Zhaikmunai LP

Interim Condensed Consolidated Financial Statements (Unaudited)

As of and for the six months ended June 30, 2011

CONTENTS

REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the participants and management of Zhaikmunai LP

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Zhaikmunai LP and its subsidiaries (“the Group") as at 30 June 2011, comprising the interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated statements of comprehensive income for three and six-month periods, interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Condensed Consolidated Interim Financial Information Performed by the Independent Auditor of the Company. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Paul Cohn
Audit Partner

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

Auditor Qualification Certificate № 0000553 dated 24 December 2003

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 № 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

17 August 2011

Interim Condensed Consolidated Statement of Financial Position

In thousands of US dollars

	Note	June 30, 2011 (unaudited)	December 31, 2010 (audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	1,018,329	955,911
Restricted cash		2,963	2,743
Advances for equipment and construction works		5,299	6,479
		1,026,591	965,133
Current Assets			
Restricted cash		–	1,000
Inventories		6,808	5,639
Trade receivables		6,469	1,635
Prepayments and other current assets		14,773	16,759
Income tax prepayment		–	3,200
Cash and cash equivalents		136,171	144,201
		164,221	172,434
TOTAL ASSETS		1,190,812	1,137,567
EQUITY AND LIABILITIES			
Partnership capital and Reserves			
Partnership capital	4	366,942	366,942
Retained earnings and translation reserve		169,738	133,727
		536,680	500,669
Non-Current Liabilities			
Long term borrowings	5	436,491	434,931
Abandonment and site restoration liabilities		7,753	4,543
Due to Government of Kazakhstan		6,211	6,290
Employee share option plan		11,424	10,104
Deferred tax liability	9	111,885	100,823
		573,764	556,691
Current Liabilities			
Current portion of long term borrowings		9,319	9,450
Trade payables		46,199	49,213
Advances received		1,991	11,693
Income tax payable		10,394	–
Derivative financial instrument	10	189	372
Current portion of Due to Government of Kazakhstan		1,031	1,031
Other current liabilities		11,245	8,448
		80,368	80,207
TOTAL EQUITY AND LIABILITIES		1,190,812	1,137,567

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP — *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP — *Jan-Ru Muller*

Interim Condensed Consolidated Statement of Comprehensive Income

In thousands of US dollars

	Notes	Three months ended June 30, 2011 (unaudited)	Three months ended June 30, 2010 (unaudited)	Six months ended June 30, 2011 (unaudited)	Six months ended June 30, 2010 (unaudited)
Sales of crude oil:					
Export sales		**70,461**	32,885	**121,625**	72,075
Domestic sales		**3,044**	1,153	**4,282**	2,579
		73,505	34,038	**125,907**	74,654
Cost of sales	**6**	**(14,197)**	(9,661)	**(28,403)**	(20,733)
Gross profit		**59,308**	24,377	**97,504**	53,921
General and administrative expenses	**7**	**(5,547)**	(7,901)	**(15,643)**	(13,671)
Selling and oil transportation expenses		**(8,674)**	(1,186)	**(15,437)**	(3,505)
Finance costs	**8**	**(435)**	(310)	**(789)**	(654)
Foreign exchange (loss) / gain, net		**(205)**	(304)	**(26)**	126
Gain / (loss) on hedging contract	**10**	**298**	1,816	**(189)**	(60)
Interest income		**50**	43	**121**	58
Other expenses	**11**	**(1,565)**	(84)	**(1,503)**	(395)
Profit before Income tax		**43,230**	16,451	**64,038**	35,820
Income tax expense	**9**	**(18,340)**	(10,325)	**(28,027)**	(16,243)
Profit for the period		**24,890**	6,126	**36,011**	19,577
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income, net of tax		**24,890**	6,126	**36,011**	19,577

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP — *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP — *Jan-Ru Muller*

