



**MB Holding Company LLC and its
subsidiaries**

FINANCIAL REVIEW

30 June 2012



**Review report and financial information for the six months
period ended 30 June 2012**

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SUMMARY OF FINANCIAL DATA

Extracts from the unaudited interim condensed consolidated income statement, unaudited condensed statement of financial position and unaudited condensed statement of cash flow are as follows:

A Key Consolidated Income Statement Information

	<i>Six months ended 30 June</i>	
	2012 <i>US\$ 000</i>	2011 <i>US\$ 000</i>
Revenue	662,751	572,530
Cost of sales(i)	(483,160)	(435,319)
Gross profit	179,591	137,211
Investment income (expense)	(14,697)	459
Other operating income (net)(iii)	2,513	2,780
General and administration expenses	(38,377)	(30,056)
Finance costs (viii)	(30,649)	(28,281)
Depreciation and amortisation charges (ii)	(2,348)	(2,935)
Abandonment cost provision	(1,398)	(910)
Share in results of associates	5,088	4,055
Profit before tax	99,723	82,323
Income tax (expense) / income	(6,250)	(3,967)
Profit for the period	93,473	78,356
EBITDA for the period (iv)	221,309	186,736

B. Key Consolidated Statement of Financial Position Information

	<i>30 June 2012</i>	<i>31 December 2011</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>
Property, plant and equipment	524,338	521,799
Oil and gas exploration and producing assets	378,112	352,182
Accounts receivable and prepayments	403,033	333,950
Bank balances and cash	131,636	113,936
Total assets	1,802,704	1,641,589
Total debt (including Senior Notes) (v)	817,778	762,626
Shareholders' equity (including non-controlling interests)	638,638	542,758

C. Key Consolidated Cash Flow Statement Information

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>
Net cash from operating activities	133,363	80,895
Net cash used in investing activities	(142,539)	(102,627)
Net cash from financing activities	20,720	40,847
(Decrease) increase in cash and cash equivalents	13,917	17,837
	=====	=====

D. Other Key Financial Data

	<i>LTM</i>	<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	
	<i>2012</i>	<i>2012</i>	<i>2011</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Revenue	1,314,648	662,751	572,530
	=====	=====	=====
EBITDA (iv)	440,316	221,309	186,736
	=====	=====	=====
Finance cost (viii)	63,285	30,649	28,281
	=====	=====	=====
EBITDA to Finance Cost (times)	6.96x	7.22x	6.60x
	=====	=====	=====
Capital Expenditure (vii)	233,531	110,840	102,963
	=====	=====	=====

	<i>30 June</i>	<i>30 June</i>	<i>31 December</i>
	<i>2012</i>	<i>2012</i>	<i>2011</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
Net Debt (vi)	686,142	686,142	648,690
	=====	=====	=====
EBITDA (iv)	<i>LTM</i> 440,316	<i>Annualised</i> 442,618	<i>Actual</i> 405,743
	=====	=====	=====
Net Debt to EBITDA (ratio)	1.56x	1.55x	1.60x
	=====	=====	=====

Foot Notes:

- i) Cost of sales includes depreciation on operating assets amounting to US\$ 72.1 million for the six months period ended June 30, 2012 and US\$ 72.4 million for the corresponding period of 2011.
- ii) Depreciation and amortization charges include charges related to assets other than operating assets.
- iii) Other operating income includes gains (loss) from disposal of fixed assets, rentals, commission and other miscellaneous income earned in the normal course of business.
- iv) EBITDA represents profit before net finance cost (calculated as finance cost less interest income), taxation, depreciation, amortization, abandonment cost provision and one off impairment recorded on available for sale investments.
- v) Total Debt represents current and non-current term loans, senior notes, short term loans, bank overdrafts and other bank borrowings.
- vi) Net bank debt represents Total Debt less bank balances and cash.
- vii) Capital expenditure represents additions to property, plant & equipment, oil and gas exploration and producing assets, deferred mineral prospects and intangibles.
- viii) Finance cost includes interest expense plus related gain or loss on foreign exchange.

FINANCIAL REVIEW

Income Statement Review

Six months period ended June 30, 2012 Compared to six month period ended June 30, 2011

Revenue

MB Holding's revenue increased by 15.8 % to US\$ 662.8 million in the six months ended June 30, 2012, from US\$ 572.5 million in the comparable period in 2011. The growth in revenue was contributed by all business segments except for Manufacturing and Engineering segment of the Group.

The following table below shows the revenue of MB Holding's business segments for each of the six months ended June 30, 2012 and 2011:

	<i>Services</i>	<i>Exploration & Production</i>	<i>Mining</i>	<i>Manufac. & Engin.</i>	<i>Investment</i>	<i>Elimination.</i>	<i>Total</i>
	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>
Six months ended June 30, 2012	251,819	256,779	82,474	79,226	-	(7,547)	662,751
Six months ended June 30, 2011	214,938	219,616	69,587	84,010	-	(15,621)	572,530
Change	36,881	37,163	12,887	(4,784)	-	8,074	90,221
% Change	17.2%	16.9%	18.5%	(5.7%)	-	(51.7%)	15.8%

Services. The revenue of the services segment is generated by MBPS and its subsidiaries, increased by 17.2 % to US\$ 251.8 million in the six months period ended June 30, 2012 from US\$ 214.9 million in the comparable period in 2011. Revenue growth was achieved as a result of increase in drilling business (16.1%) workover business (34.9%), production services (12.5%) and increase in manufacturing business in Germany (35.7%). The increase was however, partially offset by decrease in drilling fluids business by 22.3%. Please refer MBPS review report for detailed analysis.

