



**Zhaikmunai L.P.
(the "Company")**

EBITDA OF US\$ 32.5 MM IN H1 2009; PRODUCTION UP BY 48.8%

Douglas - September 1 2009 - Zhaikmunai L.P. (LSE: ZKM) ('Zhaikmunai'), the independent oil and gas enterprise operating in northwestern Kazakhstan, today announces its interim results for the six months to 30 June 2009.

OPERATIONAL HIGHLIGHTS

- Average daily production increased to 7,271 barrels per day (1H08: 4,930 bbls per day)
- Increase in number of producing wells from 9 to 16
- Production volumes up by 48.8 per cent to 1,326,980 bbls (1H08: 892,000 bbls)
- End June 2009 daily oil production up to 6,967 bbls per day
- Completion of a residential building containing 90 flats in the city of Uralsk, part of the village relocation programme

FINANCIAL HIGHLIGHTS

- Revenue down 41.9 per cent to US\$44.7 million (1H08: US\$76.9 million)
- EBITDA down to US\$32.5 million (1H08: US\$42.1 million)
- Net cash flows from operating activities down 27.1 per cent to US\$13.8 (1H08: US\$19.0 million)
- Net (loss)/ profit of US\$(20.1) million (1H08: US\$17.6 million) due to loss on hedge (US\$15.4 million) and foreign exchange loss (US\$12.6 million).
- Average realised oil price on domestic and export sales of US\$31.32/bbl (1H08: US\$91.92/bbl)

KEY DEVELOPMENTS

- Obtained approvals from the ZKR (Central Committee of Field Development) of Zhaikmunai' oil deposit and gas-condensate development plans, thereby putting all of Zhaikmunai's reserves under approved development plans.

- Extension of Zhaikmunai's gas flaring permit from 31 October 2009 to 30 June 2010

POST H1 UPDATE

- On 29 July 2009 Zhaikmunai announced its intention to raise US\$300 million through the sale of new common units (the "Placing"). Zhaikmunai has signed an underwritten placing agreement with ING Bank, Mirabaud Securities, Renaissance Capital and First Energy Capital Corp. for a placing of US\$180 million in common units to investors, and Claremont Holdings Limited, the current 90% owner of Zhaikmunai, has agreed to subscribe for US\$120 million in common units, in each case subject to certain conditions including the waiver by the Republic of Kazakhstan of its statutory pre-emption rights.
- On 19 August 2009 the issuance of common units in connection with the Placing was approved at a special general meeting of Zhaikmunai's limited partners.
- On 27 August 2009 Zhaikmunai signed an amendment agreement with BNP Paribas pursuant to which Zhaikmunai's existing loan facility will be amended and the outstanding defaults under the facility will be waived, subject to the satisfaction of certain conditions including completion of the Placing.
- Zhaikmunai today also publishes the audit report relating to its year-end results for 2008 and 2007, re-issued by its auditors to clarify that the report covers the company's consolidated results in respect of both financial years ended 31 December 2008 and 2007, respectively. The financial results of Zhaikmunai for these periods have not been restated or amended in any manner whatsoever. The re-issue and publication of the audit report is made solely to satisfy certain regulatory requirements applicable to the company.

Commenting on the results, Kai-Uwe Kessel, Chief Executive, said:

"Notwithstanding the much lower oil prices compared to last year, we had an encouraging first half thanks to the increase in production which resulted from the company's successful drilling activities. Moreover, good progress has been made in the construction of the Gas Treatment Unit and other infrastructure associated with the Chinarevskoye field, notably the 90-apartment residential building in the city of Uralsk which is now complete. Good progress has also been made in securing additional equity financing with the announcement at the end of July of the US\$300m Placing. We expect that the conditions will be met to complete the Placing during the month of September, providing the company with the financing necessary to implement its growth strategy."

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

Zhaikmunai has increased production, averaging 7,271 barrels per day during the first half of 2009 compared to 4,930 barrels per day during the first half of 2008. We now have 16 producing wells compared to 9 producing wells as at end June 2008.

In addition to increasing production, the partnership has also progressed its various construction projects. Notably the apartment building in Uralsk was completed, providing for a new home for 90 families participating in the village relocation program. Furthermore, in August, the tie-in to the Orenburg-Novopskov gas pipeline has been realised.

Revenues for the first half of 2009 were 41.9% lower than for the comparable period in 2008, directly related to the lower oil price. The average realised price for the first half of 2009 was US\$31.32/bbl versus US\$91.92/bbl during the first half of 2008.

