

**KazMunaiGas Exploration Production
Joint Stock Company**

Unaudited Condensed Consolidated Interim Financial Information

For the nine months ended September 30, 2008

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KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Condensed Consolidated Interim Balance Sheet

Tenge thousands

	Notes	September 30, 2008 Unaudited	December 31, 2007 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	243,656,252	246,673,657
Other financial assets	7	7,042,096	1,953,799
Receivable from jointly controlled entity		20,300,921	18,478,228
Intangible assets		3,143,528	5,548,240
Investments in associates and joint ventures		113,726,972	102,999,132
Other assets		12,221,702	4,045,763
Total non-current assets		400,091,471	379,698,819
Current assets			
Inventories		11,783,932	11,583,258
Taxes prepaid and VAT recoverable		4,312,072	5,378,089
Prepaid and deferred expenses		22,957,136	4,845,333
Trade and other receivables	7	64,329,417	50,083,867
Other financial assets	7	512,237,965	378,603,924
Cash and cash equivalents	7	30,085,316	21,658,451
Total current assets		645,705,838	472,152,922
Total assets		1,045,797,309	851,851,741
EQUITY			
Share capital		260,233,925	259,365,914
Other equity		134,032	580,988
Retained earnings		563,319,420	386,494,710
Total equity		823,687,377	646,441,612
LIABILITIES			
Non-current liabilities			
Borrowings		878,213	14,135,480
Deferred tax		1,292,661	7,784,439
Provisions	8	48,140,103	48,157,460
Total non-current liabilities		50,310,977	70,077,379
Current liabilities			
Borrowings		18,624,980	18,713,954
Income taxes payable		94,471,700	59,356,770
Trade and other payables		33,341,831	34,768,205
Dividends payable		878,984	416,280
Provisions	8	24,481,460	22,077,541
Total current liabilities		171,798,955	135,332,750
Total liabilities		222,109,932	205,410,129
Total liabilities and equity		1,045,797,309	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 September 30,		Nine months ended September 30,	
		2008	2007	2008	2007
Revenue	9	182,504,504	128,899,423	519,536,141	338,838,358
Operating expenses	10	(75,367,696)	(52,353,455)	(197,144,890)	(152,252,593)
Profit from operations		107,136,808	76,545,968	322,391,251	186,585,765
Interest income		11,396,988	6,270,041	31,849,005	19,426,829
Interest expense		(558,940)	(361,163)	(2,290,984)	(3,172,967)
Foreign exchange loss		(3,072,327)	(1,863,878)	(2,109,955)	(7,488,577)
Gain on sale of subsidiaries		–	643,946	–	859,828
Share of result of associates and joint ventures		10,997,547	6,233,479	38,252,310	8,893,215
Profit before tax		125,900,076	87,468,393	388,091,627	205,104,093
Income tax expense	11	(54,872,114)	(42,082,861)	(169,548,788)	(101,623,533)
Profit for the period		71,027,962	45,385,532	218,542,839	103,480,560
EARNINGS PER SHARE					
Basic and diluted		0.96	0.61	2.95	1.40

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	Nine months ended September 30,	
		2008	2007
Cash flows from operating activities			
Cash receipts from customers		521,536,158	331,710,039
Cash paid to suppliers and employees		(220,286,597)	(143,406,910)
Income tax paid		(135,984,906)	(78,980,944)
Net cash generated from operating activities		165,264,655	109,322,185
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(28,834,980)	(28,438,159)
Proceeds from sale of PPE		511,610	19,786
Purchases of intangible assets		(16,786)	(26,464)
Purchase of interest in a joint venture		–	(118,713,074)
Dividends received from joint ventures and associates		27,084,750	–
Purchase of held-to-maturity financial assets, net		(141,913,677)	(18,242,051)
Sale (purchase) of available-for-sale financial assets		6,449,113	(6,767,606)
Loan repayments received from related parties		–	97,440,000
Proceeds received related to disposal of subsidiaries		–	10,346,935
Interest received		20,086,757	12,739,905
Net cash used in investing activities		(116,633,213)	(51,640,728)
Cash flows from financing activities			
Proceeds from borrowings		–	1,995,378
Repayment of borrowings		(8,873)	(8,135,563)
Dividends paid to Company's shareholders		(39,214,502)	(35,560,134)
Interest paid		(816,390)	(2,606,186)
Net cash used in financing activities		(40,039,765)	(44,306,505)
Net change in cash and cash equivalents		8,591,677	13,374,952
Cash and cash equivalents at beginning of the year	7	21,658,451	62,459,415
Exchange losses on cash and cash equivalents		(164,812)	(4,065,603)
Cash and cash equivalents at end of the period	7	30,085,316	71,768,764

