Zhaikmunai LP

Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2011

CONTENTS

Report On Review Of Interim Condensed Consolidated Financial Statements

To the participants of Zhaikmunai LP:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Zhaikmunai LP and its subsidiaries (“the Group”) as at 31 March 2011 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-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 the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements 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 and consequently 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

Gulmira Turmagambetova
Auditor / Deputy General Director

Audit Qualification Certificate №0000374
dated 21 February 1998

State Audit License for the 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 dated 15 July 2005

23 May 2011

Interim Condensed Consolidated Statement of Financial Position

In thousands of US dollars

	Note	**March 31, 2011 (unaudited)**	December 31, 2010 (audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	**989,008**	955,911
Restricted cash		**2,742**	2,743
Advances for equipment and construction works		**5,052**	6,479
		996,802	965,133
Current Assets			
Restricted cash		**–**	1,000
Inventories		**8,378**	5,639
Trade receivables		**1,635**	1,635
Prepayments and other current assets		**17,493**	16,759
Income tax prepayment		**963**	3,200
Cash and cash equivalents		**131,622**	144,201
		160,091	172,434
TOTAL ASSETS		**1,156,893**	1,137,567
EQUITY AND LIABILITIES			
Partnership capital and Reserves			
Partnership capital	4	**366,942**	366,942
Retained earnings and translation reserve		**144,848**	133,727
		511,790	500,669
Non-Current Liabilities			
Long term borrowings	5	**435,707**	434,931
Abandonment and site restoration liabilities		**7,577**	4,543
Due to Government of Kazakhstan		**6,211**	6,290
Employee share option plan		**13,700**	10,104
Deferred tax liability	9	**105,843**	100,823
		569,038	556,691
Current Liabilities			
Current portion of long term borrowings		**21,268**	9,450
Trade payables		**41,703**	49,213
Advances received		**1,824**	11,693
Derivative financial instrument	10	**487**	372
Current portion of Due to Government of Kazakhstan		**773**	1,031
Other current liabilities		**10,010**	8,448
		76,065	80,207
TOTAL EQUITY AND LIABILITIES		**1,156,893**	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 March 31, 2011 (unaudited)	2010 (unaudited)
Sales of crude oil:			
Export sales		**51,164**	39,190
Domestic sales		**1,238**	1,426
		52,402	40,616
Cost of sales	**6**	**(14,206)**	(11,072)
Gross profit		**38,196**	29,544
General and administrative expenses	**7**	**(10,096)**	(5,770)
Selling and oil transportation expenses		**(6,763)**	(2,319)
Finance costs	**8**	**(354)**	(344)
Loss on hedging contract	**10**	**(487)**	(1,876)
Foreign exchange gain, net		**179**	430
Interest income		**71**	15
Other income / (expenses)		**62**	(311)
Profit before Income tax		**20,808**	19,369
Income tax expense	**9**	**(9,687)**	(5,918)
Profit for the period		**11,121**	13,451
Other comprehensive income		**–**	–
Total comprehensive income, net of tax		**11,121**	13,451

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	Three months ended March 31, 2011 (unaudited)	2010 (unaudited)
Cash flow from operating activities:			
Profit before income tax		**20,808**	19,369
Adjustments for:			
Depreciation and amortization	**6, 7**	**3,722**	4,081
Accrual of share option expenses		**3,596**	579
Finance costs	**8**	**354**	344
Interest income		**(71)**	(15)
Loss on hedging contract	**10**	**487**	1,876
Unrealized foreign exchange gain		**(28)**	–
Operating profit before working capital changes		**28,868**	26,234
Changes in working capital:			
Increase in inventories		**(2,739)**	(348)
Decrease in trade receivables		**–**	2,984
(Increase) / decrease in prepayments and other current assets		**(3,136)**	3,584
Decrease in trade payables		**(7,510)**	(1,852)
Decrease in advances received		**(9,869)**	–
Payment of obligation to Government of Kazakhstan		**(515)**	(520)
Increase / (decrease) in other current liabilities		**754**	(1,816)
Cash generated from operations		**5,853**	28,266
Income tax paid		**–**	(7,496)
Net cash flows from operating activities		**5,853**	20,770
Cash flow from investing activities:			
Interest income		**71**	15
Purchases of property, plant and equipment		**(18,299)**	(55,382)
Net cash used in investing activities		**(18,228)**	(55,367)
Cash flow from financing activities:			
Finance costs paid		**(833)**	(7,483)
Transfer from / (to) restricted cash		**1,001**	(15)
Realized hedging loss		**(372)**	–
Net cash provided used in financing activities		**(204)**	(7,498)
Net decrease in cash and cash equivalents		**(12,579)**	(42,095)
Cash and cash equivalents at the beginning of period		**144,201**	137,375
Cash and cash equivalents at the end of period		**131,622**	95,280

