ZHAIKMUNAI POSITIONED FOR GROWTH

Annual report 2009

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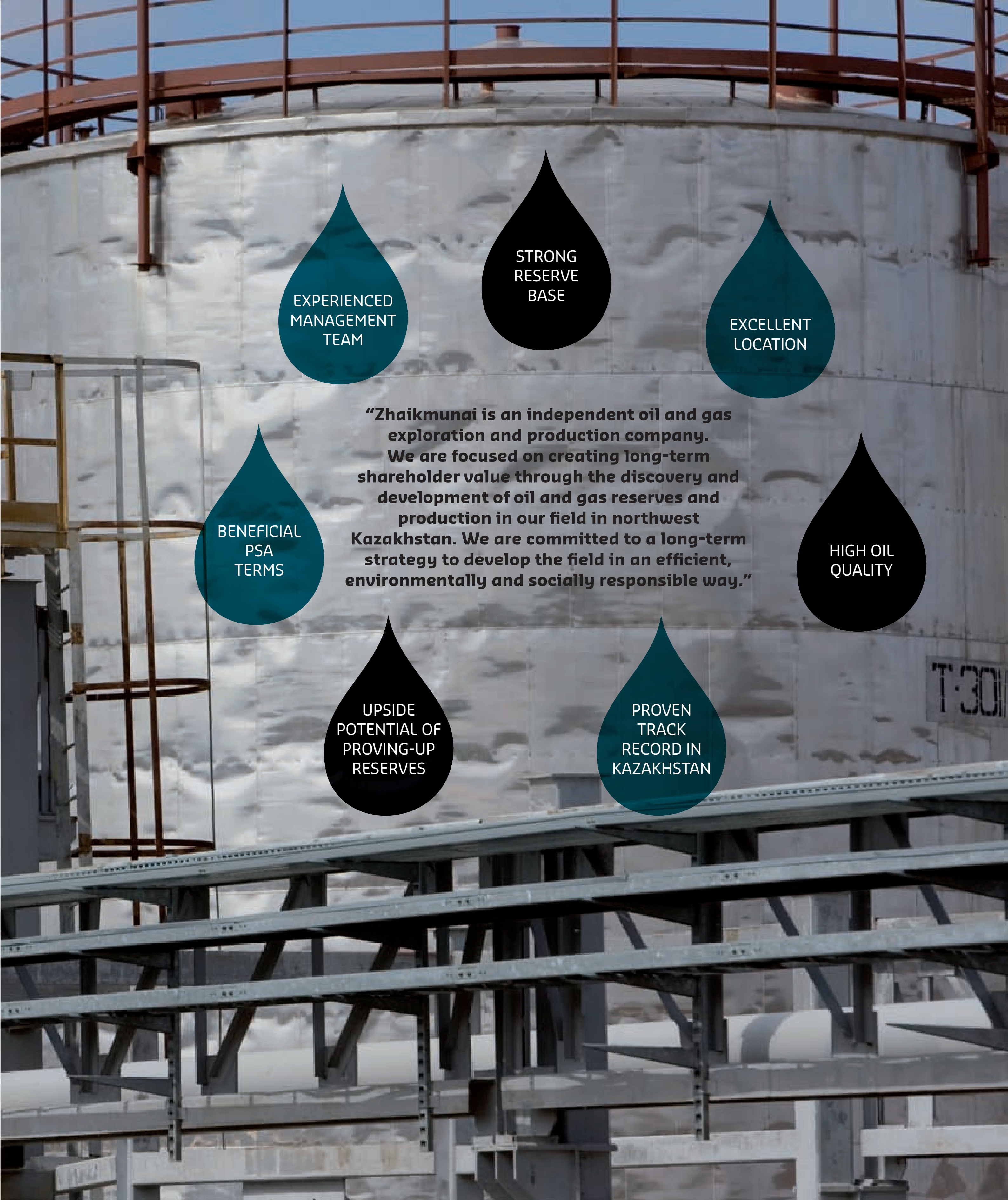


"Zhaikmunai is an independent oil and gas exploration and production company. We are focused on creating long-term shareholder value through the discovery and development of oil and gas reserves and production in our field in northwest Kazakhstan. We are committed to a long-term strategy to develop the field in an efficient, environmentally and socially responsible way."

ZHAIKMUNAI

2009 Milestones

Opening of oil pipeline to rail terminal near Uralsk

Opening of rail terminal

Succesful relocation of Rozhkovo, a village with 300 inhabitants

First horizontal well exceeded expectations

Good progress in the construction of the Gas Treatment Facility

Average crude oil production ↑46%

AT-A GLANCE

EBITDA of US$58.86 million ↑3%

Strong balance sheet with US$158.73 million CASH

Successful US$300 MILLION EQUITY RAISING

Operational costs significantly reduced

US$300 million capital increase

Zhaikmunai raised US$300 million in additional financing on 15 September 2009 through the sale of new common units in the form of global depositary receipts (GDRs).

The proceeds of this capital increase have supported the Group's existing credit facilities. They also funded most of the capital expenditure programme for the Chinarevskoye Field during the remainder of 2009. Zhaikmunai's management expects the additional capital to be sufficient to fund all additional capital expenditure that is needed to complete the construction of the Gas Treatment Facility during the summer of 2010.

The Partnership issued 75 million new common units in the form of GDRs to investors to make this capital increase possible. ING Bank, Mirabaud Securities, Renaissance Capital and FirstEnergy Capital helped the Partnership sell these securities.

Thanks to the successful placement of US$300 million the capital structure of the Company was strengthened and management was able to amend and restate Zhaikmunai's senior debt facility with a syndicate of lenders led by BNP Paribas.

History

Company History

Zhaikmunai LP is an Isle of Man registered limited partnership whose global depository receipts are listed on the London Stock Exchange. The Partnership indirectly holds 100% of Kazakhstan registered Zhaikmunai LLP ("Zhaikmunai"). Zhaikmunai is an independent oil and gas company developing the 274 square km Chinarevskoye field. The Chinarevskoye field is located in north-western Kazakhstan, 80 km northeast of Uralsk and about 60 km from the Russian border. Zhaikmunai's name is derived from "Zhaik", being the Kazakh name for the Ural River and "Munai" which means oil or hydrocarbons in Kazakh.

Zhaikmunai was formed in March 1997 to explore, produce and sell crude oil and gas condensate in north-western Kazakhstan. In May 1997, Zhaikmunai was granted an exploration and production licence for the Chinarevskoye field, in the northern part of the oil-rich Pre-Caspian Basin. In October 1997, the Company entered into a Production Sharing Agreement ("PSA") with the Republic of Kazakhstan.

Zhaikmunai's operational facilities are located in Chinarevskoye Field in the province of Batys in north-western Kazakhstan. They include an oil processing facility capable of processing 400,000 tpa of crude oil, multiple oil gathering and transportation lines, a gas powered electricity generation system, major warehouse facilities and a tank farm for the storage of crude oil, materials, machinery and chemicals used in crude oil production, an employee field camp for up to 500 people as well as 15 currently producing wells, 4 plugged wells ready for production and 1 exploration well currently under drilling and test operations throughout the Chinarevskoye Field.

Since 2007 Zhaikmunai is constructing a Gas Treatment Facility with two trains or Gas Treatment Units each having a capacity of 850 mmcm per year and each capable of treating gas-condensate, associated gas or a mix of both. The Group expects the Gas Treatment Facility to be finished in the second half of 2010. It will enable Zhaikmunai to cease gas flaring and to produce dry sales gas, LPG and condensate.

The following map sets forth the location of the Chinarevskoye Field:

History of Operations

The Chinarevskoye Field is a multi-formation structure. It has tested hydrocarbons at significant rates from:

I the Lower Permian horizons at 2,700m to 2,900m, represented by limestone and dolomitic limestone;

II limestone of the Lower Carboniferous Tournaisian formation at approximately 4,200m to 4,500m depth with a gross thickness of about 200m;

III the middle Devonian Givetian horizons at approximately 4,900 to 5,100m depth, represented by sandstone with carbonate cement;

IV the middle Devonian Biski and Afoninski formations at a depth of approximately 5,100 to 5,500m with a gross thickness of 200m and represented by limestone and dolomitic limestone.

Oil and gas operations in the Chinarevskoye Field began during the Soviet era with the drilling of nine wells. Hydrocarbons were discovered in the Biski-Afoninski reservoirs in 1991.

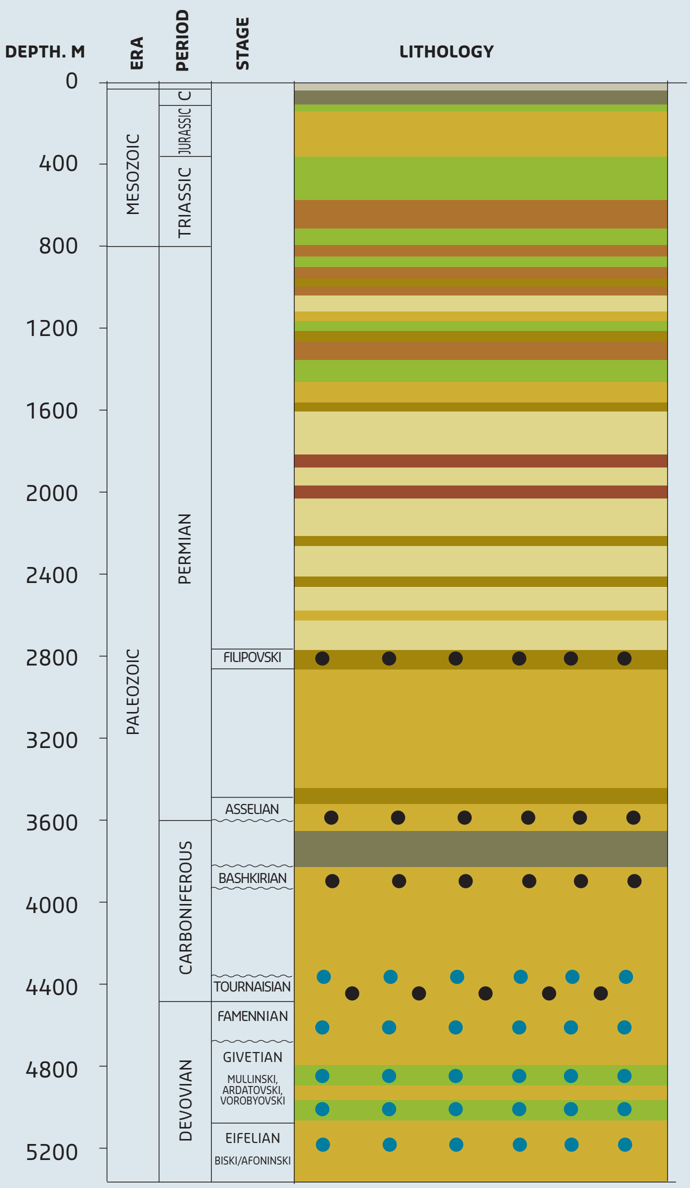
The discovery of the Tournaisian reservoir was made in 1992 but drilling was stopped in 1993 due to a lack of government funding.

In 1997, Zhaikmunai was granted the licence and entered into the PSA to commence exploration activities in the Chinarevskoye Field. Three of the wells that were drilled during the Soviet period were reactivated between 2000 and 2002. In 2003, Zhaikmunai discovered the Givetian accumulation and in 2004 the Lower Permian reservoir was successfully tested.

An oil treatment facility was completed in July 2006. In 2007, crude oil was discovered in the Bashkirian formation. In May 2008, commercial prospects were declared for the Mullinsky oil and gas condensate pool, the Ardatovsky gas condensate pool, the Famenian oil and gas condensate pool and the Biski-Afoninski oil and gas pool. New commercial discoveries were also made in the south and west regions of the Tournaisian reservoir.

According to management estimates based on data included in the Ryder Scott reserves report of 2004, Zhaikmunai had approximately 28 million boe of proven reserves. Zhaikmunai's primary exploration effort from 2004 to 2006 was dedicated to the Tournaisian horizon. Zhaikmunai commissioned further independent engineer's reserves reports from Ryder Scott in 2006 and 2008.

Thanks to increased drilling and improved geological data, management estimated that, as of 1 July 2009, Zhaikmunai had increased its proven reserves by 400% to 139 million boe and its probable reserves by 129% to 388 million boe (each as compared to 2004). According to the 2009 Ryder Scott Report, as at 1 July 2009, the estimated gross proven plus probable hydrocarbon reserves at the Chinarevskoye Field were 527 million boe.



The Paleozoic period is a major division (era) of geologic time occurring 570-240mn years ago. It is subdivided into six periods: the Cambrian, Ordovician, Silurian, Devonian, Carboniferous, and Permian. From the beginning of the Paleozoic, shallow seas began to encroach on the continents. A few primitive fishlike invertebrates, and then vertebrates, appeared in the Cambrian and Ordovician, land invertebrates and amphibians in the Devonian, land reptiles in the Carboniferous, and marine reptiles in the Permian. All reptiles increased in number and in variety by the late Permian. The plant life of the Paleozoic era peaked in the Carboniferous and was much contracted in the Permian.

The Devonian period lasted from approximately 416mn years ago. The Devonian period in Europe was marked by considerable volcanic activity and the deposition of two great rock systems. The most notable Devonian animals were the jawed and bony fishes. In many countries Devonian rocks have provided building stone, refractory and building brick, glass sands, and abrasive materials. In the 1930s, oil was found in Devonian sandstones in the Ural- Volga region. In 1947 oil was discovered in an Upper Devonian reef at Leduc, Alta., Can.; this was followed by vigorous exploration, and oil production from the area remains significant today. Devonian rocks are widespread in Asia east of the Ural Mountains and in Kazakhstan.

The Carboniferous period extends from the end of the Devonian period, about 359.2 ± 2.5mn years ago, to the beginning of the Permian period. Many beds of coal were laid down all over the world during this period, hence the name. The large coal deposits of the Carboniferous primarily owe their existence to two factors. The first of these is the appearance of bark-bearing trees. The second is the lower sea levels as compared to the Devonian period. Most of the great coal basins of the world are of Carboniferous age. In addition, major accumulations of natural gas and liquid petroleum are associated with the strata of the Carboniferous Period throughout the Northern Hemisphere.

The Permian period lasted from 290 to 248mn years ago and was the last period of the Paleozoic Era. The distinction between the Paleozoic and the Mesozoic is made at the end of the Permian in recognition of the largest mass extinction recorded in the history of life on Earth. It affected many groups of organisms in many different environments. 90% to 95% of marine species became extinct, as well as 70% of all land organisms. On an individual level, perhaps as many as 99.5% of separate organisms died as a result of the event. Permian rocks have long been economically important sources of evaporite minerals, such as halite (rock salt), sylvite (potash salts), gypsum and anhydrite (calcium sulfate salts).

Source : Britannica, Zhaikmunai.

SAND
MARL
CLAY
SANDSTONE
DOLOMITE
LIMESTONE
SALT
ANHYDRITE
OIL RESERVOIR
GAS CONDENSATE RESERVOIR
UNCONFORMITY

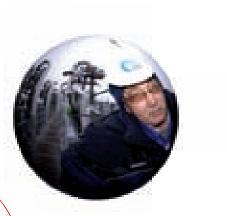
Zhaikmunai started with crude oil production in October 2000, increasing average monthly crude oil and condensate from 2,210 bpd in 2004 to 7,442 bpd in 2009. The crude oil from the Chinarevskoye Field is a high quality ''sweet'' crude oil with an average API gravity of 40o-41.5° and a low sulphur content of approximately 0.4%. The high quality of its crude oil favours rail transport above transport through pipelines where the oil would be mixed with oil from other sources with a lower quality and this without compensation.

The Chinarevskoye Field contains significant gas reserves. Zhaikmunai plans to monetise these gas reserves after completing a Gas Treatment Facility. Gas processed by Zhaikmunai's treatment units will be used to produce dry gas and LPG and condensate for sale in addition to providing feed stock for power generation to cover Zhaikmunai's power requirements.

Gas produced in association with Zhaikmunai's oil production is currently flared at the location of the oil processing facility station. When the Gas Treatment Facility is operational, 225,000 cm gas per day will no longer be flared. This corresponds to a yearly amount of 145,000 tonnes of carbon dioxide that will no longer emitted.

Zhaikmunai has obtained a production permit for the Mullinsky, Ardatovsky, Famennian and Biski-Afoninski reservoirs, and will begin production from these reservoirs once its Gas Treatment Facility becomes operational. This is expected to occur in the second half of 2010.

Zhaikmunai continues exploration activities in the North Biski-Afoninski, Lower Permian and North Tournaisian reservoirs and the Givetian accumulations.