Exploration and Production. Revenue reported by Petrogas increased by 16.9 % to US\$ 256.8 million in the six months ended June 30, 2012, from US\$ 219.6 million in the comparable period in 2011. The increase in revenue is due to increase in price realised and production during the current period as compared to previous year. Petrogas increased its average production (working interest) by 17.7% to 30,318 barrels of oil per day during the six months ended June 30, 2012, from 25,755 barrels per day during the comparable period in 2011. The average realized price of oil also increased by 16.1% to US\$ 114.1 per barrel in the six months ended June 30, 2012, from US\$ 98.3 per barrel in the comparable period in 2011. This increase in production is driven mainly by Block 5 and the Rima small fields. The increase in revenue was partially negated due to increase in direct lifting by government of their share during current period of 9,500 barrels per day (Petrogas share) in 2012 against 7,000 barrels per day (Petrogas share) in 2011.

FINANCIAL REVIEW (continued)

Mining. Revenue generated by Mawarid Mining increased by 18.5% to US\$ 82.5 million in the six months ended June 30, 2012, from US\$ 69.6 million in the comparable period in 2011. Revenue growth was driven primarily by increase in quantity of metal sold by 31.9% to 11,160 metric tons in the six months ended June 30, 2012, as against 8,463 metric tons in the comparable period in 2011. However, the average price of copper decreased by 13.3% to US\$ 8,063 per metric ton in the six months ended June 30, 2012 from US\$ 9,298 per metric ton in the comparable period in 2011.

Manufacturing and Engineering. Revenue generated by UES decreased by 5.7% to US\$ 79.2 million in the six months ended June 30, 2012, from US\$ 84.0 million in the comparable period in 2011. The decrease in revenue is due to significant reduction in agency sales business arising on account of completion of certain contracts for supply of gas turbine and core engines in 2011 and new contracts secured in 2012 not being of similar quantum. This decrease was partially netted off by first time inclusion of Hyspec revenue amounting to US\$ 6.8 million.

Cost of Sales

MB Holding's cost of sales increased by 11.0% to US\$ 483.2 million in the six months ended June 30, 2012, from US\$ 435.3 million in the comparable period in 2011. MB Holding's cost of sales as a percentage of revenue across such period however, decreased by 3.1 percentage points to 72.9% for 2012 from 76.0% for the comparable period in 2011. This decrease was driven primarily by improvement in operational gearing and reasons explained below.

The following table below shows the cost of sales of MB Holding's business segments for each of the six months ended June 30, 2012 and 2011 respectively.

	<i>Services</i>	<i>Exploration & Production</i>	<i>Mining</i>	<i>Manufac. & Engin.</i>	<i>Investment</i>	<i>Elimination</i>	<i>Total</i>
	<i>US\$, ,000</i>	<i>US\$, ,000</i>	<i>US\$, ,000</i>	<i>US\$, ,000</i>	<i>US\$, ,000</i>	<i>US\$, ,000</i>	<i>US\$, ,000</i>
Six months ended June 30, 2012	233,987	164,514	24,184	68,022	-	(7,547)	483,160
Six months ended June 30, 2011	202,716	148,606	25,538	74,080	-	(15,621)	435,319
Change	31,271	15,908	(1,354)	(6,058)	-	8,074	47,841
% Change	15.4%	10.7%	(5.3%)	(8.2%)	-	(51.7%)	11.0%

Services. The services segment's cost of sales was incurred by MBPS and its subsidiaries, increased by 15.4% to US US\$ 234.0 million in the six months period ended June 2012 from US US\$ 202.7 million in the comparable period in 2011. The increase in cost was primarily on account the 'Arab spring' in Oman which escalated the employment costs by 30.7% during the six months period ended June 30, 2012 as compared the corresponding period in 2011. Please refer MBPS review report for detailed analysis.

Exploration and Production. Petrogas's cost of sales increased by 10.7% to US\$ 164.5 million in the six months ended June 30, 2012, from US \$148.6 million in the comparable period in 2011. The increase was driven primarily due to increase in Government's share in revenue for the current period. As a percentage of revenue across such periods, Petrogas's cost of sales however, decreased by 3.6 percentage points to 64.1% for 2012 from 67.7% for the comparable period in 2011. The decrease was driven by the increase in revenue while the corresponding increase in related costs occurred at a lower rate.

FINANCIAL REVIEW (continued)

Mining. Mawarid Mining's cost of sales decreased by 5.3% to US\$24.2 million in the six months ended June 30, 2012, from US\$ 25.5 million in the comparable period in 2011, as a percentage of revenue across such periods, Mawarid Mining's cost of sales has also gone down by 7.4 percentage points to 29.3% for 2012 from 36.7 % for the comparable period in 2011. The decrease is due to operational efficiencies resulting in lower mining and milling costs combined with good quality of ore processed during current period.