On 29 July 2009 Zhaikmunai announced its intention to raise US\$300 million through the sale of new common units (the "Placing"). Zhaikmunai has signed an underwritten placing agreement with ING Bank, Mirabaud Securities, Renaissance Capital and First Energy Capital Corp. for a placing of US\$180 million in common units to investors, and Claremont Holdings Limited, the current 90% owner of Zhaikmunai, has agreed to subscribe for US\$120 million in common units, in each case subject to certain conditions including the waiver by the Republic of Kazakhstan of its statutory pre-emption rights. We expect that the Placing will be completed during September 2009.

At present Zhaikmunai is not in compliance with certain financial covenants under the BNP Paribas facility. As a result, although Zhaikmunai's lenders have not requested early repayment of the loans under the BNP Paribas facility, under applicable accounting rules borrowings under such facility are classified as short-term debt. However, on 27 August 2009 Zhaikmunai signed an agreement with BNP Paribas to amend the facility and obtain a waiver for its defaults, with the grant of the waiver being subject to the satisfaction of certain conditions, including the completion of the Placing. Upon satisfaction of those conditions the company's borrowings under the facility would be reclassified as long term debt.

FINANCIAL RESULTS

Revenue

Revenues from Oil Sales for the first 6 months of 2009 were \$44.7 million, down 41.9% on the corresponding period (1H 08: \$76.9 million). Sales volumes for the first 6 months of 2009 were 1,294,247 bbls, up 54.6% (1H08: 837,275 bbls)

partly reflecting lower shipments in the second quarter of 2008 owing to temporary interruption in the supply of rail cars.

Net price received

The weighted average Brent crude oil price on which Zhaikmunai based its sales for the first 6 months of 2009 was US\$51.62/bbl (1H08: US\$105.55/bbl). The discount, accounting for the trader's costs and fees, was US\$15.40/bbl for the first 6 months of 2009 (1H08: US\$13.63/bbl). Accordingly, the average netback for export crude oil sales on FOB Uralsk basis during the first 6 months of 2009 was US\$36.22/bbl (1H08: US\$91.92/bbl).

Capex

Total net cash used for capital expenditures for the first 6 months of 2009 amounted to US\$24.9 million, as compared to US\$90.8 million for the first 6 months of 2008.

Hedging contract

On 30 March the existing hedging contract pursuant to the terms of the facility agreement with BNP Paribas was sold and a new contract entered into. The sale of the hedge resulted in a realised loss of \$14.7 million. Under the new contract, which ends 30 June 2010, the Company hedges a portion of its production with a floor of US\$50.00/bbl. An unrealized loss of \$6.1 million on the hedging contract has been recorded which stems from the fair market value of the Company's hedging position as at 30 June 2009.

Foreign Exchange Loss

On 4 February Kazakhstan's central bank devalued the tenge by 18 percent. The foreign exchange loss of US\$12.6 million stems from the recalculation of monetary items like prepaid income tax, VAT receivable and advances paid.

OPERATIONAL REVIEW

Production

Production volumes increased 48.8 per cent for the first 6 months of 2009 to 1,326,980 barrels, compared to 892,000 barrels for the first 6 months of 2008. Daily crude oil production increased to 7,271 barrels per day during the first six months of 2009 in comparison to an average of 4,930 barrels per day in first half of 2008. At the end of June 2009, there were 16 producing wells, an increase from 9 producing wells at the end of June 2008. Oil production on 30 June 2009 was 6,967 barrels per day.

Drilling

In June 2009, Zhaikmunai employed 2 heavy drilling rigs (operated by Saipem and UNGG). After the completion of well 63 and 65 in February 2009, the Saipem rig started to drill well 119, which is now 90% completed. During the period under review, Zhaikmunai employed 2 work over rigs (operated by UNGG). Work over operations has been carried out for wells 27, 31, 33 and 121.

Exploration

In relation to the work program, two Zhaikmunai projects have been reviewed on June 11, 2009 by the ZKR (Central Committee of Field Development):

The test production plan of the Mullinski oil accumulation in the Southern part of the Chinarevskoye field.

Test production project of the Tournasian oil accumulation in the Western part of the Chinarevskoye field.

Both projects were approved by ZKR on June 30, 2009. As such, the test production of well 32 started on June 18, 2009 and in well 33 (Tournasian West) test production has started in the beginning of July.

Engineering & construction

The construction work on the GTU has progressed further. The overall project is currently 50% complete. In addition to the GTU, the main other ongoing engineering & construction projects are:

- the gas pipeline (from the field to the Intergas Central Asia Gas pipeline),
- infield pipelines and roads, and
- construction of a reservoir pressure maintenance system

The construction of a residential building containing 90 flats in the city of Uralsk has been completed over the course of Q2 2009 and was officially commissioned in July 2009. The relocation of the village residents started on August 4, 2009 and will continue through Q3 2009.