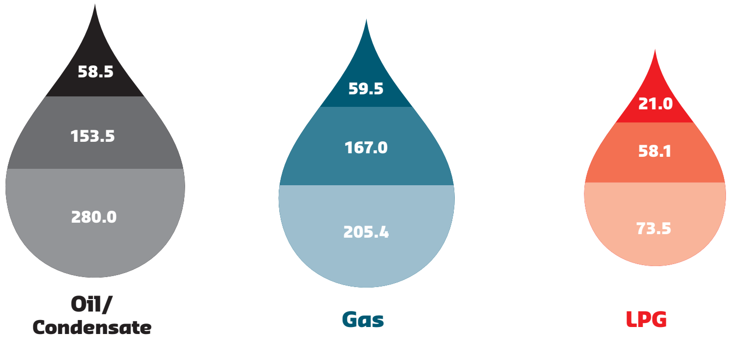


ZHAIKMUNAI
Chinarevskoye Field

- **Zhaikmunai's field and licence area is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin-one of the largest oilproducing regions in central Asia**
  - Chinarevskoye Field is 274 km2 and is located close to the Russian border and several major oil pipelines
- **Gross proven plus probable reserves total 527 million boe[1]**
  - 40% crude oil and condensate, 15% LPG reserves, 45% gas reserves,
- **Estimated possible reserves of 556 million boe[1]**

Chinarevskoye field	
Approximate surface area (sq. K)	274
Exploration licence duration	May-11
PSA and licence expiration	2031–2033
First year of commercial production	2007
Oil quality	
API (º)	40–41.5
Average sulphur content (%)	0.4
Oil density (g/cm^3)	0.815
Condensate density (g/cm^3)	0.750–0.790

1 Source: Ryder Scott as of July 1, 2009. SPE standards



2009

GROSS RESERVES	UNITS	PROVEN	PROBABLE	2P	POSSIBLE	3P
Oil/Condensate	mmbbl	**58.5**	**153.5**	212.0	**280.0**	492.0
Gas	mmboe	**59.5**	**176.0**	235.6	**205.4**	441.0
LPG	mmbbl	**21.0**	**58.1**	79.1	**73.5**	152.6
Total	**mmboe**	**139.1**	**387.6**	**526.7**	**558.9**	**1,085.7**

Message from the Chairman, Frank Monstrey

"In 2009, notwithstanding a challenging international economic climate, Zhaikmunai delivered, for the fifth consecutive year, record production results. This result was achieved despite the fact that lower oil prices on the international markets resulted in a decrease in revenues compared to last year. Profit figures were negative due to extraordinary items (loss and income tax on hedging contract). Zhaikmunai's cash flow remained stable and its EBITDA, at US$58.86 million, was even 3 % higher than in 2008.

The key milestone of the year remains the successfully completed capital raising of US$300 million which strengthened the company's balance sheet. Zhaikmunai ended the year 2009 with US$158.73 mn of cash on deposit. This strong cash position enables us to finance all of our capital expenditures for 2010. It will allow us to execute our strategy to complete the Gas Treatment Facility and start selling gas, condensate and LPG from the autumn of 2010 onwards. In recent years we have pursued a consistent strategy of hydrocarbon reserve and infrastructure development and our investments position us well for future growth in the years ahead.

As we move forward we will strive to further improve our operational efficiency as we expect that Zhaikmunai will continue to grow during the coming years. We will do this with a healthy cash balance and maintain the highest production, environmental and social standards in all our operations.

Zhaikmunai today reflects the hard work, flexibility and dedication of our almost 700 employees, our local and international contractors and experienced management team. Together we have laid a firm foundation for strong growth in the long term. I thank all of those involved for their continued service, and thank you - our shareholders - for your continued support throughout the year. "

Frank Monstrey, *Chairman*


CATALYTIC REACTOR
CATALYTIC REACTOR

Chief Executive's Review
Kai-Uwe Kessel

"I am very pleased to report that Zhaikmunai has ended 2009 with strong results in spite of the difficult economic climate and the challenges we had to overcome. The year was notable for reaching a number of important milestones including record crude oil production of 7,442 bbl per day.

The economic uncertainty made 2009 another difficult year for oil prices but in the last quarter of 2009 we saw a strong rebound from the lows we started from in the beginning of the year. These higher prices encouraged us to increase production to our highest ever levels.

The credit crisis narrowed access to financial markets. It made financial actors sometimes willing to sacrifice long-term value as a result of short-term pressures. Despite these difficulties, Zhaikmunai's board and management team successfully completed a US$300 million GDR placement on the London Stock Exchange. We also agreed an amended facility agreement with our lenders.

Important highlights for the year were the opening of a railway loading terminal near Uralsk and the oil pipeline from the field to this terminal. The pipeline and loading terminal were successfully completed in 2008 and have been fully operational since January 2009. The oil pipeline has a maximum annual throughput capacity of 3 million tonnes. The rail loading terminal receives all crude oil and condensate produced by Zhaikmunai and has a capacity of approximately 4 million tonnes of crude oil and condensate per year. The combined cost for the oil pipeline and rail loading terminal amounted to approximately US$97.0 million but management estimates that the oil pipeline has reduced the cost of transporting crude oil from the Chinarevskoye Field to the Rostoshi rail loading terminal by approximately US$25.0 per tonne.

By transporting oil production by rail, Zhaikmunai does not encounter any dilution of the quality of its crude oil as it would if it was transported by pipeline and mixed with oil from other sources, and is therefore able to obtain a higher price for its production in the export market.

We also completed a 17-kilometre gas pipeline linking the field to the Orenburg-Novopskov gas pipeline. The estimated cost of this pipeline is US$22.0 million, including costs for metering stations at the field and at the pipeline connection site. Maximum annual throughput of this gas pipeline is expected to be 5.0 billion cubic metres. The gas pipeline is awaiting commissioning which will occur at the same time as the commissioning of the Gas Treatment Facility.

We made further progress on the construction of the Gas Treatment Facility. Management expects the first phase of the Gas Treatment Facility to be completed in the second half of 2010. We are ready to start selling gas, condensate and LPG. The Gas Treatment Facility will move us towards another level of development and growth to increase shareholder value.

The processing of associated gas in the Gas Treatment Facility is expected to enable Zhaikmunai to cease flaring gas associated with crude oil production. As such our Gas Treatment Facility will help Kazakhstan to reduce its emissions and reach the goals it has set for itself with the ratification of the Kyoto Protocol in March 2009.

Treating the gas will also allow Zhaikmunai to start the development of gas condensate from the Chinarevskoye Field.

In 2009 the international credit crisis followed by the economic problems around the world, caused some delays in our investment plans. Nevertheless I am proud to mention here that in spite of these delays our investment plans are not otherwise affected. In fact, our business plan remains roughly the same and projects an increase in capital expenditure in the coming years, as we develop newly discovered reserves to meet aggressive production targets.

Looking ahead we will continue to maximise the conversion of our reserve base and increase long-term production potential. Therefore we will ramp up production, improve the reserve base further, monetise gas and LPG reserves and increase the flexibility of transportation links.

In our business plan we project total capital expenditure of US$1.7 billion during 2010-2018 enhancing full development of our 2P reserves. Even utilising the "low case" oil price scenario (i.e. developing only 1P reserves and at an average oil price of only US$50), Zhaikmunai can fund all these investments from cash flow generated by increased production.

I thank all of Zhaikmunai's employees and contractors for their continued commitment, which has enabled Zhaikmunai to deliver value in very challenging times. We have shown in the past that this team can deliver on the promises it makes. We will endeavour to continue to do so. Thank you.

In June 2009, Zhaikmunai had the honour of welcoming His Excellency Nursultan Nazarbayev, President of Kazakhstan for the official opening of its rail terminal. The President was impressed with the Company's commitment to invest in the infrastructure needed to develop the Chinarevskoye Field further. In the picture below, Zhaikmunai's General Director is talking with His Excellency Nursultan Nazarbayev.

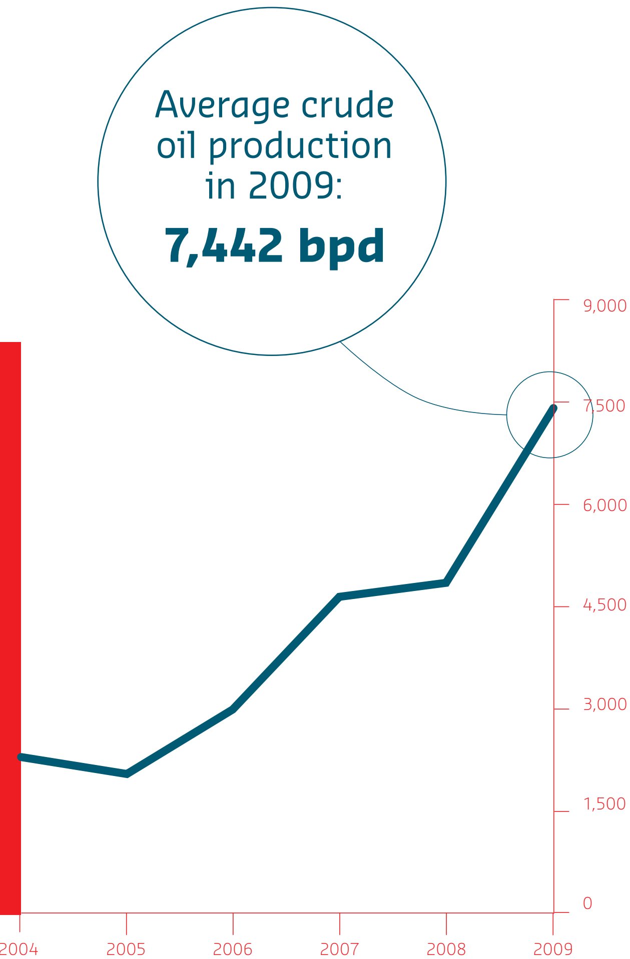
General Director
Vyacheslav Druzhinin

Strong Production Growth

Zhaikmunai reached several milestones from an operational point of view during the year 2009. Production growth of more than 46 % was realised and several projects were completed during the year. At the end of the year the focus of Zhaikmunai's construction activity was on its Gas Treatment Facility.

Zhaikmunai's crude oil production volumes grew strongly in 2009 as it brought four new wells onstream, increasing production to an all-time high of 2,698 million barrels of oil, up 54% from 1,749 million barrels in 2008. The total number of wells producing oil at the end of 2009 was 15.

The new wells allowed Zhaikmunai to reach a record daily production of 7,442 bbl a day. Fourth quarter average daily oil production reached a new quarterly record of 7,559 barrels. Since 2004 production has grown by over 300 % from an average of 2,429 bpd in 2004 to 7,442 bpd during the year 2009.



	FY2009	FY2008	CHANGE YoY
Average daily oil production	**7,442**	5,095	+46.06%
Oil production	**2,697,980**	1,749,066	+54.25%
Oil Sales – export	**2,383,030**	1,463,335	+62.85%
Oil Sales – domestic	**292,475**	209,885	+39.35%
Oil Sales – total	**2,675,505**	1,673,220	+59.90%
Weighted Average Netback for crude oil sales	**US$ 46.81/bbl**	US$ 82.53/bbl	-43.28%

Reserves

Extract from the 2009 Ryder Scott Reserve Audit: At your request, we have prepared an estimate of the reserves, future production and income attributable to the terms of the production sharing agreement between the Republic of Kazakhstan and Zhaikmunai LLP as of July 1, 2009. The subject properties are located in the Republic of Kazakhstan. The income data were estimated using Zhaikmunai LLP corporate price policy.

As a result of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. The recoverable reserves and the income attributable to it have a direct relationship with the hydrocarbon prices actually received; therefore, volumes of reserves actually recovered and amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarised below.

Zhaikmunai LP

Estimated Future Reserves and Income Attributable to the Terms of the Production Sharing Agreement Between the Republic of Kazakhstan and Zhaikmunai LLP

Zhaikmunai LP Corporate Price Policy as of July 1, 2009

	PROVED			
	DEVELOPED			
	Producing	Non-Producing	Undeveloped	Total Proved
Net Remaining Reserves				
Oil/Condensate – Barrels	15,850,550	11,503,014	25,236,434	52,589,998
Plant Products – Barrels	2,651,534	6,311,647	9,825,830	18,789,011
Gas – MMCF	31,062	106,973	155,487	293,522
Income Data $M				
Future Gross Revenue	$1,035,857	$1,091,676	$2,101,500	$4,229,033
Deductions	527,240	467,729	978,363	1,973,332
Future Net Income (FNI)	$508,617	$623,947	$1,123,137	$2,255,701
Discounted FNI @ 10%	$274,405	$346,515	$541,971	$1,162,891

	PROBABLE		
	Non-Producing	Undeveloped	Total Proved
Net Remaining Reserves			
Oil/Condensate – Barrels	32,516,653	100,133,060	132,649,713
Plant Products – Barrels	1,574,076	48,685,387	50,259,463
Gas – MMCF	16,927	797,209	814,136
Income Data $M			
Future Gross Revenue	$1,933,461	$9,019,449	$10,952,910
Deductions	805,546	4,077,453	4,882,999
Future Net Income (FNI)	$1,127,915	$4,941,996	$6,069,911
Discounted FNI @ 10%	$426,032	$1,836,579	$2,262,611

	PROVED + PROBABLE			
	DEVELOPED			
	Producing	Non-Producing	Undeveloped	Total PV+PB
Net Remaining Reserves				
Oil/Condensate – Barrels	15,850,550	44,019,667	125,369,494	185,239,711
Plant Products – Barrels	2,651,534	7,885,723	58,511,217	69,048,474
Gas – MMCF	31,062	123,900	952,696	1,107,658
Income Data $M				
Future Gross Revenue	$1,035,857	$3,025,138	$11,120,949	$15,181,944
Deductions	527,240	1,273,274	5,055,815	6,856,329
Future Net Income (FNI)	$508,617	$1,751,864	$6,065,134	$8,325,615
Discounted FNI @ 10%	$274,405	$772,547	$2,378,550	$3,425,502

Liquid hydrocarbons are expressed in standard 42 gallon barrels. All gas volumes are sales gas expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located.

The following tables present the total gross production volumes expected from the Chinarevskoye Field from July 1, 2009 through to the end of the licence term.

Chinarevskoye Field, Estimated Gross Reserves, As of July 1, 2009

	PROVED			
	Producing	Non-Producing	Undeveloped	Total PV+PB
Oil/Condensate – Barrels	17,451,204	12,760,428	28,308,475	58,520,107
Plant Products – Barrels	2,955,052	7,024,698	11,066,208	21,045,958
Gas – MMCF (after shrink)	35,750	123,473	176,199	335,422

	PROBABLE			
	Producing	Non-Producing	Undeveloped	Total PV+PB
Oil/Condensate – Barrels	0	37,462,628	116,025,078	153,487,706
Plant Products – Barrels	0	1,813,368	56,263,885	58,077,253
Gas – MMCF (after shrink)	0	19,452	918,261	937,713

	PROVED + PROBABLE			
	Producing	Non-Producing	Undeveloped	Total PV+PB
Oil/Condensate – Barrels	17,451,204	50,223,056	144,333,553	212,007,813
Plant Products – Barrels	2,955,052	8,838,066	67,330,093	79,123,211
Gas – MMCF (after shrink)	35,750	142,925	1,094,460	1,273,135

The future gross revenue is after the deduction of royalties due to the Republic of Kazakhstan under the Production Sharing Agreement. The deductions comprise the normal direct costs of operating the wells, recompletion costs, drilling and completion costs, gas processing plant, other infrastructure costs, production bonus payments and abandonment costs. The future net income is before the deduction of income taxes by the Republic of Kazakhstan and general administrative overhead, and has not been adjusted for outstanding loans that may exist nor does it include any adjustment for cash on hand or undistributed income. Liquid hydrocarbon reserves account for approximately 84 percent and gas reserves account for the remaining 16 percent of total future gross revenue from proven reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown on each estimated projection of future production and income presented in a later section of this report and in summary form as follows.

Discounted Future Net Income $M, as of July 1, 2009

Discount Rate Percent	Total Proved	Total Probable	Total PV+PB
12	$1,037,444	$1,881,290	$2,918,734
15	$881,883	$1,432,213	$2,314,096
20	$686,030	$911,795	$1,597,825
25	$544,209	$574,026	$1,118,235

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Several projects completed

During the last five years Zhaikmunai has invested US$800 million in the Chinarevskoye Field primarily focused on increasing drilling and improvement of the infrastructure. In 2009 we have seen this strategy come to fruition with the completion of several important projects:

- **Successfully started drilling its first horizontal well**
- **Opening of 120 km oil pipeline to rail terminal**
- **Opening of rail terminal**
- **Good progress in the construction of the Gas Treatment Facility**

These achievements have led to significant cost reductions and position Zhaikmunai for strong growth in the coming years.

Drilling

In November 2009 Zhaikmunai completed drilling and test operations of its future production well 119 in the north-eastern part of the Chinarevskoye oil and gas condensate field. This is the first horizontal well drilled by Zhaikmunai in the Biski-Afoninski reservoir. With a total measured depth of 5,889 metres, well 119 is also the longest well ever drilled in the Chinarevskoye Field.

Horizontal drilling has become one of the most valuable technologies introduced in the oil and gas sector. While the cost of drilling a horizontal well is approximately 30% higher than that of a vertical well, the production factor can be enhanced by much as 3 to 5 times, making it an attractive investment.

