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Altius Holdings Inc

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the six months ended June 30, 2011

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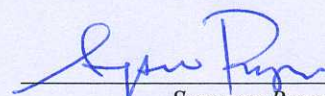
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Notes	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Intangible assets		3,925,815	4,194,255
Property, plant and equipment		15,345,056	15,102,775
Advances paid for non-current assets		183,067	127,636
Restricted cash		129,474	130,262
Total non-current assets		19,583,412	19,554,928
Current assets			
Inventories	4	918,949	630,341
Trade receivables	5	2,708,867	476,834
Advances paid		377,135	340,466
Interest free loans to related parties	15	-	4,423,643
Income tax prepaid		15,448	10,248
VAT recoverable and other taxes prepaid	6	1,578,861	1,889,767
Other current assets		39,366	37,246
Cash and cash equivalents	7	2,363,097	9,176,511
Total current assets		8,001,723	16,985,056
TOTAL ASSETS		27,585,135	36,539,984
EQUITY AND LIABILITIES			
Share capital		6,330,551	6,330,551
Retained earnings		14,139,964	24,962,029
Total equity		20,470,515	31,292,580
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		1,030,458	812,383
Abandonment and site restoration liabilities		380,075	360,207
Obligation on historical cost		600,106	531,152
Total non-current liabilities		2,010,639	1,703,742
Current liabilities			
Trade payables	8	862,532	1,803,460
Obligation on historical cost		13,494	128,624
Taxes payable	9	2,431,504	19,697
Corporate income tax payable		898,047	306,896
Excess profit tax payable		744,885	946,188
Other current liabilities		153,519	338,797
Total current liabilities		5,103,981	3,543,662
Total liabilities		7,114,620	5,247,404
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		27,585,135	36,539,984

The accounting policies and explanatory notes on pages 5 through 10 form an integral part of these interim condensed consolidated financial statements.

Managing Director

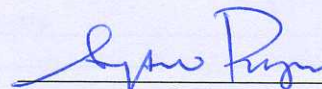

Sangsoo Ryou

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Notes	For the six months ended June 30, 2011
Revenue from sale of crude oil		21,997,673
Cost of sales	10	(4,159,104)
Gross profit		17,838,569
Selling expenses	11	(7,281,739)
General and administrative expenses	12	(1,986,092)
Profit from operating activities		8,570,738
Finance costs		(101,107)
Finance income		25,173
Foreign exchange loss		(129,444)
Other income		56,418
Other expense		(21,803)
Profit before income tax		8,399,975
Corporate income tax expense	13	(3,316,588)
Profit for the period		5,083,387
Other comprehensive income		-
Total comprehensive income for the period		5,083,387

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Managing Director

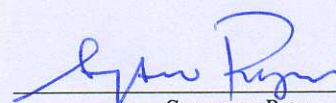

 Sangsoo Ryou

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	For the six months ended June 30, 2011
Cash flows from operating activities	
Income before income tax	8,399,975
Adjustments to add (deduct) noncash items:	
Depreciation, depletion and amortization	1,120,753
Unwinding of discount	26,815
Interest income	(25,173)
Interest expense	74,292
Loss on disposal of property, plant and equipment	3,049
Operating cash flows before working capital changes	9,599,711
Working capital adjustments:	
Change in inventories	(288,608)
Changes in taxes recoverable	241,511
Change in trade receivables and other current assets	(2,234,153)
Change in advances paid	(36,669)
Change in trade payables	(987,924)
Change in taxes payable	2,411,807
Change in other current liabilities	(212,574)
Cash generated from operations	8,493,101
Income tax paid	(2,713,865)
Interest received	25,173
Net cash provided by operating activities	5,804,409
Cash flows from investing activities	
Loans repaid by related parties	4,423,643
Abandonment and site restoration	14,645
Other non-current assets	(92,211)
Purchase of intangible assets	(8,255)
Purchase of property, plant and equipment	(1,107,323)
Proceeds from sale of property, plant and equipment and intangible assets	56,342
Net cash provided by investing activities	3,286,841
Cash flows from financing activities	
Change in restricted cash deposit	788
Distributions to shareholder	(15,905,452)
Net cash used in financing activities	(15,904,664)
Net change in cash and cash equivalents	(6,813,414)
Cash and cash equivalents at the beginning of the period	9,176,511
Cash and cash equivalents at the end of the period	2,363,097

The accounting policies and explanatory notes on pages 5 through 10 form an integral part of these interim condensed consolidated financial statements.

