Annual Combined Financial Information of Claydon and Jubilata for the years ended 31 December 2006, 2005 and 2004

ZHAIKMUNAI

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ACCOUNTANT'S REPORT

March 25, 2008

The Directors
Zhaikmunai L.P.
Clinch's House
Lord Street, Douglas
Isle of Man, IM 99 1RZ

Dear Sirs

Claydon Industrial Limited and Jubilata Investments Limited and their subsidiaries Condensate Holdings LLP and Zhaikmunai LLP (together the "Combined Entity")

We report on the financial information of the Combined Entity for the years ended December 31, 2004, 2005 and 2006 set out in the section headed "Combined Financial Information" (the "Financial Information") of the Prospectus dated March 28, 2008 of Zhaikmunai L.P. (the "Prospectus". The Financial Information has been prepared for inclusion in the Prospectus on the basis of preparation set out in Note 2 to the Financial Information. This report is required by Item 20.1 of Annex X of Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under applicable law (including Prospectus Rule 5.5.4R(2)(f)) to any person purchasing partnership interests (or depositary receipts representing such partnership interests) of Zhaikmunai L.P. in reliance on this report as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 23.1 of Annex X to the PD Regulation, consenting to its inclusion in the Prospectus.

Responsibilities

The Directors of Zhaikmunai L.P. are responsible for preparing the Financial Information on the basis of preparation set out in Note 2 to the Financial Information.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Combined Entity as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2 to the Financial Information.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex X of the PD Regulation.

Yours faithfully

Ernst & Young LLP

COMBINED BALANCE SHEET
As of December 31, 2006, 2005 and 2004

	Note	2006	2005	2004
		In thousand of US dollars		
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	135,850	60,904	47,821
Advances for equipment and construction works		14,231	3,471	—
		150,081	**64,375**	**47,821**
Current Assets				
Inventories		3,014	1,345	193
Trade receivable	5	5,580	2,142	2,094
Prepayments and other current assets	6	5,787	1,030	1,478
Cash and cash equivalents	7	2,832	3,236	1,079
		17,213	7,753	4,844
TOTAL ASSETS		**167,294**	**72,128**	**52,665**
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Share capital	8	50	50	50
Retained earnings and translation reserve		28,142	14,472	9,678
		28,192	**14,522**	**9,728**
Non-Current Liabilities				
Long term borrowings	9	93,799	30,887	18,556
Abandonment and site restoration liabilities	10	1,214	622	460
Due to Government of Kazakhstan	11	8,094	7,332	7,600
Deferred tax liability	18	15,867	8,489	5,067
		118,974	**47,330**	**31,683**
Current Liabilities				
Trade payables	12	12,890	3,266	1,303
Current portion of long term borrowings	9	5,099	6,123	9,405
Other current liabilities	13	2,139	887	546
		20,128	**10,276**	**11,254**
TOTAL EQUITY AND LIABILITIES		**167,294**	**72,128**	**52,665**

The accounting policies and explanatory notes on pages F-7 through F-27 are an integral part of this combined financial information.

General Director of Jubilata Investments Limited ____________________

General Director of Claydon Industrial Limited ____________________

COMBINED INCOME STATEMENT

For the years ended December 31, 2006, 2005 and 2004

	Note	2006	2005	2004
		In thousand of US dollars		
Sales of crude oil		**58,565**	32,393	23,198
Cost of sales	14	**(26,080)**	(15,974)	(8,937)
Gross profit		**32,485**	16,419	14,261
General and administrative expenses	16	**(6,891)**	(2,457)	(1,271)
Selling and oil transportation expenses	15	**(4,042)**	(2,069)	(1,667)
Finance costs	17	**(2,194)**	(1,760)	(2,044)
Foreign exchange gain/(loss)		**586**	(759)	2,390
Profit before Income Tax		**19,944**	9,374	11,669
Income tax expense	18	**(6,973)**	(3,465)	(4,038)
Net Income		**12,971**	5,909	7,631

The accounting policies and explanatory notes on pages F-7 through F-27 are an integral part of this combined financial information.

General Director of Jubilata Investments Limited ____________________

General Director of Claydon Industrial Limited ____________________

COMBINED STATEMENT OF CASH FLOWS
For the years ended December 31, 2006, 2005 and 2004

	Note	2006	2005	2004
		In thousand of US dollars		
Cash flow from operating activities:				
Profit before income tax		19,944	9,374	11,669
Adjustments for:				
Depreciation and amortization	14	14,590	10,120	6,971
Interest expense on borrowings	17	1,279	1,021	1,289
Unwinding of discount on amounts due to Government of Kazakhstan	17	762	691	716
Unrealized foreign exchange (gain)/loss, net		(404)	627	(2,251)
Unwinding of discount on abandonment and site restoration liability	17	153	48	39
Operating profit before working capital changes		**36,324**	**21,881**	**18,433**
Changes in working capital:				
Increase in inventories		(1,601)	(424)	(27)
Increase in trade receivables		(3,316)	(48)	(281)
(Increase)/decrease in prepayments and other current assets		(4,706)	(3,003)	235
Increase/(decrease) in trade payables		9,545	1,950	(294)
Increase in accrued liabilities		1,188	351	238
Cash generated from operations		**37,434**	**20,707**	**18,304**
Income tax paid		(9)	(6)	(135)
Net cash flows from operating activities		**37,425**	**20,701**	**18,169**
Cash flow from investing activities:				
Purchases of property, plant and equipment		(92,851)	(24,477)	(12,158)
Net cash used in investing activities		**(92,851)**	**(24,477)**	**(12,158)**
Cash flow from financing activities:				
Repayment of borrowings		(11,295)	(14,623)	(7,649)
Interest paid		(6,365)	(2,158)	(1,632)
Proceeds from borrowings		72,500	22,846	2,615
Share issue		—	—	50
Net cash provided by/(used in) financing activities		**54,840**	**6,065**	**(6,616)**
Effects of exchange rate changes on cash and cash equivalents		182	(132)	139
Net (decrease)/increase in cash and cash equivalents		**(586)**	**2,289**	**(605)**
Cash and cash equivalents at the beginning of the year		**3,236**	**1,079**	**1,545**
Cash and cash equivalents at the end of the year	7	**2,832**	**3,236**	**1,079**

