

KazMunaiGas Exploration Production Joint Stock Company

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2011

Contents

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

Condensed Consolidated Interim Statement of Financial Position*Tenge thousands*

		September 30, 2011	December 31, 2010
	Notes	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	328,808,409	297,508,553
Intangible assets		18,398,370	15,185,859
Investments in joint ventures	7	107,876,420	96,737,910
Investments in associates	8	160,491,113	139,952,442
Receivable from a jointly controlled entity		18,371,627	19,153,089
Loan receivable from a joint venture		8,063,809	–
Other financial assets	4, 9	188,067,152	221,825,818
Deferred tax asset		9,953,798	8,408,967
Other assets		7,147,116	13,858,297
Total non-current assets		847,177,814	812,630,935
Current assets			
Inventories		20,866,688	18,779,936
Taxes prepaid and VAT recoverable		23,623,004	26,529,298
Prepaid expenses		13,952,374	27,815,083
Trade and other receivables	9	74,532,480	65,529,767
Receivable from a jointly controlled entity		4,286,545	1,203,834
Other financial assets	9	357,231,564	377,800,956
Cash and cash equivalents	9	142,704,763	98,519,680
Total current assets		637,197,418	616,178,554
Total assets		1,484,375,232	1,428,809,489
EQUITY			
Share capital		203,853,157	214,081,197
Other capital reserves		2,051,510	1,739,901
Retained earnings		1,039,466,980	931,455,065
Other components of equity		13,847,918	12,376,574
Total equity		1,259,219,565	1,159,652,737
LIABILITIES			
Non-current liabilities			
Borrowings		32,972,479	62,286,045
Deferred tax liability		896,408	1,829,852
Provisions	10	39,000,374	35,625,247
Total non-current liabilities		72,869,261	99,741,144
Current liabilities			
Borrowings		53,730,216	60,194,818
Mineral extraction tax and rent tax payable		41,254,664	46,054,359
Trade and other payables		42,710,500	47,304,799
Provisions	10	14,591,026	15,861,632
Total current liabilities		152,286,406	169,415,608
Total liabilities		225,155,667	269,156,752
Total liabilities and equity		1,484,375,232	1,428,809,489

Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

Tenge thousands

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2011	2010	2011	2010
Revenue	12	145,688,364	148,424,375	545,746,589	445,029,541
Share of results of associates and joint ventures	7, 8	21,185,198	26,766,141	69,764,173	45,614,188
Finance income		6,801,450	9,008,556	22,176,668	29,872,049
Total revenue and other income		173,675,012	184,199,072	637,687,430	520,515,778
Production expenses	13	(25,148,870)	(30,229,982)	(87,846,628)	(80,685,570)
Selling, general and administrative expenses	14	(17,162,683)	(27,342,965)	(76,426,969)	(69,536,379)
Exploration expenses		(1,951,378)	(434,155)	(2,629,466)	(900,002)
Depreciation, depletion and amortization		(11,308,128)	(8,899,214)	(32,892,409)	(25,289,054)
Taxes other than on income	15	(56,127,601)	(42,387,635)	(217,998,560)	(125,430,750)
Loss on disposal of fixed assets		(1,269,323)	(762,306)	(3,397,787)	(1,324,747)
Finance costs		(1,676,086)	(1,793,556)	(5,464,603)	(5,737,498)
Foreign exchange gain / (loss)		5,466,945	(376,506)	731,307	(3,213,615)
Profit before tax		64,497,888	71,972,753	211,762,315	208,398,163
Income tax expense	16	(14,187,380)	(15,198,530)	(47,113,672)	(51,589,834)
Profit for the period		50,310,508	56,774,223	164,648,643	156,808,329
Exchange difference on translating foreign operations		2,282,269	(101,314)	1,471,344	(682,985)
Other comprehensive gain / (loss) for the period, net of tax		2,282,269	(101,314)	1,471,344	(682,985)
Total comprehensive income for the period, net of tax		52,592,777	56,672,909	166,119,987	156,125,344
EARNINGS PER SHARE					
Basic and diluted	11	0.70	0.79	2.28	2.16

