

MAX PETROLEUM PLC
("MAX PETROLEUM" OR THE "COMPANY" AND TOGETHER
WITH ITS SUBSIDIARIES, THE "GROUP")
[AIM: MXP]

2011 ANNUAL REPORT AND ACCOUNTS AND NOTICE OF AGM

24 August 2011

Max Petroleum, an oil and gas exploration and production company focused on Kazakhstan today announces the publication of its annual report and accounts for the year ended 31 March 2011. The Company also announces that its Annual General Meeting will be held at 10:00 am on Thursday 29 September 2011, at the Chesterfield Mayfair Hotel, 35 Charles Street, Mayfair, London, W1J 5EB. A copy of the Company's annual report will be available on the Company's website at www.maxpetroleum.com today and will be posted to shareholders with the notice convening the Annual General Meeting providing details of the venue, on or before 1 September 2011.

A summary of the Group's financial and operational highlights are as follows:

Financial highlights

- Revenue of US\$55.3 million, up 28% from US\$43.3 million in 2010.
- Total sales volumes of 760,000 bbls, up from 756,000 bbls sold in 2010.
- Average realised price of US\$72.78 per bbl, up 27% from US\$57.35 per bbl in 2010.
- Net cash flow from operating activities of US\$14.4 million, compared to US\$10.1 million in 2010.
- Loss of US\$18.2 million, compared to a loss of US\$253.4 million in 2010. The prior year loss included US\$116.2 million of impairment charges and US\$101.9 million of non-cash debt restructuring charges.
- Raised US\$85.2 million, before expenses, through a placing of 309.8 million new ordinary shares with institutional investors.
- Restructured the Group's revolving credit facility with Macquarie Bank Limited and its convertible bonds to defer principal payments until 2013, after the end of the exploration period of the Group's Blocks A&E Licence.

Operational highlights

- Year-end proved and probable ("2P") reserves of 7.8 mmbbls, a 68% increase from 4.7 mmbbls in 2P reserves in fiscal year 2010*.
- Increased proved reserves by 129% to 5.7 mmbbls in fiscal year 2011 from 2.5 mmbbls in the prior year.
- Extended the exploration period of the Group's Blocks A&E Exploration and Production Licence for two years until March 2013.
- Continued the post-salt drilling programme, which began in November 2009. As of 15 August 2011, the Group has drilled a total of 19 wells, including 11 exploration wells generating five discoveries at the Borkyldakty, Uytas, Asanketken, Narmundanak South, and East Kyzylzhar I fields.
- Drilled five successful development wells in the Zhana Makat Field, including the ZMA-ET1 and ZMA-ET2 wells, which have successfully extended Zhana Makat into the Triassic section.
- Daily production is currently approximately 2,800 bopd and is on track to reach the rate of approximately 3,500 by 30 September 2011.
- The remaining post-salt exploration portfolio currently consists of seven prospects, including two additional Triassic rim prospects moved into the portfolio in August 2011, with unrisksed mean resource potential of 144 million barrels of oil, plus six Triassic leads.
- In April 2011, the Group executed a drilling contract with Saipem, a subsidiary of Eni, S.p.A., for a rig scheduled to begin drilling the first of two deep, pre-salt prospects in October 2011.

**The Group's 2P reserves at 31 March 2011, as calculated by Ryder Scott, do not include estimates for the Uytas Field, any discoveries made after year-end, or the results from the ZMA-ET1 and ZMA-ET2 Triassic appraisal wells drilled in Zhana Makat in April/May 2011.*

Key financial and performance indicators

	2011	2010	% Change
Crude oil sales volumes (mbo)	760	756	1%
Export sales volumes (mbo)	606	615	(1)%
Domestic sales volumes (mbo)	154	141	9%
Oil sales revenue (US\$'000)	55,309	43,348	28%
Export sales revenue (US\$'000)	49,651	38,885	28%
Domestic sales revenue (US\$'000)	5,658	4,463	27%
Average realised price (US\$ per bbl)	72.78	57.35	27%
Average realised export price (US\$ per bbl)	81.93	63.27	30%
Average realised domestic price (US\$ per bbl)	36.74	31.61	16%
Net cash from operating activities (US\$'000)	14,377	10,088	43%
Operating cost per bbl ¹ (US\$ per bbl)	32.54	24.98	30%
Commercial production cost (US\$ per bbl)	7.25	8.18	(11)%
Selling and transportation cost (US\$ per bbl)	7.15	5.94	20%
Mineral extraction tax/royalties (US\$ per bbl)	3.70	2.86	29%
Export rent tax/export customs duty (US\$ per bbl)	14.04	8.00	76%
Total proved and probable (2P) reserves (mbo) ²	7,841	4,677	68%
Proved reserves (mbo) ²	5,695	2,483	129%
Probable reserves (mbo) ²	2,147	2,194	(2)%

¹ Operating cost equals cost of sales less depreciation, depletion and amortisation. The Group believes it is useful to its shareholders to present this information in a modified format. A reconciliation to cost of sales is set out in note 5 to the accompanying financial statements.

² Per reserves reports from the Ryder Scott Company. Reserves at 31 March 2010 are for the Zhana Makat Field only. Reserves at 31 March 2011 include the Zhana Makat Field, as well as new discoveries in the Borkyldakty and Asanketken fields.

Robert B. Holland and James A. Jeffs, Executive Co-Chairmen, wrote in the Chairmen's Statement in this year's 2011 Max Petroleum annual report:

"In last year's Chairmen's statement, we said the then forthcoming year would be transformational for Max Petroleum and indeed it was. We made two additional discoveries, restructured our balance sheet and positioned the Group to begin testing its deep portfolio.

"Fiscal 2012 promises to be transformational as well, as we commence drilling our deep, pre-salt portfolio and continue to expand our shallow post-salt exploration programme focusing on an extended inventory of Triassic rim prospects.

"While our exploration upside continues to draw investor attention, and rightly so, shareholders should not ignore the progress we have made in increasing our production and cash flow through appraisal and development of our existing discoveries. We expect average daily production to reach approximately 3,500 barrels per day by the end of the third quarter 2011 and to increase further as we accelerate our exploratory and development drilling activity over the next 12 months.

"Management will continue to focus the Group's attention and resources on exploration, to maximise new discoveries prior to March 2013, the expiration of the exploration period under our Blocks A&E Licence. To that end, we have continued to reinforce our team with strategic additions with the skill sets needed to handle a larger, more challenging drilling programme, as well as a growing inventory

of discoveries to be appraised and developed. We believe we have done so, while keeping a sharp eye on the bottom line.

“We greatly appreciate the patience and confidence of our shareholders and hope and expect that they will be rewarded this year as we enter the climactic phase of unlocking the potential for shareholder value we have diligently pursued for several years.”

Analyst and investor conference call

There will be a conference call today to discuss this results announcement at 2pm British Summer Time. If you wish to participate in the call and have the opportunity to ask questions then please dial in early to register your details and to allow a prompt start to the call. Dial-in details are as follows:

UK dial-in	+44 (0) 800 694 0257
US dial-in	+1 866 966 9439
Conference ID	94071696

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Richard Hook, Chief Operating Officer of Max Petroleum, is the qualified person that has reviewed and approved the technical information contained in this announcement. Mr. Hook is a member of the Houston Geological Society and holds both Masters and Bachelors of Science degrees in geology.

Business Review

The fiscal year ended 31 March 2011 was transformational for Max Petroleum, with the Group delivering tangible results from its shallow exploration programme and strengthening its balance sheet to finance the testing of its deep portfolio.

The Group made two shallow discoveries during the year at the Uytas and Asanketken fields, while incorporating learnings from its ongoing exploration programme to expand and improve its shallow, post-salt portfolio. This has enabled a focus on an exciting Triassic play type that has recently proven successful for both Max Petroleum and other operators in the Pre-Caspian Basin. As a result, Max Petroleum has recently identified two new prospects and another six leads, the majority of which are expected to high grade into drillable exploration prospects to be tested during 2012.

Max Petroleum also raised US\$85 million in the spring of 2011 in a difficult market environment to fund drilling nine exploration wells, which will evaluate approximately 1.2 billion barrels of unrisks mean resource potential over an 18-month period. In conjunction with this equity financing, Max Petroleum restructured its balance sheet in March 2011, extending the maturities of its senior credit facility and convertible bonds to March and September 2013, respectively, allowing the Group to focus on executing its exploration programme.

The Group is active on the drilling front with four rigs currently under contract with plans to drill seven post-salt wells during the three months ending 30 September 2011 alone. This includes four exploration wells testing 103 million barrels of oil (“mmbo”) in unrisks mean resource potential and three appraisal wells evaluating the Uytas Field, the Group’s largest post-salt discovery to date. Max Petroleum expects to begin drilling its first deep, pre-salt well in October 2011 to test the Emba B prospect estimated to have 467 mmbob of unrisks mean resource potential. If successful, it could open up an onshore trend of similar pre-salt structures that would be both significant for Max Petroleum and strategic for the Republic of Kazakhstan.

While the Group continues to be focused principally on growth through exploration, Max Petroleum’s six post-salt discoveries, all at different stages of evaluation, are also beginning to have a meaningful impact on production and cash flow. This further underpins the current capital structure and provides additional liquidity to support the Group’s expanding exploration, appraisal and development drilling programmes. Max Petroleum’s first discovery, the Zhana Makat Field, has continued to provide a solid foundation of production and cash flow, producing approximately 2,100 barrels of oil per day (“bopd”) during the last fiscal year generating US\$55 million in revenue. With a minimum of four additional wells from three fields coming online during the quarter ended 30 September 2011, the Group expects daily production to reach approximately 3,500 bopd and continue to increase as additional appraisal and development wells are brought onto production in the future. This type of production growth is significant for any exploration company and reflects the ultimate goal of taking exploration potential and turning it into real, tangible value and cash flow.

Max Petroleum is making progress across multiple fronts, as it works to maximise the underlying potential of the Blocks A&E Licence area, situated in a proven basin, using the right technology - a regional 3D seismic database covering 5,000 km² of Blocks A&E, the right people - a highly skilled and focused team of personnel across all requisite disciplines for exploration, appraisal and development, and a well-capitalised balance sheet to allow the Group to drill up its exploration portfolio. The year ahead involves the highest level of activity the Group has ever experienced with a corresponding opportunity for exceptional growth.