FINANCIAL STATEMENTS

As from January 1, 2009, the Group has changed its functional currency from the Kazakhstani Tenge ("Tenge" or "KZT") to the United States Dollar (the US Dollar or "US\$") as a result of increased purchases of materials and other costs



from foreign suppliers which were denominated in US\$. Moreover, the Group now has all of its financing in US Dollars.

The reviewed consolidated financial statements for the period through to 30 June 2009 are appended to this release.

The audit report published today for the year-end results for 2008 and 2007 is also appended to this release.

CONFERENCE CALL

Zhaikmunai's management team will be holding a conference call for analysts and investors to discuss this development at 2pm BST on 2 September 2009. Dial in details for the conference call and the replay facility, which will be available for one week, are below.

Participants International Dial In: +44 (0) 1452 561 371

Conference ID 27563465

Replay Details:

International Dial In: +44 (0) 1452 55 00 00

Replay Access Number: 27563465#

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Notes to Editors

Zhaikmunai is an independent oil and gas enterprise engaged in the exploration, production and sale of crude oil and gas condensate in northwestern Kazakhstan.

The Company's license area is the Chinarevskoye field, which is located in the northern part of the oil-rich Pre-Caspian Basin. Zhaikmunai entered into a Production Sharing Contract with the Republic of Kazakhstan in 1997. Based on a reserve report prepared by Ryder Scott Company L.P., Zhaikmunai's estimated gross proven plus probable hydrocarbon reserves as at 1 July 2008 were 534 million boe. Zhaikmunai's GDRs are listed on the London Stock Exchange under the ticker symbol 'ZKM'.

Forward looking statements

In the interests of providing current and potential investors with information regarding the Company, including the Company's assessment of its and its subsidiaries' future plans and operations, certain statements included in this press release may constitute forward-looking information or forward looking statements (collectively, "forward-looking statements"). All statements contained herein that are not clearly historical in nature are forward-looking, and the words "anticipate", "believe", "expect", "estimate" and similar expressions are generally intended to identify forward-looking statements. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. These forward-looking statements made as of the date hereof disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

Zhaikmunai LP

Interim Condensed Consolidated Financial Statements (Unaudited)

For the six months ended June 30, 2009

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Report On Review Of Interim Condensed Consolidated Financial Statements

To the participants of Zhaikmunai LP:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Zhaikmunai LP and its subsidiaries ("the Group") as at 30 June 2009 and the related interim condensed consolidated statements of comprehensive income, 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 interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 2 in the interim condensed consolidated financial statements, which describes that the Group breached loan covenants as at 30 June 2009 and management's plans to restructure the Group's debt. Because of the breach in covenants the loan is classified in current liabilities, which exceed current assets by US\$ 411,459 thousand as at 30 June 2009. The Company's dependence on refinancing its debt indicates the existence of a material uncertainty, which may cast a significant doubt about the Group's ability to continue as a going concern.

Ernst & Young LLP

27 August 2009

Interim Condensed Consolidated Statement of Financial Position*In thousands of US dollars*

	Note	June 30, 2009 (unaudited)	December 31, 2008 (audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	634,406	513,491
Hedging contract at fair value	10	1,573	62,923
Advances for equipment and construction works		35,471	75,385
		671,450	651,799
Current Assets			
Restricted cash	4	19,078	21,078
Inventories		3,320	3,589
Trade receivables		7,677	1,084
Prepayments and other current assets		22,134	28,081
Income tax prepayment		—	5,386
Cash and cash equivalents		40,196	11,887
		92,405	71,105
TOTAL ASSETS		763,855	722,904
EQUITY AND LIABILITIES			
Partnership capital and Reserves			
Partnership capital		92,072	92,072
Translation reserve		3,299	3,299
Retained earnings		106,195	126,296
		201,566	221,667
Non-Current Liabilities			
Abandonment and site restoration provision		5,477	3,411
Share option plans at fair value		1,573	516
Due to Government of Kazakhstan		6,061	6,330
Deferred tax liability		45,314	56,940
		58,425	67,197
Current Liabilities			
Trade payables	9	124,769	60,953
Current portion of long term borrowings	4	367,804	365,439
Income tax payable		2,443	—
Current portion of Due to Government of Kazakhstan		1,289	1,031
Other current liabilities		7,559	6,617
		503,864	434,040
TOTAL EQUITY AND LIABILITIES		763,855	722,904

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of Zhaikmunai LP

Kai Uwe Kessel

Chief Financial Officer of Zhaikmunai LP

Jan-Ru Muller

Interim Condensed Consolidated Statement of Comprehensive Income (unaudited)