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

		Nine months ended September 30,	
	Notes	2011	2010
Cash flows from operating activities			
Profit before tax		211,762,315	208,398,163
Adjustments to add / (deduct) non-cash items			
Depreciation, depletion and amortisation		32,892,409	25,289,054
Share of result of associates and joint ventures		(69,764,173)	(45,614,188)
Loss on disposal of property, plant and equipment (PPE)	6	3,397,787	1,324,747
Impairment of PPE		1,544,113	395,569
Dry well expense on exploration and evaluation assets		815,763	637,797
Recognition of share based payments		311,609	198,076
Forfeiture of share-based payments		-	(3,115)
Unrealised foreign exchange (gain) / loss on non-operating activities		(2,314,702)	244,239
Other non-cash income and expense		4,754,699	(199,461)
Add finance costs		5,464,603	5,737,498
Deduct finance income relating to investing activity		(22,176,668)	(29,872,049)
Working capital adjustments			
Change in other assets		(548,009)	539,767
Change in inventories		(2,791,377)	(2,993,032)
Change in taxes prepaid and VAT recoverable		600,143	(7,044,843)
Change in prepaid expenses		13,941,931	(4,974,003)
Change in trade and other receivables		(8,926,986)	(11,807,363)
Change in trade and other payables		(8,350,277)	775,646
Change in mineral extraction and rent tax payable		(4,799,695)	2,856,776
Change in provisions		7,059,175	4,747,014
Income tax paid		(52,895,215)	(72,263,678)
Net cash generated from operating activities		109,977,445	76,372,614
Cash flows from investing activities			
Purchases of PPE	6	(57,827,531)	(50,619,016)
Proceeds from sale of PPE		655,169	222,735
Purchases of intangible assets		(9,643,372)	(1,226,857)
Acquisition of share in a joint venture	7	(23,906,835)	-
Loans provided to a joint venture	7	(1,206,021)	-
Dividends received from joint ventures and associates	7, 8	55,919,130	51,285,572
Purchase of investments in debt instruments of NC KMG		-	(221,543,183)
Interest received from investment in debt instruments of NC KMG		6,462,264	-
Sale of financial assets held-to-maturity		28,910,168	227,690,997
Acquisition of subsidiary, net of cash acquired		(416,265)	(8,612,755)
Interest received		3,701,402	27,800,084
Net cash generated from investing activities		2,648,109	24,997,577
Cash flows from financing activities			
Share buy back	11	(10,328,056)	(14,776,905)
Repayment of borrowings		(34,957,372)	(14,072,152)
Dividends paid to Company's shareholders		(19,210,241)	(47,967,857)
Interest paid		(4,665,302)	(5,866,973)
Net cash used in financing activities		(69,160,971)	(82,683,887)
Net change in cash and cash equivalents		43,464,583	18,686,304
Cash and cash equivalents at the beginning of the year	9	98,519,680	107,626,368
Exchange gains on cash and cash equivalents		720,500	6,065
Cash and cash equivalents at the end of the period	9	142,704,763	126,318,737

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Condensed Consolidated Interim Statement of Changes in Equity (unaudited)

Tenge thousands

	Share capital	Treasury stock	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total Equity
As at December 31, 2009 (audited)	263,094,581	(24,547,667)	1,474,089	747,820,751	12,937,395	1,000,779,149
Profit for the period	–	–	–	156,808,329	–	156,808,329
Other comprehensive loss	–	–	–	–	(682,985)	(682,985)
Total comprehensive income	–	–	–	156,808,329	(682,985)	156,125,344
Recognition of share-based payments	–	–	198,076	–	–	198,076
Forfeiture of share-based payments	–	–	(3,115)	–	–	(3,115)
Exercise of employee options	–	72,623	5,632	–	–	78,255
Share buy back	–	(14,776,905)	–	–	–	(14,776,905)
Dividends	–	–	–	(50,867,577)	–	(50,867,577)
As at September 30, 2010 (unaudited)	263,094,581	(39,251,949)	1,674,682	853,761,503	12,254,410	1,091,533,227
As at December 31, 2010 (audited)	263,094,581	(49,013,384)	1,739,901	931,455,065	12,376,574	1,159,652,737
Profit for the period	–	–	–	164,648,643	–	164,648,643
Other comprehensive gain	–	–	–	–	1,471,344	1,471,344
Total comprehensive income	–	–	–	164,648,643	1,471,344	166,119,987
Recognition of share-based payments	–	–	311,609	–	–	311,609
Exercise of employee options	–	100,016	–	–	–	100,016
Share buy back	–	(10,328,056)	–	–	–	(10,328,056)
Dividends	–	–	–	(56,636,728)	–	(56,636,728)
As at September 30, 2011 (unaudited)	263,094,581	(59,241,424)	2,051,510	1,039,466,980	13,847,918	1,259,219,565

