

Interim Condensed Consolidated Financial Statements
Interim Condensed Consolidated Balance Sheet
Interim Condensed Consolidated Statement of Operations
Interim Condensed Consolidated Statement of Cash Flows

Altius Holdings Inc

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the three months ended March 31, 2011

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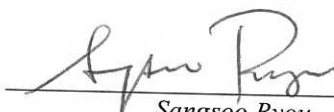
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Notes	31 March 2011	31 December 2010
ASSETS			
Non-current assets			
Intangible assets		4,072,022	4,194,255
Property, plant and equipment		14,900,601	15,102,775
Advances paid for non-current assets		90,856	127,636
Restricted cash		128,770	130,262
Total non-current assets		19,192,249	19,554,928
Current assets			
Inventories	4	629,170	630,341
Trade receivables	5	223,437	476,834
Advances paid		437,614	340,466
Interest free loans to related parties	15	-	4,423,643
Income tax prepaid		15,390	10,248
VAT recoverable and other taxes prepaid	6	1,423,095	1,889,767
Other current assets		24,050	37,246
Cash and cash equivalents	7	2,810,857	9,176,511
Total current assets		5,563,613	16,985,056
TOTAL ASSETS		24,755,862	36,539,984
EQUITY AND LIABILITIES			
Share capital		6,330,551	6,330,551
Retained earnings		11,371,030	24,962,029
Total equity		17,701,581	31,292,580
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		917,908	812,383
Abandonment and site restoration liabilities		363,614	360,207
Obligation on historical cost		531,155	531,152
Total non-current liabilities		1,812,677	1,703,742
Current liabilities			
Trade payables	8	480,191	1,803,460
Obligation on historical cost		94,168	128,624
Taxes payable	9	2,349,988	19,697
Corporate income tax payable		781,514	306,896
Excess profit tax payable		1,309,447	946,188
Other current liabilities		226,296	338,797
Total current liabilities		5,241,604	3,543,662
Total liabilities		7,054,281	5,247,404
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		24,755,862	36,539,984

The accounting policies and explanatory notes on pages 5 through 10 form an integral part of these interim condensed consolidated financial statements.

Managing Director


 Sangsoo Ryou

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Notes	For the three months ended March 31, 2011
Revenue from sale of crude oil		11,134,236
Cost of sales	10	(2,132,523)
Gross profit		9,001,713
Selling expenses	11	(3,690,227)
General and administrative expenses	12	(1,330,780)
Profit from operating activities		3,980,706
Finance costs		(34,591)
Finance income		23,818
Foreign exchange loss		(40,043)
Other income		614
Other expense		(9,830)
Profit before income tax		3,920,674
Corporate income tax expense	13	(1,606,221)
Profit for the period		2,314,453
Other comprehensive income		-
Total comprehensive income for the period		2,314,453

The accounting policies and explanatory notes on pages 5 through 10 form an integral part of these interim condensed consolidated financial statements.

Managing Director

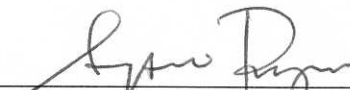

 Sangsoo Ryou

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	For the three months ended March 31, 2011
Cash flows from operating activities	
Income before income tax	3,920,674
Adjustments to add (deduct) noncash items:	
Depreciation, depletion and amortization	552,100
Unwinding of discount	11,930
Interest income	(23,818)
Interest expense	22,661
Loss on disposal of property, plant and equipment	(2,758)
Operating cash flows before working capital changes	4,480,789
Working capital adjustments:	
Change in inventories	1,171
Changes in taxes recoverable	422,069
Change in trade receivables and other current assets	266,593
Change in advances paid	(97,148)
Change in trade payables	(1,323,269)
Change in taxes payable	2,330,291
Change in other current liabilities	(135,162)
Cash generated from operations	5,945,334
Income tax paid	(667,961)
Interest received	23,818
Net cash provided by operating activities	5,301,191
Cash flows from investing activities	
Loans repaid by related parties	4,423,643
Purchase of property, plant and equipment	(189,923)
Proceeds from sale of property, plant and equipment and intangible assets	3,395
Net cash provided by investing activities	4,237,115
Cash flows from financing activities	
Change in restricted cash deposit	1,492
Distributions to shareholder	(15,905,452)
Net cash used in financing activities	(15,903,960)
Net change in cash and cash equivalents	(6,365,654)
Cash and cash equivalents at the beginning of the period	9,176,511
Cash and cash equivalents at the end of the period	2,810,857

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Managing Director

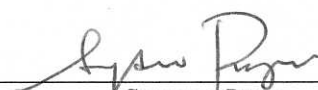

 Sangsoo Ryou

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Retained earnings	Total
As at December 31, 2010	6,330,551	24,962,029	31,292,580
Net profit for the period	–	2,314,453	2,314,453
Total comprehensive income for the period	–	2,314,453	2,314,453
Distributions to shareholder	–	(15,905,452)	(15,905,452)
As at March 31, 2011	6,330,551	11,371,030	17,701,581

The accounting policies and explanatory notes on pages 5 through 10 form an integral part of these interim condensed consolidated financial statements.

