

**KazMunaiGas Exploration Production
Joint Stock Company**

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2010

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KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Condensed Consolidated Interim Statement of Financial Position

Tenge thousands

| | | September 30, 2010 | December 31, 2009 |
|--|------|----------------------|----------------------|
| | Note | Unaudited | Audited |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 287,809,558 | 257,739,303 |
| Other financial assets | 8 | 221,780,996 | 797,931 |
| Receivable from a jointly controlled entity | | 19,419,582 | 20,268,928 |
| Intangible assets | | 2,283,693 | 2,276,745 |
| Investments in associates and joint ventures | | 247,392,418 | 254,147,918 |
| Deferred tax asset | | 8,920,294 | 10,265,537 |
| Other assets | | 9,375,588 | 7,291,870 |
| Total non-current assets | | 797,982,129 | 552,788,232 |
| Current assets | | | |
| Inventories | | 18,479,557 | 15,525,704 |
| Taxes prepaid and VAT recoverable | | 17,066,044 | 9,969,965 |
| Prepaid expenses | | 25,930,226 | 21,595,622 |
| Trade and other receivables | 8 | 61,599,174 | 49,710,916 |
| Receivable from a jointly controlled entity | | 4,123,697 | 1,082,100 |
| Other financial assets | 8 | 302,841,604 | 534,288,078 |
| Cash and cash equivalents | 8 | 126,318,737 | 107,626,368 |
| Total current assets | | 556,359,039 | 739,798,753 |
| Total assets | | 1,354,341,168 | 1,292,586,985 |
| EQUITY | | | |
| Share capital | | 223,842,632 | 238,546,914 |
| Other capital reserves | | 1,674,682 | 1,474,089 |
| Retained earnings | | 853,761,503 | 747,820,751 |
| Other components of equity | | 12,254,410 | 12,937,395 |
| Total equity | | 1,091,533,227 | 1,000,779,149 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 62,330,689 | 92,023,143 |
| Provisions | 9 | 34,599,683 | 35,319,443 |
| Total non-current liabilities | | 96,930,372 | 127,342,586 |
| Current liabilities | | | |
| Borrowings | | 59,074,330 | 45,650,017 |
| Income taxes payable | | 8,792,479 | 21,138,596 |
| Mineral extraction and rent tax payable | | 39,034,075 | 36,177,299 |
| Trade and other payables | | 38,271,589 | 34,402,259 |
| Provisions | 9 | 20,705,096 | 27,097,079 |
| Total current liabilities | | 165,877,569 | 164,465,250 |
| Total liabilities | | 262,807,941 | 291,807,836 |
| Total liabilities and equity | | 1,354,341,168 | 1,292,586,985 |

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

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

Tenge thousands

| | Note | Three months ended September 30, | | Nine months ended September 30, | |
|--|------|----------------------------------|-------------------|---------------------------------|--------------------|
| | | 2010 | 2009 | 2010 | 2009 |
| Revenue | 10 | 148,424,375 | 141,024,201 | 445,029,541 | 347,654,914 |
| Operating expenses | 11 | (110,056,257) | (90,901,186) | (303,166,502) | (240,492,520) |
| Profit from operations | | 38,368,118 | 50,123,015 | 141,863,039 | 107,162,394 |
| Finance income | | 9,008,556 | 11,057,645 | 29,872,049 | 34,901,161 |
| Finance cost | | (1,793,556) | (795,836) | (5,737,498) | (1,766,373) |
| Unrealised gain / (loss) of crude oil derivative | | – | 3,705,199 | – | (786,258) |
| Foreign exchange (loss) / gain | | (376,506) | 2,009,690 | (3,213,615) | 99,895,981 |
| Share of result of associates and joint ventures | | 26,766,141 | 6,211,343 | 45,614,188 | 1,080,664 |
| Profit before tax | | 71,972,753 | 72,311,056 | 208,398,163 | 240,487,569 |
| Income tax expense | 12 | (15,198,530) | (20,500,944) | (51,589,834) | (59,911,766) |
| Profit for the period | | 56,774,223 | 51,810,112 | 156,808,329 | 180,575,803 |
| Exchange difference on translating foreign operations | | (101,314) | 512,273 | (682,985) | 14,616,277 |
| Other comprehensive income for the period, net of tax | | (101,314) | 512,273 | (682,985) | 14,616,277 |
| Total comprehensive income for the period, net of tax | | 56,672,909 | 52,322,385 | 156,125,344 | 195,192,080 |
| EARNINGS PER SHARE | | | | | |
| Basic | | 0.79 | 0.72 | 2.16 | 2.47 |
| Diluted | | 0.76 | 0.70 | 2.09 | 2.43 |