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

Tenge thousands unless otherwise stated

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

KazMunaiGas Exploration Production Joint Stock Company (the “Company”) has been incorporated in the Republic of Kazakhstan and is engaged in the acquisition, exploration, development, production, processing and export of hydrocarbons with its core operations of oil and gas properties located in the Pre-Caspian and Mangistau basins of western Kazakhstan. The Company’s direct majority shareholder is Joint Stock Company National Company KazMunaiGas (“NC KMG” or the “Parent Company”), which represents the state’s interests in the Kazakh oil and gas industry and which holds 60.95% of the Company’s outstanding shares as at September 30, 2011 (December 31, 2010: 60.50%). The Parent Company is 100% owned by joint stock company Samruk-Kazyna National Welfare Fund (“Samruk-Kazyna NWF”), which is in turn 100% owned by the government of the Republic of Kazakhstan (the “Government”).

The Company conducts its principal operations through the UzenMunaiGas and EmbaMunaiGas production divisions. In addition the Company has oil and gas interests in the form of wholly owned subsidiaries, jointly controlled entities, associates and certain other controlling and non-controlling interests in non-core entities. These consolidated financial statements reflect the financial position and results of operations of all of the above interests.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting (“IAS 34”) and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2010.

Exchange rates

The official rate of the Kazakhstan Tenge to the US Dollar at September 30, 2011 and December 31, 2010 was 147.87 and 147.40 Tenge to the US Dollar, respectively. Any translation of Tenge amounts to US Dollar or any other hard currency should not be construed as a representation that such Tenge amounts have been, could be or will in the future be converted into hard currency at the exchange rate shown or at any other exchange rate.

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

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

3. SEASONALITY OF OPERATIONS

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

4. SIGNIFICANT NON-CASH TRANSACTIONS

During the nine months ended September 30, 2011 the Company excluded from the condensed consolidated interim statement of cash flows a non-cash transaction related to the offset of withholding income tax payable against the interest receivable on financial assets in the amount of 1,186,617 thousand Tenge (nine months ended September 30, 2010: 3,571,962 thousand Tenge).

On May 5, 2011 Company declared dividends of 800 Tenge per share outstanding on May 16, 2011. Pursuant to the NC KMG Debt instrument agreement, on May 20, 2011 the Company performed a non-cash off-set of the declared dividends payable to Parent Company against part of the Debt instrument (Note 9) for the amount of 34,469,604 thousand Tenge (principal of 33,335,278 thousand Tenge and interest of 1,134,326 thousand Tenge).

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

Tenge thousands unless otherwise stated

5. ACCOUNTING POLICIES

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

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

- Improvements to IFRSs (May 2010)

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

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

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

6. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30, 2011, the Company prepaid for and purchased property, plant and equipment with a cost of 57,827,531 thousand Tenge (nine months ended September 30, 2010: 50,619,016 thousand Tenge).

Property, plant and equipment with the net book value of 3,576,354 thousand Tenge were disposed of by the Company during the nine months ended September 30, 2011, resulting in a net loss on disposal of 3,397,787 thousand Tenge (nine months ended September 30, 2010: 1,547,482 thousand Tenge and 1,324,747 thousand Tenge, respectively).