OUR STRATEGY

Max Petroleum is executing a strategy to substantially increase reserves, production, and cash flow through the discovery and development of new fields in its Blocks A&E Licence area, capitalising on its operational capability and acreage position in Kazakhstan. The Group’s Blocks A&E Licence area is located in the highly prolific Pre-Caspian Basin of Western Kazakhstan, home to some of the largest oil and gas fields in the world, offering a rare opportunity for high impact onshore exploration in an area with existing transportation and production infrastructure.

Max Petroleum has acquired, processed and interpreted a large amount of seismic data on Blocks A&E – including 5,000 km² of regional exploratory 3D data. This has allowed the Group to develop an extensive inventory of prospects in both the pre and post-salt sections. This portfolio currently contains seven post-salt prospects, including two additional Triassic rim prospects moved into the portfolio in August 2011, with unrisksed mean resources totalling 144 mmbbl and ten prospects and five leads in the pre-salt with unrisksed mean resource potential in excess of four bboe. The post-salt prospect inventory is expected to expand as the Group acquires additional 3D seismic data in order to mature six leads into additional post-salt prospects to be drilled in calendar year 2012.

While the Group has meaningful and increasing production and cash flow from its existing fields, the principal value driver for Max Petroleum is in the Group's post-salt and pre-salt exploration portfolios. The post-salt prospects, while smaller in size, ranging from 11 to 50 million barrels of unrisksed mean resources, are less expensive to drill and thus offer excellent potential economic returns. The pre-salt prospects, although much more expensive to drill, are larger in potential size. The Group intends to test approximately 1.2 bboe of unrisksed mean resources, with the potential to expand this number substantially if the Group's initial pre-salt well scheduled to commence drilling in October 2011 is successful.

The Group's extensive portfolio of post-salt and pre-salt prospects allows multiple paths for creating shareholder value. Max Petroleum expects ultimately to generate more than 100 mmbbl in proved and probable ("2P") reserves from its post-salt portfolio over the next several years, representing approximately a three to five times multiple of the Group's current enterprise value based on a 2P valuation of US\$8-US\$10 per bbl in the ground. Success in the pre-salt would be even more accretive, given the much larger size of the target structures.

OPERATIONS REVIEW

Post-salt drilling programme

Since the Group renewed its post-salt drilling programme in November 2009, it has drilled a total of 19 wells, generating five new field discoveries out of 11 exploration wells and successfully drilling seven of eight appraisal and development wells. To date, Max Petroleum has discovered six post-salt oil fields in its Blocks A&E Licence area, including the Zhana Makat, Borkyldakty, Uytas, Asanketken, Narmundanak South and East Kyzylzhar I fields, all of which are at various stages of evaluation. Three shallow rigs are currently under contract in order to test the Group's remaining post-salt exploration prospects in Blocks A&E over the next 12-18 months, while also progressing the evaluation of existing discoveries and increasing production and cash flow through appraisal and development drilling.

During the year ended 31 March 2011, the Group made two new discoveries out of seven exploration wells, including the Uytas Field in Block A and in the Jurassic section of the Asanketken Field in Block E, as well as drilling a successful appraisal well in Zhana Makat that extended the field into the Triassic section. Another appraisal well drilled in the Borkyldakty Field was unsuccessful. Subsequent to year-end, Max Petroleum has drilled six successful wells, including two discoveries at Narmundanak South and East Kyzylzhar I, as well as four appraisal wells: two in Zhana Makat, and one each in Borkyldakty and Uytas. A seventh well testing the Triassic potential in Asanketken was completed as a Jurassic producer, with the Group planning to test the primary Triassic target and additional Jurassic exploration upside in a subsequent well scheduled to begin drilling in August 2011.

The Group's overall success rate in its post-salt exploration programme since January 2010 is approximately 45%, exceeding management's original estimate of 25 to 33% when the drilling campaign was initiated. The Group's success rate has improved as it has incorporated learnings into its ongoing drilling programme with a greater focus on the Triassic rim play type.

The Group is beginning to see its drilling results reflected in its 2P reserve estimates, as well, with 2P reserves increasing 68% from the last fiscal year with only limited reserve additions from the Borkyldakty Field and the Jurassic fault-block discovery at Asanketken being included with reserves from Zhana Makat. The Group's Competent Person, Ryder Scott Company, estimates that at 31 March 2011, the Group had 7.8 mmbbl in 2P reserves with an after-tax net present value discounted

at 10% ("PV10") of US\$176 million, compared to 2P reserves of 4.7 mmbo in the prior fiscal year with a PV10 of US\$91 million. Proved reserves in fiscal year 2011 increased by 129% from 2.5 mmbo in fiscal year 2010 with a PV10 of US\$55 million to 5.7 mmbo with a PV10 of US\$133 million.

The Group's year-end 2P reserves, as calculated by Ryder Scott, do not include estimates for the Uytas Field, any discoveries made after 31 March 2011, or the results from the ZMA-ET1 and ZMA-ET2 Triassic appraisal wells drilled in Zhana Makat in April/May 2011. The Uytas field is Max Petroleum's most significant post-salt discovery to date, but due to the shallow nature of the field additional technical data is necessary to prepare a meaningful resource estimate, as well as an appraisal and development programme to optimise ultimate recovery from the field. The Group is acquiring this data currently and intends to prepare a separate resource report on the Uytas Field later in fiscal year 2012. The Group expects its 2P reserves to grow substantially over the next two years as it drills through its remaining exploration prospect inventory and continues to appraise and develop its existing discoveries.

Zhana Makat Field

The Group's Zhana Makat Field continues to perform well, with average daily production of approximately 2,100 bopd for the year ended 31 March 2011 from a combination of Jurassic and Neocomian reservoirs. The field has been on commercial production under a trial production project ("TPP") since August 2007, with cumulative production of 2.8 mmbo generating US\$166 million in total revenue through 31 March 2011. In June 2011, the Kazakh government extended Zhana Makat's TPP until 15 December 2011, while the Group seeks final regulatory approval to convert Zhana Makat to full field development ("FFD") status under its Blocks A&E Licence. FFD status will allow the Group to develop and produce the field for up to 25 years, as well as grant the Group a right to sell 80% of its crude oil production on the export market under the terms of its Blocks A&E Licence.

During the quarter ended 30 June 2011, the Group successfully drilled the ZMA-ET1 and ZMA-ET2 appraisal wells in Zhana Makat, extending Triassic production and reserves in the southern end of the field. The Group has a minimum of six additional appraisal and development well locations in the Zhana Makat Field, which it intends to drill over the next 12 months, all of which target Jurassic reservoirs.

Borkyldakty Field

The Borkyldakty Field was discovered in Block E in February 2010, with the BOR-1 well encountering five productive Triassic reservoirs in a small four-way anticlinal structure. The Group drilled a non-productive appraisal well in May 2010, limiting the overall size of the field, but infill 3D seismic acquired over the structure subsequently identified at least one additional drilling location.

In May 2011, the Group received regulatory approval of Borkyldakty's TPP, allowing the Group to produce the field and drill additional exploration and appraisal wells, if necessary, in order to gather additional data needed to prepare a full field development plan. The TPP is valid until March 2013.

In July 2011, the Group successfully drilled and completed the BOR-3 well, encountering 28 metres of net oil pay over five Triassic sandstone reservoirs. Both wells have been placed on production under the terms of the TPP, with 100% of the production being sold on the domestic market. The Group currently does not plan on drilling another well in the Borkyldakty Field in the next 12 months.

Uytas Field

The Uytas Field, a shallow, four-way anticline with productive Cretaceous and Jurassic reservoirs, was discovered in Block A in October 2010. Drilled to a depth of 827 metres, the UTS-1 discovery well made the Group's largest post-salt discovery to date. Uytas is a unique field given its shallow depth, with productive Cretaceous reservoirs above 200 metres and Jurassic reservoirs between 300 and 400 metres.

Initial production tests performed on the UTS-1 discovery well indicated a 55 metre oil column with 31 metres of net oil pay in the Cretaceous section, with perforations at depths ranging from 120 to 128 metres and 155 to 158 metres producing 26 degree API gravity crude oil on pump at indicative rates

of approximately 24 barrels of oil per day during a brief clean-up period. The Group also produced 27 degree API oil at an indicative rate of approximately 40 barrels per day from perforations in a Jurassic reservoir from depths of 373 to 377 metres during a brief clean-up period.

Based on a probable oil/water contact at 161 metres as indicated by revised petrophysical analysis and current mapping, the potential oil in place for the Cretaceous reservoir is estimated to be between 85 and 135 million barrels of oil. While other Cretaceous fields in the Pre-Caspian Basin from similar depths report recovery factors between 20% to 30% of original oil in place, long-term testing and pressure analysis of the discovery well, combined with confirmation drilling and a new seismic survey specifically focused on these shallow reservoirs, will be needed to define more accurately recoverable oil reserves. Enhanced recovery techniques, such as water flooding, may also be needed to improve recovery from such shallow depths with low reservoir pressure.

In August 2011, the Group drilled the first of three appraisal wells in the field. The UTS-2 well reached a total depth of 820 metres, with electric logs indicating 12 metres of net oil pay in the Cretaceous section at depths ranging from 108 to 148 metres, consisting of three sandstone reservoirs of excellent quality with porosities ranging from 25% to 34%. The Group also identified an additional six metres of net oil pay in Jurassic reservoirs at depths of approximately 350 metres. Significant oil shows were recorded continuously from depths of 36 to 150 metres, which appear to confirm the oil column seen in the original UTS-1 discovery well. Consequently, the Group extensively cored the UTS-2 well over the interval from 39 to 160 metres to allow further study of reservoir properties within this vertical column, with results from the coring analysis expected in the fourth quarter of 2011. The core analysis will also be used to evaluate the potential of additional lower quality reservoirs present in the Cretaceous in this interval that have not been included here as net pay. Furthermore, Cretaceous reservoirs above 80 metres that were not evaluated on electric logs due to their shallow depth may be tested in this well or subsequent wells pending the final core analysis. The Group plans to drill two additional appraisal wells in the field during August and September 2011 and acquire a high-fold 3D seismic survey over the Uytas structure in October 2011, in order to facilitate preparation of a long-term appraisal and development programme for the field.