Interim Condensed Consolidated Statement of Cash Flows

In thousands of US dollars

	Notes	Six months ended June 30, 2011 (unaudited)	2010 (unaudited)
Cash flow from operating activities:			
Profit before income tax		**64,038**	35,820
Adjustments for:			
Depreciation and amortization	**6, 7**	**8,536**	8,248
Accrual of share option expenses		**1,320**	(1,033)
Finance costs	**8**	**789**	654
Interest income		**(121)**	58
Loss on hedging contract	**10**	**189**	60
Foreign exchange gain on investing and financing activities		**(40)**	–
Operating profit before working capital changes		**74,711**	43,807
Changes in working capital:			
Change in inventories		**(1,169)**	(3,970)
Change in trade receivables		**(4,834)**	9,745
Change in prepayments and other current assets		**(1,345)**	(1,988)
Change in trade payables		**(3,014)**	(19,855)
Change in advances received		**(9,702)**	–
Payment of obligation to Government of Kazakhstan		**(515)**	(530)
Change in other current liabilities		**1,939**	(748)
Cash generated from operations		**56,071**	26,451
Income tax paid		**–**	(1,779)
Net cash flows from operating activities		**56,071**	24,672
Cash flow from investing activities:			
Interest income		**121**	(58)
Purchases of property, plant and equipment		**(39,206)**	(71,258)
Net cash used in investing activities		**(39,085)**	(71,316)
Cash flow from financing activities:			
Finance costs paid		**(25,424)**	(16,458)
Transfer from / (to) restricted cash		**780**	(128)
Realized hedging loss	**10**	**(372)**	–
Net cash used in financing activities		**(25,016)**	(16,586)
Effects of exchange rate changes on cash and cash equivalents		**–**	(47)
Net decrease in cash and cash equivalents		**(8,030)**	(63,230)
Cash and cash equivalents at the beginning of period		**144,201**	137,375
Cash and cash equivalents at the end of period		**136,171**	74,192

NON-CASH TRANSACTIONS

During the six month period ended June 30, 2011, the Partnership offset Tax Liabilities for the amount of US$ 8,916 thousand, including Corporate Income Tax Liability of US$ 3,331, with Value Added Tax Receivable.

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP *Jan-Ru Muller*

Interim Condensed Consolidated Statement of Changes in Equity

In thousands of US dollars

	Partnership capital	Retained earnings	Translation reserve	Total
As of December 31, 2009 (audited)	**366,942**	**107,528**	**3,299**	**477,769**
Profit for the period	–	19,577	–	19,577
Total comprehensive income for the period	**–**	**19,577**	**–**	**19,577**
As of June 30, 2010 (unaudited)	**366,942**	**127,105**	**3,299**	**497,346**
As of December 31, 2010 (audited)	**366,942**	**130,428**	**3,299**	**500,669**
Profit for the period	–	36,011	–	36,011
Total comprehensive income for the period	**–**	**36,011**	**–**	**36,011**
As of June 30, 2011 (unaudited)	**366,942**	**166,439**	**3,299**	**536,680**

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP ______________ *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP ______________ *Jan-Ru Muller*

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US dollars

1. GENERAL

Zhaikmunai LP is a Limited Partnership formed on August 29, 2007 pursuant to the Partnership Act 1909 of the Isle of Man. Zhaikmunai LP is registered in the Isle of Man with registered number 295P.

The registered address of the Zhaikmunai LP is: 7th Floor, Harbour Court, Lord Street, Douglas, Isle of Man, IM1 4LN.

These the interim condensed consolidated financial statements were authorized for issue by Kai-Uwe Kessel, Chief Executive Officer of the General Partner of Zhaikmunai LP and by Jan-Ru Muller, Chief Financial Officer of the General Partner of Zhaikmunai LP on August17, 2011.

These interim condensed consolidated financial statements include the results of the operations of Zhaikmunai LP ("Zhaikmunai LP") and its wholly owned subsidiaries Frans van der Schoot B.V. ("FVDS"), Claydon Industrial Limited ("Claydon"), Jubilata Investments Limited ("Jubilata"), Zhaikmunai LLP ("the Partnership") and Condensate Holdings LLP ("Condensate"). Zhaikmunai LP and its subsidiaries are hereinafter referred to as "the Group". The Group's operations comprise of a single operating segment and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan. The Group is ultimately indirectly controlled through Thyler Holdings Limited ("Thyler"), by Frank Monstrey. The General Partner of Zhaikmunai LP is Zhaikmunai Group Limited, which is responsible for the management of the Group (Note 4).

