

Zhaikmunai LLP

Interim Condensed Consolidated Financial Statements (Unaudited)

As of and for the nine months ended September 30, 2011

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the participants and management of Zhaikmunai LLP

Introduction

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

Scope of Review

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

Conclusion

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

Ernst & Young LLP

Paul Cohn
Audit Partner

Evgeny Zhemaletdinov

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

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

State Auditor Qualification Certificate № 0000553 dated 24 December 2003

16 November 2011

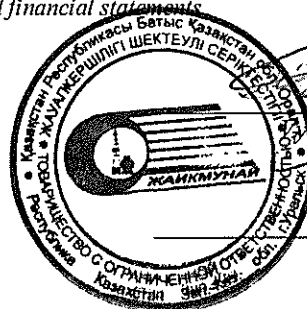
Interim Condensed Consolidated Statement of Financial Position

In thousands of US dollars

	Note	September 30, 2011 (unaudited)	December 31, 2010 (audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	1,088,029	963,638
Restricted cash		3,076	2,743
Advances for equipment and construction works		6,940	6,479
		1,098,045	972,860
Current Assets			
Restricted cash		–	1,000
Inventories		6,042	5,639
Trade receivables		6,040	1,635
Prepayments and other current assets		15,831	16,025
Income tax prepayment		–	3,200
Cash and cash equivalents		78,548	84,697
		106,461	112,196
TOTAL ASSETS		1,204,506	1,085,056
EQUITY AND LIABILITIES			
Partnership Capital and Reserves			
Partnership capital	4	4	4
Additional paid-in capital	4	29,200	34,220
Retained earnings and translation reserve		170,873	130,870
		200,077	165,094
Non-Current Liabilities			
Long term borrowings	5	736,285	729,653
Abandonment and site restoration liabilities		8,335	4,543
Due to Government of Kazakhstan		6,211	6,290
Deferred tax liability	9	118,709	100,823
		869,540	841,309
Current Liabilities			
Current portion of long term borrowings	5	21,374	9,450
Trade payables		76,691	47,911
Advances received		7,181	11,693
Income tax payable		18,591	–
Derivative financial instrument	10	–	372
Current portion of Due to Government of Kazakhstan		1,031	1,031
Other current liabilities		10,021	8,196
		134,889	78,653
TOTAL EQUITY AND LIABILITIES		1,204,506	1,085,056

The accounting policies and explanatory notes on pages 5 through 14 are an integral part of these interim condensed consolidated financial statements.

General Director of Zhaikmunai LLP



Nichestav Druzhinin

Chief Financial Officer of Zhaikmunai LLP

Gudrun Wykrota

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

Interim Condensed Consolidated Statement of Comprehensive Income

In thousands of US dollars

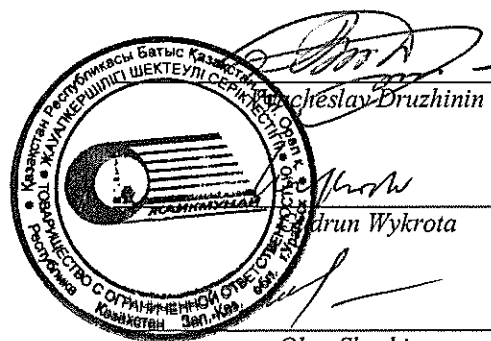
	Notes	Three months ended		Nine months ended	
		2011 (unaudited)	September 30, 2010 (unaudited)	2011 (unaudited)	September 30, 2010 (unaudited)
Sales of crude oil:					
Export sales		62,022	51,036	183,647	123,111
Domestic sales		1,671	2,090	5,953	4,669
		63,693	53,126	189,600	127,780
Cost of sales	6	(11,231)	(17,257)	(39,634)	(38,249)
Gross profit		52,462	35,869	149,966	89,531
General and administrative expenses	7	(4,957)	(5,088)	(13,068)	(11,775)
Selling and oil transportation expenses		(7,975)	(5,697)	(23,412)	(9,182)
Finance costs	8	(7,805)	(7,441)	(24,671)	(18,320)
Foreign exchange (loss) / gain, net		(68)	(299)	31	(685)
Gain / (loss) on hedging contract	10	189	(327)	—	(387)
Interest income		39	8	122	32
Other (expenses) / income	11	(2,683)	174	(4,194)	(134)
Profit before income tax		29,202	17,199	84,774	49,080
Income tax expense	9	(16,744)	(9,800)	(44,771)	(26,044)
Profit for the period		12,458	7,399	40,003	23,036
Other comprehensive income		—	—	—	—
Total comprehensive income, net of tax		12,458	7,399	40,003	23,036

