

**KazMunaiGas Exploration Production Joint Stock Company**

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2011

## Contents

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	<b>Page</b>
<i>Unaudited Condensed Consolidated Interim Financial Statements</i>	
Condensed Consolidated Interim Statement of Financial Position -----	1
Condensed Consolidated Interim Statement of Comprehensive Income -----	2
Condensed Consolidated Interim Statement of Cash Flows -----	3
Condensed Consolidated Interim Statement of Changes in Equity -----	4
Notes to Condensed Consolidated Interim Financial Statements -----	5-15

## **REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the shareholder and management of KazMunaiGas Exploration Production Joint Stock Company

### ***Introduction***

We have reviewed the accompanying condensed consolidated interim financial statements of KazMunaiGas Exploration Production Joint Stock Company ("the Company") as at June 30, 2011, comprising the condensed consolidated interim statement of financial position as at June 30, 2011 and the related condensed consolidated interim statements of comprehensive income for three and six-month period, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

*Ernst & Young LLP*

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Paul Cohn  
Audit Partner

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Evgeny Zhemaletdinov  
Auditor / General Director  
Ernst & Young LLP

State 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

Auditor Qualification Certificate № 0000553 dated 24 December 2003

5 August 2011

**Condensed Consolidated Interim Statement of Financial Position***Tenge thousands*

		<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>Notes</b>	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	316,534,540	297,508,553
Intangible assets		11,508,891	15,185,859
Investments in joint ventures	6, 8	122,473,288	96,737,910
Investments in associates	9	149,641,267	139,952,442
Receivable from a jointly controlled entity		18,455,462	19,153,089
Loan receivable from a joint venture	6	7,461,528	–
Other financial assets	4, 10	186,601,404	221,825,818
Deferred tax asset		10,970,708	8,408,967
Other assets		13,047,384	13,858,297
<b>Total non-current assets</b>		<b>836,694,472</b>	<b>812,630,935</b>
<b>Current assets</b>			
Inventories		15,268,589	18,779,936
Taxes prepaid and VAT recoverable		17,248,443	26,529,298
Prepaid expenses		15,361,199	27,815,083
Trade and other receivables	10	102,248,727	65,529,767
Receivable from a jointly controlled entity		3,212,351	1,203,834
Other financial assets	10	400,254,948	377,800,956
Cash and cash equivalents	10	97,971,327	98,519,680
<b>Total current assets</b>		<b>651,565,584</b>	<b>616,178,554</b>
<b>Total assets</b>		<b>1,488,260,056</b>	<b>1,428,809,489</b>
<b>EQUITY</b>			
Share capital		203,982,455	214,081,197
Other capital reserves		1,945,393	1,739,901
Retained earnings		989,156,472	931,455,065
Other components of equity		11,565,649	12,376,574
<b>Total equity</b>		<b>1,206,649,969</b>	<b>1,159,652,737</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		61,831,176	62,286,045
Deferred tax liability		1,113,346	1,829,852
Provisions	11	37,537,294	35,625,247
<b>Total non-current liabilities</b>		<b>100,481,816</b>	<b>99,741,144</b>
<b>Current liabilities</b>			
Borrowings		62,120,181	60,194,818
Mineral extraction tax and rent tax payable		68,698,626	46,054,359
Trade and other payables		35,007,052	47,304,799
Provisions	11	15,302,412	15,861,632
<b>Total current liabilities</b>		<b>181,128,271</b>	<b>169,415,608</b>
<b>Total liabilities</b>		<b>281,610,087</b>	<b>269,156,752</b>
<b>Total liabilities and equity</b>		<b>1,488,260,056</b>	<b>1,428,809,489</b>

