Zhaikmunai LLP

Interim Condensed Financial Statements (Unaudited)

For the nine months ended September 30, 2010

CONTENTS

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Report On Review Of Interim Condensed Financial Statements

To the participants of Zhaikmunai LLP:

We have reviewed the accompanying interim condensed statement of financial position of Zhaikmunai LLP ("the Partnership") as at 30 September 2010 and the related interim statements of comprehensive income for the three and nine months then ended, statements of changes in equity and cash flows for the nine months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed 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 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 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

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

Auditor Qualification Certificate
No. 0000553 dated 24 December 2003

10 November 2010

Interim Condensed Statement of Financial Position

In thousands of US dollars

	Note	September 30, 2010 (unaudited)	December 31, 2009 (audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	909,814	774,420
Restricted cash		21,601	21,358
Advances for equipment and construction works		13,301	27,399
Derivative financial instrument	10	–	98
		944,716	823,275
Current Assets			
Inventories		4,456	3,477
Trade receivables		16,163	13,878
Prepayments and other current assets		18,207	21,306
Income tax prepayment		3,012	5,571
Cash and cash equivalents		56,689	132,344
		98,527	176,576
TOTAL ASSETS		1,043,243	999,851
EQUITY AND LIABILITIES			
Partnership Capital and Reserves			
Partnership capital	12	4	4
Additional paid-in capital		137,077	137,077
Retained earnings and translation reserve		138,801	115,765
		275,882	252,846
Non-Current Liabilities			
Long term borrowings	4	609,587	591,407
Abandonment and site restoration liabilities		3,618	3,373
Due to Government of Kazakhstan		6,296	6,363
Derivative financial instrument	10	289	–
Deferred tax liability	8	91,734	76,659
		711,524	677,802
Current Liabilities			
Trade payables	9	47,412	60,602
Current portion of Due to Government of Kazakhstan		1,031	1,028
Other current liabilities		7,394	7,573
		55,837	69,203
TOTAL EQUITY AND LIABILITIES		1,043,243	999,851

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

General Director of Zhaikmunai LLP — Vyacheslav Druzhinin

Chief Financial Officer of Zhaikmunai LLP — Gudrun Wykrota

Chief Accountant of Zhaikmunai LLP — Olga Shoshinova

Interim Condensed Statement of Comprehensive Income

In thousands of US dollars

	Three months ended September 30, 2010 (unaudited)	2009 (unaudited)	Nine months ended September 30, 2010 (unaudited)	2009 (unaudited)
Sales of crude oil:				
Export sales	**51,036**	30,779	**123,111**	73,864
Domestic sales	**2,090**	1,971	**4,669**	3,566
	53,126	32,750	**127,780**	77,430
Cost of sales	**(17,257)**	(12,690)	**(38,249)**	(31,395)
Gross profit	**35,869**	20,060	**89,531**	46,035
General and administrative expenses	**(5,088)**	(3,227)	**(11,775)**	(11,313)
Selling and oil transportation expenses	**(5,697)**	(1,173)	**(9,182)**	(4,020)
Finance costs	**(7,441)**	(8,877)	**(18,320)**	(13,479)
Foreign exchange loss	**(299)**	10,221	**(685)**	(2,221)
Loss on derivative financial instrument	**(327)**	(439)	**(387)**	(15,872)
Interest income	**8**	7	**32**	7
Other expenses	**174**	6	**(134)**	(226)
Profit / (loss) before income tax	**17,199**	16,578	**49,080**	(1,089)
Income tax expense	**(9,800)**	(23,047)	**(26,044)**	**(20,303)**
Net income/ (loss) for the period	**7,399**	(6,469)	**23,036**	(21,392)
Total comprehensive income / (loss), net of tax	**7,399**	(6,469)	**23,036**	(21,392)

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Chief Financial Officer of Zhaikmunai LLP — Gudrun Wykrota