In thousands of US dollars

		Six months ended June 30	
	Notes	2009 (unaudited)	2008 (unaudited)
Sales of crude oil		44,680	76,939
Cost of sales	5	(18,705)	(23,160)
Gross profit		25,975	53,779
General and administrative expenses	6	(14,184)	(8,383)
Selling and oil transportation expenses		(2,847)	(6,450)
Finance costs	7	(18,931)	(7,348)
Foreign exchange loss		(12,624)	(780)
Other loss		(234)	(216)
(Loss) / Profit before Income Tax		(22,845)	30,602
Income tax expense	8	2,744	(13,035)
Net (Loss) / Income		(20,101)	17,567
Translation difference		—	(343)
Total comprehensive income, net of tax		(20,101)	17,224

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of Zhaikmunai LP

Kai Uwe Kessel

Chief Financial Officer of Zhaikmunai LP

Jan-Ru Muller

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

		Six months ended June 30	
	Notes	2009 (unaudited)	2008 (unaudited)
Cash flow from operating activities:			
(Loss) / Profit before income tax		(22,845)	30,602
Adjustments for:			
Depreciation and amortization		7,162	4,514
Interest expense on borrowings	7	3,036	5,731
Unwinding of discount on amounts due to Government of Kazakhstan		247	488
Unwinding of discount on abandonment and site restoration facility		215	52
Unrealized foreign exchange gain on non-operating activities		—	792
Loss on hedging contract at fair value	10	15,433	—
Operating profit before working capital changes		3,248	42,179
Changes in working capital:			
Decrease/(increase) in inventories		269	(1,813)
Increase in trade receivables		(6,593)	(6,835)
Decrease/(increase) in prepayments and other current assets		5,947	(1,373)
Increase / (decrease) in trade payables		10,503	(13,280)
Increase in other current liabilities		1,744	4,573
Payment of obligation to Government of Kazakhstan		(258)	(1,289)
Cash generated from operations		14,860	22,162
Income tax paid		(1,024)	(3,184)
Net cash flows from operating activities		13,836	18,978
Cash flow from investing activities:			
Purchases of property, plant and equipment	3	(24,918)	(90,842)
Net cash used in investing activities		(24,918)	(90,842)
Cash flow from financing activities:			
Repayment of borrowings		—	(245,872)
Proceeds from sale of hedging contract	10	48,200	—
Purchase of hedging contract		(7,700)	—
Realized hedging gain	10	5,417	—
Interest paid		(8,526)	(17,859)
Transfer from / (to) restricted cash		2,000	(16,270)
Proceeds from borrowings		—	324,381
Proceedings from Initial Public Offering		—	91,822
Net cash provided by financing activities		39,391	136,202
Effects of exchange rate changes on cash and cash equivalents		—	(145)
Net increase in cash and cash equivalents		28,309	64,338
Cash and cash equivalents at the beginning of period		11,887	7,344
Cash and cash equivalents at the end of period		40,196	71,537

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of Zhaikmunai LP

Kai Uwe Kessel

Chief Financial Officer of Zhaikmunai LP

Jan-Ru Muller

Interim Condensed Consolidated Statement of Changes in Equity (unaudited)*In thousands of US dollars*

	Partnership capital	Retained earnings	Translation reserve	Total
As of December 31, 2007	—	64,261	3,979	68,240
Translation difference	—	—	(343)	(343)
Proceeds from initial public offering	91,822	—	—	91,822
Profit for the period	—	17,567	—	17,567
As of June 30, 2008	91,822	81,828	3,636	177,286
As of December 31, 2008	92,072	126,296	3,299	221,667
Loss for the period	—	(20,101)	—	(20,101)
As of June 30, 2009	92,072	106,195	3,299	201,566

The accounting policies and explanatory notes on pages 5 through 13 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of Zhaikmunai LP

Kai Uwe Kessel

Chief Financial Officer of Zhaikmunai LP

Jan-Ru Muller

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

1. GENERAL

Zhaikmunai LP is a Limited Partnership formed on 29 August 2007 pursuant to the Partnership Act 1909 of the Isle of Man. The Partnership is registered in the Isle of Man with registered number 295P.

The interim condensed consolidated financial statements includes the results of the operations of Zhaikmunai L.P. ("Zhaikmunai LP") and its wholly owned subsidiaries Frans Van Der Schoot B.V. ("FVDS"), Claydon Industrial Limited (BVI) ("Claydon"), Jubilata Investments Limited (BVI) ("Jubilata"), Zhaikmunai LLP ("the Partnership") and Condensate Holdings LLP ("Condensate"). Zhaikmunai LP and its subsidiaries are hereinafter referred to as "the Group". The Group's operations are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan. The Group is ultimately indirectly controlled through Thyler Holdings Limited, by Frank Monstrey. The General Partner of Zhaikmunai LP is Zhaikmunai Group Limited, which is responsible for the management of the Group.