The Partnership carries out its activities in accordance with the Contract for Additional Exploration, Production and Production-Sharing of Crude Hydrocarbons in the Chinarevskoye oil and gas condensate field (the "Contract") dated October 31, 1997, as amended, in accordance with the license MG No. 253D (the "License") for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field between the State Committee of Investments of the Republic of Kazakhstan and the Partnership.

The Group was formed through a reorganization of entities under common control on March 28, 2008 to facilitate the listing of GDRs on the LSE. On March 28, 2008 Zhaikmunai LP listed 40,000,000 Global Depositary Receipts ('GDRs') on the London Stock Exchange ('LSE'), 30,000,000 of which were issued to Claremont Holdings Limited, a subsidiary of Thyler, after the reorganisation and 10,000,000 which were sold to other investors at US$10 per GDR, representing 9.09% of the equity interests in the Group.

These interim condensed consolidated financial statements have been prepared using the pooling of interest method and, as such, the interim condensed consolidated financial statements have been presented as if the transfers of the ownership interests in Frans van der Schoot B.V., Claydon, Jubilata, Zhaikmunai LLP and Condensate to Zhaikmunai LP had occurred from the beginning of the earliest period presented.

On September 15, 2009, Zhaikmunai LP raised an additional US$300 million through the sale of 75,000,000 new common units in the form of GDRs at US$4 per GDR. 25,000,000 of these GDRs were placed with Claremont Holdings Limited. Claremont Holdings Limited is indirectly controlled by Frank Monstrey.

Licence terms

The term of the license of the Partnership originally included a 5 year exploration period and a 25 year production period. The exploration period was initially extended for additional 4 years and then for further 2 years according to the supplements to the Contract dated January 12, 2004 and June 23, 2005, respectively. In accordance with the supplement dated June 5, 2008, Tournaisian North reservoir entered into production period as at January 1, 2007. Following additional commercial discoveries during 2008, the exploration period under the license, other than for the Tournasian horizons, was extended for an additional 3 year period with a new expiry on May 26, 2011. An application for a further extension has been made.

The extensions to the exploration period have not changed the license term, which will expire in 2031.

Royalty Payments

The Partnership is required to make monthly royalty payments throughout the entire Production Period, at the rates specified in the Contract.

Royalty rates depend on crude oil recovery levels and the phase of production and can vary from 2% to 7% of produced petroleum and from 4% to 9% of produced natural gas.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

1. GENERAL (continued)

Government "profit share"

The Partnership makes payments to the Government of its "profit share" as determined in the Contract. The "profit share" depends on crude oil production levels and varies from 10% to 40% of production after deducting royalties and reimbursable expenditures. Reimbursable expenditures include operating expenses, costs of additional exploration and development costs. Government "profit share" is expensed as incurred and paid in cash.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

These interim condensed consolidated financial statements for the six months ended June 30, 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and on a historical cost basis, except for financial instruments, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended December 31, 2010.

New standards, interpretations and amendments thereof, adopted by the Group

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 financial statements for the year ended December 31, 2010, except for the adoption of new standards and interpretations as of January 1, 2011, noted below:

IAS 24 *Related Party Transactions* (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 *Financial Instruments: Presentation* (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements in Kazakhstan. The amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The Group adopted the standard and has concluded that the amendment had no impact on the financial position or performance of the Group.

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. 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.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Improvements to IFRSs (issued May 2010) (continued)

IFRS 3 *Business Combinations*: the measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments. proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

IFRS 7 *Financial Instruments . Disclosures*: the amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. As a result of this amendment, the Group financial position and performance were not affected.

IAS 1 *Presentation of Financial Statements*: the amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The amendment had no material impact on the financial position and the Group's performance results.

IAS 34 *Interim Financial Statements*: the amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. As a result of this amendment, the Group financial position and performance were not affected.

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 *Consolidated and Separate Financial Statements* – applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards;
- IFRIC 13 *Customer Loyalty Programmes* – in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme).

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

Seasonality of operations

The Group's operating expenses are subject to seasonal fluctuations, with higher expenses for various professional services, maintenance and other services usually expected in the latter part of the year than in the first six months. These fluctuations are mainly due to the reason that drilling, exploration and evaluation works are usually performed in warm period.

3. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2011, the Group had additions of property, plant and equipment of US$ 71,148 thousand (six month period ended June 30, 2010: US$ 102,247 thousand). These additions are mostly associated with commissioning of the gas treatment unit (the "GTU") and drilling costs and included capitalised interest of US$ 27,711 thousand (six month period ended June 30, 2010: US$ 20,790 thousand), abandonment and site restoration assets of US$ 2,857 thousand (six month period ended June 30, 2010: US$ 229 thousand), and net proceeds from sale of gas treatment unit test production for the amount of US$ 3,045 thousand (six month period ended June 30, 2010: nil).

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

4. PARTNERSHIP CAPITAL

The ownership interests in Zhaikmunai LP consist of (a) Common Units, which represent a fractional entitlement in respect of all of the limited partner interests in Zhaikmunai LP and (b) the interest of the General Partner. At any general meeting every holder of Common Units shall have one vote for each Common Unit of which he or she is the holder. Under the Partnership Agreement, distributions to limited partners will be made either as determined by the General Partner in its sole discretion or following the approval of a majority of limited partners provided such amount does not exceed the amount recommended by the General Partner. Any distributions to Zhaikmunai LP's limited partners will be made on a pro rata basis according to their respective partnership interests in Zhaikmunai LP and will be paid only to the recorded holders of Common Units.

As discussed in Note 1 on September 15, 2009 Zhaikmunai LP successfully raised an additional US$300 milliion through the sale of 75,000,000 new common units in the form of GDRs at US$ 4 per GDR. The proceeds of the placing were used to supplement the Partnership's then-existing credit facilities and fund in part the capital expenditure programme for the Chinarevskoye field, in particular the completion of the Gas Treatment Unit. The issuance costs amounted to US$25,130 thousand.

As at June 30, 2011, Zhaikmunai LP had issued 185,000,000 common units, 184,999,990 of which are represented by GDRs. No new common units were issued during the six month period ended June 30, 2011.

5. BORROWINGS

On October 19, 2010 Zhaikmunai Finance B.V. (the "Initial Issuer") issued US$ 450,000 thousand notes (the "Notes").

On February 28, 2011 Zhaikmunai LLP (the "Issuer") replaced the Initial Issuer of the Notes, whereupon it assumed all of the obligations of the Initial Issuer under the Notes.

The Notes bear interest at the rate of 10.50% per year. Interest on the Notes is payable on April 19 and October 19 of each year, beginning on April 19, 2011. Prior to 19 October 2013, the Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more equity offerings at a redemption price of 110.50% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; provided that (1) at least 65% of the original principal amount of the Notes (including Additional Notes) remains outstanding after each such redemption; and (2) the redemption occurs within 90 days after the closing of the related equity offering.

In addition, the Notes may be redeemed, in whole or in part, at any time prior to 19 October 2013 at the option of the Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of Notes at its registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Applicable Premium means, with respect to any Note on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such Note; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such Note at 19 October 2013 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such Note through 19 October 2013 computed using a discount rate equal to the United States treasury rate as of such redemption date plus 50 basis points; over (b) the principal amount of such Note.

The Notes are jointly and severally guaranteed (the "Guarantees") on a senior basis by Zhaikmunai LP and all of its subsidiaries other than the Issuer (the "Guarantors"). The Notes are the Issuer's and the Guarantors' senior obligations and rank equally with all of the Issuer's and the Guarantors' other senior indebtedness.The Notes and the Guarantees have the benefit of first-priority pledges over the shares of Zhaikmunai Finance B.V. and Frans van der Schoot B.V.

The total outstanding principal balance of the liability under the Notes payable as at June 30, 2011 is US$ 450,000 thousand, which is presented net of the transaction costs of US$ 13,509 thousand and increased by the amount of interest payable of US$ 9,319 thousand (December 31, 2010: US$ 450,000 thousand, US$ 15,069 thousand, and US$ 9,450 thousand, respectively).