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

Tenge thousands

| | Nine months ended September 30, | | |
|---|--|---------------------|----------------------|
| | Note | 2010 | 2009 |
| Cash flows from operating activities | | | |
| Profit before income tax | | 208,398,163 | 240,487,569 |
| Adjustments to add (deduct) non-cash items | | | |
| Depreciation, depletion and amortisation | 11 | 25,289,054 | 23,055,517 |
| Share of result of associates and joint ventures | | (45,614,188) | (1,080,664) |
| Settlement of crude oil under the terms of a pre-export financing agreement | | – | (10,830,585) |
| Unrealised loss of crude oil derivative instrument, net | | – | 786,258 |
| Loss on disposal of property, plant and equipment (PPE) | 7 | 1,579,279 | 1,389,803 |
| Impairment / (Reversal of impairment) of PPE | | 395,569 | (544,162) |
| Recognition of share based payments | | 198,076 | 202,535 |
| Forfeiture of share-based payments | | (3,115) | (146,113) |
| Unrealised foreign exchange loss / (gain) on non-operating activities | | 244,239 | (44,227,222) |
| Other non-cash income and expense | | 183,804 | 1,090,383 |
| Add finance costs | | 5,737,498 | 1,766,373 |
| Deduct interest income relating to investing activity | | (29,872,049) | (34,901,161) |
| Working capital adjustments | | | |
| Change in other assets | | 539,767 | (2,092,586) |
| Change in inventories | | (2,993,032) | (2,051,767) |
| Change in taxes prepaid and VAT recoverable | | (7,044,843) | (3,689,084) |
| Change in prepaid expenses | | (4,974,003) | (14,226,904) |
| Change in trade and other receivables | | (11,807,363) | (22,120,588) |
| Change in trade and other payables | | 775,646 | (11,954,851) |
| Change in mineral extraction and rent tax payable | | 2,856,776 | 35,615,286 |
| Change in provisions | | 4,747,014 | 9,694,391 |
| Income tax paid | | (72,263,678) | (84,385,710) |
| Net cash generated from operating activities | | 76,372,614 | 81,836,718 |
| Cash flows from investing activities | | | |
| Purchases of PPE | 7 | (51,845,873) | (25,508,604) |
| Proceeds from sale of PPE | | 222,735 | 1,129,367 |
| Contribution to the charter capital of the joint venture | | – | (580,044) |
| Dividends received from joint ventures and associates | | 51,285,572 | 3,768,250 |
| Purchase of investments in debt instruments of NC KMG | 8 | (221,543,183) | – |
| Sale / (purchase) of financial assets held-to-maturity, net | | 227,690,997 | (147,374,344) |
| Acquisition of subsidiary, net of cash acquired | 6 | (8,612,755) | – |
| Interest received | | 27,800,084 | 14,736,191 |
| Net cash generated from / (used in) investing activities | | 24,997,577 | (153,829,184) |
| Cash flows from financing activities | | | |
| Purchase of treasury shares | | (14,776,905) | (21,392,129) |
| Repayment of borrowings | | (14,072,152) | (6,104,629) |
| Dividends paid to Company's shareholders | | (47,967,857) | (45,524,743) |
| Interest paid | | (5,866,973) | (104,875) |
| Net cash used in financing activities | | (82,683,887) | (73,126,376) |
| Net change in cash and cash equivalents | | 18,686,304 | (145,118,842) |
| Cash and cash equivalents at beginning of the year | 8 | 107,626,368 | 285,131,743 |
| Exchange gains on cash and cash equivalents | | 6,065 | 23,926 |
| Cash and cash equivalents at end of the period | 8 | 126,318,737 | 140,036,827 |

