

/KASE, AUGUST 29, 12/ - Zhaikmunai (Oral, Kazakhstan) provided Kazakhstan Stock Exchange (KASE) with the following communication today:

quote

**Zhaikmunai L.P.
(the "Partnership")**

H1 2012 INTERIM RESULTS AND UPDATE

Zhaikmunai LP (LSE: ZKM), the oil and gas exploration and production enterprise with assets in north-western Kazakhstan today details the continued financial and operational progress made over the period from 1 January to 30 June 2012.

FINANCIAL HIGHLIGHTS

Q2 2012 Summary

All figures in US\$ millions unless otherwise stated

	Q2 2012	Q2 2011	Change YoY
Production (boepd)	37,285	12,673	+194.2%
Revenue from hydrocarbon sales	160.0	73.5	+117.7%
EBITDA ¹	101.9	45.3	+125.0%
Net income	38.2	24.9	+53.5%
Net cash used in investing activities	(34.4)	(15.7)	+ 119.1%
Debt	450.0	450.0	0.0%
Cash	162.8	128.5	+26.7%
Average realised oil price (US\$ per bbl)	\$104.26	\$115.64	(9.8%)

H1 2012 Summary

All figures in US\$ millions unless otherwise stated

	H1 2012	H1 2011	Change YoY
Production (boepd)	35,298	9,714	+263.4%
Revenue from hydrocarbon sales	323.4	125.9	+156.9%
EBITDA ¹	212.8	73.9	+187.8%
Net income	86.6	36.0	+140.6%
Net cash used in investment activities	(99.9)	(39.1)	+155.5%
Debt	450.0	450.0	0.0%
Cash	162.8	128.5	+26.7%
Average realised oil price (US\$ per bbl)	\$109.05	\$109.77	(0.7%)

OPERATIONAL UPDATE

- **Production:** July 2012 average total daily production amounted to 40,036 boepd, an increase of 20.2 % compared to Q1 2012 (33,310 boepd);
- **Production:** Q2 2012 average total daily production amounted to 37,285 boepd, representing a close to three-fold increase compared with Q2 2011 (12,673 boepd);

- **Production:** H1 2012 average total daily production amounted to 35,298 boepd, representing a 263% production growth between H1 2011 and H1 2012;
- **Drilling:** During H1 2012, a total of 2 gas-condensate wells (# 401 and # 218) have been drilled and tied-in to the GTF and a total of 4 new crude oil wells (# 24b, # 116, # 67 and # 45) have been drilled, with 3 currently producing and 1 in test production (# 45 with commercial inflow of crude oil from the Bashkirian Reservoir).

CORPORATE DEVELOPMENTS

- **Acquisitions:** 3 neighbouring oil & gas license areas (cash amount of US\$ 16 million);
- **Premium Share Listing:** Exploring a possible premium listing in London and other alternatives to the current GDR listing through extensive consultation with banks, lawyers as well as tax advisers to achieve the best possible result for shareholders, and currently in the final stages of selection of a sponsor;
- **Gas Treatment Facility:** Basic design of the Phase II GTF approved by the local authorities.

OUTLOOK FOR H2 2012

- **Production:** Zhaikmunai intends on pursuing its production ramp-up steadily in H2 2012 from current levels (cfr. July 2012 total average daily production of 40,036 boepd) in line with its drilling and tie-in schedule;
- **Drilling:** Expected additional drilling for H2 2012 of 6 wells, 5 will be gas-condensate wells and 1 will be an appraisal well for crude oil;
- **Capital Markets Day:** This will be an opportunity to communicate the appraisal and development programme for the 3 newly acquired fields and to provide further detail on the capex programme for the Chinarevskoye field.

COMMENTARY

OPERATIONAL RESULTS

- July 2012 average total daily production amounted to 40,036 boepd, an increase of 20.2% compared to Q1 2012 (33,310 boepd);
- Q2 2012 average total daily production amounted to 37,285 boepd, representing a close to three-fold increase compared with Q2 2011 (12,673 boepd);
- H1 2012 average total daily production amounted to 35,298 boepd, representing a 262% production growth between H1 2011 and H1 2012;
- Product split for H1 2012 was as follows:

Products	Volumes	Percentage
Crude Oil and Stabilized Condensate	2,654,411 boe	41.3%
LPG	534,131 boe	8.3%
Dry Gas	3,235,620 boe	50.4%
TOTAL	6,424,163 boe	100%

- Total production for the first half of 2012 (H1 2012) increased by 265% to 6,424,163 boe from 1,758,234 boe in H1 2011;
- Well # 218, while it has shown some variable flow rates initially, is starting to show an encouraging stabilisation, after monitoring took place over the last 8 weeks. Further

condensate wells will be added to the GTF in order to achieve the targeted exit rate should the flow rates of Well # 218 not prove sufficient in the future;

- An annual maintenance shutdown of the GTF is scheduled for 14 days in the early part of October 2012;
- At the end of June 2012, a total of 13 crude oil wells and 10 gas condensate wells were been in production, whereas 4 more wells were being drilled and 3 wells were under test/work-over operations.

Drilling Operations

- During H1 2012, 6 wells have been drilled and completed: 2 gas-condensate wells and 4 crude oil wells:
 - 5 wells (2 gas-condensate wells (# 401 and # 218) and 3 crude oil wells (# 24b, # 116 and # 67) are currently in production;
 - 1 crude oil well is currently in test operations (# 45 with commercial inflow of crude oil from the Bashkirian Reservoir);
- Currently 4 more gas-condensate wells are being drilled and will be completed by year-end. 2 more wells are expected to be drilled and completed by year-end, 1 gas-condensate well and 1 appraisal well for crude oil;
- A contract for a fifth drilling rig has been awarded and will start drilling operations in the course of Q4 2012 in order to increase the flexibility of the overall drilling programme.