Well 119 has been flowed for ten days, flowing at 741,300 cubic metres (or 26,475 million cubic feet) of natural gas and 4,410 barrels of condensate per day on a 20 mm choke from the Middle Devonian Biski carbonate formation. Additional hydrocarbons are expected in the Afoninski reservoir, which will be tested separately at a later stage.

The results exceeded expectations and confirmed the technical assumptions made by Zhaikmunai's management. It was an important milestone in the development of Zhaikmunai's operations and demonstrates the potential of the field.

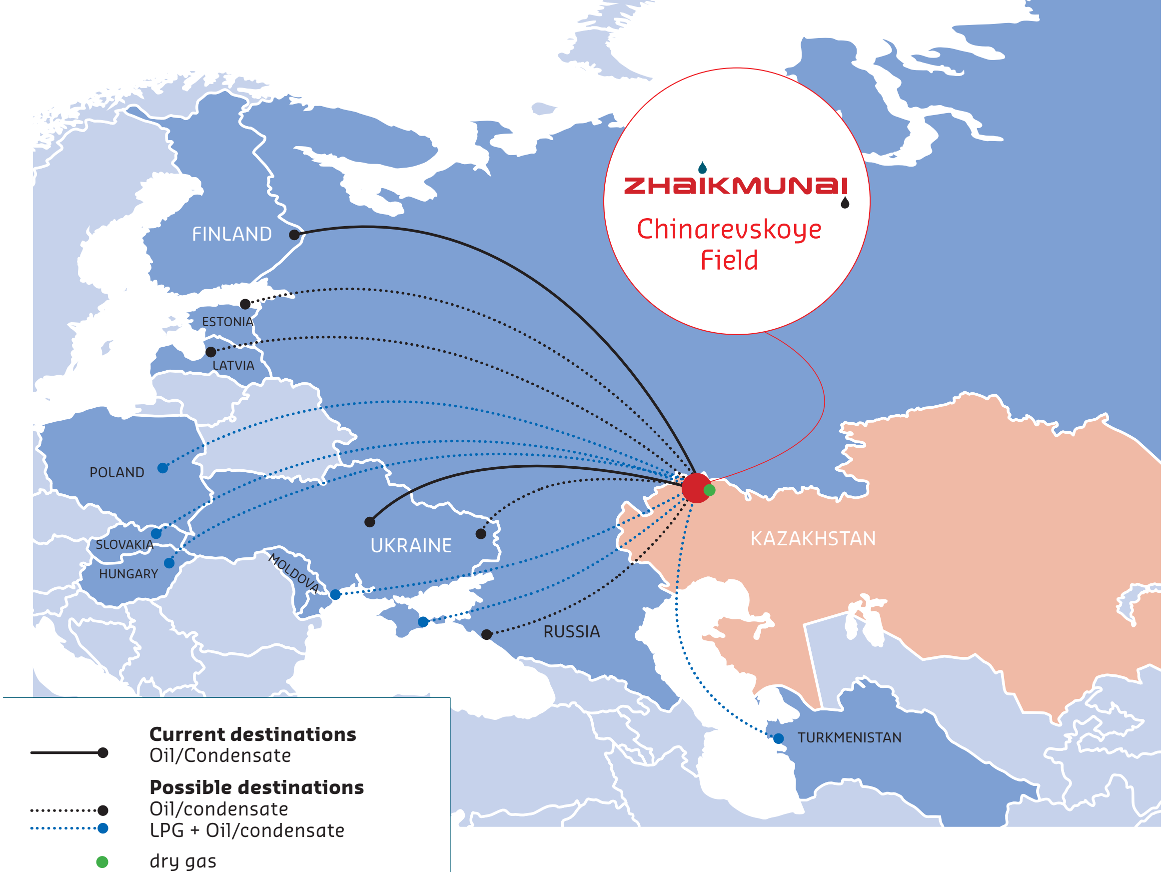
Transportation

The field is situated close to the city of Uralsk in West Kazakhstan and is only 60 km from the border with the Russian Federation. Due to this favourable location, Zhaikmunai benefits from multiple transportation and export options for its crude oil by rail or pipeline. The Chinarevskoye Field is also close to existing gas export pipelines from Orenburg to Western Europe.

Good oil transportation facilities are important as production is primarily (about 85%) export oriented and management is looking for diversification across different geographic regions to sell Zhaikmunai's products. Currently oil production is transported to refineries in Finland, Ukraine and Kazakhstan. Destinations will increase once the Gas Treatment Facility is commissioned and Zhaikmunai also begins selling dry gas, LPG and condensate.

On 5 June 2006, Zhaikmunai entered into an agreement with Kazakh engineering company KazStroyService (KSS) for the construction of an oil pipeline and railway-loading terminal. The pipeline and loading terminal were successfully completed in 2008 and have been fully operational since January 2009.

The pipeline links the Chinarevskoye Field directly to the Group's railway loading terminal at a rail connection located at Rostoshi, near Uralsk. The oil pipeline has a maximum annual throughput



capacity of 3.0 million tonnes. The rail loading terminal receives all crude oil and condensate produced by Zhaikmunai and has a capacity of 3.0 to 4.0 million tonnes of crude oil and gas condensate per year.

The combined cost of the oil pipeline and rail loading terminal amounted to approximately US$97.0 million and management estimates that the oil pipeline has reduced the cost of transporting crude oil from the Chinarevskoye Field to the Rostoshi rail terminal by approximately US$25.0 per tonne.

Preparations were also made to transport the additional products coming from the Gas Treatment Facility. The 17 km pipeline to transport gas was completed in 2009. The pipeline will bring the gas to the connection point with the Orenburg-Novopskov pipeline. The cost of this pipeline was approximately US$22.0 million. Maximum annual throughput of this gas pipeline is expected to be 5.0 billion cubic metres.

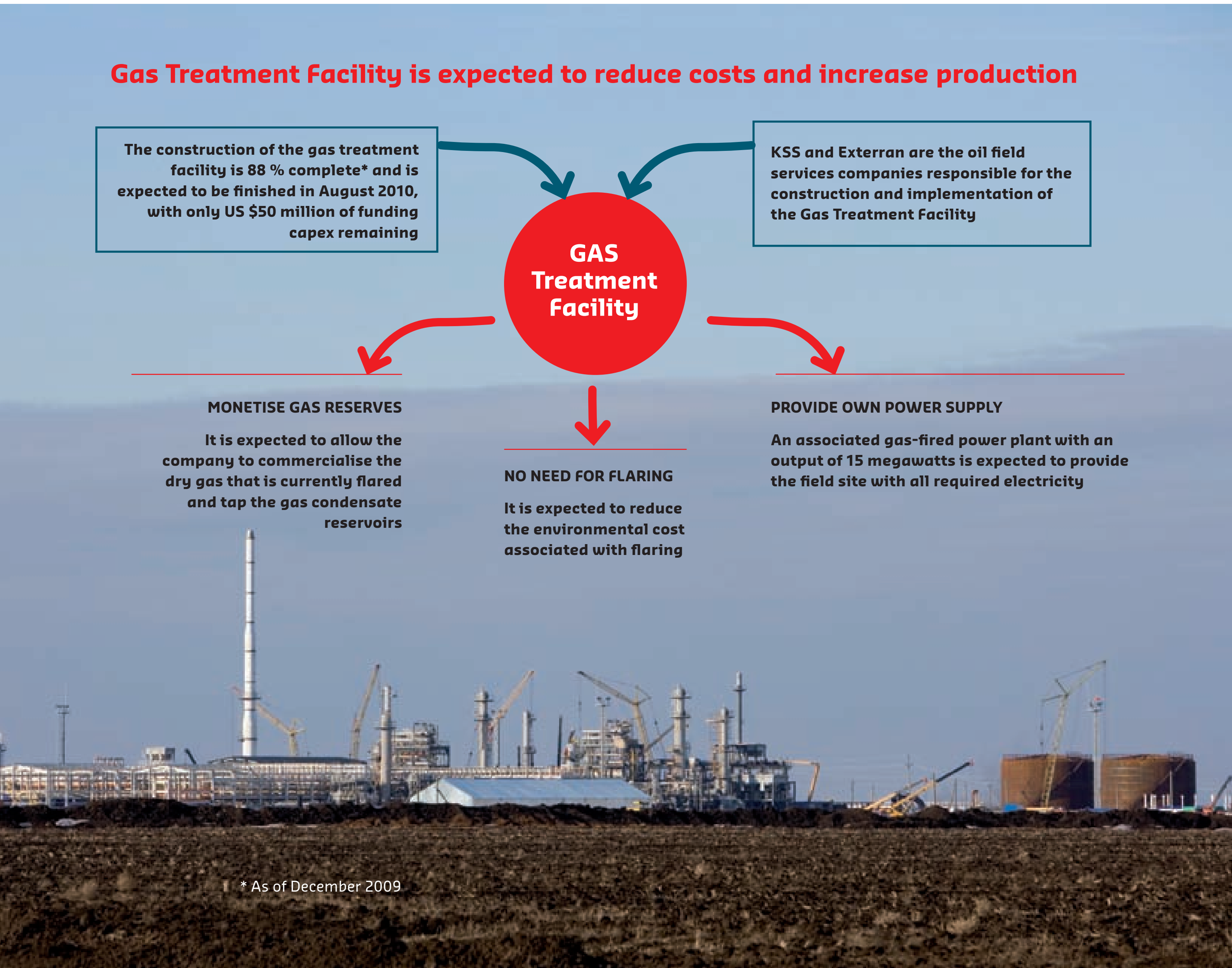
The LPG produced in the Gas Treatment Facility is stored in a storage facility nearby. The facility consists of 18 LPG tanks each having a capacity of 250 cm. From there, the LPG will be transported by truck to an LPG loading terminal near Uralsk where it will be transported by railcar.

Gas Treatment Facility

In August 2007, Zhaikmunai agreed with its principal contractor, Kazakh engineering company KazStroyService (KSS), for the construction of the Gas Treatment Facility. The Gas Treatment Facility will enable Zhaikmunai to process associated gas and gas condensate. KSS has entered into a consortium with the Exterran, a global market leader in full service natural gas compression, for this project. Exterran provides engineering and manufacturing of main equipment for the Gas Treatment Facility while KSS is responsible for project management and construction services.

Construction of the Gas Treatment Facility involves the construction of two gas treatment units each having the capacity to treat approximately 850 million cubic metres of associated gas and gas condensate. The units will each be equipped with a sweetening and dehydration unit and there will be one sulphur recovery unit.

The Gas Treatment Facility will also include a gas-fired power plant with an output of 15 megawatts that is expected to provide the field site with all required electricity.



* As of December 2009

Sales and Marketing

According to its Production Sharing Agreement (PSA) with the Kazakh authorities, Zhaikmunai is allowed to export 85% of its crude oil production and to sell the remainder on the domestic market. Until Zhaikmunai completes its Gas Treatment Facility, it sells only crude oil. Zhaikmunai also intends to sell gas condensate, dry gas and LPG following completion of the Gas Treatment Facility.

Oil sales

During 2009 the Group delivered most of its exported crude oil on the basis of FCA Uralsk; the price being based on the market price for Brent crude oil less a discount for rail fees, transportation costs and traders' fees.

In 2009 the average discount was US$15.21 per barrel. The weighted average Brent crude oil price was US$62.02 per barrel. Accordingly the average netback for crude oil sales was US$46.81 per barrel.

The table below shows the realised oil prices over the last six years. Average netback in 2009 reached a level not seen since 2005.

Other products

In 2008 Zhaikmunai expanded its sales and marketing department by hiring experienced traders for condensate, gas and LPG. The team is working towards negotiating new off-take contracts and identifying transportation options for the new products to be ready by the time the Gas Treatment Facility nears completion.

The Group expects to sell processed gas in 2010, upon completion of the Gas Treatment Facility.

Deliveries of the gas would be made to the off-taker(s) at the Group's connection to the Orenberg-Novopskov pipeline. Prices for the Group's gas products are expected to be negotiated annually with the off-taker(s). Propane and butane are expected to be sold through a trader in a similar manner to crude oil sales.

	2009	**2008**	**2007**	**2006**	**2005**	**2004**
Weighted average Brent crude oil price (US$/bbl)	**62.02**	98.11	72.43	67.83	51.26	37.60
Weighted Average Discount to Brent (US$/bbl)	**15.21**	15.58	13.72	12.43	12.40	11.10
Average Netback for crude oil sales (US$/bbl)	**46.81**	82.53	58.71	55.40	38.86	26.50

Jan-Ru Muller
Group CFO

Financial review

The Group delivered another year of strong performance in the face of significant challenges in 2009. The global recession pushed oil prices much lower than where they were on average in 2008. However, focus on production growth and cost control allowed us to once more deliver strong financial results.

Sales of crude oil decreased by US$19.9 million, or 14.6%, to US$116.0 million in 2009 from US$135.9 million in 2008 due to a lower average oil price during 2009 as compared to 2008.

EBITDA (US$58.86 million vs US$57.15 million in 2008) and net cash flow from operating activities (US$45.93 million vs US$45.82 million in 2008) increased slightly but net income turned negative (net loss of US$18.77 million vs net profit of US$62.47 million at the end of 2008).

Extraordinary items that influenced financial figures in 2009 are:

- A realised loss on the hedge contract sold in March 2009 of US$9.31 million. This compares to an unrealised gain on this hedge contract of US$63.18 million in 2008.
- An unrealised loss of US$7.60 million recorded on the new hedge contract bought in March 2009.
- The change in functional currency as from January 1, 2009 followed by the devaluation of the Kazakhstani Tenge ("Tenge" or "KZT") has led to a deferred tax balance of US$20.27 million.

Cost of sales decreased by US$0.6 million, or 0.1%, to US$44.0 million in 2009 from US$44.6 million in 2008 due, primarily, to a reduction in well workover costs (2009: US$0.1 million versus 2008: US$6.4 million) and a reduction in the cost for rent and operation of oil separation units (2009: US$0.1 million versus 2008: US$2.9 million).

General and administrative expenses increased by US$9.4 million, or 46.4%, to US$29.7 million in 2009 from US$20.3 million in 2008 due, primarily, to an increase of the expense charged for the employee share option plan (2009: US$6.5 million versus 2008: US$0.5 million).

Selling and oil transportation expenses decreased by US$18.5 million, or 76.5%, to US$5.7 million in 2009 from US$24.2 million in 2008 due, primarily, to the fact that the oil pipeline from the field to the terminal has been put in operation in January 2009. Also no export duty was payable in 2009 as the export duty rate has been set to 0.

Finance costs decreased by US$5.4 million, or 40.8%, to US$7.8 million in 2009 from US$13.2 million in 2008 due, primarily, to a lower average USD libor rate during 2009 as compared to 2008.

Loss on hedging contract amounted to US$16.9 million compared to a gain of US$64.8 million in 2008 due, primarily, to the increase in the oil price.

Hedging Contract

Foreign exchange losses amounted to US$2.2 million compared to US$1.5 million in 2008 due, primarily, to the reduction of the US$ value of the VAT receivable (that is denominated in Tenge) at the time of the Tenge devaluation in February 2009.

Profit before income tax decreased by US$89.8 million, or 91%, to US$8.8 million in 2009 from US$98.7 million in 2008 due, primarily, to the realisation of a hedging loss of US$16.9 million as compared to a hedging gain of US$64.8 million in 2008.

Income tax expense decreased by US$7.6 million, or 21.5%, to US$27.6 million in 2009 from an expense of US$35.2 million due to a revaluation (in tenge terms) of the noncurrent assets following the Tenge devaluation in February 2009.

Pursuant to the terms of the BNP Paribas facility in 2008 the Partnership entered, at nil cost, into a hedging contract covering oil export sales commencing March 2008 through till December 2013, which contract was sold before expiration on March 31, 2009.
On March 31, 2009, the Partnership entered into a new hedging contract at a cost of US$7,700 thousand covering oil export sales of 967,058 bbl and 596,766 bbl in 2009 and 2010, respectively. The floor price for Brent crude oil under this new hedging contract was fixed at a price of US$50 per bbl. In March 2010 Zhaikmunai entered into a new hedge contract for part (4,000 bbl / day) of its (at that time) realised daily oil production, on a zero-cost basis.

Gains and losses on the hedge contract, which do not qualify for hedge accounting, are taken directly to profit or loss and therefore are an important factor influencing the financial results.

Liquidity and Capital Resources

Zhaikmunai's principal sources of funds are cash from operations and amounts raised from the Partnership's offering of new Partnership interests in the form of GDRs in September 2009. Zhaikmunai's liquidity requirements primarily relate to meeting ongoing debt service obligations and to funding capital expenditures and working capital requirements.

Cash Flows

The following table sets forth the Group's cash flow statement data for the years ended 31 December 2009, 2008 and 2007.

Net cash flows from operating activities

Net cash flows from operating activities were US$45.9 million for the year ended 31 December 2009 and US$45.8 million for the year ended 31 December 2008. Before changes in working capital, for the year ended 31 December 2009, cash flow from operating activities was at US$58.2 million, similar to the US$59.1 million for the year ended 31 December 2008.