Chief Accountant of Zhaikmunai LLP — Olga Shoshinova

Interim Condensed Statement of Cash Flows

In thousands of US dollars

	Notes	Nine months ended September 30 2010 (unaudited)	2009 (unaudited)
Cash flow from operating activities:			
Profit / (loss) before income tax		49,080	(1,089)
Adjustments for:			
Depreciation and amortization		13,123	12,496
Finance costs	7	18,320	13,479
Interest income		(32)	(7)
Loss on derivative financial instrument	10	387	15,872
Operating profit before working capital changes		80,878	40,751
Changes in working capital:			
(Increase) / decrease in inventories		(979)	388
Increase in trade receivables		(2,285)	(5,893)
Increasein prepayments and other current assets		(2,776)	(57)
(Decrease) / increase in trade payables		(1,385)	15,413
(Decrease) / increase in other current liabilities		(179)	2,418
Payment of obligation to Government of Kazakhstan		(785)	(516)
Cash generated from operations		72,489	52,504
Income tax paid		(1,758)	(2,408)
Net cash flows from operating activities		70,731	50,096
Cash flow from investing activities:			
Interest received		32	7
Purchases of property, plant and equipment	3	(114,703)	(152,184)
Net cash used in investing activities		(114,671)	(152,177)
Cash flow from financing activities:			
Proceeds from sale of derivative financial instrument	10	–	48,200
Purchase of derivative financial instrument	10	–	(7,700)
Interest paid		(31,472)	(17,945)
Realized gain on derivative financial instrument	10	–	5,416
Loans received		–	261,650
BNPP Agreement facility rearrangement fees paid		–	(2,660)
Transfer to restricted cash		(243)	–
Net cash (used in) / provided by financing activities		(31,715)	286,961
Effects of exchange rate changes on cash and cash equivalents		–	1,227
Net (decrease) / increase in cash and cash equivalents		(75,655)	184,880
Cash and cash equivalents at the beginning of period		132,344	11,433
Cash and cash equivalents at the end of period		56,689	197,540

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Chief Financial Officer of Zhaikmunai LLP — Gudrun Wykrota

Chief Accountant of Zhaikmunai LLP — Olga Shoshinova

Interim Condensed Statement of Changes in Equity

In thousands of US dollars

	Partnership capital	Additional paid-in capital	Retained earnings and reserves	Translation reserve	Total
As at December 31, 2008	**4**	**20,437**	**127,808**	**3,437**	**151,686**
Net loss for the period	–	–	(21,392)	–	(21,392)
Total comprehensive loss for the period	**–**	**–**	**(21,392)**	**–**	**(21,392)**
Contribution from Frans Van Der Schoot B.V. (Note 4)	–	116,640	–	–	116,640
As at September 30, 2009 (unaudited)	**4**	**137,077**	**106,416**	**3,437**	**246,934**
As at December 31, 2009	**4**	**137,077**	**112,328**	**3,437**	**252,846**
Net income for the period	–	–	23,036	–	23,036
Total comprehensive income for the period	**–**	**–**	**23,036**	**–**	**23,036**
As at September 30, 2010 (unaudited)	**4**	**137,077**	**135,364**	**3,437**	**275,882**

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

General Director of Zhaikmunai LLP — Vyacheslav Druzhinin

Chief Financial Officer of Zhaikmunai LLP — Gudrun Wykrota

Chief Accountant of Zhaikmunai LLP — Olga Shoshinova

Notes to the Interim Condensed Financial Statements

1. GENERAL

Zhaikmunai, a Limited Liability Partnership (the "Partnership" or "Zhaikmunai"), was established in Kazakhstan in 1997 for the purpose of exploration and development of Chinarevskoye oil and gas condensate field in the Western Kazakhstan Region.

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 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 participants of the Partnership, their shares and changes in the participants' structure are disclosed in Note 12.

The registered legal address of the Partnership is: 59/2, Prospect Evrazia, Uralsk, the Republic of Kazakhstan.