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

**Condensed Consolidated Interim Statement of Comprehensive Income  
(unaudited)**

*Tenge thousands*

	Notes	Three months ended June 30,		Six months ended June 30,	
		2011	2010	2011	2010
Revenue	13	208,534,406	150,548,503	400,058,225	296,605,166
Share of results of associates and joint ventures	8, 9	26,889,307	6,716,784	48,578,975	18,848,047
Finance income		7,710,947	10,173,030	15,375,218	20,863,493
<b>Total revenue and other income</b>		<b>243,134,660</b>	<b>167,438,317</b>	<b>464,012,418</b>	<b>336,316,706</b>
Production expenses	14	(33,035,596)	(28,744,731)	(62,697,758)	(50,455,588)
Selling, general and administrative expenses	15	(33,880,645)	(21,462,634)	(59,264,286)	(42,193,414)
Exploration expenses		(629,178)	(82,583)	(678,088)	(465,847)
Depreciation, depletion and amortization		(10,810,959)	(8,442,049)	(21,584,281)	(16,389,840)
Taxes other than on income	16	(89,335,207)	(42,414,368)	(161,870,959)	(83,043,115)
Loss on disposal of fixed assets		(1,513,139)	(535,804)	(2,128,464)	(562,441)
Finance costs		(2,078,352)	(1,979,406)	(3,788,517)	(3,943,942)
Foreign exchange gain / (loss)		2,322,901	1,402,862	(4,735,638)	(2,837,109)
<b>Profit before tax</b>		<b>74,174,485</b>	<b>65,179,604</b>	<b>147,264,427</b>	<b>136,425,410</b>
Income tax expense	17	(18,864,381)	(16,824,533)	(32,926,292)	(36,391,304)
<b>Profit for the period</b>		<b>55,310,104</b>	<b>48,355,071</b>	<b>114,338,135</b>	<b>100,034,106</b>
Exchange difference on translating foreign operations		800,129	99,524	(810,925)	(581,671)
<b>Other comprehensive gain / (loss) for the period, net of tax</b>		<b>800,129</b>	<b>99,524</b>	<b>(810,925)</b>	<b>(581,671)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>56,110,233</b>	<b>48,454,595</b>	<b>113,527,210</b>	<b>99,452,435</b>
EARNINGS PER SHARE					
Basic and diluted	12	0.77	0.66	1.58	1.37

**Condensed Consolidated Interim Statement of Cash Flows (unaudited)***Tenge thousands*

		<b>Six months ended June 30,</b>	
	<b>Notes</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
Profit before tax		147,264,427	136,425,410
Adjustments to add / (deduct) non-cash items			
Depreciation, depletion and amortisation		21,584,281	16,389,840
Share of result of associates and joint ventures		(48,578,975)	(18,848,047)
Loss on disposal of property, plant and equipment (PPE)		2,128,464	562,441
Impairment of PPE		694,575	12,305
Dry well expense on exploration and evaluation assets		–	383,264
Recognition of share based payments		205,492	80,023
Forfeiture of share-based payments		–	(5,320)
Unrealised foreign exchange loss on non-operating activities		2,666,604	2,238,543
Other non-cash income and expense		2,616,139	338,562
Add finance costs		3,788,517	3,943,942
Deduct finance income relating to investing activity		(15,375,218)	(20,863,493)
Working capital adjustments			
Change in other assets		6,480,428	(4,511,661)
Change in inventories		3,042,535	(557,655)
Change in taxes prepaid and VAT recoverable		10,804,488	(4,432,593)
Change in prepaid expenses		12,453,884	(4,522,176)
Change in trade and other receivables		(36,384,483)	(8,650,327)
Change in trade and other payables		(12,651,817)	(2,118,293)
Change in mineral extraction and rent tax payable		22,644,267	4,411,875
Change in provisions		1,470,977	836,932
Income tax paid		(38,491,420)	(60,128,183)
<b>Net cash generated from operating activities</b>		<b>86,363,165</b>	<b>40,985,389</b>
<b>Cash flows from investing activities</b>			
Purchases of PPE	7	(45,463,913)	(26,052,797)
Proceeds from sale of PPE		394,711	20,277
Purchases of intangible assets		(1,093,304)	(394,675)
Acquisition of share in a joint venture	6	(23,906,835)	–
Loans provided to a joint venture	6	(636,560)	–
Dividends received from joint ventures and associates	8, 9	29,027,880	34,109,060
Interest received from investment in debt instruments of NC KMG		6,462,264	–
Purchase of financial assets held-to-maturity		(21,517,268)	(67,310,681)
Final payment on acquisition of subsidiary, net of cash acquired		(416,265)	–
Interest received		2,733,646	3,371,417
<b>Net cash used in investing activities</b>		<b>(54,415,644)</b>	<b>(56,257,399)</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury shares	12	(10,198,758)	(6,546,233)
Repayment of borrowings		(541,412)	(487,198)
Dividends paid to Company's shareholders		(21,862,537)	(74,217)
<b>Net cash used in financing activities</b>		<b>(32,602,707)</b>	<b>(7,107,648)</b>
Net change in cash and cash equivalents		(655,186)	(22,379,658)
Cash and cash equivalents at beginning of the year	10	98,519,680	107,626,368
Exchange gains on cash and cash equivalents		106,833	10,759
<b>Cash and cash equivalents at the end of the period</b>	10	<b>97,971,327</b>	<b>85,257,469</b>