The accounting policies and explanatory notes on pages 5 through 14 are an integral part of these interim condensed consolidated financial statements

General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



Cheslav Druzhinin
 drun Wykrota
 Olga Shoshinova

Interim Condensed Consolidated Statement of Cash Flows*In thousands of US dollars*

	Notes	Nine months ended September 30,	
		2011 (unaudited)	2010 (unaudited)
Cash flow from operating activities:			
Profit before income tax		84,774	49,080
Adjustments for:			
Depreciation and amortization	6,7	9,925	13,123
Finance costs	8	24,671	18,320
Interest income		(122)	(32)
Loss on hedging contract	10	-	387
Foreign exchange gain on investing and financing activities		78	-
Operating profit before working capital changes		119,326	80,878
Changes in working capital:			
Change in inventories		(403)	(979)
Change in trade receivables		(4,405)	(2,285)
Change in prepayments and other current assets		(4,057)	(2,776)
Change in trade payables		3,830	(1,385)
Change in advances received		(4,512)	-
Payment of obligation to Government of Kazakhstan		(771)	(785)
Change in other current liabilities		50	(179)
Cash generated from operations		109,058	72,489
Income tax paid		(921)	(1,758)
Net cash flows from operating activities		108,137	70,731
Cash flow from investing activities:			
Interest income		122	32
Purchases of property, plant and equipment		(64,830)	(114,703)
Net cash used in investing activities		(64,708)	(114,671)
Cash flow from financing activities:			
Finance costs paid		(49,873)	(31,472)
Transfer from / (to) restricted cash		667	(243)
Realized hedging loss	10	(372)	-
Net cash used in financing activities		(49,578)	(31,715)
Net decrease in cash and cash equivalents		(6,149)	(75,655)
Cash and cash equivalents at the beginning of period		84,697	132,344
Cash and cash equivalents at the end of period		78,548	56,689

NON-CASH TRANSACTIONS

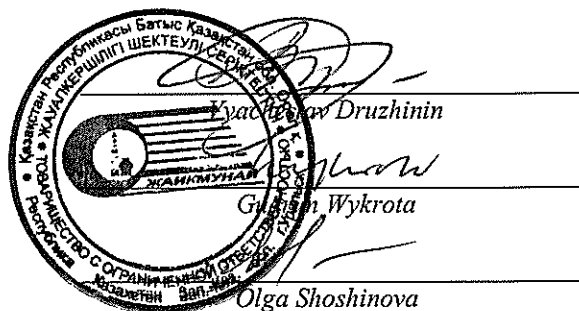
During the nine month period ended September 30, 2011, the Partnership offset Tax Liabilities for the non-cash amount of US\$ 12,116 thousand, including Corporate Income Tax Liability of US\$ 4,251, with Value Added Tax Receivable.

The accounting policies and explanatory notes on pages 5 through 14 are an integral part of these interim condensed consolidated financial statements

General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



Yurii Druzhinin
Galina Wykrota
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Interim Condensed Consolidated Statement of Changes in Equity

In thousands of US dollars

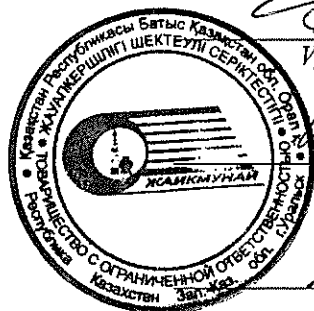
	Partnership capital	Additional paid-in capital	Retained earnings and reserves	Total
As of December 31, 2009 (audited)	4	137,077	115,765	252,846
Profit for the period	–	–	23,036	23,036
Total comprehensive income for the period	–	–	23,036	23,036
As of September 30, 2010 (unaudited)	4	137,077	138,801	275,882
As of December 31, 2010 (audited)	4	34,220	130,870	165,094
Profit for the period	–	–	40,003	40,003
Total comprehensive income for the period	–	–	40,003	40,003
Loss from substantial modification of loan from Frans van der Schoot B.V. (Note 4)	–	(5,020)	–	(5,020)
As of September 30, 2011 (unaudited)	4	29,200	170,873	200,077

The accounting policies and explanatory notes on pages 5 through 14 are an integral part of these interim condensed consolidated financial statements

General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



Vyacheslav Druzhinin
Vyacheslav Druzhinin

Gudrun Wykrota
Gudrun Wykrota

Olga Shoshinova
Olga Shoshinova

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US dollars

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.

