

**KazMunaiGas Exploration Production
Joint Stock Company**

Condensed Consolidated Interim Financial Information (Unaudited)

For the three months ended March 31, 2008

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Condensed Consolidated Interim Balance Sheet*Tenge thousands*

	Notes	March 31, 2008	December 31, 2007
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	243,066,192	246,673,657
Other financial assets		1,964,552	1,953,799
Receivable from jointly controlled entity		19,057,179	18,478,228
Intangible assets		4,821,497	5,548,240
Investments in associates and joint ventures		103,356,523	102,999,132
Other assets		8,333,621	4,045,763
Total non-current assets		380,599,564	379,698,819
Current assets			
Inventories		11,984,788	11,583,258
Taxes prepaid and VAT recoverable		4,370,548	5,378,089
Prepaid and deferred expenses		6,924,173	4,845,333
Trade and other receivables	7	58,222,748	50,083,867
Other financial assets	7	411,828,238	378,603,924
Cash and cash equivalents	7	63,318,726	21,658,451
Total current assets		556,649,221	472,152,922
Total assets		937,248,785	851,851,741
EQUITY			
Share capital		260,156,407	259,365,914
Other equity		746,262	580,988
Retained earnings		449,953,754	386,494,710
Total equity		710,856,423	646,441,612
LIABILITIES			
Non-current liabilities			
Borrowings		9,762,559	14,135,480
Deferred tax		5,688,112	7,784,439
Provisions	8	48,643,795	48,157,460
Total non-current liabilities		64,094,466	70,077,379
Current liabilities			
Borrowings		18,791,904	18,713,954
Income taxes payable		86,928,915	59,356,770
Trade and other payables		34,072,441	35,184,485
Provisions	8	22,504,636	22,077,541
Total current liabilities		162,297,896	135,332,750
Total liabilities		226,392,362	205,410,129
Total liabilities and equity		937,248,785	851,851,741

The notes on pages 5 to 10 are an integral part of this condensed consolidated interim financial information.

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Condensed Consolidated Interim Statement of Income (unaudited)

Tenge thousands

	Notes	Three months ended March 31	
		2008	2007
Revenue	9	143,483,284	98,183,632
Operating expenses	10	(49,312,423)	(49,168,507)
Profit from operations		94,170,861	49,015,125
Interest income		10,000,349	7,656,292
Interest expense		(1,103,496)	(1,876,260)
Foreign exchange gain (loss)		834,010	(4,142,647)
Share of result of associates and joint ventures		9,050,326	(94,928)
Profit before tax		112,952,050	50,557,582
Income tax expense	11	(49,493,006)	(26,710,413)
Profit for the period		63,459,044	23,847,169
Attributable to:			
Equity holders of the Company		63,459,044	23,847,122
Minority interest		–	47
		63,459,044	23,847,169
EARNINGS PER SHARE			
Attributable to equity holders of the Company – basic and diluted		0.86	0.32

The notes on pages 5 to 10 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement (unaudited)*Tenge thousands*

	Notes	Three months ended March 31	
		2008	2007
Cash flows from operating activities			
Cash receipts from customers		136,400,278	91,802,233
Cash paid to suppliers and employees		(49,004,656)	(48,096,007)
Income tax paid		(22,535,128)	(19,377,595)
Net cash generated from operating activities		64,860,494	24,328,631
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(8,671,271)	(9,048,107)
Proceeds from sale of PPE		511,610	14,877
Purchases of intangible assets		(5,390)	(18,989)
Dividends received from joint ventures and associates		9,063,750	–
Sale (purchase) of available-for-sale financial assets		6,449,113	(2,461,618)
(Purchase) sale of held-to-maturity financial assets, net		(37,432,220)	108,080,824
Interest received		6,868,470	7,121,000
Net cash (used in) provided from investing activities		(23,215,938)	103,687,987
Cash flows from financing activities			
Proceeds from borrowings		–	1,443,082
Repayment of borrowings		(7,322)	(1,426,122)
Dividends paid		(10,241)	(319,354)
Interest paid		–	(805,553)
Net cash used in financing activities		(17,563)	(1,107,947)
Net change in cash and cash equivalents		41,626,993	126,908,671
Cash and cash equivalents at beginning of the year	7	21,658,451	62,459,415
Exchange gains (losses) on cash and cash equivalents		33,282	(510,484)
Cash and cash equivalents at end of the period	7	63,318,726	188,857,602

The notes on pages 5 to 10 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity (unaudited)