The Partnership was established in 1997 for the purpose of exploration and development of the Chinarevskoye oil and gas condensate field in the Western Kazakhstan Region. The Partnership carries out its activities in accordance with the Contract for Additional Exploration, Production and Production-Sharing of Crude Hydrocarbons in the Chinarevskoye oil and gas condensate field (the "Contract") dated October 31, 1997 in accordance with the license MG No. 253D (the "License") for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field between the State Committee of Investments of the Republic of Kazakhstan and the Partnership.

On March 28, 2008 Zhaikmunai LP listed 10,000,000 Global Depository Receipts ('GDRs') at US\$10 per GDR, representing 9.09% of the participating rights of the Group, on the London Stock Exchange ('LSE').

The Group was formed through a reorganization of entities under common control on March 28, 2008 to enable the listing of GDRs on the LSE. These interim condensed consolidated financial statements was been prepared using the pooling of interest method and, as such, the financial statements have been presented as if the transfers of the Group interests in Frans Van Der Schoot B.V., Claydon, Jubilata, Zhaikmunai LLP and Condensate had occurred from the beginning of the earliest period presented.

The registered address of the Zhaikmunai L.P. is: Anglo International House, Lord Street, Douglas, IM1 4LN.

These interim condensed consolidated financial statements were authorized for issue by Kai-Uwe Kessel, Chief Executive Officer of the General Partner of Zhaikmunai LP and by Jan-Ru Muller, Chief Financial Officer of the General Partner of Zhaikmunai LP on August 27, 2009.

Licence terms

The term of the license of the Partnership originally included a 5 year exploration period and a 25 year production period. The exploration period was initially extended for additional 4 years and then for further 2 years according to the supplements to the Contract dated January 12, 2004 and June 23, 2005, respectively. In accordance with the supplement dated June 5, 2008, Tournasian North reservoir entered into production period as at January 1, 2007. Following additional commercial discoveries during 2008, the exploration period under the license, other than for the Tournasian horizons, was extended for an additional 3 year period with a new expiry on May 26, 2011.

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

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended June 30, 2009 have been prepared in accordance with IAS 34 and on a historical cost basis, except for financial instruments, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended December 31, 2008.

Going Concern

The interim condensed consolidated financial statements have been prepared on the basis that the Group is a going concern, which assumes continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business.

As at both December 31, 2008 and June 30, 2009, with respect to the senior secured facility ('Facility Agreement') (Note 4), the Partnership was in breach of the covenants related to its EBITDA to interest expense and EBITDA to total indebtedness ratios. As at the date of approval of these interim condensed consolidated financial statements, BNP Paribas has not waived their right to demand immediate repayment of the loans under the Facility Agreement, which as at June 30, 2009 amounted to US\$ 368 million. The Group would not have sufficient funds to repay the loan in the event the lenders exercise this right, which indicates a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management believes the going concern basis of preparation to be appropriate as the Group has reached an agreement with the lenders of the initial \$550 million syndicated facility for the amendment of the facility and the waiver of defaults thereunder, subject to certain conditions. As at August 26, 2009, US\$382 million remains outstanding under this facility, which amount is classified under IFRS as a short-term liability in the Group's unaudited financial statements for the six months ended June 30, 2009. On August 26, 2009, an amendment agreement was concluded with BNP Paribas (as facility agent for the lenders) providing for a waiver of the existing defaults, conditional, amongst other things, upon completion of the US\$300 million placement (as announced by the Group on 29 July 2009) and in consideration for, inter alia, the lenders agreeing to reduce the size of the syndicated facility to US\$382 million and increasing the rate of interest to LIBOR plus 7%. The US\$300 million placement is conditional upon, inter alia, the receipt of a waiver from the Government of Kazakhstan in respect of its pre-emptive right under Article 71 of the Subsoil Law. However, Management expects the placing will become unconditional by no later than mid-September. As at the date hereof, the lenders have not exercised their rights to demand early repayment under the facility.

Under these scenarios, cashflow forecasts prepared by the Group indicate the Group will be able to pay its debts as and when they fall due.