Asanketken Field

The Group commenced drilling the ASK-1 exploration well on the Asanketken prospect in Block E in February 2011, principally targeting Triassic reservoirs with secondary objectives in the Jurassic. A Jurassic discovery in the well was announced on 1 April 2011, with electric logs indicating 24 metres of net oil pay at depths from 1,230 to 1,302 metres in the Jurassic formation in a three-way faulted closure. The Group estimates that the Jurassic reservoirs encountered in this wellbore contain between four to seven mmbbl in place with expected oil recovery factors ranging from 35% to 40%.

Due to mechanical problems encountered below 2,000 metres, the Group decided to complete the ASK-1 well as a Jurassic producer and drill a second well to i) test the prospect's Triassic potential, ii) evaluate additional Jurassic reservoirs above the initial Jurassic fault-block discovery, and iii) appraise the Jurassic discovery from the first well. The Group expects to begin drilling the ASK-2 well in August 2011 and plans to place the ASK-1 well on test production in September.

Narmundanak South Field

The Group discovered the Narmundanak South Field in Block E in June 2011, with the NARS-1 well reaching a total depth of 1,589 metres with electric logs indicating four metres of net oil pay at depths from 1,280 to 1,290 metres in the Triassic formation with porosities ranging from 18% to 25%. A fluid sample taken from a depth of 1,283 metres yielded 32 degree API oil. The Group expects to complete the well and put it on an extended production test during the fourth quarter of 2011, in order to assess the commercial viability of the field.

East Kyzylzhar I Field

The East Kyzylzhar I Field, a three-way faulted closure located in Block E, was discovered in August 2011, with the KZIE-1 exploration well encountering 17 metres of net oil pay in two Jurassic sandstone reservoirs at depths ranging between 987 and 1,251 metres. Reservoir quality appears

excellent with porosities ranging from 20% to 30%. The Group expects to complete the well and place it on test production during the fourth quarter of 2011.

Pre-salt potential

The Group's significant pre-salt portfolio of ten prospects and five leads ranging in size from 100 to 600 mmbobe of estimated unrisksed mean resources was developed late in 2009 using a combination of the new 3D seismic acquired by the Group and regional geologic play concepts developed by our technical team using analogies from elsewhere in the Pre-Caspian Basin and other similar basins around the world. Total unrisksed mean resource potential for this portfolio is estimated by the Group at over four bboe. The majority of this potential resource is found in the "Type II" prospects which are interpreted to be ancient coral reefs of Devonian age, in part analogous to the other super-giant fields in the Basin. Of particular importance to these "Type II" prospects is the fact that they share a single common risk factor - reservoir quality. Success on the first well would significantly improve the chance of success on the remaining prospects and leads. The Group has secured a rig to drill a minimum of two deep wells, the first of which is to begin drilling in October 2011.

Astrakhanskiy Licence

In July 2010, the Ministry of Oil and Gas of the Republic of Kazakhstan (the "MOG") notified the Group of the termination of its subsoil use licence for the Astrakhanskiy Block in Western Kazakhstan due to the Group's failure to comply with the work obligations stipulated under the Astrakhanskiy Licence. Strategically, the Group had already determined that its future lies with the exploration and development of its inventory of pre and post-salt prospects on Blocks A&E. The Group formally relinquished the Astrakhanskiy Licence in January 2011. The uncertainties around financing the Astrakhanskiy well in 2010 and the consequent probable loss of the licence were sufficient grounds for impairing the book value of the related Astrakhanskiy Licence assets to nil at 31 March 2010.

Tax claim

In June 2010, the Group lost an appeal at the Court of Cassation, an appellate court of the Republic of Kazakhstan, of a tax claim brought against the Group by local tax authorities regarding the timing of certain tax deductions made by the Group prior to January 2009 (the "Tax Claim"). In September 2010, the Supreme Court of the Republic of Kazakhstan reversed the rulings of the lower courts that had upheld the Tax Claim and remanded the case to the Specialised Economic Court of Almaty for reconsideration. In April 2011, the Court of Cassation, a panel of the Almaty City Court in the Republic of Kazakhstan rejected Max Petroleum's appeal of the Tax Claim due to a procedural technicality. The Group continues to believe that the Tax Claim is without merit and has therefore filed a further appeal with the Supreme Court in June 2011. The Group expects the appeals process to take several months from the date of this filing. In the event it is unsuccessful, Max Petroleum expects to recover the economic benefit of the contested deductions in future years. Due to the Court of Cassation's decision, however, the local tax authorities required payment of the Tax Claim prior to the hearing of the Supreme Court. In June 2011, the Group paid US\$13.8 million, the remaining balance of the Tax Claim, including accrued interest up to the date of payment. The Group had previously paid US\$4.9 million in administrative fines included in the Tax Claim.

Results of operations

The Group recognised a loss of US\$18.2 million, or US\$0.04 per ordinary share, for the year ended 31 March 2011, compared to a loss of US\$253.4 million, or US\$0.64 per ordinary share, during the prior year. The Group's loss for the prior year included US\$116.2 million of impairment charges related to the Group's Astrakhanskiy Licence and US\$101.9 million in non-cash debt restructuring costs related to the restructuring of the Group's senior and convertible debt.

Oil revenues increased 28% to US\$55.3 million, or US\$72.78 per bbl, in 2011 from US\$43.3 million, or US\$57.35 per bbl, in 2010. The Group produced and sold 760,000 bbls during 2011, consisting of 606,000 bbls sold into the export market generating US\$49.7 million in revenue, or US\$81.93 per bbl, and 154,000 bbls sold into the domestic market generating US\$5.7 million in revenue, or US\$36.74 per bbl. Comparatively, the Group produced and sold 756,000 bbls during 2010, including 615,000

bbls sold into the export market generating US\$38.9 million in revenue, or US\$63.27 per bbl, and 141,000 bbls sold domestically generating US\$4.5 million in revenue, or US\$31.61 per bbl.

The Group incurred US\$7.0 million in exploration and appraisal costs written-off during the current year compared to US\$1.8 million in 2010.

During the year ended 31 March 2011, the Group incurred total administrative expenses of US\$15.0 million, compared to administrative expenses of US\$20.0 million in 2010. Administrative expenses for the current and prior year principally reflect ongoing management and employee costs of the Group's operations in the United Kingdom, Kazakhstan and the United States, as well as US\$4.9 million of fines relating to the Tax Claim in the prior year. Administrative expenses also include non-cash share-based payment charges of US\$1.8 million and US\$2.1 million, in 2011 and 2010, respectively.

Changes in crude oil marketing: domestic versus export

Historically, the Group has sold approximately 80% of its crude oil production on the export market and 20% domestically within Kazakhstan. During the quarter ended 30 June 2011, following correspondence and discussions with local regulatory authorities, Max Petroleum began selling 100% of its crude oil production on the domestic market pending FFD approval for the Zhana Makat Field, which is projected to be in place during the fourth quarter of 2011. Upon FFD approval, the Group will have the right to sell 80% of its crude oil production from the Zhana Makat Field on the export market under the terms of its Blocks A&E Licence. Similarly, production from the Group's other more recent discoveries will be sold exclusively on the domestic market until each field is approved for FFD, after which the Group will have the right to sell 80% of its production from that field on the export market. Current oil sales into the domestic market are generating after-tax net proceeds that are approximately US\$15-US\$17 per barrel lower than comparable export sales. The Group does not anticipate any material adverse impact to its financial condition as a result of selling exclusively on the domestic market pending FFD approval.

Liquidity and capital resources

The Group finances its exploration and development activities using a combination of cash on hand, operating cash flow generated from the sale of crude oil production, borrowings under its revolving credit facility with Macquarie Bank Limited (the "Credit Facility"), and additional debt or equity financing, as required.

As at 31 July 2011, the Group had approximately US\$10 million in cash on hand and US\$55 million in available borrowing capacity under the Credit Facility. The Group is also generating significant cash flow from operations, with proceeds from the sale of crude oil production averaging approximately US\$4 million per month for the four months ended 31 July 2011. Operating cash flow is expected to improve substantially in the near-term, with daily production expected to increase from 2,100 bopd as of 30 June 2011 to approximately 3,500 bopd by 30 September 2011, as the Group brings additional wells onto production. The Group's current financial position reflects full payment of the Tax Claim in June 2011, as well, removing any future negative impact on the Group's liquidity position in the event the Group loses its ongoing appeal to the Supreme Court of the Republic of Kazakhstan.

In March 2011, the Group raised US\$85.2 million before expenses in a placing of 309.8 million new ordinary shares at 17 pence per share to finance drilling nine exploration wells evaluating approximately 1.2 bboe in unrisked mean resource potential. In conjunction with the placing, the Group restructured both its Credit Facility and its convertible bonds, to defer principal payment under the Credit Facility to 31 March 2013 and final maturity of its convertible bonds to 8 September 2013. The Group used the proceeds from the placing to pay down its revolving Credit Facility in order to minimise near-term interest costs with the proceeds to be redrawn as needed to fund the Group's ongoing exploration activities.

The Group intends to fund its current post-salt drilling programme, targeting up to seven post-salt exploration wells and eight appraisal and development wells, as well as two pre-salt exploration prospects, using a combination of cash flow from operations, cash on hand, and borrowings under its Credit Facility. Future capital requirements for additional exploration, appraisal and development activities are difficult to predict, however, as they are principally driven by the results of the Group's

ongoing exploration programme, as well as the ongoing evaluation of current post-salt discoveries. The Group anticipates additional debt or equity capital may be required based on the results of its current programme, including future expanded appraisal and development drilling programmes for the Group's recent post-salt discoveries in Borkyldakty, Uytas, Asanketken, Narmundanak South, and East Kyzylzhar I, as well as drilling additional pre-salt prospects beyond the two wells in the current exploration programme.