The Partnership is ultimately indirectly controlled by Frank Monstrey.

These financial statements were authorised for issue by the Partnership's General Director, Chief Financial Officer and Chief Accountant on November 10, 2010.

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 extensions to the exploration periods 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 natural gas.

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

These interim condensed financial statements for the nine months ended September 30, 2010 have been prepared in accordance with IAS 34 and on a historical cost basis, except for financial instruments, and should be read in conjunction with the Partnership's annual financial statements for the year ended December 31, 2009.

Significant accounting policies

The accounting policies applied in preparation of these interim condensed financial statements are consistent with those applied in preparation of the annual financial statements for the year ended December 31, 2009, except for the adoption of new standards and interpretations as of January 1, 2010, noted below:

Notes to the Interim Condensed Financial Statements (continued)

2. BASIS OF PREPARATION (continued)

Significant accounting policies (continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2010:

- IFRS 3R Business Combinations

The Partnership has adopted the revised standard. The adoption of the revised standard did not have a material impact on the financial position and performance of the Partnership.

- IAS 27 Consolidated and Separate Financial Statements – amendment

The Partnership has adopted the revised standard. The adoption of the revised standard did not have any impact on the financial position and performance of the Partnership.

The following new standards, amendments to standards and IFRIC are mandatory for the first time for the financial year beginning January 1, 2010, but are not currently relevant for the Partnership.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
- IFRS 2 Group Cash-settled Share-based Payment Transactions
- IAS 39 Eligible hedged items
- IFRIC 17 Distributions of Non-cash Assets to Owners

The Partnership has not early adopted any other standard, interpretation or amendment that were issued but are not yet effective.

Improvements to IFRS

In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Partnership as at 31 December 2009, apart from the following:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* – clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position nor financial performance of the Partnership.

In April 2009 the Board issued its second 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 Partnership.

- *IFRS 8 Operating Segment Information*;
- *IAS 7 Statement of Cash Flows;*
- *IAS 36 Impairment of Assets.*

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 Partnership:

- *IFRS 2 Share-based Payment;*
- *IFRS 5 Non-current Assets Held for Sale and Discontinued operations ;*
- *IAS 1 Presentation of Financial Statements;*
- *IAS 17 Leases;*
- *IAS 38 Intangible Assets;*
- *IAS 39 Financial Instruments: Recognition and Measurement;*
- *IFRIC 9 Reassessment of Embedded Derivatives;*
- *IFRIC 16 Hedge of a Net Investment in a Foreign Operation.*

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

Notes to the Interim Condensed Financial Statements (continued)

2. BASIS OF PREPARATION (continued)

Seasonality of operations

The Partnership's operating expenses are subject to seasonal fluctuations, with higher expenses for various field repair and maintenance services, in the latter part of the year. These fluctuations are mainly due to the fact that these services are usually performed in warmer months of the year.

3. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30, 2010, the Partnership had additions of property, plant and equipment of US$ 148,517 thousand (nine months ended September 30, 2009: US$ 213,522 thousand) which primarily related to construction of the gas utilisation plant. These additions included capitalised finance costs of US$ 32,835 thousand (nine months ended September 30, 2009: US$ 14,314 thousand) and abandonment and site restoration assets of US$ 17 thousand (nine months ended September 30, 2009: US$ 708 thousand).

4. BORROWINGS

Borrowings comprise the following:

In thousands of US Dollar	**September 30, 2010 (unaudited)**	December 31, 2009 (audited)
Facility agreement with BNP Paribas	**368,042**	364,505
Loans due to Frans Van Der Schoot B.V.	**241,545**	226,902
	609,587	591,407

Facility Agreement with BNP Paribas

On December 12, 2007 the Partnership entered into a US$ 550 million senior secured facility agreement between BNP Paribas (Suisse) S.A. ("BNP Paribas Facility"), as a facility agent, and the Partnership, as a borrower, and Zhaikmunai LP as a guarantor. Initially, the BNP Paribas Facility comprised three tranches of US$ 200 million, US$ 200 million and US$ 150 million. As a result of lower than anticipated EBITDA at December 31, 2008 the Partnership was in breach of the covenants related to its EBITDA to interest expense and total indebtedness ratios. As a result of the breach, the loan was classified as current liabilities as at December 31, 2008. As at December 31, 2008 the Partnership had drawn down US$381,677 thousand under the loan facility.