On December 29, 2010 the Partnership has acquired in a transaction under common control 18,000 ordinary shares of Zhaikmunai Finance B.V., representing 100% of its charter capital, from Frans van der Schoot B.V., an entity under control of a common parent. Zhaikmunai Finance B.V. was established by Frans van der Schoot B.V. in April 2010 specifically to issue the US\$450 million senior bond with an October 19, 2015 maturity and a fixed coupon of 10.50% per annum. Zhaikmunai Finance B.V. is consolidated from the date of incorporation.

The interim condensed consolidated financial statements include the financial statements of the Partnership and its subsidiary, Zhaikmunai Finance B.V. (jointly the “Group”). The Group operates in a single operating segment of exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field.

The participants of the Partnership, their shares and changes in the participants’ structure are disclosed in Note 4.

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 interim condensed consolidated financial statements were authorized for issue by the Partnership’s General Director, Chief Financial Officer and Chief Accountant on November 16, 2011.

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 Tournaisian horizons, was extended for an additional 3 year period with a new expiry on May 26, 2011. An application for a further extension has been made.

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

Royalty Payments

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

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

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 AND CHANGES TO THE GROUPS ACCOUNTING POLICIES

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2010, except for the adoption of new standards and interpretations as of January 1, 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

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

IAS 32 Financial Instruments: Presentation (Amendment)

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

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as pension asset. The amendment to the interpretation had no effect on the financial position or performance of the Group.

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

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

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

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

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

In thousands of US dollars

2. BASIS OF PREPARATION AND CHANGES TO THE GROUPS ACCOUNTING POLICIES (continued)

Improvements to IFRSs (issued May 2010) (continued)

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

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

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 *Business Combinations* – Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005);
- IFRS 3 *Business Combinations* – Unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination;
- IAS 27 *Consolidated and Separate Financial Statements* – applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards;
- IFRIC 13 *Customer Loyalty Programmes* – in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty program).

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

Seasonality of operations

The Group's operating expenses are subject to seasonal fluctuations, with higher expenses for various professional services, maintenance and other services usually performed in warm period.

3. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30, 2011, the Group had additions of property, plant and equipment of US\$ 146,564 thousand (nine month period ended September 30, 2010: US\$ 148,517 thousand). These additions are mostly associated with the commissioning of the gas treatment unit (the "GTU"), drilling costs, capitalised interest of US\$ 41,737 thousand (nine month period ended September 30, 2010: US\$ 32,835 thousand), abandonment and site restoration assets of US\$ 3,263 thousand (nine month period ended September 30, 2010: US\$ 17 thousand), and net proceeds from sale of gas treatment unit test production of US\$10,539 thousand (nine month period ended September 30, 2010: nil).

As of September 30, 2011 the Partnership's property, plant and equipment of US\$ 397,739 thousand are pledged as security for the loans due to Frans van der Schoot B.V (Note 5).

4. 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 and Claydon Industrial Ltd in charter capital of the Partnership constitutes 55% and 45%, respectively, equivalent to US\$ 2.2 thousand and US\$ 1.8 thousand, respectively.

Gain on initial recognition of loans received from Frans van der Schoot B.V. at below market interest rates as well as loss on its subsequent substantial modification have been recorded in additional paid-in capital (Note 5).

Participants in the Partnership are allowed to vote based on their participation percentage and also participate in any distributions on the same basis unless the general meeting of participants decides to exclude the net income from distribution.

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

In thousands of US dollars

5. BORROWINGS

<i>In thousands of US Dollar</i>	September 30, 2011 (unaudited)	December 31, 2010 (audited)
Notes payable	457,659	444,381
Loans due to Frans van der Schoot B.V.	300,000	294,722
Less amounts due within 12 months	(21,374)	(9,450)
Amounts due after 12 months	736,285	729,653

Notes payable

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

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

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

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

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

The total outstanding principal balance of the liability under the Notes payable as at September 30, 2011 is US\$ 450,000 thousand, which is presented net of the transaction costs of US\$ 13,715 thousand and increased by the amount of interest payable of US\$ 21,374 thousand (December 31, 2010: US\$ 450,000 thousand, US\$ 15,069 thousand, and US\$ 9,450 thousand, respectively).