Before changes in working capital, for the year ended 31 December 2008, cash flow from operating activities increased principally due to an increase in profit before income tax. This was adjusted with an unrealised gain of US$63.2 million made by the Group pursuant to a hedging contract entered into by Zhaikmunai which came into effect during March 2008. Changes in working capital for the year ended 31 December 2008 were primarily a result of increases in:

I prepayments and other current assets, including VAT prepayments of US$20.6 million and, to a lesser extent, a number of "long lead" contracts requiring advance payments for drilling materials and supplies,
II decreases in trade receivables,
III payments made to the Republic of Kazakhstan as foreseen in the PSA (royalties, government share,etc.).

Net cash used in investing activities

Net cash used in investing activities was US$200.6 million in 2009 compared to US$195.2 million in 2008. The increase was due primarily to higher investment in the Gas Treatment Facility.

Net cash used in investing activities was US$195.2 million in 2008. The increase was

US$ MILLIONS

	Years ended 31 December		
	2009	**2008**	**2007**
Net cash flow from operating activities	45.934	45.819	48.233
Net cash flow used in investing activities	(220.673)	(195.196)	(173.105)
Net cash flow provided by financing activities	279.418	175.109	129.166

due primarily to increases in investments in the Group's oil and gas properties, including the drilling of new production wells.

Net cash provided by financing activities

Net cash provided by financing activities was US$279.4 million in 2009 compared to US$175.1 million in 2008. The increase resulted from both the sale of the hedging contract in March 2009 and the offering of GDRs of September 2009.

Net cash provided by financing activities was US$155.6 million in 2008, which resulted from drawdowns under the Syndicated Facility and the proceeds of Zhaikmunai LP's debut offer of global depositary receipts in April 2008, which were listed on the main market of the London Stock Exchange. These funds were used mainly to repay certain existing facilities and to fund the Group's capital expenditure programme.

Liquidity

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise. The table below summarises the maturity profile of the Group's financial liabilities on 31 December 2009 based on contractual undiscounted payments.

Capital Expenditures

In the years ended 2009 and 2008, Zhaikmunai's capital expenditures were approximately US$210.6 million and US$218.0 million respectively, reflecting primarily drilling costs and infrastructure and development costs for items such as the crude oil pipeline, the oil treatment unit and the Gas Treatment Facility. This represented 182% and 160% of revenue respectively.

Drilling Expenditures

Based on historical contracts, Zhaikmunai has budgeted a cost per well of approximately US$11.0 million for production/appraisal wells to be drilled to the Devonian reservoirs (and an additional US$3.0 million per well for horizontal wells). The cost per well for production wells to the Tournaisian reservoir is budgeted at approximately US$8.0 million.

US$ MILLIONS

YEAR ENDED DECEMBER 31 2009	ON DEMAND	LESS THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Borrowings	—	7.666	23.000	415.750	—	**446.416**
Trade payables	50.242	—	17.593	—	—	**67.835**
Employee share option plan	—	—	—	7.025	—	**7.025**
Other current liabilities	7.854	—	—	—	—	**7.854**
Due to Government of Kazakhstan	—	0.258	0.773	4.124	16.753	**21.908**
Total	**58.096**	**7.924**	**41.366**	**426.899**	**16.753**	**551.038**

Principal risks and uncertainties

The management team is responsible for monitoring the system of risk management and reports regularly to the Board on the key risks facing the business and the mitigating actions taken in order to manage those risks. The Group's consistent strategy and long-term programmes require that key sources of risk are identified and are kept under continuous review.

The risks described below are among those that may have an impact on the Group's performance. The principal risks reflect the global nature of the business and the competitive and challenging business environment in which it operates. Risks, including those to the Group's reputation, are considered under four broad headings:

- **Commodity price risk**
- **Foreign currency exchange rate risk**
- **Interest rate risk**
- **Payment risk**

Commodity price risk

Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market price of crude oil. Commodity price risk is extremely significant to the Group's results of operations given that all sales of crude oil are based on the commodity price. Crude oil prices are influenced by factors such as OPEC actions, political events and supply and demand fundamentals. Other than its existing hedge arrangement made in accordance with the Syndicated Facility the Group does not hedge its exposure to the risk of crude oil price fluctuations.

Foreign currency exchange rate risk

The Group is exposed to foreign currency risk associated with transactions entered into, and assets and liabilities denominated, in currencies other than the functional currency of its operating entities, the US dollar since 1 January 2009. This exposure is primarily associated with transactions, contracts and borrowings denominated in Tenge. Most of the Group's cash inflows as well as its accounts receivable are denominated in US Dollars, and most of the Group's expenses are primarily denominated in US Dollars, with approximately 20% denominated in Tenge. There is

no significant forward market for the Tenge and the Group does not use other foreign exchange or forward contracts to manage this exposure. The Group incurred a loss of US$2.184 million in the year ended 2009, US$1.527 million for the year ended 31 December 2008. The Group does not hedge against this risk. As at the date of this Report, all of the Group's financing is in US Dollars and, in the future, the Group's capital expenditures are expected to be primarily denominated in US Dollars.

Interest rate risk

The Group's interest rate risk principally relates to interest receivable and payable on its cash deposits and borrowings. During the periods under review, the Group's existing borrowings have borne interest at (i) a fixed margin as stated in the Syndicated Facility and (ii) a variable rate credit facility linked to the London Interbank Offered Rate. The Group does hedge against the fluctuation in this rate.

Payment risk

Although Zhaikmunai sells all of its crude oil pursuant to contracts with the oil trader who purchases its production, Zhaikmunai mitigates the payment risk by requiring all purchases to be secured by a letter of credit from an international bank.

Strong balance sheet

In September 2009, Zhaikmunai successfully completed a US$300 million secondary equity offering. In connection with this offering Zhaikmunai and its lenders signed an amendment to the terms of the Company's senior credit facility pursuant to which all previously existing events of default under such facility were waived or cured.

The nominal long-term debt (the credit facility) at the end of 2009 was unchanged from the previous year at US$381.68 million.

Zhaikmunai ended the year 2009 with US$158.73 million of cash and cash equivalents of which US$21.358 million (vs. US$21.078 million in 2008) is restricted cash. Almost all of this cash is held in US Dollar accounts.

In 2009 the Group did not use any off balance sheet financing arrangements.

6 YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT (1)

In thousands of US Dollars	2009	2008	2007	2006	2005	2004
Sales of crude oil	116,033	135,912	108,490	58,565	32,393	23,198
Cost of sales	-44,035	-44,610	-37,401	-26,080	-15,974	-8,937
Gross Profit	71,998	91,302	71,089	32,485	16,419	14,261
General and administrative expenses	-29,726	-20,299	-12,542	-6,891	-2,457	-1,271
Selling and oil transportation expenses	-5,692	-24,212	-6,793	-4,042	-2,069	-1,667
Gains on hedging contract	-16,909	64,780	0,000	0,000	0,000	0,000
Finance costs	-7,741	-12,567	-6,841	-2,194	-1,760	-2,044
Foreign exchange gain (loss)	-2,184	-1,527	6,247	586	-759	2,390
Other income	-0,906	1,189	820	0,000	0,000	0,000
Profit before income tax	8,840	98,666	53,423	19,944	9,374	11,669
Income tax expense	-27,608	-35,188	-15,650	-6,973	-3,465	-4,038
Net Income	**-18,768**	**63,478**	**37,773**	**12,971**	**5,909**	**7,631**

CONSOLIDATED BALANCE SHEET (1)

ASSETS	2009	2008	2007	2006	2005	2004
Non-Current Assets						
Property, plant and equipment	770,953	513,491	289,533	135,850	60,904	47,821
Hedging contract at fair value	98	62,923	0,000	0,000	0,000	0,000
Restricted cash	21,358					
Advances for equipment and construction works	27,399	75,385	70,475	14,231	3,471	0,000
	819,808	651,799	360,008	150,081	64,375	47,821
Current Assets						
Restricted cash		21,078	0,000	0,000	0,000	0,000
Inventories	3,477	3,589	2,496	3,014	1,345	193
Trade receivable	13,878	1,084	9,530	5,580	2,142	2,094
Prepayments and other current assets	28,262	33,467	14,973	5,787	1,030	1,478
Cash and cash equivalents	137,375	11,887	7,344	2,832	3,236	1,079
	182,992	71,105	34,343	17,213	7,753	4,844
TOTAL ASSETS	**1,002,800**	**722,904**	**394,351**	**167,294**	**72,128**	**52,665**
EQUITY AND LIABILITIES						
Share Capital and Reserves	366,942	92,072	50	50	50	50
Share capital	110,827	129,595	68,190	28,142	14,472	9,678
Retained earnings and translation reserve	477,769	221,667	68,240	28,192	14,522	9,728
Non-Current Liabilities						
Long-term borrowings	356,348	0,000	203,982	93,799	30,887	18,556
Abandonment and site restoration liabilities	3,373	3,411	1,299	1,214	622	460
Due to Government of Kazakhstan	6,363	6,330	6,317	8,094	7,332	7,600
Employee share option plan	7,025					
Deferred tax liability	76,659	56,940	26,191	15,867	8,489	5,067
	449,768	66,681	237,789	118,974	47,330	31,683
Current Liabilities						
Trade payables	66,381	60,953	35,768	12,890	3,266	1,303
Current portion of long term-borrowings	0	365,439	45,521	5,099	6,123	9,405
Income taxes payable	1,028	1,031	2,062	0,000	0,000	0,000
Other current liabilities	7,854	7,133	4,971	2,139	887	546
	75,263	434,556	88,322	20,128	10,276	11,254
TOTAL EQUITY AND LIABILITIES	**1,002,800**	**722,904**	**394,351**	**167,294**	**72,128**	**52,665**

CONSOLIDATED CASH FLOWS (1)

	2009	2008	2007	2006	2005	2004
Net cash flow from operating activities	45,923	45,819	48,239	37,425	20,701	18,169
Net cash flow used in investing activities	-200,673	-195,196	-173,105	-92,851	-24,477	-12,158
Net cash flow from/(used in) financing activities	279,418	175,109	129,166	54,840	6,065	-6,616

(1) 2008 is the first year whereby the group presents it's accounts on a consolidated basis.

Share related key figures		
Weighted average number of common units	185,000,000	110,000,000
Proposed dividend per share, USD	0	0

Our Responsibilities

Corporate Social Responsibility Report

Zhaikmunai is convinced that making Corporate Social Responsibility an integral part of its business strategy creates long-term shareholder value. Doing business in a sustainable way enables the Group to attract and retain the best employees and to create goodwill in the communities in Kazakhstan in which it operates.

Personnel

Our strongest contribution to the Kazakh society is the wealth generated by hundreds of employees working on the Chinarevskoye Field. At the end of 2009, Zhaikmunai employed a total of 607 people (full-time equivalents). Zhaikmunai's strong growth and continued investments in infrastructure led to a significant increase in personnel. Since 2005 Zhaikmunai has more than doubled the number of its employees, making it one of the largest employers in the province of Batys.

The average age of an employee within Zhaikmunai was 35 at the end of 2009 and 19 % of our employees are women.

Location	2009	2008	2007	2006	2005
Chinarevskoye Field	419	396	329	310	160
Uralsk	188	142	120	120	90
Total	**607**	**538**	**449**	**430**	**250**

A total of 75 employees have benefited from time off work to attend English courses and education programmes. In total more than 1,000 hours of training were given.

Zhaikmunai uses numerous contractors for the construction of its Gas Treatment Facility, to assist with drilling work and to build its infrastructure. As such, approximately 1,500 people were working on the Chinarevskoye Field at the end of December 2009.

The Group has a long-standing commitment to support local communities by sponsoring local sports events and cultural events. For more than six years Zhaikmunai has been one of the main sponsors of a volleyball team taking part in the super league of the Republic of Kazakhstan. Zhaikmunai also encourages its employees to participate in intercompany sports activities. Zhaikmunai has sport teams for football, skiing, chess, badminton, volleyball and bowling who take part in competition with other companies.

Zhaikmunai also provides direct and indirect aid to people with special needs in case of natural disasters such as earthquakes or floods.

This kind of sustainable investment in the local community in Kazakhstan creates a positive difference and delivers valuable benefits to Zhaikmunai's business. In 2009 these community investments amounted to approximately US$270,000.

Pension Fund

Zhaikmunai contributes 21% of the gross income of its employees as a social tax to the government of the Republic of Kazakhstan. Social tax and related staff costs are expensed as incurred. Zhaikmunai 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 Zhaikmunai has no present or future obligation to pay its employees upon their retirement.

Social and education commitments

As required by the PSA with the Government, Zhaikmunai has agreed 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 PSA.

Health, safety and the environment (HSE)

The wellbeing of Zhaikmunai's employees and their families is imperative for its business success. The Group tries to create a safe environment by executing frequent fire drills, giving safety training and implementing a culture of prevention rather than cure.

Zhaikmunai has adopted a number of Health, Safety and Environmental (HSE) policies. In 2008, Zhaikmunai developed 'The Procedure for supervision at hazardous industrial facilities of Zhaikmunai LLP'. This procedure includes details of interrelated HSE, socioeconomic and organisational measures aimed at establishing safe and healthy working conditions and it establishes procedures and standards for the organisation of work.

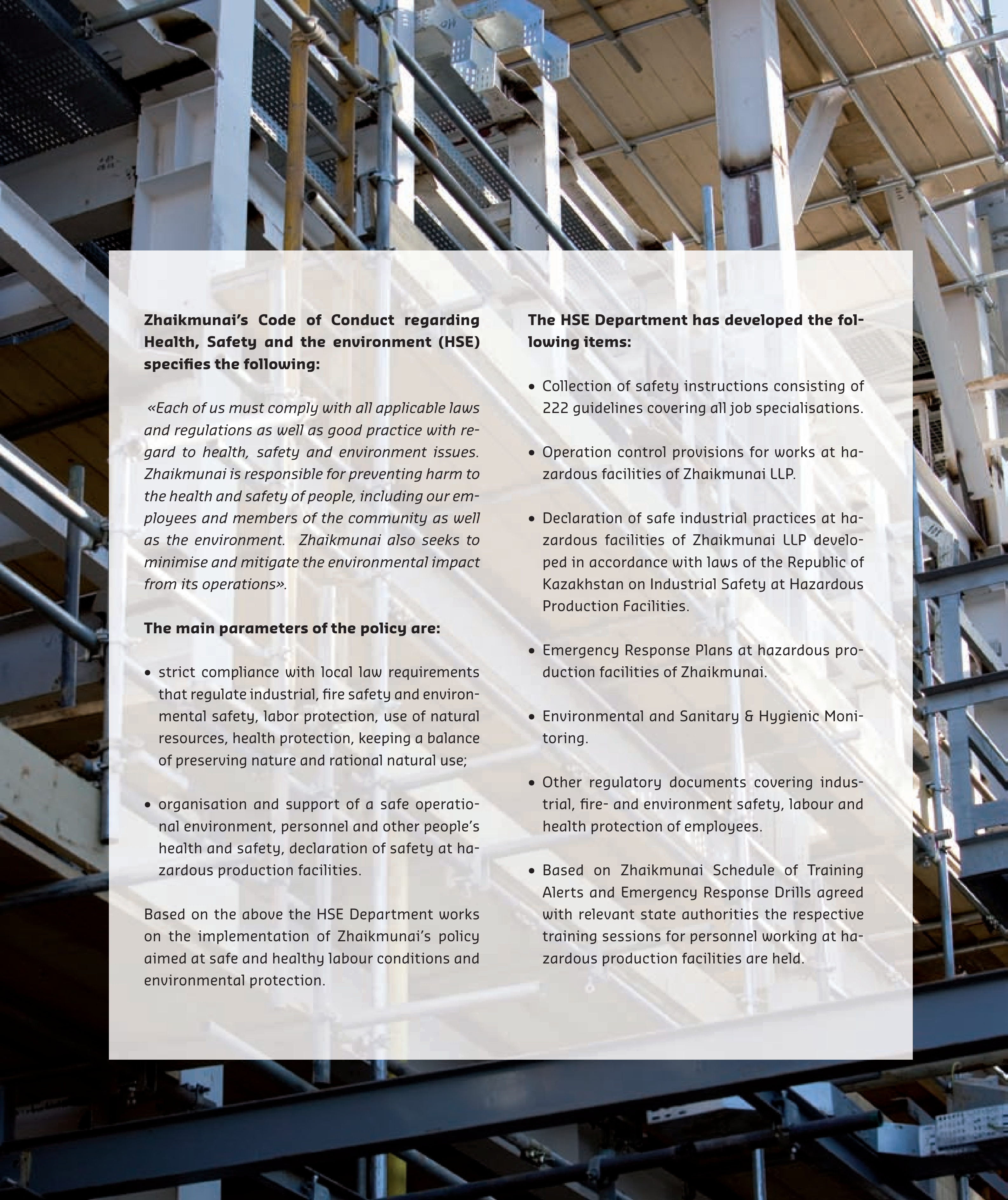
In 2009, Zhaikmunai executed all of the fourteen actions described in the Environmental and Social Action Plan described in the Group's annual report.