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

6. COST OF SALES

In thousands of US dollars	Three months ended June 30, 2011 (unaudited)	2010 (unaudited)	Six months ended June 30, 2011 (unaudited)	2010 (unaudited)
Depreciation and amortization	**4,673**	3,897	**8,273**	7,978
Royalties	**3,320**	1,794	**5,272**	3,260
Repair, maintenance and other services	**1,105**	1,189	**4,014**	2,855
Payroll and related taxes	**705**	1,456	**3,338**	3,000
Well workover costs	**–**	1,060	**2,003**	1,060
Materials and supplies	**720**	764	**1,485**	1,442
Government profit share	**711**	386	**1,198**	765
Other transportation services	**288**	403	**942**	771
Management fees	**221**	498	**768**	988
Environmental levies	**372**	254	**577**	501
Change in oil stock	**1,772**	(2,264)	**(479)**	(2,315)
Other	**310**	224	**1,012**	428
	14,197	9,661	**28,403**	20,733

7. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US dollars	Three months ended June 30, 2011 (unaudited)	2010 (unaudited)	Six months ended June 30, 2011 (unaudited)	2010 (unaudited)
Management fees	**2,064**	2,956	**3,956**	4,721
Professional services	**1,950**	2,938	**2,943**	3,588
Business trip	**997**	479	**2,196**	542
Payroll and related taxes	**938**	1,361	**1,931**	2,196
Employee share option plan	**(2,276)**	(1,612)	**1,320**	(1,033)
Training	**478**	583	**961**	1,170
Communication	**176**	142	**349**	257
Sponsorship	**292**	119	**329**	182
Insurance fees	**194**	238	**316**	404
Depreciation and amortization	**141**	–	**263**	–
Bank charges	**112**	105	**242**	248
Materials and supplies	**136**	34	**219**	64
Lease payments	**80**	92	**170**	163
Social program	**75**	75	**150**	150
Other taxes	**42**	11	**102**	318
Other	**148**	380	**196**	701
	5,547	7,901	**15,643**	13,671

8. FINANCE COSTS

In thousands of US dollars	Three months ended June 30, 2011 (unaudited)	2010 (unaudited)	Six months ended June 30, 2011 (unaudited)	2010 (unaudited)
Unwinding of discount on Due to Government	**258**	213	**436**	479
Unwinding of discount on Abandonment and Site Restoration Liability	**177**	97	**353**	175
	435	310	**789**	654

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

9. INCOME TAX EXPENSE

The income tax expense consisted of the following:

In thousands of US dollars	**Three months ended June 30, 2011 (unaudited)**	2010 (unaudited)	**Six months ended June 30, 2011 (unaudited)**	2010 (unaudited)
Income tax expenses comprise:				
- current income tax expense	**12,298**	1,998	**16,965**	4,943
- deferred income tax expense	**6,042**	8,327	**11,062**	11,300
Total income tax expense	**18,340**	10,325	**28,027**	16,243

The Group's profits are assessed for income taxes only in the Republic of Kazakhstan. A reconciliation of the Kazakhstani tax rate, applicable to the license, of 30% to the effective tax rate of the Group on profit before income tax is as follows:

In thousands of US Dollar	**Three months ended June 30, 2011 (unaudited)**	2010 (unaudited)	**Six months ended June 30, 2011 (unaudited)**	2010 (unaudited)
Profit before income tax	**43,228**	16,451	**64,036**	35,820
Statutory tax rate	**30%**	30%	**30%**	30%
Expected tax provision	**12,969**	4,935	**19,211**	10,746
Non-deductible interest expense on borrowings	**2,746**	4,364	**6,276**	6,330
Income taxes at different rate	**–**	946	**–**	946
Employee share option plan	**(683)**	(174)	**396**	–
Change of the tax base	**679**	1,025	**(1,405)**	(903)
Foreign exchange gain	**1**	209	**(103)**	116
Adjustments in respect of current income tax of previous year	**–**	(2,035)	**–**	(2,035)
Restoration liability and payables Due to Government	**–**	325	**–**	325
Other	**2,628**	730	**3,652**	718
Income tax expense reported in the accompanying financial statements	**18,340**	10,325	**28,027**	16,243