MAX PETROLEUM PLC
CONSOLIDATED AND COMPANY INCOME STATEMENTS

For the year ended 31 March 2011

(in thousands of US\$)

	Note	Group		Company	
		Year ended 31 March 2011	2010	Year ended 31 March 2011	2010
Revenue	4	55,309	43,348	2,519	6,898
Cost of sales	5	(38,422)	(31,585)	(2,289)	(4,793)
Gross profit		16,887	11,763	230	2,105
Exploration and appraisal costs		(7,007)	(1,799)	-	-
Impairment losses		-	(116,248)	(2,330)	(117,381)
Administrative expenses		(15,031)	(19,967)	(5,201)	(5,673)
Operating loss		(5,151)	(126,251)	(7,301)	(120,949)
Debt restructuring costs		-	(101,853)	-	(101,853)
Finance income		12	9	255	347
Finance costs	6	(12,991)	(15,463)	(20,894)	(25,965)
Loss before taxation		(18,130)	(243,558)	(27,940)	(248,420)
Income tax expense	7	(112)	(9,885)	(38)	(61)
Loss for the year		(18,242)	(253,443)	(27,978)	(248,481)
Loss per share					
- Basic and diluted (US cents)		(3.8)	(64.3)		

MAX PETROLEUM PLC
CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

(in thousands of US\$)

	Group		Company	
	Year ended 31 March 2011	2010	Year ended 31 March 2011	2010
Loss for the year	(18,242)	(253,443)	(27,978)	(248,481)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	(18,242)	(253,443)	(27,978)	(248,481)

MAX PETROLEUM PLC
CONSOLIDATED AND COMPANY BALANCE SHEETS

At 31 March 2011
(in thousands of US\$)

	Note	Group		At 31 March	
		2011	2010	2011	2010
Assets					
Non-current assets					
Intangible assets – exploration and appraisal expenditure	8	147,796	133,489	-	-
Oil and gas properties	9	27,518	26,172	-	-
Property, plant and equipment		10,717	12,051	62	170
Investments in subsidiaries		-	-	128,402	127,654
		186,031	171,712	128,464	127,824
Current assets					
Inventories		13,268	12,990	-	-
Trade and other receivables		7,124	5,805	120,938	114,510
Cash and cash equivalents		25,534	3,806	20,674	1,427
		45,926	22,601	141,612	115,937
Total assets		231,957	194,313	270,076	243,761
Liabilities					
Non-current liabilities					
Borrowings	10	77,989	70,625	77,989	70,625
Provision for liabilities and other charges		1,525	1,551	-	-
		79,514	72,176	77,989	70,625
Current liabilities					
Trade and other payables		18,102	14,484	3,320	1,226
Current tax liabilities		9,919	9,824	-	-
Borrowings	10	6,026	58,579	6,026	58,579
		34,047	82,887	9,346	59,805
Total liabilities		113,561	155,063	87,335	130,430
Net assets		118,396	39,250	182,741	113,331
Capital and reserves					
Share capital	11	8,020	7,942	8,020	7,942
Share premium	12	356,598	265,043	356,598	265,043
Other reserves	13	114,446	108,691	186,941	181,186
Accumulated deficit		(360,668)	(342,426)	(368,818)	(340,840)
Total equity		118,396	39,250	182,741	113,331

MAX PETROLEUM PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2011
(in thousands of US\$)

	Note	Share capital	Share premium	Other reserves	Accumulated deficit	Total equity
Balance at 1 April 2009		7,930	259,491	9,750	(99,790)	177,381
Loss for the year		-	-	-	(253,443)	(253,443)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(253,443)	(253,443)
Issue of share capital	11, 12	12	5,552	(1,510)	-	4,054
Share-based payment	13	-	-	2,298	-	2,298
Transfer convertible bond reserve to accumulated deficit	13	-	-	(10,807)	10,807	-
Convertible bond restructuring	13	-	-	13,860	-	13,860
Convertible bond interest deferral, equity portion	13	-	-	561	-	561
Warrants issued	13	-	-	94,539	-	94,539
		12	5,552	98,941	10,807	115,312
Balance at 31 March 2010		7,942	265,043	108,691	(342,426)	39,250
Loss for the year		-	-	-	(18,242)	(18,242)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(18,242)	(18,242)
Issue of share capital	11, 12	78	91,555	(643)	-	90,990
Share-based payment	13	-	-	1,961	-	1,961
Convertible bond interest deferral, equity portion	13	-	-	412	-	412
Warrants issued	13	-	-	4,025	-	4,025
		78	91,555	5,755	-	97,388
Balance at 31 March 2011		8,020	356,598	114,446	(360,668)	118,396

No interim or final dividend has been paid or proposed during the year.

MAX PETROLEUM PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2011
(in thousands of US\$)

	Note	Share capital	Share premium	Other reserves	Accumulated deficit	Total equity
Balance at 1 April 2009		7,930	259,491	82,245	(103,166)	246,500
Loss for the year		-	-	-	(248,481)	(248,481)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(248,481)	(248,481)
Issue of share capital	11, 12	12	5,552	(1,510)	-	4,054
Share-based payment	13	-	-	2,298	-	2,298
Transfer convertible bond reserve to accumulated deficit	13	-	-	(10,807)	10,807	-
Convertible bond restructuring	13	-	-	13,860	-	13,860
Convertible bond interest deferral, equity portion	13	-	-	561	-	561
Warrants issued	13	-	-	94,539	-	94,539
		12	5,552	98,941	10,807	115,312
Balance at 31 March 2010		7,942	265,043	181,186	(340,840)	113,331
Loss for the year		-	-	-	(27,978)	(27,978)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(27,978)	(27,978)
Issue of share capital	11, 12	78	91,555	(643)	-	90,990
Share-based payment	13	-	-	1,961	-	1,961
Convertible bond interest deferral, equity portion	13	-	-	412	-	412
Warrants issued	13	-	-	4,025	-	4,025
		78	91,555	5,755	-	97,388
Balance at 31 March 2011		8,020	356,598	186,941	(368,818)	182,741

MAX PETROLEUM PLC
CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the year ended 31 March 2011

(in thousands of US\$)

	Note	Group		Company	
		2011	2010	2011	2010
Cash flows from operating activities					
Cash generated from/(used in) operations		16,668	10,149	(10,131)	(6,663)
Income tax paid		(2,291)	(61)	-	-
Net cash generated from/(used in) operating activities		14,377	10,088	(10,131)	(6,663)
Cash flows from investing activities					
Purchases of property, plant and equipment		(268)	(2,526)	-	(8)
Payment for exploration and appraisal expenditure		(22,721)	(13,642)	-	-
Disposal of subsidiary		2,000	-	-	-
Interest received		12	9	2	1
Net cash generated from/(used in) investing activities		(20,977)	(16,159)	2	(7)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	11, 12	81,166	4,052	81,166	4,052
Settlement of forward contract		(469)	-	(469)	-
Proceeds from borrowings	10	12,272	10,029	12,272	10,029
Repayment of borrowings	10	(55,000)	-	(55,000)	-
Interest paid		(9,657)	(7,239)	(8,607)	(7,096)
Net cash generated from financing activities		28,312	6,842	29,362	6,985
Net increase in cash and cash equivalents					
Effects of exchange rates on cash and cash equivalents		16	(1)	14	(4)
Cash and cash equivalents at beginning of year		3,806	3,036	1,427	1,116
Cash and cash equivalents at end of year		25,534	3,806	20,674	1,427

MAX PETROLEUM PLC
NOTES TO THE FINANCIAL INFORMATION
For the year ended 31 March 2011

1. General information

Max Petroleum Plc (“Max Petroleum” or the “Company”) and its subsidiaries (together the “Group”) is in the business of exploration, development and production of oil and gas assets within the Republic of Kazakhstan. The Group owns the exploration and production rights to the Blocks A&E Licence, which comprises two onshore blocks extending over 12,455 km² in the Pre-Caspian Basin in Western Kazakhstan.

The Company is a public limited company incorporated and domiciled in the United Kingdom and quoted on AIM. The address of its registered office is Second Floor, 81 Piccadilly, London, W1J 8HY, United Kingdom.

2. Basis of accounting and presentation of financial information

While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), this announcement does not contain sufficient information to comply with IFRSs as adopted by the EU.

The financial information set out in this announcement does not constitute the Company’s statutory accounts for the years ended 31 March 2011 or 2010, but it is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered following the Company’s Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified and did not contain statements under s498(2) or (3) Companies Act 2006. The auditors’ report on the 2010 accounts, whilst unqualified, contained an emphasis of matter which drew attention to the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. The auditors’ report on the 2011 accounts contains no emphasis of matter.

3. Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of this announcement. The Groups borrowing facilities are described in note 10.

The Group finances its exploration and development activities using a combination of cash on hand, operating cash flow generated from the sale of crude oil production, borrowings under its revolving Credit Facility with Macquarie Bank Limited, and additional debt or equity financing as required.

As at 31 July 2011, the Group had approximately US\$10 million in cash on hand and US\$55 million in available borrowing capacity under the Credit Facility. The Group is also generating significant cash flow from operations, with proceeds from the sale of crude oil production averaging approximately US\$4 million per month for the four months ended 31 July 2011. Operating cash flow is expected to improve substantially in the near-term, with daily production expected to increase from 2,100 bopd as of 30 June 2011 to in excess of 3,500 bopd by 30 September 2011, as the Group brings additional wells onto production. The Group’s current financial position reflects full payment of the Tax Claim in June 2011, as well, removing any future negative impact on the Group’s liquidity position in the event the Group loses its ongoing appeal to the Supreme Court of the Republic of Kazakhstan.

In March 2011, the Group raised US\$85.2 million before expenses in a placing of 309.8 million new ordinary shares at 17 pence per share to finance drilling nine exploration wells evaluating approximately 1.2 bboe in unrisked mean resource potential. In conjunction with the placing, the Group restructured both its Credit Facility and its convertible bonds, to defer principal payment under the Credit Facility to 31 March 2013 and final maturity of its convertible bonds to 8 September 2013. The Group used the proceeds from the placing to pay down its revolving Credit Facility in order to

minimise near-term interest costs. The proceeds can be redrawn as needed to the extent of the Credit Facility's borrowing base to fund the Group's ongoing exploration activities.

The Group intends to fund its current post-salt drilling programme, targeting up to seven post-salt exploration wells and eight appraisal and development wells, as well as two pre-salt exploration prospects, using a combination of cash flow from operations, cash on hand, and borrowings under its Credit Facility. Future capital requirements for additional exploration, appraisal and development activities are difficult to predict, however, as they are principally driven by the results of the Group's ongoing exploration programme, as well as the ongoing evaluation of current post-salt discoveries. The Group anticipates additional debt or equity capital may be required based on the results of its current programme, including future expanded appraisal and development drilling programmes for the Group's recent post-salt discoveries in Borkyldakty, Uytas, Asanketken, Narmundanak South, and East Kyzylzhar I, as well as drilling additional pre-salt prospects beyond the two wells in the current exploration programme.