Zhaikmunai's operations are subject to legislation, regulations and other requirements relating to health and safety requirements applicable to oil and gas companies operating in Kazakhstan, which are regulated by state authorities, including the Ministry of Labour and Social Protection of the Population. In addition, the PSA requires that Zhaikmunai's operations be carried out in conformity with applicable health and safety requirements. As required by Kazakhstan regulations, Zhaikmunai receives health and safety certification once every two years.

As part of a health and safety assessment conducted in June 2009, the independent consultant AMEC Earth & Environmental Ltd. (AMEC) confirmed that Zhaikmunai complied with health and safety standards within the Kazakh oil and gas industry. The health and safety assessment of the operations of Zhaikmunai conducted by AMEC found no significant issues associated with Zhaikmunai's current activities, except for undertaking a survey of radiation exposure of personnel already scheduled for 2009. According to AMEC, Zhaikmunai was found to be compliant with the UK-applicable Oil and Gas Inspection Regulations 1996. These regulations are considered to be among the most stringent in the world.

Zhaikmunai gives great consideration to personnel qualification upgrade and HSE training, which is demonstrated by the fact that there has been no loss of working hours by employees due to accidents during the last three years:

Year	**Number of man-hours, without loss of working hours**
2007	770,586
2008	950,054
2009	1,149,602



Zhaikmunai's Code of Conduct regarding Health, Safety and the environment (HSE) specifies the following:

«Each of us must comply with all applicable laws and regulations as well as good practice with regard to health, safety and environment issues. Zhaikmunai is responsible for preventing harm to the health and safety of people, including our employees and members of the community as well as the environment. Zhaikmunai also seeks to minimise and mitigate the environmental impact from its operations».

The main parameters of the policy are:

- strict compliance with local law requirements that regulate industrial, fire safety and environmental safety, labor protection, use of natural resources, health protection, keeping a balance of preserving nature and rational natural use;

- organisation and support of a safe operational environment, personnel and other people's health and safety, declaration of safety at hazardous production facilities.

Based on the above the HSE Department works on the implementation of Zhaikmunai's policy aimed at safe and healthy labour conditions and environmental protection.

The HSE Department has developed the following items:

- Collection of safety instructions consisting of 222 guidelines covering all job specialisations.

- Operation control provisions for works at hazardous facilities of Zhaikmunai LLP.

- Declaration of safe industrial practices at hazardous facilities of Zhaikmunai LLP developed in accordance with laws of the Republic of Kazakhstan on Industrial Safety at Hazardous Production Facilities.

- Emergency Response Plans at hazardous production facilities of Zhaikmunai.

- Environmental and Sanitary & Hygienic Monitoring.

- Other regulatory documents covering industrial, fire- and environment safety, labour and health protection of employees.

- Based on Zhaikmunai Schedule of Training Alerts and Emergency Response Drills agreed with relevant state authorities the respective training sessions for personnel working at hazardous production facilities are held.

Liquidation Fund

Zhaikmunai contributes to a liquidation fund as is required by the PSA. The liquidation fund will provide funds for the removal of Zhaikmunai's property and equipment at the end of the PSA's term.

The PSA states that an amount of US$12.0 million must be available at the licence expiration in 2033. Therefore Zhaikmunai needs to make annual contributions to the fund of US$100,000 per year during the exploration phase and US$452,000 per year during the production phase.

At the end of 2009 the liquidation fund had a total value of US$2.280 million on a deposit held at Sberbank in Kazakhstan.

Multilateral Carbon Credit Fund

In 2009, Zhaikmunai was approached by the European Bank for Reconstruction and Development (EBRD) to potentially sell Emission Reduction Units (ERUs) to the EBRD/EIB Multilateral Carbon Credit Fund (MCCF). This Fund is a carbon fund dedicated specifically to countries from Central Europe to Central Asia.

At the end of 2009 Zhaikmunai did not have any carbon credits assigned to it. However, since the Gas Treatment Facilty can significantly reduce the flaring of natural gas once it is completed, Zhaikmunai may in future qualify for carbon credits and it is therefore taking steps to ensure that once Annex B status under the Kyoto Protocol is obtained by Kazakhstan, Zhaikmunai may be eligible to receive carbon credits under the 'Joint Implementation' mechanism in respect of the Gas Treatment Facility.

Resettlement Action Plan

The village of Rozhkovo, with a population of approximately 300 residents, was formerly situated within the exploration zone of the Chinarevskoye Field. In order for the Group to successfully pursue its drilling and exploration activities in the licence area and to carry out activities in compliance with environmental law, the Group needed to relocate the residents of the village of Rozhkovo to new housing.

After a series of consultations with the residents of Rozhkovo in 2006, the residents of the village

unanimously approved the terms of the relocation programme (the "Resettlement Action Plan"). Zhaikmunai also obtained permission from the administrative body of western Kazakhstan in December 2006 regarding the relocation programme. In addition to complying with all applicable legislation, the Group obtained additional expert advice so as to conduct the resettlement according to standards for such activities established by the EBRD.

The resettlement plan was finalised in July 2009. Most families relocated to an apartment building in Uralsk that the company constructed, while other families relocated to other housing. Demolition of the village and restoration of the land in its initial condition in an environmentally responsible way is ongoing. Zhaikmunai's relocation committee continues to assist residents with post-relocation needs on an individual basis.

The cost of the resettlement programme amounted to approximately US$5.5 million. As of 31 December 2009, total costs of US$5.3 million had been incurred with respect to the programme. It is expected that a further US$0.1 million will be incurred for the remainder of 2010 with an additional US$0.1 million thereafter.

Corporate Governance Report

Zhaikmunai attaches high priority to corporate governance, the system by which the Group is directed, managed and controlled in the interests of all its stakeholders. Therefore the Board of Directors ("the Board") of Zhaikmunai Group Limited, the general partner of Zhaikmunai LP, has established a corporate governance code. In determining its corporate governance code, the general partner has given consideration to the best practice provisions on corporate governance set out in the Combined Code.

The Combined Code on Corporate Governance sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability and audit and relations with shareholders. Zhaikmunai LP is not legally required to comply with the provisions of the Combined Code but nevertheless the Group has adopted provisions based on the Combined Code because of the importance it attaches to good corporate governance practice.

The general partner has also put in place procedures to comply with the internal control aspects of its corporate governance code. The Board has put in place sufficient controls to allow it to ensure that the partnership is able to comply with its ongoing obligations under the UK Listing Rules and the Disclosure and Transparency Rules.

In addition, the General Partner adopted a dealing code for the members of the Board, any persons discharging managerial responsibilities and any relevant employees which is based upon the Model Code set out in the Listing Rules to ensure that such persons do not deal in Zhaikmunai LP GDRs when in possession of inside information or during close periods, in accordance with the Disclosure and Transparency Rules.

Board of Directors

There are currently 7 directors on the Board. Two directors (Mr Atul Gupta and Mr Mikhail Ivanov) joined the Board in November 2009.

Mr Frank Monstrey chairs the Board of Directors and Mr Kai-Uwe Kessel is the Chief Executive Officer. Both of them are executive directors.

The non-executive directors are Mr Eike von der Linden, Mr Steve McGowan, Mr Piet Everaert, Mr Atul Gupta and Mr Mikhail Ivanov.

Mr Eike von der Linden, Mr Steve McGowan and Mr Atul Gupta are independent directors.

The quality and broad international experience of the directors, the balance of the Board's composition and the dynamics of the Board as a group, ensure the Board's effectiveness and also prevents any individual or small group from dominating the Board's decision making.

The Board is responsible to all the Group's stakeholders for its conduct and for the performance of the Group. The day-to-day running of the Company is delegated by the Board to the management team under the leadership of Kai-Uwe Kessel, the Chief Executive Officer. However, the Board retains responsibility for the approval of certain matters, which affect the shape and risk profile of the Company.

THE BOARD OF DIRECTORS

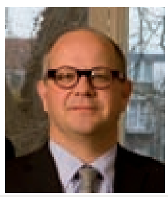
FRANK MONSTREY
EXECUTIVE DIRECTOR & CHAIRMAN

KAI-UWE KESSEL
EXECUTIVE DIRECTOR & CEO

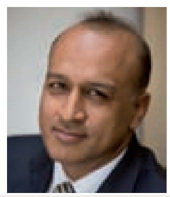
EIKE VON DER LINDEN
NON EXECUTIVE DIRECTOR

STEVE MCGOWAN
NON EXECUTIVE DIRECTOR

PIET EVERAERT
NON EXECUTIVE DIRECTOR



ATUL GUPTA
NON EXECUTIVE DIRECTOR



MIKHAIL IVANOV
NON EXECUTIVE DIRECTOR

Board member						Remuneration of the Board of Directors			
	Elected	Born	Nationality	Executive Director	Independent Director	Board of Directors fee (USD)	Audit Committee fee (USD)	Remuneration Committee fee (USD)	Total (USD)
Frank Monstrey	2007	1965	Belgian	Yes	No	0*	-	0	0*
Kai-Uwe Kessel	2007	1961	German	Yes	No	0*	-	-	0*
Eike von der Linden	2007	1942	German	No	Yes	100,000	0	0	100,000
Steve McGowan	2007	1966	English	No	Yes	100,000	0	0	100,000
Piet Everaert	2007	1962	Belgian	No	No	100,000	-	-	100,000
Atul Gupta	2009	1959	English	No	Yes	100,000	0	-	100,000
Mikhail Ivanov	2009	1969	Russian	No	No	100,000	-	0	100,000

* *Mr. Monstrey and Mr. Kessel are remunerated for their services as Group executives through management fees payable under a technical assistance agreement with Probel Capital Management nv.*

Management Team

Zhaikmunai is lead by a management team with significant experience in the oil and gas sector in general, and Kazakhstan in particular. The management team consists of 10 individuals who are responsible for key departments, including geology, drilling, production and engineering. The senior managers have an average experience of 19 years in the oil and gas industry. Zhaikmunai's management team is led by Kai-Uwe Kessel, Chief Executive Officer, who has more than 25 years of experience in the oil and gas industry, including approximately 11 years experience working in emerging markets for the Gaz de France group.

KAI-UWE KESSEL

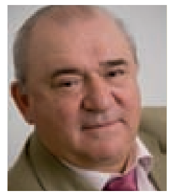
Chief Executive Officer

Managing Director and Board Member of Zhaikmunai since 2004
Worked in senior management positions in Gaz de France
Co-Founder and Chairman of KazGermunai (1993 to 2002)

JAN-RU MULLER

Group Chief Financial Officer

Joint MBA & Engineering Degrees
Oversaw SAP and IFRS implementation at Zhaikmunai since 2004
Responsible for quarterly IFRS reporting post-IPO



VYACHESLAV DRUZHININ

General Director

Appointed General Director of Zhaikmunai in 1997
35 years experience in E&P
Previously, General Director of JSC Gazkon, Lead Engineer KazakhGaz State Holding Company

JAN LAGA

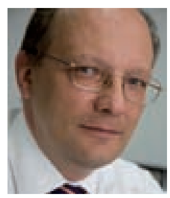
Deputy Chief Executive Officer

Masters Degrees in Electro-Mechanical Engineering and Business Administration
25 years experience in manufacturing industry
Previously, Director of Koramic Industries and Vice President of Systems for Picanol Group, Belgium

THOMAS HARTNETT

Group General Counsel

Former partner in White & Case LLP, where his practice focused on corporate and finance law
Member of the New York Bar with 18 years of post-qualified experience
Experienced in the oil and gas sector and has worked on behalf of or with Zhaikmunai since 2004



ALEXEI ERBER

Geology Director

21 years experience in E&P
Geological & Petroleum Engineer
Previously, Head of Exploration Team, Gaz de France, Paris

GUDRUN WYKROTA

Finance Director

Over 25 years of experience in finance with the majority spent working in Oil&Gas sector. Previously worked in senior management positions for Gazprom and Gaz de France Suez. Graduated as a Mining Engineer Economist at the Moscow Geological Exploration Institute

ECKHARD VERSECK

Operations Director

35 years experience in E&P
Oil and Gas Engineer
Previously, Chief Engineer of JV KazGermunai

BERIK BREKESHEV

Commercial Director

7 years senior management experience in sales and commercial activities for Kazakh/Russian Oil & Gas companies
MBA in International Marketing
Previously, Vice President of Commercial Issues, Talahassee Holding Limited, Russian projects

JÖRG PAHL

Drilling Director

10 years experience in E&P
Drilling Engineer
Previously, Drilling & Completion Advisor in Operational Department at Head Office, Gaz de France

Committees

The directors have established audit and remuneration committees to assist them. The Board will utilise other committees as necessary to ensure effective governance.

Audit Committee

The Board has established an audit committee that operates pursuant to written terms of reference. The audit committee is required to consist of at least two independent directors and at least one member who have recent and relevant financial experience.

The audit committee consists of Mr McGowan, Mr von der Linden and Mr Gupta, each of whom is considered to be an Independent Director and Mr von der Linden serves as chairman. The Board considers each member of the audit committee to have appropriate financial experience.

The audit committee meets not fewer than four times each year and is responsible for assisting and advising the Board with matters relating to:

- Zhaikmunai LP's accounting and financial reporting processes;
- the integrity and audits of Zhaikmunai LP's financial statements;
- the Issuer's compliance with legal and regulatory requirements;
- the qualifications, performance and independence of Zhaikmunai LP's independent accountants.

The audit committee is also responsible for engaging Zhaikmunai LP's independent accountants, reviewing the plans and results of each audit engagement with Zhaikmunai LP's independent accountants, approving professional services provided by Zhaikmunai LP's independent accountants, considering the range of audit and non-audit fees charged by Zhaikmunai LP's independent accountants and reviewing the adequacy of Zhaikmunai LP's internal accounting controls.

The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

Remuneration Committee

The remuneration committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on its policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below the level of the Board. The remuneration of the non-

executive Directors is a matter for the Board as a whole.

The remuneration committee comprises Mr Monstrey (as Chairman), Mr McGowan, Mr von der Linden and Mr Ivanov and meets not less than two times a year. At least one member of the remuneration committee must be an Independent Director.

Shareholdings of Directors and Senior Managers

On 27 March 2008 the Board approved a grant of options pursuant to the Group's stock option plan (the "Plan") in respect of GDRs representing 2.5% of the Partnership Interests outstanding immediately prior to the admission to listing of the GDRs (being 100,000,000 Partnership Interests). On 30 December 2009, the Board approved the granting of certain additional options pursuant to the Plan.

The following directors and senior managers of Group companies (or their associates) have been granted the following options over GDRs representing Partnership Interests, generally vesting over a five year period, exercisable at US$4.00 per GDR and expiring ten years from the date of grant, pursuant to the Plan.

I	Kai-Uwe Kessel	900,974 GDRs
II	Jan Ru Muller	300,325 GDRs
III	Viacheslav Druzhinin	300,325 GDRs
IV	Thomas Hartnett	300,325 GDRs
V	Alexei Erber	300,325 GDRs
VI	Eckart Verseck	225,244 GDRs
VII	Joerg Pahl	225,244 GDRs
VIII	Berik Brekeshev	150,000 GDRs

Relations with shareholders

The Directors attach great importance to maintaining good relationships with the Partnership's GDR holders. Extensive information regarding the Group's activities is included in the annual report and accounts and in interim reports. Market sensitive information is regularly released to the public in accordance with London Stock Exchange rules.

The Group is active in communicating with both its institutional and private shareholders and welcomes queries on matters relating to shareholders and the activities of the Group. The Partnership maintains a corporate website (www.zhaikmunai.com) where information on the Group is regularly updated and all announcements are posted. The annual general meeting of limited partners of the Partnership provides an opportunity for all GDR holders to communicate with and to question members of the Board on any aspect of the Group's activities.

The Group maintains a regular dialogue with institutional shareholders and the financial community. This includes presentations of the preliminary and interim results, regular meetings with major GDR holders, participation in brokers' seminars and site visits.

The year 2009 was marked by a significant increase in the Partnership's investor base. Contributing to this was the capital increase with the issue of 75 million new Partnership interests in the form of GDRs. This increased the total amount of GDRs that are freely available to the investing public (the "free float") from 9.10 % to 32.43 %.

The Partnership held over one hundred meetings and conference calls with institutional investors in 2009 alone. It also carried out road shows in Europe, Asia, the Middle East and North America. More than 20 existing and potential investors visited Zhaikmunai's operational units and installations in Kazakhstan during the year.