7. INVESTMENTS IN JOINT VENTURES

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Interest in JV Kazgermunai LLP (“Kazgermunai”)	90,433,822	96,737,910
Interest in JV Ural Group Limited BVI (“UGL”)	17,442,598	–
	107,876,420	96,737,910

JV Kazgermunai

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

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

Tenge thousands unless otherwise stated

7. INVESTMENTS IN JOINT VENTURES (continued)

JV Kazgermunai (continued)

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

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Cash	15,798,484	14,503,911
Current assets	17,151,384	9,998,641
Non-current assets	117,631,031	125,855,630
	150,580,899	150,358,182
Current liabilities	31,918,338	21,808,244
Non-current liabilities	28,228,739	31,812,028
	60,147,077	53,620,272
Net assets	90,433,822	96,737,910

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

	Nine months ended September 30,	
	2011	2010
	Unaudited	Unaudited
Revenues	131,010,549	81,933,062
Operating expenses	(83,655,899)	(52,438,950)
Profit from operations	47,354,650	29,494,112
Finance cost, net	(324,987)	(131,452)
Profit before tax	47,029,663	29,362,660
Income tax expense	(16,898,138)	(9,660,141)
Profit for the period	30,131,525	19,702,519
Foreign currency translation gain / (loss) recognized in other comprehensive income	191,387	(452,709)

Profit for the nine months ended September 30, 2011 is net of the effect of amortization of the fair valuation of the licenses in the amount of 6,424,535 thousand Tenge (nine months ended September 30, 2010: 7,721,809 thousand Tenge) and related deferred tax benefit of 713,269 thousand Tenge (nine months ended September 30, 2010: deferred tax expense of 701,240 thousand Tenge).

During nine months ended September 30, 2011 the Company received dividends from Kazgermunai in the amount of 36,627,000 thousand Tenge (nine months ended September 30, 2010: 36,708,500 thousand Tenge).

JV Ural Group Limited BVI

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

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

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

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

Tenge thousands unless otherwise stated

7. INVESTMENTS IN JOINT VENTURES (continued)

JV Ural Group Limited BVI (continued)

Operating activities of the UGL are dependent upon continued financing from the shareholders in the form of capital or borrowings to enable the UGL to meet its current obligations and to continue its activities. As a result the Company has provided financing in the form of additional loans in the amount of 8,260 thousand US dollars (1,206,021 thousands of Tenge) from the acquisition date to September 30, 2011.

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

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

	September 30, 2011	Provisional fair value recognized on acquisition (as at April 15, 2011)
Cash	74,265	231,727
Current assets	107,073	72,039
Non-current assets	30,460,436	28,591,937
	30,641,774	28,895,703
Current liabilities	388,307	276,591
Non-current liabilities	12,810,869	11,649,693
	13,199,176	11,926,284
Net assets	17,442,598	16,969,419

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

The results of operations of UGL for the period from the acquisition date to September 30, 2011 were included into the condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2011 and comprised a profit of 175,984 thousand Tenge.

8. INVESTMENTS IN ASSOCIATES

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Interest in Petrokazakhstan Inc. ("PKI")	160,491,113	139,164,657
Other	–	787,785
	160,491,113	139,952,442

Petrokazakhstan Inc.

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

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

Tenge thousands unless otherwise stated

8. INVESTMENTS IN ASSOCIATES (continued)

Petrokazakhstan Inc. (continued)

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

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Cash	41,983,366	12,908,371
Current assets	39,392,435	33,467,489
Non-current assets	168,044,494	199,098,292
	249,420,295	245,474,152
Current liabilities	59,898,343	69,317,233
Non-current liabilities	29,030,839	36,992,262
	88,929,182	106,309,495
Net assets	160,491,113	139,164,657

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

	Nine months ended September 30,	
	2011	2010
	Unaudited	Unaudited
Revenue	192,767,210	119,195,184
Operating expenses	(129,055,124)	(76,424,517)
Profit from operations	63,712,086	42,770,667
Finance cost, net	(529,981)	(716,387)
Profit before tax	63,182,105	42,054,280
Income tax expense	(23,740,132)	(16,158,351)
Profit for the period	39,441,973	25,895,929
Foreign currency translation gain / (loss) recognized in other comprehensive income	1,176,613	(664,885)

Profit for nine months ended September 30, 2011 is net of the effect of amortization of the fair valuation of the licenses in the amount of 8,585,376 thousand Tenge (nine months ended September 30, 2010: 10,708,424 thousand Tenge).