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

**Condensed Consolidated Interim Statement of Changes in Equity (unaudited)**

*Tenge thousands*

	Share capital	Treasury stock	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total Equity
<b>As at December 31, 2009 (audited)</b>	<b>263,094,581</b>	<b>(24,547,667)</b>	<b>1,474,089</b>	<b>747,820,751</b>	<b>12,937,395</b>	<b>1,000,779,149</b>
Profit for the period	–	–	–	100,034,106	–	100,034,106
Other comprehensive loss	–	–	–	–	(581,671)	(581,671)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>100,034,106</b>	<b>(581,671)</b>	<b>99,452,435</b>
Recognition of share-based payments	–	–	80,023	–	–	80,023
Forfeiture of share-based payments	–	–	(5,320)	–	–	(5,320)
Exercise of employee options	–	35,640	5,632	–	–	41,272
Share buy back	–	(6,546,233)	–	–	–	(6,546,233)
Dividends	–	–	–	(50,867,577)	–	(50,867,577)
<b>As at June 30, 2010 (unaudited)</b>	<b>263,094,581</b>	<b>(31,058,260)</b>	<b>1,554,424</b>	<b>796,987,280</b>	<b>12,355,724</b>	<b>1,042,933,749</b>
<b>As at December 31, 2010 (audited)</b>	<b>263,094,581</b>	<b>(49,013,384)</b>	<b>1,739,901</b>	<b>931,455,065</b>	<b>12,376,574</b>	<b>1,159,652,737</b>
Profit for the period	–	–	–	114,338,135	–	114,338,135
Other comprehensive loss	–	–	–	–	(810,925)	(810,925)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>114,338,135</b>	<b>(810,925)</b>	<b>113,527,210</b>
Recognition of share-based payments	–	–	205,492	–	–	205,492
Exercise of employee options	–	100,016	–	–	–	100,016
Share buy back	–	(10,198,758)	–	–	–	(10,198,758)
Dividends	–	–	–	(56,636,728)	–	(56,636,728)
<b>As at June 30, 2011 (unaudited)</b>	<b>263,094,581</b>	<b>(59,112,126)</b>	<b>1,945,393</b>	<b>989,156,472</b>	<b>11,565,649</b>	<b>1,206,649,969</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

*Tenge thousands unless otherwise stated*

### 1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

KazMunaiGas Exploration Production Joint Stock Company (the “Company”) has been incorporated in the Republic of Kazakhstan and 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 which holds 60.94% of the Company’s outstanding shares as at June 30, 2011 (December 31, 2010: 60.50%). The Parent Company is 100% owned by joint stock company Samruk-Kazyna National Welfare Fund (“Samruk-Kazyna NWF”), 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 oil and gas interests in the form of wholly owned subsidiaries, jointly controlled entities, associates and certain other controlling and non-controlling interests in non-core entities. These consolidated financial statements reflect the financial position and results of operations of all of the above interests.

### 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have 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 consolidated financial statements for the year ended December 31, 2010.

#### *Exchange rates*

The official rate of the Kazakhstan Tenge to the US Dollar at June 30, 2011 and December 31, 2010 was 146.25 and 147.40 Tenge to the US Dollar, 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.

#### *Change in presentation of the condensed consolidated interim statement of comprehensive income*

The Company changed the presentation of income and expenses in the condensed consolidated interim statement of comprehensive income by adding the subtotal of revenue and other income, which includes revenue, share of results of associates and joint ventures and finance income. The presentation of comparative information was also changed in line with the current period.

### 3. SEASONALITY OF OPERATIONS

The Company’s operating costs are subject to seasonal fluctuations, with higher capital expenditures and expenses for materials and repair, maintenance and other services usually expected in the later part of the year than in the first half of the year. These fluctuations are mainly due to the requirement to conduct formal public tenders in accordance with procurement rules set by Samruk-Kazyna NWF.

### 4. SIGNIFICANT NON-CASH TRANSACTIONS

During the six months ended June 30, 2011 the Company excluded from the condensed consolidated interim statement of cash flows a non-cash transaction related to the offset of withholding income tax payable against the interest receivable on financial assets in the amount of 851,637 thousand Tenge (six months ended June 30, 2010: 2,850,354 thousand Tenge).

On May 5, 2011 Company declared dividends of 800 Tenge per share outstanding on May 16, 2011. Pursuant to the NC KMG Debt instrument agreement, on May 20, 2011 the Company performed a non-cash off-set of the declared dividends payable to Parent Company against part of the Debt instrument (Note 10) for the amount of 34,469,604 thousand Tenge (principal of 33,335,278 thousand Tenge and interest of 1,134,326 thousand Tenge).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 5. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2010, except as discussed below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2011:

- Improvements to IFRSs (May 2010)

The Company has adopted the improvements. The adoption of the revised standards and amendments did not have a material impact on the financial position and performance of the Company.

The following new standards, amendments to standards and IFRIC are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Company:

- IAS 24                                      Related Party Disclosures – amendment;
- IAS 32                                      Financial Instruments: Presentation - Classification of right issues;
- IFRS 1                                      First-time Adoption of International Financial Reporting Standards – Limited exemption from Comparative IFRS 7 Disclosures;
- IFRIC 14                                    Prepayments of a minimum funding requirement (amendment);
- IFRIC 19                                    Extinguishing Financial Liabilities with Equity Instruments.