On August 27, 2009, an amendment agreement was concluded with the lenders providing for a waiver of the existing defaults, which was conditional, amongst other things, upon completion of the US$300 million equity placing of Zhaikmunai LP, the Partnerships' participant and in consideration for, inter alia, the lenders agreeing to reduce the size of the syndicated facility to US$382 million and increasing the rate of interest (over LIBOR and mandatory costs) to 7% from LIBOR plus 3%, 4% and 5% for tranches one, two and three, respectively. The amendment was treated as a non-substantial change to the existing Facility and the related amendment arrangement fees of US$3,030 thousand were added to the initial Facility arrangement fees.

The total outstanding principal balance of the liability under the loan facility as at September 30, 2010 is US$ 381,677 thousand which is presented net of the amount of the facility arrangement fees of US$ 13,635 thousand (December 31, 2009: US$ 381,677 thousand and US$ 17,172 thousand, respectively). The outstanding balance is repayable commencing September 30, 2011 in semi-annual instalments with the final payment being made on December 31, 2014. This is subject to further adjustment to reflect any changes to the borrowing base amount. In addition, the BNP Paribas Facility is mandatorily prepayable to the extent of the proceeds of any material disposals, and a cash sweep of 50% of debt or new equity issuance of Zhaikmunai LP and 50% of the balance (in excess of US$25 million in aggregate) of the Partnership's account held with a member of the syndicate (the Collection Account) and (on and after December 31, 2010) the Partnership's account held with a member of the syndicate into which the proceeds of the equity issue of Zhaikmunai LP were paid. The Partnership is also entitled to voluntarily prepay the amounts outstanding. The Partnership is required to give customary representations and warranties, repeated periodically and maintain certain financial covenants relating to profitability. Further, all export sale proceeds are paid into the Collection Account, and withdrawals from such account may only be made in accordance with the agreed banking case.

Notes to the Interim Condensed Financial Statements (continued)

4. BORROWINGS (continued)

Facility Agreement with BNP Paribas (continued)

In accordance with the BNP Paribas Facility, the Partnership maintains a hedging programme under which it hedges a fixed volume of production at Brent crude oil price of US$ 60 per bbl until December 31, 2010 (Note 10). The Partnership is additionally required to maintain and fund a debt service reserve account with a balance equal to at least 5% of the amount outstanding under the BNP Paribas Facility. From completion of the gas treatment unit, 100% of gas production and no less than 50% of projected LPG production are also required to be covered by off-take contracts. The Partnership's obligations under the BNP Paribas Facility are secured by various forms of security, including, (i) a pledge over 100% of the participatory interests of Zhaikmunai LP in the Partnership; (ii) pledges over its bank accounts; (iii) the assignment of rights under the off-take contracts; (iv) assignment of all guarantees or performance bonds issued by Zhaikmunai LP in connection with the contract with KSS for the gas treatment facility; (v) assignment of the benefit of the Partnership's relevant existing and future insurance policies; (vi) pledges over all of its property, plant and equipment; and (vii) pledges over all of Zhaikmunai LP's interest in the issued capitals of Frans Van Der Schoot B.V., Claydon and Jubilata.

The total Partnership's debt service reserve account, classified as restricted cash under the terms of the BNP Paribas Facility amounted to US$ 19,078 thousand as at September 30, 2010.

Loans due to Frans Van Der Schoot B.V.