Functional Currency

The functional currency of Zhaikmunai LLP until 1 January 2009 was the Kazakhstani Tenge ("Tenge" or "KZT") which reflected the economic substance of the underlying events and circumstances of the enterprise at the time. Commencing January 1, 2009, Zhaikmunai LLP has changed its functional currency to the United States Dollar (the US Dollar" or "US\$") as a result of increased purchases of materials and other costs from foreign suppliers which were denominated in US\$. Moreover, the Group now has all of its financing in US Dollars. The increased volume of US\$ denominated transactions was treated as a change in circumstances surrounding the Partnership's operating environment and the functional currency in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". As other Group companies represent an extension of Zhaikmunai LLP operations, their functional currencies has been also changed to US\$.

The Group applied the translation procedures applicable to the new functional currency prospectively from the date of change. Accordingly, all items in the balance sheet as of January 1, 2009 have been translated into US\$ using the exchange rate as of that date, i.e. US\$ 1 = KZT 150.41. The resulting translated amounts for non-monetary items are treated as their historical cost.

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

2. BASIS OF PREPARATION (continued)

Accounting Policies

The accounting policies applied in preparation of these interim condensed consolidated financial statements are consistent with those applied in preparation of the annual consolidated financial statements for the year ended December 31, 2008, 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, 2009:

- IAS 1 (revised), *Presentation of financial statements*.

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement of comprehensive income.

- IFRS 2 (amendment), *Share-based payment*.

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

- IFRS 7 (amendment), *Improving Disclosures about Financial Instruments*

The amended Standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. As these additional disclosures are not material for an understanding of the Group's interim condensed financial statements, they were not presented.

- IFRS 8, *Operating segments*;

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The adoption of this Standard did not have any effect on the financial position or performance of the Group.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Partnership.

- IAS 32 (amendment), *Financial instruments: Presentation*;
- IFRIC 13, *Customer loyalty programmes*;
- IFRIC 15, *Agreements for the construction of real estate*;
- IFRIC 16, *Hedges of a net investment in a foreign operation*; and
- IFRIC 9, *Reassessment of Embedded Derivatives* and IAS 39 (amendment), *Financial instruments: Recognition and measurement*.

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording.

The Partnership expects that the adoption of the pronouncements listed above have or will have no material impact on the Group's results of operations and financial position.

3. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2009, the Group had additions of property, plant and equipment of US\$ 128,253 thousand. These additions included capitalised interest of US\$ 8,020 thousand and abandonment and site restoration assets of US\$ 1,851 thousand.

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

4. BORROWINGS

<i>In thousands of US dollars</i>	June 30, 2009 (unaudited)		December 31, 2008 (audited)	
	Current	Non-current	Current	Non-current
Credit line due to BNP Paribas	367,804	—	365,439	—
	367,804	—	365,439	—

Facility agreement with BNP Paribas

On December 12, 2007 the Partnership entered into a US\$ 550 million senior secured facility agreement between BNP Paribas ("Facility agreement"), as a facility agent, and the Partnership, as a borrower, and Zhaikmunai LP as guarantor. The Partnership drew down on March 7, 2008 approximately US\$ 291 million for (inter alia) the purpose of fully refinancing the BTA Facility and fully refinancing the loan from Blavin. The Partnership used the further proceeds of the BNP Paribas Facility to finance the construction of a gas treatment facility and otherwise towards developing the field. Initially, the BNP Paribas Facility comprised three tranches of US\$ 200 million, US\$ 200 million and US\$ 150 million. Drawdowns above US\$ 450 million are subject to certain conditions relating to syndication by BNP Paribas which have not been satisfied as of the date of this publication. As of June 30, 2009 the Partnership had drawn down US\$ 381,677 million.

The rate of interest payable on outstanding amounts under each tranche are LIBOR plus mandatory cost plus, under tranche 1, a margin of 3%, under tranche 2, a margin of 4% and under tranche 3, a margin of 5%.

The total amount outstanding is repayable in accordance with the schedule, reducing the total commitments to zero by December 31, 2014. In addition, the BNP Paribas Facility is mandatorily prepayable to the extent of the proceeds of any material disposals, debt offerings and a cash sweep of 50% of the Partnership collected revenue (in excess of US\$ 25 million). The Partnership is also entitled to voluntarily prepay the amounts outstanding. The Partnership is required to give customary representations and warranties, repeated periodically and certain covenants relating to profitability.

In accordance with the BNP Paribas Facility, the Partnership maintains a hedging programme under which it hedges the fixed volume of production at Brent crude oil price of US\$ 50 per bbl (Note 10). The Partnership is additionally required to maintain and fund a debt service reserve account with a balance equal to at least 5% of the amount outstanding under the BNP Paribas Facility. Lastly, the Partnership is required to maintain annual oil and gas off-take contracts (gas sales to be commenced in 2010) with off-takers required to purchase 80% of total production and 100% of production available for export. The Partnership's obligations under the BNP Paribas Facility are secured by various forms of security, including, (i) a pledge over 100% of the participatory interests in the Partnership; (ii) pledges over its bank accounts; (iii) the assignment of rights under the off-take contracts; (iv) assignment of all guarantees or performance bonds issued in connection with the contract with KSS for the gas treatment facility; and (v) assignment of the benefit of the Partnership's relevant existing and future insurance policies.

