDP and each of the entities in the tax consolidated group will agree to pay a tax equivalent payment to or from the head entity based on the current tax liability or current tax asset of the entity. This process is currently in progress and may result in certain adjustments in the MBCDP tax provisions.

8 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2009 US $ 000	2008 US $ 000
Staff costs	**171,326**	157,158
Royalties	**3,335**	4,924
Rental—operating leases	**635**	696

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Depreciation and amortisation charges

The depreciation and amortisation charges for the year has been dealt with in the statement of comprehensive income as follows:

	2009 US $ 000	2008 US $ 000
Included in cost of sales relating to:		
Property, plant and equipment	**51,877**	62,678
Oil and gas exploration and producing assets (note 10)	**32,654**	24,623
Deferred mineral prospects (note 11)	**1,962**	1,400
Intangible assets (note 12)	**704**	159
	87,197	88,860
Included in depreciation and amortisation charges relating to:		
Property, plant and equipment	**2,325**	2,505
Intangible assets (note 12)	**2,446**	1,807
	4,771	4,312
	91,968	93,172

9.2 Ownership

Freehold land and buildings include certain plots of land owned by the parent company and a subsidiary of US $ 46,070,000 (2008—36,302,000), which are registered in the name of a shareholder who holds them in trust on their behalf.

9.3 In October 2008, a subsidiary of the group transferred a rig previously held as capital work in progress to inventory. The sale was completed at a value of US $ 11,480,000 million during 2009.

9.4 During the year, a subsidiary of the group revised the estimated useful lives of certain assets. As a result of the change, the depreciation charge for the year decreased by US $ 17,921,000 (2008—US $ 1,703,000).

The major impact arose in the depreciation charge for plant and machinery and rigs and allied equipment. The estimated useful lives of plant and machinery assets were revised from 2 to 15 years to

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

3 to 15 years and the estimated useful lives of rigs and allied equipment were revised from 5 to 10 years to 10 to 15 years.

	Freehold land and buildings US $ 000	Porta cabins US $ 000	Furniture, fixtures and office equipment US $ 000	Plant and machinery US $ 000	Vehicles US $ 000	Abandonment asset US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2009, net of accumulated depreciation:	29,599	7,918	6,277	359,826	28,890	84	24,083	456,677
Currency translation adjustment	81	—	(526)	15,432	(19)	—	52	15,020
Additions made during the year	6,331	672	4,345	72,421	2,045	—	12,371	98,185
Transfers from capital work in progress	11,448	—	92	6,851	104	—	(18,495)	—
Depreciation charge for the year	(1,320)	(1,499)	(3,103)	(42,274)	(5,922)	(84)	—	(54,202)
Disposals	(2)	—	(60)	(7,997)	(1,878)	—	(266)	(10,203)
Transfer to assets held for sale	—	—	—	(550)	—	—	—	(550)
Balance at 31 December 2009, net of accumulated depreciation	**46,137**	**7,091**	**7,025**	**403,709**	**23,220**	**—**	**17,745**	**504,927**
At 31 December 2009								
Cost	50,083	23,123	21,377	668,361	50,955	254	17,745	831,898
Accumulated depreciation	(3,946)	(16,032)	(14,352)	(264,652)	(27,735)	(254)	—	(326,971)
	46,137	**7,091**	**7,025**	**403,709**	**23,220**	**—**	**17,745**	**504,927**

	Freehold land and buildings US $ 000	Porta cabins US $ 000	Furniture, fixtures and office equipment US $ 000	Plant and machinery US $ 000	Vehicles US $ 000	Abandonment asset US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2008, net of accumulated depreciation:	20,755	7,629	4,534	315,047	20,927	169	25,187	394,248
Currency translation adjustment	(395)	—	(67)	(3,774)	41	—	(102)	(4,297)
Acquisition of subsidiaries during the year	6,560	—	1,879	4,266	—	—	12	12,717
Additions made during the year	4,399	2,477	2,909	91,590	14,146	—	23,972	139,493
Transfers from capital work in progress	—	—	3	13,906	128	—	(14,037)	—
Depreciation charge for the year	(877)	(2,052)	(2,538)	(54,026)	(5,605)	(85)	—	(65,183)
Disposals	(843)	(136)	(443)	(7,183)	(747)	—	(3,563)	(12,915)
Transfer to Inventory (note 9.3)	—	—	—	—	—	—	(7,386)	(7,386)
Balance at 31 December 2008, net of accumulated depreciation	**29,599**	**7,918**	**6,277**	**359,826**	**28,890**	**84**	**24,083**	**456,677**
At 31 December 2008								
Cost	32,479	22,413	17,575	592,633	51,107	254	24,083	740,544
Accumulated depreciation	(2,880)	(14,495)	(11,298)	(232,807)	(22,217)	(170)	—	(283,867)
	29,599	**7,918**	**6,277**	**359,826**	**28,890**	**84**	**24,083**	**456,677**

10 OIL AND GAS EXPLORATION AND PRODUCING ASSETS

	2009 US $ 000	2008 US $ 000
Balance at 1 January, net of accumulated depreciation	**221,882**	156,767
Additions during the year	**94,498**	96,939
Assets written off	**—**	(7,201)
Depreciation charge for the year (note 9.1)	**(32,654)**	(24,623)
Balance at 31 December 2009, net of accumulated depreciation	**283,726**	221,882
Oil and gas exploration and producing assets:		
At cost	**378,585**	288,695
Accumulated depreciation	**(94,859)**	(66,813)
Net carrying amount at 31 December	**283,726**	221,882

11 DEFERRED MINERAL PROSPECTS

	2009 US $ 000	2008 US $ 000
Balance at 1 January	**4,425**	3,906
Additions during the year	**2,154**	1,919
Amortisation charge for the year (note 9.1)	**(1,962)**	(1,400)
Net carrying amount at 31 December	**4,617**	4,425

12 INTANGIBLE ASSETS

	Goodwill US $ 000	Agency portfolio relationship and customer portfolio US $ 000	Participating interest in joint venture US $ 000	Signature bonus US $ 000	Other intangible assets US $ 000	Total US $ 000
Balance at 1 January 2009, net of accumulated amortisation and impairment	18,910	4,424	1,522	6,285	247	31,388
Additions	—	—	—	—	500	500
Currency translation adjustment	4	14	—	—	(2)	16
Amortisation (note 9.1)	(245)	(1,902)	(167)	(605)	(231)	(3,150)
At 31 December 2009	**18,669**	**2,536**	**1,355**	**5,680**	**514**	**28,754**
At 31 December 2009						
Cost	18,914	6,976	1,743	6,550	1,016	35,199
Accumulated amortisation and impairment	(245)	(4,440)	(388)	(870)	(502)	(6,445)
	18,669	**2,536**	**1,355**	**5,680**	**514**	**28,754**

12 INTANGIBLE ASSETS (Continued)

	Goodwill US $ 000	Agency portfolio relationship and customer portfolio US $ 000	Participating interest in joint venture US $ 000	Signature bonus US $ 000	Other intangible assets US $ 000	Total US $ 000
Balance at 1 January 2008, net of accumulated amortisation and impairment:	18,669	4,800	—	—	9,176	32,645
Acquisition of a subsidiary	269	1,079	—	—	—	1,348
Additions	—	—	1,743	6,550	192	8,485
Transfer	—	—	—	—	(9,000)	(9,000)
Currency translation adjustment	(28)	(96)	—	—	—	(124)
Amortisation (note 9.1)	—	(1,359)	(221)	(265)	(121)	(1,966)
At 31 December 2008	**18,910**	**4,424**	**1,522**	**6,285**	**247**	**31,388**
At 31 December 2008						
Cost	18,910	6,966	1,743	6,550	515	34,684
Accumulated amortisation and impairment	—	(2,542)	(221)	(265)	(268)	(3,296)
	18,910	**4,424**	**1,522**	**6,285**	**247**	**31,388**

Goodwill

Goodwill recognised mainly relates to acquisition of UES. Goodwill recognised on acquisition of UES is allocated to two cash generating units of UES namely its manufacturing and services division and agency sales division, for impairment testing.

The recoverable amount of the cash generating units of UES has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 7%.

Key assumptions used in value in use calculations:

The calculation of value in use for goodwill is most sensitive to the following assumptions:

- Gross margin;
- Discount rates;
- Contract availability;
- Market share during the budget period; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Agency portfolio relationship and customer base

Intangible asset relating to agency portfolio relationships with customers and customer base is amortised over five years.

Participating interest in a joint venture

Intangible asset relating to participating interest in a joint venture represents amount paid by group to acquire a 30% participating interest in the production and exploration concession in Area A in the Eastern Desert of Arab Republic of Egypt (“Area A”).

12 INTANGIBLE ASSETS (Continued)

Signature bonus

Intangible asset relating to signature bonus represents payments made by group under various productions sharing and service agreements. The group amortises the intangible asset using the unit of production method on commencement of production.

Other intangible assets

Other intangible assets relate to computer software and are tested annually for impairment.

Intangible assets with definite lives are tested for impairment if indications of impairment losses exist.

The group has performed an assessment over intangible assets and there have been no events or changes in circumstances to indicate that the carrying value of these may be impaired.

13 INVESTMENT IN ASSOCIATES

As of the reporting date, investments in associates are as follows:

	Notes	2009 Proportion held	2008 Proportion held
Ahli Bank SAOG	(i)	**15.21%**	15.21%
Al Madina Financial and Insurance Services Company SAOC	(ii)	**17.05%**	17.05%
Al Madina Gulf Insurance Company SAOC	(ii)	**15.00%**	15.00%
Biogenomics Limited		**35.46%**	35.46%
Flexible Industrial Packages Company SAOG (FIPCO)	(iii)	**45.55%**	45.55%
MB Oilfield Services (M) SDN.BHD. (MBOS)		**30.00%**	30.00%
Risk Management Services LLC	(iv)	**33.33%**	33.33%
Smith International Oman LLC		**46.25%**	46.25%

(i) The group has significant influence over Ahli Bank SAOG due to its representations on the board of directors and participation in the policy making process of Ahli Bank SAOG. A related party holds 8.19% of the shares in the investment in its name in trust on behalf of the company.

(ii) The group has significant influence over Al Madina Financial and Insurance Services Company SAOC and Al Madina Gulf Insurance Company SAOC due to its representation on the board of directors and participation in the policy making process of these companies.

(iii) A related party holds 11.12% of shareholding in FIPCO in its name in trust on behalf of the company.

(iv) A related party holds the associate investment in its name in trust on behalf of the company.

Impairment testing of investment in associates was carried out as required under IAS 28 and IAS 36 and the results showed no impairment.

13 INVESTMENT IN ASSOCIATES (Continued)

The following table illustrates summarised information of the investment in associates:

	2009 US $ 000	2008 US $ 000
Share of the associate's statement of financial position:		
Current assets	**244,310**	178,082
Non-current assets	**28,536**	31,547
Current liabilities	**(220,812)**	(158,409)
Non-current liabilities	**(1,593)**	(1,611)
Net assets	**50,441**	49,609
Goodwill	**37,995**	38,193
	88,436	87,802
Share of the associate's statement of comprehensive income:		
Revenue	**14,914**	16,197
Profit	**3,993**	4,546

14 INVESTMENT SECURITIES

	Notes	2009 US $ 000	2008 US $ 000
Available for sale	(a)	**16,908**	12,068
Fair value through profit or loss	(b)	**6,801**	9,018
		23,709	21,086

(a) Available-for-sale investments

	2009 US $ 000	2008 US $ 000
Unquoted investments	**16,908**	12,068

Unquoted investments amounting to US $ 5,357,000 (2008: US $ 4,803,000) are stated at cost. There is no practical means of reliably estimating the fair values of these investments.

Investments amounting to US $ 141,000 (2008: US $ 141,000) are held in trust by a related party on behalf of the group. The group has made a commitment towards further capital contributions to unquoted investments amounting to US $ 8,375,000 (2008: US $ 11,250,000).

(b) Fair value through profit or loss investments

	2009 US $ 000	2008 US $ 000
Quoted investments	**6,801**	9,018

15 INVENTORIES

	2009 US $ 000	2008 US $ 000
Consumables	**49,782**	46,650
Goods for resale	**7,612**	15,915
Work in progress	**10,148**	11,327
Rig spares and materials	**4,169**	3,035
Goods in transit	**2,919**	2,596
	74,630	79,523

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009 US $ 000	2008 US $ 000
Trade accounts receivable	**90,610**	108,973
Less: allowance for impairment	**(627)**	(1,167)
Net trade accounts receivable	**89,983**	107,806
Accrued income	**22,865**	22,347
Prepaid expenses and other receivables	**23,954**	21,260
Advances to suppliers	**6,078**	11,660
Amounts due from related parties (note 31)	**14,453**	15,916
Tax receivables	**155**	832
	157,488	179,821

As at 31 December 2009, trade receivables of nominal value of US $ 627,000 (2008—US $ 1,167,000) were impaired. Movements in allowance for impairment of receivables were as follows:

	2009 US $ 000	2008 US $ 000
At 1 January	**1,167**	91
Charge for the year	**416**	1,099
Utilised/reversal	**(956)**	(23)
At 31 December	**627**	1,167

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired			
	Total US $ 000	Neither past due nor impaired US $ 000	< 30 days US $ 000	30-60 days US $ 000	60-90 days US $ 000	> 90 days US $ 000
2009	**89,983**	**72,783**	**8,609**	**1,895**	**2,229**	**4,467**
2008	107,806	77,818	12,945	6,841	4,305	5,897

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2009 US $ 000	2008 US $ 000
Bank balances and cash	**31,397**	38,805
Bank overdrafts	**(2,091)**	(13,717)
	29,306	25,088

Bank overdraft and other borrowings in the statement of financial position comprise the following:

	2009 US $ 000	2008 US $ 000
Bills discounted(i)	**18,396**	31,140
Bank overdrafts(ii)	**2,091**	13,717
Loan against trust receipts	**5,835**	199
Other short term loans	**8,787**	—
	35,109	45,056

(i) Funding under bills discounted are denominated in United States Dollars and are at an effective annual interest rate of Libor + 1.25% (2008—Libor + 1.25%). The funding is for a period of 60 days (2008—60 days) from the date of issue of the invoice to the customer.

(ii) Bank overdraft facilities carry interest at rates that vary with market movements.

18 ASSETS HELD FOR SALE

	2009 US $ 000	2008 US $ 000
Relating to subsidiaries	**5,665**	5,043

19 SHARE CAPITAL

	Authorised, issued and fully paid	
	2009 US $ 000	2008 US $ 000
20,000,000 shares (2008—20,000,000 shares) of US $ 2.6 each	**52,015**	52,015

20 STATUTORY RESERVE

As required by the Commercial Company Law of Oman, 10% of the parent company profit of the year is required to be transferred to a statutory reserve until such time the reserve totals one third of the issued share capital of the parent company. The parent company has resolved to discontinue any further transfers to this reserve, as the reserve equals one third of the issued share capital. The reserve is not available for distribution.

21 TRANSLATION RESERVE

The accounting records of the following subsidiaries are maintained in foreign currencies:

Name	Country of Registration	Currency
MB Petroleum Deutschland GmbH	Germany	Euro
MBPS Malaysia SDN BHD	Malaysia	Malaysian Ringits
MB Century Drilling Pty Limited	Australia	Australian Dollar
MB Informatics Private Limited	India	Indian Rupee
MB Petroleum Services Company Limited	Saudi Arabia	Saudi Rial

Exchange differences arising from statement of comprehensive income items (at annual average rate) and statement of financial position items (at closing year end rate) have been included in the translation reserve in equity.

22 REVALUATION RESERVE

Revaluation reserve relates to the acquisition of United Engineering Services, which was done in stages.

23 DIVIDENDS PAID

During the year, dividends of US $ 0.650 (2008: US $ 0.678) per share totaling to US $ 13,005,000 (2008: US $ 13,568,000) relating to 2009 were declared and paid.

24 TERM LOANS

	2009 US $ 000	2008 US $ 000
Term loans—parent company	**139,682**	145,857
Terms loans—subsidiaries	**300,036**	278,871
	439,718	424,728
Less : current portion classified under current liabilities	**(148,445)**	(166,300)
	291,273	258,428

Parent company

Term loans to the Parent company are mainly denominated in United States Dollars or Rial Omani. The term loans' principal amounts are repayable in varying instalments, the final instalment being due on March 2014 (2008—March 2012). The term loans carry annual interest at LIBOR plus commercial margin.

The term loans relating to parent are secured by the following:

- assignment of dividends receivable from a subsidiary
- registered mortgage over oilfield equipment and related assets of a subsidiary
- charge over investment in shares of a subsidiary, an associate and certain other investment securities
- joint and several guarantees of the shareholders
- assignment of certain receivables of subsidiaries
- registered mortgage over two plots of land beneficially owned by the company but registered in the name of a shareholder, capital work in progress thereon and an undertaking to assign rent of the buildings on completion

24 TERM LOANS (Continued)

- corporate guarantee of various group companies

The company has obtained a temporary waiver from one of its lender to comply with a covenant relating to minimum maintenance of net worth and debt ratio.

Subsidiary companies

All of term loans to Subsidiaries carry annual interest at variable commercial rates.

The loans relating to the subsidiary companies are secured by:

- Undertaking to mortgage land and building beneficially owned by subsidiary but registered in the name of a shareholder
- Certain personal properties of the chairman
- Joint registration of certain rigs
- Joint and several personal guarantees of the shareholders
- Assignment of insurance on equipment
- Proportionate assignment of contract revenue and receivables
- Pledge of certain investment securities and equipment used in operations
- Corporate guarantee of MB Holding Company LLC
- Certain trade receivables

The maturities of the group's undiscounted term loans at 31 December 2009, based on contractual payment dates and current market interest rates are disclosed in note 36.

Loan instalments due within one year are disclosed as a current liability.

25 GOVERNMENT GRANTS

Certain subsidiaries of the group have received Government grants relating to the acquisition of assets. The details are set out below:

	2009 US $ 000	**2008 US $ 000**
At 1 January	**1,957**	511
Received during the year	**958**	1,133
Relating to acquisition of subsidiary	**—**	462
Released to statement of comprehensive income	**(275)**	(83)
Currency translation adjustment	**33**	(66)
At 31 December	**2,673**	1,957
Disclosed as:		
Non current portion	**2,298**	1,731
Current portion	**375**	226
	2,673	1,957

26 EMPLOYEES' END OF SERVICE BENEFITS

	2009 US $ 000	2008 US $ 000
Movements in the liability recognised in the statement of financial position are as follows:		
Liability at beginning of the year	**7,114**	5,388
Provided during the year	**3,589**	2,596
End of service benefits paid	**(1,177)**	(870)
Liability at the end of the year	**9,526**	7,114

27 ABANDONMENT COST PROVISION

	2009 US $ 000	2008 US $ 000
Movement in abandonment costs provision recognised in statement of financial position is as follows		
Balance as at 1 January	**6,729**	5,648
Provided during the year	**1,452**	674
Unwinding of discount	**535**	407
Balance as at 31 December	**8,716**	6,729

Abandonment costs provisions have been recognised by certain subsidiaries and are expected to be incurred during periods ranging from 2010 to 2028. The provision has been estimated using existing technologies, at current prices and discounted using a discount rate of 7 to 7.5% (2008: 7 to 7.5%).

28 ACCOUNTS PAYABLE AND ACCRUALS

	2009 US $ 000	2008 US $ 000
Trade accounts payable	**110,510**	93,726
Accrued expenses	**70,646**	61,431
Amounts due to related parties (note 31)	**38,500**	14,964
Other payables	**19,287**	45,020
	238,943	215,141
Less: non current portion of other payables	**—**	(1,037)
	238,943	214,104

29 SHORT TERM LOANS

Short term loans are mainly denominated in US Dollars and are secured by a personal guarantee of the chairman and a director of the company, corporate guarantees of group companies and charge over certain investment securities. They carry interest at commercial rates and have maturity periods ranging between 2 to 6 months from the date of drawdown.

30 COMMITMENTS

Investment commitments

The group's commitments towards its investments are set out in note 14.

	2009 US $ 000	2008 US $ 000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Plant and equipment	**16,995**	37,015

All of the above commitments are expected to be settled within one year.

	2009 US $ 000	2008 US $ 000
Operating lease commitments		
Future minimum lease payments:		
Not later than one year	**5,699**	6,043
Later than one year but not later than five years	**8,888**	12,544
More than five years	**2,345**	2,655
Aggregate operating lease expenditure contracted for at the reporting date	**16,932**	21,242

Purchase commitments

At 31 December 2009, the value of outstanding purchase commitments amounted to US $ 36,080,000 (2008: US $ 33,837,000).

Other commitments

In accordance with the terms of the farm out agreement with Maersk Oil, the company has committed to incur expenditure of $ 5,000,000 towards completing the drilling of two wells, out of which one well is already completed in 2009 and the drilling of the second well will occur by the year 2010, as approved by the Management Committee. As at 31 December 2009 the company has already incurred expenditure in excess of amounts committed.

31 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the financial statements are as follows:

	2009			2008		
	Sales US $ 000	Purchases US $ 000	Finance Cost US $ 000	Sales US $ 000	Purchases US $ 000	Finance Cost US $ 000
Companies under common ownership	**36,027**	**72,024**	**1,028**	23,578	41,532	—

31 RELATED PARTY TRANSACTIONS (Continued)

Balances with related parties included in the statement of financial position are as follows:

	2009		2008	
	Receivables US $ 000	Payables US $ 000	Receivables US $ 000	Payables US $ 000
Shareholders	**4,672**	**1,032**	5,096	239
Companies under common ownership	**9,781**	**37,468**	10,820	14,725
	14,453	**38,500**	15,916	14,964

Amounts due from and due to related parties are disclosed in notes 16 and 28.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009 US $ 000	2008 US $ 000
Short-term benefits	**6,315**	5,639
Employees' end of service benefits	**1,286**	858
	7,601	6,497

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2009, the group has not recorded any impairment of amounts owed by related parties (2008: nil).

32 CONTINGENT LIABILITIES

(i) At 31 December 2009 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 45,555,000 (2008—US $ 30,458,000).

(ii) Daleel Petroleum LLC ("Daleel") is the operator for a joint venture of the group. The Department of Taxation Affairs, Ministry of Finance has issued a tax assessment on Daleel. The company's share of the tax assessment is US $ 467,306 in respect of the tax years 2002 to 2005. Daleel has appealed against the assessment and its management is confident of a favourable outcome. At this stage, management is unable to determine with reasonable accuracy the ultimate settlement amount, if any, which may arise in respect of the assessment raised nor the additional tax, if any, that may be payable in respect of open tax years not covered by the assessment. Therefore, no provision for any liability that may result has been recorded in these financial statements.

(iii) A difference in opinion has arisen between the group's joint venture, Petrogas Rima Joint Venture and the contract holders, Petroleum Development Oman LLC, regarding the volume of oil produced under the Rima Satelite Small Fields Service contract during the period from 15 December 2009 to 31 December 2009. The company's share of the differential revenue recorded by the Joint Venture relating to the period amounts to US $ 318,887. The matter is currently under negotiation and management is confident that ultimately the amount will be received in full, therefore no provision for impairment of the differential revenue has been recorded in the financial statements.

33 NET PROVED OIL RESERVE QUANTITIES

The group's subsidiaries Petrogas LLC and Mazoon Petrogas SAOC have the following net proved oil reserve quantities as of 31 December 2009:

	2009 Thousand barrels	2008 Thousand barrels
Net proved reserves at 1 January:		
Proved developed reserves	**16,910**	11,428
Proved undeveloped reserves	**25,251**	23,451
	42,161	34,879
Changes during the year:		
Revisions of previous estimates—developed reserves	**3,044**	2,882
Revisions of previous estimates—undeveloped reserves	**(1,019)**	1,800
Transfer to developed reserves	**—**	5,924
Production	**(4,586)**	(3,324)
	39,600	42,161
Net proved reserves at 31 December:		
Proved developed reserves	**15,368**	16,910
Proved undeveloped reserves	**24,232**	25,251
	39,600	42,161

The total group reserves produced will be shared between the Government of the Sultanate of Oman and the group's subsidiaries in accordance with their respective petroleum agreements.