### 6. ACQUISITION OF INTEREST IN JOINT VENTURE

*Investment in Ural Group Limited BVI (“UGL”)*

On April 15, 2011 the Company acquired from Exploration Venture Limited (EVL) 50% of the common shares of UGL. UGL holds 100% equity interest in Ural Oil and Gas LLP (UOG), which has an exploration license for the Fedorovskiy hydrocarbons field located in western Kazakhstan. In May 2010 the exploration license was extended until May 2014.

The 50% stake in UGL was acquired for cash consideration of 164,497 thousand US dollars (23,906,835 thousand Tenge) gross of withholding tax, including 61,383 thousand US dollars (8,923,237 thousand Tenge) for shares and 103,114 thousand US dollars (14,983,598 thousand Tenge) of shareholder loans. Of the total consideration 47,742 thousand US Dollars (6,937,416 thousand Tenge) has been attributed to the loans receivable from a joint venture, which were initially recognized at fair value and subsequently measured at amortized cost using effective interest method. The fair value on initial recognition was determined by discounting future cash flows for the loans using discount rate of 15%. The difference between the amount paid for the shareholder loans and their fair value of 55,372 thousand US Dollars (8,046,182 thousand Tenge) was attributed to the cost of the investment in UGL.

Investments in UGL are recognized as an investment in a joint venture in the consolidated financial statements of the Company.

Operating activities of the UGL are dependent upon continued financing from the shareholders in the form of capital or borrowings to enable the UGL to meet its current obligations and to continue its activities. As a result the Company has provided financing in the form of additional loans in the amount of 4,360 thousand US dollars (636,560 thousands of Tenge) from the acquisition date to June 30, 2011.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 6. ACQUISITION OF INTEREST IN JOINT VENTURE (continued)

*Investment in Ural Group Limited BVI ("UGL") (continued)*

The accounting for acquisition of the 50% interest in UGL in the condensed consolidated interim financial statements is based on the provisional assessment of fair values

All assets and liabilities of the joint venture have been accounted for at their provisional fair values:

	<b>Provisional fair value recognized on acquisition (as at April 15, 2011)</b>
Cash	231,727
Current assets	72,039
Non-current assets	28,591,937
	28,895,703
Current liabilities	276,591
Non-current liabilities	11,649,693
	11,926,284
<b>Net assets</b>	<b>16,969,419</b>

The Company's share of UGL's assets and liabilities as at June 30, 2011 on a provisional basis is as follows:

Cash	367,511
Current assets	97,519
Non-current assets	29,743,891
	30,208,921
Current liabilities	578,548
Non-current liabilities	12,405,384
	12,983,932
<b>Net assets</b>	<b>17,224,989</b>

The difference of 122,429 thousand US dollars (17,790,089 thousand Tenge) between the consideration paid for and the provisional fair value of the net assets acquired has been wholly attributed to the value of the license of UOG.

The results of operations of UGL for the period from the acquisition date to June 30, 2011 were included into the condensed consolidated interim financial statements of the Company for the six months ended June 30, 2011 and comprised a profit of 149,290 thousand Tenge.

### 7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2011, the Company prepaid for and purchased property, plant and equipment with a cost of 45,463,913 thousand Tenge (during six months ended June 30, 2010: 26,052,797 thousand Tenge).

Property, plant and equipment with the net book value of 2,359,172 thousand Tenge were disposed of by the Company during the six months ended June 30, 2011, resulting in a net loss on disposal of 2,128,464 thousand Tenge (during the six months ended June 30, 2010: 582,718 thousand Tenge and 562,441 thousand Tenge, respectively).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 8. INVESTMENTS IN JOINT VENTURES

#### *JV Kazgermunai*

On April 24, 2007 the Company acquired from NC KMG a 50% joint venture interest in Kazgermunai, which is involved in oil and natural gas production in south central Kazakhstan.

The Company's share of Kazgermunai's assets and liabilities as at June 30, 2011 and December 31, 2010 is as follows:

	June 30, 2011	December 31, 2010
	Unaudited	Audited
Cash	22,984,275	14,503,911
Current assets	26,653,208	9,998,641
Non-current assets	117,481,261	125,855,630
	<b>167,118,744</b>	<b>150,358,182</b>
Current liabilities	32,238,909	21,808,244
Non-current liabilities	29,631,536	31,812,028
	<b>61,870,445</b>	<b>53,620,272</b>
<b>Net assets</b>	<b>105,248,299</b>	<b>96,737,910</b>

The share of results of Kazgermunai included into the condensed consolidated interim financial statements of the Company is as follows:

	Six months ended June 30, 2011	Six months ended June 30, 2010
	Unaudited	Unaudited
Revenues	82,710,628	52,514,867
Operating expenses	(50,380,636)	(34,109,223)
Profit from operations	32,329,992	18,405,644
Finance cost, net	(112,620)	(159,773)
Profit before tax	32,217,372	18,245,871
Income tax expense	(8,836,905)	(6,988,419)
<b>Profit for the period</b>	<b>23,380,467</b>	<b>11,257,452</b>
<b>Foreign currency translation loss recognized in other comprehensive income</b>	<b>(308,078)</b>	<b>(461,812)</b>

Profit for six months ended June 30, 2011 is net of the effect of amortization of the fair valuation of the licenses in the amount of 4,201,885 thousand Tenge (six months ended June 30, 2010: 5,072,875 thousand Tenge) and related deferred tax benefit of 466,505 thousand Tenge (six months ended June 30, 2010: deferred tax expense of 62,518 thousand Tenge).