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 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
Disposal of subsidiaries	–	–	–	–	(5,700)	(5,700)
Foreign currency translation	–	–	(68,248)	–	–	(68,248)
Recognition of share-based payments	–	–	1,483,165	–	–	1,483,165
Net gains on available-for-sale financial investments	–	–	74,096	–	–	74,096
Dividends	–	–	–	(37,007,756)	–	(37,007,756)
Profit for the period	–	–	–	103,480,560	–	103,480,560
As at September 30, 2007	263,094,581	(3,818,100)	1,581,262	332,856,189	–	593,713,932
As at December 31, 2007	263,094,581	(3,728,667)	580,988	386,494,710	–	646,441,612
Foreign currency translation	–	–	(542,265)	–	–	(542,265)
Recognition of share-based payments	–	–	301,263	–	–	301,263
Execution of share based options	–	868,011	(641,840)	–	–	226,171
Sale of available-for-sale financial investments	–	–	435,886	–	–	435,886
Dividends	–	–	–	(41,718,129)	–	(41,718,129)
Profit for the period	–	–	–	218,542,839	–	218,542,839
As at September 30, 2008	263,094,581	(2,860,656)	134,032	563,319,420	–	823,687,377

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

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 and is 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 November 11, 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 September 30, 2008 and December 31, 2007 was 119.81 and 120.30, 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 six 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 nine months ended September 30, 2008 the Company settled in crude oil 13,398,832 thousand Tenge due under the terms of a financing agreement (nine months of 2007: 13,689,073 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
(continued)**

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 September 30, 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 nine months ended September 30, 2008, the Company acquired assets with a cost of 22,061,324 thousand Tenge.

Assets with the net book value of 893,932 thousand Tenge were disposed of by the Company during the nine months ended 30 September 2008, resulting in a net loss on disposal of 349,767 thousand Tenge.

7. Financial assets

Other financial assets

	September 30, 2008	December 31, 2007
	Unaudited	Audited
US dollar denominated long-term deposits	3,714,110	–
Tenge denominated long-term deposits	2,105,554	–
Other	1,222,432	1,953,799
Total non-current	7,042,096	1,953,799
US dollar denominated term deposits	349,114,937	187,559,204
Tenge denominated term deposits	153,054,235	184,767,036
Held-to-maturity bank notes	10,021,548	–
Available-for-sale financial assets	–	6,277,414
Other	47,245	270
Total current	512,237,965	378,603,924
	519.280.061	380.557.723

Notes to the Condensed Consolidated Interim Financial Information (continued)

Tenge thousands unless otherwise stated

7. Financial assets (continued)

Trade and other receivables

	September 30, 2008	December 31, 2007
	Unaudited	Audited
Trade receivables	63,989,900	51,213,760
Other	1,693,338	511,192
Allowance for doubtful receivables	(1,353,821)	(1,641,085)
	64,329,417	50,083,867

Cash and cash equivalents

	September 30, 2008	December 31, 2007
	Unaudited	Audited
US dollar denominated term deposits with banks	19,808,912	818,040
Tenge denominated term deposits with banks	8,195,914	19,824,415
Cash in bank and on hand	2,080,490	1,015,996
	30,085,316	21,658,451

8. Provisions

	September 30, 2008	December 31, 2007
	Unaudited	Audited
Environmental remediation	26,676,655	28,242,849
Asset retirement obligation	22,071,758	20,778,251
Taxes	20,041,542	17,637,623
Other	3,831,608	3,576,278
	72,621,563	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 September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
Export:				
Crude oil	166,905,204	115,796,926	476,943,934	304,490,643
Domestic:				
Crude oil	9,864,455	9,693,356	30,101,924	27,118,981
Gas products	1,220,115	1,316,076	4,118,561	3,352,501
Other sales and services	4,514,730	2,093,065	8,371,722	3,876,233
	182,504,504	128,899,423	519,536,141	338,838,358