On July 1, 2008 the Partnership signed a loan agreement with Frans Van Der Schoot B.V. under which the latter provided the Partnership with a US$ 90,276 thousand loan at an annual interest rate of two times LIBOR which was subsequently changed to 7% pa in April 2009 and to 2.6% pa in August 2009. These amendments were treated as substantial changes to the existing loan agreement and resulted in a derecognition of the original loan and recognition of a new one. This resulted in an increase in additional paid in capital of US$116,640 thousand.

On August 27, 2009 Frans Van Der Schoot B.V. has provided an additional loan of US$ 261,650 thousand at a fixed interest rate of 2.6% pa.

These loans are only repayable upon full settlement of the Partnership's commitments under the Facility agreement. These loans were initially recognised at their fair values using a discount rate of 9.3% and 10.88% with the corresponding discounts of US$ 16,806 thousand and US$ 116,640 thousand in 2008 and 2009, respectively, recognised as a contribution to additional paid-in capital.

In thousands of US Dollar	**September 30, 2010 (unaudited)**	December 31, 2009 (audited)
Principal amount	**351,926**	351,926
Additional paid-in capital	**(133,446)**	(133,446)
Accumulated amortization of discount	**23,065**	8,422
	241,545	226,902

5. COST OF SALES

	Three months ended September 30,		**Nine months ended September 30,**	
In thousands of US dollars	**2010 (unaudited)**	2009 (unaudited)	**2010 (unaudited)**	2009 (unaudited)
Depreciation and amortization	**4,447**	4,735	**12,712**	12,097
Royalties	**2,587**	1,478	**5,847**	3,781
Payroll and related taxes	**1,960**	1,630	**4,960**	3,905
Repair, maintenance and other services	**1,313**	2,491	**4,168**	4,809
Well workover costs	**2,392**	–	**3,452**	–
Materials and supplies	**616**	668	**2,058**	1,523
Other transportation services	**744**	281	**1,515**	1,016
Management fees	**265**	483	**1,253**	1,475
Government profit share	**482**	313	**1,247**	755
Environmental levies	**479**	235	**980**	779
Change in oil stock	**1,781**	124	**(534)**	552
Other	**191**	252	**591**	703
	17,257	12,690	**38,249**	31,395

Notes to the Interim Condensed Financial Statements (continued)

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
In thousands of US dollars	**2010 (unaudited)**	2009 (unaudited)	**2010 (unaudited)**	2009 (unaudited)
Payroll and related taxes	**1,000**	947	**2,581**	2,286
Management fees	**923**	584	**2,209**	1,552
Training	**630**	668	**1,800**	2,323
Professional services	**364**	295	**931**	3,224
Provision for tax claims (Note 13)	**723**	–	**723**	–
Insurance fees	**203**	57	**569**	222
Communication	**202**	103	**444**	298
Sponsorship	**208**	69	**390**	147
Bank charges	**116**	191	**359**	341
Other taxes	**110**	58	**319**	58
Business trip	**91**	34	**268**	104
Social program	**75**	95	**225**	225
Lease payments	**67**	60	**206**	188
Materials and supplies	**39**	22	**103**	75
Other	**337**	44	**648**	270
	5,088	3,227	**11,775**	11,313

7. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
In thousands of US dollars	**2010 (unaudited)**	2009 (unaudited)	**2010 (unaudited)**	2009 (unaudited)
Interest expense on borrowings	**7,112**	8,220	**17,337**	12,360
Unwinding of discount on Due to Government	**242**	549	**721**	796
Unwinding of discount on Abandonment and Site Restoration Liability	**87**	108	**262**	323
	7,441	8,877	**18,320**	13,479

8. INCOME TAX

The income tax expense consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
In thousands of US dollars	**2010 (unaudited)**	2009 (unaudited)	**2010 (unaudited)**	2009 (unaudited)
Income tax expenses comprise:				
- adjustments in respect of current income tax of previous year	**541**	–	**1,119**	–
- current income tax expense / (benefit)	**6,025**	(3,165)	**10,969**	5,717
- deferred income tax expense	**3,234**	26,212	**13,956**	14,586
Total income tax expense	**9,800**	23,047	**26,044**	20,303