Managing Director

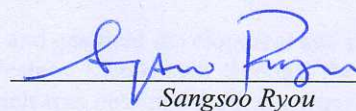

Sangsoo Ryou

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Retained earnings	Total
As at January 1, 2011	6,330,551	24,962,029	31,292,580
Net profit for the period	–	5,083,387	5,083,387
Total comprehensive income for the period	–	5,083,387	5,083,387
Distributions to shareholder	–	(15,905,452)	(15,905,452)
As at June 30, 2011	6,330,551	14,139,964	20,470,515

The accounting policies and explanatory notes on pages 5 through 10 form an integral part of these interim condensed consolidated financial statements.

Managing Director



Sangsoo Ryou

Chief Accountant

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Altius Holdings Inc (“the Company”) and its subsidiaries (“the Group”) is an independent upstream oil and gas company with a portfolio of development and production assets located in the prolific basins of Kazakhstan. The Group operates four producing fields in Kazakhstan.

Altius Holdings Inc, an entity established under the laws of Canada, is 100% owned by KNOC Black Hill Ltd., a Canadian entity, which in turn 100% controlled by Korean National Oil Corporation, which is ultimately controlled by the government of the Republic of Korea. On March 18, 2011 KNOC Black Hill Ltd. purchased 100% share of the Company from Altius Energy Corporation, which is ultimately controlled by Vitol Holding B.V. and its subsidiaries (the “Vitol Group”).

The Company’s registered legal address is: 3700 Cattera Tower, 400 Third Avenue SW, Calgary, Alberta, Canada.

Licence terms

Altius Petroleum B.V. 100% subsidiary of the Company is engaged in oil and gas field development and production Akzhar, Alimbai, Besbolek and Karataiky fields located in North-Western Kazakhstan through the branches operated in Aktobe and Atyrau cities. The Group’s operating license, which was obtained from the Government of Republic of Kazakhstan, expire in 2029-2036 (“Subsoil Agreements”). The Group started production at Besbolek field in 2006 and Karataiky and Akzhar fields in 2008.

Kazakhstan business environment

Republic of 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 instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Kazakhstan banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group’s financial position, operating results and business prospects.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these interim condensed consolidated financial statements. All values in these interim condensed consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

The accompanying Interim Consolidated Financial Statements do not include comparative figures for Statement of Comprehensive income, Statement of Changes in Equity and Statement of Cash flows as required by International Accounting Standard No.34, "Interim Financial Reporting" (IAS 34). Except for omission of comparative figures as discussed above, interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with consolidated financial statements as at December 31, 2010.

Foreign Currency Translation

The financial statements are presented in Tenge, which is the Company's, and its subsidiary's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of KASE as of June 30, 2011, was 146.25 Tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in US dollars as of June 30, 2011 (December 31, 2010: 147.40 Tenge to 1 US dollar).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Changes in Accounting Policies and Disclosures**

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 consolidated financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

- IAS 24 Related Party Transactions (Amendment)
- IAS 32 Financial Instruments: Presentation (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- Improvement to IFRSs (issued May 2010)

Improvements to IFRS

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wordings. 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
- IFRS 7 Financial Instruments – Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 34 Interim Financial Statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Improvements to IFRS (continued)**

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 Consolidation and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

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

4. INVENTORIES

As at June 30, 2011 and December 31, 2010 inventories comprised:

<i>In thousands of Tenge</i>	June 30, 2011	December 31, 2010
Materials	584,244	328,146
Crude oil	320,557	292,550
Work in progress	22,329	32,262
Less: provision for obsolete and slow-moving inventories	(8,181)	(22,617)
	918,949	630,341

5. TRADE RECEIVABLES

<i>In thousands of Tenge</i>	June 30, 2011	December 31, 2010
Trade receivables in US Dollars	2,703,953	434,985
Trade receivables in Tenge	4,914	41,849
	2,708,867	476,834

Trade receivables are interest free and normally receivable within 30 days. Trade receivables are current as at June 30, 2011 and December 31, 2010 represent amounts due from sales of crude oil.

6. VAT RECOVERABLE AND OTHER TAXES PREPAID

As at June 30, 2011 and December 31, 2010 VAT recoverable and other taxes prepaid comprised:

<i>In thousands of Tenge</i>	June 30, 2011	December 31, 2010
VAT recoverable	1,350,935	1,185,668
Custom duties	193,901	–
Property tax	10,803	49,254
Historical costs	24,792	–
Mineral extraction tax	–	359,744
Rental tax	–	179,906
Other	77,431	194,196
Less: Allowance for doubtful VAT recoverable	(79,001)	(79,001)
	1,578,861	1,889,767

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. CASH AND CASH EQUIVALENTS**

As at June 30, 2011 and December 31, 2010 cash and cash equivalents comprised the following:

<i>In thousands of Tenge</i>	June 30, 2011	December 31, 2010
Current bank accounts – US dollars	2,030,116	8,928,295
Current bank account – Tenge	325,173	235,457
Cash on card accounts	4,316	2,191
Cash on hand	3,492	5,537
Current bank account – EURO	–	5,031
	2,363,097	9,176,511

As at June 30, 2011 and December 31, 2010 current bank accounts were interest free.