34 JOINT VENTURES ARRANGEMENTS

	Country of registration	Notes	2009 Proportion held	2008 Proportion held
Daleel Petroleum Company LLC	Oman	(i)	**50%**	50%
Rima Satellites Small Fields Joint Venture	Oman	(ii)	**75%**	75%
Maersk Oil Oman BV Joint Venture	Oman	(iii)	**50%**	50%
Kuwait Energy Company Joint Venture	Egypt	(iv)	**30%**	30%
Indian Joint Ventures	India	(v)	**20%**	20%

(i) The group has a 50% interest in Daleel Petroleum Company LLC, which is engaged in the operation and management of oil and gas exploration and production activities of Block 5 in Sultanate of Oman.

(ii) The group has a 75% interest (as operator) in Rima Satellites Small Fields Joint Venture, which is engaged in the operation and management of oil and gas exploration and production activities of Rima Satellites Small Fields in the Sultanate of Oman.

(iii) The group has a 50% interest (as non-operator) in the exploration and exploitation of petroleum in Blocks 45 and 48 in Oman through a joint venture with Maersk Oil Oman BV.

(iv) The group has a 30% interest (as non-operator) in the production and exploration concessions in Area A in the Eastern Desert of Arab Republic of Egypt through a joint venture with Kuwait Energy Company.

(v) The group has a 20% participating interest in three blocks in India, namely "MB-OSN-2004/2" where the company is also the operator and blocks "KG-ONN-2004/2 and MB-OSN-2004/1" where it is a non-operator. The other partners are GAIL (India) Limited, Hindustan Petroleum Corporation Ltd, Gujarat State Petroleum Corporation and Indian Oil Corporation.

34 JOINT VENTURES ARRANGEMENTS (Continued)

The group's share of the assets, liabilities, revenue and expenses from its joint ventures, as at 31 December and for the years then ended are as follows:

	2009 US $	2008 US $
Current assets	**17,662,000**	17,154,000
Current liabilities	**27,329,000**	26,804,000
Net profit	**(23,695,000)**	(14,943,000)

During the period from 2004 to 2006 the group's joint venture operator, Daleel Petroleum LLC (Daleel), had performed drilling and production activities on a neighbouring concession area operated by Occidental of Oman Inc. (Occidental).

As a result, a settlement agreement (the agreement) was signed between Occidental, Daleel and the Ministry of Oil and Gas representing the Government of the Sultanate of Oman, on 6 January 2008. In accordance with the terms of the agreement, Occidental is entitled to compensation relating to its share of production from three affected wells, net of a share of related operating cost and capital expenditure incurred by Daleel.

Revenue and operating cost for the year ended 31 December 2009 have been reduced by US $ 424,000 and US $ 32,000 respectively (2008: US $ 388,000 and US $ 21,000).

35 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit of the group for the year attributable to the shareholders of the parent company, by the weighted average number of shares outstanding during the year.

	2009 US $	2008 US $
Net profit for the year	**54,279,000**	81,818,000
Weighted average number of shares outstanding during the year (number)	**20,000,000**	20,000,000
Basic earnings per share (USD)	**2.71**	4.09

The diluted earnings per share is identical to the basic earnings per share.

36 RISK MANAGEMENT

The group's principal financial liabilities comprise term loans, bank overdrafts and other borrowings and accounts payables and accruals. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as investment in associates, available-for-sale investments, fair value through profit or loss investments, bank balances and accounts receivables and prepayments, which arise directly from its operations.

The main risks arising from the group's financial instruments are cash flow interest rate risk, commodity price risk, credit risk, equity price risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and loans).The interest rate sensitivity position in respect of the term loans of the group is based on the contractual repricing of the loans or the date of final repayment, whichever is earlier.

36 RISK MANAGEMENT (Continued)

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009.

	Increase/decrease in basis points	Effect on profit for the year US $ 000
2009		
US Dollar	**+15**	**(367)**
Euro	**+60**	**(54)**
US Dollar	**−10**	**250**
Euro	**−60**	**54**
2008		
US Dollar	+15	(592)
Euro	+20	(17)
US Dollar	−10	395
Euro	−20	17

Commodity price risk

The following table demonstrates the sensitivity of the group's profit to possible changes in copper prices, with all other variables held constant. The effect of decreases in copper prices is expected to be equal and opposite to the effect of the increases shown:

	Change in copper price	Effect on profit for the year US $ 000
2009	+10%	1,025
2008	+10%	576

Credit risk

The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The group sells its products and services to a number of oil companies in the countries in which it operates. One customer (2008—one customer) accounts for 12% (2008—13%) of trade accounts receivable outstanding as of 31 December 2009. As this exposure is with a quasi -Government entity, management expects the credit risk to be minimal.

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.Credit risk is limited to the carrying values of financial assets in the statement of financial position.

With respect to credit risk arising from the other financial assets of the group, including cash and cash equivalents, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market. Equity price risk arises from financial assets designated as available-for-sale investments and fair value through profit or loss investments. The group

36 RISK MANAGEMENT (Continued)

limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition the group monitors actively the key factors that effect stock market movements. A significant portion of the company's investments at the reporting date are within the Sultanate of Oman (2008—same position).

The following tables demonstrates the sensitivity of the cumulative changes in fair value to a 5% change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Effect on cumulative changes in fair value of available for sale investments	Change in equity price 2009 US $ 000	Effect on equity 2009 US $ 000	Change in equity price 2008 US $ 000	Effect on equity 2008 US $ 000
Unquoted	**+5%**	**578**	+5%	363

Effect on gain in fair value of fair value through profit or loss investments	Change in equity price 2009 US $ 000	Effect on profit 2009 US $ 000	Change in equity price 2008 US $ 000	Effect on Profit 2008 US $ 000
MSM	**+5%**	**340**	+5%	451
Other quoted	**+5%**	**—**	+5%	36

Currency risk

Certain of the group's term loans, trade accounts and notes payable are denominated in United States Dollars, Australian Dollars and Euros.

Trade accounts receivable includes an amount of US $ 32,494,000 (2008—US $ 23,497,000) due in foreign currencies, mainly in United States Dollars. As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal. Receivables in other currencies are not significant.

Trade accounts payable include an amount of US $ 24,108,000 (2008—US $ 6,936,000 due in foreign currencies, mainly in United States Dollars. Payables in other currencies are not significant.

The table below indicates the group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the US Dollars (USD) against the Australian Dollar (AUD), with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/decrease in AUD rate to the USD	Effect on profit before tax US $ 000
2009	**+5%**	**1,113**
	−5%	**(1,113)**
2008	**+5%**	**810**
	−5%	**(810)**

Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to

36 RISK MANAGEMENT (Continued)

shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

Liquidity risk

The group limits its liquidity risk by ensuring bank facilities are available. The group's terms of sales require trade accounts receivable amounts to be paid within 45 to 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarises the maturities of the group's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market interest rates.

Year ended 31 December 2009	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 years US $ 000	> 5 years US $ 000	Total US $ 000
Term loans	57,252	102,344	289,998	2,785	**452,379**
Accounts payables and accruals	173,537	61,270	4,136	—	**238,943**
Bank overdrafts and borrowings	35,109	—	—	—	**35,109**
Income tax payable	—	7,154	—	—	**7,154**
Short term loans	2,304	—	—	—	**2,304**
Other payables	—	—	—	—	**—**
Finance leases	144	445	519	—	**1,108**
Total	**268,346**	171,213	294,653	2,785	**736,997**

Year ended 31 December 2008	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 Years US $ 000	> 5 years US $ 000	Total US $ 000
Term loans	71,815	97,687	257,336	3,945	430,783
Accounts payables and accruals	150,713	63,391	—	—	214,104
Bank overdrafts and borrowings	45,056	—	—	—	45,056
Income tax payable	—	4,446	2,484	—	6,930
Short term loans	5,771	3,707	—	—	9,478
Other payables	—		1,037	—	1,037
Finance leases	463	1,611	1,108	1,183	4,365
Total	273,818	170,842	261,965	5,128	711,753

37 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of bank overdrafts, term loans, obligations under finance leases and payables.

Investments in associates include quoted equity investments of Ahli Bank SAOG and Flexible Industrial Packages SAOG. The table below shows the market value based on closing prices as at 31 December 2009 and carrying value of these investments.

	2009 US $ 000	2008 US $ 000
Market value	**61,889**	42,138
Carrying value	**71,434**	69,060

The fair values of other financial instruments, with the exception of certain available-for-sale investments carried at cost (see note 14), are not materially different from their carrying values.

37 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2009	Level 1 US $ 000	Level 2 US $ 000	Level 3 US $ 000	Total US $ 000
Financial assets designated at fair value through profit or loss	6,801	—	—	6,801
Investments—Available for sale	—	11,551	—	11,551

Available for sale investments amounting to US $ 5,357,000 are recorded at cost. Management believes that the fair value cannot be reliable measured for these unquoted investments.

During the reporting period ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

38 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were US $ 90,610,000 (2008: US $ 108,973,000) and the provision for doubtful debts was US $ 627,000 (2008: US $ 1,167,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, consumables were US $ 53,736,000 (2008: US $ 49,406,000) and goods for resale were US $ 7,612,000 (2008: US $ 15,915,000), with provisions for old and obsolete inventories of

38 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

US $ 3,954,000 (2008: US $ 2,756,000) and nil respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Abandonment provision

Estimated abandonment and restoration costs for oil production activities are based on current requirements, technology and price levels and discounted using real discount rates. The estimated discounted ultimate liability for the asset retirement obligation is recognised in the period in which it is incurred.

At the reporting date the undiscounted abandonment provision amounted to US $ 23,034,000 (2008: US $ 18,539,000) which after discounting amounted to US $ 8,716,000 (2008—US $ 6,729,000). The amount recognised in the statement of comprehensive income as of 31 December 2009 was US $ 1,452,000 (2008—US $ 674,000).

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of equity investments

The group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment, which is critically evaluated by the group on a case to case basis.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives of equipment

The group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

39 COMPARATIVE AMOUNTS

Certain of the corresponding figures for 2008 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.

The following reclassifications have been made in the comparative information:

2008 US $ 000	As previously reported	As reclassified
7,386	As part of property plant and equipment	As part of inventories

MB Holding Company LLC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MB HOLDING COMPANY LLC AND ITS SUBSIDIARIES

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of MB Holding Company LLC and its subsidiaries ("the group") which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

3 August 2009
Muscat

MB Holding Company LLC and its subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 US $ 000	2007 US $ 000
Revenue	4	**986,490**	640,859
Cost of sales		**(816,420)**	(482,699)
GROSS PROFIT		**170,070**	158,160
Investment income	5	**2**	8,109
Other operating (expense) income (net)		**(7,976)**	5,346
General and administration expenses		**(52,053)**	(30,791)
Finance costs	6	**(23,973)**	(20,007)
Depreciation and amortisation charges	9	**(4,312)**	(2,642)
Abandonment cost provision	27	**(674)**	(881)
Share in results of associates	13	**4,546**	3,243
Negative goodwill	3	**955**	10,140
PROFIT BEFORE TAX		**86,585**	130,677
Income tax expense	7	**(4,767)**	(5,811)
PROFIT FOR THE YEAR	8	**81,818**	124,866
Profit attributable to:			
Equity holders of the parent		**81,820**	122,952
Minority interests		**(2)**	1,914
		81,818	124,866
Basic and diluted earnings per share (US $)		**4.09**	6.24

The attached notes 1 to 38 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 US $ 000	2007 US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**464,063**	394,248
Oil and gas exploration and producing assets	10	**221,882**	156,767
Deferred mineral prospects	11	**4,425**	3,906
Intangible assets	12	**31,388**	32,645
Investment in associates	13	**87,802**	66,327
Investment securities	14	**21,086**	34,447
Deferred tax assets	7	**5,255**	2,524
		835,901	690,864
Current assets			
Inventories	15	**72,137**	61,370
Accounts receivable and prepayments	16	**179,821**	178,758
Bank balances and cash	17	**38,805**	39,103
		290,763	279,231
Assets held for sale	18	**5,043**	—
TOTAL ASSETS		**1,131,707**	970,095
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	19	**52,015**	52,015
Statutory reserve	20	**17,339**	17,339
Translation reserve	21	**(8,489)**	(2,515)
Cumulative changes in fair value		**(807)**	900
Revaluation reserve		**3,474**	3,474
Retained earnings		**287,816**	219,564
		351,348	290,777
Minority interests		**54,862**	59,757
Total equity		**406,210**	350,534
Non-current liabilities			
Term loans	24	**258,428**	130,374
Deferred tax liability	7	**8,364**	9,337
Government grants	25	**1,731**	457
Employees' end of service benefits	26	**7,114**	5,388
Abandonment cost provision	27	**6,729**	5,648
Other payables		**1,037**	10,066
		283,403	161,270
Current liabilities			
Accounts payable and accruals	28	**214,104**	208,993
Bank overdrafts and other borrowings	17	**45,056**	30,871
Short term loans	29	**9,478**	28,410
Term loans	24	**166,300**	186,563
Government grants	25	**226**	54
Income tax payable	7	**6,930**	3,400
		442,094	458,291
Total liabilities		**725,497**	619,561
TOTAL EQUITY AND LIABILITIES		**1,131,707**	970,095

The financial statements were authorised for issue in accordance with a resolution of the directors on 3 August 2009.

Chairman

The attached notes 1 to 38 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 US $ 000	2007 US $ 000
OPERATING ACTIVITIES			
Profit before tax		**86,585**	130,677
Adjustments for:			
Depreciation and amortisation charges	9	**93,172**	58,319
Profit on sale of property, plant and equipment		**12,710**	(1,462)
Net loss (gains) on investments classified as fair value through profit or loss	5	**2,004**	(6,392)
Net gains on investments available for sale		**(1,277)**	—
Impairment of an amount due from a related party		**—**	—
Accrual for employees' end of service benefits	26	**2,596**	1,948
Abandonment costs provision	27	**674**	881
Interest and dividend income	5	**(729)**	(1,717)
Share in results of associates	13	**(4,546)**	(3,243)
Interest expense	6	**23,973**	20,007
Negative goodwill	3	**(955)**	(10,140)
		214,207	188,878
Working capital changes:			
Inventories		**(4,516)**	(22,238)
Receivables		**(22,852)**	(83,489)
Payables		**(2,023)**	37,229
Release of government grants		**—**	(13)
Cash from operations		**184,816**	120,367
Employees' end of service benefits paid	26	**(870)**	(738)
Taxation (paid)/refund		**(4,361)**	901
Net cash from operating activities		**179,585**	120,530
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	3	**(1,499)**	(44,523)
Purchase of property, plant and equipment	9	**(140,543)**	(155,374)
Proceeds from sale of property, plant and equipment and gas exploration and producing assets		**23,988**	5,892
Additions to oil and gas exploration and producing assets	10	**(87,939)**	(31,443)
Additions to deferred mineral prospects	11	**(1,919)**	(1,277)
Intangible assets	12	**(7,436)**	(9,022)
Purchase of investment in associates		**(7,856)**	(55,692)
Purchase of investment securities		**(15,605)**	(20,989)
Proceeds from sale of investments securities		**15,773**	42,637
Dividend from associates		**1,683**	3,986
Interest and dividend income		**729**	1,717
Net funding to related parties (long term)		**—**	(653)
Receipt of government grants		**1,133**	524
Net cash used in investing activities		**(219,491)**	(264,217)
FINANCING ACTIVITIES			
New term loans		**218,819**	221,590
Repayment of term loans		**(130,688)**	(67,591)
Net movement in short term loan		**(18,932)**	8,053
Due from related parties		**—**	3,596
Net movement in bank borrowings		**8,250**	12,578
Interest paid		**(23,867)**	(17,952)
Dividend paid		**(13,591)**	(495)
Net cash from financing activities		**39,991**	159,779
Translation difference		**(6,318)**	298
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(6,233)**	16,390
Cash and cash equivalents at the beginning of the year		**31,321**	14,931
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	**25,088**	31,321

The attached notes 1 to 38 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the parent								
	Share capital US $ 000	**Statutory reserve US $ 000**	**Translation reserve US $ 000**	**Cumulative changes in fair value US $ 000**	**Revaluation reserve US $ 000**	**Retained earnings US $ 000**	**Total US $ 000**	**Minority interests US $ 000**	**Total US $ 000**
At 1 January 2007	52,015	17,339	305	—	—	97,271	166,930	1,778	168,708
Adjustment on reclassification of investments	—	—	—	—	—	(659)	(659)	—	(659)
Net unrealised gains on available for sale investment	—	—	—	900	—	—	900	—	900
Currency translation difference (note 22) . .	—	—	(2,820)	—	—	—	(2,820)	(3,096)	(5,916)
Profit for the year	—	—	—	—	—	122,952	122,952	1,914	124,866
Total income and expense for the year .	—	—	(2,820)	900	—	122,293	120,373	(1,182)	119,191
Acquisition of subsidiaries	—	—	—	—	—	—	—	59,656	59,656
Asset revaluation surplus arising on acquisition of a subsidiary in stages	—	—	—	—	3,474	—	3,474	—	3,474
Dividends paid	—	—	—	—	—	—	—	(495)	(495)
Balance at 31 December 2007	52,015	17,339	(2,515)	900	3,474	219,564	290,777	59,757	350,534
Realised gain on sale of investments transferred to income statements	—	—	—	(832)	—	—	(832)	—	(832)
Net unrealised gains on available for sale investment	—	—	—	(875)	—	—	(875)	—	(875)
Currency translation difference (note 22) . .	—	—	(5,974)	—	—	—	(5,974)	(4,439)	(10,413)
Profit for the year	—		—	—	—	81,820	81,820	(2)	81,818
Total income and expense for the year .	—	—	(8,489)	(1,707)	—	81,820	74,139	(4,441)	69,698
Dividends paid	—	—	—	—	—	(13,568)	(13,568)	(454)	(14,022)
Balance at 31 December 2008	**52,015**	**17,339**	**(8,489)**	**(807)**	**3,474**	**287,816**	**351,348**	**54,862**	**406,210**

The attached notes 1 to 38 form part of these consolidated financial statements

1 ACTIVITIES

MB Holding Company LLC (the company) and its subsidiaries (the group) conduct oil, gas and mining exploration and development activities through production sharing and mineral exploration licence agreements. In addition the group owns and operates oil well drilling and service equipment and rigs, provides oilfield and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry. The group also invests in financial securities. The group operates in fifteen countries and its registered head office address is at PO Box 695, CPO Seeb, Postal Code 111, Sultanate of Oman.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The group comprises operations with a number of functional currencies. Management uses US Dollars for controlling and maintaining the performance and financial position of the group accordingly the consolidated financial statements are presented in US Dollars. All values are rounded to the nearest thousand (US $ 000) except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of investments classified as available for sale and fair value through profit or loss.

Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and applicable requirements of the Commercial Company Law of the Sultanate of Oman.

Basis of consolidation

The consolidated financial statements comprise those of MB Holding Company LLC and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Changes in accounting policy

The accounting policies are consistent with those used in the previous financial year except the following:

The group has changed its accounting policy for exploration costs in non-developed areas of interest.

Previously the group applied the successful efforts method of accounting to its exploration and development costs. Costs incurred in conducting geological and geophysical studies and unsuccessful drilling and related costs in the exploration phase of a non-developed area of interest were previously

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

expensed as incurred. Costs of drilling in progress and completed wells where reserves were discovered in commercial quantities were capitalised.

The group now applies the area of interest method of accounting for exploration and development costs. All exploration costs within a non-developed area of interest, including geological and geophysical studies and unsuccessful exploratory drilling, are now included as work in progress pending determination of whether commercially recoverable reserves that the group intends to develop have been discovered. If such reserves are determined commercial, all exploration costs are capitalised. If it is determined that no commercial recoverable reserves exist, exploration costs are expensed in the year of determination or cessation of exploration activity.

Management has assessed the new policy as preferable as it more appropriately matches the cost of investment in discovering commercially recoverable reserves in a non-developed area of interest to the benefit derived from those reserves. There was no significant impact on the group's financial position arising from this policy change as the group was earlier not actively engaged in non developed areas of interest.

International Accounting Standards Board (IASB) Standards and Interpretations issued but not adopted

IAS 1 Presentation of Financial Statements (Revised)

The group has not adopted the revised IAS 1 "Presentation of Financial Statements" which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the consolidated financial statements. The standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one statement, or in two linked statements. The group is still evaluating whether it will have one or two statements.

IFRS 8 Operating Segments

IFRS 8 Operating Segments was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the group discloses information about its operating segments.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.

IAS 27 Consolidated and Separate Financial Statements

The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the parents' separate financial statement. The revision will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The significant accounting policies adopted by the group are as follows:

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Revenue recognition

Sales

Sales are recognised when the significant risks and rewards of ownership of the goods have passed or services have been rendered to the buyer and the amount of revenue can be measured reliably. Oil sales represent the gross invoiced value of crude oil sold during the year.

Mining activities

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date. For copper concentrates, which are sold for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for treatment and refining charges. Revenue includes revenues from the sale of by-products. Copper concentrate sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average London Metal Exchange ("LME") copper price for specified future periods or a fixed price agreed between the parties. Specified future periods normally range from 30 to 120 days after delivery to the customer.

Service revenue

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date. Stage of completion is measured by reference to labour hours incurred to the date as a percentage of total estimated labour hours for each contract.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Commission income

Commission income earned is accounted for when entitlement to receive commission is established.

Government entitlement

Government entitlement represents reimbursement to Governments of their entitlement under petroleum agreements, of oil production sold by the group and is included in cost of sales.

Taxation

Taxation is provided for based on relevant tax laws of the respective countries in which the group operates.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

• Freehold buildings	16⅔ to 40 years
• Portacabins and plant and machinery	2 to 15 years
• Rigs and allied equipment	5 to 10 years
• Vehicles	3 to 6⅔ years
• Furniture, fixtures and office equipment	3 to 6⅔ years
• Laboratory equipment	4 to 6⅔ years

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Oil and gas exploration and producing assets

The group conducts oil and gas exploration and development activities under two types of agreement:

(a) production sharing agreements which entitle it to a contractual portion of the oil and gas production to reimburse its operating, exploration and development costs (cost oil). In addition the group is entitled to share a portion of the net oil and gas production subject to the terms of the agreement (profit oil).

(b) service agreements which entitle it to a contractual portion of oil production as a service fee.

Exploration and development costs incurred under these agreements are accounted for by applying the area of interest method of accounting described below:

The group considers each exploration block or field to be a separate area of interest. Areas of interest are individual geological areas which have the potential or are proven to contain mineral resources.

Non-developed areas of interest

— Exploration costs

Exploration costs consist of costs incurred in:

(a) conducting geological and geophysical studies; and

(b) carrying out exploratory drilling, trenching and sampling activities.

Exploration costs are initially included in work-in-progress pending determination of commercial viability. At each balance sheet date an impairment test is carried out and expenditure that is assessed as impaired is written off. On determination of commercial viability of the area of interest, the exploration costs are capitalised. If it is determined that an area if interest is not commercially viable or there is no additional exploratory work in progress or firmly planned, exploration costs are expensed in the year of determination or cessation of exploration activity.

— Exploration costs

Geological and geophysical costs are expensed in the year incurred. Drilling in progress and completed wells where reserves are discovered in commercial quantities are capitalised. Costs of

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

exploratory drilling that have not resulted in discoveries of reserves in commercial quantities are expensed.

— Development costs

Development costs that relate to the acquisition and installation of production facilities, development drilling costs and other applicable costs are capitalised.

Oil and gas producing assets are depreciated using the unit-of-production method by area of interest.