Zhaikmunai LP

Consolidated Financial Statements
Year ended December 31, 2009
With Independent Auditors' Report

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RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the attached consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Douglas, April 9, 2010, Zhaikmunai LP

Zhaikmunai Group Limited acting as the General Partner of Zhaikmunai LP

Kai-Uwe Kessel	**Jan-Ru Muller**
CEO and Director	Group CFO

INDEPENDENT AUDITORS' REPORT

To the Partners of Zhaikmunai LP:

We have audited the accompanying consolidated financial statements of Zhaikmunai LP and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

29 March 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2009

In thousands of US Dollars

	NOTE	2009	2008
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**770,953**	513,491
Derivative financial instrument	19	**98**	62,923
Restricted cash	7	**21,358**	–
Advances for equipment and construction works		**27,399**	75,385
		819,808	651,799
Current Assets			
Restricted cash	7	**–**	21,078
Inventories		**3,477**	3,589
Trade receivables	5	**13,878**	1,084
Prepayments and other current assets	6	**22,663**	28,081
Income tax prepayment		**5,599**	5,386
Cash and cash equivalents	7	**137,375**	11,887
		182,992	71,105
TOTAL ASSETS		**1,002,800**	722,904
EQUITY AND LIABILITIES			
Partnership capital and Reserves			
Partnership capital	8	**366,942**	92,072
Retained earnings and translation reserve		**110,827**	129,595
		477,769	221,667
Non-Current Liabilities			
Long term borrowings	9	**356,348**	–
Abandonment and site restoration liabilities	10	**3,373**	3,411
Due to Government of Kazakhstan	11	**6,363**	6,330
Employee share option plan	20	**7,025**	516
Deferred tax liability	18	**76,659**	56,940
		449,768	67,197
Current Liabilities			
Trade payables	12	**66,381**	60,953
Current portion of long term borrowings	9	**–**	365,439
Current portion of Due to Government of Kazakhstan	11	**1,028**	1,031
Other current liabilities	13	**7,854**	6,617
		75,263	434,040
TOTAL EQUITY AND LIABILITIES		**1,002,800**	722,904

The accounting policies and explanatory notes on pages 60 through 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2009

	NOTE	2009	2008
Sales of crude oil:			
Export sales		**109,368**	127,811
Domestic sales		**6,665**	8,101
		116,033	135,912
Cost of sales	**14**	**(44,035)**	(44,610)
Gross Profit		**71,998**	91,302
General and administrative expenses	15	**(29,726)**	(20,299)
Selling and oil transportation expenses	16	**(5,692)**	(24,212)
(Loss) / gain on hedging contract	19	**(16,909)**	64,780
Finance costs	17	**(7,801)**	(13,171)
Foreign exchange loss		**(2,184)**	(1,527)
Interest income		**60**	604
Other expenses		**(1,611)**	(665)
Other income		**705**	1,854
Profit before income tax		**8,840**	98,666
Income tax expense	18	**(27,608)**	(35,188)
(Loss) / profit for the year		**(18,768)**	63,478
Other comprehensive income:			
Exchange difference on translation to presentation currency		**-**	(702)
Total comprehensive (loss) / profit for the year		**(18,768)**	62,776

The accounting policies and explanatory notes on pages 60 through 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2009

	NOTE	2009	2008
Cash flow from operating activities:			
Profit before income tax		**8,840**	98,666
Adjustments for:			
Depreciation and amortisation		**16,615**	8,045
Finance costs	**17**	**7,801**	13,171
Interest income		**(60)**	(604)
Loss / (gain) on hedging contract	**19**	**16,909**	(64,780)
Foreign exchange loss / (gain) on non-operating activities		**–**	3,649
Accrual of share option expenses		**6,509**	516
Loss on disposal of property, plant and equipment	4	**1,567**	443
Operating profit before working capital changes		**58,181**	59,106
Changes in working capital:			
Decrease / (increase) in inventories		**90**	(789)
(Increase) / decrease in trade receivables		**(12,794)**	8,444
Decrease / (increase) in prepayments and other current assets			5,414
(13,843)			
Increase in trade payables		**3,745**	1,827
Payment of obligation to Government of Kazakhstan	**11**	**(1,032)**	(2,062)
Increase in other current liabilities		**1,241**	1,157
Cash generated from operations		**54,845**	53,840
Income tax paid		**(8,911)**	(9,617)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**45,934**	44,223
Cash flow from investing activities:			
Interest income		**60**	604
Purchases of property, plant and equipment		**(200,733)**	(195,800)
NET CASH USED IN INVESTING ACTIVITIES		**(200,673)**	**(195,196)**
Cash flow from financing activities:			
Repayment of borrowings		**–**	(246,353)
Finance costs paid		**(26,608)**	(32,344)
Proceeds from issue of Global Depositary Receipts	**8**	**300,000**	100,000
Transaction costs paid	**8**	**(25,130)**	(7,928)
Proceeds from borrowings	**9**	**–**	381,677
Transfer from / (to) restricted cash		**(280)**	(21,078)
Proceeds from sale of hedging contract	**19**	**48,200**	–
Realised hedging income	**19**	**5,416**	1,596
Purchase of hedging contract	**19**	**(7,700)**	–
Fees paid on arrangement of BNPP facility		**(14,480)**	(19,943)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**279,418**	155,627

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended December 31, 2009

Effects of exchange rate changes on cash and cash equivalents		**809**	(127)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**124,679**	4,654
Cash and cash equivalents at the beginning of the year		**11,887**	7,360
Cash and cash equivalents at the end of the year	**8**	**137,375**	11,887

Non cash transactions

Non-cash transactions, constituting the following, have been excluded from the consolidated statement of cash flows:

- Purchases of property, plant and equipment during the year ended December 31, 2009, included assets, works and services not yet paid for in the amount of US$ 1,509 thousand (2008: US$ 22,703 thousand).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2009

	PARTNERSHIP CAPITAL	RETAINED EARNINGS	TRANSLATION RESERVE	TOTAL
As of December 31, 2007	**–**	**62,818**	**4,001**	**66,819**
Profit for the year	–	63,478	–	63,478
Other comprehensive loss	–	–	(702)	(702)
Total comprehensive income for the year	**–**	**63,478**	**(702)**	**62,776**
Issue of Global Depositary Receipts (Note 8)	100,000	–	–	100,000
Transaction costs (Note 8)	(7,928)	–	–	(7,928)
As of December 31, 2008	**92,072**	**126,296**	**3,299**	**221,667**
Total comprehensive loss for the year	–	(18,768)	–	(18,768)
Issue of Global Depositary Receipts (Note 8)	300,000	–	–	300,000
Transaction costs (Note 8)	(25,130)	–	–	(25,130)
As of December 31, 2009	**366,942**	**107,528**	**3,299**	**477,769**

The accounting policies and explanatory notes on pages 60 through 92 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2009

1. GENERAL

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

These consolidated financial statements include the results of the operations of Zhaikmunai LP ("Zhaikmunai LP") and its wholly owned subsidiaries Frans Van Der Schoot B.V. ("FVDS"), Claydon Industrial Limited ("Claydon"), Jubilata Investments Limited ("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 comprise of a single operating segment and 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 ("Thyler"), by Frank Monstrey. The General Partner of Zhaikmunai LP is Zhaikmunai Group Limited, which is responsible for the management of the Group (Note 9).

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, as amended, in accordance with the licence MG No. 253D (the "Licence") 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.

The Group was formed through a reorganisation of entities under common control on March 28, 2008 to facilitate the listing of GDRs on the LSE. On March 28, 2008 Zhaikmunai LP listed 40,000,000 Global Depositary Receipts ('GDRs') on the London Stock Exchange ('LSE'), 30,000,000 of which were issued to Claremont Holdings Limited, a subsidiary of Thyler, after the reorganisation and 10,000,000 which were sold to other investors at US$10 per GDR, representing 9.09% of the equity interests in the Group,

These consolidated financial statements have been prepared using the pooling of interest method and, as such, the consolidated financial statements have been presented as if the transfers of the ownership interests in Frans Van Der Schoot B.V., Claydon, Jubilata, Zhaikmunai LLP and Condensate to Zhaikmunai LP had occurred from the beginning of the earliest period presented.

On September 15, 2009, Zhaikmunai LP raised an additional US$300 million through the sale of 75,000,000 new common units in the form of GDRs at US$4 per GDR. 25,000,000 of these GDRs were placed with Claremont Holdings Limited. Claremont Holdings Limited is indirectly controlled by Frank Monstrey.

The registered address of the Zhaikmunai LP is: 7th Floor, Harbour Court, Lord Street, Douglas, Isle of Man, IM1 4LN.

These consolidated financial statements were authorised 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 March 29, 2010.

Licence terms

The term of the licence 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. In accordance with the supplement dated June 5, 2008, Tournaisian North reservoir entered into production period as at January 1, 2007. Following additional commercial discoveries during 2008,

the exploration period under the licence, 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 licence 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 7% 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 and paid in cash.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention except for financial instruments which are carried at fair value.
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Adopted accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:
The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group.

- IFRS 2 Shared-based Payment – Vesting Conditions and Cancellation – effective January 1, 2009
- IFRS 7 Financial Instruments: Disclosures – effective 1 January 2009
- IFRS 8 Operating Segments – effective 1 January 2009
- IAS 1 Presentation of Financial Statements – effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) – effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation – effective 1 January 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – effective 30 June 2009
- IFRIC 13 Customer Loyalty Programs – effective 1 July 2008
- IFRIC 15 Agreements for the Construction of Real Estate – effective 1 January 2009

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation – effective 1 October 2008
- IFRIC 18 Transfer of Assets from Customers – effective 1 July 2009
- Improvements to IFRSs - May 2008

IFRS 2 – Shared-based Payment (Revised)
The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures
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 recognised at fair value. 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. The Group's derivative instruments are measured at fair value as disclosed in related notes to the consolidated financial statements, and the liquidity risk disclosures are not significantly impacted by the amendments and presented in Note 23.

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. Adoption of this Standard did not have any effect on the financial position or performance of the Group, since Group operates in one operating segment.

IAS 1 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 single statement.

IAS 23 Borrowing Costs
The standard has been revised to require capitalisation of borrowing costs on qualifying assets disallowing the option of expensing borrowing costs. The Group's existing accounting policy was to capitalise borrowing costs on qualifying assets therefore; adoption of this standard did not have any effect on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
These standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group adopted those amendments and improvements to IFRSs which are applicable to its operating activities in 2009.

IAS 1 – Presentation of Financial Statements
Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectations of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 – Property, plant and equipment
Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position of the Group.

IAS 23 – Borrowing costs
The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36 - Impairment of Assets
When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

IAS 38 – Intangible assets
Expenditure on advertising and promotional activities is recognised as expenses when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.
The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

IFRIC 9 - Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value

through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. This amendment has no impact on the Group financial position or profit and loss.

IFRIC 13 - Customer Loyalty Programmes

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. This amendment has no impact on the Group because it does not maintain any customer loyalty programmes.

IFRIC 15 - Agreements for the Construction of Real Estate

The Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors and provides guidance on whether the entity's arrangements fall within the scope of IAS 11 or IAS 18 and determining the timing of revenue recognition under these activities. This amendment has no impact on the Group as it did not enter into such activities.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This amendment has no impact on the Group as it did not enter into such activities.

IFRIC 18 - Transfer of Assets from Customers

This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. As the Group is not receiving any items of property, plant and equipment or cash for these purposes, this Interpretation has no impact on the Group.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period

- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 40 Investment Properties
- IAS 41 Agriculture

The management anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

New accounting developments

The following IFRS, IFRIC interpretations and improvements to IFRS are not yet in effect for the year ended December 31, 2009:

- IFRS 3R Business Combinations
- IAS 27 Consolidated and Separate Financial Statements - amendment
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 9 Financial Instruments
- IAS 24 Related Party Disclosures – amendment
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
- IFRS 2 Group cash-settled share-based payments transactions
- IAS 39 Eligible hedged items
- IAS 32 Classifications of rights issues
- Improvements to IFRSs (April 2009)

Management does not expect the above standards and interpretations to have a material impact on the Group's financial position or results of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimation and Assumptions

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

Oil and gas reserves

Oil and gas reserves are a material factor in the Partnership's computation of depreciation, depletion and amortisation (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 mainly 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.

Impairment
The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The time value of money is determined based on weighted average cost of capital of the Group of 21% and 19% for 2009 and 2008, respectively. There were no impairment losses recognised by the Group during the years ended December 31, 2009 and 2008.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Abandonment and site restoration liabilities

The Partnership estimates future dismantlement and site restoration cost for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice. 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 risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market. The Partnership reviews site restoration provisions at each balance sheet date and adjusts it to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". Estimating the future closure costs involves significant estimates and judgments by management. Significant judgments in making such estimates include estimate of discount rate and timing of cash flow. The management made its estimate based on the assumption that cash flow will take place at the expected end of the licences.

Management of the Partnership believes that the interest rates on its debt financing shall provide best estimates of applicable discount rate. The discount rate shall be applied to the nominal amounts the managements expect to spend on site restoration in the future. The Partnership estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long term inflation and discount rates used to determine the balance sheet obligation at December 31, 2009 were 5% and 10.88% respectively. Movements in the provision for decommissioning liability are disclosed in Note 10.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The functional currency of Zhaikmunai LP, FVDS, Claydon, Jubilata and Condensate is United States Dollar (the US Dollar" or "US$"). The functional currency of the Partnership until January 1, 2009 was the Kazakhstani Tenge ("Tenge" or "KZT") which reflected the economic substance of the underlying events and circumstances of the entity at the time. Commencing January 1, 2009, the Partnership has changed its functional currency to the US$ 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".

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.

The consolidated financial statements of the Group are presented in the United States Dollars ("USD"), which is also the functional currency of the Group's entities.

Transactions and balances denominated in foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss. 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 is determined.

Consolidation

The consolidated financial statements comprise the financial statements of the Parent entity and its controlled subsidiaries (Note 1).
Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases.

Purchases of controlling interests in subsidiaries from entities under common control
Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.
The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the historical cost of the controlling entity. Any difference between the total book value of net assets and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.
These consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the controlling entity.

Property, Plant and Equipment

Exploration expenditure
Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised 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 and asset retirement obligation fees. 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. There was no exploration expenditure expensed during 2009 (2008: Nil).

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, is capitalised within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment.

All capitalised costs of oil and gas properties are amortised using the unit-of-production method based on estimated proved developed reserves of the field, except the Partnership depreciates its oil pipeline and oil loading terminal on a straight line basis over the life of the Licence. 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 also applied.

Oil and Gas Reserves

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 non-financial assets

The Group 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 Group 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the 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 or construction of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss 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	8
Machinery and Equipment	3-13
Other	3-10

Borrowing Costs

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortised, provided that work is in progress at that time. Qualifying assets mostly include wells and other oilfield infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period.

Inventories

Inventories are stated at the lower of cost or net realisable value ("NRV"). Cost of oil is determined on the weighted-average method and other inventories are also valued using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Accounts Receivable

Accounts receivable are recognised 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated financial information over the period of the borrowings using the effective interest method.
Gains and losses are recognised in the profit or loss when the liabilities are derecognised or impaired, as well as through amortisation of the borrowings using the effective interest method.

Provisions

Provisions are recognised when the Group 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 recognised in full, on a discounted cash flow basis, when the Group 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 amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. 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 recognised immediately in the profit or loss; and

(b) if the adjustment results in an addition to the cost of an asset, the Group 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 Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated

by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.
The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.
In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and borrowings.

Subsequent measurement

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.
For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.
An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

Derivative financial instruments and hedging

The Partnership uses a hedging contract for oil export sales to cover part of its risks associated with oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.
Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.
The fair value of financial instruments contracts is determined by reference to market values for similar instruments.

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 reporting date.
Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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.

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 recognised when delivery has taken place and risks and rewards of ownership have passed to the customer.
Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Partnership and the amount of revenue can be reliably measured.

4. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended December 31, 2008 and 2009 was as follows:

	OIL AND GAS PROPERTIES			NON OIL AND GAS PROPERTIES					
IN THOUSANDS OF US DOLLARS	WORKING ASSETS	CIP	TOTAL OIL AND GAS PROPERTIES	BUILDINGS	MACHINERY & EQUIPEMENT	VEHICLES	OTHERS	TOTAL NON OIL GAS PROPERTIES	TOTAL
Balance at December 31, 2007, net of accumulated depreciation	**98,691**	**184,124**	**282,815**	**2,387**	**2,209**	**1,015**	**1,107**	**6,718**	**289,533**
Additions	3,290	228,734	232,024	376	849	734	797	2,756	234,780
Transfers	73,546	(72,645)	901	264	(1,044)	–	(121)	(901)	–
Transferred to inventory	–	(37)	(37)	–	–	–	–	–	(37)
Disposal	–	(442)	(442)	–	(14)	–	(3)	(17)	(459)
Depreciation charge	(7,132)	–	(7,132)	(311)	(362)	(203)	(261)	(1,137)	(8,269)
Depreciation on disposal	–	–	–	–	14	–	2	16	16
Translation difference	(670)	(1,373)	(2,043)	(9)	(7)	(7)	(7)	(30)	(2,073)
Balance at December 31, 2008, net of accumulated depreciation	**167,725**	**338,361**	**506,086**	**2,707**	**1,645**	**1,539**	**1,514**	**7,405**	**513,491**
Additions	1,286	272,320	273,606	210	834	345	627	2,016	275,622
Transfers	212,529	(214,159)	(1,630)	90	1,566		(26)	1,630	–
Disposal	(485)	(212)	(697)	–	(402)	(70)	(398)	(870)	(1,567)
Depreciation charge	(15,376)	–	(15,376)	(393)	(209)	(295)	(320)	(1,217)	(16,593)
Balance at December 31, 2009, net of accumulated depreciation	**365,679**	**396,310**	**761,989**	**2,614**	**3,434**	**1,519**	**1,397**	**8,964**	**770,953**
At cost at December 31, 2008	222,275	338,361	560,636	3,538	2,754	2,232	2,178	10,702	571,338
Accumulated depreciation	(54,550)	–	(54,550)	(831)	(1,109)	(693)	(664)	(3,297)	(57,847)
Balance at December 31, 2008, net of accumulated depreciation	**167,725**	**338,361**	**506,086**	**2,707**	**1,645**	**1,539**	**1,514**	**7,405**	**513,491**
At cost at December 31, 2009	435,605	396,310	831,915	3,839	4,753	2,501	2,343	13,436	845,351
Accumulated depreciation	(69,926)		(69,926)	(1,225)	(1,319)	(982)	(946)	(4,472)	(74,398)
Balance at December 31, 2009, net of accumulated depreciation	**365,679**	**396,310**	**761,989**	**2,614**	**3,434**	**1,519**	**1,397**	**8,964**	**770,953**

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

The depletion rate for oil and gas working assets was 5.41% and 6.18% in 2009 and 2008, respectively. The unamortised costs of proved oil and gas properties include all capitalised costs net of accumulated amortisation.

