

Fiscal 2007 Results

For the full year, total sales increased 266% to \$19.5 million compared to \$5.3 million in the prior year period. The increase in revenues was a result of increased oil production and higher oil prices. Crude oil production for 2007 increased 218% to 38,962 tons (287,543 barrels) from 12,266 tons (90,520 barrels). Oil prices in 2007 averaged RMB3,937 per ton, or approximately US\$72.94 per barrel, which represents an increase of 13% over 2006.

Gross profit increased to \$10.5 million compared to \$2.6 million in the prior year period. Gross margin increased 530 basis points to 54.1% from 48.8% in the prior year period due to greater economies of scale from an increased number of oil producing wells.

Selling, general and administrative expenses for the year were \$880 thousand, or 4.5% of sales compared to \$885 thousand, or 16.6% of sales, in the prior year period.

Operating profit in 2007 increased 578% to \$9.2 million compared to \$1.4 million in the prior year period. Full year operating margin increased to 47.4% compared to 25.6% in the prior year period, largely due to greater leverage associated with the increased revenue and higher crude oil prices.

Net income in 2007 increased to \$5.1 million, or \$0.21 per diluted share, compared to \$952 thousand, or \$0.03 per diluted share in the prior year period.