The accounting policies and explanatory notes on pages F-7 through F-27 are an integral part of this combined financial information.

General Director of Jubilata Investments Limited ____________________

General Director of Claydon Industrial Limited ____________________

COMBINED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2006, 2005 and 2004

	Share capital	Retained earnings/ (Accumulated deficit)	Translation reserve	Total
		In thousand of US dollars		
As of December 31, 2003	—	**(73)**	**2,120**	**2,047**
Profit for the year	—	7,631	—	7,631
Share issue	50	—	—	50
As of December 31, 2004	**50**	**7,558**	**2,120**	**9,728**
Translation difference	—	—	(1,115)	(1,115)
Profit for the year	—	5,909	—	5,909
As of December 31, 2005	**50**	**13,467**	**1,005**	**14,522**
Translation difference	—	—	699	699
Profit for the year	—	12,971	—	12,971
As of December 31, 2006	**50**	**26,438**	**1,704**	**28,192**

The accounting policies and explanatory notes on pages F-7 through F-27 are an integral part of this combined financial information.

General Director of Jubilata Investments Limited ____________________

General Director of Claydon Industrial Limited ____________________

ZHAIKMUNAI

NOTES TO THE COMBINED FINANCIAL INFORMATION
For the years ended December 31, 2006, 2005 and 2004

1. GENERAL

This combined financial information represents the combination of the financial statements of Claydon Industrial Limited (BVI) ("Claydon"), Jubilata Investments Limited (BVI) ("Jubilata") and their subsidiaries. These entities together own 100% of Zhaikmunai LLP (the "Partnership"), an oil and gas producing entity located in Kazakhstan and Condensate Holdings LLP. Both Claydon and Jubilata (jointly the "Combined Entity") are ultimately controlled, through Thyler Holdings Limited, by Frank Monstrey. The immediate parent of the Combined Entity is Scoulton Holdings Limited ("Scoulton").

The principal operation of the Combined Entity is the Partnership. The Partnership was established in 1997 for the purpose of exploration and development of 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.

This combined financial information has been prepared because the entity which is anticipated to be used in the planned public offering, Zhaikmunai Limited Partnership ("Zhaikmunai LP"), was formed only on August 29, 2007 in the Isle of Man. Zhaikmuani LP will hold the the beneficial ownership in the issued share capital in Claydon and Jubilata immediately following admission of Global Depository Receipts (GDR's) to the official list of the United Kingdom Listing Authority. In consideration for the issue of the partnership interests in Zhaikmunai LP, Scoulton will become the general partner of Zhaikmunai LP holding 99.9% of the partnership interests and Amery Capital Limited will become a limited partner with an interest of 0.1%. This special purpose combined financial information has been prepared on the basis that Claydon and Jubilata were under the common control of Frank Monstrey for the three years ended December 31, 2006.

The registered address of Claydon is Trident Chambers, Road Town, Tortola, British Virgin Islands.

The registered address of Jubilata is Trident Chambers, Road Town, Tortola, British Virgin Islands.

This financial information was authorised for issue by Montrond Incorporated and Bluebrook on March 25, 2008.

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 an additional 4 years and then for a further 2 years according to the supplements to the Contract dated January 12, 2004 and June 23, 2005, respectively. The final exploration extension of 2 years did not change the license term, which will expire in 2031.

Royalty Payments

The Partnership is required to make monthly royalty payments throughout the entire Production Period, at the rates specified in the Contract.

Royalty rates depend on crude oil recovery levels and the phase of production and can vary from 2% to 6% of produced petroleum and natural gas.

Government 'profit share'

The Partnership makes payments to the Government of its 'profit share' as determined in the Contract. The 'profit share' depends on crude oil production levels and varies from 10% to 40% of production after deducting royalties and reimbursable expenditures. Reimbursable expenditures include operating expenses, costs of additional exploration and development costs. Government profit share is expensed as incurred.

2. BASIS OF PREPARATION

The basis of preparation and accounting policies used in preparing the combined financial information for the years ended December 31, 2004, 2005 and 2006 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented.

This combined financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation and the UK Listing Rules and in accordance with this basis of preparation. The basis of preparation describes how the combined financial information has been prepared in conformity with International Financial Reporting Standards ("IFRS") except as described below. As discussed in Note 1, the parent entity which is to be used in the planned public offering, Zhaikmunai LP, was formed only on August 29, 2007. As a result, Claydon and Jubilata have been combined as described in the basis of combination below. The combined financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 and consequently there is no explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1.