Manufacturing and Engineering. UES's cost of sales decrease by 8.2% to US\$ 68.0 million in the six months ended June 30, 2012, from US\$ 74.1 million in the comparable period in 2011. The decrease is in line with decrease in revenue for current period. As a percentage of revenue across such periods, UES's cost of sales also decreased by 2.3 percentage points to 85.9% for 2012 from 88.2% for the comparable period in 2011. This decrease in cost of sales as a percentage of revenue was driven primarily due to difference in sales mix during the current period as compared to the comparable period in 2011.

Gross Profit

MB Holding gross profit grew by 30.9% in the six months ended June 30, 2012 from the comparable period in 2011, due to the factors described above. The MB Holding Group's gross profit margin increased by 3.1 percentage points to 27.1% in the six months ended June 30, 2012, from 24.0% in the comparable period in 2011. The increase was primarily due to operational efficiencies resulting in lower cost of sales in 2012.

General and Administration Expenses

General and administration expenses has increased by US\$ 8.3 million to US\$ 38.4 million in the six months ended June 30, 2012, as against US\$ 30.1 million in the comparable period in 2011. The increase in current period is primarily on account of increase in staff costs and one off expenses relating to acquisition of Hyspec by UES (Manufac. & Engin. Group) charged to income statement.

Finance Costs

Finance costs increased by 8.4% to US\$ 30.6 million in the six months ended June 30, 2012, from US\$ 28.3 million in the comparable period in 2011. This increase was driven primarily due to increase in borrowings during current period. Total debt as at June 30, 2012 is US\$ 817.8 million against US\$ 698.3 million as at June 30, 2011.

Depreciation and Amortization Charges

Depreciation and amortization charges (other than on operating assets) marginally decreased to US\$ 2.3 million in the six months ended June 30, 2012 from US\$ 2.9 million in the corresponding period in 2011.

FINANCIAL REVIEW (continued)

Income Tax Expense

Income tax charge for six months period ended June 30, 2012 was US\$ 6.3 million as against US\$ 4.0 for the comparable period in 2011. The increase was primarily due to increase in tax charges on income generated in Exploration & Production segment by US\$ 2.1 million.

Other Operating Income

Other operating income marginally decreased by US\$ 0.3 million to US\$ 2.5 million for the six months ended June 30, 2012, from US\$ 2.8 million for the comparable period in 2011. Other income includes gains from disposal of fixed assets, rental income, commission income and other miscellaneous income earned in the normal course of business.

The MB Holding Group's share in results of associates increased by 25.5% to US\$ 5.1 million for the six months ended June 30, 2012, from US\$ 4.1 million for the comparable period in 2011. This increase was driven primarily from increased profits at Ahli Bank.

Investment Income

The Investment Income decreased by US\$ 15.2 to a loss of US\$ 14.7 million for the six months ended June 30, 2012, from a gain of US\$ 0.5 million for the comparable period in 2011 due to impairment of US\$ 14.0 million on group's investment in Nautilus Mining Inc. and US\$ 1.1 million on UCL Resources Limited recorded during current period.

EBITDA

The following table below shows the EBITDA of MB Holding's business segments for each of the six months ended June 30, 2012 and 2011.

	<i>Services</i>	<i>Exploration & Production</i>	<i>Mining</i>	<i>Manufac. & Engin.</i>	<i>Investment</i>	<i>Total</i>
	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>	<i>US\$,000</i>
Six months ended June 30, 2012	29,355	121,113	62,135	7,365	1,341	221,309
Six months ended June 30, 2011	22,778	107,242	47,802	7,792	1,122	186,736
Change	6,577	13,871	14,333	(427)	219	34,573
% Change	28.9%	12.9%	30.0%	(5.5%)	19.5%	18.5%

MB Holding's EBITDA increased by 18.5% to US\$ 221.3 million in the six months ended June 30, 2012, from US\$ 186.7 million in the comparable period in 2011. With the exception of the Manufacturing & Engineering segment, the EBITDA of each business segment increased during this period.

Services. MBPS's EBITDA increased by 28.9% to US\$ 29.4 million in the six months period ended June 30, 2012 from US\$ 22.8 million in the comparable period in 2011. The increase was mainly on account higher revenues as a result of better asset utilisation rates, increase in day rates and cost management initiatives taken during current period.

FINANCIAL REVIEW (continued)

Exploration and Production. Petrogas's EBITDA increased by 12.9% to US\$ 121.1 million in the six months ended June 30, 2012, from US\$ 107.2 million in the same period in 2011. This increase was driven largely by increased production volumes and increase in realized oil prices and during current period.

Mining. Mawarid Mining's EBITDA increased by 30.0% to US\$ 62.1 million in the six months ended June 30, 2012, from US\$ 47.8 million in the same period in 2011. This increase was driven primarily by increase in quantity of metal sold during current period. This was further augmented by reduction in costs of production in 2012.