The Partnership engaged independent petroleum engineers to perform a reserves evaluation as at July 1, 2009. Depreciation has been calculated using the unit of production method based on these reserves estimates.

A depreciation charge of US$ 16,593 thousand has been charged to depreciation and amortisation expense for 2009 plus US$ 22 thousand which represent a release of depreciation from the cost of crude oil inventory (2008: US$ 8,269 thousand and a deduction of US$ 224 thousand, respectively).

The Partnership incurred borrowing costs including amortisation of arrangement and other borrowing related fees of US$ 32,865 thousand, and US$ 31,558 thousand for the years ended December 31, 2009 and 2008. For the same periods, the Partnership capitalised borrowing costs totaling US$ 26,440 thousand and US$ 19,640 thousand, at capitalisation rates of 7.7% and 9.75%, respectively.

5. TRADE RECEIVABLES

As at December 31, 2009 and 2008 trade receivables were denominated in US$, were less than 30 days and were not impaired.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

As at December 31, prepayments and other current assets comprised the following:

IN THOUSANDS OF US DOLLARS	**2009**	2008
VAT receivable	**20,429**	20,606
Advances paid	**1,199**	2,104
Receivable under hedging contract	**–**	2,613
Advance to Probel Capital Management B.V.	**–**	1,620
Other	**1,035**	1,138
	22,663	28,081

Advances paid consist primarily of prepayments made to service providers.

7. CASH AND CASH EQUIVALENTS

IN THOUSANDS OF US DOLLARS	**2009**	2008
Current accounts in US Dollars	**134,988**	7,345
Current accounts in Tenge	**1,069**	4,222
Cash accounts in other currencies	**1,318**	320
	137,375	11,887

No interest was earned on current accounts in 2009.
In addition the Partnership has restricted cash accounts representing the Partnership's pledges under the Facility agreement with BNP Paribas (Note 9) of US$ 19,078 thousand and an additional liquidation fund deposit of US$ 2,280 thousand with Sberbank in Kazakhstan.

8. PARTNERSHIP CAPITAL

The ownership interests in Zhaikmunai LP consist of (a) Common Units, which represent a fractional entitlement in respect of all of the limited partner interests in Zhaikmunai LP and (b) the interest of the General Partner. At any general meeting every holder of Common Units shall have one vote for each Common Unit of which he or she is the holder. Under the Partnership Agreement, distributions to limited partners will be made either as determined by the General Partner in its sole discretion or following the approval of a majority of limited partners provided such amount does not exceed the amount recommended by the General Partner. Any distributions to Zhaikmunai LP's limited partners will be made on a pro rata basis according to their respective partnership interests in Zhaikmunai LP and will be paid only to the recorded holders of Common Units. There were no distributions declared for the years ended December 31, 2009 and 2008.
As discussed in Note 1 on September 15, 2009, Zhaikmunai LP successfully raised an additional US$300 million through the sale of 75,000,000 new common units in the form of GDRs at US$4 per GDR. 25,000,000 of these GDRs were placed with Claremont Holdings Limited. Upon completion of the placing, the capital structure of the Partnership was as follows: Claremont Holdings Limited (67.57%) and other holders of GDRs (32.43%). The proceeds of the placing will supplement the Partnership's existing credit facilities and fund in part the capital expenditure programme for the Chinarevskoye field, in particular, the completion of the Gas Treatment Unit. The issuance costs amounted to US$ 25,130 thousand.
The movements in GDRs during the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
Balance at January 1,	**40,000,000**	–
Issued during the year	**75,000,000**	40,000,000
Balance at December 31,	**115,000,000**	**40,000,000**

9. BORROWINGS

Facility agreement with BNP Paribas
On December 12, 2007 the Partnership entered into a US$ 550 million senior secured facility agreement between BNP Paribas (Suisse) S.A. ("BNP Paribas Facility"), as a facility agent, and the Partnership, as a borrower, and Zhaikmunai LP as a guarantor. Initially, the BNP Paribas Facility comprised three tranches of US$ 200 million, US$ 200 million and US$ 150 million.As a result of lower than anticipated EBITDA at December 31, 2008 the Partnership was in breach of the covenants related to its EBITDA to interest expense and total indebtedness ratios. As a result of the breach, the loan was classified as current liabilities as at December 31, 2008. As at December 31, 2008 the Partnership had drawn down US$381,677 thousand under the loan facility.

On August 27, 2009, an amendment agreement was concluded with the lenders providing for a waiver of the existing defaults, which was conditional, amongst other things, upon completion of the US$300 million equity placing (Note 8) 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 (over LIBOR and mandatory costs) to 7% from LIBOR plus 3%, 4% and 5% for tranches one, two and three, respectively. The amendment was treated as a non-substantial change to the existing Facility and the related amendment arrangement fees of US$14,480 thousand were added to the initial Facility arrangement fees.

The total amount outstanding principal balance of the liability under the loan facility as at December 31, 2009 is US$ 381,677 thousand which is reduced by the amount of the facility arrangement fees of US$ 25, 329 thousand (2008: US$ 381,677 thousand and US$ 16,238 thousand, respectively). The outstanding balance is repayable commencing September 30, 2011 in semi-annual instalments with the final payment being made on December 31, 2014. This is subject to further adjustment to reflect any changes to the borrowing base amount. In addition, the BNP Paribas Facility is mandatorily prepayable to the extent of the proceeds of any material disposals, and a cash sweep of 50% of debt or new equity issuance and 50% of the balance (in excess of US$ 25 million in aggregate) of the Partnership's account held with a member of the syndicate (the Collection Account) and (on and after December 31, 2010) the Partnership's account held with a member of the syndicate into which the proceeds of the equity issue (Note 1) were paid. The Partnership is also entitled to voluntarily prepay the amounts outstanding. The Partnership is required to give customary representations and warranties, repeated periodically and maintain certain financial covenants relating to profitability. Further, all export sale proceeds are paid into the Collection Account, and withdrawals from such account may only be made in accordance with the agreed banking case.

In accordance with the BNP Paribas Facility, the Partnership maintains a hedging programme under which it hedges a fixed volume of production at Brent crude oil price of US$ 60 per bbl until December 31, 2010 (Note 19). 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. From completion of the gas treatment unit, 100% of gas production and no less than 50% of projected LPG production are also required to be covered by off-take contracts. 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; (v) assignment of the benefit of the Partnership's relevant existing and future insurance policies; (vi) pledges over all of its property, plant and equipment; and (vii) pledges over all of the issued capital of FVDS, Claydon and Jubilata.

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 December 31, 2009.

10. ABANDONMENT AND SITE RESTORATION LIABILITIES

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

IN THOUSANDS OF US DOLLARS	2009	2008
Abandonment and site restoration liability as at January 1,	**3,411**	1,299
Unwinding of discount	**314**	271
Additional provision	**152**	271
Change in estimates	**(504)**	1,570
	3,373	3,411

The long-term inflation and discount rates used to determine the abandonment and site restoration liabilities at December 31, 2009 were 5.0% and 10.88% respectively (2008: 5.0% and 9.4%). The decrease in the discount rate used for estimation of the liability was treated as a change in estimates.

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 a liability in relation to the 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. The total amount of liability due to Government as stipulated by the Contract is US$ 25,000 thousand.

Repayment of this liability commenced in 2008 with the first payment of US$ 1,030 thousand in March 2008 and with further payments by equal quarterly instalments of US$ 258 thousand until May 26, 2031. The liability was discounted at 13%.

The balances as at December 31, and changes in the amount due to Government of Kazakhstan for the year were as follows:

IN THOUSANDS OF US DOLLARS	2009	2008
Due to Government of Kazakhstan as at January 1,	**7,361**	8,379
Unwinding of discount	**1,062**	992
Paid during the year	**(1,032)**	(2,062)
Translation difference	**–**	52
	7,391	7,361
Less: current portion of due to Government of Kazakhstan	**(1,028)**	(1,031)
Due to Government of Kazakhstan	**6,363**	6,330

12. TRADE PAYABLES

IN THOUSANDS OF US DOLLARS	2009	2008
Tenge denominated trade payables	**52,930**	41,679
US dollar denominated trade payables	**8,556**	18,617
Trade payables denominated in other currencies	**4,895**	657
	66,381	60,953

13. OTHER CURRENT LIABILITIES

IN THOUSANDS OF US DOLLARS	2009	2008
Training accrual	**4,602**	3,049
Taxes payable, other than corporate income tax	**1,420**	1,950
Due to employees	**1,005**	491
Other	**827**	1,127
	7,854	6,617

14. COST OF SALES

IN THOUSANDS OF US DOLLARS	2009	2008
Depreciation and amortisation	**16,198**	7,883
Repair, maintenance and other services	**7,338**	5,149
Royalties	**5,740**	5,705
Payroll and related taxes	**5,516**	4,661
Materials and supplies	**2,262**	3,855
Management fees	**2,064**	1,771
Other transportation services	**1,367**	1,681
Government profit share	**1,112**	1,125
Environmental levies	**1,083**	2,752
Well workover costs	**148**	6,355
Rent and operation of oil separation units	**121**	2,926
Other	**1,086**	747
	44,035	44,610

15. GENERAL AND ADMINISTRATIVE EXPENSES

IN THOUSANDS OF US DOLLARS	2009	2008
Management fees	**8,561**	5,385
Employee share option plan (Note 20)	**6,509**	516
Professional services	**4,311**	4,612
Payroll and related taxes	**3,210**	2,956
Training	**2,774**	2,501
Business travel	**818**	352
Insurance fees	**543**	724
Bank charges	**503**	588
Depreciation and amortisation	**417**	162
Communication	**403**	395
Social program	**300**	300
Lease payments	**291**	268
Sponsorship	**238**	346
Materials and supplies	**112**	163
Other taxes	**90**	418
Other	**646**	613
	29,726	20,299

15. SELLING AND OIL TRANSPORTATION EXPENSES

IN THOUSANDS OF US DOLLARS	2009	2008
Oil export duty	**–**	15,086
Management fees	**1,857**	–
Transporting oil to the railway loading terminal costs	**1,265**	4,985
Payroll	**1,029**	–
Oil loading and storage costs	**87**	2,835
Other	**1,454**	1,306
	5,692	24,212

In 2008 Kazakhstan introduced an oil export duty on the major oil production companies in the Republic of Kazakhstan. In 2009 the oil export duty was reduced to 0%.
During 2009 the Group completed construction and commenced operation of an oil pipeline and oil loading terminal, which resulted in reduction of expenses related to oil transportation.

17. FINANCE COSTS

IN THOUSANDS OF US DOLLARS	2009	2008
Interest expense	**6,035**	11,481
Unwinding of discount on amounts Due to Government	**1,062**	992
Loan review fees	**335**	–
Unwinding of discount on Abandonment and Site Restoration Liability	**314**	261
Commitment fees on syndicated loan agreement	**55**	437
	7,801	13,171

18. INCOME TAX EXPENSES

The provision for income taxes consisted of the following:

IN THOUSANDS OF US DOLLARS	2009	2008
Income tax expenses comprise:		
- current income tax expense	**7,889**	4,193
- deferred income tax expense	**19,719**	30,995
Total income tax expense	**27,608**	35,188

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 licence, of 30% to income tax expense as reported in the Group's consolidated financial statements for the years ended December 31 is as follows:

IN THOUSANDS OF TENGE	2009	2008
Profit before income tax	**8,840**	98,666
Statutory tax rate	**30%**	30%
Expected tax provision	**2,654**	29,600
Non-deductible interest expense on borrowings	**5,893**	4,686
Adjustments in respect of current income tax of previous year	**–**	(1,116)
Employee share option pan	**1,953**	–
Foreign exchange loss	**610**	460
Difference arising on Abandonment and Site Restoration Liability and payables Due to Government	**282**	263
Change of the tax base	**20,266**	–
Effect of income taxed at different rate	**(4,443)**	–
Other non-deductible expenses	**393**	1,295
Income tax expense reported in the accompanying consolidated financial statements	**27,608**	35,188

Deferred tax balances are calculated by applying the Kazakhstani statutory tax rates in effect at the respective reporting dates to the temporary differences between the tax and the amounts reported in the consolidated financial statements and are comprised of the following at December 31:

IN THOUSANDS OF US DOLLARS	**2009**	2008
Deferred tax asset:		
Accounts payable and provisions	**1,567**	1,413
	1,567	1,413
Deferred tax liability:		
Crude oil inventory	**(448)**	(551)
Hedging contract at fair value	**–**	(18,877)
Property, plant and equipment	**(77,778)**	(38,925)
Net deferred tax liability	**(76,659)**	(56,940)

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

IN THOUSANDS OF US DOLLARS	**2009**	2008
Balance at January 1,	**(56,940)**	(26,191)
Current year charge to statement of income	**(19,719)**	(30,995)
Balance at December 31,	**(76,659)**	(56,940)

19. DERIVATIVE FINANCIAL INSTRUMENT

Pursuant to the terms of the BNP Paribas facility (Note 9) in 2008 the Partnership 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 floor price for Brent crude oil under this hedging contract was fixed at price of US$ 50 per bbl.
Gains and losses on the hedge contract, which do not qualify for hedge accounting, are taken directly to profit or loss.

IN THOUSANDS OF US DOLLARS	**2009**	2008
Hedging contract fair value at December 31	**62,923**	–
Proceeds from sale of hedging contract	**(48,200)**	–
Realised hedging gain	**(5,416)**	(1,596)
Hedging loss / (gain)	**7,602**	(63,184)
(Loss) / gain on hedging contract	**16,909**	64,780
Purchase of hedging contract	**7,700**	–
Unrealised hedging (loss) / gain	**(7,602)**	63,184
Translation difference	**–**	(261)
Hedging contract at fair value	**98**	62,923

20. EMPLOYEE SHARE OPTION PLAN

Employees (including senior executives and executive directors) of members of the Group receive remuneration in the form of equity-based payment transactions, whereby employees render services as consideration for share appreciation rights, which can only be settled in cash ('cash-settled transactions').
The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.
The equity-based payment plan is described below. There have been no cancellations or modifications to any of the plans during 2009.
During 2008 and 2009, 2,732,958 equity appreciation rights (SARs) were granted to senior employees and executive directors of members of the Group, which can only be settled in cash. These generally vest over a five year period from the date of grant, so that one fifth of granted SARs vests on each of the five anniversaries from the date of grant date. The contractual life of the SARs is ten years. The fair value of the SARs is measured at the grant date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. SARs are exercisable at any time after

vesting (but not before 1 July 2011) till the end of the contractual life and give its holder a right to a difference between the market value of the Group's GDRs at the date of exercise and a stated base value. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss as part of the employee benefit expenses arising from cash-settled share-based payment transactions. On December 30, 2009 the Board of Directors of the general partner of Zhaikmunai LP approved an adjustment in the number of SAR's and in their base value to US$4 as a result of the September 2009 GDR placement.

The carrying amount of the liability relating to 2,732,958 of SARs at December 31, 2009 is US$ 7,025 thousand (2008: US$ 516 thousand). During the year ended December 31, 2009 1,081,006 were earned of which 690,748 were fully vested (2008: earned – 380,822, fully vested - Nil).
The following table illustrates the number (No.) and exercise prices (EP) of, and movements in, equity options during the year:

	DECEMBER 31, 2009		DECEMBER 31, 2008	
	NO.	**EP, US DOLLAR**	**NO.**	**EP, US DOLLAR**
Outstanding at the beginning of period	**2,500,000**	**10**	–	–
Granted	**232,958**	**4**	2,500,000	10
Exercised	**-**	**-**	–	–
Outstanding at the end of period	**2, 732,958**	**4**	2,500,000	10
Exercisable at the end of period	**-**	**-**	–	–

The following table lists the inputs to the models used for the plan for the year ended December 31, 2009:

IN THOUSANDS OF US DOLLARS	**2009**	2008
Dividend yield (%)	**0**	0
Expected volatility (%)	**86**	87
Risk -free interest rate (%)	**3.2**	3.2
Expected life (years)	**3.5**	7.2
Option turnover (%)	**10**	10
Price trigger	**2**	2

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

21. RELATED PARTY TRANSACTIONS

For the purpose of these consolidated financial statements transactions with related parties mainly comprise transactions between the Group and the participants and/or their subsidiaries or associated companies.