Deferred mineral prospects

The group conducts mineral exploration and development activities under its mineral exploration licence agreements. Exploration, evaluation and development costs incurred under these agreements are accumulated in respect of each separate area of interest. These costs are carried forward as an asset where the right of tenure of the area of interest is current, provided one of the following conditions is met:

- such costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or
- exploration activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise, of recoverable mineral resources, and active and significant operations in relation to the area are continuing

Exploration expenditure failing to meet at least one of the above conditions is written off.

Deferred mineral prospects expenditure is not depreciated until production commences. Producing assets are amortised on a unit of production basis over the life of the economically recoverable reserves of the area of interest.

Intangible assets and amortisation

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Investments in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

statement of changes in equity. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The associates' accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Investments carried at fair value through profit or loss

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gain and loss are recognised in the income statement.

Available for sale

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition the cumulative gain or loss or on impairment the cumulative loss previously reported in equity is included in the income statement for the period.

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Term deposits

Term deposits are carried on the balance sheet at their principal amount. Interest received in advance is charged to income as it accrues, with amounts received in advance included in "accounts payable and accruals" to the extent due within one year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spares, consumables and goods for resale	purchase cost on a weighted average
Broken ore stockpile	broken ore stockpiles are valued at average cost per tonne plus the moving cost of mining and stockpiling the ore. Average cost per tonne is derived from the annual excavation costs and total ore tonnage mined
Work in progress	percentage completion basis

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts receivable

Accounts receivable are stated at original invoice value less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Cash Flows Statement, cash and cash equivalents consists of cash and bank balances, net of outstanding bank overdrafts, and bank deposits with original maturities of three months or less.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated/amortised.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Employees' end of service benefits

The group provides staff terminal benefits to its employees under the laws of the country in which they are employed. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Group companies registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The group's obligations are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Provisions

Provisions are recognised when the group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The group accrues for estimated abandonment and site restoration costs of oil exploration and producing properties on a unit of production basis.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures

The group's subsidiary, Mazoon Petrogas SAOC has an interest in a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The subsidiary recognises its interest in the joint venture using proportionate consolidation. The subsidiary combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies.

Foreign currencies

The consolidated financial statements of the group are prepared in Rial Omani which is the group's functional currency and presented in US Dollars.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the consolidated financial statements (the Rial Omani) at the rate of exchange ruling at the balance sheet date and, its income statement is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency translation reserve in equity. The consolidated financial statements are presented in the US Dollars at an exchange rate of 2.6 US Dollars to each Rial Omani.

On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted foreign investments. Such investments are measured at cost.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS

The consolidated financial statements incorporate the financial statements of the following companies in which the group has a controlling interest:

Name	Type	Country of registration	2008	2007
Cameron services Middle East LLC	Limited liability company	Oman	**51%**	51%
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
MB Petroleum Services LLC	Limited liability company	Oman	**100%**	100%
National Mining Company LLC	Limited liability company	Oman	**100%**	100%
Mazoon Petrogas SAOC	Joint stock (closed) company	Oman	**100%**	100%
Petrogas E&P LLC	Limited liability company	Oman	**100%**	100%
Petrogas LLC	Limited liability company	Oman	**100%**	100%
Petrogas Malih LLC(ii)	Limited liability company	Oman	**100%**	—
Petrogas Rima LLC(ii)	Limited liability company	Oman	**100%**	—
United Engineering Services LLC	Limited liability company	Oman	**100%**	100%
MB Century Drilling Pty Limited	Limited liability company	Australia	**51%**	51%
Century Resource Services Limited	Limited liability company	Australia	**51%**	51%
Century Energy Services Pty Limited	Limited liability company	Australia	**51%**	51%
Century Resources International Pty Limited	Limited liability company	Australia	**51%**	51%
MB Overseas Limited	Limited liability company	British Virgin Island	**100%**	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
Erdöl-Erdgas Workover GmbH & Co. KG	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover Verwaltungs GmbH	Limited liability company	Germany	**100%**	100%
Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG(i)	Limited liability company	Germany	**100%**	—
Fiberglass Tubes & Services GmbH(i)	Limited liability company	Germany	**100%**	—
Koller Verwaltungs- und Beteiligungs-GmbH(i)	Limited liability company	Germany	**100%**	—
Koller Maschinen- und Anlagenbau GmbH(i) (KMA)	Limited liability company	Germany	**100%**	—
Koller Workover & Drilling GmbH(i)	Limited liability company	Germany	**100%**	—
Koller Workover International GmbH(i)	Limited liability company	Germany	**100%**	—
DWS Drilling—Workover Service GmbH(i)	Limited liability company	Germany	**100%**	—
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
MB Informatics Private Limited	Limited liability company	India	**100%**	100%
PT Century Dinamik Drilling	Limited liability company	Indonesia	**51%**	51%
MBPS Malaysia SDN BHD	Limited liability company	Malaysia	**75%**	75%

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

Name	Type	Country of registration	2008	2007
MB Holding Mauritius Limited[ii]	Limited liability company	Mauritius	**100%**	—
Century Drilling & Energy Services Limited	Limited liability company	New Zealand	**51%**	51%
MB Century Holding Pte Ltd	Limited liability company	Singapore	**100%**	100%
MB Petroleum Services Company Limited	Limited liability company	Saudi Arabia	**100%**	100%

(i) On 24 July 2008, the Group acquired 100% of the capital of the Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG and the company's general partner Koller Verwaltungs- und Beteiligungs-GmbH.

The fair value of the identifiable assets and liabilities of the subsidiaries acquired during the current year as at the date of acquisitions are:

	2008 US $ 000
Property, plant and equipment (note 9)	**12,717**
Customers portfolio (note 12)	**1,079**
Cash and cash equivalents	**57**
Accounts receivable and prepayments	**6,553**
Assets held for sale (note 18)	**5,636**
Inventories	**6,250**
Deferred tax assets (note 7)	**1,037**
	33,329
Notes payable to bank	**(20,110)**
Accounts payable and accruals	**(8,617)**
Government grants (note 25)	**(462)**
Deferred income tax liability (note 7)	**(1,199)**
Other long term liabilities	**(1,137)**
	(31,525)
Net assets	**1,804**
Group's share in net assets	**1,804**
Add : Goodwill arising on acquisition (note 12)	**269**
Total purchase consideration	**2,073**
Details regarding purchase consideration are set out below:	
Cash paid	**1,415**
Costs associated with the acquisition	**361**
Conditional purchase price obligation	**297**
Total purchase consideration	**2,073**
Details regarding cash outflow on acquisition are set out below:	
Cash paid	**(1,415)**
Net cash acquired from the subsidiaries	**57**
Disbursed costs associated with the acquisition	**(141)**
Net cash outflow on acquisition of subsidiaries	**(1,499)**

From the date of acquisition, the acquired subsidiaries have contributed US $ 231,000. Prior to the acquisition the group, as acquiree had decided to sell an unprofitable rig which is disclosed as asset held for sale (note 18).

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

(ii) During the year, the group as a founding shareholder established the following entities:

Name	Type	Country of registration	Activity
Petrogas Malih LLC	Limited liability company	Oman	Oil and gas exploration and production
Petrogas Rima LLC	Limited liability company	Oman	Oil and gas exploration and production
MB Holding Mauritius Limited	Limited liability company	Mauritius	Investment

In 2007, the group had acquired 51% of the voting shares of MB Century Drilling Pty Limited and its subsidiaries, a group with its parent company registered in Australia. In accordance with the sale and purchase agreement the group has an option to acquire the remaining 49% in these companies by January 2011. Further the seller had warranted an amount of minimum earnings before interest and tax to the group for the next three years.

In 2008 the company was unable to achieve the warranted minimum earnings. As a result the group received compensation recorded as negative goodwill of US $ 955,000 in the income statement.

4 SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the group's risk and rates of return are affected pre-dominantly by differences in the services rendered. Secondary information is reported geographically.

The group's operating businesses are organised and managed separately according to the nature of the activities and services provided, with each segment representing a strategic business unit that offers different services.

i) Business segments

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2008 and 2007.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

	Exploraton and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Year ended 31 December 2008						
Revenue	**379,989**	**537,917**	**98,467**	**—**	**(29,883)**	**986,490**
Segment results	**45,255**	**32,246**	**50,639**	**(5,900)**	**(16,580)**	**105,660**
Net finance costs	**—**	**—**	**—**	**—**	**—**	**(23,621)**
Share in results of associates	**—**	**—**	**—**	**—**	**—**	**4,546**
Profit for the year before income tax	**—**	**—**	**—**	**—**	**—**	**86,585**
Deferred tax	**—**	**—**	**—**	**—**	**—**	**360**
Income tax expense	**—**	**—**	**—**	**—**	**—**	**(5,127)**
Profit for the year before minority interests						**81,818**

4 SEGMENT INFORMATION (Continued)

	Exploration and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
As at 31 December 2008						
Assets and liabilities						
Segment assets	**299,887**	**647,934**	**71,490**	**117,785**	**(98,446)**	**1,038,650**
Investment in associates	**—**	**1,563**	**—**	**86,239**	**—**	**87,802**
Deferred tax assets	**—**	**5,255**	**—**	**—**	**—**	**5,255**
Total assets	**299,887**	**654,752**	**71,490**	**204,024**	**(98,446)**	**1,131,707**
Segment liabilities (excluding term loans)	**72,553**	**208,124**	**22,869**	**80,375**	**(98,446)**	**285,475**
Term loans	**—**	**—**	**—**	**—**	**—**	**424,728**
Income tax payable	**—**	**—**	**—**	**—**	**—**	**6,930**
Deferred tax liability	**—**	**—**	**—**	**—**	**—**	**8,364**
Total liabilities	**—**	**—**	**—**	**—**	**—**	**725,497**
Other segment information						
Capital expenditure	**106,987**	**107,439**	**24,617**	**7,793**	**—**	**246,836**
Depreciation and amortisation	**26,161**	**54,795**	**10,880**	**1,336**	**—**	**93,172**

	Exploration and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Year ended 31 December 2007						
Revenue	215,011	385,350	65,072	—	(24,574)	640,859
Segment results	52,814	47,223	35,314	11,603	—	146,954
Net finance costs	—	—	—	—	—	(19,520)
Share in results of associates	—	2,894	—	349	—	3,243
Profit for the year before income tax						130,677
Deferred tax	—	—	—	—	—	(1,673)
Income tax expense	—	—	—	—	—	(4,138)
Profit for the year before minority interests						124,866

4 SEGMENT INFORMATION (Continued)

	Exploration and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
As at 31 December 2007						
Assets and liabilities						
Segment assets	207,069	564,232	57,443	173,520	(101,020)	901,244
Investment in associates	—	1,850	—	64,477	—	66,327
Deferred tax assets	—	2,524	—	—	—	2,524
Total assets	207,069	568,606	57,443	237,997	(101,020)	970,095
Segment liabilities (excluding term loans)	71,964	195,430	11,411	112,102	(101,020)	289,887
Term loans	—	—	—	—	—	316,937
Income tax payable	—	—	—	—	—	3,400
Deferred tax liability	—	—	—	—	—	9,337
Total liabilities	—	—	—	—	—	619,561
Other segment information						
Capital expenditure	57,318	110,236	20,060	1,377	—	188,991
Depreciation and amortisation	**14,128**	**36,184**	**6,590**	**104**	**—**	**57,006**

ii) Geographical segments

The following table presents revenue expenditure and certain asset information regarding the group's geographical segments:

31 December 2008	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	**812,266**	**891,721**	**84,845**	**976,566**	**198,950**
Europe	**82,492**	**81,894**	**—**	**81,894**	**30,432**
Far East and South Asia	**53,045**	**122,773**	**2,957**	**125,730**	**11,238**
Africa	**5,730**	**256**		**256**	**11**
Australia	**21,838**	**25,515**	**—**	**25,515**	**3,772**
New Zealand	**41,002**	**20,192**	**—**	**20,192**	**2,433**
Eliminations	**(29,883)**	**(98,446)**	**—**	**(98,446)**	**—**
Total	**986,490**	**1,043,905**	**87,802**	**1,131,707**	**246,836**

31 December 2007	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total Assets US $ 000	Capital expenditure US $ 000
Middle East	593,177	789,447	66,240	855,687	178,727
Europe	39,621	26,268	—	26,268	8,983
Far East and South Asia	13,934	125,551	87	125,638	197
Africa	7,930	1,027	—	1,027	369
Australia	4,341	36,778	—	36,778	55
New Zealand	6,430	25,717	—	25,717	660
Eliminations	(24,574)	(101,020)	—	(101,020)	—
Total	640,859	903,768	66,327	970,095	188,991

5 INVESTMENT INCOME

	2008 US $ 000	2007 US $ 000
Net (loss) gains on investments classified as fair value through profit or loss	**(2,004)**	6,392
Net gains on investments classified as investments available for sale	**1,277**	—
Dividend income	**377**	1,230
Interest on bank deposits and bonds	**352**	487
	2	8,109

6 FINANCE COSTS

	2008 US $ 000	2007 US $ 000
Interest expense on term loan	**16,952**	16,382
Interest expense on bank borrowings	**6,189**	2,565
Others	**832**	1,060
	23,973	20,007

7 INCOME TAX

	2008 US $ 000	2007 US $ 000
Income statement:		
Current year	**5,103**	3,929
Prior years	**24**	209
Deferred taxation	**(360)**	1,673
	4,767	5,811
Current liability:		
Current year	**4,458**	2,918
Prior years	**2,472**	482
	6,930	3,400
Deferred tax liability:		
At 1 January	**9,337**	113
Relating to acquisition of a subsidiary (note 3)	**1,199**	8,619
Currency translation differences	**(2,280)**	(563)
Movement for the year	**108**	1,168
At 31 December	**8,364**	9,337
Deferred tax assets:		
At 1 January	**2,524**	—
Relating to acquisition of a subsidiary (note 3)	**1,037**	3,227
Currency translation differences	**1,222**	(198)
Movement for the year	**472**	(505)
At 31 December	**5,255**	2,524

7 INCOME TAX (Continued)

The deferred tax liability comprises the following types of temporary differences:

Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**8,422**	9,524
Deductible timing difference on provisions	**(58)**	(175)
Deductible timing difference on bought forward losses	**—**	(12)
At 31 December	**8,364**	9,337

Deferred tax asset relates mainly to timing differences arising from provisions.

Omani taxation

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 12%. For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

In respect of MB Holding Company LLC (the parent company), no provision for taxation has been made as the parent company has made a taxable loss during the year (2007—taxable loss). The parent company's tax assessments have been completed by the Oman tax authorities up to 31 December 2003.

Unutilised tax losses upto 2008 amounted to US $ 31,154,000 which is available for set off upto 2012 (2007: US $ 14,137,000).

The assessments of subsidiaries with the Omani tax authorities are at different stages of completion.

Overseas taxation

MB Petroleum (Asia, Pacific) Ltd, no provision for Hong Kong profit tax has been made as the company had been approved for full exemption of profit tax on profits derived outside Hong Kong.

MB Petroleum Deutschland GmbH, the current income tax relates to trade tax payable by the operating subsidiary and corporation tax payable by the company. The current tax rate comprises corporation tax with an effective rate of 15.83% (2007: 26.38%) and trade tax of approximately 11.90%

MB Drilling Overseas Limited, taxation has been provided for in accordance with Cypriot, Syrian and Hungarian fiscal regulation. The corporation tax rate is 10%.

MBPS (Malaysia) SDN BHD, has not made any provision for tax in view of availability of unabsorbed tax losses which is available to be adjusted against current year taxable income.

MB Informatics Private Limited (India) has not made any provision for tax in view of net taxable loss incurred during current year.

MB Overseas Limited incorporated in the British Virgin Islands is tax exempt on income derived outside BVI.

MB Century Drilling Pty Limited (MBCDP) and its wholly owned Australian controlled entities are in the process of creating a tax consolidated group under Australian taxation law wherein MBCDP will be designated as head entity in the tax consolidated group. Entities within the tax consolidated group will enter into a tax funding arrangement and tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, the MBCDP and each of the entities in the tax consolidated group will agree to pay a tax equivalent payment to or from the head entity based on the current tax liability or current tax asset of the entity. This process is currently in progress and may result in certain adjustments in the MBCDP tax provisions.

8 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2008 US $ 000	2007 US $ 000
Staff costs	**157,158**	102,522
Royalties	**4,924**	1,251
Rental—operating leases	**696**	567

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Depreciation and amortisation charges

The depreciation and amortisation charges for the year has been dealt with in the income statement as follows:

	2008 US $ 000	2007 US $ 000
Included in cost of sales relating to:		
Property, plant and equipment	**62,678**	41,446
Oil and gas exploration and producing assets (note 10)	**24,623**	13,497
Deferred mineral prospects (note 11)	**1,400**	621
Intangible assets (note 12)	**159**	113
	88,860	55,677
Included in depreciation and amortisation charges relating to:		
Property, plant and equipment	**2,505**	1,442
Intangible assets (note 12)	**1,807**	1,200
	4,312	2,642
	93,172	58,319

9.2 Ownership

Freehold land and buildings include certain plots of land owned by the parent company and a subsidiary of US $ 36,302,000 (2007—14,355,000) which are registered in the name of a shareholder who holds them in trust on their behalf.

9.3 In October 2008, a subsidiary of the group transferred a rig previously held as capital work in progress to assets held for sale pending a trial period by the purchaser. The sale was completed at a value of US $ 11,480,000 million subsequent to the balance sheet date with the signing of a sales agreement dated 21 April 2009.

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.4 During the year, a subsidiary of the group revised the estimated useful lives of certain plant and machinery units from 5 years to 7 years. As a result of the change, the depreciation charge for the year decreased by US $ 1,703,000.

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Abandonment asset US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2008, net of accumulated depreciation:	20,755	7,629	315,047	20,927	4,534	169	25,187	394,248
Currency translation adjustment	(395)	—	(3,774)	41	(67)	—	(102)	(4,297)
Acquisition of subsidiaries during the year (note 3)	6,560	—	4,266	—	1,879	—	12	12,717
Additions made during the year	4,399	2,477	91590	14,146	2,909	—	23,972	139,493
Transfers from capital work in progress	—	—	13,906	128	3	—	(14,037)	—
Depreciation charge for the year	(877)	(2,052)	(54,026)	(5,605)	(2,538)	(85)	—	(65,183)
Disposals	(843)	(136)	(7,183)	(747)	(443)	—	(3,563)	(12,915)
Balance at 31 December 2008, net of accumulated depreciation	**29,599**	**7,918**	**359,826**	**28,890**	**6,277**	**84**	**31,469**	**464,063**
At 31 December 2008								
Cost	32,479	22,413	592,633	51,107	17,575	254	31,469	747,930
Accumulated depreciation	(2,880)	(14,495)	(232,807)	(22,217)	(11,298)	(170)	—	(283,867)
	29,599	**7,918**	**359,826**	**28,890**	**6,277**	**84**	**31,469**	**464,063**

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Abandonment asset US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2007, net of accumulated depreciation:	13,086	4,203	111,095	11,472	2,374	213	22,478	164,921
Currency translation adjustment	311	—	(7,044)	9	(163)	—	182	(6,705)
Acquisition of subsidiaries during the year	8,914	—	142,429	200	621	—	—	152,164
Additions made during the year	587	5,496	94,725	12,667	3,011	41	14,661	131,188
Transfers from capital work in progress	—	—	11,322	—	—	—	(11,322)	—
Depreciation charge for the year	(762)	(1,734)	(35,755)	(3,265)	(1,287)	(85)	—	(42,888)
Disposals	(1,381)	(336)	(1,725)	(156)	(22)	—	(812)	(4,432)
Balance at 31 December 2007, net of accumulated depreciation	20,755	7,629	315,047	20,927	4,534	169	25,187	394,248
At 31 December 2007								
Cost	25,159	21,086	454,500	40,061	12,469	415	25,187	578,877
Accumulated depreciation	(4,404)	(13,457)	(139,453)	(19,134)	(7,935)	(246)	—	(184,629)
	20,755	7,629	315,047	20,927	4,534	169	25,187	394,248

10 OIL AND GAS EXPLORATION AND PRODUCING ASSETS

	2008 US $ 000	2007 US $ 000
Balance at 1 January, net of accumulated depreciation	**156,767**	113,739
Additions during the year	**96,939**	56,525
Assets written off	**(7,201)**	—
Depreciation charge for the year (note 9.1)	**(24,623)**	(13,497)
Balance at 31 December 2008, net of accumulated depreciation	**221,882**	156,767
Oil and gas exploration and producing assets:		
At cost	**288,695**	198,957
Accumulated depreciation	**(66,813)**	(42,190)
Net carrying amount at 31 December	**221,882**	156,767

11 DEFERRED MINERAL PROSPECTS

	2008 US $ 000	2007 US $ 000
Balance at 1 January	**3,906**	3,250
Additions during the year	**1,919**	1,277
Amortisation charge for the year (note 9.1)	**(1,400)**	(621)
Net carrying amount at 31 December	**4,425**	3,906

12 INTANGIBLE ASSETS

	Goodwill US $ 000	Agency portfolio relationship and customer portfolio US $ 000	Participating interest in joint venture US $ 000	Signature bonus US $ 000	Other intangible assets US $ 000	Total US $ 000
Cost						
At 1 January 2008	18,669	6,000	—	—	9,323	33,992
Acquisition of a subsidiary (note 3)	269	1,079	—	—	—	1,348
Additions	—	—	1,743	6,550	192	8,485
Transfer	—	—	—	—	(9,000)	(9,000)
Currency translation adjustment	(28)	(113)	—	—	—	(141)
At 31 December 2008	**18,910**	**6,966**	**1,743**	**6,550**	**515**	**34,684**
Amortisation and impairment						
At 1 January 2008	—	1,200	—	—	147	1,347
Amortisation (note 9.1)	—	1,359	221	265	121	1,966
Currency translation adjustment	—	(17)	—	—	—	(17)
At 31 December 2008	**—**	**2,542**	**221**	**265**	**268**	**3,296**
Net book value						
At 31 December 2008	**18,910**	**4,424**	**1,522**	**6,285**	**247**	**31,388**
At 31 December 2007	18,669	4,800	—	—	176	32,645

Goodwill acquired through business combinations during the year (see note 3) has been allocated to machine building KMA as a cash generating unit.

Agency portfolio relationship and customer base

Intangible asset relating to agency portfolio relationships with customers and customer base is amortised over five years.

12 INTANGIBLE ASSETS (Continued)

Participating interest in a joint venture

Intangible asset relating to participating interest in a joint venture represents amount paid by group to acquire a 30% participating interest in the production and exploration concession in Area A in the Eastern Desert of Arab Republic of Egypt ("Area A").

Signature bonus

Intangible asset relating to signature bonus represents payments made by group under various productions sharing and service agreements. The group will amortise the intangible asset over the unit of production method on commencement of production.

Other intangible assets

Other intangible assets relate to computer software and are tested annually for impairment.

The group has performed its annual impairment testing over intangible assets and there have been no events or changes in circumstances to indicate that the carrying value of these may be impaired.

13 INVESTMENT IN ASSOCIATES

As of the balance sheet date, investments in associates are as follows:

	Notes	2008 Proportion held	2007 Proportion held
Ahli Bank SAOG	(i)	**15.21%**	14.66%
Al Madina Financial and Insurance Services Company SAOC	(ii)	**17.05%**	—
Al Madina Gulf Insurance Company SAOC	(ii)	**15.00%**	—
Biogenomics Limited	(iii)	**35.46%**	—
Flexible Industrial Packages Company SAOG (FIPCO)	(iv)	**45.55%**	45.01%
MB Oilfield Services (M) SDN.BHD. (MBOS)		**30.00%**	30.00%
Risk Management Services LLC	(v)	**33.33%**	33.33%
Smith International Oman LLC		**46.25%**	46.25%

(i) During the year, the group increased its holding in Ahli Bank from 14.66% to 15.21%. The group has significant influence over Ahli Bank SAOG due to its representations on the board of directors and participation in the policy making process of Ahli Bank SAOG. A related party holds 8.19% of the shares in the investment in its name in trust on behalf of the company.