The Group's financial statements have been prepared on the basis that it is a going concern, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. The Group carefully monitors and manages its liquidity with regular cash forecasting. The directors have reviewed the forecasts for production, operating cash flows and capital expenditure. The Group's business plan is dependent on the continuing availability of the Credit Facility, which requires the Group to comply with various financial and non-financial covenants. The directors are confident that based on current cash forecasts, which include assumptions about oil prices and existing and future production rates, the Group can manage its liquidity position so as to ensure its continued operational existence for the foreseeable future. Therefore, the directors consider that it is reasonable to continue to adopt the going concern basis in preparing the financial statements.

4. Operating segments

Management has determined its operating segments based on the reports reviewed by the directors for the purposes of making decisions about allocating resources and assessing performance. In the opinion of the directors, the operations of the Group comprise one operating segment: oil and gas exploration and development and related activities. All of the Group's assets and liabilities, income and expense relate to this segment.

Geographical information

The Group conducts business within three geographical regions. The Group's operational activities are wholly focused in the Republic of Kazakhstan, supported by a technical team in Houston, USA. The Group's head office is in London, United Kingdom.

Revenue

All of the Group's revenue from external customers is derived from its operations in the Republic of Kazakhstan, as follows:

	2011	2010
	US\$'000	US\$'000
Republic of Kazakhstan – domestic sales	5,658	4,463
Republic of Kazakhstan – export sales	49,651	38,885
	55,309	43,348

Included in revenues arising from export sales from the Republic of Kazakhstan are revenues of US\$49.7 million which arose from the Group's largest customer (2010: sales to Group's largest customer of US\$29.1 million).

Non-current assets

The Group's non-current assets by geographical location are as follows:

	2011 US\$'000	2010 US\$'000
United Kingdom	62	170
USA	151	251
Republic of Kazakhstan	185,818	171,291
	186,031	171,712

5. Cost of sales

	Group	
	2011 US\$'000	2010 US\$'000
Operating costs:		
- commercial production	5,513	6,179
- test production	305	-
Selling and transportation	5,441	4,491
Royalties/ mineral extraction tax	2,812	2,160
Export customs duty/ export rent tax	10,678	6,047
Depreciation, depletion and amortisation	13,673	12,708
	38,422	31,585

6. Finance costs

	Group		Company	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Interest expense:				
Interest payable on bank borrowings (note 10)	5,719	6,599	5,719	6,599
Interest payable on convertible bond (note 10)	14,706	19,366	14,706	19,366
Unwinding of discount on decommissioning provision	126	84	-	-
Other finance costs	2,234	2,104	469	-
	22,785	28,153	20,894	25,965
Less:				
Interest expense capitalised to exploration and appraisal expenditure	(9,794)	(12,690)	-	-
Finance costs	12,991	15,463	20,894	25,965

Interest payable on the convertible bond for the year ended 31 March 2011 includes US\$4.0 million in relation to the fair value of the warrant exercisable into 30 million ordinary shares which vested as a result of the Company's election to defer convertible bond cash interest due on 8 September 2010 (see note 10). Interest payable on the convertible bond for the year ended 31 March 2010 includes US\$8.8 million in relation to the fair value of the warrant exercisable into 30 million ordinary shares which vested as a result of the Company's election to defer convertible bond cash interest due on 8 September 2009.

Following the announcement on 4 February 2011 of an equity placing to raise £52.7 million (see note 11), the Company entered into a forward contract to convert the placing proceeds, receivable 2 March 2011, into US\$84.7 million. The forward contract was recognised and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and gave rise to a loss on settlement of \$US0.5m, included within other finance costs. Other finance costs also include interest of US\$1.6 million (2010: US\$2.0million) payable to the tax authorities of the Republic of Kazakhstan in relation to the Tax Claim brought against the Group (see note 7).

Interest expense of US\$9.8 million (2010: US\$12.7 million) arising on the general borrowing pool during the year was capitalised in the cost of qualifying assets, calculated by applying a capitalisation rate of 15% (2010: 22%) to the average cumulative expenditure on such assets. The borrowing costs capitalised are included in 'additions' to intangible assets - exploration and appraisal expenditure.

7. Income tax expense

	Group		Company	
	2011 US\$'000	2010 US\$'000	2011 US\$'000	2010 US\$'000
Current tax:				
Current tax on profits for the year	112	61	38	61
Adjustments in respect of prior years	-	9,824	-	-
Total current tax	112	9,885	38	61
Deferred tax	-	-	-	-
Income tax expense	112	9,885	38	61

The Group's principal business activities are in the Republic of Kazakhstan, where corporate income tax ("CIT") applies at a rate of 20% of taxable income. Taxes on the production and sale of hydrocarbons are accounted for as cost of sales (see note 5). The Group and Company have generated recurring net operating losses and no deferred tax assets have been recognised with respect to such losses.

Tax Claim

In the year ended 31 March 2010, the Group recognised a liability of US\$16.7 million in relation to a tax claim brought against the Group by the local tax authorities of the Republic of Kazakhstan regarding the timing of certain tax deductions made by the Group prior to January 2009 (the "Tax Claim"). This comprised US\$9.8 million of CIT, US\$4.9 million of penalties and US\$2.0 million of interest.

The Tax Claim resulted from a routine tax audit of the Group's entities in Kazakhstan for calendar years 2005 to 2008 and involves a dispute over the timing of recovery (i.e. depreciation) of the Group's costs capitalised to its oil and gas properties for tax years prior to Kazakhstan's adoption of the new Tax Code in 2009. In summary, the Group began depreciating its capitalised costs when it began producing crude oil in accordance with the terms of its subsoil use licence and the Kazakh legislation in place at the time the licence was executed. The local tax authorities, however, have asserted that the Group should only begin depreciating its capital costs upon the formal declaration of a commercial discovery to the Kazakh authorities. As a result, the local tax authorities have disallowed a total of US\$35 million in depreciation deductions taken by the Group during calendar years 2006 through 2008.

In June 2010, the Court of Cassation, an appellate court of the Republic of Kazakhstan, upheld the Tax Claim and as a result the Group was required to begin making payments towards the claim. The Group filed an appeal to the Supreme Court of the Republic of Kazakhstan which, in September 2010, reversed the ruling of the lower courts and remanded the case to the Specialised Economic Court of Almaty for reconsideration. As a result of the Supreme Court decision, further tax and interest payments towards the Tax Claim were suspended while the case was pending, including any further appeals, through the Court of Cassation, the last court of appeal below the Supreme Court. The Group recovered US\$2.1 million of CIT and US\$0.9 million of interest previously paid towards the Tax Claim through offset against the Group's other tax liabilities. However it was required to settle US\$4.9 million of penalties relating to the case during December 2010 and January 2011.

At 31 March 2011, amounts accrued against the Tax Claim comprise US\$9.9 million of CIT and US\$3.6 million of interest, after applying previously paid instalments, offsets and accrued interest. These amounts have been recorded in current tax liabilities and trade and other payables respectively.

Subsequent to the Supreme Court's decision in September 2010, the Specialised Economic Court of Almaty, the Appellate Judicial Panel of the Almaty City Court and, in April 2011, the Court of Cassation have upheld the Tax Claim. Following the Court of Cassation's latest ruling, in June 2011, the local tax authorities required payment of the remaining balance of the Tax Claim which, including interest accrued up to the date of payment, was US\$13.8 million. In aggregate, US\$18.8 million has been settled under the Tax Claim, comprising US\$9.9 million of income taxes, penalties of US\$4.9 million and interest of US\$4.0 million.

The Group continues to believe that the Tax Claim is without merit and has therefore filed a second appeal with the Supreme Court in June 2011. The Group expects the appeals process to take several months from the date of this filing. If the Group is successful in its appeal to the Supreme Court, the payments made towards the Tax Claim would be refundable to the Group or creditable against other current tax obligations. In the event it is unsuccessful, the Group expects to recover the economic benefit of the contested deductions in future years.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the UK statutory rate of 28% (2010: 28%) applicable to the loss of the Group, as follows:

	Group	
	2011 US\$'000	2010 US\$'000
Loss before taxation	(18,130)	(243,558)
Tax calculated at 28% (2010: 28%)	(5,076)	(68,196)
Effect of lower foreign tax rates	(260)	2,743
Expenses not deductible for tax purposes / non taxable income	592	57,994
Effect of change in tax rates	-	(2,748)
Adjustments in respect of prior years	-	9,824
Temporary differences not recognised	4,856	10,268
Income tax expense	112	9,885

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the UK statutory rate of 28% (2010: 28%) applicable to the loss of the Company, as follows:

	Company	
	2011 US\$'000	2010 US\$'000
Loss before taxation	(27,940)	(248,420)
Tax calculated at 28% (2010: 28%)	(7,823)	(69,558)
Expenses not deductible for tax purposes / non taxable income	1,244	57,356
Temporary differences not recognised	6,617	12,263
Income tax expense	38	61

8. Intangible assets - exploration and appraisal expenditure

	Group	
	Total US\$'000	
Cost		
At 1 April 2009		241,452
Additions		23,833
Disposals		-
Amounts written off to exploration and appraisal costs		(1,799)
Change in estimate for decommissioning provision		(1,399)
At 31 March 2010		262,087
Additions		29,508
Disposals		(115,136)
Amounts written off to exploration and appraisal costs		(8,997)
Change in estimate for decommissioning provision		(23)
At 31 March 2011		167,439
Accumulated amortisation and impairment		
At 1 April 2009		7,499
Amortisation charge for the year		5,915
Impairment loss for the year		115,184
At 31 March 2010		128,598
Amortisation charge for the year		6,234
Disposals		(115,189)
At 31 March 2011		19,643
Net book value		
At 31 March 2010		133,489
At 31 March 2011		147,796

Included within exploration and appraisal expenditures at 31 March 2011 was a decommissioning asset of US\$0.2 million (2010: US\$0.2 million). At 31 March 2011, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to US\$1.8 million (2010: US\$0.4 million).

In assessing whether there were any indicators of impairment for intangible exploration and appraisal expenditure, oil and gas producing assets and property, plant and equipment (notes 8 and 9) at 31 March 2011, management considered the carrying value of the assets compared to their expected recoverable amounts. The assessment for the Blocks A&E Licence was based on an estimate of the value of the estimated mean risked resources on the licence, and in respect of the producing oil and gas assets, the competent person's report at 31 March 2011. The results of the assessment indicated that the fair value of the Group's Blocks A&E Licence and associated assets significantly exceeds its book value. In performing the assessment on its producing field, Zhana Makat, forecast production rates were based on proven and probable reserves estimates and historic performance from wells now on production. The oil price assumptions comprised a blended Brent crude futures strip starting at US\$100/bbl in 2011, and assumed the sale of 80% of production to the export market with 20% allocated to domestic sales. The discount rate used was 10%.