Manufacturing and Engineering. UES's EBITDA marginally decreased by 5.5% to US\$ 7.4 million in the six months ended June 30, 2012, from US\$ 7.8 million in the same period in 2011. The decrease was driven primarily by increase in staff costs and one off expenses relating to acquisition of Hyspec by UES charged to income statement for current period.

Profit for the Period

Profit for the period increased by 19.3% to US\$ 93.5 million in the six months ended June 30, 2012, from US\$ 78.4 million in the comparable period in 2011.

FINANCIAL REVIEW (continued)

Statement of Financial Position Review

Property, plant and equipment

Property, plant and equipment have marginally increased by 0.5% to US\$ 524.3 million as at June 30, 2012 as against US\$ 521.8 million as on December 31, 2011.

Oil and gas exploration and producing assets

Oil and gas exploration and producing assets have increased by 7.4% to US \$378.1 million as at June 30, 2012 from US\$ 352.2 million as on December 31, 2011. The increase was due to new capex made of US\$ 60.7 million [Rima (\$27.7 million), Mazoon Petrogas (US\$ 27.5 million) and Petrogas India (US\$ 5.5 million)], partially negated by depreciation charge for current period of US\$ 31.7 million and impairment of US\$ 3.1 million recorded during current period.

Accounts receivable and prepayments

Accounts receivables and prepayments increased by US\$ 69.1 million to US\$ 403.0 million as on June 30, 2012 from US\$ 334.0 million as on December 31, 2011. The increase was primarily in trade receivables by US\$ 44.6 million and receivables from related parties by US\$ 24.5 million.

The increase in trade receivables was primarily in Exploration & Production (US\$ 34.1 million) segment, Manufacturing and Engineering (US\$ 15.2 million) segment and net decrease by US\$ 4.4 million in other segments of the Group.

Accounts payable and accruals

Accounts payables and accruals increased by 5.1% to US\$ 270.1 million as on June 30, 2012 from US\$ 257.0 million as on December 31, 2011. The net increase was primarily due to increase in trade payables by US\$ 27.0 million partially netted by decrease in due to related parties by US\$ 13.9 million.

The increase in trade payables was primarily in Manufacturing and Engineering (US\$ 24.8 million), Services (US\$ 10.1 million) segments and net decrease of US\$ 7.9 million in other segments.

Bank debt

Total bank debt of MBH Group has increased by 7.2% to US\$ 817.8 million as on June 30, 2012 from US\$ 762.6 million as on December 31, 2011. The increase is mainly due to new term loans raised to fund acquisition of Hyspec Engineering Holdings Ltd (US\$ 23.3 million), purchase of other investments (US\$ 17.5 million) and capital expenditure during the current period.

FINANCIAL REVIEW (continued)

Statement of Cash Flow Review

Analysis of Cash Flows of the MB Holding Group on a Consolidated Basis for the period ended June 30, 2012 and June 30, 2011 is as follows:

Net Cash from Operating Activities

The MB Holding Group's net cash from operating activities increased by US\$ 52.5 million to US\$ 133.4 million during the six months period ended on 30 June 2012, from US\$ 80.9 million in the comparable period in 2011. The operating cash-flows before working capital changes increased by US\$ 34.5 million to US\$ 217.7 million in the six months period ended June 30, 2012 from US\$ 183.2 million in the comparable period in 2011 which represents an increase of 18.8%.

Net Cash Used in Investing Activities

The MB Holding Group's net cash used in investing activities was US\$ 142.5 million during the six months period ended on 30 June 2012, as compared to US\$ 102.6 million during the comparable period in 2011. This increase in usage was largely driven by utilization of funds in acquisition of Hyspec Engineering Holdings Ltd.(US\$ 23.3 million), Other investments (US\$ 15.0 million) and increase in purchase of Oil & Gas exploration and producing assets (US\$ 3.0 million) & Deferred mineral prospects (US\$ 10.1 million). This was partially netted by increase in proceeds from disposal of other assets (US\$ 5.7 million) and decrease in acquisition of other capital assets (US\$ 5.1 million) during current period.

Net Cash From Financing Activities

The MB Holding Group's net cash from financing activities decreased by US\$ 20.1 million to US\$ 20.7 million for the six months period ended on June 30, 2012, as compared to US\$ 40.8 million for the comparable period in 2011. This decrease was largely due increase in net repayments of bank borrowings and interest paid during the current period.

Capital Expenditure

The MB Holding Group's total capital expenditures increased by US\$ 7.8 million to US\$ 110.8 million for the six months period ended on June 30 2012, as compared to US\$ 103.0 million for comparable period in 2011.

Of the total capital expenditure during the period ended June 31, 2012, US\$ 12.6 million relates to the amount spent on purchase of equipment (2 workover rigs, and certain well test equipment) and US\$ 12.9 million was spent on maintenance of equipment in Services segment. Under Exploration & Production segment, US\$ 60.7 million was invested for the development of oil and gas blocks. Mining business spent US\$ 17.0 million of which mainly for development of mineral assets US\$ 10.1 million and on equipment US\$ 7.4 million. Manufacturing & Engineering segment of the Group invested US\$ 3.1 million on the construction of new facilities at Rusayl and Nizwa industrial estate and balance US\$ 2.9 million on purchase of land in Hyspec.