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, 2008 (audited) | 263,094,581 | (3,369,734) | 1,385,036 | 586,058,950 | (76,197) | 847,092,636 |
| Profit for the period | - | - | - | 180,575,803 | - | 180,575,803 |
| Other comprehensive income | - | - | - | - | 14,616,277 | 14,616,277 |
| Total comprehensive income | - | - | - | 180,575,803 | 14,616,277 | 195,192,080 |
| Recognition of share-based payments | - | - | 202,535 | - | - | 202,535 |
| Forfeiture of share -based payments | - | - | (146,113) | - | - | (146,113) |
| Exercise of employee options | - | 56,191 | - | - | - | 56,191 |
| Share buy back | - | (21,381,199) | - | - | - | (21,381,199) |
| Dividends | - | - | - | (47,965,099) | - | (47,965,099) |
| As at September 30, 2009 (unaudited) | 263,094,581 | (24,694,742) | 1,441,458 | 718,669,654 | 14,540,080 | 973,051,031 |
| 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 income | - | - | - | - | (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 |

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 60.01% of the Company’s outstanding shares as at September 30, 2010 (December 31, 2009: 59.38%). 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 and assets, associates and certain other controlling and non-controlling interests in non-core entities. These condensed consolidated interim 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, 2009.

Exchange rates

The official rate of the Kazakhstan Tenge to the US Dollar at September 30, 2010 and December 31, 2009 was 147.47 and 148.36 Tenge to 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.

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, 2010 the Company excluded from the consolidated interim statement of cash flows a non-cash transaction related to the offset of withholding income tax payable against corporate income tax payable in the amount of 3,571,962 thousand Tenge (nine months ended September 30, 2009: 4,770,346 thousand Tenge).

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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, 2009, 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, 2010:

- IFRS 3R Business Combinations

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

- IAS 27 Consolidated and Separate Financial Statements – amendment

The Company has adopted the amendment to this revised standard. The adoption of this the amendment revised standard did not have any 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 2010, but are not currently relevant for the Company.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
- IFRS 2 Group Cash-settled Share-based Payment Transactions
- IAS 39 Eligible hedged items
- IFRIC 17 Distributions of Non-cash Assets to Owners

6. Business combinations

Acquisition of NBK LLP (“NBK”)

On September 24, 2010 the Company acquired a 100% interest in NBK. NBK is an oil and gas company, which has a license for the exploration and production of the West Novobogatinksoye oil field located in Atyrau oblast of the Republic of Kazakhstan. The acquired company is currently in the exploration stage and has rights to market test production from four successful exploration wells over the period of exploration. The interest in NBK was acquired for cash consideration of 35,000 thousand US Dollars (5,162,150 thousands Tenge). In accordance with a share purchase agreement, dated September 24, 2010, the Company paid 90% of the consideration and withheld the remaining 10%, subject to final purchase price adjustments. The exploration license, upon fulfillment of certain conditions prior to the end of 2010, was extended to September 2012 from September 2010.

The Company’s share of NBK’s assets and liabilities, based on the allocation of the consideration over the fair values of the identifiable net assets, as at September 30, 2010 on a provisional basis is as follows:

| | September 30, 2010 |
|-------------------------|---------------------------|
| Cash | 212 |
| Current assets | 74,314 |
| Non-current assets | 5,135,468 |
| | 5,209,994 |
| Current liabilities | 19,494 |
| Non-current liabilities | 28,350 |
| | 47,844 |
| Net assets | 5,162,150 |

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

6. Business combinations (continued)

Acquisitions of SapaBarlau Service LLP (“SBS”)

On September 24, 2010 the Company acquired a 100% interest in SBS. SBS is an oil and gas company, which has a license for the exploration of the East Zharkamys I field located in Aktobe oblast of the Republic of Kazakhstan. The interest in SBS was acquired for cash considerations of 4,410,000 thousand Tenge. In accordance with a share purchase agreement, dated September 24, 2010, the Company paid 90% of the consideration and withheld 10%, subject to final purchase price adjustments. The exploration license, upon fulfillment of certain conditions prior to the end of 2010, was extended to November 2012 from November 2010.

The Company’s share of SBS’ assets and liabilities, based on the allocation of the consideration over the fair values of the identifiable net assets, as at September 30, 2010 on a provisional basis is as follows:

| | September 30, 2010 |
|-------------------------|---------------------------|
| Cash | 1,968 |
| Current assets | 46,925 |
| Non-current assets | 4,371,656 |
| | 4,420,549 |
| Current liabilities | 1,597 |
| Non-current liabilities | 8,952 |
| | 10,549 |
| Net assets | 4,410,000 |

7. Property, plant and equipment

During the nine months ended September 30, 2010, the Company prepaid for and purchased property, plant and equipment with a cost of 51,845,874 thousand Tenge.

Property, plant and equipment with the net book value of 1,802,015 thousand Tenge were disposed of by the Company during the nine months ended September 30, 2010, resulting in a net loss on disposal of 1,579,279 thousand Tenge.