During nine months ended September 30, 2011 the Company received dividends from PKI in the amount of 19,292,130 thousand Tenge (nine months ended September 30, 2010: 14,577,072 thousand Tenge).

9. FINANCIAL ASSETS

Other financial assets

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Investments in debt instrument of NC KMG	187,075,789	220,710,987
Tenge denominated held-to-maturity deposits	974,970	953,920
Other	16,393	160,911
Total non-current	188,067,152	221,825,818
US dollar denominated term deposits	241,485,315	264,841,437
Held-to-maturity financial assets	59,869,955	54,916,073
Tenge denominated term deposits	46,115,706	57,786,248
Great Britain pound denominated term deposits	6,274,590	-
Investments in debt instrument of NC KMG	3,485,728	256,928
Other	270	270
Total current	357,231,564	377,800,956
	545,298,716	599,626,774

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

Tenge thousands unless otherwise stated

9. FINANCIAL ASSETS (continued)

Other financial assets (continued)

As at September 30, 2011 the current US dollar denominated term deposits include restricted cash in the amount of 3,949,376 thousand Tenge (December 31, 2010: 27,639,860 thousand Tenge), which is kept in a blocked account as a security for the payment of interest and principal on the long term debt KMG PKI Finance, a 100% subsidiary of the Company.

Trade and other receivables

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Trade receivables	74,186,982	65,367,737
Other	656,229	439,253
Allowance for doubtful receivables	(310,731)	(277,223)
	74,532,480	65,529,767

As at September 30, 2011 the Company's trade receivables included receivables from sales of crude oil to KazMunaiGas – Refinery and Marketing JSC (“KMG R&M”), a subsidiary of the Parent Company, of 72,659,553 thousand Tenge (December 31, 2010: 63,517,201 thousand Tenge). Of this amount 17,822,112 thousand Tenge is overdue (December 31, 2010: 7,198,720 thousand Tenge).

Payments for oil delivered shall be made by KMG R&M on the 30-th day after the date of delivery. In case of untimely payment KMG R&M shall pay a penalty ranging at the rates from one month LIBOR plus 2% to three month LIBOR plus 2% depending on the amount owed and period overdue. The Company's balance of other receivables includes penalty interest accrued on trade receivables from KMG R&M in the amount of 42,597 thousand Tenge (December 31, 2010: 33,709 thousand Tenge).

Cash and cash equivalents

	September 30, 2011	December 31, 2010
	Unaudited	Audited
US dollar denominated term deposits with banks	104,211,163	75,315,631
Euro denominated term deposits with banks	448,955	394,734
Tenge denominated term deposits with banks	428,542	12,982,717
Tenge denominated cash in banks and on hand	19,044,023	3,880,555
US dollar denominated cash in banks and on hand	18,098,980	5,067,220
Great Britain pound denominated cash in bank and on hand	473,100	878,823
	142,704,763	98,519,680

10. PROVISIONS

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Environmental remediation	19,608,591	19,801,260
Asset retirement obligation	16,174,878	14,621,636
Taxes	11,779,229	11,685,058
Other	6,028,702	5,378,925
	53,591,400	51,486,879

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

Tenge thousands unless otherwise stated

11. EQUITY

Shares outstanding

As at September 30, 2011 weighted average number of all shares outstanding amounted to 72,224,041 shares (September 30, 2010: 72,898,084 shares). As part of its buy back program, during the nine months ended September 30, 2011 the Company purchased 538,925 preferred shares at an aggregate purchase price of 10,328,056 thousand Tenge (nine months ended September 30, 2010: 763,260 preferred shares with an aggregate purchase price of 14,776,905 thousand Tenge). Under the employee remuneration program during the nine months ended September 30, 2011 stock options for 8,947 ordinary shares were exercised (nine months ended September 30, 2010: 5,927 ordinary shares). New stock options for 1,308 ordinary shares were issued during the nine months ended September 30, 2011 (nine months ended September 30, 2010: stock options issued for 169,767 ordinary shares).

Book value per share

The Kazakhstan Stock Exchange has enacted on October 11, 2010 a requirement for disclosure of the total equity less other intangible assets per shares outstanding as at period end. As at September 30, 2011 the amount per share outstanding is 17,778 Tenge (December 31, 2010: 16,249 Tenge).