Basis of preparation

The combined financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") except as described below. IFRSs do not provide for the preparation of combined financial information, and accordingly, in preparing the combined information, certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical information) issued by the UK Auditing Practices Board have been applied. The basis of preparation under which these accounts have been prepared results in the following material departures from IFRSs. In other respects IFRSs have been applied:

- IAS 27 "Consolidated and Separate Financial Statements" defines a group as a parent and its subsidiaries and further describe how consolidated financial statements are prepared. The historical financial information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27.

The combined financial information, which has been prepared specifically for the purpose of the prospectus, is prepared on a basis that combines the results and assets and liabilities of Claydon and Jublilata and the companies which they, in aggregate, control by applying the principles underlying the consolidation procedures of IAS 27 for each of the three years to December 31, 2004, 2005, 2006 and as of those dates. The underlying financial statements of Claydon and Jubilata have been prepared using the principles of IFRS. Internal transactions between Claydon, Jubilata and their subsidiaries have been eliminated on combination.

This special purpose combined financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in this note to the combined financial information and for no other purpose.

The combined financial information is presented in US Dollars, which is the functional and presentation currency of Jubilata and Claydon. Each entity in the Combined Entity determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, Condensate-Holdings LLP and Zhaikmunai LLP, is the Kazakhstani Tenge ("Tenge" or "KZT"). As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Combined Entity at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the translation are taken directly to equity.

Basis of combination

The combined financial information incorporates the results of Claydon and Jubilata and their subsidiaries. The results of the subsidiaries are included from the date on which effective control was acquired up to the date control ceased to exist. Subsidiaries are those enterprises controlled by Claydon and Jubilata regardless of the amount of shares owned or partnership interests held. Control exists when Claydon and/or Jubilata have the power, either directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are combined from the date on which control is transferred and cease to be combined from the date on which control is transferred to a third party. The financial statements of subsidiaries are prepared for the same reporting periods as Claydon and Jubilata using consistent accounting policies. All intercompany transactions and balances, including unrealized profits arising from transactions between Claydon and Jubilata and their subsidiaries, have been eliminated on combination.

Changes in Accounting Policies

The following new standards, amendments to standards and interpretations are mandatory for the financial year ended December 31, 2006:

IAS 19 (Amendment), *Actuarial Gains and Losses, Group Plans and Disclosures*, effective for annual periods beginning on or after January 1, 2006, introduces an additional recognition option for actuarial gains and losses in post-employment defined benefit plans. The amendments to IAS 19 did not have a material impact on the Partnership's financial position or results of operations.

IAS 21 (Amendment), *Net Investment in a Foreign Operation*, effective for annual periods beginning on or after January 1, 2006. The amendments to IAS 21 did not have a material impact on the Partnership's financial position or results of operations.

IAS 39 (Amendment), *The Fair Value Option;* IAS 39 (Amendment), *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*; IAS 39 and IFRS 4 (Amendment), *Financial Guarantee Contracts,* all effective for annual periods beginning on or after January 1, 2006, clarified the use of fair values, clarified that the definition of a financial hedge extends to certain intercompany transactions and clarified the accounting for insurance contracts.

The amendments to IAS 39 and IFRS 4 did not have a material impact on the Partnership's financial position or results of operations.

IFRS 6, *Exploration for and Evaluation of Mineral Resources*, is effective for annual periods beginning on or after January 1, 2006. IFRS 6 permits the continued use of recognition and measurement practices for exploration and evaluation assets applied immediately before adopting the IFRS. IFRS 6 also provides specific guidance on impairment of exploration and evaluation assets. The adoption of IFRS 6 did not have a material impact on the Partnership's financial position or results of operations.

IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, is effective for annual periods beginning on or after January 1, 2006. The adoption of IFRIC 4 did not have a material impact on the Combined Entity's financial position or results of operations.

IFRIC 5, *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*, is effective for annual periods beginning on or after January 1, 2006. The adoption of IFRIC 5 did not have a material impact on the Combined Entity's financial position or results of operations.

IFRIC 6, *Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*, is effective for annual periods beginning on or after December 1, 2005. The adoption of IFRIC 6 did not have a material impact on the Combined Entity's financial position or results of operations.

IFRSs and IFRIC Interpretations not yet effective

The Combined Entity has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- IFRS 3 "Business Combinations"—amendment;
- IFRS 7 "Financial Instruments: Disclosures";
- IFRS 8 "Operating Segments";
- IAS 1 "Presentation of Financial Statements"—amendment;
- IAS 23 "Borrowing Costs"—amendment;
- IAS 27 "Consolidation and Separate Financial Statements"—amendment;
- IFRIC 8 "Scope of IFRS 2";
- IFRIC 9 "Reassessment of Embedded Derivatives";
- IFRIC 10 "Interim Financial Reporting and Impairment";
- IFRIC 11 "IFRS 2—Group and Treasury Share Transactions";
- IFRIC 12 "Service Concession Arrangements";
- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 14 "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

The Combined Entity expects that the adoption of the pronouncements listed above will have no significant impact on the Partnership's results of operations and financial position in the period of initial application, except that the adoption of IFRS 7 and amendment to IAS 1 will result in additional disclosures, including sensitivity analysis for market risks and capital management disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimation and Assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material change to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the Partnership's computation of depreciation, depletion and amortization (the "DD&A"). The Partnership estimates its reserves of oil and gas in accordance with the methodology of the Society of Petroleum Engineers (the "SPE"). In estimating its reserves under SPE methodology, the Partnership uses long-term planning prices which are also used by management to make investment decisions about development of a field. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year end spot prices. Management believes that long-term planning price assumptions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A.