Accounts receivable from related parties at December 31 consisted of the following:

Trade receivables and advances		
Probel Capital Management N.V.	–	1,620
Total	**–**	**1,620**

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

IN THOUSANDS OF US DOLLARS	2009	2008
Trade payables		
Amersham Oil LLP	**498**	108
Prolag BVBA	**129**	–
Probel Capital Management N.V.	**394**	163
Total	**1,021**	271

During the year ended December 31, 2009 and 2008 the Group had the following transactions with related parties:

IN THOUSANDS OF US DOLLARS	2009	2008
Management fees and consulting services		
Amersham Oil LLP	**1,746**	1,245
Prolag BVBA	**2,184**	–
Probel Capital Management N.V.	**9,215**	5,987
Total	**13,145**	7,232

Management fees are payable in accordance with the Technical Assistance Agreements signed between the Partnership, Amersham Oil LLP and Probel Capital Management NV relate to the rendering of geological, geophysical, drilling, scientific, technical and other consultancy services.

Annual remuneration of four key managers amounted to US$ 200 thousand for 2009 (2008: four, US$ 238 thousand). Other key management personnel were employed and paid by Amersham Oil LLP and Probel Capital Management and whose remuneration forms part of management fees and consulting services above.

All related parties are companies and key management personnel, indirectly controlled by Frank Monstrey.

22. CONTINGENT, COMMITMENTS AND OPERATING RISKS

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 stabilisation 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 Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's consolidated results and consolidated financial position in a manner not currently determinable.

Legal actions

In the ordinary course of business, the Group 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 consolidated financial condition or the consolidated results of future operations of the Group.

The Group 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 consolidated financial statements for any of the litigations 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 December 31, 2009. As at December 31, 2009 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and cleanup evolve, the Group 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 Group 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 Group 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 Group's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

As at December 31, 2009 the Group had contractual capital commitments in amount of US$ 50,949 thousand (2008: US$ 247,237 thousand) mainly in respect to the Partnership's oil field development activities and construction of a gas utilisation plant.

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.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise bank loans, payables to Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the development of the Chinarevskoye oil and gas condensate field and its operations. The Group's financial assets consist of trade and other receivables, cash and cash equivalents.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk, commodity price risk and credit risk. The Group's management reviews and agrees policies for managing each of these risks which are summarised below.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is exposed to interest rate risk in 2009 and 2008 as rates of interest on its borrowings were floating for the whole term of such borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

INCREASE / DECREASE INTEREST RATE IN THOUSANDS OF US DOLLARS	EFFECT ON PROFIT BEFORE TAX FOR THE YEAR ENDED DECEMBER31, 2009	EFFECT ON PROFIT BEFORE TAX FOR THE YEAR ENDED DECEMBER 31, 2008
+1.5%	**(5,725)**	(4,921)
-1.5%	**5,725**	4,921

Foreign Currency Risk

As a significant portion of the Group's operation is Kazakhstani Tenge denominated, the Group's consolidated statement of financial position can be affected significantly by movements in the US Dollar / Tenge exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in US Dollars and denominating sales in US Dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	CHANGE IN TENGE TO US$ EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAX
2009		
US thousand dollar	**+19.5%**	**(574)**
US thousand dollar	**-19.5%**	**574**
2008		
US thousand dollar	+25%	(65,715)
US thousand dollar	+40%	(105,144)

Liquidity Risk

Liquidity Risk

Liquidity risk is the risk that the Group 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.

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2009 and 2008 based on contractual undiscounted payments:

YEAR ENDED DECEMBER 31, 2009	ON DEMAND	LESS THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Borrowings	**–**	**7,666**	**23,000**	**415,750**	**–**	**446,416**
Trade payables	**50,242**	**–**	**17,593**	**–**	**–**	**67,835**
Employee share option plan	**–**	**–**	**–**	**7,025**	**–**	**7,025**
Other current liabilities	**7,854**	**–**	**–**	**–**	**–**	**7,854**
Due to Government of Kazakhstan	**–**	**258**	**773**	**4,124**	**16,753**	**21,908**
	58,096	**7,924**	**41,366**	**426,899**	**16,753**	**551,038**

YEAR ENDED DECEMBER 31, 2008	ON DEMAND	LESS THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
Borrowings	381,677	–	–	–	–	381,677
Trade payables	60,028	–	–	–	–	60,028
Other current liabilities	5,906	–	–	–	–	5,906
Due to Government of Kazakhstan	–	258	773	4,124	17,784	22,939
	447,611	258	773	4,124	17,784	470,550

Capital management

Capital of Zhaikmunai LP consists of Common Units, which represent a fractional entitlement in respect of all of the limited partner interests in Zhaikmunai LP and the interest of the General Partner. During the years ended December 31, 2009 and 2008, the Group did not have a formal capital management strategy.

Commodity Price Risk

The Group is exposed to the effect of fluctuations in price of crude oil, which is quoted in US Dollar on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity

analyses in respect of various levels of crude oil prices in the future.
Other than the hedge arrangements described in Note 19 and Note 24 the Group does not hedge its exposure to the risk of fluctuations in the price of crude oil.

Credit Risk

Financial instruments, which potentially subject the Group 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 Group considers that its maximum exposure is reflected by the amount of trade accounts receivable and advances.

The Group places its Tenge denominated cash with Sberbank, which has a credit rating of BA (positive) from Moody's rating agency and its US Dollar denominated cash with BNP Paribas with a credit rating of AA (positive) from Standard and Poor's rating agency for the year ended December 31, 2009. The Group does not guarantee obligations of other parties.

The Group sells oil and makes advance payments only to recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low.

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 Group'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.

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The Group's borrowings are at market rates of interest specific to those instruments and as such are stated at fair value. The Group's derivative is valued with a reference to a quoted market price in an active market. The fair value of other financial assets has been calculated using market interest rates.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The Group's financial instruments valued with a reference to quoted (unadjusted) prices include derivative financial instruments.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group's financial instruments valued based on other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly include employee share options.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The Group does not have any financial instruments valued using Level 3 hierarchy.

Management believes that the Group's carrying value of financial assets and liabilities consisting of cash and cash equivalents, trade accounts receivable and advances, derivative financial instruments, trade and other payables and obligations under debt instruments are not significantly different from their fair values at December 31, 2009 and 2008.

24.SUBSEQUENT EVENTS

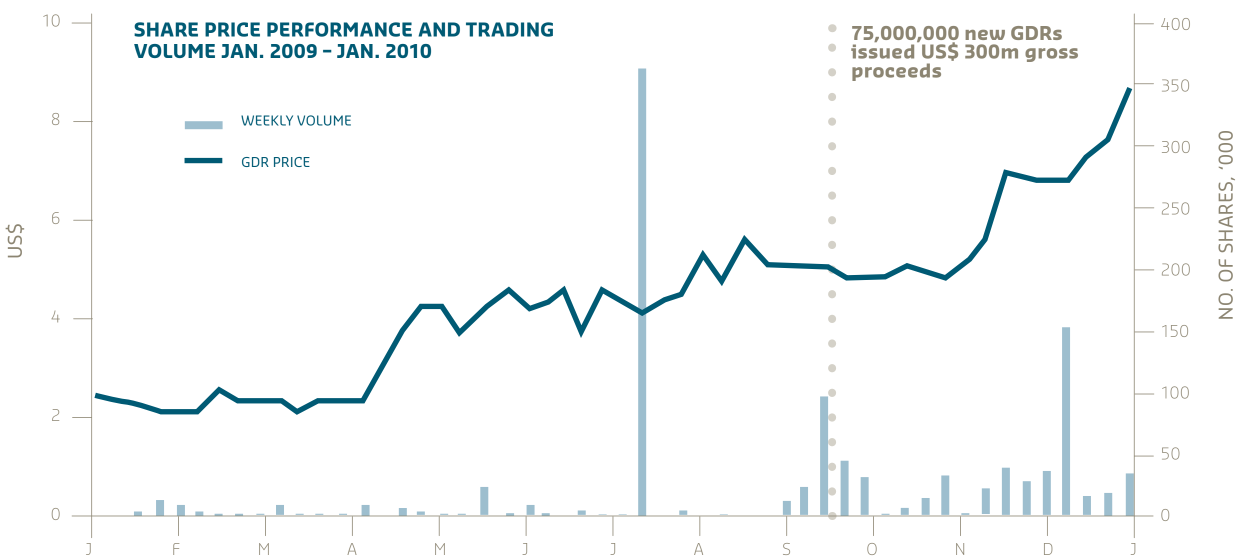
On March 12, 2010, pursuant to the terms of the amended BNP Paribas facility the Partnership has entered, at nil cost, into a new hedging contract covering oil export sales of 4,000 bbls/day running from March 2010 through December 2010. The counterparties ("Hedging Providers") to the hedging agreement are BNP Paribas, Natixis and Raiffeisen Zentralbank. Based on the new hedging contract the floor price for Brent crude oil is fixed at price of US$ 60 per bbl. The ceiling price is set at a range from US$ 89.25 per bbl to US$ 100 per bbl such that the Partnership will receive all sales proceeds in excess of $ 100 per bbl.

Shareholder Information

LISTING DETAILS

Exchange	London Stock Exchange (Main Market)
Ticker	ZKM.L
Reuters Instrument code	ZKMq.L
ISIN code	US98952U2042
SEDOL	B28ZQ91

SHARE PRICE INFORMATION



On 15 September 2009 a total of 75,000,000 new shares were issued through a successful placing by ING Bank, Mirabaud Securities, Renaissance Capital and First Energy Capital Corp. As of that moment the average weekly trading volume increased by a factor of almost 10.

GLOSSARY

TERMINOLOGY & ABBREVIATIONS

2009 Ryder Scott	ReportThe report prepared by Ryder Scott dated 1 July 2009 relating to the Group's reserves and resources
API	American Petroleum Institute
API gravity	The industry standard method of expressing specific gravity of crude oils. Higher API gravities mean lower specific gravity and lighter oils. When API gravity is greater than 10, it is lighter and floats on water; if it is less than 10, it is heavier and sinks. Generally speaking, oil with an API gravity between 40 and 45 commands the highest prices.
associated gas	gas, which occurs in crude oil reservoirs in a gaseous state.
Company	Zhaikmunai LP
EBRD	European Bank for Reconstruction and Development
Exploration well	drilled purely for exploratory (information gathering) purposes in a particular area
Field	Chinarevskoye oil and gas condensate field
FCA	Sales made under free carrier terms.
FCA Uralsk	Sales made under free carrier terms according to which Zhaikmunai delivers to the terminal in Uralsk and transportation risk and risk of loss are transferred to the buyer after delivery to the carrier.
FSA	Financial Services Authority of the United Kingdom
Gas Treatment Facility	The facility currently under construction by KSS and Exterran for the treatment of all gas produced by Zhaikmunai in association with its crude oil production, as well as gas to be produced for commercial sales.
GDR	Global Depository Receipts
Group	the Partnership and its subsidiaries
GTU	Gas Treatment Unit. Zhaikmunai's Gas Treatment Facility - as it is currently being constructed - will consist of two GTU's each having a capacity of 850 mmcm.
Hydrocarbons	Solid, liquid or gas compounds of the elements hydrogen and carbon.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LPG	Liquified petroleum gas, the name given to propane and butane in their liquid state.
LSE	London Stock Exchange
Placing	The issue of 45,000,000 Common Units on a non-preemptive basis to placees procured by the Managers pursuant to the Placing Agreement.
Placing Agreement	The underwriting and placing agreement dated 29 July 2009 amongst Zhaikmunai LP, ZGL, ING, Mirabaud, Renaissance Securities (Cyprus) Limited and FirstEnergy Capital.
Production well	primarily drilled for producing oil or gas, once the producing structure and characteristics are determined
Proven reserves (1P)	Proven reserves (1P) are those reserves that, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves. Proven developed reserves are reserves that can be recovered from existing wells with existing infrastructure and operating methods. Proven undeveloped reserves require development.
Proven plus Probable reserves (2P)	Proven plus Probable reserves (2P) are those reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that reserves recovered will exceed Proven plus Probable reserves.
Proven, Probable plus Possible reserves (3P)	Proven, Probable plus Possible reserves (3P) are those reserves that, to a low degree of certainty (10% confidence), are recoverable. There is relatively high risk associated with these reserves.
PSA	Production sharing agreement. Contract for additional exploration, production and production sharing of crude oil hydrocarbons in the Chinarevskoye oil and gas condensate field in the West-Kazakhstan oblast No. 81, dated October 31, 1997, as amended, between Zhaikmunai and the Competent Authority (currently MOG), representing Kazakhstan.
recovery	The second stage of hydrocarbon production during which an external fluid such as water or gas is injected into the reservoir to maintain reservoir pressure and displace hydrocarbons towards the wellbore.
reservoir	A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.
royalty	An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production.
sidetrack well	A well or borehole that runs partly to one side of the original line of drilling.

UNGG	Uralsk Oil and Gas Explorations Expedition. The Government of the Kazakh Soviet Socialist Republic decided in March, 1960 to create a consortium “Uralskneftegazrazvedka” for conducting oil and gas exploration in the Uralsk region. In the 60-s, the consortium was involved in more than 59 exploration projects. In 1970, the consortium was renamed “Uralsk Enlarged Oil-Gas Exploration Expedition”.
workover	Routine maintenance or remedial operations on a producing well in order to maintain, restore or increase production.
Zhaikmunai	Zhaikmunai LP

UNITS

Barrel/bbl	The standard unit of volume. One barrel = 159 litres or 42 US gallons
bcf	billion cubic feet, a billion defined as 1,000,000,000. On average 1 bcf of sales gas = 1.055 petajoules.
boe	Barrels of oil equivalent. The factor used by Zhaikmunai to convert volumes of different hydrocarbon production to barrels of oil equivalent.
bopd	Barrels of oil per day.
Km / m	Kilometres / metres
mmbbls	million barrels of oil
mmboe	million barrels of oil equivalent
mmcm	million cubic metres

KEY FINANCIAL TERMS

Cost of sales	Cost of sales comprises various costs including: (i) depreciation of oil and gas properties; (ii) well workover costs for the repair, maintenance and change of well completions; (iii) royalties payable to the Government; (iv) repair, maintenance and other services, (v) payroll and related taxes for field operational staff; (vi) materials and supplies and other related expenses; (vii) the rental and operation of oil separation units (used to separate crude oil and gas condensate); (viii) environmental levies; (ix) management fees related to the provision of geological, geophysical, drilling, scientific, technical and other consultancy services and (x) Government profit share.
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest and tax, depreciation, depletion and amortisation of building, plant and equipment, exploration and development expenditure and amortisation of goodwill.
Sales	Sales of crude oil during the period under review is affected by the Group’s volume of crude oil production, the market price for crude oil and the discount to the market price incurred by the Group for its crude oil. The Group expects to generate further revenue from sales of condensate gas and LPG from the completion of its gas treatment facility currently under construction (the “Gas Treatment Facility”). The audited consolidated financial statements issued with this report present sales of crude oil gross of any portion required to be delivered to the State under the terms of the PSA since, during the period under review, it has elected to settle its obligations to the State in cash. Consequently, the incurrence of any such obligation is reported as an expense in cost of sales. If the Group elects, in the future, to settle such obligation by the delivery of crude oil to the State, its sales of crude oil, and therefore revenue, will be affected.
Selling and oil transportation expenses	Selling and oil transportation expenses principally comprise the costs incurred in transporting crude oil from the Chinarevskoye Field to the Zhaiktrans terminal at Uralsk, which is the point of sale at which the trader who currently purchases Zhaikmunai’s crude oil becomes responsible for transportation. In January 2009, the Group completed the construction of an oil pipeline linking the Chinarevskoye Field with the rail terminal in Uralsk. The Group currently transports all its crude oil to Uralsk along this pipeline rather than the trucks it used prior to completion of the pipeline. Consequently, this has reduced the Group’s transportation expenses relating to trucking and road maintenance costs.

FINANCIAL CALENDAR 2010

9 April 2010	Full year 2009 Financial Results
27 May 2010	Q1 Operating Review & Update
6 September 2010	H1 Financial Results
29 November 2010	Q3 Operating Review & Update
31 January 2011	Q4 Operating Review & Update

Please note that the dates are correct at time of printing but all future dates are subject to change.

Disclaimer

This Annual Report contains forward-looking statements regarding Zhaikmunai, its corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on its management's assumptions and beliefs in the light of information available to them at this time. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions. Zhaikmunai undertakes no obligation to revise any such forward-looking statements to reflect any changes in Zhaikmunai's expectations with regard thereto or any change in circumstances or events after the date hereof.

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Printed in Belgium by Cassochrome.