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. This interest rate was changed to 2.6% on August 27, 2009. On December 22, 2010, a portion of the loan from Frans van der Schoot B.V. amounting to US\$ 51,926 thousand was prepaid.

On September 15, 2009 Frans van der Schoot B.V. provided an additional loan of US\$ 261,650 thousand at the then prevailing interest rate of 2.6% p.a.

On October 19, 2010, amendments to the loans were made according to which the interest rate was increased from 2.6% to 10% and the maturity date was moved to December 31, 2015.

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

In thousands of US dollars

5. BORROWINGS (continued)

These loans were initially recognised at their fair values using a discount rate of 10.88% with the corresponding discount of US\$ 116,640 thousand recognised in 2009 as a contribution to additional paid-in capital. The subsequent substantial changes in 2010 to the original repayment terms and the interest rate change to 10.35% have resulted in a loss on the modification of the loan of US\$ 102,857 thousand recognised as reduction of additional paid-in capital. As of September 30, 2011, the Group re-estimated the discount rate at 10% which resulted in the loan fair value amounting to its principal amount of US\$ 300,000 thousand. Loss on change of discount rate estimation of \$US 5,020 thousand was recognized as reduction of additional paid-in capital.

6. COST OF SALES

<i>In thousands of US dollars</i>	Three months ended September 30,		Nine months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Depreciation and amortization	1,219	4,447	9,492	12,712
Royalties	260	2,587	5,532	5,847
Repair, maintenance and other services	2,911	1,313	6,925	4,168
Payroll and related taxes	2,474	1,960	5,812	4,960
Well workover costs	744	2,392	2,747	3,452
Materials and supplies	735	616	2,220	2,058
Government profit share	580	482	1,778	1,247
Other transportation services	673	744	1,615	1,515
Management fees	486	265	1,254	1,253
Environmental levies	33	479	610	980
Change in oil stock	1,000	1,781	521	(534)
Other	116	191	1,128	591
	11,231	17,257	39,634	38,249

Depreciation capitalized within the cost of goods sold as a result of test production of the gas treatment unit amounted to US\$ 4,883 thousand.

7. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of US dollars</i>	Three months ended September 30,		Nine months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Payroll and related taxes	1,090	1,000	2,850	2,581
Professional services	366	364	2,006	931
Management fees	902	923	2,344	2,209
Training	1,409	630	2,370	1,800
Communication	170	202	503	444
Sponsorship	95	208	424	390
Insurance fees	191	203	456	569
Depreciation and amortization	177	411	433	411
Bank charges	158	116	394	359
Materials and supplies	173	39	392	103
Business trip	92	91	259	268
Social program	436	75	586	225
Lease payments	82	67	224	206
Other taxes	130	3	232	319
Other	(514)	756	(405)	960
	4,957	5,088	13,068	11,775

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

In thousands of US dollars

8. FINANCE COSTS

<i>In thousands of US dollars</i>	Three months ended September 30,		Nine months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Interest expense on borrowings	7,373	7,112	23,450	17,337
Unwinding of discount on Due to Government	256	242	692	721
Unwinding of discount on Abandonment and Site Restoration Liability	176	87	529	262
	7,805	7,441	24,671	18,320

9. INCOME TAX EXPENSE

The income tax expense consisted of the following:

<i>In thousands of US dollars</i>	Three months ended September 30,		Nine months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Income tax expenses comprise:				
- adjustment on current income tax for the last year	–	541	–	1,119
- current income tax expense	9,920	6,025	26,885	10,969
- deferred income tax expense	6,824	3,234	17,886	13,956
Total income tax expense	16,744	9,800	44,771	26,044