Dividends declared

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

12. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Export:				
Crude oil	127,398,627	133,929,917	497,174,730	406,552,045
Domestic:				
Crude oil	14,334,487	9,619,570	36,485,239	25,925,804
Gas products	2,195,140	2,085,521	5,635,534	4,922,956
Refined products	453,028	1,566,121	2,690,090	3,849,732
Other	1,307,082	1,223,246	3,760,996	3,779,004
	145,688,364	148,424,375	545,746,589	445,029,541

13. PRODUCTION EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Employee benefits	14,883,352	15,336,733	45,028,241	39,544,455
Repairs and maintenance	7,324,186	8,145,044	21,454,221	20,209,904
Energy	2,248,016	2,573,931	7,630,724	8,069,135
Materials and supplies	2,216,844	3,171,573	7,841,154	7,702,274
Transportation services	1,140,225	391,804	2,213,769	1,237,127
Processing expenses	208,412	270,133	784,333	790,530
Change in crude oil balance	(4,012,394)	(801,584)	(88,019)	190,029
Other	1,140,229	1,142,348	2,982,205	2,942,116
	25,148,870	30,229,982	87,846,628	80,685,570

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

Tenge thousands unless otherwise stated

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Transportation expenses	9,365,059	14,111,509	37,207,498	41,522,045
Employee benefits	3,387,633	3,147,682	9,845,853	8,224,765
Management fees and commissions	2,160,353	2,071,169	6,567,208	6,209,876
Sponsorship	791,092	1,038,781	5,251,079	2,697,357
Consulting and audit services	396,308	1,431,789	913,011	2,147,730
Repairs and maintenance	217,584	122,035	513,070	400,740
(Reverse) / accrual of fines and penalties	(1,055,945)	4,390,099	12,310,633	5,431,435
Other	1,900,599	1,029,901	3,818,617	2,902,431
	17,162,683	27,342,965	76,426,969	69,536,379

Fines and penalties include 6,608,072 thousand Tenge (fine of 5,356,704 thousand Tenge and late payment interest of 1,251,368 thousand Tenge) expensed under the Supreme Court decision in favor of the tax authority on 2004-2005 tax audit case (Note 18) and 2,314,714 thousand Tenge of the late payment interest for unpaid export customs duty . During the three months ended September 30, 2011 the Company also reversed unused tax provision of 2,174,342 thousand Tenge for the 2004-2005 tax audit case (Note 18) .

15. TAXES OTHER THAN ON INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Rent tax	29,443,087	22,577,325	114,440,172	69,262,201
Mineral extraction tax	16,714,049	17,106,172	58,230,244	51,192,274
Export customs duty	6,280,585	1,445,570	38,739,510	1,445,570
Property tax	941,634	897,865	2,514,430	2,213,215
Other taxes	2,748,246	360,703	4,074,204	1,317,490
	56,127,601	42,387,635	217,998,560	125,430,750

16. INCOME TAX EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	Unaudited	Unaudited	Unaudited	Unaudited
Corporate income tax	10,934,384	10,368,434	39,321,223	35,180,316
Excess profit tax	2,453,025	4,708,543	10,212,109	15,051,019
Current income tax	13,387,409	15,076,977	49,533,332	50,231,335
Corporate income tax	599,872	78,521	(2,115,719)	1,036,428
Excess profit tax	200,099	43,032	(303,941)	322,071
Deferred income tax	799,971	121,553	(2,419,660)	1,358,499
Income tax expense	14,187,380	15,198,530	47,113,672	51,589,834