**MB Holding Company LLC and its
subsidiaries**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2012

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2012 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>
Revenue	662,751	572,530
Cost of sales	(483,160)	(435,319)
Gross profit	179,591	137,211
Investment income (net)	(14,697)	459
Other operating income (net)	2,513	2,780
General and administration expenses	(38,377)	(30,056)
Finance costs	(30,649)	(28,281)
Depreciation and amortisation charges	(2,348)	(2,935)
Abandonment cost provision	(1,398)	(910)
Share in results of associates	5,088	4,055
Profit before tax	99,723	82,323
Income tax expense	(6,250)	(3,967)
Profit for the period	93,473	78,356
Profit attributable to:		
Equity holders of the parent	92,469	77,868
Non-controlling interests	1,004	488
	93,473	78,356
Basic and diluted earnings per share for the equity holders of the parent (US\$)	4.62	3.89
Other comprehensive income		
Exchange differences on translation of foreign operations	2,356	(1,230)
Unrealised gain on fair value of available for sale investments and associates	(15,064)	(884)
Impairment on available for sale investments transferred to profit for the period	15,115	-
Other comprehensive income for the year, net of tax	2,407	(2,114)
Total comprehensive income for the year, net of tax	95,880	76,242
Total comprehensive income attributable to:		
Owners of the parent	94,876	75,754
Non-controlling interests	1,004	488
	95,880	76,242

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012 (Unaudited)

	<i>30 June</i> 2012 <i>US\$ 000</i>	<i>Audited</i> 31 December 2011 <i>US\$ 000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	524,338	521,799
Oil and gas exploration and producing assets	378,112	352,182
Deferred mineral prospects	21,995	9,428
Intangible assets	46,878	25,861
Investment in associates	104,807	97,753
Investment securities	60,105	59,487
Investments towards a joint venture	1,500	3,000
Deferred tax assets	23,695	24,013
	<u>1,161,430</u>	<u>1,093,523</u>
Current assets		
Inventories	102,885	90,254
Accounts receivable and prepayments	403,033	333,950
Bank balances and cash	131,636	113,936
	<u>637,554</u>	<u>538,140</u>
Assets held for sale	3,720	9,926
TOTAL ASSETS	<u><u>1,802,704</u></u>	<u><u>1,641,589</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	52,015	52,015
Statutory reserve	17,339	17,339
Translation reserve	(3,065)	(5,421)
Cumulative changes in fair value	(14,231)	(14,282)
Revaluation reserve	3,474	3,474
Retained earnings	574,734	482,265
Equity attributable to equity holders of the parent	<u>630,266</u>	<u>535,390</u>
Non-controlling interests	8,372	7,368
Total equity	<u>638,638</u>	<u>542,758</u>
Non-current liabilities		
Term loans	297,022	258,673
Senior Notes	283,788	283,788
Deferred tax liability	28,900	29,396
Government grants	2,327	2,331
Employees' end of service benefits	15,771	14,664
Abandonment cost provision	15,885	14,488
Other payables	1,098	105
	<u>644,791</u>	<u>603,445</u>
Current liabilities		
Accounts payable and accruals	270,084	256,977
Bank overdrafts and other borrowings	65,699	52,953
Short term loans	61,436	59,645
Term loans	109,833	107,567
Government grants	70	84
Income tax payable	12,153	18,160
	<u>519,275</u>	<u>495,386</u>
Total liabilities	<u>1,164,066</u>	<u>1,098,831</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,802,704</u></u>	<u><u>1,641,589</u></u>

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2012 (Unaudited)

	<i>Attributable to equity holders of the parent</i>						<i>Non-controlling interests</i> US\$ 000	<i>Total</i> US\$ 000	
	<i>Share Capital</i> US\$ 000	<i>Statutory Reserve</i> US\$ 000	<i>Translation Reserve</i> US\$ 000	<i>Cumulative changes in fair value</i> US\$ 000	<i>Revaluation reserve</i> US\$ 000	<i>Retained earnings</i> US\$ 000			
Balance at 1 January 2011	52,015	17,339	(2,180)	2,790	3,474	396,594	470,032	5,099	475,131
Profit for the year	-	-	-	-	-	166,439	166,439	1,468	167,907
Other comprehensive income	-	-	(3,241)	(17,072)	-	-	(20,313)	-	(20,313)
Total comprehensive income	-	-	(3,241)	(17,072)	-	166,439	146,126	1,468	147,594
Acquisition of a subsidiary	-	-	-	-	-	-	-	801	801
Dividends paid	-	-	-	-	-	(80,768)	(80,768)	-	(80,768)
Balance at 31 December 2011	52,015	17,339	(5,421)	(14,282)	3,474	482,265	535,390	7,368	542,758
Profit for the period	-	-	-	-	-	92,469	92,469	1,004	93,473
Other comprehensive income	-	-	2,356	51	-	-	2,407	-	2,407
Balance at 30 June 2012	52,015	17,339	(3,065)	(14,231)	3,474	574,734	630,266	8,372	638,638