The Partnership has included in proved reserves only those quantities that are expected to be produced during the initial license period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Partnership's license periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Foreign Currency Translation

The functional currency of Jubilata, Claydon and the foreign operations, Condensate LLP and Zhaikmunai LLP, is the Kazakhstani Tenge ("Tenge" or "KZT"). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary

assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The combined financial information is presented in US Dollars, which is the presentation currency of the Combined Entity. As at the reporting date, the assets and liabilities are translated into the presentation currency of the Combined Entity at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to equity.

Property, Plant and Equipment

Oil and Gas Properties

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalized within property, plant and equipment (construction work-in-progress) until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration and materials and fuel used, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

All capitalized costs of oil and gas properties are amortized using the unit-of-production method based on estimated proved developed reserves of the field, except in the case of assets that have a useful life shorter than the lifetime of the field, in which case the straight line method is applied.

Oil and Gas Reserve

Proved oil and gas reserves are estimated quantities of commercially viable hydrocarbons which existing geological, geophysical and engineering data show to be recoverable in future years from known reservoirs.

The Partnership uses the reserve estimates provided by an independent appraiser to assess the oil and gas reserves of its oil and gas fields. These reserve quantities are used for calculating the unit of production depreciation rate as it reflects the expected pattern of consumption of future economic benefits by the entity.

Impairment of assets

The Combined Entity assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are

identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Combined Entity makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Other Properties

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Combined Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and Improvements	7-15
Vehicles	5
Machinery and Equipment	3-13
Other	3-10

Borrowing Costs

The Combined Entity capitalizes borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalization include all assets under construction that are not being depreciated, depleted, or amortized, provided that work is in progress at that time. Qualifying assets mostly include wells and other oilfield infrastructure under construction. Capitalized borrowing costs are calculated by applying the capitalization rate to the expenditures on qualifying assets. The capitalization rate is the weighted average of the borrowing costs applicable to the Partnership borrowings that are outstanding during the period.

Inventories

Inventories are stated at the lower of cost or net realizable value ("NRV"). Cost is determined on the First-in-First-out ("FIFO") method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Trade Receivables

Accounts receivable are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for uncollectible amounts is made when collection of the full amount is no longer probable. These estimates are reviewed periodically, and as adjustments become necessary, they are reported as expense (credit) in the period in which they become known. Bad debts are written off when identified.

Cash and Cash Equivalents

Cash and cash equivalents are recognized and measured at the fair value of consideration received. Cash and cash equivalents consist of cash on hand and bank deposits that mature within ninety days from the date of origination and are free from contractual encumbrances.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the combined financial information over the period of the borrowings using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through amortization of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Combined Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Abandonment and site restoration (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Partnership has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term interest rates for emerging market debt adjusted for risks specific to the Kazakhstan market. The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit-of-production basis.

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

(a) are added to, or deducted from, the cost of the related asset in the current period. If deducted from the cost of the asset the amount deducted shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the income statement; and

(b) if the adjustment results in an addition to the cost of an asset, the Partnership considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Partnership tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Financial Instruments

Derecognition of financial assets and liabilities

The Combined Entity derecognizes a financial asset or a portion of a financial asset when, and only when, the Combined Entity loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). The Combined Entity loses such control if it has fully utilized the rights to benefits specified in a contract, the rights expire, or the Combined Entity surrenders those rights.

The Combined Entity derecognizes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished—that is, when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Trade and Other Payables

Trade and other payables are carried at the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Combined Entity.

Revenue Recognition

The Partnership sells crude oil under short-term agreements priced by reference to Platt's index quotations and adjusted for freight, insurance and quality differentials.

Revenue from the sale of crude oil is recognized when delivery has taken place and risks and rewards of ownership of the goods have passed to the customer.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Combined Entity and the amount of revenue can be reliably measured.

Expense Recognition

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

Social Tax and Deductions to Pension Fund

The Partnership contributes 21% of the gross income of employees as a Social tax to the Government of the Republic of Kazakhstan. Social tax and related staff costs are expensed as incurred.

The Partnership also withholds and contributes up to 10% from the salary of its employees as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Partnership has no present or future obligation to pay its employees upon their retirement.

Related Parties

Related parties include the Combined Entity's shareholders, key management personnel, and enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Combined Entity's shareholders or key management personnel.

4. PROPERTY, PLANT AND EQUIPMENT, NET

The movement of property, plant and equipment for the years ended December 31, 2006, 2005 and 2004 was as follows:

	Oil and gas properties		Total oil and gas properties	Non oil and gas properties			Total non oil gas properties	Total
	Working assets	CIP		Buildings	Machinery & Equipment	Others		
	In thousand of US dollars							
Balance at December 31, 2003, net of accumulated depreciation	**25,013**	**11,116**	**36,129**	**308**	**202**	**297**	**807**	**36,936**
Additions	1,569	11,225	12,794	123	406	58	587	13,381
Write offs	—	—	—	(25)	(14)	(26)	(65)	(65)
Transfer	5,553	(5,553)	—	—	—	—	—	—
Depreciation charge	(6,745)	—	(6,745)	(33)	(69)	(70)	(172)	(6,917)
Depreciation of write offs	—	—	—	2	1	6	9	9
Translation difference	3,385	1,004	4,389	31	8	49	88	4,477
Balance at December 31, 2004, net of accumulated depreciation	**28,775**	**17,792**	**46,567**	**406**	**534**	**314**	**1,254**	**47,821**
Additions	4,414	18,740	23,154	381	28	408	817	23,971
Write offs	—	—	—	—	—	(4)	(4)	(4)
Transfer	13,965	(13,965)	—	—	—	—	—	—
Depreciation charge	(9,103)	—	(9,103)	(44)	(121)	(84)	(249)	(9,352)
Depreciation of write offs	—	—	—	—	—	3	3	3
Translation difference	(931)	(568)	(1,499)	(12)	(16)	(8)	(36)	(1,535)
Balance at December 31, 2005, net of accumulated depreciation	**37,120**	**21,999**	**59,119**	**731**	**425**	**629**	**1,785**	**60,904**
Additions	1,297	82,355	83,652	1,279	218	1,096	2,593	86,245
Write offs	—	—	—	—	(17)	(66)	(83)	(83)
Transfers	28,713	(28,918)	(205)	—	—	205	205	—
Depreciation charge	(13,639)	—	(13,639)	(90)	(130)	(207)	(427)	(14,066)
Depreciation of write offs	—	—	—	—	10	36	46	46
Translation difference	1,917	807	2,724	40	23	17	80	2,804
Balance at December 31, 2006, net of accumulated depreciation	**55,408**	**76,243**	**131,651**	**1,960**	**529**	**1,710**	**4,199**	**135,850**
At cost at December 31, 2004	42,873	17,792	60,665	522	663	543	1,728	62,393
Accumulated depreciation	(14,098)	—	(14,098)	(116)	(129)	(229)	(474)	(14,572)
Balance at December 31, 2004, net of accumulated depreciation	**28,775**	**17,792**	**46,567**	**406**	**534**	**314**	**1,254**	**47,821**
At cost at December 31, 2005	62,306	21,999	84,305	887	671	931	2,489	86,794
Accumulated depreciation	(25,186)	—	(25,186)	(156)	(246)	(302)	(704)	(25,890)
Balance at December 31, 2005, net of accumulated depreciation	**37,120**	**21,999**	**59,119**	**731**	**425**	**629**	**1,785**	**60,904**
At cost at December 31, 2006	95,501	76,243	171,744	2,215	908	2,210	5,333	177,077
Accumulated depreciation	(40,093)	—	(40,093)	(255)	(379)	(500)	(1,134)	(41,227)
Balance at December 31, 2006, net of accumulated depreciation	**55,408**	**76,243**	**131,651**	**1,960**	**529**	**1,710**	**4,199**	**135,850**

Category "Oil and Gas properties" represents mainly wells, oil treatment facilities and other related assets.

Category "Non Oil and Gas properties" represents mainly buildings and constructions, vehicles, machinery and equipment.

The Partnership calculates depreciation, depletion and amortization of oil and gas properties using the unit-of-production method. A depletion rate is computed by dividing the unamortized costs of proved oil and gas properties by the total estimated proved developed reserves. This depletion rate is applied to the physical units of oil and gas produced during the relevant period. The unamortized costs of proved oil and gas properties include all capitalized costs net of accumulated amortization. The depletion rate for oil and gas working assets was 19.69%, 22.27% and 19.27% in 2006, 2005 and 2004 respectively.

The Partnership engaged independent petroleum engineers to perform a reserves evaluation as of January 1, 2006. Depreciation has been calculated using the unit of production method based on these reserves estimates.

As of December 31, 2006 machinery and equipment amounting to US Dollars 440 thousand were pledged in accordance with the loan agreement with Blavin Holdings Limited dated October 30, 2003 (*Note 9*).

A depreciation charge of US Dollars 14,590 thousand has been charged to depreciation and amortization expense for 2006 and US Dollars 524 thousand represent the effect of capitalization of depreciation as part of crude oil inventory (2005: US Dollars 10,120 thousand and US Dollars 768 thousand, respectively; 2004: US Dollars 6,971 thousand and US Dollars 54 thousand, respectively).

The Combined Entity incurred borrowing costs of US Dollar 7,138 thousand, US Dollar 2,931 thousand and US Dollar 2,669 thousand for the years ended December 31, 2006, 2005 and 2004, at the average interest rates of 10.96%, 10.14% and 10.07% per annum, respectively. For the same periods, the Combined Entity capitalized borrowing costs totalling US Dollars 4,221 thousand, US Dollars 1,910 thousand and US Dollars 1,380 thousand, respectively.

5. TRADE RECEIVABLES

As of December 31, trade receivables were denominated in US Dollars.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

As of December 31, prepayments and other receivables comprised the following:

	2006	2005	2004
	In thousand of US dollars		
Advances paid	**806**	742	1,227
VAT receivable	**4,894**	274	189
Other	**87**	14	62
	5,787	1,030	1,478

7. CASH AND CASH EQUIVALENTS

	2006	2005	2004
	In thousand of US dollars		
Current accounts in US Dollars	**1,887**	3,185	996
Current accounts in Tenge	**930**	37	50
Cash on hand in Tenge	**15**	14	33
	2,832	3,236	1,079

No interest is earned on current accounts.