8. TRADE PAYABLES

Trade payables comprised the following at June 30, 2011 and December 31, 2010:

<i>In thousands of Tenge</i>	June 30, 2011	December 31, 2010
Due to related parties	–	177,330
Due to third parties	862,532	1,626,130
	862,532	1,803,460

Accounts payable are non-interest bearing, normally settled on 30-day terms.

9. TAXES PAYABLE

Taxes payable comprised the following at June 30, 2011 and December 31, 2010:

<i>In thousands of Tenge</i>	June 30, 2011	December 31, 2010
Rental tax	1,902,762	–
Mineral extraction tax	489,764	–
Other taxes payable	38,978	19,697
	2,431,504	19,697

10. COST OF SALES

<i>In thousands of Tenge</i>	For the six months ended June 30, 2011
Mineral extraction tax	1,378,488
Depreciation, depletion and amortization	989,617
Transportation expenses	640,064
Repair and maintenance	332,379
Services	268,367
Salaries and related costs	220,995
Taxes and fees	95,719
Other	374,361
Cost of production	4,299,990
Change in work in progress, crude oil:	
Work in progress, beginning balance of crude oil	616,774
Oil for own needs	(122,812)
Work in progress, ending balance of crude oil	(634,848)
Net changes in work in progress and finished goods	(140,886)
	4,159,104

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. SELLING EXPENSES**

<i>In thousands of Tenge</i>	For the six months ended June 30, 2011
Rental tax	4,427,151
Transportation	1,603,137
Custom duties	993,021
Other	258,430
	7,281,739

Transportation expenses represent costs related to transportation of oil through the pipelines MunaiTas JSC and KazTransOil JSC that provide oil pipeline transportation services throughout Kazakhstan.

12. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	For the six months ended June 30, 2011
Withholding tax on dividends	924,432
Payroll and related expenses	654,441
Rent and office maintenance	122,845
Professional services	48,828
Advertising	17,931
Business trips	10,545
Other	207,070
	1,986,092

13. INCOME TAXES

The Group's Kazakhstani operations are subject to income tax of 20% on taxable profit and Branch profit tax of 5% after corporate income tax as determined under the laws of the Republic of Kazakhstan. Income tax expense consisted of the following for the period ended June 30, 2011:

<i>In thousands of Tenge</i>	For the six months ended June 30, 2011
Corporate income tax	2,353,377
Excess profit tax	745,136
Deferred tax charge	218,075
Income tax expense	3,316,588

14. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies were disclosed in the annual consolidated financial statements for the ended December 31, 2010. During the first half of 2011 year, there were no significant changes in the financial and contingent liabilities.

15. RELATED PARTIES

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly and indirectly, by the Group's key management personnel, and KNOC group companies (Note 1). In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. RELATED PARTY TRANSACTIONS (continued)**

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Interest free loan to related party

In 2010, the Group provided an interest free loans to Rosco S.A. and Arawak Energy Kazakhstan B.V., payable on demand and no pledges amounting 20,040 thousand US dollars and 2,506 thousand US dollars, respectively. The interest-free loans were fully repaid as of June 30, 2011.

As discussed in Note 1, the shareholder of the Group changed from Altius Energy Corporation to KNOC on March 18, 2011. As the result all transactions starting from March 19, 2011 and balances as of June 30, 2011 with Altius Group companies are treated as not related party transactions and balances.

Compensation to key management personnel

Key management personnel totalled four persons as at June 30, 2011. Total compensation to key management personnel included in personnel costs in the accompanying statement of comprehensive income for the six months ended June 30, 2011 amounted to 48,522 thousand Tenge.

Book value of shares

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange ("KASE") dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

<i>In thousands of Tenge</i>	June 30, 2011	December 31, 2010
Total assets	27,585,135	36,539,984
Intangible assets	3,925,815	4,194,255
Total liabilities	7,114,620	5,247,404
Net assets for common shares	16,544,700	27,098,325
Number of common shares	182,644,452	182,644,452
Book value per share, Tenge	90.58	148.37