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2012 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>
OPERATING ACTIVITIES		
Profit before tax	99,723	82,323
Adjustments for:		
Depreciation and amortisation charges	74,471	75,285
Gain on sale of property, plant and equipment	(302)	(80)
Release of Government grants	(32)	-
Net (gain)/ loss on investments classified as fair value through profit or loss	(92)	14
Net loss on available for sale investments	15,115	-
Accrual for employees' end of service benefits	2,192	1,283
Abandonment costs provision	1,398	910
Interest and dividend income	(326)	(473)
Share in results of associates	(5,088)	(4,055)
Interest expense (finance)	30,649	27,980
	217,708	183,187
Working capital changes:		
Inventories	(10,758)	(3,475)
Receivables	(65,563)	(67,372)
Payables	6,964	(27,240)
Cash from operations	148,351	85,100
Employees' end of service benefits paid	(1,085)	(316)
Taxation paid	(13,903)	(3,889)
Net cash from operating activities	133,363	80,895
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	(23,333)	-
Purchase of property, plant and equipment	(39,549)	(44,714)
Additions to oil and gas exploration and producing assets	(60,700)	(57,786)
Additions to deferred mineral prospects	(10,068)	-
Addition to intangibles	(523)	(463)
Proceeds from sale of property, plant and equipment and gas exploration and producing assets	6,672	926
Net movements in advances towards joint ventures	1,500	-
Purchase of investment securities	(15,672)	(3,090)
Proceeds from sale of investments securities	811	2,027
Purchase of investment in associates	(2,601)	-
Interest and dividends received	910	473
Receipt of Government grants	14	-
Net cash used in investing activities	(142,539)	(102,627)

MB Holding Company LLC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the period ended 30 June 2012 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	2012	2011
	US\$ 000	US\$ 000
FINANCING ACTIVITIES		
New term loans	123,424	77,119
Repayment of term loans	(82,809)	(52,886)
Net movement in short term loans	1,791	11,153
Net movement in bank borrowings	8,963	28,689
Interest paid	(30,649)	(23,228)
	<hr/>	<hr/>
Net cash from (used in) financing activities	20,720	40,847
	<hr/>	<hr/>
Translation difference	2,373	(1,278)
	<hr/>	<hr/>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,917	17,837
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	100,043	77,994
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	113,960	95,831
	<hr/>	<hr/>

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2012 (Unaudited)

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 twenty countries and the company's registered head office address is at PO Box 695, CPO Seeb, Postal Code 111, Sultanate of Oman.

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 (IFRS).

These interim condensed consolidated financial statements do not contain all information and disclosures required for the annual consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the group's annual consolidated financial statements as at 31 December 2011. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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 2011.

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.

Investment - Investment segment is engaged in investing in financial securities and identifying, acquiring, managing and operating interests in petroleum and other related enterprises.

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

3 SEGMENT INFORMATION (continued)

	<i>Exploration and Production US\$ '000</i>	<i>Services US\$ '000</i>	<i>Manufactu- ring and Engineering US\$ '000</i>	<i>Mining US\$ '000</i>	<i>Investments US\$ '000</i>	<i>Elimina- tions US\$ '000</i>	<i>Total US\$ '000</i>
Period ended 30 June 2012							
Revenue	256,779	251,819	79,226	82,274	-	(7,547)	662,751
Segment results	83,999	1,764	4,953	38,734	(4,213)	-	125,237
Finance costs (net)							(30,602)
Share in results of associates							5,088
Profit for the period before income tax							99,723
Income tax expense							(6,250)
Profit for the period							93,473
	<i>Exploration and Production US\$ '000</i>	<i>Services US\$ '000</i>	<i>Manufactu- ring and Engineering US\$ '000</i>	<i>Mining US\$ '000</i>	<i>Investments US\$ '000</i>	<i>Elimina- tions US\$ '000</i>	<i>Total US\$ '000</i>
At 30 June 2012							
Assets and liabilities							
Segment assets	589,987	643,983	176,063	171,164	225,911	(132,906)	1,674,202
Investment in associates	-	10	2,541	-	102,256	-	104,807
Deferred tax assets	488	23,020	187	-	-	-	23,695
Total assets	590,475	667,013	178,791	171,164	328,167	(132,906)	1,802,704
Segment liabilities (excluding term loans)	102,363	210,154	74,388	22,163	140,966	(117,664)	432,370
Term loans	148,678	58,769	32,717	55,626	111,065	-	406,855
Senior notes	-	304,950	-	-	-	(21,162)	283,788
Income tax payable	8,996	880	2,277	-	-	-	12,153
Deferred tax liability	489	28,350	61	-	-	-	28,900
Total liabilities	260,526	603,103	109,443	77,789	252,031	(138,826)	1,164,066
Other segment information for the six month period ended 30 June 2012							
Capital expenditure	61,167	25,659	5,967	17,536	511	-	110,840
Depreciation and amortisation	35,670	27,596	2,216	8,333	656	-	74,471