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

Tenge thousands unless otherwise stated

17. RELATED PARTY TRANSACTIONS

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

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

	Nine months ended September 30,	
	2011	2010
	Unaudited	Unaudited
Sales of goods and services		
Entities under common control	538,728,124	434,656,132
Joint ventures	289,833	234,570
Associates	26,722	27,331
Other state controlled entities	2,359	914,180
Purchases of goods and services		
Entities under common control	17,107,713	19,016,821
Other state controlled entities	8,497,912	9,357,327
Parent Company	6,239,817	5,831,605
Halyk Bank of Kazakhstan affiliates	865,985	804,923
Associates	463,099	284,668
Interest earned on financial assets		
Interest earned on Debt Instrument	10,793,956	2,746,055
Effective interest rate on Debt Instrument – indexed USD/KZT	6.89%	6.87%
Halyk Bank of Kazakhstan	3,557,940	11,528,821
Average interest rate on deposits	3.14%	7.43%
Kazkommertsbank	1,411,440	8,760,685
Average interest rate on deposits	6.65%	8.67%
BTA Bank	–	112,906
Average interest rate on deposits	–	12.00%
Salaries and other short-term benefits		
Members of the Board of Directors	97,053	83,465
Members of the Management Board	246,221	264,489
Share-based payments		
Members of the Board of Directors	625	4,098
Members of the Management Board	28,425	21,223

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

Tenge thousands unless otherwise stated

17. RELATED PARTY TRANSACTIONS (continued)

	September 30, 2011	December 31, 2010
	Unaudited	Audited
Cash and cash equivalents (Note 9)		
Halyk Bank of Kazakhstan	31,939,807	13,141,643
Kazkommertsbank	112,708	997,391
BTA Bank	12,787	10,381
Financial assets (Note 9)		
Halyk Bank of Kazakhstan	83,403,879	99,583,042
Kazkommertsbank	1,004,658	37,873,202
Debt Instrument – indexed USD/KZT	190,561,517	220,967,915
Trade and other receivables (Note 9)		
Entities under common control	74,970,541	66,981,677
Joint ventures	30,822,977	20,432,051
Other state controlled entities	1,488,402	606,068
Halyk Bank of Kazakhstan affiliates	293,605	98,300
Associates	2,815	7,540
Trade payables		
Parent Company	776,511	2,591,825
Other state controlled entities	625,517	282,844
Entities under common control	609,033	543,559
Associates	416,557	631,987
Halyk Bank of Kazakhstan affiliates	–	48,609

18. COMMITMENTS AND CONTINGENCIES

Commitments arising from oilfield licenses and contracts:

Year	Capital expenditures	Operational expenditures
2011 (remaining)	27,761,390	2,183,337
2012	13,859,746	4,480,677
2013	1,965,192	4,085,343
2014	1,743,387	4,065,253
2015-2021	42,882	18,871,609
	45,372,597	33,686,219

Tax audit

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

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

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

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

Tenge thousands unless otherwise stated

18. COMMITMENTS AND CONTINGENCIES (continued)

Commitments of JV Kazgermunai

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

Year	Capital expenditures	Operational expenditures
2011 (remaining)	3,560,465	1,192,845

Commitments of JV Ural Group Limited

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

Year	Capital expenditures
2011 (remaining)	108,928
2012	1,879,871
2013	308,679
2014	16,635
	2,314,113

19. SUBSEQUENT EVENTS

Acquisition of preferred and common shares on KASE and Global Depositary Receipts (GDR) on LSE

As part of its preferred share buyback program, between October 1, 2011 and November 2, 2011 the Company purchased 27,665 of its preferred shares at an aggregate value of 390,530 thousand Tenge. In total, the Company has purchased 1,912,803 preferred shares for an aggregate value of 35,040,489 thousand Tenge under this preferred share buy back program as at November 2, 2011.

On October 11, 2011 the Company started execution of the GDR and common share buy back program, which was approved by the Company's Board of Directors on September 15, 2011. The program assumes common share and GDR purchase for up to aggregate value of 300 million US Dollars and will end before December 31, 2012. The Company has purchased 322,787 GDR's and 40 common shares for an aggregate value of 754,191 thousand Tenge under this program as at November 2, 2011.

Guaranteed payment received

On October 28, 2011 the Company received a cash payment of 23.56 million US dollars from CITIC Canada Energy Limited, which represents a partial repayment of the annual guaranteed payment of 26.87 million US dollars under the terms of the purchase agreement.

These condensed consolidated interim financial statements have been signed below by the following persons on behalf of the Company and in the capacities indicated on November 2, 2011:

Chief Executive Officer

Balzhanov A.

Acting Chief Financial Officer

Fraser B., ACA

Contact information

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