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

<i>In thousands of US dollars</i>	Three months ended September 30,		Nine months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Profit before income tax	29,202	17,199	84,774	49,080
Statutory tax rate	30%	30%	30%	30%
Expected tax provision	8,761	5,160	25,432	14,724
Non-deductible interest expense on borrowings	5,759	3,387	16,759	9,717
Income taxed at the different rate	20	(9)	20	(5)
Change of tax base	1,737	10	332	(893)
Adjustments in respect of current income tax of previous year	–	541	–	1,119
Foreign exchange loss	145	90	42	206
Other non-deductable expenses	323	621	2,186	1,176
Income tax expense reported in the accompanying financial statements	16,744	9,800	44,771	26,044

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 September 30, 2011 and December 31, 2010:

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

In thousands of US dollars

9. INCOME TAX EXPENSE (continued)

<i>In thousands of US Dollar</i>	September 30, 2011 (unaudited)	December 31, 2010 (audited)
Deferred tax asset:		
Hedging contract at fair value	–	112
Accounts payable and provisions	2,153	1,943
	2,153	2,055
Deferred tax liability:		
Property, plant and equipment	(120,862)	(102,878)
	(120,862)	(102,878)
Net deferred tax liability	(118,709)	(100,823)

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

<i>In thousands of US Dollar</i>	September 30, 2011 (unaudited)	September 30, 2010 (unaudited)
Balance at January 1, 2011 and 2010	(100,823)	(76,659)
Current period charge to profit or loss	(17,886)	(15,075)
Balance at September 30, 2011 and 2010	(118,709)	(91,734)

10. DERIVATIVE FINANCIAL INSTRUMENT

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

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

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

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

<i>In thousands of US Dollar</i>	Nine months ended September 30,	
	2011 (unaudited)	2010 (unaudited)
Hedging contract fair value at January 1	(372)	98
Acquisition on hedging contract	–	98
Realized hedging loss	372	–
Hedging loss	–	(387)
Hedging contract at fair value at September 30	–	(289)

11. OTHER EXPENSES

During the nine month period ended September 30, 2011, the Partnership incurred losses in the amount of US\$ 4,884 thousand on the lease of railway wagons. Although the Partnership has been leasing these wagons since June 30, 2010 for the purposes of transportation of GTU production, the wagons were not extensively utilised.

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

In thousands of US dollars

12. RELATED PARTY TRANSACTIONS

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

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

<i>In thousands of US Dollar</i>	September 30, 2011 (unaudited)	December 31, 2010 (audited)
Trade payables		
Probel Capital Management N.V.	187	493
Prolag	120	–
	307	493

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

<i>In thousands of US Dollar</i>	Three months ended September 30,		Nine months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Interest paid				
Frans van der Schoot B.V.	8,333	2,540	25,000	7,621
Management fees and consulting services				
Amersham Oil	480	273	1,064	912
Prolag BVBA	464	427	1,551	1,445
Probel Capital Management B.V.	910	1,058	2,632	3,116

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

Remuneration of key management personnel amounted to US\$ 376 thousand for the nine month period ended September 30, 2011 (nine month period ended September 30, 2010: US\$ 165 thousand). Other key management personnel were employed and paid by Amersham Oil LLP, Prolag BVBA and Probel Capital Management and whose remuneration forms part of management fees and consulting services above.

All related parties are companies indirectly controlled by Frank Monstrey.

13. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets and commodity price instability, significant deterioration of liquidity in the banking sector and tighter credit conditions within Kazakhstan. Consequently, the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity and supporting finance for Kazakhstan banks and companies.

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

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

In thousands of US dollars

13. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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, 2011. As at September 30, 2011 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax positions will be sustained.

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 contradicted 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 was 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 was probable.

By the Court decision as of April 7, 2011 the tax claims were cancelled in full. The Tax authorities appealed the Court's decision. The Partnership therefore continued to provide for the US\$ 728 thousand as the risk of loss remained substantially unchanged. On July 28, 2011 by unanimous resolution of the court of cassation of West Kazakhstan oblast the Court decision as of April 7, 2011 was affirmed. The Partnership therefore reversed the US\$ 728 thousand provision.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

Capital commitments

As at September 30, 2011 the Partnership had contractual capital commitments in amount of US\$ 8,918 thousand.

Operating leases

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

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

Social and education commitments

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

According to Addendum #9 to the Contract dd. August 12, 2011 the Company has commitments to perform repair and reconstruction of state automobile roads for the amount of US\$ 12,000 thousand in 2012.

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

*In thousands of US dollars***13. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Domestic oil sales**

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

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