During six months ended June 30, 2011 the Company received dividends from Kazgermunai in the amount of 14,562,000 thousand Tenge (six months ended June 30, 2010: 21,992,120 thousand Tenge).

### 9. INVESTMENTS IN ASSOCIATES

	June 30, 2011	December 31, 2010
	Unaudited	Audited
Interest in Petrokazakhstan Inc. ("PKI")	148,774,921	139,164,657
Other	866,346	787,785
	<b>149,641,267</b>	<b>139,952,442</b>

#### *Petrokazakhstan Inc.*

KMG PKI Finance holds a 33% equity interest in PKI, which is involved in exploration, development and production of hydrocarbons in south central Kazakhstan as well as sale of oil and oil products. KMG PKI Finance's investment in PKI is recognized as an investment in associate in the consolidated financial statements of the Company.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 9. INVESTMENTS IN ASSOCIATES (CONTINUED)

*Petrokazakhstan Inc. (continued)*

The Company's share of PKI's assets and liabilities as at June 30, 2011 and December 31, 2010 is as follows:

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>Unaudited</b>	<b>Audited</b>
Cash	20,725,462	12,908,371
Current assets	44,610,621	33,467,489
Non-current assets	173,856,184	199,098,292
	<b>239,192,267</b>	<b>245,474,152</b>
Current liabilities	59,974,844	69,317,233
Non-current liabilities	30,442,502	36,992,262
	<b>90,417,346</b>	<b>106,309,495</b>
<b>Net assets</b>	<b>148,774,921</b>	<b>139,164,657</b>

The share of results of the associate included into the condensed consolidated interim financial statements of the Company is as follows:

	<b>Six months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Revenue	125,924,114	75,563,449
Operating expenses	(85,529,263)	(55,998,489)
Profit from operations	40,394,851	19,564,960
Finance cost, net	(278,818)	(434,102)
Profit before tax	40,116,033	19,130,858
Income tax expense	(15,081,508)	(11,477,593)
<b>Profit for the period</b>	<b>25,034,525</b>	<b>7,653,265</b>
<b>Foreign currency translation loss recognized in other comprehensive income</b>	<b>(958,381)</b>	<b>(818,353)</b>

Profit for six months ended June 30, 2011 is net of the effect of amortization of the fair valuation of the licenses in the amount of 5,615,155 thousand Tenge (six months ended June 30, 2010: 8,273,653 thousand Tenge).

During six months ended June 30, 2011 the Company received dividends from PKI in the amount of 14,465,880 thousand Tenge (six months ended June 30, 2010: 12,116,940 thousand Tenge).

### 10. FINANCIAL ASSETS

*Other financial assets*

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>Unaudited</b>	<b>Audited</b>
Investments in debt instrument of NC KMG	185,455,870	220,710,987
Tenge denominated held-to-maturity deposits	971,669	953,920
Other	173,865	160,911
<b>Total non-current</b>	<b>186,601,404</b>	<b>221,825,818</b>
US dollar denominated term deposits	317,864,060	264,841,437
Tenge denominated term deposits	45,959,748	57,786,248
Held-to-maturity financial assets	29,891,566	54,916,073
Great Britain pound denominated term deposits	6,323,394	–
Investments in debt instrument of NC KMG	215,910	256,928
Other	270	270
<b>Total current</b>	<b>400,254,948</b>	<b>377,800,956</b>
	<b>586,856,352</b>	<b>599,626,774</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 10. FINANCIAL ASSETS (CONTINUED)

*Other financial assets (continued)*

As at June 30, 2011 the current US dollar denominated term deposits include restricted cash in the amount of 39,008,611 thousand Tenge (December 31, 2010: 27,639,860 thousand Tenge), which is kept in a blocked account as a security for the payment of interest and principal on the long term debt of KazMunaiGaz PKI Finance B.V. (KMG PKI Finance), a 100% subsidiary of the Company (Note 20).