Tenge thousands

	Attributable to equity holders of the Company					Total Equity
	Share capital	Treasury stock	Other equity	Retained earnings	Minority interest	
As at December 31, 2006	263,094,581	(3,818,100)	92,249	266,383,385	5,700	525,757,815
Recognition of share-based payments	–	–	520,628	–	–	520,628
Net gains on available-for-sale financial investments	–	–	148,061	–	–	148,061
Profit for the period	–	–	–	23,847,122	47	23,847,169
As at March 31, 2007	263,094,581	(3,818,100)	760,938	290,230,507	5,747	550,273,673
As at December 31, 2007	263,094,581	(3,728,667)	580,988	386,494,710	–	646,441,612
Foreign currency translation	–	–	257,237	–	–	257,237
Recognition of share-based payments	–	–	119,298	–	–	119,298
Exercise of employee options	–	790,493	(647,147)	–	–	143,346
Sale of available-for-sale financial investments	–	–	435,886	–	–	435,886
Profit for the period	–	–	–	63,459,044	–	63,459,044
As at March 31, 2008	263,094,581	(2,938,174)	746,262	449,953,754	–	710,856,423

The notes on pages 5 to 10 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

Tenge thousands unless otherwise stated

1. Organization and principal activities

KazMunaiGas Exploration Production Joint Stock Company (the “Company”) is engaged in the acquisition, exploration, development, production, processing and export of hydrocarbons with its core operations of oil and gas properties located in the Pre-Caspian and Mangistau basins of western Kazakhstan. The Company’s direct majority shareholder is Joint Stock Company National Company KazMunaiGas (“NC KMG” or the “Parent Company”), which represents the state’s interests in the Kazakh oil and gas industry. From June 2006 NC KMG was 100%-owned by Samruk State Holding which is in turn 100% owned by the government of the Republic of Kazakhstan (the “Government”).

The Company conducts its principal operations through the UzenMunaiGas and EmbaMunaiGas production divisions. In addition the Company has a 50% interest in a jointly controlled oil and natural gas producer and a receivable from a jointly controlled entity. This condensed consolidated interim financial information reflect the financial position and results of operations of those divisions, jointly controlled entities and certain other controlling and non-controlling interests in predominantly non-core entities.

This condensed consolidated interim financial information was authorized for issue by the Company’s Chief Executive Officer, Chief Financial Officer and Financial Controller on May 7, 2008.

2. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* (“IAS 34”) and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2007.

Exchange rates

The official rate of the Kazakhstan Tenge to the US Dollar at March 31, 2008 and December 31, 2007 was 120.69 and Tenge to US Dollar 120.3 respectively. Any translation of Tenge amounts to US Dollar or any other hard currency should not be construed as a representation that such Tenge amounts have been, could be or will in the future be converted into hard currency at the exchange rate shown or at any other exchange rate.

3. Seasonality of operations

The Company’s operating costs are subject to seasonal fluctuations, with higher expenses for materials and repair, maintenance and other services usually expected in the latter part of the year than in the first three months. These fluctuations are mainly due to the requirement to conduct formal public tenders in accordance with state procurement laws.

4. Significant non-cash transactions

During the three months ended March 31, 2008 the Company settled in crude oil 4,842,286 thousand Tenge due under the terms of a financing agreement (three months of 2007: 4,623,811 thousand Tenge).

These non-cash transactions are excluded from the condensed consolidated interim statement of cash flows.

5. Accounting policies

The accounting policies applied in the preparation of this condensed consolidated interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2007.

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

Tenge thousands unless otherwise stated

5. Accounting policies (continued)

New accounting developments

The following IFRS and IFRIC interpretations are not yet in effect as at March 31, 2008:

- IFRS 3 Business Combinations – amendment
- IFRS 8 Operating Segments
- IAS 27 Consolidated and Separate Financial Statements – amendment
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

Management does not expect the above standards and interpretations to have a material impact on the Company's financial position or results of operations.

6. Property, plant and equipment

During the three months ended March 31, 2008, the Company prepaid for and purchased assets with a cost of 8,671,271 thousand Tenge.

Assets with the net book value of 744,003 thousand Tenge were disposed of by the Company during the three months ended 31 March 2008, resulting in a net loss on disposal of 232,393 thousand Tenge.

7. Financial assets

Other financial assets

	March 31, 2008	December 31, 2007
	Unaudited	Audited
US dollar-denominated term deposits	246,635,437	187,559,204
Tenge-denominated term deposits	165,192,801	184,767,036
Available-for-sale financial assets	–	6,277,414
Other	–	270
Total current	411,828,238	378,603,924

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

Tenge thousands unless otherwise stated

7. Financial assets (continued)

Trade and other receivables

	March 31, 2008	December 31, 2007
	Unaudited	Audited
Trade receivables	59,162,686	51,213,760
Other	652,350	511,192
Allowance for doubtful receivables	(1,592,288)	(1,641,085)
	58,222,748	50,083,867

Cash and cash equivalents

	March 31, 2008	December 31, 2007
	Unaudited	Audited
US dollar denominated term deposits with banks	56,483,867	818,040
Tenge denominated term deposits with banks	4,707,088	19,824,415
Cash in bank and on hand	2,127,771	1,015,996
	63,318,726	21,658,451

8. Provisions

	March 31, 2008	December 31, 2007
	Unaudited	Audited
Environmental remediation	28,198,338	28,242,849
Asset retirement obligation	21,200,452	20,778,251
Taxes	18,084,550	17,637,623
Other	3,665,091	3,576,278
	71,148,431	70,235,001

A description of these provisions, including critical estimates and judgments, is disclosed in Note 4 of the Company's annual financial statements for the year ended December 31, 2007.