NON-CASH TRANSACTIONS

During the three month period ended March 31, 2011, the Partnership offset Corporate Income Tax liability for the amount of US$2,402 thousand 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 and reserves	Translation reserve	Total
As of December 31, 2009 (audited)	**366,942**	**107,528**	**3,299**	**477,769**
Profit for the period	–	13,451	–	13,451
Total comprehensive income for the period	**–**	**13,451**	**–**	**13,451**
As of March 31, 2010 (unaudited)	**366,942**	**120,979**	**3,299**	**491,220**
As of December 31, 2010 (audited)	**366,942**	**130,428**	**3,299**	**500,669**
Profit for the period	–	11,121	–	11,121
Total comprehensive income for the period	**–**	**11,121**	**–**	**11,121**
As of March 31, 2011 (unaudited)	**366,942**	**141,549**	**3,299**	**511,790**

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 May 23, 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.

The latest extensions to the exploration period have not changed the exploitation 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 (ref amendment 3 to the PSA - attached).

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.

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

In thousands of US dollars

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three months ended March 31, 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:

IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – IFRS 1 has been amended to allow first-time adopters to utilise the transitional provisions in IFRS 7 *Financial Instruments: Disclosures* as they relate to the March 2009 amendments to the standard. These provisions give relief from providing comparative information in the disclosures required by the amendments in the first year of application, if it took place in annual or interim periods, including any statement of financial position, presented with an annual comparative period ending before December 31, 2009. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IAS 24 *Related Party Disclosures (Amendment)* – The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IAS 32 *Financial Instruments: Presentation Classification of Rights Issues (Amendment)* – The amendment to IAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRIC 14 *Prepayments of a minimum funding requirement (Amendment)* - The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this amendment did not have any impact 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 in May 2010

- There were several amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* as follows:
    - Accounting policy changes in the year of Adoption. The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 *Interim Financial Reporting*, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS. The amendment is applied prospectively. The adoption of this amendment 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 (continued)

Improvements to IFRSs (continued)

Issued in May 2010 (continued)

- Revaluation basis as deemed cost. The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRS, but during the period covered by its first IFRS financial statements the adjustment is recognised directly in retained earnings (or if appropriate, another category of equity). Entities that adopted IFRS in previous periods are permitted to apply the amendment retrospectively in the first annual period after the amendment is effective. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- Use of deemed cost for operations subject to rate regulation. The amendment expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These balances may include amounts that would not be permitted for capitalisation under IAS 16 Property, Plant and Equipment, IAS 23 Borrowing Costs and IAS 38 Intangible Assets. The amendment is applied prospectively. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

- Amendments to IFRS 3 *Business Combinations* requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested — they are part of non-controlling interest and measured at their market-based measure; if unvested — they are measured at market based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense. The change in accounting policy was applied prospectively and had no material impact on consolidated financial position or performance of the Group.
- Amendment to IFRS 7 *Financial Instruments Disclosures* emphasis the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. As a result of this amendment, the Group financial position and performance were not affected.
- Amendments IAS 1 *Presentation of Financial Statements* clarify that an entity will present an analysis of other comprehensive income for each component of equity, 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.
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* clarify that the consequential amendments from IAS 27 made to IAS 21 *The Effect of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when IAS 27 is applied earlier. The amendment is applicable to annual periods beginning on or after July 1, 2010. As a result of this amendment, the Group financial position and performance were not affected.
- Amendments to IAS 34 *Interim Financial Reporting* provide guidance on how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets, changes in contingent liabilities and assets. As a result of this amendment, the Group financial position and performance were not affected.
- Amendments to IFRIC 13 *Customer Loyalty Programmes* clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. As a result of this amendment, the Group financial position and performance were not affected.