Notes to the Condensed Consolidated Interim Financial Information (continued)

Tenge thousands unless otherwise stated

10. Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
Export customs duty	15,164,818	–	30,967,696	–
Transportation	13,784,561	11,787,725	39,539,305	36,872,580
Employee benefits	10,672,173	9,588,195	28,636,253	28,323,751
Depreciation, depletion and amortization	8,982,929	8,895,928	25,179,596	25,593,385
Royalties	7,136,487	4,971,404	21,096,836	12,261,164
Repairs, maintenance and other services	5,901,833	6,678,864	15,133,459	14,243,238
Materials	3,599,466	3,391,952	10,332,103	9,607,506
Management fees and sales commissions	2,111,549	1,979,576	6,324,520	6,024,199
Energy	1,717,231	1,677,884	6,378,851	5,674,582
Taxes other than on income	1,508,202	1,220,779	3,603,280	3,837,866
Fines and penalties	581,464	500,656	2,001,871	2,665,115
Social infrastructure projects	1,455,466	844,040	2,749,888	2,494,036
Loss on disposal of fixed assets	85,469	48,727	349,767	1,197,249
Change in crude oil balance	479,444	(829,057)	(1,630,843)	58,224
Other	2,186,604	1,596,782	6,482,308	3,399,698
	75,367,696	52,353,455	197,144,890	152,252,593

11. Income tax expense

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
Corporate income tax	36,891,786	26,180,270	112,992,056	66,921,421
Excess profit tax	20,442,981	15,194,868	63,048,510	37,125,534
Current income tax	57,334,767	41,375,138	176,040,566	104,046,955
Corporate income tax	(1,450,448)	420,633	(3,823,589)	(1,234,969)
Excess profit tax	(1,012,205)	287,090	(2,668,189)	(1,188,453)
Deferred income tax	(2,462,653)	707,723	(6,491,778)	(2,423,422)
Income tax expense	54,872,114	42,082,861	169,548,788	101,623,533

Notes to the Condensed Consolidated Interim Financial Information (continued)

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 nine months ended September 30, 2008 and 2007 and the balances with related parties at September 30, 2008 and December 31, 2007 are as follows:

	2008	2007
	Unaudited	Unaudited
Sales of goods and services		
Entities under common control	397,436,847	278,221,759
Other state controlled entities	265	15,311
Joint ventures	92,385	102,887
Associates	16,065	6,662
Halyk Bank of Kazakhstan affiliates	–	61,051
Purchases of goods and services		
Entities under common control	20,736,304	17,846,787
Parent Company	5,008,937	4,605,860
Other state controlled entities	1,361,450	920,028
Joint ventures	–	1,231
Associates	92,215	281,057
Halyk Bank of Kazakhstan affiliates	–	525,214
Interest earned on financial assets		
Halyk Bank of Kazakhstan	–	1,225,246
Average interest rate on deposits	–	4.54%
Parent Company	–	2,933,230
Salaries and other short-term benefits		
Members of the Management Board	123,943	227,160
Members of the Board of Directors	60,371	71,037
Share-based payments		
Members of the Management Board	54,474	306,647
Members of the Board of Directors	–	62,270
	2008	2007
	Unaudited	Audited
Trade and other receivables		
Entities under common control	53,551,918	41,302,095
Other state-controlled entities	244,099	147,874
Joint ventures	20,327,010	18,509,130
Associates	5,831	7,254
Trade payables		
Entities under common control	1,271,907	823,812
Parent Company	1,132,020	2,439,600
Other state-controlled entities	41,919	104,525
Associates	41,229	215,036

**Notes to the Condensed Consolidated Interim Financial Information
(continued)**

Tenge thousands unless otherwise stated

13. Commitments

Oilfield licenses and contracts

Year	Capital Expenditures	Operational expenditures
2008	10,771,378	1,367,190
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	13,311,378	43,086,914

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 September 30, 2008 the Company's share in the commitments of JV Kazgermunai LLP is as follows:

Year	Capital expenditures
2008	2,318,715
Total	2,318,715

This report has been signed below by the following persons on behalf of the Company and in the capacities indicated on November 11, 2008:

Chief Executive Officer _____ Balzhanov A.K.

Chief Financial Officer _____ Bekezhanova Zh.D.

Financial Controller _____ Drader Sh., CA

Contact information

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