Managing Director


Sangsoo Ryou

Chief Accountant

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Altius Holdings Inc (“the Company”) and its subsidiaries (“the Group”) is an independent upstream oil and gas company with a portfolio of development and production assets located in the prolific basins of Kazakhstan. The Group operates four producing fields in Kazakhstan.

Altius Holdings Inc, an entity established under the laws of Canada, is 100% owned by KNOC Black Hill Ltd., a Canadian entity, which in turn 100% controlled by Korean National Oil Corporation, which is ultimately controlled by the government of the Republic of Korea. On March 18, 2011 KNOC Black Hill Ltd. purchased 100% share of the Company from Altius Energy Corporation, which is ultimately controlled by Vitol Holding B.V. and its subsidiaries (the “Vitol Group”).

The Company’s registered legal address is: 3700 Cattera Tower, 400 Third Avenue SW, Calgary, Alberta, Canada.

The interim condensed consolidated financial statements of the Group for the three months ended March 31, 2011 were authorized for issue by the Managing Director on June 1, 2011.

Licence terms

Altius Petroleum B.V. 100% subsidiary of the Company is engaged in oil and gas field development and production Akzhar, Alimbai, Besbolek and Karataikyz fields located in North-Western Kazakhstan through the branches operated in Aktobe and Atyrau cities. The Group’s operating license, which was obtained from the Government of Republic of Kazakhstan, expire in 2029-2036 (“Subsoil Agreements”). The Group started production at Besbolek field in 2006 and Karataikyz and Akzhar fields in 2008.

Kazakhstan business environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Kazakhstan banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group’s financial position, operating results and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group’s operating results and financial position in a manner not currently determinable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these interim condensed consolidated financial statements. All values in these interim condensed consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

The accompanying Interim Consolidated Financial Statements do not include comparative figures for Statement of Comprehensive income, Statement of Changes in Equity and Statement of Cash flows as required by International Accounting Standard No.34, "Interim Financial Reporting" (IAS 34). Except for omission of comparative figures as discussed above, interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with consolidated financial statements as at December 31, 2010.

Foreign Currency Translation

The financial statements are presented in Tenge, which is the Company's, and its subsidiary's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of KASE as of March 31, 2011, was 145.70 Tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as of March 31, 2011 (December 31, 2010: 147.40 Tenge to 1 US dollar). The currency exchange rate of KASE as of June 1, 2011, was 145.43 Tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

- IAS 24 Related Party Transactions (Amendment)
- IAS 31 Financial Instruments: Presentation (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- Improvement to IFRSs (issued May 2010)

Improvements to IFRS

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments – Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 34 Interim Financial Statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Improvements to IFRS (continued)**

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations – clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005)
- IFRS 3 Business Combinations – Unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination
- IAS 27 Consolidation and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group has not early adopted any other standard, interpretation that has been issued but not yet effective.

4. INVENTORIES

As at March 31, 2011 and December 31, 2010 inventories comprised:

<i>In thousands of Tenge</i>	March 31, 2011	December 31, 2009
Materials	359,825	328,146
Crude oil	259,451	292,550
Work in progress	32,511	32,262
Less: provision for obsolete and slow-moving inventories	(22,617)	(22,617)
	629,170	630,341

5. TRADE RECEIVABLES

<i>In thousands of Tenge</i>	March 31, 2011	December 31, 2010
Trade receivables in US Dollars	223,223	434,985
Trade receivables in Tenge	214	41,849
	223,437	476,834

Trade receivables are interest free and normally receivable within 30 days. Trade receivables are current as at March 31, 2011 and December 31, 2010 represent amounts due from sales of crude oil.

6. VAT RECOVERABLE AND OTHER TAXES PREPAID

As at March 31, 2011 and December 31, 2010 VAT recoverable and other taxes prepaid comprised:

<i>In thousands of Tenge</i>	March 31, 2011	December 31, 2010
VAT recoverable	1,213,761	1,185,668
Custom duties	161,374	–
Property tax	63,548	49,254
Mineral extraction tax	–	359,744
Rental tax	–	179,906
Other	63,413	194,196
Less: Allowance for doubtful VAT recoverable	(79,001)	(79,001)
	1,423,095	1,889,767

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. CASH AND CASH EQUIVALENTS**

As at March 31, 2011 and December 31, 2010 cash and cash equivalents comprised the following:

<i>In thousands of Tenge</i>	March 31, 2011	December 31, 2010
Current bank accounts – US dollars	2,563,172	8,928,295
Current bank account – Tenge	242,742	235,457
Current bank account – EURO	–	5,031
Cash on hand	3,003	5,537
Cash on card accounts	1,940	2,191
	2,810,857	9,176,511

As at March 31, 2011 and December 31, 2010 current bank accounts were interest free.

8. TRADE PAYABLES

Trade payables comprised the following at March 31, 2011 and December 31, 2010:

<i>In thousands of Tenge</i>	March 31, 2011	December 31, 2010
Due to related parties	274,109	177,330
Due to third parties	206,082	1,626,130
	480,191	1,803,460

Accounts payable are non-interest bearing, normally settled on 30-day terms.