9. Revenue

	Three months ended March 31	
	2008	2007
	Unaudited	Unaudited
Export:		
Crude oil	131,314,071	88,748,856
Domestic:		
Crude oil	9,359,903	7,670,330
Gas products	1,297,649	890,412
Other sales and services	1,511,661	874,034
	143,483,284	98,183,632

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

Tenge thousands unless otherwise stated

10. Operating expenses

	Three months ended March 31	
	2008	2007
	Unaudited	Unaudited
Transportation	13,345,036	13,389,528
Employee benefits	8,713,916	9,194,061
Depreciation, depletion and amortization	7,736,871	8,512,261
Royalties	6,120,970	3,415,723
Repairs, maintenance and other services	3,625,871	2,903,108
Materials	2,895,414	2,374,253
Energy	2,124,493	2,427,055
Management fees and sales commissions	2,103,895	2,029,035
Taxes other than on income	1,127,586	1,275,114
Social infrastructure projects	936,813	303,332
Loss on disposal of fixed assets	232,393	760,549
Fines and penalties	390,513	797,423
Change in crude oil balance	(1,911,969)	1,243,695
Other	1,870,620	543,370
	49,312,423	49,168,507

11. Income tax expense

	Three months ended March 31	
	2008	2007
	Unaudited	Unaudited
Corporate income tax	33,321,927	17,686,159
Excess profit tax	18,267,406	9,319,165
Current income tax	51,589,333	27,005,324
Corporate income tax	(1,234,738)	35,273
Excess profit tax	(861,589)	(330,184)
Deferred income tax	(2,096,327)	(294,911)
Income tax expense	49,493,006	26,710,413

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

Tenge thousands unless otherwise stated

12. Related party transactions

The category 'entities under common control' comprises entities of the Parents and all of those entities that are state-controlled. Halyk Bank of Kazakhstan was a related party until August 2007 at which time the individual who controls the bank ceased to be a member of the Parent Company's Board of Directors. Sales and purchases with related parties during the three months ended March 31, 2008 and 2007 and the balances with related parties at March 31, 2008 and December 31, 2007 are as follows:

	2008	2007
	Unaudited	Unaudited
Sales of goods and services		
Entities under common control	108,768,507	80,033,056
Joint ventures	26,190	–
Associates	925	991
Purchases of goods and services		
Entities under common control	10,748,943	11,600,007
Parent Company	2,264,040	2,219,594
Joint ventures	16,049	–
Associates	16,853	23,043
Halyk Bank of Kazakhstan affiliates	–	214,163
Interest earned on financial assets		
Halyk Bank of Kazakhstan	–	296,097
Average interest rate on deposits	–	4.54%
Parent Company	–	1,894,021
Salaries and other short-term benefits		
Members of the Board of Directors	17,936	25,112
Members of the Management Board	35,736	30,893
Share-based payments		
Members of the Management Board	16,184	114,672
	Unaudited	Audited
Trade and other receivables		
Entities under common control	47,686,692	41,302,095
Other state-controlled entities	–	147,874
Joint ventures	19,088,070	18,509,130
Associates	7,684	7,254
Trade payables		
Entities under common control	837,770	823,812
Parent Company	2,264,040	2,439,600
Other state-controlled entities	–	104,525
Joint ventures	41,399	–
Associates	94,290	215,036

Notes to the Condensed Consolidated Interim Financial Information (unaudited)

Tenge thousands unless otherwise stated

13. Commitments

Oilfield licenses and contracts

Year	Capital expenditures	Operational expenditures
2008	32,314,133	4,101,570
2009	858,000	3,832,420
2010	841,000	3,831,819
2011	841,000	3,831,819
2012	–	3,831,819
2013-2021	–	26,391,847
Total	34,854,133	45,821,294

Crude oil supply commitments

Under the provisions of a pre-export financing agreement the Company has committed to deliver 150,000 tons of crude oil per month to the lender until September 2009 at market prices determined at the date of shipment.

Commitments of joint ventures

As at March 31, 2008 the Company's share in the commitments of JV Kazgermunai LLP is as follows:

Year	Capital expenditures
2008	8,775,997
Total	8,775,997

This report has been signed below by the following persons on behalf of the Company and in the capacities indicated on May 7, 2008:

Chief Executive Officer _____ Balzhanov A.K.

Chief Financial Officer _____ Bekezhanova Zh.D.

Financial Controller _____ Drader Sh. CA

Contact information

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