In performing the assessment of the Group's intangible exploration and appraisal assets relating to Blocks A&E, management considered the conclusions in the competent persons report, "Exploration Portfolio Review on Blocks A&E", dated July 2010. The results of the competent person's estimate of recoverable prospective resources associated with certain leads and prospects in the pre- and post-salt on Blocks A&E comprised total risked mean recoverable resources estimated at 1,100 million barrels of oil equivalent. While this estimate is very uncertain due to the risks inherent to oil and gas exploration, management of the Company is comfortable that the fair value of the Group's Blocks A&E exploration assets significantly exceeds its book value.

Astrakhanskiy Licence

In January 2011, the Group relinquished control of the Astrakhanskiy Licence to the Ministry of Oil and Gas of the Republic of Kazakhstan after failing to comply with the work obligations stipulated under the licence and therefore, recorded a disposal of the related assets during the year ended 31 March 2011. The Group had previously recorded a charge of US\$116.2 million to impair the related assets to US\$nil during the year ended 31 March 2010, including US\$115.1 million classified as exploration and appraisal assets.

9. Oil and gas properties

	Group Total US\$'000
Cost	
At 1 April 2009	35,073
Additions	3,316
Change in estimate for decommissioning provision	(574)
Disposals	(1)
At 31 March 2010	37,814
Additions	7,887
Change in estimate for decommissioning provision	(129)
At 31 March 2011	45,572
Accumulated depletion and amortisation	
At 1 April 2009	5,839
Charge for the year	5,803
At 31 March 2010	11,642
Charge for the year	6,412
At 31 March 2011	18,054
Net book value	
At 31 March 2010	26,172
At 31 March 2011	27,518

Included within oil and gas properties at 31 March 2011 was a decommissioning asset of US\$0.2 million (2010: US\$0.4 million).

10. Borrowings

	Group and Company	
	2011 US\$'000	2010 US\$'000
Bank borrowings due within one year	6,026	58,579
Current debt	6,026	58,579
Convertible bond	77,989	70,625
Non-current debt	77,989	70,625
Total borrowings	84,015	129,204

Bank borrowings

In June 2007, the Group entered into a US\$100 million revolving mezzanine Credit Facility (the "Credit Facility") with Macquarie Bank Limited ("Macquarie"). In February 2009, the Company amended the Credit Facility (the "2009 Amendment") and issued Macquarie an amended and restated warrant deed to subscribe for up to 547,918,106 new ordinary shares in the Company (the "Warrant Deed"), of which 121,759,579 warrants were fully vested subject to shareholder approval. The Warrant Deed replaced the previous warrants issued to Macquarie in March 2008. The 2009 Amendment and Warrant Deed were approved by the Company's shareholders in a general meeting on 12 May 2009. Further details of the Warrant Deed are included in note 13.

On 12 August 2009, the amount of borrowing base commitment under the Credit Facility was increased from US\$50 million to US\$80 million, which vested Macquarie's right to subscribe for a further 243,519,158 new ordinary shares of the Company. As a result, on that date Macquarie held fully vested rights to subscribe for a total of 365,278,737 new ordinary shares of the Company under the Warrant Deed with exercise prices between 4.54p and 5.67p.

On 12 August 2009, Macquarie syndicated a portion of the Credit Facility to various third party investors, and assigned its vested rights to subscribe for 42,534,841 new ordinary shares under the Warrant Deed to those various third party investors.

On 13 August 2009, the Company amended the terms of the Credit Facility to defer principal repayment until 2011, comprising three equal instalments on 31 January 2011, 31 March 2011 and 1 June 2011.

The amendments to the Credit Facility on 13 August 2009 were deemed to trigger a debt extinguishment and recognition of new debt under the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". Accordingly, all unamortised amounts previously capitalised to the Credit Facility as debt issuance costs, including costs recognised in relation to the Warrant Deed, were expensed as an exceptional, non-cash debt restructuring charge of US\$90.5 million during the year ended 31 March 2010. The debt restructuring charge included an amount of US\$81.7 million relating to the fair value of the additional warrants as of their vesting date on 12 August 2009.

On 10 November 2009, Macquarie syndicated a further portion of the Credit Facility to a third party investor, and assigned its vested rights to subscribe for 54,800,001 new ordinary shares under the Warrant Deed to that third party investor.

On 24 January 2011, the terms of the Credit Facility were amended to defer principal repayment to two equal instalments on 31 March 2011 and 1 June 2011 and then further amended to extend the maturity to 31 March 2013 (the "Credit Facility Extension") conditional, amongst other things, on the Company obtaining the approval of the holders of the Company's convertible bonds (the "Bondholders") to extend the final maturity date of the convertible bonds to 8 September 2013 (the "Bondholder Resolution") and on the Company raising additional equity financing on or before 31 March 2011. The Bondholders approved the Bondholder Resolution at an extraordinary meeting on 1 March 2011. The Company's shareholders approved an equity placing of £52.7 million, or US\$85.2

million, at a general meeting of the shareholders on 1 March 2011. All conditions precedent pursuant to the Credit Facility Extension were met on 2 March 2011, at which point it became immediately effective.

On 3 March 2011, the Company paid down US\$55 million of the principal outstanding on the revolving Credit Facility using proceeds from the Placing, in order to reduce short-term borrowing costs on the Credit Facility.

On 10 March 2011, pursuant to the Warrant Deed, Macquarie exercised a right to subscribe for 133,971,947 ordinary shares at an exercise price of 4.54 pence per share. Proceeds from the warrant exercise of US\$9.8 million were used to pay down the principal amount outstanding under the Credit Facility. The repayment also reduced the total loan commitment under the facility by US\$9.8 million.

The material provisions of the Credit Facility are as follows:

- The Credit Facility is split between senior and subordinated tranches, with the initial US\$25 million of advances comprising the senior tranche.
- The senior and subordinated tranches bear interest ranging from LIBOR plus 4% to LIBOR plus 7.5%, depending upon the underlying value of the Group's oil and gas reserves.
- Repayment of principal outstanding in one instalment on 31 March 2013.

A reconciliation of the amounts outstanding on the Credit Facility is as follows:

	Group and Company			Net US\$'000
	Gross US\$'000	Debt issuance costs - cash US\$'000	Debt issuance costs - warrants US\$'000	
Balance at 1 April 2009	48,550	(508)	(10,284)	37,758
Drawdown of loan facility	5,355	-	(321)	5,034
Amortisation of debt issuance cost	-	106	2,209	2,315
Sub-total	53,905	(402)	(8,396)	45,107
Derecognition of liability on extinguishment	(53,905)	402	8,396	(45,107)
Recognition of new liability	53,905	-	-	53,905
Drawdown of loan facility	4,674	-	-	4,674
Balance at 31 March 2010	58,579	-	-	58,579
Drawdown of loan facility	12,272	-	-	12,272
Repayment of loan facility	(64,825)	-	-	(64,825)
Balance at 31 March 2011	6,026	-	-	6,026

The fair value of the floating rate bank borrowings at 31 March 2011 approximates to their gross carrying value of US\$6.0 million (2010: US\$58.6 million).

The Credit Facility is secured by pledges in favour of Macquarie over substantially all of the Group's assets.

At 31 March 2011, the Group was in breach of its banking covenants relating to a non-financial event of default and although Macquarie subsequently waived all rights in relation to this breach, the entire loan balance has been classified within current liabilities in the Group and Company balance sheets at 31 March 2011 as required by IAS 1 "Presentation of Financial Statements".

At 31 March 2011, the Credit Facility had a total borrowing base of US\$68.5 million, of which US\$6.0 million was borrowed. As at 15 August 2011, the borrowing capacity under the Credit Facility was unchanged at US\$68.5 million, with US\$13.5 million in principal outstanding. The borrowing capacity is subject to redetermination semi-annually on June 30th and December 31st, at the sole discretion of Macquarie.

Convertible bonds

Max Petroleum completed an offering of convertible bonds on 8 September 2006 (the "Bonds"), raising a total of US\$75 million before issuance costs, through the issuance of convertible bonds bearing interest at 6.75% per annum, payable semi-annually, convertible at an initial conversion price of £1.33 per ordinary share, subject to certain anti-dilution adjustments. The Bondholders have a right

to convert the bonds through to final maturity. Furthermore, the holders will have certain rights to force the Company to redeem the bonds if certain material events of default occur such as revocation of the Group's licence to its oil and gas properties in Kazakhstan. The Group has the right to redeem the bonds if the bonds trade at an average price of 130% of the conversion price for a minimum of 20 out of 30 consecutive trading days or if at any time a minimum of 85% of the bonds have been converted.

2009 Bond Restructuring

In conjunction with the 2009 restructuring of its Credit Facility, the Company approached its Bondholders with a comprehensive restructuring proposal (the "2009 Bond Restructuring") to defer the final maturity date of the Bonds until September 2012 and to provide the Company with a two-year option to convert its cash interest payments on the Bonds into additional principal (i.e. payment in kind or "PIK").

On 12 May 2009, the Company convened a meeting of the Bondholders where the following amendments to the Bonds were unanimously approved:

- The maturity date was extended from 8 September 2011 to 8 September 2012.
- The conversion price of the Bonds was reduced from 133p to 35p, with a fixed exchange rate of US\$1.49 to £1.
- The Company was granted the right to convert its semi-annual cash interest payments to PIK through 8 September 2010, subject to a higher interest rate of 9% per annum being applied during the interest period immediately prior to making an election to convert interest to PIK.
- The Company issued its Bondholders a five-year warrant exercisable over 120 million ordinary shares at an exercise price of 5p per ordinary share, of which 30 million warrants vested automatically on 8 September 2009 and 30 million warrants vest on each of 8 September 2009, 8 March 2010 and 8 September 2010, respectively, in the event the Company elects to convert its cash interest obligation into PIK.

The amendments to the Bonds arising from the 2009 Bond Restructuring were deemed to trigger a debt extinguishment and recognition of new debt under the requirements of IAS 39. Accordingly, all unamortised amounts previously capitalised to the Bonds as debt issuance costs and equity discount were expensed as an exceptional, non-cash charge of US\$7.3 million, included within debt restructuring costs for the year ended 31 March 2010.