9. TAXES PAYABLE

Taxes payable comprised the following at March 31, 2011 and December 31, 2010:

<i>In thousands of Tenge</i>	March 31, 2011	December 31, 2010
Rental tax	1,860,281	–
Mineral extraction tax	464,722	–
Other taxes payable	24,985	19,697
	2,349,988	19,697

10. COST OF SALES

<i>In thousands of Tenge</i>	For the three months ended March 31, 2011
Mineral extraction tax	686,150
Depreciation, depletion and amortization	489,638
Transportation expenses	307,883
Repair and maintenance	176,156
Services	155,544
Salaries and related costs	121,428
Taxes and fees	47,563
Other	162,095
Cost of production	2,146,457
Change in work in progress, crude oil:	
Work in progress, crude oil at January 1, 2011	324,812
Oil for own needs	(46,784)
Work in progress, crude oil at March 31, 2011	(291,962)
Net changes in work in progress and finished goods	(13,934)
	2,132,523

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. SELLING EXPENSES**

<i>In thousands of Tenge</i>	For the three months ended March 31, 2011
Rental tax	2,220,025
Transportation	865,689
Custom duties	484,645
Other	119,868
	3,690,227

Transportation expenses represent costs related to transportation of oil through the pipelines MunaiTas JSC and KazTransOil JSC that provide oil pipeline transportation services throughout Kazakhstan.

12. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	For the three months ended March 31, 2011
Withholding tax on dividends	553,182
Payroll and related expenses	525,131
Rent and office maintenance	67,885
Professional services	9,387
Advertising	8,089
Business trips	6,591
Other	160,515
	1,330,780

13. INCOME TAXES

The Group's Kazakhstani operations are subject to income tax of 20% on taxable profit and Branch profit tax of 5% after corporate income tax as determined under the laws of the Republic of Kazakhstan. Income tax expense consisted of the following for the period ended March 31, 2011:

<i>In thousands of Tenge</i>	For the three months ended March 31, 2011
Corporate income tax	1,137,437
Excess profit tax	363,259
Deferred tax charge	105,525
Income tax expense	1,606,221

14. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies were disclosed in the annual consolidated financial statements for the ended December 31, 2010. During the three months ended March 31, 2011, there were no significant changes in the financial and contingent liabilities.

15. RELATED PARTIES

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly and indirectly, by the Group's key management personnel, Altius Group companies, entities controlled by Vitol Group and KNOC group companies (Note 1). In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. RELATED PARTY TRANSACTIONS (CONTINUED)**

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

<i>In thousands of Tenge</i>	For the three months ended March 31, 2011
Sales of crude oil	
Vitol Central Asia B.V.	10,465,650
	10,465,650
Purchases of fixed assets	
Leopard Service Petroleum LLP	114,723
	114,723
Purchases of services	
Leopard Service Petroleum LLP	134,964
Arawak Geosciences LLP	27,954
	162,918

<i>In thousands of Tenge</i>	March 31, 2011	December 31, 2010
Due from related parties		
Rosco S.A.	-	2,953,890
Arawak Canada	-	1,100,379
Arkham B.V.	-	476,721
Arawak Energy Kazakhstan B.V.	-	369,374
Steppe Eagle Oil B.V.	-	34
Altius Energy Limited	-	-
Leopard Service Petroleum LLP	-	-
Ibex Petroleum B.V.	-	-
Kosyuneft LLP	-	-
Balkash Petroleum B.V.	-	-
	-	4,900,398
Due to related parties		
Altius Energy Corporation	-	631,567
Arawak Energy Ltd	-	528,661
Leopard Service Petroleum LLP	236,664	418,454
Arkham B.V.	-	36,173
Arawak Geosciences LLP	-	9,680
Saigak Munaigas GmbH	-	1,008
PechoraNefteGas CJSC	-	587
Steppe Eagle Oil B.V.	-	-
Ibex Petroleum B.V.	-	-
	236,664	1,626,130

Interest free loan to related party

In 2010, the Group provided an interest free loans to Rosco S.A. and Arawak Energy Kazakhstan B.V., payable on demand and no pledges amounting 20,040 thousand US dollars and 2,506 thousand US dollars, respectively. The interest-free loans were fully repaid as of March 31, 2011.

As discussed in Note 1, the shareholder of the Group changed from Altius Energy Corporation to KNOC on March 18, 2011. As the result all transactions starting from March 19, 2011 and balances as of March 31, 2011 with Altius Group companies are treated as not related party transactions and balances.

Compensation to key management personnel

Key management personnel totalled four persons as at March 31, 2011. Total compensation to key management personnel included in personnel costs in the accompanying statement of comprehensive income for the three months ended March 31, 2011 amounted to 18,926 thousand Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**Book value of shares**

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange (“KASE”) dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

<i>In millions of Tenge</i>	March 31, 2011	December 31, 2010
Total assets	24,755,862	36,539,984
Intangible assets	4,072,022	4,194,255
Total liabilities	7,054,281	5,247,404
Net assets for common shares	13,629,559	27,098,325
Number of common shares	182,644,452	182,644,452
Book value per share, Tenge	74.62	148.37