Gas Treatment Facility – Phase II Update

- Front-end engineering has been completed;
- Adjustments to the FEED (Front-End Engineering and Design) have been initiated on the basis of lessons learned from the current GTF operations and will be completed towards the end of September 2012;
- Basic design of Phase II has been approved by the local authorities;
- Procurement of long lead items for Phase II of the GTF is currently on-going;
- A final go-ahead decision on Phase II of the GTF is expected towards the end of 2012.

Acquisitions

- On 17 August 2012, Zhaikmunai LLP signed Asset Purchase Agreements to acquire 100% of the subsoil use rights related to three new oil & gas fields in Kazakhstan, namely Rostoshinskoye, Darjinskoye and Yujno-Gremyachenskoe, located in the Pre-Caspian basin to the northwest of Uralsk, approximately 90 kilometres from the Chinarevskoye field;
- Completion of the acquisitions is subject to the approval of the relevant authorities in Kazakhstan, including the Ministry of Oil & Gas and the Anti-Monopoly Agency;
- The size of the three licence areas combined is 139 square kilometres and Zhaikmunai agreed to pay the current owners a total of US\$ 16 million for the three fields;
- Zhaikmunai is currently analysing the optimal appraisal and development programme for the fields and will hold a Capital Markets Day in the Fall 2012 to present the results.

FINANCIAL RESULTS

Revenue and EBITDA

Record revenue from sales of hydrocarbons stood at US\$ 323.4 million, an increase of 156.9%, (or US\$ 197.5 million) in comparison to last year's first half (US\$ 125.9 million). The increase in GTF output over the period in conjunction with the high oil price environment has contributed to the outstanding first half 2012 revenue.

EBITDA¹ stood at US\$ 212.8 million, an increase of 187.8% (or US\$138.8 million) in comparison to last year's first half (US\$ 73.9 million). EBITDA margin for H1 2012 of 65.8% compared favourably with that of 58.7% for H1 2011. The expansion of the EBITDA margin was driven, among others, by the increase of sales of stabilised condensate in the product mix and Zhaikmunai's large fixed cost basis.

Note:

In accordance with IFRS, sales from GTF test production were not included in the Zhaikmunai's 2011 revenue but were offset against capital expenditure. H1 2011 cumulative sales of GTF test production (stabilised condensate, LPG and dry gas), amounting to US\$ 11.6 million (H1 2012: nil) hence did not feature in the revenue and EBITDA figures reported at the time.

Net Income

Net income for the period increased 140.6% to US\$ 86.6 million in H1 2012 from US\$ 36.0 million for the same period in 2011. Net income as a percentage of total sales declined slightly to 26.8% from 28.6% as compared to the same period last year. The decline in margins was driven by the lack of capitalized interest and increased depreciation linked to the completion of GTF.

Cash

Zhaikmunai ended the first half of 2012 with US\$ 162.8 million of cash, of which US\$ 159.3 qualified as cash and cash equivalents and US\$ 3.4 million was restricted cash. As a result of the refinancing of its senior debt through the issuance of a bond in October 2010, Zhaikmunai no longer has any obligation to retain any of its cash in a debt service reserve account.

Cost of Sales and General and Administrative Expenses

Cost of sales increased by US\$ 66.6 million or 234.4% to US\$ 95.0 million compared to US\$ 28.4 million for the same period in 2011 mainly due to the increased depreciation charge linked with the completion of the GTF and Zhaikmunai taking over in full the management and operations of the GTF from its supplier.

General and administrative expenses increased by US\$ 12.8 million or 81.9% to US\$ 28.5 million compared to US\$ 15.6 million for the same period in 2011. This is in large part due to increased one-off expenditures in the social programme related to the construction of the 37 kilometre asphalt road leading to the field site (US\$ 11.2 million).

Capital Expenditure

In H1 2012, Zhaikmunai's net cash used in investing activities grew to US\$ 99.9 million, from US\$ 39.1 million in H1 2011. This increase was driven primarily by residual payments linked to GTF completion as well as increased drilling.

Kai-Uwe Kessel, Chief Executive Officer of Zhaikmunai commented:

"The acceleration in production over the second quarter further consolidates the transformation of the Chinarovskoye field from an exploration asset into a significant

¹ H1 2012 EBITDA includes an adjustment of US\$11.2 million linked to one-off social programme expenses related to road construction works.

production asset. The positive impact on Zhaikmunai's financials not only brings further momentum to the second phase of the GTF and its associated drilling programme but also opens the door for preparation work on a premium share listing as well as acquisitions of additional prospective license areas to further improve and strengthen Zhaikmunai's reserve base."

CONFERENCE CALL

Zhaikmunai's management team will be available for a Q&A session for analysts and investors on Wednesday, 29 August at 14:00 UK time (BST or GMT + 1:00).

If you would like to participate in this call, please register by email using the following email address: investor_relations@zhaikmunai.com. Please provide your ID details (name, title, company, email address and telephone number) in order to receive dial-in details.

Further information

For further information please visit www.zhaikmunai.com

Download the [H1 2012 Consolidated Financial Statements](#)

Download the [H1 2012 Management Report](#)

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About Zhaikmunai

Zhaikmunai is an independent oil and gas enterprise currently engaging in the exploration and development and production of oil and gas. It is listed on the London Stock Exchange (Ticker symbol: ZKM). Its principal producing asset is the Chinarevskoye Field located in northwestern Kazakhstan. Zhaikmunai L.L.P., a wholly-owned subsidiary of Zhaikmunai L.P., holds a 100% interest in and is the operator of the Production Sharing Agreement for the Chinarevskoye Field.

Forward-Looking Statements

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Partnership or its officers with respect to various matters. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements.

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