(ii) During the year, the company obtained significant influence over Al Madina Financial and Insurance Services Company SAOC and Al Madina Gulf Insurance Company SAOC due to its representation on the board of directors and participation in the policy making process of these companies. These investments were earlier classified as available for sale.

(iii) During the year the group acquired 35.46% in Biogenomics Limited, a company incorporated in India and engaged in research and development in the field of medicine.

(iv) During the year, the group increased its holding in FIPCO from 45.01% to 45.55%. A related party holds 11.12% of shareholding in FIPCO in its name in trust on behalf of the company.

(v) A related party holds the associate investment in its name in trust on behalf of the company.

Impairment testing of investment in associates was carried out as required under IAS 28 and IAS 36 and the results showed no impairment.

13 INVESTMENT IN ASSOCIATES (Continued)

The following table illustrates summarised information of the investment in associates.

	2008 US $ 000	2007 US $ 000
Share of the associate's balance sheet:		
Current assets	**178,082**	100,580
Non-current assets	**31,547**	30,592
Current liabilities	**(158,409)**	(89,739)
Non-current liabilities	**(1,611)**	(6,955)
Net assets	**49,609**	34,478
Goodwill	**38,193**	31,849
	87,802	66,327
Share of the associate's income statement:		
Revenue	**16,197**	10,456
Profit	**4,546**	3,243

14 INVESTMENT SECURITIES

	Notes	2008 US $ 000	2007 US $ 000
Available for sale	a)	**12,068**	17,907
Fair value through profit or loss	b)	**9,018**	16,540
		21,086	34,447

a) Available-for-sale investments

	2008 US $ 000	2007 US $ 000
Unquoted investments	**12,068**	17,907

Unquoted investments amounting to US $ 4,803,000 (2007: US $ 11,980,000) are stated at cost. There is no practical means of reliably estimating the fair values of these investments.

Investments amounting to US $ 141,000 (2007: US $ 141,000) are held in trust by a related party on behalf of the group. The group has made a commitment towards further capital contributions to unquoted investments amounting to US $ 11,250,000 (2007: US $ 4,500,000).

b) Fair value through profit or loss investments

	2008 US $ 000	2007 US $ 000
Quoted investments	**9,018**	16,540

15 INVENTORIES

	2008 US $ 000	2007 US $ 000
Consumables	**46,650**	44,017
Goods for resale	**8,529**	4,797
Work in progress	**11,327**	5,415
Rig spares and materials	**3,035**	1,153
Goods in transit	**2,596**	5,988
	72,137	61,370

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008 US $ 000	2007 US $ 000
Trade accounts receivable	**108,973**	117,247
Less: allowance for impairment	**(1,167)**	(91)
Net trade accounts receivable	**107,806**	117,156
Accrued income	**22,347**	28,729
Prepaid expenses and other receivables	**21,260**	19,494
Advances to suppliers	**11,660**	8,515
Amounts due from related parties (note 31)	**15,916**	3,238
Tax receivables	**832**	1,626
	179,821	178,758

As at 31 December 2008, trade receivables of nominal value of US $ 1,167,000 (2007—US $ 91,000) were impaired. Movements in allowance for impairment of receivables were as follows:

	2008 US $ 000	2007 US $ 000
At 1 January	**91**	23
Charge for the year	**1,099**	68
Utilised/reversal	**(23)**	—
At 31 December	**1,167**	91

As at 31 December, the ageing of unimpaired trade receivables is as follows:

		Neither past due nor impaired	Past due but not impaired			
	Total US $ 000	US $ 000	< 30 days US $ 000	30-60 days US $ 000	60-90 days US $ 000	> 90 days US $ 000
2008	**107,806**	**77,818**	**12,945**	**6,841**	**4,305**	**5,897**
2007	117,156	84,588	16,354	6,988	4,280	4,946

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2008 US $ 000	2007 US $ 000
Bank balances and cash	**38,805**	39,103
Bank overdrafts	**(13,717)**	(7,782)
	25,088	31,321

Bank overdraft and other borrowings in the balance sheet comprise the following:

		2008 US $ 000	2007 US $ 000
Bills discounted	(i)	**31,140**	18,872
Bank overdrafts	(ii)	**13,717**	7,782
Loan against trust receipts		**199**	4,217
		45,056	30,871

(i) Funding under bills discounted are denominated in United States Dollars and are at an effective annual interest rate of Libor + 1.25% (2007—Libor + 1.25%). The funding is for a period of 60 days (2007—60 days) from the date of issue of the invoice to the customer.

(ii) Bank overdraft facilities carry interest at rates that vary with market movements.

18 ASSETS HELD FOR SALE

	2008 US $ 000	2007 US $ 000
Relating to MB Petroleum Deutschland GmbH (note 3)	**5,043**	—

19 SHARE CAPITAL

	Authorised, issued and fully paid	
	2008 US $ 000	2007 US $ 000
20,000,000 shares (2007—20,000,000 shares) of US $ 2.6 each	**52,015**	52,015

20 STATUTORY RESERVE

As required by the Commercial Company Law of Oman, 10% of the parent company profit of the year is required to be transferred to a statutory reserve until such time the reserve totals one third of the issued share capital of the parent company. The parent company has resolved to discontinue any further transfers to this reserve, as the reserve equals one third of the issued share capital. The reserve is not available for distribution.

21 TRANSLATION RESERVE

The accounting records of the following subsidiaries are maintained in foreign currencies:

Name	Country of Registration	Currency
MB Petroleum Deutschland GmbH	Germany	Euro
MBPS Malaysia SDN BHD	Malaysia	Malaysian Ringits
MB Century Holding Pty Limited	Australia	Australian Dollar
MB Informatics Private Limited	India	Indian Rupee
MB Petroleum Services Company Limited	Saudi Arabia	Saudi Rial

Exchange differences arising from income statement items (at annual average rate) and balance sheet items (at closing year end rate) have been included in the translation reserve in equity.

22 REVALUATION RESERVE

Revaluation reserve relates to acquisition of United Engineering Services, which was done in stages.

23 DIVIDENDS PAID

During the year, dividends of US $ 0.678 per share totalling to US $ 13,569,000 relating to 2008 (2007—nil) were declared and paid.

24 TERM LOANS

	2008 US $ 000	2007 US $ 000
Term loans—parent company	**145,857**	133,355
Terms loans—subsidiaries	**278,871**	183,582
	424,728	316,937
Less: current portion classified under current liabilities	**(166,300)**	(186,563)
	258,428	130,374

Parent company

Term loans to the Parent company are mainly denominated in United States Dollars or Rial Omani. The term loans' principal amounts are repayable in varying instalments, the final instalment being due on 31 March 2012. The term loans carry annual interest at LIBOR + plus commercial margin.

The term loans relating to parent are secured by the following:

- assignment of dividends receivable from a subsidiary
- registered mortgage over oilfield equipment and related assets of a subsidiary
- charge over investment in shares of a subsidiary, an associate and certain other investment securities.
- joint and several guarantees of the shareholders
- assignment of certain receivables of subsidiaries
- registered mortgage over two plots of land beneficially owned by the company but registered in the name of a shareholder, capital work in progress there on and an undertaking to assign rent of the buildings on completion
- corporate guarantee of various group companies

24 TERM LOANS (Continued)

Subsidiary companies

Subsidiary	Currency	Maturity	2008 US $ 000	2007 US $ 000
MB Petroleum Services LLC	RO and USD	November 2014	**150,753**	126,603
MB Petroleum Deutschland GmbH	Euro	September 2015	**19,701**	5,567
Crest Oil & Gas LLC	USD	October 2012	**19,166**	24,261
Petrogas E&P Group	USD	July 2013	**56,884**	11,367
Cameron Services Middle East LLC	USD	December 2012	**2,061**	—
National Mining Company LLC	USD	July 2011	**7,955**	15,784
United Engineering Services LLC	RO	June 2012	**6,842**	—
MB Century Drilling Pte Ltd	USD	June 2009	**15,509**	—
			278,871	183,582

All of term loans to Subsidiaries carry annual interest at variable commercial rates. As of year end, MB Century Drilling Pty Limited was in default of certain loan covenants with its banker. The shareholders of MB Century Drilling Pty Limited are seeking to replace its bankers as financier of the business with funding provided by the minority shareholder.

The loans relating to the subsidiary companies are secured by:

- Undertaking to mortgage land and building beneficially owned by subsidiary but registered in the name of a shareholder
- Certain personal properties of the chairman
- Joint registration of certain rigs
- Joint and several personal guarantees of the shareholders
- Assignment of insurance on equipment
- Proportionate assignment of contract revenue and receivables
- Pledge of certain investment securities and equipment used in operations
- Corporate guarantee of MB Holding Company LLC
- Certain trade receivables in Germany
- Guarantee of a commercial bank in Oman

The maturities of the group's undiscounted term loans at 31 December 2008, based on contractual payment dates and current market interest rates are disclosed in note 35. Loan instalments due within one year are disclosed as a current liability.

25 GOVERNMENT GRANTS

Certain subsidiaries of the group have received Government grants relating to the acquisition of assets. The details are set out below:

	2008 US $ 000	2007 US $ 000
At 1 January	**511**	—
Received during the year	**1,133**	524
Relating to acquisition of subsidiary (note 3)	**462**	—
Released to income statement	**(83)**	(13)
Currency translation adjustment	**(66)**	—
At 31 December	**1,957**	511
Disclosed as:		
Non current portion	**1,731**	457
Current portion	**226**	54
	1,957	511

26 EMPLOYEES' END OF SERVICE BENEFITS

	2008 US $ 000	2007 US $ 000
Movements in the liability recognised in the balance sheet are as follows:		
Liability at beginning of the year	**5,388**	3,153
Relating to acquisition of subsidiary	**—**	1,524
Transfers	**—**	(499)
Provided during the year	**2,596**	1,948
End of service benefits paid	**(870)**	(738)
Liability at the end of the year	**7,114**	5,388

27 ABANDONMENT COST PROVISION

	2008 US $ 000	2007 US $ 000
Movement in abandonment costs provision recognised in balance sheet is as follows:		
Balance as at 1 January	**5,648**	4,767
Provided during the year	**674**	881
Unwinding of discount	**407**	—
Balance as at 31 December	**6,729**	5,648

Abandonment costs provisions have been recognised by certain subsidiaries and are expected to be incurred during periods ranging from 2010 to 2028. The provision have been estimated using existing technologies, at current prices and discounted using a discount rate of 7 to 7.5% (2007: 7 to 7.5%).

28 ACCOUNTS PAYABLE AND ACCRUALS

	2008 US $ 000	2007 US $ 000
Accrued expenses and other payables	**61,431**	53,044
Trade accounts payable	**93,726**	59,853
Amounts due to related parties (note 31)	**14,964**	28,596
Other payables	**45,020**	77,566
	215,141	219,059
Less: non current portion of other payables	**(1,037)**	(10,066)
	214,104	208,993

29 SHORT TERM LOANS

Short term loans are mainly denominated in US Dollars and are secured by a personal guarantee of the chairman and a director of the company, corporate guarantees of group companies and charge over certain investment securities. They carry interest at commercial rates and have maturity periods ranging between 2 to 6 months from the date of drawdown.

30 COMMITMENTS

Investment commitments

The group's commitments towards its investments are set out in note 14.

	2008 US $ 000	2007 US $ 000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Plant and equipment	**37,015**	46,029

All of the above commitments are expected to be settled within one year.

Operating lease commitments

	2008 US $ 000	2007 US $ 000
Future minimum lease payments:		
Not later than one year	**6,043**	968
Later than one year but not later than five years	**12,544**	2,010
More than five years	**2,655**	809
Aggregate operating lease expenditure contracted for at the balance sheet date	**21,242**	3,787

Purchase commitments

At 31 December 2008, the value of outstanding purchase commitments amounted to US $ 33,837,000 (2007: US $ 23,789,000).

Other commitments

- As per its mineral exploration license agreements with the Ministry of Commerce and Industry a subsidiary of the group has committed to spend a minimum of US $ 260,000 (2007: US $ 260,000) on exploration activities by 12 July 2009.

30 COMMITMENTS (Continued)

- In accordance with the terms of a farm out agreement with Maersk Oil, a subsidiary of the group has committed to incur expenditure of $ 5,000,000 on completing the drilling of 2 wells before 21 June 2011. As at 31 December 2008 an amount of $ 3,646,688 has been spent towards this commitment.

31 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the financial statements are as follows:

	2008		2007	
	Sales US $ 000	Purchases US $ 000	Sales US $ 000	Purchases US $ 000
Other related parties	**23,578**	**41,532**	23,968	27,073

Balances with related parties included in the balance sheet are as follows:

	2008		2007	
	Receivables US $ 000	Trade payables US $ 000	Receivables US $ 000	Trade payables US $ 000
Shareholders	**5,096**	**239**	49	4,822
Other related parties	**10,820**	**14,725**	3,189	23,774
	15,916	**14,964**	3,238	28,596

Amounts due from and due to related parties are disclosed in notes 16 and 28.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2008 US $ 000	2007 US $ 000
Short-term benefits	**5,639**	3,226
Employees' end of service benefits	**858**	329
	6,497	3,555

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2008, the group has not recorded any impairment of amounts owed by related parties (2007: nil).

32 CONTINGENT LIABILITIES

(i) At 31 December 2008 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 30,458,000 (2007—US $ 26,635,000).

(ii) The group has provided a corporate guarantee on a loan from a commercial bank to a shareholder amounting to US $ 9,852,000 (2007: US $ 11,842,000). The loan is denominated in US Dollar and is repayable in 20 quarterly installments commencing from 30 June 2006. The group does not anticipate any material liability to arise from the guarantee.

32 CONTINGENT LIABILITIES (Continued)

(iii) A dispute has arisen regarding cost escalations of a contract. The group's share of the contractor's claim towards the cost escalation amounts to US $ 2,600,000 (2007—US $ 657,712). Management considers the amount claimed to be unfounded as they contend that the variation to the contract is not valid. At this stage, management is unable to determine with reasonable accuracy the ultimate settlement amount, if any, which may arise from the contractor's claim and no provision for any liability that may result has been recorded in these consolidated financial statements.

33 NET PROVED OIL RESERVE QUANTITIES

The group's subsidiaries Petrogas LLC and Mazoon Petrogas SAOC have the following net proved oil reserve quantities as of 31 December 2008:

	2008 Thousand barrels	**2007 Thousand barrels**
Net proved reserves at 1 January:		
Proved developed reserves	**11,428**	14,324
Proved undeveloped reserves	**23,451**	24,593
	34,879	38,917
Changes during the year:		
Revisions of previous estimates—developed reserves	**2,882**	1,194
Revisions of previous estimates—undeveloped reserves	**1,800**	(399)
Transfer to developed reserves	**5,924**	(935)
Transfer from undeveloped reserves	**—**	(740)
Production	**(3,324)**	(3,158)
	42,161	34,879
Net proved reserves at 31 December:		
Proved developed reserves	**16,910**	11,425
Proved undeveloped reserves	**25,251**	23,454
	42,161	34,879

The total group reserves produced will be shared between the Government of the Sultanate of Oman and the group's subsidiaries in accordance with their respective petroleum agreements.

34 JOINT VENTURES ARRANGEMENTS

	Country of registration	**Notes**	**2008 Proportion held**	**2007 Proportion held**
Daleel Petroleum Company LLC	Oman	(i)	**50%**	50%
Rima Satellites Small Fields Joint Venture	Oman	(ii)	**30%**	—
Maersk Oil Oman BV Joint Venture	Oman	(iii)	**50%**	—
Kuwait Energy Company Joint Venture	Egypt	(iv)	**30%**	—
Indian Joint Ventures	India	(v)	**20%**	20%

(i) Daleel Petroleum Company LLC, is engaged in the operation and management of oil and gas exploration and production activities of Block 5 in the Sultanate of Oman.

(ii) During the year the Group established the Rima Satellites Small Fields Joint Venture, which is engaged in the operation and management of oil and gas exploration and production activities of Rima Satellites Small Fields in the Sultanate of Oman. The Group is operator of the fields on behalf of the Joint Venture

(iii) Maersk Oil Oman BV Joint Venture is engaged in the exploration and exploitation of petroleum in Blocks 45 and 48 in the Sultanate of Oman.

34 JOINT VENTURES ARRANGEMENTS (Continued)

(iv) During the year the Group acquired a 30% participating interest in "Area A" block in Egypt ("Area A") which comprises two concessions and four development leases situated onshore along the western block at Gulf of Suez, Egypt. Kuwait Energy Company is the operator of the block with a 70% participating interest. The nature of the participating interest is a service contract with GPC Egypt whereby the Joint Venture is paid a service fee against increased production above a designated base line.

(v) The group has 20% participating interests in three blocks in India, namely "MB-OSN-2004/2" (as operator) and blocks "KG-ONN-2004/2 × MB-OSN-2004/1". The other partners are GAIL (India) Limited, Hindustan Petroleum Corporation Ltd, Gujarat State Petroleum Corporation and Indian Oil Corporation.

The group's share of the assets, liabilities, revenue and expenses from its joint ventures, as at 31 December and for the years then ended are as follows:

	2008 US $	2007 US $
Current assets	**17,154,073**	7,422,925
Current liabilities	**26,804,284**	6,891,209
Net profit	**(14,943,188)**	67,265

35 RISK MANAGEMENT

The group's principal financial liabilities comprise term loans, bank overdrafts and other borrowings and accounts payables and accruals. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as investment in associates, available-for-sale investments, fair value through profit or loss investments, bank balances and accounts receivables and prepayments, which arise directly from its operations.

The main risks arising from the group's financial instruments are cash flow interest rate risk, commodity price risk, credit risk, equity price risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and loans).The interest rate sensitivity position in respect of the term loans of the group is based on the contractual repricing of the loans or the date of final repayment, whichever is earlier.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2008.

	Increase/decrease in basis points	Effect on profit for the year US $ 000
2008		
US $	**+15**	**(592)**
US $	**−10**	**395**
2007		
US $	+15	(490)
US $	−10	326

35 RISK MANAGEMENT (Continued)

Commodity price risk

The following table demonstrates the sensitivity of the commodity prices (copper) to possible changes in trade receivables, with all other variables held constant. The effect of decreases in commodity prices is expected to be equal and opposite to the effect of the increases shown:

	Change in commodity price	Effect on Receivables US $ 000
2008		
Copper	+10%	576
2007		
Copper	+10%	651

Credit risk

The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The group sells its products and services to a number of oil companies in the countries in which it operates. One customer (2007—one customer) accounts for 13% (2007—13%) of trade accounts receivable outstanding as of 31 December 2008. As this exposure is with a quasi -Government entity, management expects the credit risk to be minimal.

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.Credit risk is limited to the carrying values of financial assets in the balance sheet.

With respect to credit risk arising from the other financial assets of the group, including cash and cash equivalents, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market. Equity price risk arises from financial assets designated as available-for-sale investments and fair value through profit or loss investments. The group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition the group monitors actively the key factors that effect stock market movements. A significant portion of the company's investments at the balance sheet date are within the Sultanate of Oman (2007—same position).

The following tables demonstrates the sensitivity of the cumulative changes in fair value to a 5% change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Effect on cumulative changes in fair value of available for sale investments	Change in equity price 2008 US $ 000	Effect on equity 2008 US $ 000	Change in equity price 2007 US $ 000	Effect on equity 2007 US $ 000
Unquoted	**+5%**	**363**	+5%	324

35 RISK MANAGEMENT (Continued)

Effect on gain in fair value of fair value through profit or loss investments	Change in equity price 2008 US $ 000	Effect on profit 2008 US $ 000	Change in equity price 2007 US $ 000	Effect on Profit 2007 US $ 000
MSM	**+5%**	**451**	+5%	327
Other quoted	**+5%**	**36**	+5%	500

Currency risk

Certain of the group's term loans, trade accounts and notes payable are denominated in United States Dollars, Australian Dollars and Euros.

Trade accounts receivable includes an amount of US $ 23,497,000 (2007—US $ 44,356,000) due in foreign currencies, mainly United States Dollars. As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal. Receivables in other currencies mainly in Euro are not significant.

Trade accounts payable include an amount of US $ 6,936,000 (2007—US $ 19,709,000) due in foreign currencies, mainly United States Dollars. Payables in other currencies mainly in Euro are not significant.

The table below indicates the group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the US Dollars (USD) against the Australian Dollar (AUD), with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/decrease in AUD rate to the USD	Effect on profit before tax US $ 000
2008	**+5%**	**810**
	−5%	**(810)**
2007	+5%	969
	−5%	(969)

Liquidity risk

The group limits its liquidity risk by ensuring bank facilities are available. The group's terms of sales require trade accounts receivable amounts to be paid within 45 to 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarises the maturities of the group's undiscounted financial liabilities at 31 December 2008, based on contractual payment dates and current market interest rates.

Year ended 31 December 2008	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 years US $ 000	> 5 years US $ 000	Total US $ 000
Term loans	71,815	97,687	257,336	3,945	430,783
Accounts payables and accruals	150,713	62,462	929	—	214,104
Bank overdrafts and borrowings	45,056	—	—	—	45,056
Income tax payable	—	4,446	2,484	—	6,930
Short term loans	5,771	3,707	—	—	9,478
Other payables			1,037	—	1,037
Finance leases	463	1,611	1,108	1,183	4,365
Total	273,818	169,913	262,894	5,128	711,753

35 RISK MANAGEMENT (Continued)

Year ended 31 December 2007	Less than 3 months US $ 000	3 to 12 months US $ 000	1 to 5 years US $ 000	> 5 years US $ 000	Total US $ 000
Term loans	89,120	97,882	129,913	—	316,915
Accounts payables and accruals	150,279	58,434	280	—	208,993
Bank overdrafts and borrowings	30,871	—	—	—	30,871
Income tax payable	3	3,397	—	—	3,400
Short term loans	27,500	910	—	—	28,410
Other payables	—	—	10,066	—	10,066
Finance leases	348	1,802	1,521	—	3,671
Total	298,121	162,425	141,780	—	602,326

Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of bank overdrafts, term loans, obligations under finance leases and payables.

Investments in associates include quoted equity investments of Ahli Bank SAOG and Flexible Industrial Packages SAOG. The table below shows the market value based on closing prices as at 31 December 2008 and carrying value of these investments.

	2008 RO	2007 RO
Market value	**42,138**	72,223
Carrying value	**69,060**	63,344

The fair values of other financial instruments, with the exception of certain available-for-sale investments carried at cost (see note 14), are not materially different from their carrying values.

37 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

37 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

At the balance sheet date, gross trade accounts receivable were US $ 107,806,000 (2007: US $ 117,156,000) and the provision for doubtful debts was US $ 1,167,000 (2007: US $ 91,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, consumables were US $ 46,650,000 (2007: US $ 44,017,000) and goods for resale were US $ 8,529,000 (2007: US $ 4,797,000), with provisions for old and obsolete inventories of US $ 2,756,000 (2007: US $ 3,038,000) and nil respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Abandonment provision

Estimated abandonment and restoration costs for oil production activities are based on current requirements, technology and price levels and discounted using real discount rates. The estimated discounted ultimate liability for the asset retirement obligation is recognised in the period in which it is incurred.

At the balance sheet date the undiscounted abandonment provision amounted to US $ 18,538,500 (2007—US $ 16,462,000) which after discounting amounted to US $ 6,729,000 (2007—US $ 5,648,000). The amount recognised in the income statement as of 31 December 2008 was US $ 1,081,000 (2007—US $ 822,000).

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of equity investments

The group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment, which is critically evaluated by the group on a case to case basis.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives of equipment

The group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset

37 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

38 COMPARATIVE AMOUNTS

Certain of the corresponding figures for 2007 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.