8. SHARE CAPITAL

The authorized share capital of the Combined Entity comprises 50,000 shares of Jubilata and 50,000 shares of Claydon with par value of US Dollar 1 each. At December 31, 2006, 2005 and 2004 the share capital of the Combined Entity is presented as follows:

	Authorized, issued and paid shares (number of shares)	Issued shares (number of shares)	Share capital (thousands of US dollars)
Jubilata	50,000	2	—
Claydon	50,000	50,000	50
	100,000	**50,002**	**50**

9. BORROWINGS

Borrowings, including interest accrued thereon comprise the following as of December 31:

	2006			2005			2004		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
				In thousand of US dollars					
Credit line due to Bank Turan Alem	**1,462**	**88,200**	**89,662**	42	20,700	20,742	—	—	—
Loan due to Blavin Holdings Limited	**3,637**	**5,599**	**9,236**	3,637	7,874	11,511	2,909	9,872	12,781
Loan due to the Shareholder	—	—	—	2,044	2,313	4,357	2,055	—	2,055
Credit line due to Halyk Bank Kazakhstan	—	—	—	400	—	400	4,441	8,684	13,125
	5,099	**93,799**	**98,898**	6,123	30,887	37,010	9,405	18,556	27,961

Credit line due to Bank Turan Alem

The General credit line agreement ("Credit Line") signed between the Partnership and Bank Turan Alem ("the Bank") on July 7, 2005 was provided to finance the development of the Chinarevskoye oil and gas condensate field. The Credit Line is repayable by monthly installments of US Dollars 460 thousand starting from January 25, 2008 and US Dollars 1,608 thousand from May 12, 2008 with final maturity on October 6, 2012. The total credit facility available under the Credit Line was US Dollar 96 million as of December 31, 2006 and 2005. Interest on the credit line is set at 12% per annum. The interest rate can be varied at the discretion of Bank Turan Alem in the event that the Bank's cost of capital changes. The carrying value of the loan approximates its fair value. The current portion of the loan payable as of December 31, 2006 and 2005 represents a short-term loan drawn by the Partnership under the credit line.

The Credit Line is secured by a 30% share in the Partnership held by Condensate Holding LLP and by future cash inflows into the Partnership's bank accounts, with the Bank, up to US Dollars 50,000 thousand.

Loan due to Blavin Holdings Limited

The loan agreement, dated May 20, 1999, was initially signed between First International Oil Company (the "FIOC") and the Partnership. In accordance with an additional agreement, dated May 16, 2003, the right of claim was transferred by FIOC to Albatross Holding Ltd. In accordance with a Factoring Agreement, dated October 30, 2003, Albatross Holding Ltd transferred the right

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of claim to Blavin Holding Ltd. The loan was provided to finance exploration and development of the Chinarevskoye oil and gas condensate field. The loan is repayable in equal quarterly instalments during the period from January 1, 2004 to December 31, 2008. Interest is set at the rate of 10% per annum and is to be paid in 2008 in equal quarterly instalments and is included within non-current portion of the borrowings.

As of December 31, 2006 machinery and equipment amounting to US Dollars 440 thousand were pledged in accordance with the loan agreement with Albatross Holding Ltd.

Loan due to the Shareholder

The US Dollar credit line agreement, signed with the Thyler, a related party, on November 1, 2004, was made to finance current operations of the Partnership. As of December 31, 2006 the loan had been repaid in full. Interest on the loan in 2006 was US Dollars 428 thousand (2005: US Dollars 391 thousand; 2004: US Dollars 10 thousand). The interest was set at the rate of 10% per annum.

10. ABANDONMENT AND SITE RESTORATION LIABILITIES

The summary of changes in abandonment and site restoration liabilities during the years ended December 31 is as follows:

	2006	2005	2004
	In thousand of US dollars		
Abandonment and site restoration liability as of January 1,	**622**	460	374
Unwinding of discount	**153**	48	39
Additional provision	**310**	114	47
Change in estimates	**129**	—	—
As of December 31,	**1,214**	622	460

As of December 31, 2006 the abandonment and site restoration liabilities were discounted at the interest rate of 10.96% per annum (2005 and 2004: 10.40% per annum).

11. DUE TO GOVERNMENT OF KAZAKHSTAN

The amount due to Government of the Republic of Kazakhstan has been recorded to reflect the present value of expenditures made by the Government in the time period prior to signing the Contract that were related to exploration of the Contract territory and the construction of surface facilities in fields discovered therein and that are reimbursable by the Partnership to the Government during the production period.

Reimbursement of this liability shall begin from May, 2008 and shall be made in equal quarterly instalments of US Dollars 88,650 until May 26, 2031. The total amount of liability due to Government as stipulated by the Contract is US Dollars 25,000 thousand. The balances as of December 31, and changes in the amount due to Government for the year were as follows:

	2006	2005	2004
	In thousand of US dollars		
Due to Government as of January 1,	**7,332**	7,600	6,884
Unwinding of discount	**762**	691	716
Revision of contractual timing	—	(959)	—
	8,094	7,332	7,600

As described in *Note 1* "Licence terms" phase two of the exploration period has been extended from May 2006 to May 2008. This has resulted in a revision of the amount due to Government by US Dollars 959 thousand, which has been credited to oil and gas properties. The liability was discounted at 10.40%.