Following the debt extinguishment, the fair value of the Bonds was estimated and allocated between long-term debt and equity. The fair value of the Bonds under the revised terms was calculated using a market rate of 14% to estimate the fair value of the debt portion of the Bonds on the date of restructuring and US\$13.9 million was allocated to the convertible bond reserve in equity.

2011 Bond Restructuring

In conjunction with the Credit Facility Extension, the Company approached its Bondholders with a restructuring proposal (the "2011 Bond Restructuring") to defer the final maturity date of the Bonds from 8 September 2012 to 8 September 2013. The 2011 Bond Restructuring was approved by the Bondholders at a meeting on 1 March 2011. The amendment to the Bonds arising from the 2011 Bond Restructuring was not deemed to trigger a debt extinguishment and recognition of new debt under IAS 39, and accordingly, the unamortised discount against the Bonds at 1 March 2011 will be recognised in profit or loss in future periods through a revision of effective interest rate from 14% to 11%.

On 2 March 2011 the Company issued 309,846,935 ordinary shares at 17 pence per share (the "Placing"), generating proceeds of US\$85.2 million (£52.7 million). In doing so, the Company triggered the anti-dilution provisions within the terms and conditions of the Trust Deed of the Bonds. As a result, the conversion price of the Bonds was reduced from 35p to 32p, with a fixed exchange rate of US\$1.49 to £1.

Movements in the convertible bonds during the year are analysed as follows:

	Group and Company			
	Gross US\$'000	Debt issuance costs US\$'000	Bond discount ¹ US\$'000	Net US\$'000
Balance at 1 April 2009	75,000	(1,334)	(6,249)	67,417
Notional interest incurred	-	-	196	196
Amortisation of debt issuance cost	-	46	-	46
Sub-total	75,000	(1,288)	(6,053)	67,659
Derecognition of liability on extinguishment	(75,000)	1,288	6,053	(67,659)
Recognition of new liability on bond restructuring	75,000	-	-	75,000
8 March 2009 interest PIK added to principal	3,375	-	-	3,375
Equity component arising on bond restructuring	-	-	(13,860)	(13,860)
8 September 2009 interest PIK added to principal	3,527	-	(561)	2,966
Notional interest incurred	-	-	3,144	3,144
Balance at 31 March 2010	81,902	-	(11,277)	70,625
8 September 2010 interest PIK added to principal	3,686	-	(412)	3,274
Notional interest incurred	-	-	4,090	4,090
Balance at 31 March 2011	85,588	-	(7,599)	77,989

¹ On initial recognition, the equity component of the convertible bond is booked as a bond discount, which is subsequently amortised over the maturity of the Bonds using the effective interest rate.

The cash interest due 8 March 2009, which had been deferred and accrued at 31 March 2009 with the agreement of a majority of the Bondholders, was converted to US\$3.4 million of PIK and added to principal of the Bonds during the year ended 31 March 2010.

On 8 September 2009 and 8 September 2010, the Company further elected to convert its semi-annual cash interest payments due on those dates to PIK, resulting in interest PIKs of US\$3.5 million and US\$3.7 million, respectively, added to the principal of the Bonds. Of the additional US\$3.5 million added to principal on 8 September 2009, a discount of US\$0.6 million to fair value was determined using a market rate of 14% and allocated to the convertible bond equity reserve. Of the additional US\$3.7 million added to principal on 8 September 2010, a discount of US\$0.4 million to fair value was determined using a market rate of 14% and allocated to the convertible bond equity reserve.

Pursuant to the revised terms of the Bonds arising from the 2009 Bond Restructuring, the interest PIKs on 8 March 2009, 8 September 2009 and 8 September 2010 each vested a five-year warrant exercisable at 5p per ordinary share over 30 million ordinary shares. The fair value of the warrant exercisable into the first 30 million ordinary shares in respect of the 8 March 2009 PIK was US\$4.0 million, which was recorded within debt restructuring costs during the year ended 31 March 2010. The fair value of the warrants exercisable into the second and third 30 million ordinary shares in respect of the 8 September 2009 and 8 September 2010 PIKs were US\$8.8 million and US\$4.0 million respectively, and were recorded in interest expense during the respective years.

The fair value of the convertible bond at 31 March 2011 and 2010, determined by reference to the published closing price quotation from the Channel Islands Stock Exchange on that date, was as follows:

	Group and Company	
	2011 US\$'000	2010 US\$'000
Fair value of convertible bond	50,937	39,084

Interest expense

During the year ended 31 March 2011, the Group incurred US\$20.4 million (2010: US\$26.0 million) in interest expense in respect of the Convertible Bond and the Credit Facility, of which US\$9.8 million (2010: US\$12.7 million) was capitalised to intangible assets - exploration and appraisal expenditure.

11. Share capital

The Company has two classes of share capital, which carry no right to fixed income: ordinary shares and deferred shares. Neither class of share is redeemable by the holder.

The holders of ordinary shares are entitled:

- to receive notice of, attend and vote at any general meeting of the Company.
- to receive dividends as may be declared from time to time and any distribution.
- on a return of capital on a winding up, to receive payment of the nominal capital of 0.01p for each ordinary share held and a share in the Company's residual assets.

The deferred share class was created in 2005 in a capital restructuring and no further shares will be issued. A deferred share carries no voting or dividend rights. On a return of capital on a winding up, the holders of deferred shares shall only be entitled to receive the amount paid up on such shares after the holders of the ordinary shares have received the sum of 0.01p for each ordinary share held by them and shall have no other right to participate in the assets of the Company.

During the year ended 31 March 2011, the Company issued 481,682,114 ordinary shares, comprising:

- The issue of 309,846,935 new ordinary shares to institutional investors at 17 pence per share, generating cash proceeds of US\$85.2 million (£52.7 million).
- The exercise of 133,971,947 of the Credit Facility warrants for proceeds of US\$9.8 million, used to pay down the principal amount outstanding under the Company's Credit Facility, resulting in the issue of 133,971,947 new ordinary shares.
- The exercise of 27,580,000 of the Bondholder warrants for total cash proceeds of US\$2.2 million, resulting in the issue of 27,580,000 new ordinary shares.
- The cashless exercise of 13,700,000 of the Credit Facility warrants, resulting in the issue of 9,789,899 new ordinary shares.
- The exercise of 493,333 share options for total cash proceeds of US\$0.03 million, resulting in the issue of 493,333 new ordinary shares.

During the year ended 31 March 2010, the Company issued 71,172,760 ordinary shares, comprising:

- The exercise of 49,160,000 of the Bondholder warrants for total cash proceeds of US\$4.0 million, resulting in the issue of 49,160,000 new ordinary shares.
- The cashless exercise of 26,200,000 of the Credit Facility warrants, resulting in the issue of 20,476,094 new ordinary shares.
- The exercise of 1,536,666 share options for total cash proceeds of US\$0.1 million, resulting in the issue of 1,536,666 new ordinary shares.

All shares issued are fully paid up.

	Number of shares	
	Ordinary shares of 0.01p each	Deferred shares of 14.99p each
At 1 April 2009	365,278,737	28,253,329
Increase	71,172,760	-
At 31 March 2010	436,451,497	28,253,329
Increase	481,682,114	-
At 31 March 2011	918,133,611	28,253,329

	Nominal value		
	Issued share capital		
	Ordinary shares of 0.01p each US\$'000	Deferred shares of 14.99p each US\$'000	Total all classes US\$'000
At 1 April 2009	66	7,864	7,930
Increase	12	-	12
At 31 March 2010	78	7,864	7,942
Increase	78	-	78
At 31 March 2011	156	7,864	8,020

Authorised share capital

On 13 October 2009 a special resolution was passed to replace the Company's Articles of Association. Under the new Articles of Association, effective 1 October 2009, the Company no longer has an authorised share capital and thus no longer has a statutory restriction on the maximum allotment of shares.

12. Share premium

	Group and Company	
	2011 US\$'000	2010 US\$'000
At 1 April	265,043	259,491
Premium on shares issued during the year	97,800	5,552
Expenses of issue of equity shares	(6,245)	-
At 31 March	356,598	265,043

13. Other reserves

	Group				
	Reserve arising on purchase of minority interest US\$'000	Convertible bond equity reserve US\$'000	Share-based payment reserve US\$'000	Warrant reserve US\$'000	Total other reserves US\$'000
At 1 April 2009	(72,495)	10,807	56,936	14,502	9,750
Issue of share capital – cashless exercise of warrants	-	-	-	(1,510)	(1,510)
Share-based payment	-	-	2,298	-	2,298
Transfer to accumulated deficit	-	(10,807)	-	-	(10,807)
Convertible bond restructuring	-	13,860	-	-	13,860
Convertible bond interest deferral, equity portion	-	561	-	-	561
Warrants issued to Macquarie	-	-	-	81,723	81,723
Warrants issued to Bondholders	-	-	-	12,816	12,816
At 31 March 2010	(72,495)	14,421	59,234	107,531	108,691
Issue of share capital – cashless exercise of warrants	-	-	-	(643)	(643)
Share-based payment	-	-	1,961	-	1,961
Convertible bond interest deferral, equity portion	-	412	-	-	412
Warrants issued to Bondholders	-	-	-	4,025	4,025
At 31 March 2011	(72,495)	14,833	61,195	110,913	114,446

	Company			
	Convertible bond equity reserve US\$'000	Share-based payment reserve US\$'000	Warrant reserve US\$'000	Total other reserves US\$'000
At 1 April 2009	10,807	56,936	14,502	82,245
Issue of share capital – cashless exercise of warrants	-	-	(1,510)	(1,510)
Share-based payment	-	2,298	-	2,298
Transfer to accumulated deficit	(10,807)	-	-	(10,807)
Convertible bond restructuring	13,860	-	-	13,860
Convertible bond interest deferral, equity portion	561	-	-	561
Warrants issued to Macquarie	-	-	81,723	81,723
Warrants issued to Bondholders	-	-	12,816	12,816
At 31 March 2010	14,421	59,234	107,531	181,186
Issue of share capital – cashless exercise of warrants	-	-	(643)	(643)
Share-based payment	-	1,961	-	1,961
Convertible bond interest deferral, equity portion	412	-	-	412
Warrants issued to Bondholders	-	-	4,025	4,025
At 31 March 2011	14,833	61,195	110,913	186,941

As more fully disclosed in note 10, during the year ended 31 March 2011, the Company deferred the convertible bond interest payment due 8 September 2010. The interest due on the Bonds was converted to PIK of US\$3.7 million and added to the principal of the Bonds, resulting in the allocation of US\$0.4 million to the convertible bond reserve in equity.