MB Holding Company LLC and its subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MB HOLDING COMPANY LLC AND ITS SUBSIDIARIES

We have audited the accompanying financial statements of MB Holding Company LLC and its subsidiaries ("the group") which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

29 April 2008
Muscat

MB Holding Company LLC and its subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 US $ 000	2006 US $ 000
Revenue	4	**640,859**	406,422
Cost of sales		**(482,699)**	(343,225)
GROSS PROFIT		**158,160**	63,197
Investment income	5	**8,109**	4,282
Other operating income		**5,346**	2,333
General and administration expenses		**(30,791)**	(21,747)
Finance costs	6	**(20,007)**	(10,533)
Depreciation and amortisation charges		**(2,642)**	(3,829)
Abandonment cost provision	25	**(881)**	(829)
Share in results of associates	13	**3,243**	4,683
Negative goodwill/(impairment of goodwill)	3	**10,140**	(164)
PROFIT BEFORE TAX		**130,677**	37,393
Income tax expense	7	**(5,811)**	(1,399)
PROFIT FOR THE YEAR	8	**124,866**	35,994
Profit attributable to:			
Equity holders of the parent		**122,952**	35,044
Minority interests		**1,914**	950
		124,866	35,994
Basic and diluted earnings per share (US $)		**6.24**	1.75

The attached notes 1 to 36 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 US $ 000	2006 US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**422,675**	170,549
Oil and gas exploration and producing assets	10	**128,340**	108,112
Deferred mineral prospects	11	**3,906**	3,250
Intangible assets	12	**23,645**	1,191
Investment in associates	13	**66,327**	17,710
Investment securities	14	**34,447**	52,993
Investment towards a joint venture	15	**9,000**	—
Due from related parties		**—**	3,596
Deferred tax assets	7	**2,524**	—
		690,864	357,401
Current assets			
Inventories	16	**61,370**	23,530
Accounts receivable and prepayments	17	**178,758**	84,205
Bank balances and cash	18	**39,103**	17,897
		279,231	125,632
TOTAL ASSETS		**970,095**	483,033
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**52,015**	52,015
Statutory reserve	20	**17,339**	17,339
Translation reserve	21	**(2,515)**	305
Cumulative changes in fair value		**900**	—
Revaluation reserve		**3,474**	—
Retained earnings		**219,564**	97,271
		290,777	166,930
Minority interests		**59,757**	1,778
Total equity		**350,534**	168,708
Non-current liabilities			
Term loans	22	**130,374**	111,362
Loan from a shareholder		**—**	653
Deferred tax liability	7	**9,337**	113
Government grant	23	**457**	—
Employees' end of service benefits	24	**5,388**	3,153
Abandonment cost provision	25	**5,648**	4,767
Other payables	26	**10,066**	—
		161,270	120,048
Current liabilities			
Accounts payable and accruals	26	**208,993**	108,141
Bank overdrafts and other borrowings	18	**30,871**	13,477
Short term loans	27	**28,410**	20,357
Term loans	22	**186,563**	51,576
Income tax payable	7	**3,400**	726
Government grant	23	**54**	—
		458,291	194,277
Total liabilities		**619,561**	314,325
TOTAL EQUITY AND LIABILITIES		**970,095**	483,033

The financial statements were authorised for issue in accordance with a resolution of the directors on 29 April 2008.

Chairman

The attached notes 1 to 36 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 US $ 000	2006 US $ 000
OPERATING ACTIVITIES			
Profit before tax		**130,677**	37,393
Adjustments for:			
Depreciation and amortisation charges	9	**58,319**	33,549
Profit on sale of property, plant and equipment		**(1,462)**	—
Net gains on investments classified as fair value through profit or loss	5	**(6,392)**	(2,232)
Accrual for employees' end of service benefits	24	**1,948**	1,304
Abandonment costs provision	25	**881**	829
Interest and dividend income		**(1,717)**	(2,050)
Share in results of associates	13	**(3,243)**	(4,683)
Interest expense		**20,007**	9,859
Negative goodwill/impairment of goodwill		**(10,140)**	164
Release of Government grants		**(13)**	—
		188,865	74,133
Working capital changes:			
Inventories		**(22,238)**	(8,502)
Receivables		**(83,489)**	(30,033)
Payables		**37,229**	25,815
Cash from operations		**120,367**	61,413
Employees' end of service benefits paid	24	**(738)**	(891)
Taxation refund/(paid)		**901**	(901)
Net cash from operating activities		**120,530**	59,621
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	3	**(44,523)**	(1,741)
Purchase of property, plant and equipment		**(155,374)**	(111,933)
Proceeds from sale of property, plant and equipment and gas exploration and producing assets		**5,892**	1,062
Additions to oil and gas exploration and producing assets	10	**(31,443)**	(23,406)
Additions to deferred mineral prospects	11	**(1,277)**	(950)
Purchase of intangibles		**(22)**	(260)
Purchase of investment in associates		**(55,692)**	(4,439)
Purchase of investment securities		**(20,989)**	(53,144)
Proceeds from sale of investments securities		**42,637**	24,667
Dividend from associates		**3,986**	6,484
Interest and dividend income		**1,717**	2,050
Net funding to related parties (long term)		**(653)**	—
Receipt of Government grants		**524**	—
Advance towards a joint venture		**(9,000)**	—
Net cash used in investing activities		**(264,217)**	(161,610)
FINANCING ACTIVITIES			
New term loans		**221,590**	108,578
Repayment of term loans		**(67,591)**	(53,341)
Net movement in short term loan		**8,053**	16,021
Due from related parties		**3,596**	(3,596)
Net movement in bank borrowings		**12,578**	8,032
Interest paid		**(17,952)**	(9,859)
Dividend paid		**(495)**	(20,286)
Net cash from financing activities		**159,779**	45,549
Translation difference		**298**	(349)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**16,390**	(56,789)
Cash and cash equivalents at the beginning of the year		**14,931**	71,720
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	**31,321**	14,931

The attached notes 1 to 36 form part of these consolidated financial statements.

MB Holding Company LLC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to equity holders of the parent									
	Share capital US $ 000	Proposed increase in share capital US $ 000	Statutory reserve US $ 000	Translation reserve US $ 000	Cumulative changes in fair value US $ 000	Revaluation reserve US $ 000	Retained earnings US $ 000	Total US $ 000	Minority interests US $ 000	Total US $ 000
At 1 January 2006	31,209	20,806	17,339	15	—	—	82,513	151,882	—	151,882
Currency translation difference	—	—	—	290	—	—	—	290	14	304
Profit for the year	—	—	—	—	—	—	35,044	35,044	950	35,994
Total income and expense for the year	—	—	—	290	—	—	35,044	35,334	964	36,298
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	814	814
Increase in share capital	20,806	(20,806)	—	—	—	—	—	—	—	—
Dividend paid	—	—	—	—	—	—	(20,286)	(20,286)	—	(20,286)
Balance at 31 December 2006	52,015	—	17,339	305	—	—	97,271	166,930	1,778	168,708
Adjustment on reclassification of investments (notes 3 and 13)	—	—	—	—	—	—	(659)	(659)	—	(659)
Net unrealised gains on available for sale investment	—	—	—	—	900	—	—	900	—	900
Currency translation difference (note 21)	—	—	—	(2,820)	—	—	—	(2,820)	(3,096)	(5,916)
Profit for the year	—			—	—	—	122,952	122,952	1,914	124,866
Total income and expense for the year	—	—	—	(2,820)	900	—	122,293	120,373	(1,182)	119,191
Acquisition of a subsidiary (note 3)	—	—	—	—	—	—	—	—	59,656	59,656
Asset revaluation surplus arising on acquisition of a subsidiary in stages	—	—	—	—	—	3,474	—	3,474	—	3,474
Dividends paid by subsidiaries	—	—	—	—	—	—			(495)	(495)
Balance at 31 December 2007	**52,015**	**—**	**17,339**	**(2,515)**	**900**	**3,474**	**219,564**	**290,777**	**59,757**	**350,534**

The attached notes 1 to 36 form part of these consolidated financial statements

1 ACTIVITIES

MB Holding Company LLC (the company) and its subsidiaries (the group) conduct oil, gas and mining exploration and development activities through production sharing and mineral exploration licence agreements. In addition the group owns and operates oil well drilling and service equipment and rigs, provides oilfield and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry. The group also invests in financial securities. The group operates in fifteen countries and its registered head office address is at PO Box 695, CPO Seeb, Postal Code 111, Sultanate of Oman.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Commercial Companies Law of the Sultanate of Oman.

The group comprises operations with a number of functional currencies. Management uses US Dollars for controlling and maintaining the performance and financial position of the group accordingly the consolidated financial statements are presented in US Dollars. All values are rounded to the nearest thousand (US $ 000) except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of investments classified as available for sale and fair value through profit or loss.

Basis of consolidation

The consolidated financial statements comprise those of MB Holding Company LLC and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Changes in accounting policies

The accounting polices adopted are consistent with those of previous year except as follows:

The group has adopted the following new or amended IFRS during the year. Adoption of these standards did not have any effect on the group's financial performance or position. They did however give rise to additional disclosures:

IFRS 7—Financial Instruments: Disclosures
IAS 1—Amendment—Presentation of Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the consolidated financial statements to evaluate the significance of the group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

Amendments to IAS 1—Presentation of Financial Statements

This amendment requires the group to make new disclosures to enable users of the consolidated financial statements to evaluate the group's objectives, policies and processes for managing capital. These new disclosures are included in note 33.

New Standards and Interpretations issues but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) but are not mandatory for these consolidated financial statements:

- IAS 1—Presentation of financial statements (Revised) (effective for annual periods commencing 1 January 2009). The application of IAS 1 (Revised) will result in amendments to the presentation of the financial statements.
- IFRS 8 Operating Segments was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the group discloses information about its operating segments.

The significant accounting policies adopted by the group are as follows:

Business combinations and goodwill

Business combinations are accounted for using the purchase method.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the group's primary or the group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Sales are recognised when the significant risks and rewards of ownership of the goods have passed or services have been rendered to the buyer and the amount of revenue can be measured reliably. Oil sales represent the gross invoiced value of crude oil sold during the year.

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date. For copper concentrates, which are sold for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for treatment and refining charges. Revenue includes revenues from the sale of by-products. Copper concentrate sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average London Metal Exchange ("LME") copper price for specified future periods or a fixed price agreed between the parties. Specified future periods normally range from 30 to 120 days after delivery to the customer.

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date. Stage of completion is measured by reference to labour hours incurred to the date as a percentage of total estimated labour hours for each contract.

Dividend income is recognised when the right to receive payment is established.

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Commission income earned is accounted for when entitlement to receive commission is established.

Government entitlement

Government entitlement represents reimbursement to Governments of their entitlement under petroleum agreements, of oil production sold by the group and is included in cost of sales.

Taxation

Taxation is provided for based on relevant tax laws of the respective countries in which the group operates.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

• Freehold buildings	16⅔ to 40 years
• Portacabins and plant and machinery	2 to 15 years
• Rigs and allied equipment	5 and 10 years
• Vehicles	3 to 6⅔ years
• Furniture, fixtures and office equipment	3 to 6⅔ years
• Laboratory equipment	4 to 6⅔ years

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Oil and gas exploration and producing assets

The group conducts oil and gas exploration and development activities under production sharing agreements which entitle it to a contractual portion of the oil and gas production to reimburse its operating, exploration and development costs (cost oil). In addition the group is entitled to share a portion of the net oil and gas production subject to the terms of the agreement (profit oil). Exploration and development costs incurred under these agreements are accounted for by applying the successful efforts method of accounting as described below:

— Exploration costs

Geological and geophysical costs are expensed in the year incurred. Drilling in progress and completed wells where reserves are discovered in commercial quantities are capitalised. Costs of exploratory drilling that have not resulted in discoveries of reserves in commercial quantities are expensed.

— Fields under development and in production

Development costs that relate to the acquisition and installation of production facilities, development drilling costs and applicable exploration costs are capitalised.

Oil and gas producing assets are depreciated using the unit-of-production method by field.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred mineral prospects

The group conducts mineral exploration and development activities under its mineral exploration licence agreements. Exploration, evaluation and development costs incurred under these agreements are accumulated in respect of each separate area of interest. These costs are carried forward as an asset where the right of tenure of the area of interest is current, provided one of the following conditions is met:

- such costs are expected to be recouped through the sale or successful development and exploitation of the area of interest, or
- exploration activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise, of recoverable mineral resources, and active and significant operations in relation to the area are continuing

Exploration expenditure failing to meet at least one of the above conditions is written off.

Deferred mineral prospects expenditure is not depreciated until production commences. Producing assets are amortised on a unit of production basis over the life of the economically recoverable reserves of the area of interest.

Intangible assets and amortisation

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Investments in associates

The group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The associates' accounting policies conform to those used by the group for like transactions and events in similar circumstances.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments carried at fair value through profit or loss

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gain and loss are recognised in the income statement.

Available for sale

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition the cumulative gain or loss or on impairment the cumulative loss previously reported in equity is included in the income statement for the period.

Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spares, consumables and goods for resale	purchase cost on a first-in first-out basis.
Broken ore stockpile	broken ore stockpiles are valued at average cost per tonne plus the moving cost of mining and stockpiling the ore. Average cost per tonne is derived from the annual excavation costs and total ore tonnage mined
Work in progress	percentage completion basis

Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Accounts receivable

Accounts receivable are stated at original invoice value less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Cash Flows Statement, cash and cash equivalents consists of cash and bank balances, net of outstanding bank overdrafts, and bank deposits with original maturities of three months or less.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

Term loans

Term loans are carried on the balance sheet at their principal amount. Instalments due within one year are shown as a current liability. Interest is charged as an expense as it accrues with unpaid amounts included in "accounts payable and accruals". Interest is calculated using the effective interest method.

Employees' end of service benefits

The group provides staff terminal benefits to its employees under the laws of the country in which they are employed. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Group companies registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The group's obligations are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The group accrues for estimated abandonment and site restoration costs of oil exploration and producing properties on a unit of production basis.

Leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Joint ventures

The group's subsidiary, Mazoon Petrogas SAOC has an interest in a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The subsidiary recognises its interest in the joint venture using proportionate consolidation. The subsidiary combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies.

Foreign currencies

The consolidated financial statements of the group are prepared in Rial Omani which is the group's functional currency and presented in US Dollars.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the consolidated financial statements (the Rial Omani) at the rate of exchange ruling at the balance sheet date and, its income statement is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a foreign currency

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

translation reserve in equity. The consolidated financial statements are presented in the US Dollars at an exchange rate of 2.6 US Dollars to each Rial Omani.

On disposal of foreign operations, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted foreign investments. Such investments are measured at cost.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Trade and settlement date accounting

All regular way purchases or sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase or sell the asset.

Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the group's accounting policies, management has makes judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements. Further details are given in note 36.

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATION

The consolidated financial statements incorporate the financial statements of the following companies in which the group has the following controlling interest:

Name	Type	Country of registration	2007	2006
Cameron services Middle East LLC[(i)]	Limited liability company	Oman	**51%**	51%
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
Mazoon Petrogas SAOC	Joint stock (closed) company	Oman	**100%**	100%
MB Petroleum Services LLC	Limited liability company	Oman	**100%**	100%
National Mining Company LLC	Limited liability company	Oman	**100%**	100%
Petrogas E&P LLC	Limited liability company	Oman	**100%**	100%
Petrogas LLC	Limited liability company	Oman	**100%**	100%
Erdöl-Erdgas Workover GmbH & Co. KG	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover Verwaltungs GmbH	Limited liability company	Germany	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
MBPS Malaysia SDN BHD	Limited liability company	Malaysia	**75%**	75%
MB Overseas Limited	Limited liability company	British Virgin Island	**100%**	100%
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
United Engineering Services LLC[(ii)]	Limited liability company	Oman	**100%**	46%
MB Informatics Private Limited[(iii)]	Limited liability company	India	**100%**	—
MB Century Holding Pte Ltd[(iv)]	Limited liability company	Singapore	**100%**	—
MB Century Holding Pty Limited[(v)]	Limited liability company	Australia	**51%**	—
Century Resource Services Limited[(v)]	Limited liability company	Australia	**51%**	—
PT Century Dinamik Drilling[(v)]	Limited liability company	Indonesia	**51%**	—
Century Energy Services Pty Limited[(v)]	Limited liability company	Australia	**51%**	—
Century Resources International Pty Limited[(v)]	Limited liability company	Australia	**51%**	—
Century Drilling & Energy Services Limited[(v)]	Limited liability company	New Zealand	**51%**	—
MB Petroleum Services Company Limited[(vi)]	Limited liability company	Saudi Arabia	**100%**	—

(i) A related party and a shareholder hold the investments in their name in trust on behalf of the parent company.

(ii) Effective 1 October 2004, the group acquired a 46.25% shareholding in United Engineering Services LLC (UES), a Limited Liability Company registered and incorporated in the Sultanate of Oman, at a purchase consideration of US $ 13,050,715. UES is engaged in providing engineering services to the oil, gas and water industries. Effective 1 January 2007, the group acquired the remaining 53.75% holding in UES at a purchase consideration of US $ 16,654,800 thereby increasing its shareholding in UES to 100%. Accordingly with effect from 1 January 2007, the group converted its investment in UES from an associate to a subsidiary.

In accordance with the above shareholders' sale and purchase agreement, the shareholders transferred the assets and liabilities of the drilling division of UES to a new company (Smith International Oman LLC—see note 13 (iv)) at their carrying values. The new company established effective 1 June 2007 is 46.25% owned by the group. Profit earned by the division from 1 January 2007 to 31 May 2007 was shared in the ratio of ownership of the new company and included in "share in results of associates" in the consolidated income statement

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATION (Continued)

(iii) During the year, the group as a founding shareholder established MB Informatics Private Limited, a company registered in India and engaged in providing services by establishing and maintaining knowledge process outsource units.

(iv) During the year, the group as founding shareholder established MB Century Holding Pte Ltd (MBCH), a company registered in Singapore engaged in investment activities.

(v) Effective 1 November 2007, the group acquired 51% of the voting shares of MB Century Holding Pty Limited and its subsidiaries, a group with its parent company registered in Australia. The shares were acquired for a total consideration of US $ 51,949,649. Negative goodwill arising on acquisition amounting to US $ 10,140,771 has been taken to the income statement in the current year. In accordance with the sale and purchase agreement the group has an option to acquire the remaining 49% in these companies by January 2011. Further the seller has provided a minimum earnings before interest and tax warrant to the group for the next three years.

(vi) During the year, the group as founding shareholder established MB Petroleum Services Company Limited, a company registered in Saudi Arabia engaged in drilling and allied operations.

The fair value of the identifiable assets and liabilities of the subsidiaries acquired during the current year as at the date of acquisitions are:

	UES Acquisition as of 1 October 2004 US $ 000	UES Acquisition as of 1 January 2007 US $ 000	UES Total US $ 000	MB Century US $ 000
Property, plant and equipment (note 9)	2,263	10,088		142,076
Investment securities	987	—		
Inventories	2,633	3,801		12,418
Accounts receivable and prepayments	7,635	14,323		39,408
Deferred tax assets	—	36		3,227
Bank balances and cash	1,510	1,671		2,752
	15,028	29,919		199,881
Employees' benefits	(1,491)	(1,408)		(116)
Accounts payable and accruals	(10,875)	(13,356)		(69,400)
Other liabilities	—	(4,524)		
Income tax payable	(699)	(1,169)		
Deferred tax liability (note 7)	(11)	—		(8,619)
	(13,076)	(20,457)		(78,135)
Net assets (liabilities)	1,952	9,462		121,746
Group's share in net assets (liabilities)	903	5,086	5,989	62,090
Less: purchase consideration	13,051	16,676	29,727	51,950
Excess of purchase consideration over the group's share in net assets	12,148	11,590	23,738	(10,140)
Represents:				
Intangible asset (note 12)	—	6,000	6,000	—
Goodwill arising on acquisition (note 12)	12,148	5,590	17,738	—
Negative goodwill arising on acquisition released to income statement	—	—	—	(10,140)
Details regarding cash outflow on acquisition are set out below :				
Cash paid			16,676	32,270
Net cash acquired from the subsidiaries			1,671	2,752
Net cash outflow on acquisition of subsidiaries			15,005	29,518

3 SUBSIDIARY COMPANIES AND BUSINESS COMBINATION (Continued)

At the balance sheet date an amount of US $ 19.7 million remains payable towards the purchase of MB Century, of which US $ 10 million is payable after 12 months.

The goodwill comprises the fair value of expected synergies arising from the acquisition which are not separately identifiable or recognised.

The operating results of the subsidiaries acquired for the year ended 31 December 2007 included in these financial statements were as follows:

	UES 1/1/2007 to 31/12/2007 US $ 000	MB Century 1/11/2007 to 31/12/2007 US $ 000	Total US $ 000
Revenue	**36,293**	**21,136**	**57,429**
Cost of sales	**(26,757)**	**(16,691)**	**(43,448)**
Gross profit	**9,536**	**4,445**	**13,981**
Share in profits of an associate	**2,898**	**—**	**2,898**
Other operating income	**94**	**57**	**151**
General and administration expenses	**(2,196)**	**(1,612)**	**(3,808)**
Finance costs	**—**	**(670)**	**(670)**
Profit before income tax	**10,332**	**2,220**	**12,552**
Income tax	**(913)**	**(800)**	**(1,713)**
Profit for the year	**9,419**	**1,420**	**10,839**

4 SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the group's risk and rates of return are affected pre-dominantly by differences in the services rendered. Secondary information is reported geographically.

The group's operating businesses are organised and managed separately according to the nature of the activities and services provided, with each segment representing a strategic business unit that offers different services.

i) Business segments

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2007 and 2006.