Deferred tax balances are calculated by applying the Kazakhstani statutory tax rates in effect at the reporting dates to the temporary differences between the tax and the amounts reported in the financial statements and are comprised of the following at June 30, 2011 and December 31, 2010:

In thousands of US Dollar	**June 30, 2011 (unaudited)**	December 31, 2010 (audited)
Deferred tax asset:		
Hedging contract at fair value	**57**	112
Accounts payable and provisions	**2,047**	1,943
	2,104	2,055
Deferred tax liability:		
Property, plant and equipment	**(113,989)**	(102,878)
	(113,989)	(102,878)
Net deferred tax liability	**(111,885)**	(100,823)

As at June 30, 2011 and 2010 the movements in the deferred tax liability were as follows:

In thousands of US Dollar	**June 30, 2011 (unaudited)**	June 30, 2010 (unaudited)
Balance at January 1, 2011 and 2010	**(100,823)**	(76,659)
Current period charge to profit or loss	**(11,062)**	(11,300)
Balance at June 30, 2011 and 2010	**(111,885)**	(87,959)

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

10. DERIVATIVE FINANCIAL INSTRUMENT

On March 30, 2009 the Partnership entered into a new hedging contract at cost of US$ 7,700 thousand covering oil export sales of 967,058 bbl and 596,766 bbl in 2009 and 2010, respectively. The floor price for Brent crude oil under this hedging contract was fixed at a price of US$ 50 per bbl. The contract expired on June 30, 2010.

On March 4, 2010, the Partnership entered, at nil cost, into an additional hedging contract covering oil export sales of 4,000 bbls/day from March 2010 through December 2010. The counterparties ("Hedging Providers") to the hedging agreement were BNP Paribas, Natixis and Raiffeisen Zentralbank Österreich AG. Based on the new hedging contract the floor price for Brent crude oil was fixed at a price of US$ 60 per bbl. The ceiling price was set at a range from US$ 89.25 per bbl to US$ 100 per bbl such that the Partnership receives all sales proceeds in excess of $ 100 per bbl.

On October 19, 2010, after prepayment in full of the BNP Paribas Facility all the rights, liabilities, duties and obligations of the Partnership under and in respect of each of the hedging agreements were transferred by novation to Citibank, N.A. ("Citibank"). The contract was settled in January 2011.

On March 29, 2011, in accordance with its hedging policy, the Partnership entered, at nil upfront cost, into a new hedging contract covering oil sales of 2,000 bbls/day, or a total of 556,000 bbls running through December 31, 2011. The counterparty to the hedging agreement is Citibank. Based on the new hedging contract the Partnership bought a put at $85/bbl, which protects it against any fall in the price of oil below $85/bbl. As part of this contract it also sold a call at $125/bbl and bought a call at $134/bbl which further allows the Partnership to benefit from oil prices up to $125/bbl and above $134/bbl.

Gains and losses on the hedge contract, which do not qualify for hedge accounting, are taken directly to profit or loss.

	Six months ended June 30,	
In thousands of US Dollar	**2011(unaudited)**	2010 (unaudited)
Hedging contract fair value at January 1	**(372)**	98
Realized hedging loss	**372**	–
Hedging loss	**(189)**	(60)
Hedging contract at fair value	**(189)**	38

11. OTHER EXPENSES

During the six month period ended June 30, 2011, the Partnership incurred losses in the amount of US$ 1,822 thousand on the lease of railway wagons. Although the Partnership has been leasing these wagons since June 30, 2010 for the purposes of transportation of GTU production, the wagons were not extensively utilised.

12. RELATED PARTY TRANSACTIONS

For the purpose of these interim condensed consolidated financial statements related parties transactions include mainly balances and transactions between the Group and entities under common control of participants.