*Trade and other receivables*

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>Unaudited</b>	<b>Audited</b>
Trade receivables	101,902,245	65,367,737
Other	614,603	439,253
Allowance for doubtful receivables	(268,121)	(277,223)
	<b>102,248,727</b>	<b>65,529,767</b>

As at June 30, 2011 the Company's trade receivables included receivables from sales of crude oil to KazMunaiGas – Refinery and Marketing JSC (“KMG R&M”), a subsidiary of the Parent Company, of 100,348,233 thousand Tenge (December 31, 2010: 63,517,201 thousand Tenge). Of this amount 36,066,757 thousand Tenge is overdue (December 31, 2010: 7,198,720 thousand Tenge).

Payments for oil delivered shall be made by KMG R&M on the 30-th day after the date of delivery. In case of untimely payment KMG R&M shall pay a penalty ranging at the rates from one month LIBOR plus 2% to three month LIBOR plus 2% depending on the amount owed and period overdue. The Company's balance of other receivables includes penalty interest accrued on trade receivables from KMG R&M in the amount of 39,294 thousand Tenge (December 31, 2010: 33,709 thousand Tenge).

*Cash and cash equivalents*

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>Unaudited</b>	<b>Audited</b>
Tenge denominated term deposits with banks	30,978,346	12,982,717
US dollar denominated term deposits with banks	22,064,491	75,315,631
Euro denominated term deposits with banks	594,834	394,734
Tenge denominated cash in banks and on hand	37,085,904	3,880,555
US dollar denominated cash in banks and on hand	6,534,966	5,067,220
Great Britain pound denominated cash in bank and on hand	712,786	878,823
	<b>97,971,327</b>	<b>98,519,680</b>

### 11. PROVISIONS

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>Unaudited</b>	<b>Audited</b>
Environmental remediation	19,535,053	19,801,260
Asset retirement obligation	16,345,741	14,621,636
Taxes	11,102,833	11,685,058
Other	5,856,079	5,378,925
	<b>52,839,706</b>	<b>51,486,879</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 12. EQUITY

#### *Shares outstanding*

As at June 30, 2011 weighted average number of all shares outstanding amounted to 72,318,257 shares (June 30, 2010: 72,898,084 shares). As part of its buy back program, during the six months ended June 30, 2011 the Company purchased 529,605 preferred shares at an aggregate purchase price of 10,198,758 thousand Tenge (six months ended June 30, 2010: 307,112 preferred shares with an aggregate purchase price of 6,546,233 thousand Tenge). Under the employee remuneration program during the six months ended June 30, 2011 stock options for 8,947 ordinary shares were exercised (six months ended June 30, 2010: 3,072 ordinary shares). New stock options for 1,308 ordinary shares were issued during the six months ended June 30, 2011 (six months ended June 30, 2010: stock options issued for 5,336 ordinary shares).

#### *Book value per share*

The Kazakhstan Stock Exchange has enacted on October 11, 2010 a requirement for disclosure of the total equity less other intangible assets per shares outstanding as at period end. As at June 30, 2011 the amount per share outstanding is 17,037 Tenge (December 31, 2010: 16,249 Tenge).

#### *Dividends declared*

On May 5, 2011 the Company held an Annual General Meeting, where shareholders approved the annual dividend in the amount of 800 Tenge per one ordinary or preferred share. The payment of the annual dividend was made as per share register at May 16, 2011.

### 13. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Export:				
Crude oil	192,053,569	136,876,843	369,776,103	272,622,128
Domestic:				
Crude oil	12,389,384	9,255,001	22,150,752	16,306,234
Gas products	1,985,275	1,706,630	3,440,394	2,837,435
Refined products	742,600	1,630,326	2,237,062	2,283,611
Other	1,363,578	1,079,703	2,453,914	2,555,758
	<b>208,534,406</b>	<b>150,548,503</b>	<b>400,058,225</b>	<b>296,605,166</b>

### 14. PRODUCTION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Employee benefits	13,729,434	12,650,678	30,144,889	24,207,722
Repairs and maintenance	7,821,323	7,919,966	14,130,035	12,064,860
Materials and supplies	2,668,578	2,401,203	5,624,310	4,530,701
Energy	2,466,860	2,685,765	5,382,708	5,495,204
Change in crude oil balance	4,694,961	1,516,392	3,924,375	991,613
Transportation services	664,500	422,602	1,073,544	845,323
Processing expenses	224,375	317,504	575,921	520,397
Other	765,565	830,621	1,841,976	1,799,768
	<b>33,035,596</b>	<b>28,744,731</b>	<b>62,697,758</b>	<b>50,455,588</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

Tenge thousands unless otherwise stated

### 15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Transportation expenses	13,742,210	14,267,759	27,842,439	27,410,536
Fines and penalties	10,004,718	424,234	13,366,578	1,041,336
Employee benefits	3,390,257	2,634,863	6,458,220	5,077,083
Sponsorship	3,090,846	448,193	4,459,987	1,658,576
Management fees and commissions	2,200,772	2,074,491	4,406,855	4,138,707
Consulting and audit services	274,444	326,187	516,703	715,941
Repairs and maintenance	126,606	216,019	295,486	278,705
Other	1,050,792	1,070,888	1,918,018	1,872,530
	<b>33,880,645</b>	<b>21,462,634</b>	<b>59,264,286</b>	<b>42,193,414</b>

Fines and penalties include 6,608,072 thousand Tenge (fine of 5,356,704 thousand Tenge and late payment interest of 1,251,368 thousand Tenge) expensed under the Supreme Court decision in favor of the tax authority on 2004-2005 tax audit case (Note 19) and 2,314,714 thousand Tenge of the late payment interest for unpaid export customs duty (Note 16).