12. TRADE PAYABLES

	2006	2005	2004
	In thousand of US dollars		
US dollar denominated trade payables	**4,152**	2,327	—
Tenge denominated trade payables	**8,503**	939	1,303
Trade payables denominated in other currencies	**235**	—	—
	12,890	3,266	1,303

13. OTHER CURRENT LIABILITIES

	2006	2005	2004
	In thousand of US dollars		
Taxes payable, other than corporate income tax	**1,103**	597	315
Due to employees	**81**	156	58
Other	**955**	134	173
	2,139	887	546

14. COST OF SALES

	2006	2005	2004
	In thousand of US dollars		
Depreciation and amortization	**14,590**	10,120	6,971
Repair, maintenance and other services	**2,235**	864	256
Royalties	**2,085**	559	342
Well workover costs	**1,703**	909	243
Payroll and related taxes	**1,669**	865	605
Materials and supplies	**1,097**	302	84
Management fees (*Note 19*)	**697**	1,800	—
Rent and operation of oil separation units	**687**	—	—
Environmental levies	**582**	173	169
Government profit share	**510**	317	213
Other transportation services	**62**	13	12
Other	**163**	52	42
	26,080	15,974	8,937

15. SELLING AND OIL TRANSPORTATION EXPENSES

Sales and transportation expenses consist primarily of costs in transporting oil to the railway loading terminal and costs of using the railway loading terminal. Staff costs related to sales are not significant.

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2006	2005	2004
	In thousand of US dollars		
Management fees (*Note 19*)	**1,811**	55	—
Payroll and related taxes	**1,281**	773	360
Training	**881**	255	103
Bank charges	**583**	267	51
Other taxes	**542**	167	70
Sponsorship	**299**	216	142
Social program	**250**	250	250
Communication	**186**	72	29
Lease payments	**175**	54	35
Business trip	**167**	96	18
Professional services	**112**	169	120
Materials and supplies	**112**	53	29
Other	**492**	30	64
	6,891	2,457	1,271

17. FINANCE COSTS

	2006	2005	2004
	In thousand of US dollars		
Interest expense on borrowings	**1,279**	1,021	1,289
Unwinding of discount on amounts Due to Government (*Note 11*)	**762**	691	716
Unwinding of discount on Abandonment and Site Restoration Liability (*Note 10*)	**153**	48	39
	2,194	1,760	2,044

18. INCOME TAX EXPENSE

The provision for income taxes consisted of the following:

	2006	2005	2004
	In thousand of US dollars		
Income tax expenses comprise:			
– current income tax expense	**9**	6	137
– deferred income tax expense	**6,964**	3,459	3,901
Total income tax expense	**6,973**	3,465	4,038

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A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate of 30% to current income tax expense was as follows for the years ended December 31:

	2006	2005	2004
	In thousands of Tenge		
Profit before income tax	**19,944**	9,374	11,669
Statutory tax rate	**30%**	30%	30%
Theoretical tax charge at statutory rate of 30%	**5,983**	2,812	3,501
Non-deductible interest expense on borrowings	**700**	474	387
Unwinding of discount on abandonment and site restoration and Due to Government of Kazakhstan	**275**	222	227
Withholding tax	**167**	21	75
Other	**(152)**	(64)	(152)
Income tax expense reported in the accompanying combined financial information	**6,973**	3,465	4,038

Deferred tax balances are calculated by applying the statutory tax rates in effect at the respective balance sheet dates to the temporary differences between the tax base and the amounts reported in the combined financial information and are comprised of the following at December 31:

	2006	2005	2004
	In thousand of US dollars		
Deferred tax asset:			
Accruals	**114**	67	79
	114	67	79
Deferred tax liability:			
Property, plant and equipment	**(15,959)**	(8,244)	(5,118)
Crude oil inventory	**(22)**	(312)	(28)
Net deferred tax liability	**(15,867)**	(8,489)	(5,067)

In accordance with the License the Partnership is in the exploration stage for income tax reporting purposes and for calculation and payment of applicable taxes as of December 31, 2006. As such, in accordance with the License terms, the accumulated capital investments are fully offset against oil and gas earnings in the oil and gas properties until the commencement of commercial production. Corporate income tax accrued for the year ended December 31, 2006 in the amount of US Dollars 9 thousand (2005: US Dollars 6 thousand; 2004: US Dollars 14 thousand) represents income tax on non-subsoil contract revenues. This has resulted in an increase in the deferred tax liability related to property, plant and equipment.

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

	2006	2005	2004
Balance at January 1,	**(8,489)**	(5,067)	(1,080)
Current year charge/(benefit) to translation reserve	**(414)**	37	(86)
Current year charge to statement of income	**(6,964)**	(3,459)	(3,901)
Balance at December 31,	**(15,867)**	(8,489)	(5,067)

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19. RELATED PARTY TRANSACTIONS

For the purpose of these combined financial information transactions with related parties include mainly transactions between the Combined Entity and associated companies.

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

Accounts payable to related parties at December 31 consisted of the following:

	2006	2005	2004
	In thousand of US dollars		
Trade payables			
Tensor Asset Management B.V.	—	300	—
Total	—	300	—

During the years ended December 31, 2006, 2005 and 2004 the Combined Entity had the following transactions with related parties:

	2006	2005	2004
	In thousand of US dollars		
Operating Expenses and General and Administrative Expenses incurred			
Tensor Capital Management B.V. – management fees	—	800	—
Tensor Assets Management B.V. – management fees	**2,508**	1,000	—
Member of the Board of Directors – professional services	—	55	—
Total	**2,508**	1,855	—

Management fees are payable in accordance with the Technical Assistance Agreement signed between the Partnership, Tensor Assets Management B.V. and Tensor Capital Management B.V. and relate to the rendering of geological, geophysical, drilling, scientific, technical and other consultancy services.