During the year ended 31 March 2010, the Company:

- Restructured the Bonds resulting in the allocation of US\$13.9 million to the convertible bond reserve in equity, and on extinguishment an equity transfer of the original US\$10.8 million convertible bond reserve to accumulated deficit, for a net increase of US\$3.1 million in the convertible bond reserve arising from the 2009 Bond Restructuring.
- Converted the interest payment due 8 September 2009 to PIK, resulting in the allocation of a further US\$0.6 million to the convertible bond reserve in equity.

Credit Facility warrants

As more fully disclosed in note 10, it was a condition of the 2009 Amendment that the Company also execute the Warrant Deed, replacing a five-year warrant previously issued to Macquarie on 6 March 2008 that granted Macquarie the right to acquire 5,000,000 ordinary shares at 160.6p and 15,000,000 ordinary shares at 75p.

Subject to the provisions of the Warrant Deed, including vesting criteria linked to the level of the available borrowing base under the Credit Facility, Macquarie was entitled to subscribe for up to 547,918,106 new ordinary shares of the Company, subject to certain terms and conditions.

The table below shows the number of additional ordinary shares entitled to subscription for and purchase on each increase in borrowing base under the Credit Facility.

Available borrowing base under the Credit Facility	Number of additional ordinary shares available for subscription pursuant to the Warrant Deed	Exercise price per ordinary share	Vesting date
On closing	121,759,579	4.54p	23/02/2009
US\$55,000,000	74,928,972	4.54p	12/08/2009
US\$60,000,000	46,830,607	4.54p	12/08/2009
US\$65,000,000	55,345,263	5.22p	12/08/2009
US\$75,000,000	66,414,316	5.67p	12/08/2009
US\$85,000,000	182,639,369	6.13p	-
Total	547,918,106		

On closing the 2009 Amendment on 23 February 2009, Macquarie was entitled to subscribe for up to 121,759,579 ordinary shares at 4.54p per ordinary share as a result of amounts already drawn down under the Credit Facility. This right was subject to shareholder approval of the Warrant Deed which was received on 12 May 2009.

On 12 August 2009, the amount of the borrowing base commitment under the Credit Facility was increased from US\$50 million to US\$80 million. Accordingly, Macquarie's entitlement to subscribe for a further 243,519,158 additional shares under the Warrant Deed vested on that date, bringing the total vested warrants under the Warrant Deed to an aggregate of 365,278,737 ordinary shares of the Company with exercise prices between 4.54p and 5.67p. On vesting, the fair value of these additional warrants, calculated using the Black-Scholes model, amounted to US\$81.7 million, which was expensed as an exceptional, non-cash debt restructuring charge during the year ended 31 March 2010.

Subsequently, Macquarie syndicated a portion of the Credit Facility to various third party investors. In conjunction with the syndication, Macquarie assigned its vested rights to subscribe for 97,334,842 new ordinary shares under the Warrant Deed to those various third-party investors and a revised warrant deed was issued to Macquarie and new warrant deeds issued to those third party investors (the "Warrant Deeds").

On 2 March 2011, in accordance with the terms of the Credit Facility Extension, Macquarie agreed to cancel the final tranche of unvested warrants exercisable into 182,639,369 ordinary shares of the Company at an exercise price of 6.13 pence per ordinary share.

Exercise and expiry date

Each warrant tranche has an expiration date of five years from the date the relevant tranche vests, by which time the warrant holders need to have exercised their entitlement to subscribe for ordinary shares.

Anti-dilution provisions

To prevent the dilution of the rights granted under the Warrant Deeds, the exercise price and the number of ordinary shares that may be purchased pursuant to the Warrant Deeds are subject to adjustments from time to time if ordinary shares are issued due to the conversion of the Company's Bonds or due to the exercise of employee share options issued on or before 30 June 2009. The exercise price of any additional warrants issued by the Company under the anti-dilution provisions would be equal to 95% of the volume weighted average price for the five trading days prior to the dilutive event.

Anti-dilution grant

On 8 March 2010, an anti-dilution adjustment event pursuant to the Warrant Deeds, resulting from the exercise of employee share options, triggered aggregate adjustments of an additional 1,042,124 ordinary shares underlying the Warrant Deeds at an exercise price of 19.2 pence based on 95% of five day VWAP of 20.2 pence as at 8 March 2010.

The warrant table below sets out the Credit Facility warrants outstanding at 31 March 2011 and 2010:

	2011			2010		
	Number of warrants	Weighted average exercise price (pence)	Weighted average market price on exercise (pence)	Number of warrants	Weighted average exercise price (pence)	Weighted average market price on exercise (pence)
Outstanding at start of year	522,760,230	5.3	-	547,918,106	5.3	-
Anti-dilution warrant grant	-	-	-	1,042,124	19.2	-
Exercised	(147,671,947)	4.5	15.6	(26,200,000)	4.5	23.0
Cancelled	(182,639,369)	6.1	-	-	-	-
Outstanding at end of year	192,448,914	5.2	-	522,760,230	5.3	-

On 10 March 2011, Macquarie exercised 133,971,947 of the Credit Facility warrants, generating proceeds of US\$9.8 million which were used to pay down the principal amount outstanding under the Company's Credit Facility.

During the year ended 31 March 2011, holders of Credit Facility warrants elected for the cashless exercise of their right to subscribe for 13,700,000 ordinary shares at an exercise price of 4.538p per share, resulting in the issue and allotment of 9,789,899 new ordinary shares and the transfer of US\$0.6 million from the warrant reserve to share capital and share premium.

During the year ended 31 March 2010, holders of Credit Facility warrants elected for the cashless exercise of their right to subscribe for 26,200,000 ordinary shares at an exercise price of 4.538p per share, resulting in the issue and allotment of 20,476,094 new ordinary shares and the transfer of US\$1.5 million from the warrant reserve to share capital and share premium.

Of the outstanding Credit Facility warrants at 31 March 2011, 192,448,914 were fully vested and exercisable (2010: 340,120,861).

Convertible bond warrants

As more fully disclosed in note 10, pursuant to the revised terms of the Bonds arising from the 2009 Bond Restructuring, the interest PIKs on 8 March 2009, 8 September 2009 and 8 September 2010 each vested a five-year warrant exercisable at 5p per ordinary share over 30 million ordinary shares (the "Bondholder warrants"). The fair value of the warrant exercisable into the first 30 million ordinary shares in respect of the 8 March 2009 PIK was US\$4.0 million, which was recorded within debt restructuring costs during the year ended 31 March 2010. The fair values of the warrants exercisable into the second and third 30 million ordinary shares in respect of the 8 September 2009 and 8 September 2010 PIKs were US\$8.8 million and US\$4.0 million respectively, and were recorded in interest expense during the respective years.

The warrant table below sets out the Bondholder warrants outstanding at 31 March 2011 and 2010:

	2011			2010		
	Number of warrants	Weighted average exercise price (pence)	Weighted average market price on exercise (pence)	Number of warrants	Weighted average exercise price (pence)	Weighted average market price on exercise (pence)
Outstanding at start of year	10,840,000	5.0	-	-	-	-
Bondholder warrant grants	30,000,000	5.0	-	60,000,000	5.0	-
Exercised	(27,580,000)	5.0	18.0	(49,160,000)	5.0	19.2
Outstanding at end of year	13,260,000	5.0	-	10,840,000	5.0	-

Of the outstanding Bondholder warrants at 31 March 2011, 13,260,000 were fully vested and exercisable (2010: 10,840,000).

Warrant fair values

The table below represents the assumptions used in determining the fair value of the Company's warrants using the Black-Scholes model, as follows:

	2011	2010
Exercise price of warrant	5.0p	4.54p - 5.67p
Share price on date of grant	13.5p	13.5p - 25p
Expected term before warrant exercise	1.5 years	2.5 years
Risk free interest rate	0.64%	2.0% - 2.37%
Expected dividend yield	-	-
Expected share volatility	54.9%	52.5% - 54.6%

The expected volatility has been determined by reference to the historical share price volatility for peer group companies similar to Max Petroleum in terms of operations and geographic area. The

average historical volatilities for each company have been averaged over the period from the date of the Company's admission to AIM to the date of grant.

14. Capital commitments and contingencies

The Group is committed under its subsoil licence to certain future expenditures including minimum work programmes, social infrastructure contributions and reimbursement of historical costs incurred by the Government of the Republic of Kazakhstan. Qualifying licence, exploration and development expenditure by the licence holder are deducted from these future commitments. The Group also has ongoing licence commitments pertaining to social contributions and training of local personnel.

The Group's commitment remaining under its subsoil licence at 31 March 2011 totalled US\$63.3 million (2010: US\$96.7 million). The total commitment at 31 March 2011 includes US\$23.3 million of historical costs incurred by the Republic of Kazakhstan for the exploration of Blocks A&E prior to the Group's acquisition of the Licence (2010: US\$29.1 million). Historical costs become payable from the date when a commercial hydrocarbon discovery is announced. The amount of historical costs allocated to each discovery is determined based on a mining allotment agreed with the Government of the Republic of Kazakhstan once a commercial discovery has been made. During the year ended 31 March 2011, the Group recognised a liability of \$US1.0 million in relation to the commercial discovery at Zhana Makat, included within trade and other payables.

15. Post balance sheet events

Increase in issued share capital

Subsequent to 31 March 2011, as of the date of this announcement, the Company issued 4,935,000 new ordinary shares in respect of the exercise of Bondholder warrants and employee share options, for total cash proceeds of US\$0.4 million.

Tax Claim

As more fully disclosed in note 7, in June 2011, the Group paid US\$13.8 million in full settlement of the Tax Claim, while it continues to appeal the Tax Claim to the Supreme Court of Kazakhstan.

Amendment to the Blocks A&E Licence

In June 2011 the Group and the Ministry of Oil and Gas of the Republic of Kazakhstan signed an amendment to the Blocks A&E Licence which increased the minimum work programme. Accordingly, the Group's commitments under its subsoil contract increased from US\$63.3 million to US\$70.9 million.