4 SEGMENT INFORMATION (Continued)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

	Exploration and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Year ended 31 December 2007						
Revenue	215,011	385,350	65,072	—	(24,574)	640,859
Segment results	52,814	47,223	35,314	11,603	—	146,954
Net finance costs	—	—	—	—	—	(19,520)
Share in results of associates	—	2,894	—	349	—	3,243
Profit for the year before income tax						130,677
Deferred tax	—	—	—	—	—	(1,673)
Income tax expense	—	—	—	—	—	(4,138)
Profit for the year before minority interests						124,866

	Exploration and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
As at 31 December 2007						
Assets and liabilities						
Segment assets	207,069	564,232	57,443	173,520	(101,020)	901,244
Investment in associates	—	1,850	—	64,477	—	66,327
Deferred tax assets	—	2,524	—	—	—	2,524
Total assets	207,069	568,606	57,443	237,997	(101,020)	970,095
Segment liabilities (excluding term loans)	71,964	195,430	11,411	112,102	(101,020)	289,887
Term loans						316,937
Income tax payable						3,400
Deferred tax liability						9,337
Total liabilities						619,561
Other segment information						
Capital expenditure	57,318	110,236	20,060	1,377	—	188,991
Depreciation	**14,128**	**36,184**	**6,590**	**104**	**—**	**57,006**

4 SEGMENT INFORMATION (Continued)

	Exploration and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Year ended 31 December 2006						
Revenue	195,645	213,911	—	—	(3,134)	406,422
Segment results	37,352	8,375	(3,813)	(435)	—	41,479
Net finance costs	—	—	—	—	—	(8,769)
Share in results of associates	—	—	—	4,683	—	4,683
Profit for the year before income tax						37,393
Deferred tax	—	—	—	—	—	(81)
Income tax expense	—	—	—	—	—	(1,318)
Profit for the year before minority interests						35,994

	Exploration and production US $ 000	Services US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
As at 31 December 2006						
Assets and liabilities						
Segment assets	158,114	236,232	34,753	74,317	(38,093)	465,323
Investment in associates	—	85	—	17,625	—	17,710
Total assets	158,114	236,317	34,753	91,942	(38,093)	483,033
Segment liabilities (excluding term loans)	68,876	70,195	24,102	25,469	(38,093)	150,549
Term loans						162,937
Income tax payable						726
Deferred tax liability						113
Total liabilities						314,325
Other segment information						
Capital expenditure	29,403	85,238	21,551	97	—	136,289
Depreciation	10,217	22,616	691	25	—	33,549

4 SEGMENT INFORMATION (Continued)

ii) Geographical segments

The following table presents revenue expenditure and certain asset information regarding the group's geographical segments:

31 December 2007	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Oman	558,401	761,590	66,240	827,830	175,654
Syria	15,820	12,915	—	12,915	2,286
Yemen	4,427	1,523	—	1,523	52
Saudi Arabia	12,596	12,254		12,254	702
Germany	30,515	21,333	—	21,333	7,570
Hungary	9,106	4,935	—	4,935	1,413
India	7,012	108,978	—	108,978	137
Far East	889	1,232	87	1,319	60
Qatar	1,933	1,165	—	1,165	33
Mozambique	7,930	1,027	—	1,027	369
Australia	4,341	36,778	—	36,778	55
Indonesia	6,033	15,341	—	15,341	
New Zealand	6,430	25,717	—	25,717	660
Eliminations	(24,574)	(101,020)	—	(101,020)	—
Total	640,859	903,768	66,327	970,095	188,991

31 December 2006	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Oman	353,916	466,953	17,625	484,578	132,557
Syria	9,557	10,027	—	10,027	541
Yemen	6,701	2,649	—	2,649	681
Saudi Arabia	5,097	4,595	—	4,595	702
Germany	18,828	12,017	—	12,017	—
Hungary	9,726	4,633	—	4,633	1,678
India	2,125	1,166	—	1,166	130
Far East	2,432	374	85	459	—
Qatar	1,174	1,002	—	1,002	—
Mozambique	—	—	—	—	—
Australia	—	—	—	—	—
Indonesia	—	—	—	—	—
Newzealand	—	—	—	—	—
Eliminations	(3,134)	(38,093)	—	(38,093)	—
Total	406,422	465,323	17,710	483,033	136,289

5 INVESTMENT INCOME

	2007 US $ 000	2006 US $ 000
Net gains on investments classified as fair value through profit or loss	**6,392**	2,232
Dividend income	**1,230**	286
Interest on bank deposits and bonds	**487**	1,764
	8,109	4,282

6 FINANCE COSTS

	2007 US $ 000	2006 US $ 000
Term loan interest expense	**16,382**	9,091
Bank interest expense	**2,565**	768
Others	**1,060**	674
Total finance costs	**20,007**	10,533

7 INCOME TAX

	2007 US $ 000	2006 US $ 000
Income statement:		
Current year	**3,929**	1,312
Prior years	**209**	6
Deferred taxation	**1,673**	81
	5,811	1,399
Current liability:		
Current year	**2,918**	705
Prior years	**482**	21
	3,400	726
Deferred tax liability:		
At 1 January	**113**	12
Relating to acquisition of a subsidiary (note 3)	**8,619**	20
Currency translation differences	**(563)**	—
Movement for the year	**1,168**	81
At 31 December	**9,337**	113
Deferred tax assets:		
At 1 January	**—**	—
Relating to acquisition of a subsidiary (note 3)	**3,227**	—
Currency translation differences	**(198)**	—
Movement for the year	**(505)**	—
At 31 December	**2,524**	—

7 INCOME TAX (Continued)

	2007 US $ 000	2006 US $ 000
The deferred tax liability comprises the following types of temporary differences:		
Taxable timing difference on premises and equipment qualifying for accelerated tax relief	**9,524**	141
Deductible timing difference on provisions	**(175)**	(28)
Deductible timing difference on bought forward losses	**(12)**	—
At 31 December	**9,337**	113

Omani taxation

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 12%. For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

In respect of MB Holding Company LLC (the parent company), no provision for taxation has been made as the parent company has made a taxable loss during the year (2006—taxable loss). None of the parent company's assessment has been completed by the Oman tax authorities.

Unutilised tax losses upto 2007 amounted to US $ 14,136,870 which is available for set off upto 2012 (2006: US $ 5,866,000).

The assessments of subsidiaries with the Omani tax authorities are at different stages of completion.

Overseas taxation

MB Petroleum (Asia, Pacific) Ltd, no provision for Hong Kong profit tax has been made as the company had been approved for full exemption of profit tax on profits derived outside Hong Kong. The company has paid US $ 73,000 as taxes in China.

MB Petroleum Deutschland GmbH, the current income tax relates to trade tax payable by the operating subsidiary and corporation tax payable by the company. The current tax rate comprises corporation tax with an effective rate of 26.38% (2006: 26.38%) and trade tax of approximately 14.53% (2006: 14.53%), giving a total effective tax rate of 37% (2006: 37%) for the year 2007.

MB Drilling Overseas Limited, Cyprus taxation has been provided for in accordance with Cypriot fiscal regulations. The company's financial statements include the results of its branch operations in Syria and its subsidiaries, the tax liability on which have been calculated in accordance with Syrian fiscal regulations.

MBPS (Malaysia) SDN BHD, has not made any provision for tax in view of availability of unabsorbed tax losses which is available to be adjusted against current year taxable income.

MB Overseas Limited incorporated in the British Virgin Islands is tax exempt on income derived outside BVI.

MB Century Drilling Pty Limited (MBCDP) and its wholly owned Australian controlled entities are in the process of creating a tax consolidated group under Australian taxation law wherein MBCDP will be designated as head entity in the tax consolidated group. Entities within the tax consolidated group will enter into a tax funding arrangement and tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, the MBCDP and each of the entities in the tax consolidated group will agree to pay a tax equivalent payment to or from the head entity based on the current tax liability or current tax

7 INCOME TAX (Continued)

asset of the entity. This process is currently in progress and may result in certain adjustments in the MBCDP tax provisions.

8 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2007 US $ 000	2006 US $ 000
Staff costs	**102,522**	72,399
Royalties	**1,251**	—
Rental—operating leases	**567**	257

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Depreciation and amortisation charges

The depreciation and amortisation charges for the year has been dealt with in the income statement as follows:

	2007 US $ 000	2006 US $ 000
Included in cost of sales relating to:		
Property, plant and equipment	**41,446**	20,094
Oil and gas exploration and producing assets (note 10)	**13,497**	9,626
Deferred mineral prospects (note 11)	**621**	—
Intangible assets	**113**	—
	55,677	29,720
Included in depreciation and amortisation charges relating to:		
Property, plant and equipment	**1,442**	3,829
Intangible assets	**1,200**	—
	2,642	3,829
	58,319	33,549

9.2 Ownership

Freehold land and buildings include certain plots of land owned by the parent company and a subsidiary of US $ 14,355,000 (2006—8,055,000) which are registered in the name of a shareholder who holds them in trust on their behalf.

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.3 Assets transferred to related parties

During the year, the buildings of US $ 11,128,000 were transferred to a shareholder and an associate company.

	Freehold land and buildings US $ 000	Porta Cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Abandonment asset US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2007, net of accumulated depreciation:	13,086	4,203	48,797	62,298	11,472	2,374	213	28,106	170,549
Currency translation adjustment	311	—	857	(7,901)	9	(163)	—	182	(6,705)
Acquisition of subsidiaries during the year (note 3)	8,914	—	1,813	140,616	200	621	—	—	152,164
Additions made during the year	587	5,496	41,694	53,031	12,667	3,011	41	39,742	156,269
Transfers (note 10)	—	—	17,255	—	—	—	—	(19,537)	(2,282)
Depreciation charge for the year	(762)	(1,734)	(19,529)	(16,226)	(3,265)	(1,287)	(85)	—	(42,888)
Disposals	(1,381)	(336)	(1,581)	(144)	(156)	(22)	—	(812)	(4,432)
Balance at 31 December 2007, net of accumulated depreciation	**20,755**	**7,629**	**89,306**	**231,674**	**20,927**	**4,534**	**169**	**47,681**	**422,675**
At 31 December 2007									
Cost	24,759	21,086	162,331	304,644	40,052	12,578	415	47,491	613,356
Currency translation adjustment	400	—	1,359	(7,901)	9	(109)	—	190	(6,052)
Accumulated depreciation	(4,404)	(13,457)	(74,384)	(65,069)	(19,134)	(7,935)	(246)	—	(184,629)
	20,755	**7,629**	**89,306**	**231,674**	**20,927**	**4,534**	**169**	**47,681**	**422,675**

Capital work in progress includes oil and gas producing assets US $ 28,427,000 (2006: US $ 5,627,000).

	Freehold land and buildings US $ 000	Porta cabins US $ 000	Plant and machinery US $ 000	Rigs and allied equipment US $ 000	Vehicles US $ 000	Furniture, fixtures and office equipment US $ 000	Abandonment asset US $ 000	Capital work in progress US $ 000	Total US $ 000
Balance at 1 January 2006, net of accumulated depreciation:	12,399	2,179	21,695	33,732	3,715	1,958	7	8,094	83,779
Currency translation adjustment	89	—	502	—	—	54	—	8	653
Acquisition of subsidiaries during the year	547	—	76	—	—	58	—	—	681
Additions made during the year	620	3,259	37,366	37,363	9,095	1,177	212	22,841	111,933
Transfers (note 10)	—	—	403	9	18	2	—	(2,713)	(2,281)
Depreciation charge for the year	(569)	(1,235)	(11,107)	(8,806)	(1,330)	(870)	(6)	—	(23,923)
Disposals	—	—	(138)	—	(26)	(5)	—	(124)	(293)
Balance at 31 December 2006, net of accumulated depreciation	13,086	4,203	48,797	62,298	11,472	2,374	213	28,106	170,549
At 31 December 2006									
Cost	16,639	15,926	103,150	111,141	27,341	8,968	374	28,098	311,637
Currency translation adjustment	89	—	502	—	—	54	—	8	653
Accumulated depreciation	(3,642)	(11,723)	(54,855)	(48,843)	(15,869)	(6,648)	(161)	—	(141,741)
	13,086	4,203	48,797	62,298	11,472	2,374	213	28,106	170,549

10 OIL AND GAS EXPLORATION AND PRODUCING ASSETS

	2007 US $ 000	2006 US $ 000
Balance at 1 January, net of accumulated depreciation	**108,112**	92,820
Additions during the year	**31,443**	23,406
Transfers (note 9)	**2,282**	2,281
Adjustment (note 31)	**—**	(769)
Depreciation charge for the year (note 9.1)	**(13,497)**	(9,626)
Balance at 31 December 2007, net of accumulated depreciation	**128,340**	108,112
Oil and gas exploration and producing assets:		
At cost	**170,530**	136,805
Accumulated depreciation	**(42,190)**	(28,693)
Net carrying amount at 31 December	**128,340**	108,112

11 DEFERRED MINERAL PROSPECTS

	2007 US $ 000	2006 US $ 000
Balance at 1 January	**3,250**	2,300
Additions during the year	**1,277**	950
Amortisation charge for the year (note 9.1)	**(621)**	—
Net carrying amount at 31 December	**3,906**	3,250

12 INTANGIBLE ASSETS

	Goodwill US $ 000	Agency portfolio relationship US $ 000	Other intangible assets US $ 000	Total US $ 000
Cost				
At 1 January 2007	931	—	296	1,227
Acquisition of a subsidiary (note 3)	17,738	6,000	—	23,738
Additions	—	—	22	22
Currency translation adjustment	—	—	5	5
At 31 December 2007	**18,669**	**6,000**	**323**	**24,992**
Amortisation and impairment				
At 1 January 2007	—	—	36	36
Amortisation (note 9.1)	—	1,200	113	1,313
Currency translation adjustment	—	—	(2)	(2)
At 31 December 2007	**—**	**1,200**	**147**	**1,347**
Net book value				
At 31 December 2007	**18,669**	**4,800**	**176**	**23,645**
At 31 December 2006	931	—	260	1,191

Goodwill

Goodwill recognised on acquisition of UES (see note 3) is allocated to two cash generating units of UES namely its manufacturing and services division and agency sales division, for impairment testing,

12 INTANGIBLE ASSETS (Continued)

The carrying amount of goodwill allocated to goodwill amounted to US $ 17,738 as of 31 December 2007.

The recoverable amount of the cash generating units of UES has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 7% and cash flows beyond the 5-year period are extrapolated using a 5% growth rate that is the same as the long-term average growth rate for the oil industry.

Key assumptions used in value in use calculations:

The calculation of value in use for goodwill is most sensitive to the following assumptions:

- Gross margin;
- Discount rates;
- Contract availability;
- Market share during the budget period; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Agency portfolio relationship

Intangible asset relating to agency portfolio relationships with customers is amortised over five years

Other intangible assets

Other intangible assets relate to computer software and are tested annually for impairment.

The group has performed its annual impairment testing over intangible assets and there have been no events or changes in circumstances to indicate that the carrying value of these may be impaired.

13 INVESTMENT IN ASSOCIATES

As of the balance sheet date, investments in associates are as follows:

	Notes	2007 Proportion held	2006 Proportion held
United Engineering Services LLC	(i), 3(ii)	**—**	46.25%
Risk Management Services LLC	(i)	**33.33%**	33.33%
Flexible Industrial Packages SAOG	(ii)	**45.01%**	33.89%
Ahli Bank SAOG	(i),(iii)	**14.66%**	—
MB Oilfield Services (M) SDN.BHD. (MBOS)		**30.00%**	30.00%
Smith International Oman LLC	(iv)	**46.25%**	—

(i) A related party holds these associates investments in its name in trust on behalf of the group.

(ii) During the year, a related party acquired 11.12% shareholding in Flexible Industrial Packages Co. SAOG (FIPCO) in its name in trust on behalf of the company which resulted in the company's ownership in FIPCO increasing to 45.01%. The fair value of the group's investment in FIPCO as of 31 December 2007 is US $ 1,352,000 compared to its carrying value of US $ 1,857,000.

(iii) During the year, the group increased its holding in Ahli Bank SAOG from 3.25% to 14.66% at a purchase consideration of US $ 54,655,454 from a related party. As a result of the increase in shareholding the investment in Ahli Bank SAOG is now classified as an associate. On conversion of the investment from available for sale to associate on 31 December 2007, the company reversed the previously recorded unrealised gains of US $ 542,476 from its retained earnings. The company has significant influence over Ahli Bank SAOG due to its representations on the board of directors and participation in the policy making process of Ahli Bank SAOG. A related party holds 8.19% of the shares in the investment in its name in trust on behalf

13 INVESTMENT IN ASSOCIATES (Continued)

of the company. The group has pledged its investment in favour of a lender. The fair value of the group's investment in Ahli Bank as of 31 December 2007 is US $ 70,221,000 compared to its carrying value of US $ 61,486,000.

(iv) As set out in note 3(ii), the group as a founding shareholder contributed US $ 601,000 to acquire a 46.25% holding in Smith International Oman LLC.

The following table illustrates summarised information of the investment in associates.

	2007 US $	2006 US $
Share of the associate's balance sheet:		
Current assets	**100,580**	11,754
Non-current assets	**30,592**	3,260
Current liabilities	**(89,739)**	(8,631)
Non-current liabilities	**(6,955)**	(1,995)
Net assets	**34,478**	4,388
Goodwill	**31,849**	13,322
	66,327	17,710
Share of the associate's income statement:		
Revenue	**10,456**	25,100
Profit	**3,243**	4,683

14 INVESTMENT SECURITIES

	Notes	2007 US $ 000	2006 US $ 000
Available for sale	a)	**17,907**	8,544
Fair value through profit or loss	b)	**16,540**	44,449
		34,447	52,993

a) Available-for-sale investments

	2007 US $ 000	2006 US $ 000
Unquoted investments	**17,907**	8,544

The unquoted investments amounting to US $ 11,980,000 (2006: US $ 8,527,000) are stated at cost. There is no practical means of reliably estimating the fair values of these investments.

Investments amounting to US $ 141,000 (2006: US $ 2,644,000) are held in trust by a related party on behalf of the group. The group has made a commitment towards further capital contributions to unquoted investments amounting to US $ 4,500,000 (2006: US $ 2,503,000).

Movement in cumulative changes in fair values arising from available for sale investments represents an unrealised gain on unquoted investments amounting to US $ 900,000.

b) Fair value through profit or loss investments

	2007 US $ 000	2006 US $ 000
Quoted investments	**16,540**	44,449

14 INVESTMENT SECURITIES (Continued)

Investments amounting to US $ 739,924 (2006—US $ 2,423,136) are held in trust by a shareholder and a related party on behalf of the group.

15 INVESTMENT TOWARDS JOINT VENTURE

Subsequent to the year end, effective 9 January 2008, the group has acquired a 30% participating interest in a production and exploration service agreement covering a concession area in Eastern Desert of the Arab Republic of Egypt. Under the terms of the sales and purchase agreement, an advance of US $ 9 Million was paid in December 2007 with a further payment of US $ 11,231,988 in January 2008.

16 INVENTORIES

	2007 US $ 000	2006 US $ 000
Consumables	**44,017**	15,840
Goods for resale	**4,797**	2,572
Work in progress	**5,415**	1,735
Rig spares and materials	**1,153**	2,641
Goods in transit	**5,988**	742
	61,370	23,530

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007 US $ 000	2006 US $ 000
Trade accounts receivable	**117,156**	45,900
Accrued income	**28,729**	12,685
Prepaid expenses and other receivables	**19,418**	7,560
Advances to suppliers	**8,515**	13,860
Amounts due from related parties (note 29)	**3,238**	4,200
Tax receivables	**1,626**	—
Other deposits	**76**	—
	178,758	84,205

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total US $ 000	Neither past due nor impaired US $ 000	Past due but not impaired < 30 days US $ 000	30 - 60 days US $ 000	60 - 90 day US $ 000	> 90 days US $ 000
2007	**117,156**	**84,588**	**16,354**	**6,988**	**4,280**	**4,946**
2006	45,900	43,490	610	668	705	427

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

		2007 US $ 000	2006 US $ 000
Bank balances and cash	(i)	**39,103**	17,897
Bank overdrafts		**(7,782)**	(2,966)
		31,321	14,931

Bank overdraft and other borrowings in the balance sheet comprise the following:

		2007 US $ 000	2006 US $ 000
Bills discounted	(ii)	**18,872**	9,341
Bank overdrafts	(iii)	**7,782**	2,966
Loan against trust receipts		**4,217**	1,170
		30,871	13,477

(i) Included in bank balances and cash are bank deposits of US $ 4,368,000 (2006—US $ 1,788,000) with various commercial banks. These are denominated in Euro and United States Dollars, short term in nature and carry an effective annual interest rate of 3.85% (2006—5%).

(ii) Funding under bills discounted

- Funding under bills discounted in United States Dollars equivalent to US $ 6,509,000 (2006—US $ 7,545,000) is at an effective annual interest rate of Libor + 1.25% (2006—Libor + 1.25%)

- Funding under bills discounted of US $ 12,363,000 (2006—US $ 1,795,000) denominated in US $ is at an effective annual interest rate of Libor + 1.25% (2006—1.25%)

The funding is for a period of 60 days (2006—60 days) from the date of issue of the invoice to the customer.

(iii) Bank overdraft facilities carry an annual effective interest rate of 6% (2006: 6%) and are unsecured.

19 SHARE CAPITAL

	Authorised, issued and fully paid	
	2007 US $ 000	2006 US $ 000
20,000,000 shares (2006—20,000,000 shares) of US $ 2.6 each	**52,015**	52,015

20 STATUTORY RESERVE

As required by the Commercial Company Law of Oman, 10% of the parent company profit of the year is required to be transferred to a statutory reserve until such time the reserve totals one third of the issued share capital of the parent company. The parent company has resolved to discontinue any further transfers to this reserve, as the reserve equals one third of the issued share capital. The reserve is not available for distribution.

21 TRANSLATION RESERVE

The accounting records of the following subsidiaries are maintained in foreign currencies:

Name	Country of Registration	Currency
MB Petroleum Deutschland GmbH	Germany	Euro
MBPS Malaysia SDN BHD	Malaysia	Malaysian Ringits
MB Century Holding Pty Limited	Australia	Australian Dollar
MB Informatics Private Limited	India	Indian Rupee

The differences arising due to the above translations of income statement items at an average rate and the balance sheet items at a closing year end rate have been included in the translation reserve in equity.

22 TERM LOANS

	2007 US $ 000	2006 US $ 000
Term loans—parent company	**133,355**	14,281
Terms loans—subsidiaries	**183,582**	148,657
	316,937	162,938
Less : current portion classified under current liabilities	**(186,563)**	(51,576)
	130,374	111,362

Included in term loans from banks are the following:

Parent company

Term loans are mainly denominated in United States Dollars or Rial Omani. The term loans' principal amounts are repayable in varying installments, the final installment being due on 31 March 2012. The term loans carry annual interest rates ranging between LIBOR + 1% to LIBOR + 1.75%. The maturities of the company's undiscounted term loans at 31 December 2007, based on contractual payment dates and current market interest rates are disclosed in note 33.

The term loans relating to parent are secured by the following:

a) assignment of dividends receivable from a subsidiary

b) registered mortgage over oilfield equipment and related assets of a related party

c) a charge over investment in shares of a subsidiary and an associate

d) joint and several guarantees of the shareholders and certain related parties

e) assignment of certain receivables of subsidiaries

f) registered mortgage over two plots of land beneficially owned by the company but registered in the name of a shareholder, capital work in progress there on and undertaking to assign rent of the buildings on completion

Subsidiary companies

i) Loan to MB Petroleum Services LLC (MBPS) amounting to US $ 126,603,000 (2006: US $ 117,611,000) include an amount of US $ 99,964,000 (2006 US $ 81,227,000) payable in foreign currencies, mainly United States Dollars. The term loans' principal amounts are repayable in varying installments, the final installment is due on 30 September 2011. The loans carry effective interest rate of 5.92%.

22 TERM LOANS (Continued)

ii) Loans to MB Petroleum Deutschland GmbH amounting to US $ 5,567,000 (2006: US $ 3,280,000) are denominated in Euros. The term loans' principal amounts are repayable in varying installments and the final installment is due on 28 February 2014. The loan bears effective interest rate at 6-months Euro plus margin.

iii) Loans to Mazoon Petrogas SAOC amounting to US $ 11,367,000 (2006: US $ 13,233,000) are due in US Dollars and carries an effective annual interest rate of 3 months LIBOR + 1.9%. The loan is repayable in twenty-eight quarterly instalments, which commenced from January 2006. The final instalment is due on October 2012.

iv) Loans to National Mining Company LLC amounting to US $ 15,784,000 (2006: US $ 14,533,000) are denominated in US Dollars. The term loans' principal amounts are repayable in varying installments and carries an effective annual interest rate of 3 months LIBOR + 1.75%. The final installment is due on December 2009

v) Loans to Crest Oil & Gas LLC amounting to US $ 24,261,000 (2006: nil) is denominated in US Dollars carries an effective annual interest rate of 3 months LIBOR + 1.4% p.a. The loan is repayable in sixty monthly instalments commencing from January October 2007. The final instalment is due on October 2012.

The loans relating to subsidiary companies are secured by:

- Undertaking to mortgage land and building beneficially owned by subsidiary but registered in the name of a shareholder
- Certain personal properties of the chairman
- Joint registration of certain rigs
- Joint and several personal guarantees of the shareholders
- Assignment of insurance on equipment
- Proportionate assignment of contract revenue and receivables
- Pledge of certain investment securities and equipment used in operations
- Corporate guarantee of MB Holding Company LLC
- Certain trade receivables in Germany
- Guarantee of a commercial bank in Oman
- Personal guarantee of the chairman and a shareholder

As the floating rate term loans attract interest at rates which vary with market movements, the fair value of the loans approximate carrying value. The fair value of fixed rate term loans are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. There was no material difference between the carrying value of such loans and their fair value on comparison as of the balance sheet date.