Annual remuneration of four key managers and directors amounted to salaries of US Dollar 143 thousand for 2006 (2005: five, US Dollar 136 thousand; 2004: four, US Dollar 112 thousand).

All related parties are companies indirectly controlled by Frank Monstrey.

20. CONTINGENT LIABILITIES

Political and economic environment

Whilst there have been certain improvements in the Kazakhstani economy, such as an increase in the gross domestic product, the Republic of Kazakhstan continues to implement economic reforms and improve development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Litigation

In the ordinary course of business, the Combined Entity 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 Combined Entity.

The Combined Entity assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its combined financial information 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 this combined financial information for any of the contingent liabilities mentioned above.

Environmental

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Potential liabilities which may arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation cannot be reasonably estimated. Management believes that there are no probable or possible environmental liabilities which could have a material adverse effect on the Company's financial position, statement of income or cash flows.

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 December 31, 2006. As at December 31, 2006 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, except as provided for or otherwise disclosed in this combined financial information.

21. COMMITTMENTS

Capital Commitments

As of December 31, 2006 the Partnership had contractual capital commitments in amount of US Dollars 28,500 thousand (2005: US Dollars 1,140 thousand; 2004: nil).

Operating leases

The Partnership entered into a lease agreement for the main administrative office in Uralsk in October 2006 for a period of 20 years for US Dollar 12 thousand per month.

Social and education commitments

As required by the Contract with the Government, the Partnership is obliged to spend: (i) US Dollars 250 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.

Insurance policies

The Partnership held no insurance policies in relation to its oil and gas properties as of December 31, 2006. The Partnership has intention to implement a new insurance policy which covers oil and gas properties in 2007.

22. FINANCIAL RISK MANAGEMENT

Interest Rate Risk

Interest rate risk is the risk of changes in the market interest rates, reducing the overall return on its investments and increasing the cash outflow on its borrowings. The Partnership is exposed to interest rate risk as rates of interest on its borrowings are fixed for the whole term of such borrowings. However management believes that interest rates can be renegotiated with the lenders in case of significant interest rate fluctuations which will enable the Partnership to mitigate the interest rate risk as and when it arises.

Foreign Exchange Risk

As significant portion of the Combined Entity's operation is the Kazakhstani Tenge denominated, the Combined Entity's balance sheet can be affected significantly by movements in the US Dollar/Tenge exchange rates. The Combined Entity mitigates the effect of its structural currency exposure by borrowing in US Dollars and denominating sales in US Dollars.

Liquidity Risks

Liquidity risk is the risk that the Partnership will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Commodity Price Risk

The Partnership is exposed to commodity price risk, since oil prices are determined by the world market. The Partnership does not hedge this risk.

Credit Risk

Financial instruments, which potentially subject the Partnership to credit risk, consist primarily of accounts receivable and cash in banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Partnership considers that its maximum exposure is reflected by the amount of trade accounts receivable and advances.

The Partnership places its cash with one of the internationally rated local banks. The Partnership does not guarantee obligations of other parties.

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Partnership's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

Management believes that the Partnership's carrying value of financial assets and liabilities consisting of cash and cash equivalents, trade accounts receivable and advances, trade and other payables and obligations under debt instruments are not significantly different from their fair values at December 31, 2006, 2005 and 2004.

24. SUBSEQUENT EVENTS

In August, 2007 the Partnership increased its credit line with Bank Turan Alem *(Note 9)* to US Dollar 246 million.

In August, 2007 the Partnership received and accepted a notice from Bank Turan Alem that the annual interest rate on the Credit Line will be increased from 12 % to 15%.

On August 10, 2007 the Partnership signed a contract with a local construction company totalling US Dollar 181 million (excluding VAT) for construction of a gas treatment plant.

The Partnership has entered into a US$ 550,000,000 senior secured reducing facility agreement with BNP Paribas as mandated lead arranger maturing no later than 31 December 2014 with the Partnership as borrower and Zhaikmunai LP and the Combined Entity as guarantors. 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 Blavin Loan. Thereafter the Partnership will use the proceeds of the BNP Paribas Facility to finance the construction of the Gas Treatment Facility and otherwise towards developing the field. The BNP Paribas Facility will comprise three tranches of US$200 million, US$200 million and US$150 million. All customary documentary conditions precedent have been met. However, only approximately US$341 million of the BNP Paribas Facility is available until not less than US$90 million has been invested in Zhaikmunai LP. Furthermore (once the investment referred to above has taken place) the second US$50 million of tranche 3 shall only become available upon a successful syndication (or if the Majority Lenders consent) and the final US$50 million of tranche 3 shall only become available if there is a successful syndication and shall be exclusively dedicated to the funding of cost overruns.

The rate of interest payable on outstanding amounts under each tranche will be 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 a reduction schedule, reducing the total commitments to US$450 million on December 31, 2010 and reducing 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 Group's (Zhaikmunia LP and the Combined Entity including the Partnership) collected revenue (in excess of US$25 million). The Partnership is also entitled to voluntarily prepay the amounts outstanding. The Group will be required to give customary representations and warranties, repeated periodically, and certain covenants. The Group will also be required to maintain a hedging programme pursuant to which it will hedge a minimum Brent crude oil price of US$70 per bbl for at least 25% of the initial production profile for the NE and W Tournasian horizons for the period 2008 to 2013. The Partnership will additionally be 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 will be required to maintain annual oil and gas off-take contracts (gas 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.

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