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

3 SEGMENT INFORMATION (continued)

	<i>Exploration and Production US\$ '000</i>	<i>Services US\$ '000</i>	<i>Manufactu- ring and Engineering US\$ '000</i>	<i>Mining US\$ '000</i>	<i>Investments US\$ '000</i>	<i>Elimina- tions US\$ '000</i>	<i>Total US\$ '000</i>
Period ended 30 June 2011							
Revenue	219,616	214,938	84,010	69,587	-	(15,621)	572,530
Segment results	66,629	(1,766)	5,784	39,850	(4,011)	-	106,486
Finance costs (net)							(28,218)
Share in results of associates							4,055
Profit for the period before income tax							82,323
Income tax expense							(3,967)
Profit for the period							78,356

	<i>Exploration and Production US\$ '000</i>	<i>Services US\$ '000</i>	<i>Manufactu- ring and Engineering US\$ '000</i>	<i>Mining US\$ '000</i>	<i>Investments US\$ '000</i>	<i>Elimina- tions US\$ '000</i>	<i>Total US\$ '000</i>
At 31 December 2011							
Assets and liabilities							
Segment assets	543,596	639,599	132,693	139,883	162,167	(98,115)	1,519,823
Investment in associates	-	13	2,347	-	95,393	-	97,753
Deferred tax assets	488	23,338	187	-	-	-	24,013
Total assets	544,084	662,950	135,227	139,883	257,560	(98,115)	1,641,589
Segment liabilities (excluding term loans)	107,837	187,856	54,522	18,599	115,177	(82,774)	401,247
Term loans	164,526	75,354	13,124	65,012	48,224	-	366,240
Senior notes	-	304,950	-	-	-	(21,162)	283,788
Income tax payable	15,333	1,462	1,365	-	-	-	18,160
Deferred tax liability	489	28,846	61	-	-	-	29,396
Total liabilities	288,185	598,468	69,102	83,611	163,401	(103,936)	1,098,831

Other segment information for the six month period ended 30 June 2011

Capital expenditure	58,358	33,325	3,942	7,225	113	-	102,963
Depreciation and amortisation	39,701	24,545	1,843	7,952	1,244	-	75,285

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

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 2012	<i>Revenue</i> <i>US\$ '000</i>	<i>Total</i> <i>assets</i> <i>US\$ '000</i>	<i>Capital</i> <i>expenditure</i> <i>US\$ '000</i>
Middle East	524,788	1,578,932	88,424
Europe	60,229	448,244	10,404
Far East and South Asia	18,259	252,865	6,764
Africa	12,457	65,745	731
Australia and New Zealand	47,018	104,169	4,517
Intercompany eliminations	-	(647,251)	-
	<u>662,751</u>	<u>1,802,704</u>	<u>110,840</u>
	<u><u>662,751</u></u>	<u><u>1,802,704</u></u>	<u><u>110,840</u></u>
30 June 2011 and 31 December 2011	<i>Revenue</i> <i>US\$ '000</i>	<i>Total</i> <i>assets</i> <i>US\$ '000</i>	<i>Capital</i> <i>expenditure</i> <i>US\$ '000</i>
Middle East	468,045	1,686,616	80,068
Europe	48,788	455,198	9,200
Far East and South Asia	29,253	225,225	11,208
Africa	10,200	55,482	661
Australia and New Zealand	20,427	77,151	1,826
Intercompany eliminations	(41,83)	(858,083)	-
	<u>572,530</u>	<u>1,641,589</u>	<u>102,963</u>
	<u><u>572,530</u></u>	<u><u>1,641,589</u></u>	<u><u>102,963</u></u>

The comparative figures for revenue earned and capital expenditure incurred have been disclosed for the six months ended 30 June 2011. The comparative figures for the total assets have been disclosed as of 31 December 2011.

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2012 (Unaudited)

4 SUBSIDIARY COMPANIES

The interim condensed consolidated financial statements incorporate the interim condensed financial statements of the following companies in which the group has a controlling interest:

<i>Name</i>	<i>Type</i>	<i>Country of registration</i>	<i>2012</i>	<i>2011</i>
MB Petroleum Services LLC	Limited liability company	Oman	100%	100%
Petrogas E&P LLC	Limited liability company	Oman	100%	100%
Mawarid Mining LLC	Limited liability company	Oman	100%	100%
United Engineering Services LLC	Limited liability company	Oman	100%	100%
MB Overseas Limited	Limited liability company	British Virgin Island	100%	100%
MB Informatics Private Limited	Limited liability company	India	100%	100%
Crest Oil & Gas LLC	Limited liability company	Oman	100%	100%
MB Drilling Overseas Limited	Limited liability company	Cyprus	100%	100%
MB Petroleum Services Company Limited	Limited liability company	Saudi Arabia	100%	100%
MB Petroleum (Asia Pacific) Ltd.	Limited liability company	Hong Kong	100%	100%
MBPS Malaysia SDN BHD	Limited liability company	Malaysia	75%	75%
MB Petroleum Deutschland GMBH	Limited liability company	Germany	100%	100%
MB Petroleum B.V. Netherlands	Limited liability company	Netherlands	100%	100%
MBPS Finance Company	Limited liability company	Cayman Island	100%	100%
MB Century Holding Pte Ltd	Limited liability company	Singapore	100%	100%
MB 2001 Ltd.	Limited liability company	Hungary	100%	100%
MB Metal Works 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 Drilling Romania SRL	Limited liability company	Romania	100%	100%
Cameron services Middle East LLC	Limited liability company	Oman	51%	51%
Erdol-Erdgas Workover GMBH & Co. KG	Limited liability company	Germany	100%	100%
Koller Verwaltungs und Beteiligungs GmbH	Limited liability company	Germany	100%	100%
Ferdinand Koller & Sohn Erdolgewinnung, Tiefbohrunternehmen und Maschinenfabrik Celle GmbH & Co. KG	Limited liability company	Germany	100%	100%
Koller Maschinen – und Anlagenbau GmbH	Limited liability company	Germany	100%	100%