### 16. TAXES OTHER THAN ON INCOME

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Rent tax	44,277,835	23,791,256	84,997,085	46,684,876
Export customs duty	24,626,533	–	32,458,925	–
Mineral extraction tax	19,216,208	17,326,977	41,516,195	34,086,102
Property tax	843,249	664,612	1,572,796	1,315,350
Other taxes	371,382	631,523	1,325,958	956,787
	<b>89,335,207</b>	<b>42,414,368</b>	<b>161,870,959</b>	<b>83,043,115</b>

On August 18, 2009 the customs committee of the Republic of Kazakhstan presented a claim to the Company of 17,574,728 thousand Tenge for underpaid export customs duty (including the principal of 15,260,014 thousand Tenge and late payment interest of 2,314,714 thousand Tenge). This claim relates to January 2009 export shipments of crude oil, on which rent tax was fully paid per regulations of the Republic of Kazakhstan, declared for customs clearance in December 2008.

On February 23, 2011 the final appeal on this case has been filed to the Supreme Court of Kazakhstan by the Company. On June 23, 2011 the Supreme Court declined the Company's appeal. As a result the Company recognized 15,218,837 thousand Tenge of principal for underpaid export customs duty and the related late payment interest of 2,314,714 thousand Tenge (Note 15) as an expense during the six months ended June 30, 2011. Previously management did not accrue any amount for this claim as the claim was viewed as a double taxation, and therefore assessed as not probable.

### 17. INCOME TAX EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Corporate income tax	17,784,025	11,674,633	28,386,839	24,811,882
Excess profit tax	4,615,958	4,535,720	7,759,084	10,342,476
<b>Current income tax</b>	<b>22,399,983</b>	<b>16,210,353</b>	<b>36,145,923</b>	<b>35,154,358</b>
Corporate income tax	(2,969,381)	484,080	(2,715,591)	957,907
Excess profit tax	(566,221)	130,100	(504,040)	279,039
<b>Deferred income tax</b>	<b>(3,535,602)</b>	<b>614,180</b>	<b>(3,219,631)</b>	<b>1,236,946</b>
<b>Income tax expense</b>	<b>18,864,381</b>	<b>16,824,533</b>	<b>32,926,292</b>	<b>36,391,304</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 18. RELATED PARTY TRANSACTIONS

The category ‘entities under common control’ comprises entities controlled by the Parent Company. The category ‘other state controlled entities’ comprises entities controlled by Samruk-Kazyna NWF, except for banks, controlled by Samruk-Kazyna NWF. Halyk Bank of Kazakhstan is a related party due to the bank being controlled by a chairman of the management board of Samruk-Kazyna NWF. BTA Bank is a related party since it is controlled by Samruk-Kazyna NWF and Kazkommertsbank is a related party due to Samruk-Kazyna NWF holding 21.2% of the bank’s ordinary shares.

Sales and purchases with related parties during the six months ended June 30, 2011 and 2010 and the balances with related parties at June 30, 2011 and December 31, 2010 are as follows:

	Six months ended June 30,	
	2011	2010
	Unaudited	Unaudited
<b>Sales of goods and services</b>		
Entities under common control	396,289,912	290,012,084
Joint ventures	201,621	152,081
Other state controlled entities	439	368,499
Associates	10,388	24,307
<b>Purchases of goods and services</b>		
Entities under common control	13,016,228	12,568,952
Parent Company	4,159,878	3,887,737
Other state controlled entities	5,722,349	6,198,907
Associates	173,949	80,026
Halyk Bank of Kazakhstan affiliates	610,197	637,181
<b>Interest earned on financial assets</b>		
Interest earned on Debt Instrument	7,550,947	–
Effective interest rate on Debt Instrument – indexed USD/KZT	6.87%	–
Halyk Bank of Kazakhstan	2,464,749	9,124,719
Average interest rate on deposits	3.31%	7.54%
Kazkommertsbank	1,299,434	7,535,409
Average interest rate on deposits	6.64%	8.81%
BTA Bank	–	112,906
Average interest rate on deposits	–	12%
<b>Salaries and other short-term benefits</b>		
Members of the Board of Directors	70,149	56,672
Members of the Management Board	181,683	172,672
<b>Share-based payments</b>		
Members of the Board of Directors	625	2,717
Members of the Management Board	19,810	9,620