Accounts receivable from related parties as at June 30, 2011 and December 31, 2010 consisted of the following:

In thousands of US Dollar	**June 30, 2011 (unaudited)**	December 31, 2010 (unaudited)
Trade receivables		
Probel Capital Management N.V.	**–**	223
	–	223

Accounts payable to related parties as at June 30, 2011 and December 31, 2010 consisted of the following:

In thousands of US Dollar	**June 30, 2011 (unaudited)**	December 31, 2010 (unaudited)
Trade payables		
Probel Capital Management B.V.	**217**	–
Prolag BVBA	**170**	106
Amersham Oil	**40**	–
	427	106

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

12. RELATED PARTY TRANSACTIONS (continued)

During the six month period ended June 30, 2011 and 2010 the Group had the following transactions with related parties:

	Three months ended June 30,		Six months ended June 30,	
In thousands of US Dollar	**2011 (unaudited)**	2010 (unaudited)	**2011 (unaudited)**	2010 (unaudited)
Management fees and consulting services				
Probel Capital Management B.V.	**2,723**	3,426	**4,236**	5,493
Prolag BVBA	**657**	452	**1,087**	1,018
Amersham Oil	**300**	275	**584**	639
	3,680	4,153	**5,907**	7,150

Management fees are payable in accordance with the Technical Assistance Agreements signed between the Partnership, Amersham Oil LLP, Prolag BVBA and Probel Capital Management NV relate to the rendering of geological, geophysical, drilling, technical and other consultancy services.

Remuneration of members of key management personnel amounted to US$ 205 thousand for the six month period ended June 30, 2011 (six month period ended June 30, 2010: US$ 225 thousand). Other key management personnel were employed and paid by Amersham Oil LLP, Prolag BVBA and Probel Capital Management and whose remuneration forms part of management fees and consulting services above.

All related parties are companies, indirectly controlled by Frank Monstrey.

13. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

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 and commodity price instability, significant deterioration of liquidity in the banking sector and tighter credit conditions within Kazakhstan. Consequently, the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity and supporting finance for Kazakhstan banks and companies.

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

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at June 30, 2011. As at June 30, 2011 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax positions will be sustained.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) (continued)

In thousands of US dollars

13. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Taxation (continued)

In 2010, a comprehensive tax audit was performed on the Partnership's tax accounts for 2006, 2007 and 2008 which resulted in tax claims being made. Management believes that these claims contradict the terms of the Contract and the relevant tax codes. The Partnership appealed to the court to resolve these claims. A provision of US$ 728 thousand has been made in Group's consolidated financial statements for the year ended December 31, 2010 in respect to the claims where the likelihood of the Partnership being required to pay additional tax, fines and penalties is probable. In addition, the Partnership assesses that the likelihood of the remaining US$ 9,363 thousand of claims, while unlikely or less likely than not, is possible and therefore, no provision has been made for this amount.

By the Court decision as of April 7, 2011 the tax claims were cancelled in full. The Tax authorities appealed the Court's decision. The Partnership therefore continued to provide for the US$ 728 thousand as the risk of loss remained substantially unchanged.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and cleanup evolve, the Partnership may incur future costs, the amount of which is currently indeterminable. Such costs, when known, will be provided for as new information, legislation and estimates evolve.

Environmental obligations

The Partnership may also be subject to loss contingencies relating to environmental claims that may arise from the past operations of the related fields in which it operates. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the Partnership may also incur future costs, the amount of which is currently indeterminable.

Capital commitments

As at June 30, 2011 the Partnership had contractual capital commitments in amount of US$ 8,131 thousand.

Operating leases

The Partnership entered into a cancellable lease agreement for the main administrative office in Uralsk in October 2007 for a period of 20 years for US$ 15 thousand per month.

In March 2010 the Partnership entered into an agreement on lease of 200 railway tank wagons for transportation of liquefied hydrocarbon gases and hydrocarbon materials at an excessive pressure for a period of 7 years for US$ 47 per day per one wagon.

Social and education commitments

As required by the Contract with the Government, the Partnership is obliged to spend: (i) US$ 300 thousand per annum to finance social infrastructure and (ii) one percent from the capital expenditures incurred during the year for education purposes of the citizens of Kazakhstan on an annual basis until the end of the Contract.

Domestic oil sales

In accordance with Addendum # 7 of the Contract, the Partnership is required to sell at least 15% of produced oil on the domestic market on a monthly basis for which prices are materially lower than export prices.

During the six month period ended June 30, 2011 the Partnership had sold crude oil, dry gas and LPG to domestic market.

14. SUBSEQUENT EVENTS

On July 28, 2011, by resolution of the appeal college the Court decision as of April 7, 2011 was affirmed.