Loan instalments due within one year are disclosed as a current liability.

23 GOVERNMENT GRANT

During the year a subsidiary received Government grants relating to the acquisition of certain assets. The details are set out below:

	2007 US $ 000
Received during the year	**524**
Released to income statement	**(13)**
At 31 December 2007	**511**
Non current	**457**
Current	**54**
	511

24 EMPLOYEES' END OF SERVICE BENEFITS

	2007 US $ 000	2006 US $ 000
Movements in the liability recognised in the balance sheet are as follows:		
Liability at beginning of the year	**3,153**	2,740
Relating to acquisition of subsidiary	**1,524**	137
Relating to transfer to drilling division of UES (note 3(ii))	**(499)**	—
Provided during the year	**1,948**	1,167
End of service benefits paid	**(738)**	(891)
Liability at the end of the year	**5,388**	3,153

25 ABANDONMENT COST PROVISION

	2007 US $ 000	2006 US $ 000
Movement in abandonment costs provision recognised in balance sheet is as follows:		
Balance as at 1 January	**4,767**	3,938
Provided during the year	**536**	829
Unwinding of discount	**345**	—
Balance as at 31 December	**5,648**	4,767

Included in abandonment costs provision are the following:

Provisions for abandonment recognised by subsidiaries are expected to be incurred during periods ranging from 2010 to 2028. The provision have been estimated using existing technologies, at current prices and discounted using a discount rate of 7 to 7.5% (2006: 7.5%).

26 ACCOUNTS PAYABLE AND ACCRUALS

	2007 US $ 000	2006 US $ 000
Accrued expenses and other payables	**53,044**	67,354
Trade accounts payable	**59,853**	37,378
Amounts due to related parties (note 29)	**28,596**	3,409
Other payables	**77,566**	—
	219,059	108,141
Less a non current portion of other payables	**(10,066)**	—
	208,993	108,141

27 SHORT TERM LOANS

Short term loans are mainly denominated in US Dollars and are secured by a personal guarantee of the chairman and a director of the company, corporate guarantees of group companies and charge over certain investment securities. They carry interest at commercial rates and have maturity periods ranging between 2 to 6 months from the date of drawdown.

As short term loans attract interest at rates that vary with market movements, the fair values of the loans approximate their carrying values.

28 COMMITMENTS

Investment commitment

The group's commitment towards its investment in a joint venture is set out in note 15.

	2007 US $ 000	2006 US $ 000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Plant and equipment	**46,029**	68,360

All of the above commitments are expected to be settled within one year.

Operating lease commitments		
Future minimum lease payments:		
Not later than one year	**968**	265
Later than one year but not later than five years	**2,010**	375
More than five years	**809**	306
Aggregate operating lease expenditure contracted for at the balance sheet date	**3,787**	946

Purchase commitments

At 31 December 2007, the value of outstanding purchase commitments amounted to US $ 23,789,000 (2006: US $ 10,624,000).

Mineral exploration expense commitments

As per its mineral exploration license agreements with the Ministry of Commerce and Industry a subsidiary of the group has committed to spend a minimum of US $ 260,000 (2006: US $ 260,000) on exploration activities by 12 July 2009.

29 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the financial statements are as follows:

	2007		2006	
	Sales US $ 000	Purchases US $ 000	Sales US $ 000	Purchases US $ 000
Other related parties	**23,968**	**27,073**	—	43,342

Balances with related parties included in the balance sheet are as follows:

	2007		2006	
	Receivables US $ 000	Trade payables US $ 000	Receivables US $ 000	Trade payables US $ 000
Shareholders	**49**	**4,822**	3,193	34
Other related parties	**3,189**	**23,774**	4,603	4,028
	3,238	**28,596**	7,796	4,062

Amounts due from and due to related parties are disclosed in notes 17 and 26.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007 US $ 000	2006 US $ 000
Short-term benefits	**3,226**	2,426
Employees' end of service benefits	**329**	155
	3,555	2,581

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2007, the group has not recorded any impairment of amounts owed by related parties (2006: nil).

30 CONTINGENT LIABILITIES

(i) At 31 December 2007 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 26,635,000 (2006—US $ 6,067,000).

(ii) The group has provided a corporate guarantee on a loan from a commercial bank to a shareholder amounting to US $ 11,842,000 (2006: US $ 15,486,000). The loan is denominated in US Dollar and is repayable in 20 quarterly installments commencing from 30 June 2006. The group does not anticipate any material liability to arise from the guarantee.

31 NET PROVED OIL RESERVE QUANTITIES

The group's subsidiaries Petrogas LLC and Mazoon Petrogas SAOC have the following net proved oil reserve quantities as of 31 December 2007:

	2007 Thousand barrels	2006 Thousand barrels
Net proved reserves at 1 January:		
Proved developed reserves	**14,324**	12,745
Proved undeveloped reserves	**24,593**	29,647
	38,917	42,392
Changes during the year:		
Revisions of previous estimates—developed reserves	**1,194**	—
Revisions of previous estimates—undeveloped reserves	**(399)**	(463)
Transfer to developed reserves	**(935)**	4,591
Transfer from undeveloped reserves	**(740)**	(4,591)
Production	**(3,158)**	(3,012)
	34,879	38,917
Net proved reserves at 31 December:		
Proved developed reserves	**11,425**	14,324
Proved undeveloped reserves	**23,454**	24,593
	34,879	38,917

The total group reserves produced will be shared between the Government of the Sultanate of Oman and the group's subsidiaries in accordance with their respective petroleum agreements.

32 JOINT VENTURE

The group has a 50% interest in Daleel Petroleum Company LLC, which is engaged in the operation and management of oil and gas exploration and production activities of Block 5 in Sultanate of Oman.

The group's share of the assets, liabilities, revenue and expenses of the joint venture, which are included in the consolidated financial statements, are as follows at 31 December and for the years then ended:

	2007 US $	2006 US $
Current assets	**7,422,925**	4,483,594
Current liabilities	**6,891,209**	4,016,776
Net profit	**67,265**	51,181

33 RISK MANAGEMENT

The group's principal financial liabilities comprise term loans, bank overdrafts and other borrowings and accounts payables and accruals. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as investment in associates, available-for-sale investments, fair value through profit or loss investments, advance towards a joint venture, bank balances and accounts receivables and prepayments, which arise directly from its operations.

33 RISK MANAGEMENT (Continued)

The main risks arising from the group's financial instruments are cash flow interest rate risk, commodity price risk, credit risk, equity price risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, bank overdraft and loans).The interest rate sensitivity position in respect of the term loans of the group is based on the contractual repricing of the loans or the date of final repayment, whichever is earlier, and is as follows:

Bank deposits are at fixed interest rates.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2007.

	Increase/decrease in basis points	Effect on profit for the year US $ 000
2007		
US $	**+15**	**(490)**
US $	**−10**	**326**
2006		
US $	+15	(307)
US $	−10	236

Commodity price risk

The following table demonstrates the sensitivity of the commodity prices to possible changes in trade receivables, with all other variables held constant. The effect of decreases in commodity prices is expected to be equal and opposite to the effect of the increases shown:

	Change in commodity price	Effect on receivables US $ 000
2007		
Copper	+10%	651

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market. Equity price risk arises from financial assets designated as available-for-sale investments and fair value through profit or loss investments. The group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of the market. In addition the group monitors actively the key factors that effect stock market movements. A significant portion of the company's investments at the balance sheet date are within the Sultanate of Oman (2006— same position).

The following tables demonstrates the sensitivity of the cumulative changes in fair value to a 5% change in the price of its equity holdings, assuming all other variables in particular foreign currency rates

33 RISK MANAGEMENT (Continued)

remain constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Effect on cumulative changes in fair value of Available for sale investments	Change in equity price 2007 US $ 000	Effect on equity 2007 US $ 000	Change in equity price 2006 US $ 000	Effect on equity 2006 US $ 000
Unquoted	**+5%**	**324**	+5%	126

Effect on gain in fair value of fair value through profit or loss investments	Change in equity price 2007 US $ 000	Effect on profit 2007 US $ 000	Change in equity price 2006 US $ 000	Effect on profit 2006 US $ 000
MSM	**+5%**	**327**	+5%	412
Other quoted	**+5%**	**500**	+5%	1,477

Credit risk

The group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The group sells its products and services to a number of oil companies in Oman, Hungary, Syria, Cyprus, Australia and Germany. One customer (2006—one customer) accounts for 13% (2006—43%) of trade accounts receivable outstanding as of 31 December 2007.

The group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

With respect to credit risk arising from the other financial assets of the group, including cash and cash equivalents, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group limits its liquidity risk by ensuring bank facilities are available. The group's terms of sales require trade accounts receivable amounts to be paid within 45 to 60 days of the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

The table below summarises the maturities of the group's undiscounted financial liabilities at 31 December 2007, based on contractual payment dates and current market interest rates.

Year ended 31 December 2007	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Term loan	89,468	99,684	131,434	—	320,586
Accounts payables and accruals	150,279	58,434	280	—	208,993
Bank overdrafts and borrowings	30,871	—	—	—	30,871
Income tax payable	3	3,397	—	—	3,400
Short term loans	27,500	910	—	—	28,410
Other payables (non current)	—	—	10,066	—	10,066
Total	298,121	162,425	141,780	—	602,326

33 RISK MANAGEMENT (Continued)

Year ended 31 December 2006	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Term loan	11,682	40,472	113,705	—	165,859
Accounts payables and accruals	80,829	24,643	2,669	—	108,141
Bank overdrafts and borrowings	13,477	—	—	—	13,477
Income tax payable	—	726	—	—	726
Short term loans	1,887	18,470	—	—	20,357
Loan from a shareholder	—	—	653	—	653
Total	107,875	84,311	117,027	—	309,213

Currency risk

Certain of the group's term loans, trade accounts and notes payable are denominated in United States Dollars, Australian Dollars and Euros.

Trade accounts receivable includes an amount of US $ 44,356,000 (2006—US $ 10,986,000) due in foreign currencies, mainly United States Dollars. As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal. Receivables in other currencies mainly in Euro are not significant.

Trade accounts payable include an amount of US $ 19,709,000 (2006—US $ 2,201,000) due in foreign currencies, mainly United States Dollars. Payables in other currencies mainly in Euro are not significant.

The table below indicates the group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the US Dollars (USD) against the Australian Dollar (AUD), with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

	Increase/decrease in AUD rate to the USD	Effect on profit before tax US $ 000
2007	**+5%**	**969**
	−5%	**(969)**
2006	+5%	—
	−5%	—

Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it in light of changes in business conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of bank overdrafts, term loans, obligations under finance leases and payables.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost (see note 14), are not materially different from their carrying values.

35 KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were US $ 117,247,000 (2006: US $ 45,923,000) and the provision for doubtful debts was US $ 91,000 (2006: US $ 23,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, consumables were US $ 47,055,000 (2006: US $ 18,122,000) and goods for resale were US $ 4,797,000 (2006: US $ 2,572,000), with provisions for old and obsolete inventories of US $ 3,038,000 (2006: US $ 2,282,000) and nil respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Abandonment provision

Estimated abandonment and restoration costs for oil production activities are based on current requirements, technology and price levels and discounted using real discount rates. The estimated discounted ultimate liability for the asset retirement obligation is recognised in the period in which it is incurred.

At the balance sheet date the undiscounted abandonment provision amounted to US $ 16,462,000 (2006—US $ $ 15,060,000) which after discounting amounted to US $ 5,648,000 (2006—US $ 4,767,000). The amount recognised in the income statement as of 31 December 2007 was US $ 822,000 (2006—US $ 829,000).

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of equity investments

The group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists.

35 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The determination of what is 'significant' or 'prolonged' requires judgment, which is criticially evaluated by the group on a case to case basis.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

36 COMPARATIVE AMOUNTS

Certain of the corresponding figures for 2006 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.

MB Holding Company LLC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE DIRECTORS OF MB HOLDING COMPANY LLC AND ITS SUBSIDIARIES

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of MB Holding Company LLC ("the company") and its subsidiaries ("the group") as at 30 June 2010, comprising of the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

ERNST & YOUNG

4 October 2010
Muscat

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2010 (Unaudited)

	Notes	Six months ended 30 June 2010 US $ 000	Six months ended 30 June 2009 US $ 000
Revenue		**514,551**	405,273
Cost of sales		**(414,387)**	(343,100)
Gross profit		**100,164**	62,173
Investment income (expense)		**2,397**	(625)
Other operating income (net)		**3,284**	2,490
General and administration expenses		**(31,730)**	(27,946)
Finance costs		**(15,945)**	(20,601)
Depreciation and amortisation charges		**(1,986)**	(2,219)
Abandonment cost provision		**(1,219)**	(318)
Share in results of associates		**2,461**	1,887
Negative goodwill		**4,022**	5,422
Profit before tax		**61,448**	20,263
Income tax expense	5	**(4,748)**	(105)
Profit for the period		**56,700**	20,158
Profit attributable to:			
Equity holders of the parent		**62,566**	23,998
Non controlling interests		**(5,866)**	(3,840)
		56,700	20,158
Basic and diluted earnings per share for the equity holders of the parent (US $)		**3.13**	1.20
Other comprehensive (loss) income			
Exchange differences on translation of foreign operations		**(5,913)**	6,191
Unrealised gain on fair value of available for sale investments and associates, net of tax		**354**	359
Other comprehensive (loss) income for the period, net of tax		**(5,559)**	6,550
Total comprehensive income for the period, net of tax		**51,141**	26,708
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		**57,935**	27,514
Non controlling interests		**(6,794)**	(806)
		51,141	26,708

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010 (Unaudited)

	Notes	30 June 2010 US $ 000	Audited 31 December 2009 US $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**507,240**	504,927
Oil and gas exploration and producing assets	7	**309,346**	283,726
Deferred mineral prospects		**4,810**	4,617
Intangible assets		**27,457**	28,754
Investment in associates	8	**88,607**	88,436
Investment securities	9	**31,158**	23,709
Deferred tax assets		**10,710**	11,715
		979,328	945,884
Current assets			
Inventories		**75,778**	74,630
Accounts receivable and prepayments		**231,382**	157,488
Bank balances and cash	10	**42,762**	31,397
		349,922	263,515
Assets held for sale		**4,936**	5,665
TOTAL ASSETS		**1,334,186**	1,215,064
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		**52,015**	52,015
Statutory reserve		**17,339**	17,339
Translation reserve		**(8,877)**	(3,892)
Cumulative changes in fair value		**1,197**	843
Revaluation reserve		**3,474**	3,474
Retained earnings		**402,776**	337,603
		467,924	407,382
Non controlling interests		**4,667**	49,924
Total equity		**472,591**	457,306
Non-current liabilities			
Term loans	11	**268,678**	291,273
Deferred tax liability		**14,903**	13,615
Government grants		**1,808**	2,298
Employees' end of service benefits		**10,303**	9,526
Abandonment cost provision		**9,934**	8,716
Other payables	13	**13,334**	—
		318,960	325,428
Current liabilities			
Accounts payable and accruals		**224,762**	238,943
Bank overdrafts and other borrowings	10	**55,340**	35,109
Short term loans	12	**99,428**	2,304
Term loans	11	**158,823**	148,445
Government grants		**321**	375
Income tax payable		**3,961**	7,154
		542,635	432,330
Total liabilities		**861,595**	757,758
TOTAL EQUITY AND LIABILITIES		**1,334,186**	1,215,064

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 4 October 2010.

Chairman

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

MB Holding Company LLC and its subsidiaries
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2010 (Unaudited)

	Attributable to equity holders of the parent								
	Share capital US $ 000	Statutory reserve US $ 000	Translation reserve US $ 000	Cumulative changes in fair value US $ 000	Revaluation reserve US $ 000	Retained earnings US $ 000	Total US $ 000	Non controlling interests US $ 000	Total US $ 000
Balance at 1 January 2009	52,015	17,339	(8,489)	(807)	3,474	287,816	351,348	54,862	406,210
Profit for the period	—	—	—	—	—	23,998	23,998	(3,840)	20,158
Other comprehensive income for the period	—	—	3,157	359	—	—	3,516	3,034	6,550
Total comprehensive income for the period	—	—	3,157	359	—	23,998	27,514	(806)	26,708
Balance at 30 June 2009	**52,015**	**17,339**	**(5,332)**	**(448)**	**3,474**	**311,814**	**378,862**	**54,056**	**432,918**
Balance at 1 January 2010	**52,015**	**17,339**	**(3,892)**	**843**	**3,474**	**337,603**	**407,382**	**49,924**	**457,306**
Profit for the period	—	—	—	—	—	62,566	62,566	(5,866)	56,700
Other comprehensive (loss) income for the period	—	—	(4,985)	354	—	—	(4,631)	(928)	(5,559)
Total comprehensive income for the period	—	—	(4,985)	354	—	62,566	57,935	(6,794)	51,141
Acquisition of additional interest in a subsidiary (note 4 (i))	—	—	—	—	—	2,607	2,607	(38,463)	(35,856)
Balance at 30 June 2010	**52,015**	**17,339**	**(8,877)**	**1,197**	**3,474**	**402,776**	**467,924**	**4,667**	**472,591**

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2010 (Unaudited)

	Notes	Six months ended 30 June 2010 US $ 000	2009 US $ 000
OPERATING ACTIVITIES			
Profit before tax		**61,448**	20,263
Adjustments for:			
Depreciation and amortisation charges		**53,635**	40,874
Gain on sale of property, plant and equipment	6	**(25)**	(706)
Profit on disposal of a subsidiary		**(405)**	—
Net (gain) loss on investments classified as fair value through profit or loss		**(1,700)**	891
Accrual for employees' end of service benefits		**1,182**	1,775
Abandonment costs provision		**1,218**	318
Interest and dividend income		**(292)**	(266)
Share in results of associates		**(2,603)**	(1,887)
Interest expense		**15,945**	20,601
Release of government grant		**(544)**	(275)
Negative goodwill		**(4,022)**	(5,422)
		123,837	76,166
Working capital changes:			
Inventories		**(1,148)**	276
Receivables		**(73,894)**	99,777
Payables		**3,175**	(65,522)
Cash from operations		**51,970**	110,697
Employees' end of service benefits paid		**(405)**	(312)
Taxation paid		**(5,648)**	(988)
Net cash from operating activities		**45,917**	109,397
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	4(i)	**(35,856)**	—
Purchase of property, plant and equipment	6	**(32,134)**	(51,172)
Additions to oil and gas exploration and producing assets	7	**(47,030)**	(48,251)
Additions to deferred mineral prospects		**(1,071)**	(440)
Proceeds from sale of property, plant and equipment and gas exploration and producing assets		**525**	2,329
Purchase of investment in an associate		**(1,958)**	—
Net movement arising from disposal of an associate		**2,916**	—
Purchase of investment securities		**(5,401)**	(2,948)
Proceeds from sale of investments securities		**6**	—
Dividend from associates		**1,879**	1,611
Interest and dividends received		**292**	266
Net cash used in investing activities		**(117,832)**	(98,605)
FINANCING ACTIVITIES			
New term loans		**107,004**	52,965
Repayment of term loans		**(119,221)**	(77,206)
Net movement in short term loans		**97,124**	6,698
Net movement in bank borrowings		**7,566**	2,143
Interest paid		**(15,945)**	(20,601)
Receipt of government grants		**—**	603
Net cash from (used in) financing activities		**76,528**	(35,398)
Translation difference		**(5,913)**	6,191
DECREASE IN CASH AND CASH EQUIVALENTS		**(1,300)**	(18,415)
Cash and cash equivalents at the beginning of the period		**29,306**	25,088
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	**28,006**	6,673

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

MB Holding Company LLC (the company) and its subsidiaries (the group) conduct oil, gas and mining exploration and development activities through production sharing and mineral exploration licence agreements. In addition the group owns and operates oil well drilling and service equipment and rigs, provides oilfield and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil and gas industry. The group also invests in financial securities. The group operates in fifteen countries and the company's registered head office address is at PO Box 695, CPO Seeb, Postal Code 111, Sultanate of Oman.

The group intends to issue corporate bonds in due course. These interim condensed consolidated financial statements have been prepared to facilitate the bond issue.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the group are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (IAS 34).

These interim condensed consolidated financial statements do not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the group's annual consolidated financial statements as at 31 December 2009. In addition, results for the six months ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

The interim condensed consolidated financial statements are presented in US Dollars, rounded to the nearest thousand except when otherwise indicated.

2.2 Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the group's annual consolidated financial statements for the year ended 31 December 2009, except for where the group has adopted certain new standards of, amendments and interpretations to IFRS described below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IFRIC 17 Distributions of Non-cash Assets to Owners

When the adoption of the standard or interpretation is deemed to have an impact on the interim condensed consolidated financial statements or performance of the group, its impact is described below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The change in accounting policy was applied prospectively and, as

2 ACCOUNTING POLICIES (Continued)

a result, the group's acquisition of additional 49% in a subsidiary was recorded as a transaction with owners in their capacity as owners (refer note 4 (i)).

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the group.

Other amendments resulting from improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the group.

3 SEGMENT INFORMATION

The group reports segment information in business segments and geographical segments.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

i) Business segments information

For management purposes, the group is organised into business segments based on their products and services and has five reportable operating segments as follows:

Exploration and production—Exploration and production segment is engaged in owning and operating a portfolio of production and exploration oilfields.

Services—Services segment is engaged in owning and operating oil well drilling equipment, well servicing equipment and rigs, providing oilfield services, oil and gas well production and completion services, and supplies drilling fluids, chemicals, oilfield equipment and manpower to the oil industry.

Manufacturing and engineering—Manufacturing and engineering segment is engaged in the provision of service engineering facilities to the oil, gas and water industries and in the manufacture, sale, service, refurbishment or pressure control equipment and rental of oilfield tools for the oil and gas industries.

Mining—Mining segment is engaged in mining exploration and development and other related activities.

3 SEGMENT INFORMATION (Continued)

Investment—Investment segment is engaged in investing in financial securities and identifying, acquiring, managing and operating interests in petroleum and other related enterprises.