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

In thousands of US dollars

2. BASIS OF PREPARATION (continued)

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 three 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 three months ended March 31, 2011, the Group had additions of property, plant and equipment of US$ 37,334 thousand (three month period ended March 31, 2010: US$ 55,448 thousand). These additions included capitalised interest of US$ 14,235 thousand (three month period ended March 31, 2010: US$ 9,949 thousand) and abandonment and site restoration assets of US$ 2,858 thousand (three month period ended March 31, 2010: nil).

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 March 31, 2010 and December 31, 2010, Zhaikmunai LP had 185,000,000 GDR's issued. No new GDR's were issued during the three months periods ended March 31, 2011 and 2010.

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") substituted for the Initial Issuer, as issuer of the Notes, whereupon it assumed all of the obligations of the Initial Issuer under the Notes (the "Substitution").

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. The Notes will mature on October 19, 2015. The Issuer may redeem some or all of the Notes at any time on or after October 19, 2013 at the prices and as described in the offering memorandum relating to the Notes. Prior to October 19, 2013, the Issuer may redeem all or part of the Notes by paying a "make whole" premium. In addition, prior to October 19, 2013, the Issuer may redeem up to 35% of the outstanding principal amount of Notes from the proceeds of certain equity offerings.

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 March 31, 2011 is US$ 450,000 thousand which is presented net of the transaction costs of US$ 14,293 thousand increased by the amount of interest payable of US$ 21,268 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 March 31, **2011 (unaudited)**	2010 (unaudited)
Depreciation and amortization	**3,600**	4,081
Repair, maintenance and other services	**2,909**	1,666
Payroll and related taxes	**2,633**	1,544
Well workover costs	**2,111**	–
Royalties	**1,952**	1,466
Materials and supplies	**765**	678
Other transportation services	**654**	368
Management fees	**547**	490
Government profit share	**487**	379
Environmental levies	**205**	247
Change in oil stock	**(2,251)**	(51)
Other	**594**	204
	14,206	11,072

7. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US dollars	Three months ended March 31, **2011 (unaudited)**	2010 (unaudited)
Employee share option plan	**3,596**	579
Management fees	**1,892**	1,765
Business travel	**1,199**	63
Professional services	**993**	650
Payroll and related taxes	**993**	835
Training	**483**	587
Communication	**173**	115
Bank charges	**130**	143
Insurance fees	**122**	166
Depreciation and amortization	**122**	–
Lease payments	**90**	71
Materials and supplies	**83**	30
Social program	**75**	75
Other taxes	**60**	307
Sponsorship	**37**	63
Other	**48**	321
	10,096	5,770

8. FINANCE COSTS

In thousands of US dollars	Three months ended March 31, **2011 (unaudited)**	2010 (unaudited)
Unwinding of discount on Due to Government	**178**	266
Unwinding of discount on Abandonment and Site Restoration Liability	**176**	78
	354	344

9. INCOME TAX EXPENSE

The income tax expense consisted of the following:

In thousands of US dollars	Three months ended March 31, **2011 (unaudited)**	2010 (unaudited)
Income tax expenses comprise:		
- current income tax expense	**4,667**	2,945
- deferred income tax expense	**5,020**	2,973
Total income tax expense	**9,687**	5,918

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

In thousands of US dollars

9. INCOME TAX EXPENSE (continued)

The Group's profits are assessed for income taxes only in the Republic of Kazakhstan. A reconciliation of income tax expense applicable to profit before income tax using the Kazakhstani tax rate, applicable to the license, of 30% to income tax expense as reported in the Group's interim condensed consolidated financial statements for the three month periods ended March 31 is as follows:

	Three months ended March 31,	
In thousands of US Dollar	**2011(unaudited)**	2010 (unaudited)
Profit before income tax	**20,808**	19,369
Statutory tax rate	**30%**	30%
Expected tax provision	**6,242**	5,811
Non-deductible interest expense on borrowings	**4,463**	1,966
Change of the tax base	**(2,084)**	(1,928)
Foreign exchange gain	**(104)**	(93)
Employee share option plan	**1,079**	174
Other	**91**	(12)
Income tax expense reported in the accompanying financial statements	**9,687**	5,918

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 March 31, 2011 and December 31, 2010:

In thousands of US Dollar	**March 31, 2011 (unaudited)**	December 31, 2010 (audited)
Deferred tax asset:		
Hedging contract at fair value	**146**	112
Accounts payable and provisions	**1,986**	1,943
	2,132	2,055
Deferred tax liability:		
Property, plant and equipment	**(107,975)**	(102,878)
	(107,975)	(102,878)
Net deferred tax liability	**(105,843)**	(100,823)

As at March 31, 2011 and 2010 the movements in the deferred tax liability were as follows:

In thousands of US Dollar	**March 31, 2011 (unaudited)**	March 31, 2010 (unaudited)
Balance at January 1, 2011 and 2010	**(100,823)**	(56,940)
Current period charge to profit or loss	**(5,020)**	(5,906)
Balance at March 31, 2011 and 2010	**(105,843)**	(62,846)

10. DERIVATIVE FINANCIAL INSTRUMENT

Pursuant to the terms of the BNP Paribas facility in 2008 the Partnership entered, at nil cost, into a hedging contract covering oil export sales commencing March 2008 through till December 2013 which was sold on March 30, 2009. On the same date 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.

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

In thousands of US dollars

10. DERIVATIVE FINANCIAL INSTRUMENT (continued)

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 buys a put at $85/bbl, sells a call at $125/bbl and buys a call at $134/bbl.

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

In thousands of US Dollar	**Three months ended March 31,** **2011(unaudited)**	2010 (unaudited)
Hedging contract fair value at January 1	**(372)**	98
Realized hedging loss	**372**	–
Hedging loss	**(487)**	(1,876)
Hedging contract at fair value	**(487)**	(1,778)

11. 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 the participants and/or their subsidiaries companies.

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

In thousands of US Dollar	**March 31, 2011 (unaudited)**	December 31, 2010 (unaudited)
Trade payables		
Probel Capital Management N.V.	**1,240**	223
	1,240	223

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

In thousands of US Dollar	**March 31, 2011 (unaudited)**	December 31, 2010 (unaudited)
Trade payables		
Prolag BVBA	**88**	106
	88	106

During the three month period ended March 31, 2011 and 2010 the Group had the following transactions with related parties:

In thousands of US Dollar	**Three months ended March 31,** **2011(unaudited)**	2010 (unaudited)
Management fees and consulting services		
Amersham Oil	**1,513**	364
Prolag BVBA	**430**	566
Probel Capital Management B.V.	**284**	2,067
	2,227	2,997

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

Remuneration of seven members of key management personnel amounted to US$123 thousand for the three month period ended March 31, 2011 (three month period ended March 31, 2010: seven, US$ 106 thousand). Other key management personnel were employed and paid by Amersham Oil LLP and Probel Capital Management and whose remuneration forms part of management fees and consulting services above.

All related parties are companies and key management personnel, indirectly controlled by Frank Monstrey.

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

In thousands of US dollars

12. 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 March 31, 2011. As at March 31, 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.

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 intend to appeal the Court's decision.

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 regional 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 incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of respective parties' ability to pay for the costs related to environmental reclamation. However, depending on any unfavorable claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Partnership's future results of operations or cash flow could be materially affected in a particular period.

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

In thousands of US dollars

12. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Capital commitments

As at March 31, 2011 the Partnership had contractual capital commitments in amount of US$ 59,644 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.

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.