8. Financial assets

Other financial assets

| | September 30, 2010 | December 31, 2009 |
|--|---------------------------|--------------------------|
| | Unaudited | Audited |
| Investments in debt instrument of NC KMG | 220,714,501 | – |
| Tenge-denominated term deposits | 905,584 | 636,520 |
| Other | 160,911 | 161,411 |
| Total non-current | 221,780,996 | 797,931 |
| US dollar-denominated term deposits | 243,881,573 | 447,254,500 |
| Tenge-denominated term deposits | 34,867,838 | 87,033,308 |
| Held-to-maturity financial assets | 19,981,911 | – |
| Investments in debt instrument of NC KMG | 4,110,012 | – |
| Other | 270 | 270 |
| Total current | 302,841,604 | 534,288,078 |
| | 524,622,600 | 535,086,009 |

As at September 30, 2010 the current US dollar denominated term deposits include restricted cash in the amount of 1,993,535 thousand Tenge (December 31, 2009: 9,840,620 thousand Tenge), which is kept in a blocked account as a security for the payment of interest and principal on the long term debt of KazMunaiGaz PKI Finance B.V. (KMG PKI Finance), a 100% subsidiary of the Company.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

8. Financial assets (continued)

Investments in debt instrument of NC KMG

On July 16, 2010 the Company purchased unsubordinated, coupon indexed, unsecured bonds issued by NC KMG ("Debt Instrument") on the Kazakhstan Stock Exchange ("KASE") in the amount of 221,543,183 thousand Tenge (1,499,649 thousand US Dollars). The Debt Instrument carries an annual coupon rate of 7% per annum to be paid semi-annually, is indexed to the USD/KZT exchange rate at the date of issuance and matures in June 2013. As at September 30, 2010 the outstanding amount of the Debt Instrument and related accrued interest is 220,714,501 thousand Tenge and 4,110,012 thousand Tenge, respectively (1,496,674 thousand US Dollars and 27,870 thousand US Dollars, respectively).

The Debt Instrument contains the following key provisions:

- i. NC KMG will mandatorily use any future dividends from Company to offset against the outstanding Debt Instrument.
- ii. If the Company acquires assets from NC KMG during the life of the Debt Instrument with an aggregate value of more than 800 million US Dollars, then the Company will be able to finance the portion of the cost of such acquisitions exceeding the 800 million US Dollars threshold through transferring or selling to NC KMG the relevant portion of the Debt Instrument at par value plus accrued coupon indexed to the USD/KZT exchange rate at the issuance date.
- iii. If at maturity, NC KMG does not settle its outstanding Debt Instrument for cash, the Company shall pay a Special Dividend to its shareholders of a quantum, where NC KMG's share is sufficient to settle the outstanding Debt Instrument.
- iv. The Company will ensure that it will have sufficient cash reserves in the banks, which are in compliance with Company's treasury policy, to pay its minority shareholders their portion of the Special Dividend, should it become necessary. Special monitoring and control mechanisms have been put in place to ensure that the Independent Non-Executive Directors could exercise control over expenditures exceeding budgeted amounts in the event that the amount of cash, held in appropriate banks, falls below required levels.

Trade and other receivables

| | September 30, 2010 | December 31, 2009 |
|------------------------------------|--------------------|-------------------|
| | Unaudited | Audited |
| Trade receivables | 61,359,305 | 49,398,083 |
| Other | 490,486 | 523,914 |
| Allowance for doubtful receivables | (250,617) | (211,081) |
| | 61,599,174 | 49,710,916 |

Cash and cash equivalents

| | September 30, 2010 | December 31, 2009 |
|--|--------------------|--------------------|
| | Unaudited | Audited |
| Tenge-denominated term deposits with banks | 53,692,453 | 71,469,368 |
| US dollar-denominated term deposits with banks | 10,806,611 | 8,041,112 |
| Euro-denominated term deposits with banks | 402,092 | 641,004 |
| US dollar-denominated cash in banks and on hand | 47,487,917 | 20,541,767 |
| Tenge-denominated cash in banks and on hand | 12,947,462 | 6,933,117 |
| Great Britain Pound - denominated cash in bank and on hand | 982,202 | - |
| | 126,318,737 | 107,626,368 |