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2012 (Unaudited)

3 SUBSIDIARY COMPANIES (continued)

<i>Name</i>	<i>Type</i>	<i>Country of registration</i>	<i>2012</i>	<i>2011</i>
Koller Workover & Drilling GmbH	Limited liability company	Germany	100%	100%
RELLOK Cutting Solutions GmbH	Limited liability company	Germany	100%	100%
Nizwa United Engineering Services LLC	Limited liability company	Oman	100%	100%
MB Century Drilling Pty Limited	Limited liability company	Australia	100%	100%
Century Resource Services Limited	Limited liability company	New Zealand	100%	100%
Century Resources International Pty Limited	Limited liability company	Australia	100%	100%
Century Drilling & Energy Services Limited	Limited liability company	New Zealand	100%	100%
PT Century Dinamik Drilling	Limited liability company	Indonesia	100%	100%
PT Ogspiras Bina Drilling	Limited liability company	Indonesia	100%	100%
MB Century (Thailand) Limited.	Limited liability company	Thailand	49%	49%
MB Century (Brunei) SDN BHD	Limited liability company	Brunei	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%
Mazoon Petrogas SAOC	Joint stock (closed) company	Oman	100%	100%
Mawarid Mining Company Ltd	Limited liability company	Kingdom of Saudi Arabia	100%	100%
Mawarid Offshore Mining Ltd	Limited liability company	British Virgin Islands	100%	100%
Mawarid Mining Tanzania Ltd	Limited liability company	Tanzania	100%	100%
United Engineering Services Services International Sdn.Bhd	Limited liability company	Malaysia	100%	100%
MB Logistics Ltd	Limited liability company	Hungary	100%	100%
Century Energy Services Pty Limited	Limited liability company	Australia	100%	100%
Mohammed Barwani & Al Ghalib Petroleum Services LLC (MBAG)	Limited liability company	Oman	60%	60%
Hyspec Engineering Holdings Ltd.	Limited liability company	United Kingdom	100%	-
Mawarid Mining Kazakhstan LLP	Limited liability partnership	Kazakhstan	100%	-

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2012 (Unaudited)

5 INVESTMENT SECURITIES

	<i>30 June 2012 US\$ 000</i>	<i>31 December 2011 US\$ 000</i>
Available for sale	50,287	55,120
Fair value through profit or loss	9,818	4,367
	60,105	59,487

6 BANK BALANCES AND CASH

Cash and cash equivalents included in the statement of cash flows comprise the following amounts included in the statement of financial position:

	30 June 2012 US\$ 000	31 December 2011 US\$ 000	30 June 2011 US\$ 000
Bank balances and cash	131,636	113,936	105,315
Bank overdrafts	(17,676)	(13,893)	(9,484)
	113,960	100,043	95,831

Bank overdraft and other borrowings in the statement of financial position comprise the following:

	30 June 2012 US\$ 000	31 December 2011 US\$ 000	30 June 2011 US\$ 000
Bank overdrafts	17,676	13,893	9,484
Other bank borrowings	48,023	39,060	42,337
	65,699	52,953	51,821

7 TERM LOANS

	<i>30 June 2012 US\$ 000</i>	<i>31 December 2011 US\$ 000</i>
Term loans – parent company	111,065	48,223
Terms loans – subsidiaries	295,790	318,017
	406,855	366,240
Less : current portion classified under current liabilities	(109,833)	(107,567)
	297,022	258,673

MB Holding Company LLC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

8 COMMITMENTS

Investment commitment

The group has made a commitment towards further capital contributions to unquoted investments amounting to US\$ 8,505 thousand (31 December 2011: US\$ 8,505 thousand).

Capital expenditure commitments

	<i>30 June 2012</i>	31 December 2011
	<i>US\$ 000</i>	<i>US\$ 000</i>
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Plant and equipment	54,601	22,988

All of the above commitments are expected to be settled within one year.

	30 June 2012	31 December 2011
	<i>US\$ 000</i>	<i>US\$ 000</i>
<i>Operating lease commitments</i>		
Future minimum lease payments:		
Not later than one year	9,900	5,720
Later than one year but not later than five years	42,85	3,961
More than five years	4,175	4,267
Aggregate operating lease expenditure contracted for at the reporting date	18,360	13,957

9 CONTINGENCIES

At 30 June 2012 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\$ 155,380 thousand (31 December 2011 - US\$ 95,913 thousand).

10 COMPARATIVE FIGURES

Certain of the corresponding figures for 2011 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.