As a result of lower than anticipated EBITDA at June 30, 2009 and December 31, 2008 the Partnership was in breach of the covenant related to its EBITDA to interest expense and total indebtedness ratios. Consequently, BNP Paribas, pursuant to the loan agreement, has confirmed to the Partnership that they will not distribute the balance of US\$ 69 million at this time. However, the Partnership believes BNP Paribas will not call the loan as a result of the breach and the Partnership has entered into an agreement with BNP Paribas on August 27, 2009 for the waiver of such breach, subject to the satisfaction of certain conditions.

The total Partnership's debt service reserve account, classified as restricted cash under the terms of the BNP Paribas Facility amounted to US\$ 19,078 thousand as at June 30, 2009.

<i>In thousands of US Dollar</i>	June 30, 2009	December 31, 2008
Principal amount as at December 31	381,677	381,677
Fees incurred on arrangement of BNPP facility	(19,943)	(19,943)
Amortization of arrangement fees	5,882	3,705
Interest payable	188	—
	367,804	365,439

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

4. BORROWINGS (continued)

As a result of the breach, the loan was classified as current liabilities.

Further, all export sale proceeds are paid into the Partnership's account held with a member of the syndicate, and withdrawals from such account may be made in accordance with the Partnership's approved cashflow plan.

5. COST OF SALES

<i>In thousands of US dollars</i>	Six months ended June 30,	
	2009 (unaudited)	2008 (unaudited)
Depreciation and amortization	7,162	4,161
Repair, maintenance and other services	2,911	3,128
Payroll and related taxes	2,310	1,677
Royalties	2,303	2,400
Management fees	1,015	972
Materials and supplies	878	2,587
Other transportation services	822	751
Environmental levies	544	1,117
Government profit share	442	710
Well workover costs	—	4,006
Rent and operation of oil separation units	—	1,479
Other	318	172
	18,705	23,160

6. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of US dollars</i>	Six months ended June 30,	
	2009 (unaudited)	2008 (unaudited)
Professional services	5,227	2,547
Management fees	4,081	925
Equity option plan	1,267	871
Payroll and related taxes	1,339	1,099
Training	1,065	1,313
Other	228	410
Bank charges	158	264
Communication	195	166
Insurance fees	165	177
Lease payments	128	122
Social program	130	100
Sponsorship	78	192
Business trip	70	127
Materials and supplies	53	70
	14,184	8,383

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

7. FINANCE COSTS

<i>In thousands of US dollars</i>	Six months ended June 30,	
	2009 (unaudited)	2008 (unaudited)
Interest income	—	(244)
Interest expense on borrowings	3,036	5,731
Loss on hedge contract	15,433	1,321
Unwinding of discount on Due to Government	247	488
Unwinding of discount on Abandonment and Site Restoration Liability	215	52
	18,931	7,348

8. INCOME TAX EXPENSE

The income tax expense consisted of the following:

<i>In thousands of US dollars</i>	Six months ended June 30,	
	2009 (unaudited)	2008 (unaudited)
Income tax expenses comprise:		
- current income tax expense	8,882	5,094
- deferred income tax (benefit) / expense	(11,626)	7,941
Total income tax expense (benefit) / expense	(2,744)	13,035

The Group's profits are assessed for income taxes only in the Republic of Kazakhstan. A reconciliation of income tax expense applicable to profit before income tax using the Kazakhstani tax rate, applicable to the license, of 30% to income tax expense as reported in the Group's consolidated financial statements for the periods ended June 30 is as follows:

<i>In thousands of US Dollar</i>	2008	2007
Profit before income tax	(22,845)	30,602
Statutory tax rate	30%	30%
Expected tax provision	(6,854)	9,181
Non-deductible interest expense on borrowings	2,246	2,412
Income taxed at different rate	(4,050)	—
Foreign exchange loss / (gain)	3,787	234
Difference arising on Abandonment and Site Restoration liability and payables Due to Government	325	210
Other non-deductible expenses	1,802	998
Income tax (benefit) / expense reported in the accompanying financial statements	(2,744)	13,035

Deferred tax balances are calculated by applying the Kazakhstani statutory tax rates in effect at the respective balance sheet dates to the temporary differences between the tax and the amounts reported in the financial statements and are comprised of the following at June 30, 2009 and December 31, 2008:

<i>In thousands of US Dollar</i>	2009	2008
Deferred tax asset:		
Accruals for expenses which are to be deductible when paid	777	1,413
	777	1,413
Deferred tax liability:		
Crude oil inventory not recognized as an asset for tax purposes	(448)	(551)
Hedging contract at fair value not recognized as an asset for tax purposes	(472)	(18,877)
Capitalized interest and abandonment and site restoration included into cost of property, plant and equipment	(45,171)	(38,925)
Net deferred tax liability	(45,314)	(56,940)

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

8. INCOME TAX EXPENSES (continued)

As at December 31, the movements in the deferred tax liability were as follows:

<i>In thousands of US Dollar</i>	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Balance at January 1,	(56,940)	(26,191)
Current year charge / (benefit) to translation reserve	—	246
Current year charge to statement of income	11,626	(30,995)
Balance at June 30 December 31,	(45,314)	(56,940)

9. TRADE PAYABLES

<i>In thousands of US Dollars</i>	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Tenge denominated trade payables	17,429	41,679
US dollar denominated trade payables	102,822	18,617
Trade payables denominated in other currencies	4,518	657
	124,769	60,953

US Dollar denominated trade payables as at June 30, 2009 include US\$ 74,641 thousand payable to KSS in respect to construction of a gas treatment facility (December 31, 2008: US\$ 16,290 thousand included in Tenge denominated trade payables).

10. HEDGING CONTRACT

Pursuant to the terms of the BNP Paribas facility (Note 4) in 2008 the Partnership has entered, at nil cost, into a hedging contract covering oil export sales commencing March 2008 through till December 2013 which was sold before expiration on March 31, 2009.

On March 31, 2009, the Partnership entered into a new hedging contract at cost of US\$ 7,700 thousand covering oil export sales of 967,058 bbl and 596,766 bbl in 2009 and 2010, respectively. The put strike price for Brent crude oil is fixed at a price of US\$ 50 per bbl. There is no call strike price under this contract.

Gains and losses on the hedge contracts, which do not qualify for hedge accounting, are taken directly to income statement.

<i>In thousands of US Dollar</i>	Six months ended June 30, 2009 (unaudited)	2008 (unaudited)
Hedging contract fair value at December 31	62,923	—
Proceeds from sale of hedging contract	(48,200)	—
Loss on disposal of hedging contract	(14,723)	—
Purchase of hedging contract	7,700	—
Unrealized hedging loss	(6,127)	(1,321)
Hedging contract at fair value at June 30	1,573	(1,321)

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited) (continued)

11. RELATED PARTY TRANSACTIONS

For the purpose of these interim condensed consolidated financial statements related parties transactions include mainly balances and transactions between the Group and the participants and/or their subsidiaries or associated companies.

Balances with related parties at the balance sheet dates and transactions with related parties for the respective periods follow.

<i>In thousands of US dollars</i>	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Advances paid		
Probel Capital Management B.V.	—	1,620
Prolag BVBA	170	—
Total	170	1,620

The balance represents advances paid for future services.

<i>In thousands of US dollars</i>	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Trade payables		
Probel Capital Management B.V.	1,084	163
Amersham Oil LLP	103	108
Prolag BVBA	541	—
Total	1,728	271

<i>In thousands of US dollars</i>	Six months ended June 30, 2009 (unaudited)	2008 (unaudited)
Operating Expenses, Selling and General and Administrative Expenses incurred		
Probel Capital Management B.V.	4,349	1,219
Frans Van Der Schoot B.V.	—	4,408
Prolag BVBA	1,180	—
Amersham Oil LLP	555	644
Total	6,084	6,271

All related parties are companies indirectly controlled by Frank Monstrey, who ultimately indirectly controls the Group through Thyler Holdings Limited.

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

12. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

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

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

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

Legal actions

In the ordinary course of business, the Partnership is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Partnership.

The Partnership assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its consolidated financial statements only where it is probable that actual events giving rise to a liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these interim condensed consolidated financial statements for any of the contingent liabilities mentioned above.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at June 30, 2009. As at June 30, 2009 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax positions will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

The Partnership may also be subject to loss contingencies relating to regional environmental claims that may arise from the past operations of the related fields in which it operates. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the Partnership may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of respective parties' ability to pay for the costs related to environmental reclamation. However, depending on any unfavorable claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Partnership's future results of operations or cash flow could be materially affected in a particular period.

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

12. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Capital commitments**

As at June 30, 2009 the Partnership had contractual capital commitments in amount of US\$ 114,888 thousand.

Operating leases

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

Social and education commitments

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