Notes to the Interim Condensed Financial Statements (continued)

8. INCOME TAX (continued)

The Partnership'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 Partnership's financial statements for the periods ended September 30 is as follows:

	Three months ended September 30		Nine months ended September 30,	
In thousands of US Dollar	**2010 (unaudited)**	2009 (unaudited)	**2010 (unaudited)**	2009 (unaudited)
Profit / (loss) before income tax	**17,199**	16,578	**49,080**	(1,089)
Statutory tax rate	**30%**	30%	**30%**	30%
Expected tax provision	**5,160**	4,973	**14,724**	(327)
Non-deductible finance costs	**3,387**	615	**9,717**	2,861
Income taxed at different rate	**(9)**	(290)	**(5)**	(4,340)
Foreign exchange loss / (gain)	**90**	(3,127)	**206**	660
Adjustments in respect of current income tax of previous year	**541**	–	**1,119**	–
Change of the tax base	**10**	20,266	**(893)**	20,266
Other non-deductible expenses	**621**	610	**1,176**	1,183
Income tax expense reported in the interim condensed statement of comprehensive income	**9,800**	23,047	**26,044**	20,303

Deferred tax balances are calculated by applying the Kazakhstani statutory tax rates in effect at the respective reporting dates to the temporary differences between the tax and the amounts reported in the financial statements and are comprised of the following at September 30, 2010 and December 31, 2009:

In thousands of US Dollar	**September 30, 2010 (unaudited)**	December 31, 2009 (audited)
Deferred tax asset:		
Accounts payable and provisions	**1,712**	1,567
	1,712	1,567
Deferred tax liability:		
Crude oil inventory	**–**	(448)
Property, plant and equipment	**(93,446)**	(77,778)
Net deferred tax liability	**(91,734)**	**(76,659)**

As at September 30, 2010 and 2009 the movements in the deferred tax liability were as follows:

In thousands of US Dollar	**2010 (unaudited)**	2009 (unaudited)
Balance at January 1,	**(76,659)**	(56,940)
Current period (charge) / benefit to profit and loss	**(15,075)**	(14,586)
Balance at September 30, 2010 and 2009	**(91,734)**	(71,526)

9. TRADE PAYABLES

In thousands of US Dollars	**September 30, 2010 (unaudited)**	December 31, 2009 (audited)
Tenge denominated trade payables	**12,529**	8,556
US dollar denominated trade payables	**34,372**	51,393
Trade payables denominated in other currencies	**511**	653
	47,412	60,602

10. DERIVATIVE FINANCIAL INSTRUMENT

Pursuant to the terms of the BNP Paribas facility (Note 4) 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 before expiration on March 31, 2009 and 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 price of US$ 50 per bbl. The contract expired on June 30, 2010.

On March 12, 2010, the Partnership has entered, at nil cost, into an additional hedging contract covering oil export sales of 4,000 bbls/day running from March 2010 through December 2010. The counterparties ("Hedging Providers") to the hedging agreement are BNP Paribas, Natixis and Raiffeisen Zentralbank. Based on the new hedging contract the floor price for Brent crude oil is fixed at price of US$ 60 per bbl. The ceiling price is set at a range from US$ 89.25 per bbl to US$ 100 per bbl such that the Partnership will receive all sales proceeds in excess of $ 100 per bbl.