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

*Tenge thousands unless otherwise stated*

### 18. RELATED PARTY TRANSACTIONS (continued)

	June 30, 2011	December 31, 2010
	Unaudited	Audited
<b>Cash and cash equivalents (Note 10)</b>		
Halyk Bank of Kazakhstan	38,597,000	13,141,643
Kazkommertsbank	243,542	997,391
BTA Bank	12,783	10,381
<b>Financial assets (Note 10)</b>		
Halyk Bank of Kazakhstan	81,624,738	99,583,042
Kazkommertsbank	39,571,496	37,873,202
Debt Instrument – indexed USD/KZT	185,671,780	220,967,915
<b>Trade and other receivables (Note 10)</b>		
Entities under common control	104,258,123	66,981,677
Other state-controlled entities	1,604,453	606,068
Joint ventures	29,240,202	20,432,051
Associates	37,839	7,540
Halyk Bank of Kazakhstan affiliates	559,689	98,300
<b>Trade payables</b>		
Entities under common control	777,623	543,559
Parent Company	776,511	2,591,825
Other state controlled entities	315,351	282,844
Associates	449,010	631,987
Halyk Bank of Kazakhstan affiliates	98,003	48,609

### 19. COMMITMENTS AND CONTINGENCIES

Commitments arising from oilfield licenses and contracts:

Year	Capital expenditures	Operational expenditures
2011 (remaining)	49,902,999	2,459,539
2012	11,908,213	4,231,710
2013	–	3,999,553
2014	–	3,999,553
2015-2021	–	18,819,550
	<b>61,811,212</b>	<b>33,509,905</b>

#### *Tax audit*

The Company underwent a comprehensive tax audit by the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan for the 2004 and 2005 years. As a result of the tax audit, which was commenced in 2007 and completed in August of 2009, the tax authorities have initially provided a tax assessment to the Company of 32,005,320 thousand Tenge, representing 16,170,934 thousand Tenge of the amount for underpaid taxes, 8,034,790 thousand Tenge for administration penalties and a further 7,799,596 thousand Tenge for late payment interest.

As a result of subsequent appeals by the Company the amount was decreased to 8,634,939 thousand Tenge of principle and 2,632,746 thousand Tenge of late payment interest, which was subsequently paid to the budget in September 2010. The Company filed an appeal on the remaining amount to the Supreme Court. Currently, the case is outstanding.

Following the Company's successful appeals the Ministry of Finance of the Republic of Kazakhstan further filed an appeal to the Supreme Court with respect to the decrease of assessments of the first instance court in the amount of 2,130,467 thousand Tenge of principle and 1,251,368 thousand Tenge of late payment interest. On April 27, 2011 the Supreme Court has satisfied this appeal and the Company has subsequently paid claimed amounts in May 2011.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)**

*Tenge thousands unless otherwise stated*

**19. COMMITMENTS AND CONTINGENCIES (continued)**

*Commitments of JV Kazgermunai LLP (“Kazgermunai”)*

As at June 30, 2011 the Company’s share in the commitments of Kazgermunai is as follows:

<b>Year</b>	<b>Capital expenditures</b>	<b>Operational expenditures</b>
2011 (remaining)	4,291,280	2,069,125

*Commitments of Ural Group Limited (“UGL”)*

Under the UGL exploration license the partners to the share purchase agreement have agreed to capital expenditure commitments in order to satisfy the minimum work program. As at June 30, 2011 the Company’s share in the capital commitments of UGL is as follows:

<b>Year</b>	<b>Capital expenditures</b>
2011 (remaining)	699,605
2012	1,907,429
2013	914,629
2014	123,188
	<b>3,644,851</b>

**20. SUBSEQUENT EVENTS**

*Repayment of KMG PKI Finance notes*

On July 5, 2011 the Company paid principal and accrued interest of the KMG PKI Finance notes in the amount of 234.4 million US dollars (34,187,573 thousands Tenge) and 32 million US dollars (4,665,302 thousands Tenge), respectively (Note 10).

*Dividends received from PKI*

On December 21, 2010 the shareholders of PKI agreed to distribute dividends in the amount of 400 million US Dollars. On August 4, 2011 PKI distributed the remaining 100 million US Dollars of the abovementioned dividends. Previous distribution of 300 million US Dollar was made on June 27, 2011.

These condensed consolidated interim financial statements have been signed below by the following persons on behalf of the Company and in the capacities indicated on August 5, 2011:

Chief Executive Officer \_\_\_\_\_  
Balzhanov A.

Chief Financial Officer \_\_\_\_\_  
Bekezhanova Zh.

Financial Controller \_\_\_\_\_  
Drader Sh., CA

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