	Exploration and production US $ 000	Services US $ 000	Manufacturing and engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Period ended 30 June 2010							
Revenue	**223,279**	**204,423**	**50,317**	**44,839**	**—**	**(8,307)**	**514,551**
Segment results	**41,225**	**15,611**	**4,231**	**12,835**	**1,022**	**4,930**	**79,854**
Finance costs							**(15,945)**
Share in results of associates							**2,461**
Profit for the period before income tax							**61,448**
Income tax expense							**(4,748)**
Profit for the period							**56,700**

	Exploration and production US $ 000	Services US $ 000	Manufacturing and engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
At 30 June 2010							
Assets and liabilities							
Segment assets	**383,463**	**579,335**	**108,324**	**110,045**	**136,024**	**(82,322)**	**1,234,869**
Investment in associates	**—**	**18**	**1,418**	**—**	**87,171**	**—**	**88,607**
Deferred tax assets	**—**	**10,538**	**107**	**—**	**65**	**—**	**10,710**
Total assets	**383,463**	**589,891**	**109,849**	**110,045**	**223,260**	**(82,322)**	**1,334,186**
Segment liabilities (excluding term loans)	**111,929**	**246,593**	**42,499**	**7,038**	**89,493**	**(82,322)**	**415,230**
Term loans	**50,300**	**241,257**	**10,018**	**46,590**	**79,336**	**—**	**427,501**
Income tax payable	**1,181**	**1,876**	**904**	**—**	**—**	**—**	**3,961**
Deferred tax liability	**494**	**14,251**	**158**	**—**	**—**	**—**	**14,903**
Total liabilities	**163,904**	**503,977**	**53,579**	**53,628**	**168,829**	**(82,322)**	**861,595**
Other segment information							
Capital expenditure	**47,030**	**27,239**	**3,737**	**1,071**	**1,158**	**—**	**80,235**
Depreciation and amortisation for the six month period ended 30 June 2010	**22,679**	**20,089**	**1,687**	**8,064**	**1,026**	**—**	**53,635**

3 SEGMENT INFORMATION (Continued)

	Exploration and production US $ 000	Services US $ 000	Manufacturing and engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
Period ended 30 June 2009							
Revenue	112,376	203,140	82,261	27,177	—	(19,681)	405,273
Segment results	12,678	13,210	12,508	3,573	(3,016)	3,798	42,751
Finance costs							(20,601)
Share in results of associates							1,887
Profit for the period before income tax							20,263
Income tax expense							(105)
Profit for the period							**20,158**

	Exploration and production US $ 000	Services US $ 000	Manufacturing and Engineering US $ 000	Mining US $ 000	Investments US $ 000	Eliminations US $ 000	Total US $ 000
At 31 December 2009							
Assets and liabilities							
Segment assets	339,668	578,166	99,956	82,379	101,981	(87,237)	1,114,913
Investment in associates	—	18	1,738	—	86,680	—	88,436
Deferred tax assets	—	11,546	107	—	62	—	11,715
Total assets	339,668	589,730	101,801	82,379	188,723	(87,237)	1,215,064
Segment liabilities (excluding term loans)	96,581	198,504	34,753	14,148	40,522	(87,237)	297,271
Term loans	51,017	214,596	10,654	23,769	139,682	—	439,718
Income tax payable	—	4,306	2,848	—	—	—	7,154
Deferred tax liability	132	13,399	84	—	—	—	13,615
Total liabilities	147,730	430,805	48,339	37,917	180,204	(87,237)	757,758
Other segment information							
Capital expenditure	48,843	37,406	3,090	9,332	1,192	—	99,863
Depreciation and amortisation for the six month period ended 30 June 2009	14,357	17,482	1,198	7,142	695	—	40,874

3 SEGMENT INFORMATION (Continued)

ii) Geographical information

The following table presents revenue, expenditure and certain asset information regarding the group's geographical segments:

30 June 2010	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	**440,924**	**1,110,904**	**88,589**	**1,199,493**	**64,346**
Europe	**43,523**	**76,781**	**—**	**76,781**	**1,418**
Far East and South Asia	**8,817**	**246,367**	**18**	**246,385**	**11,757**
Africa	**7,222**	**37,209**	**—**	**37,209**	**—**
Australia and New Zealand	**24,310**	**41,776**	**—**	**41,776**	**2,714**
Intercompany eliminations	**(10,245)**	**(278,168)**	**—**	**(267,458)**	**—**
	514,551	**1,234,869**	**88,607**	**1,334,186**	**80,235**

30 June 2009 and 31 December 2009	Revenue US $ 000	Segment assets US $ 000	Investment in associates US $ 000	Total assets US $ 000	Capital expenditure US $ 000
Middle East	332,834	943,549	85,907	1,029,456	82,952
Europe	43,138	80,377	—	80,377	13,613
Far East and South Asia	7,519	165,234	2,529	167,763	1,488
Africa	1,996	37,209	—	37,209	—
Australia and New Zealand	21,061	47,586	—	47,586	1,810
Intercompany eliminations	(1,705)	(159,042)	—	(147,327)	—
	405,273	1,114,913	88,436	1,215,064	99,863

The comparative figures for revenue earned and capital expenditure incurred have been disclosed for the six months ended 30 June 2009. The comparative figures for segment assets, investment in associates and total assets have been disclosed as of 31 December 2009.

4 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS

The interim condensed consolidated financial statements incorporate the interim condensed financial statements of the following companies in which the group has a controlling interest:

Name	Type	Country of registration	30 June 2010	31 December 2009
MB Century Drilling Pty Limited[(i)]	Limited liability company	Australia	**100%**	51%
Century Energy Services Pty Limited[(i)]	Limited liability company	Australia	**100%**	51%
Century Resources International Pty Limited[(i)]	Limited liability company	Australia	**100%**	51%
MB Overseas Limited	Limited liability company	British Virgin Island	**100%**	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	**100%**	100%
MB Petroleum Deutschland GmbH	Limited liability company	Germany	**100%**	100%
Erdöl-Erdgas Workover GmbH & Co. KG	Limited liability company	Germany	**100%**	100%
Fiberglass Tubes & Services GmbH	Limited liability company	Germany	**100%**	100%
Ferdinand Koller & Sohn Erdölgewinnung, Tiefbohrunternehmungen und Maschinenfabrik Celle GmbH & Co. KG	Limited liability partnership	Germany	**100%**	100%
Koller Verwaltungs- und Beteiligungs-GmbH	Limited liability company	Germany	**100%**	100%
Koller Maschinen- und Anlagenbau GmbH	Limited liability company	Germany	**100%**	100%
Koller Workover & Drilling GmbH	Limited liability company	Germany	**100%**	100%
Koller Workover International GmbH	Limited liability company	Germany	**100%**	100%
DWS Drilling—Workover Service GmbH	Limited liability company	Germany	**100%**	100%
RELLOK Cutting Solutions GmbH[(ii)]	Limited liability company	Germany	**100%**	—
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	**100%**	100%
MB 2001 Ltd	Limited liability company	Hungary	**100%**	100%
MB Metalworks Ltd	Limited liability company	Hungary	**100%**	100%
MB Property Ltd	Limited liability company	Hungary	**100%**	100%
Mitco Oil Industrial Trading Ltd	Limited liability company	Hungary	**100%**	100%
MB Informatics Private Limited	Limited liability company	India	**100%**	100%
PT Century Dinamik Drilling[(i)]	Limited liability company	Indonesia	**100%**	51%
PT Ogspiras Bina Drilling[(i)]	Limited liability company	Indonesia	**100%**	51%
MBPS Malaysia Sdn Bhd	Limited liability company	Malaysia	**75%**	75%
MB Holding Mauritius Limited	Limited liability company	Mauritius	**—**	100%
Century Resources Services Limited[(i)]	Limited liability company	New Zealand	**100%**	51%
Century Drilling & Energy Services (NZ) Limited[(i)]	Limited liability company	New Zealand	**100%**	51%
Cameron Services Middle East LLC	Limited liability company	Oman	**51%**	51%
Crest Oil & Gas LLC	Limited liability company	Oman	**100%**	100%
MB Petroleum Services LLC	Limited liability company	Oman	**100%**	100%
Mawarid Mining LLC (formerly known as National Mining Company LLC)	Limited liability company	Oman	**100%**	100%

4 SUBSIDIARY COMPANIES AND BUSINESS COMBINATIONS (Continued)

Name	Type	Country of registration	30 June 2010	31 December 2009
Mazoon Petrogas SAOC	Joint stock (closed) company	Oman	**100%**	100%
Petrogas E&P LLC	Limited liability company	Oman	**100%**	100%
Petrogas LLC	Limited liability company	Oman	**100%**	100%
Petrogas Malih LLC	Limited liability company	Oman	**100%**	100%
Petrogas Rima LLC	Limited liability company	Oman	**100%**	100%
United Engineering Services LLC	Limited liability company	Oman	**100%**	100%
MB Petroleum Services Company Limited	Limited liability company	Saudi Arabia	**100%**	100%
MB Century Holding Pte Ltd	Limited liability company	Singapore	**100%**	100%
MB Century (Thailand) Limited(i)	Limited liability company	Thailand	**49%**	49%

(i) In 2007, MB Century Holding Pte Ltd, Singapore (MBCH) acquired 51% of the voting shares of MB Century Pty (Limited) and its subsidiary (MBCD), with its parent company registered in Australia. In accordance with the sale and purchase agreement, the group had an option to acquire the remaining 49% in these companies by 1 July 2010. Further the seller had warranted an amount of minimum earnings before interest and tax to the group for three years. In 2009 and 2010, MBCD was unable to achieve the warranted minimum earnings. As a result, the group received compensation recorded as negative goodwill of US $ 4,022 thousand (2009: US $ 5,422 thousand) in the interim consolidated statement of comprehensive income.

On 29 June 2010, group exercised its option to acquire 49% of MBCD group, thereby increasing its ownership in MBCD from 51% to 100%. The fair value of the identifiable assets and liabilities of the subsidiary acquired during 2010 as at the date of acquisition is as follows:

	US $ 000
Net assets in MBCD and its subsidiaries	78,497
49% of net assets	38,463
Less: Negative goodwill arising on acquisition recognised in statement of changes in equity as a transaction with owners in their capacity as owners	(2,607)
Total purchase consideration	35,856

(ii) During the period ended 30 June 2010, the group formed a 100% subsidiary, RELLOK Cutting Solutions GmbH, a company incorporated in Germany.

(iii) Effective 1 January 2010, the group sold its shareholding in MB Holding Mauritius Limited to a shareholder at its carrying value.

5 INCOME TAX

The major components of income tax expense in the interim consolidated statement of comprehensive income are:

	Six months ended 30 June	
	2010 US $ 000	2009 US $ 000
Statement of comprehensive income:		
Current period	**2,524**	105
Deferred taxation	**2,224**	—
	4,748	105

6 PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the six month period ended 30 June 2010, the group purchased assets with a cost of US $ 32,134 thousand (2009—US $ 51,172 thousand).

Assets with a net book value of US $ 500 thousand (2009—US $ 1,623 thousand) were disposed of by the group during the six months ended 30 June 2010 resulting in a net gain on disposal of US $ 25 thousand (2009: US $ 706 thousand).

7 OIL AND GAS EXPLORATION AND PRODUCING ASSETS

During the six month period ended 30 June 2010, the group purchased oil and gas producing assets with a cost of US $ 47,030 thousand (2009—US $ 48,251 thousand).

8 INVESTMENT IN ASSOCIATES

As of the reporting date, investments in associates are as follows:

	30 June 2010 Proportion held	**31 December 2009 Proportion held**
Ahli Bank SAOG	**15.21%**	15.21%
Al Madina Financial and Insurance Services Company SAOC	**17.05%**	17.05%
Al Madina Gulf Insurance Company SAOC[(i)]	**25.00%**	15.00%
Flexible Industrial Packages Company SAOG	**45.55%**	45.55%
MB Oilfield Services (M) Sdn Bhd	**30.00%**	30.00%
Risk Management Services LLC	**33.33%**	33.33%
Smith International Oman LLC	**46.25%**	46.25%
Biogenomics Limited[(ii)]	**—**	35.46%

(i) During the six month period ended 30 June 2010, the group acquired additional 10% shareholding in the Al Madina Gulf Insurance Company SAOC for US $ 1,958 thousand.

(ii) Biogenomics Limited is an associate of MB Holding Mauritius Limited (MBHM). As stated in note 4 (iii), the group sold its shareholding in MBHM to a shareholder at its carrying value on 1 January 2010, thereby foregoing its significant influence over Biogenomics Limited.

9 INVESTMENT SECURITIES

	30 June 2010 US $ 000	**31 December 2009 US $ 000**
Available for sale	**22,099**	16,908
Fair value through profit or loss	**9,059**	6,801
	31,158	23,709

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim consolidated statement of cash flows comprise the following amounts included in the consolidated statement of financial position:

	30 June 2010 US $ 000	31 December 2009 US $ 000	30 June 2009 US $ 000
Bank balances and cash	**42,762**	31,397	23,562
Bank overdrafts	**(14,756)**	(2,091)	(16,889)
	28,006	29,306	6,673

Bank overdraft and other borrowings in the consolidated statement of financial position comprise the following:

	30 June 2010 US $ 000	31 December 2009 US $ 000	30 June 2009 US $ 000
Bank overdrafts	**14,756**	2,091	16,889
Other bank borrowings	**40,584**	33,018	32,312
	55,340	35,109	49,201

11 TERM LOANS

	30 June 2010 US $ 000	31 December 2009 US $ 000
Term loans—parent company	**79,335**	139,682
Terms loans—subsidiaries	**348,166**	300,036
	427,501	439,718
Less: current portion classified under current liabilities	**(158,823)**	(148,445)
	268,678	291,273

12 SHORT TERM LOANS

During the period, the group availed bridge loans amounting to US $ 82,133 thousand from certain commercial banks for the purpose of financing the purchase of additional 49% shareholding in a subsidiary (note 4 (i)) and in order to settle certain liabilities of the acquired subsidiary in favour of the selling shareholder. The loans are denominated in US Dollars, carry interest at floating commercial rates and are covered by a corporate guarantee provided by the parent company.

13 OTHER PAYABLES

During the six month period ended 30 June 2010, the group entered into a LME Copper Capped Loss Interest Rate Swap agreement (the agreement) with a commercial bank in Oman with a notional amount of US $ 200,000 thousand. In accordance with the terms of the agreement, in exchange of a receipt of initial premium of US $ 20,000 thousand, the group will settle dues with the bank at an interval of six months commencing on 30 September 2010 and ending on 28 March 2013 as follows:

- pay a fixed amount calculated by reference to a fixed interest rate and
- receive an amount calculated on the notional amount by reference to a coupon interest rate dependent on the frequency of months when the average price of LME Copper trades below US $ 8 thousand during the six month period.

13 OTHER PAYABLES (Continued)

As per the agreement terms, the group will pay on a net basis, at minimum, an amount of US $ 20,000 thousand, and at maximum, US $ 26,000 thousand.

The group has recorded the initial premium received and payable of US $ 20,000 thousand under liabilities, of which the amounts payable within one year totalling to US $ 6,666 thousand is recorded as a current liability and the balance amounting to US $ 13,334 thousand is recorded as other payable—non current portion.

14 COMMITMENTS

Investment commitment

The group has made a commitment towards further capital contributions to unquoted investments amounting to US $ 3,375 thousand (31 December 2009: US $ 8,375 thousand).

Capital expenditure commitments

	30 June 2010 US $ 000	31 December 2009 US $ 000
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Plant and equipment	**10,218**	16,995

All of the above commitments are expected to be settled within one year.

Purchase commitments

At 30 June 2010, the value of outstanding purchase commitments amounted to US $ 31,029 thousand (31 December 2009: US $ 36,080 thousand).

Operating lease commitments

Future minimum lease payments:		
Not later than one year	**6,295**	5,699
Later than one year but not later than five years	**10,121**	8,888
More than five years	**2,400**	2,345
Aggregate operating lease expenditure contracted for at the reporting date	**18,816**	16,932

15 CONTINGENCIES

(i) At 30 June 2010 the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to US $ 89,035 thousand (2009—US $ 45,555 thousand).

(ii) During 2009, a joint venture of the group received a tax assessment demand in respect of the tax years 2002 to 2005 from the Department of Taxation Affairs, Ministry of Finance. The group's share of the tax assessment demand was US $ 467 thousand. The joint venture has paid the amount under protest and appealed against the assessment order. The management is confident of a favourable outcome.

At this stage, group is unable to determine with reasonable accuracy the ultimate settlement amount, if any, which may arise in respect of the assessment raised nor the additional tax, if any, that may be payable in respect of open tax years not covered by the assessment. Therefore, no provision for the tax paid and any liability that may result from the open tax years has been recorded in these interim condensed consolidated financial statements.

15 CONTINGENCIES (Continued)

(iii) A difference in opinion has arisen between the group's joint venture, Petrogas Rima Joint Venture and the contract holders, Petroleum Development Oman LLC, regarding the volume of oil produced under the Rima Satelite Small Fields Service contract since 15 December 2009. The group's share of the differential revenue recorded by the Joint Venture relating to the period from 15 December 2009 to 30 June 2010 amounts to US $ 3,200 thousand. The matter is currently under discussion and management is confident that ultimately the amount will be received in full, therefore no provision for impairment of the differential revenue has been recorded in the interim condensed consolidated financial statements.

16 RELATED PARTY TRANSACTIONS

These represent transactions with related parties i.e. associate companies and senior management of the group companies, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the interim condensed consolidated financial statements are as follows:

	2010		2009	
	Sales US $ 000	Purchases US $ 000	Sales US $ 000	Purchases US $ 000
Companies under common ownership	**18,197**	**15,169**	7,173	59,572
	18,197	**15,169**	7,143	59,572

Balances with related parties included in the interim consolidated statement of financial position are as follows:

	2010		2009	
	Receivables US $ 000	Payables US $ 000	Receivables US $ 000	Payables US $ 000
Shareholders	**31,265**	**—**	4,672	1,032
Companies under common ownership	**25,490**	**2,373**	9,781	37,468
	56,755	**2,373**	14,453	38,500

Outstanding balances at the period-end arise in the normal course of business. For the period ended 30 June 2010, the group has not recorded any impairment of amounts owed by related parties (2009: nil).

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	30 June 2010 US $ 000	30 June 2009 US $ 000
Short-term benefits	**3,755**	3,648
Employees' end of service benefits	**104**	125
	3,859	3,773

APPENDIX A

MB Petroleum Services LLC and its subsidiaries

Unaudited Pro Forma Consolidated Income Statement for the Year Ended December 31, 2009

MB Holding previously owned 51% of MB Century and its subsidiaries through another wholly-owned subsidiary, MB Century Holding Pte Limited, a special purpose vehicle incorporated to own the MB Holding Group's interest in MB Century (for purpose of this Appendix A, "**MB Century Holding**"). On January 1, 2010, MB Holding, the ultimate parent company of MBPS, transferred its shareholding in MB Century Holding along with the related borrowing and funding arrangements, to MBPS at their carrying values. The transfer of MB Century Holding from MB Holding to MBPS is a transfer between entities under common control and, accordingly, MBPS has applied the pooling of interest method of accounting in its interim condensed consolidated financial statements for the six months ended June 30, 2010 included elsewhere in this Offering Memorandum. Comparative financial information for the six months ended June 30, 2009 was also restated.

The consolidated financial statements of MBPS as of and for the year ended December 31, 2009 do not reflect the transfer of MB Century Holding along with the related borrowing and funding arrangements from MB Holding to MBPS because the transfer was effected on January 1, 2010. The unaudited pro forma consolidated income statement of MBPS presented in this Offering Memorandum for the year ended December 31, 2009 is prepared for illustrative purposes and gives effect to the transfer of MB Century Holding from MB Holding to MBPS as if it happened on January 1, 2009.

The historical consolidated income statement of MBPS is based on the consolidated income statement of MBPS extracted without material adjustment from the audited consolidated financial statements of MBPS for the year ended December 31, 2009 included elsewhere in this Offering Memorandum. The historical consolidated income statement of MB Century is based on the consolidated income statement of MB Century extracted without material adjustment from the audited consolidated income statement of MB Century for the year ended December 31, 2009 included elsewhere in this Offering Memorandum. The consolidated financial statements of MBPS are prepared in accordance with IFRS and the consolidated financial statements of MB Century are prepared in accordance with Australian International Financial Reporting Standards ("**A-IFRS**"). There were no significant differences between A-IFRS and IFRS. The unaudited pro forma consolidated income statement has been prepared on a basis consistent with the accounting policies of MBPS.

	Year ended December 31, 2009				
	MBPS	MB Century	Total	Pro Forma Adjustments	Pro Forma Total
			(US $'000)		
Revenue	**353,624**	**71,460**	**425,084**	**(11,477)**[(1)]	**413,607**
Cost of sales	**(306,764)**	**(74,648)**	**(381,412)**	**7,386**[(1)]	**(374,026)**
Gross profit	**46,860**	**(3,188)**	**43,672**	**(4,091)**	**39,581**
Interest income	**466**	**48**	**514**	**(385)**[(2)]	**129**
Other income (expense)	**8,638**	**(621)**	**8,017**	**—**	**8,017**
General and administration expenses	**(20,882)**	**(10,258)**	**(31,140)**	**(9)**[(4)]	**(31,149)**
Depreciation and amortization charges	**(755)**	**—**	**(755)**	**—**	**(755)**
Finance costs	**(15,818)**	**(8,672)**	**(24,490)**	**(264)**[(3)]	**(24,754)**
Negative goodwill	**—**	**—**	**—**	**5,422**[(5)]	**5,422**
Profit (loss) before tax	**18,509**	**(22,691)**	**(4,182)**	**673**	**(3,509)**
Income tax	**(3,106)**	**2,604**	**(502)**	**—**[(6)]	**(502)**
Profit (loss) for the year	**15,403**	**(20,087)**	**(4,684)**	**673**	**(4,011)**
Profit (loss) attributable to:					
Equity holders of the parent	**15,403**	**(10,244)**	**5,159**	**673**	**5,832**
Non-controlling interests	**—**	**(9,843)**	**(9,843)**	**—**	**(9,843)**
	15,403	**(20,087)**	**(4,684)**	**673**	**(4,011)**

MB Petroleum Services LLC and its subsidiaries

Notes to Unaudited Pro Forma Consolidated Income Statement

The pro forma adjustments are described below:

(1) Adjustment to eliminate revenue and cost of sales of MBPS relating to the sale of inventory by MBPS to MB Century. MB Century capitalized the asset purchased from MBPS.

(2) Prior to the transfer of MB Century to MBPS, MB Century and MB Century Holding owed loans to both MBPS and MB Holding. As part of the transfer, amounts owed to MB Holding were transferred to MBPS. Interest income adjustments consist of the following:

	Amount (in $'000)
Interest income on loan to MB Century transferred by MB Holding	1,519
Elimination of intercompany interest income (see note 3)	(1,959)
Adjustment to reflect historical amounts relating to MB Century Holding	55
Interest income adjustment	(385)

(3) For the reasons stated in note 2 above, finance costs adjustment consists of the following:

	Amount (in $'000)
Finance costs related to borrowing and funding arrangements	(2,223)
Elimination of intercompany finance costs (see note 2)	1,959
Finance costs adjustment	(264)

(4) Adjustments to reflect historical amount of general and administrative expenses relating to MB Century Holding.

(5) Adjustments to reflect historical amount of negative goodwill relating to MB Century Holding. In accordance with the share purchase and sale agreement, MB Century was guaranteed minimum earnings for a period of three years. The minimum earnings for 2009 were not achieved by MB Century and therefore MB Century Holding received the guaranteed compensation from the previous shareholders of MB Century amounting to $5,422 thousand.

(6) The above adjustments did not have a material impact on income tax.

Pro forma adjustments 2, 3 and 4 will have a continuing impact on the MBPS group.

REGISTERED OFFICE OF THE ISSUER

MBPS Finance Company
Maples Corporate Services Limited,
PO Box 309, Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. and German law

Shearman & Sterling (London) LLP
Broadgate West
9 Appold Street
London EC2A 2AP
United Kingdom

As to Oman law

Trowers and Hamlins LLP
Al Jawhara Building
Al Muntazah Street
Shatti Al Qurum, P.O. Box 2991
PC 112, Muscat
Sultanate of Oman

LEGAL ADVISORS TO THE ISSUER

As to U.S. and German law

Latham & Watkins LLP
Dubai International Financial Centre
Precinct Building 1, Level 3
P.O. Box 506698
Dubai, United Arab Emirates

As to Oman law

Al Busaidy, Mansoor Jamal & Co.
Muscat International Centre
Mezzanine Floor
Bait Al Falaj Street
P.O. Box 686, Ruwi
PC 112, Muscat
Sultanate of Oman

As to Cayman Islands law

Maples and Calder
The Exchange Building
5th Floor
Dubai International Financial Centre
P.O. Box 119980
Dubai, United Arab Emirates

INDEPENDENT AUDITORS

Ernst & Young
P.O. Box : 1750, Ruwi 112
Qurum, Muscat
Sultanate of Oman

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

TRUSTEE UNDER THE INDENTURE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**LUXEMBOURG REGISTRAR,
LUXEMBOURG PAYING AGENT,
LUXEMBOURG LISTING AGENT AND
LUXEMBOURG TRANSFER AGENT**

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer, L-1115,
Luxembourg,
Luxembourg

**U.S. REGISTRAR,
U.S. PAYING AGENT AND
U.S. TRANSFER AGENT**

Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
Mailbox NYC60-2710
New York, NY 10005
United States of America

COUNSEL TO THE TRUSTEE

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

MBPS Finance Company

$320,000,000 11.25% Senior Notes
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OFFERING MEMORANDUM