Notes to the Interim Condensed Financial Statements (continued)

10. DERIVATIVE FINANCIAL INSTRUMENT (continued)

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	**2010 (unaudited)**	2009 (unaudited)
Hedging contract fair value at January 1	**98**	62,923
Proceeds from sale of hedging contract	**–**	(48,200)
Realized hedging gain	**–**	(5,416)
Unrealized hedging (gain) / loss	**289**	6,565
Loss on hedging contract	**387**	15,872
Purchase of hedging contract	**98**	7,700
Unrealized hedging loss	**(387)**	(6,565)
Hedging contract at fair value at September 30	**(289)**	1,135

11. RELATED PARTY TRANSACTIONS

For the purpose of these interim condensed financial statements related parties transactions include mainly balances and transactions between the Partnership and the participants and/or their subsidiaries or associated companies.

Accounts receivable from related parties at September 30, 2010 and December 31, 2009 consisted of the following:

In thousands of US Dollar	**September 30, 2010 (unaudited)**	December 31, 2009 (audited)
Trade receivables and advances		
Frans Van Der Schoot B.V.	**777**	–
Total	**777**	–

Accounts payable to related parties as at September 30, 2010 and December 31, 2009 consisted of the following:

In thousands of US dollars	**September 30, 2010 (unaudited)**	December 31, 2009 (audited)
Trade payables		
Probel Capital Management B.V.	**68**	325
Amersham Oil LLP	**71**	498
Frans Van Der Schoot B.V.	**–**	421
Prolag BVBA	**–**	129
Total	**139**	1,373

Purchases from related parties during the periods ended September 30, 2010 and 2009 consisted of the following:

	Three months ended September 30		**Three months ended September 30**	
In thousands of US dollars	**2010 (unaudited)**	2009 (unaudited)	**2010 (unaudited)**	2009 (unaudited)
Management services				
Probel Capital Management B.V.	**1,058**	838	**3,116**	2,074
Prolag BVBA	**427**	477	**1,445**	1,657
Amersham Oil LLP	**273**	276	**912**	831
Interest charge				
Frans Van Der Schoot B.V.	**2,540**	1,146	**7,621**	3,438
Total	**4,298**	2,737	**13,094**	8,000

All related parties are companies indirectly controlled by Frank Monstrey.

Remuneration of four key managers amounted to US$ 165 thousand for the nine month period ended 30 September 2010 (2009: four, US$ 150 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.

Notes to the Interim Condensed Financial Statements (continued)

12. PARTNERSHIP CAPITAL

The charter capital of the Partnership was contributed in Tenge and amounts to Tenge 600 thousand, equivalent to US$ 4 thousand as at December 31, 2003. The share of Condensate Holding LLP (incorporated in Kazakhstan) and Claydon Industrial Ltd (incorporated in Kazakhstan) in charter capital of the Partnership constitutes 55% and 45%, respectively, equivalent to US$ 2.2 thousand and US$ 1.8 thousand, respectively.

Additional paid-in capital has been recognised during the years ended December 31, 2009 and 2008 with the fair value adjustments on initial recognition of US$ 116,640 thousand and US$ 20,437 thousand on loans received from Frans Van Der Schoot B.V. at the below market interest rates (Note 4).

Partners in the Partnership are allowed to vote based on their participation percentage and also participate in any distributions on the same basis. Any changes to the partner's share of the Partnership must be approved by all participants in the Partnership.

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.

Legal actions

In the ordinary course of business, the Partnership is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Partnership.

The Partnership assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that actual events giving rise to a liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these condensed interim financial statements for any of the contingent liabilities mentioned above.

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 September 30, 2010. As at September 30, 2010 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' 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$ 723 thousand (Note 6) has been made in these condensed interim financial statements 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 is possible and therefore, no provision has been made for this amount.

Notes to the Interim Condensed Financial Statements (continued)

13. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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 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.

Capital commitments

As at September 30, 2010 the Partnership had contractual capital commitments in amount of US$ 40,208 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.

14. SUBSEQUENT EVENTS

On October 19, 2010 the Partnership has obtained a US$ 450 million loan from Zhaikmunai Finance BV, an entity under common control of the Partnership's participants. The proceeds of the loan were used to fully repay the loan facility with BNP Paribas.