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

9. Provisions

| | September 30, 2010 | December 31, 2009 |
|-----------------------------|--------------------|-------------------|
| | Unaudited | Audited |
| Environmental remediation | 20,617,471 | 22,008,857 |
| Asset retirement obligation | 15,069,005 | 14,729,028 |
| Taxes | 14,618,749 | 21,010,732 |
| Other | 4,999,554 | 4,667,905 |
| | 55,304,779 | 62,416,522 |

10. Revenue

| | Three months ended September 30, | | Nine months ended September 30, | |
|------------------|----------------------------------|--------------------|---------------------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Export: | | | | |
| Crude oil | 133,929,917 | 127,590,578 | 406,552,045 | 310,617,956 |
| Domestic: | | | | |
| Crude oil | 9,619,570 | 8,322,187 | 25,925,804 | 22,367,323 |
| Gas products | 2,085,521 | 1,492,030 | 4,922,956 | 3,674,253 |
| Refined products | 1,566,121 | 1,549,347 | 3,849,732 | 3,289,379 |
| Other | 1,223,246 | 2,070,059 | 3,779,004 | 7,706,003 |
| | 148,424,375 | 141,024,201 | 445,029,541 | 347,654,914 |

11. Operating expenses

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|-------------------|---------------------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Rent tax | 22,577,325 | 18,896,350 | 69,262,201 | 37,693,222 |
| Employee benefits | 18,543,657 | 13,682,169 | 47,898,941 | 37,919,475 |
| Mineral Extraction Tax | 17,106,172 | 15,813,382 | 51,192,274 | 39,601,981 |
| Transportation | 14,503,313 | 13,279,835 | 42,759,172 | 39,933,712 |
| Depreciation, depletion and amortization | 8,899,214 | 7,902,437 | 25,289,054 | 23,055,517 |
| Repairs, maintenance and other services | 8,391,560 | 6,707,797 | 20,668,044 | 15,825,553 |
| Fines and penalties | 4,390,099 | 826,991 | 5,431,435 | 12,571,724 |
| Materials | 3,301,757 | 3,382,914 | 7,832,458 | 7,311,049 |
| Energy | 2,586,000 | 2,496,797 | 8,081,204 | 7,545,773 |
| Management fees and sales commissions | 2,071,169 | 1,913,022 | 6,209,876 | 5,740,269 |
| Export customs duty | 1,445,570 | – | 1,445,570 | – |
| Taxes other than on income | 1,258,568 | 1,013,003 | 3,530,705 | 3,113,203 |
| Social infrastructure projects | 1,038,781 | 999,261 | 2,697,357 | 1,701,975 |
| Loss on disposal of fixed assets | 1,016,838 | 987,877 | 1,579,279 | 1,389,803 |
| Change in crude oil balance | (801,584) | (907,436) | 190,029 | 140,177 |
| Other | 3,727,818 | 3,906,787 | 9,098,903 | 6,949,087 |
| | 110,056,257 | 90,901,186 | 303,166,502 | 240,492,520 |

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

12. Income tax expense

| | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------|----------------------------------|-------------------|---------------------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Corporate income tax | 10,368,434 | 13,493,354 | 35,180,316 | 48,069,326 |
| Excess profit tax | 4,708,543 | 6,451,393 | 15,051,019 | 12,368,872 |
| Current income tax | 15,076,977 | 19,944,747 | 50,231,335 | 60,438,198 |
| Corporate income tax | 78,521 | 517,452 | 1,036,428 | (531,014) |
| Excess profit tax | 43,032 | 38,745 | 322,071 | 4,582 |
| Deferred income tax | 121,553 | 556,197 | 1,358,499 | (526,432) |
| Income tax expense | 15,198,530 | 20,500,944 | 51,589,834 | 59,911,766 |

13. 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 member 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, 2010 and 2009 and the balances with related parties at September 30, 2010 and December 31, 2009 are as follows:

| | Nine months ended September 30 | |
|--|--------------------------------|-------------|
| | 2010 | 2009 |
| | Unaudited | Unaudited |
| Sales of goods and services | | |
| Entities under common control | 434,656,132 | 252,047,397 |
| Other state controlled entities | 914,180 | 933,298 |
| Joint ventures | 234,570 | 323,165 |
| Associates | 27,331 | 8,520 |
| Halyk Bank of Kazakhstan affiliates | 23,955 | – |
| Purchases of goods and services | | |
| Entities under common control | 19,016,821 | 18,414,372 |
| Parent Company | 5,831,605 | 4,508,044 |
| Other state controlled entities | 9,357,327 | 9,205,808 |
| Associates | 284,668 | 160,162 |
| Halyk Bank of Kazakhstan affiliates | 804,923 | 927,978 |
| Interest earned on financial assets | | |
| Interest earned on Debt Instrument | 2,746,055 | – |
| Effective interest rate on Debt Instrument – indexed USD/KZT | 6.87% | – |
| Halyk Bank of Kazakhstan | 11,528,821 | 12,769,397 |
| Average interest rate on deposits | 7.43% | 8.39% |
| Kazkommertsbank | 8,760,685 | 6,307,249 |
| Average interest rate on deposits | 8.67% | 7.93% |
| BTA Bank | 112,906 | 2,151,524 |
| Average interest rate on deposits | 12.00% | 11.28% |
| Salaries and other short-term benefits | | |
| Members of the Board of Directors | 83,465 | 79,026 |
| Members of the Management Board | 264,489 | 120,985 |
| Share-based payments | | |
| Members of the Board of Directors | 4,098 | 4,238 |

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

Members of the Management Board 21,223 31,335

13. Related party transactions (continued)

| | September 30, 2010 | December 31, 2009 |
|-------------------------------------|--------------------|-------------------|
| | Unaudited | Audited |
| Cash and cash equivalents | | |
| Halyk Bank of Kazakhstan | 103,231,902 | 51,232,052 |
| Kazkommertsbank | 9,114,100 | 14,572,711 |
| BTA Bank | 7,752 | 19,085,560 |
| Financial assets | | |
| Halyk Bank of Kazakhstan | 79,932,444 | 232,974,000 |
| Kazkommertsbank | 39,060,597 | 182,825,420 |
| BTA Bank | – | 5,222,040 |
| Debt Instrument – indexed USD/KZT | 224,289,238 | – |
| Trade and other receivables | | |
| Entities under common control | 62,494,031 | 51,319,746 |
| Other state controlled entities | 1,154,566 | 785,946 |
| Joint ventures | 23,604,790 | 21,399,372 |
| Associates | 15,224 | – |
| Halyk Bank of Kazakhstan affiliates | 431,288 | – |
| Trade payables | | |
| Entities under common control | 576,241 | 523,423 |
| Parent Company | 967,615 | 1,009,802 |
| Other state controlled entities | 421,341 | 389,600 |
| Associates | 231,642 | 180,151 |
| Halyk Bank of Kazakhstan affiliates | 22,838 | 82,162 |

14. Commitments and contingencies

Commitments arising from oilfield licenses and contracts

| Year | Capital expenditures | Operational expenditures |
|------------------|----------------------|--------------------------|
| 2010 (remaining) | 27,412,594 | 862,157 |
| 2011 | 12,099,890 | 5,529,919 |
| 2012 | 7,134,156 | 4,222,893 |
| 2013 | – | 4,007,439 |
| 2014 | – | 4,007,439 |
| 2015-2021 | – | 18,823,844 |
| | 46,646,640 | 37,453,691 |

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 provided a tax assessment to the Company of 32,005,320 thousand Tenge, 16,170,934 thousand Tenge of the amount was for underpaid taxes, 8,034,790 thousand Tenge represented administration penalties and a further 7,799,596 thousand Tenge was for late payment interest. The assessment related, primarily, to the following matters:

- i. Expensing rather than capitalizing of hydro fracturing, other workover, transportation, geological and geophysical expenses;
- ii. Exclusion of the 1997 fixed asset valuation in the cost base of the EPT computation;
- iii. Non-recognition of revenue for CIT purposes in respect of fixed asset revaluation based on the applicable tax legislation.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

14. Commitments and contingencies (continued)

Tax audit (continued)

On September 15, 2009 the Company filed an appeal against the results of the above comprehensive tax audit with the Ministry of Finance. As a result, on February 9, 2010 the Ministry of Finance issued a new ruling whereby the principal tax assessment was reduced to 3,846,878 thousand Tenge and the corresponding late payment interest was reduced to 3,936,615 thousand Tenge. On March 12, 2010 this ruling was adjusted and reissued by the Ministry of Finance. According to the new ruling the principal tax assessment was increased to 10,766,097 thousand Tenge and late payment interest was reduced to 3,884,684 thousand Tenge. The Company filed an appeal to the court of first instance, which issued its ruling on May 24, 2010, which reduced the principal assessment to 8,634,939 thousand Tenge and the late payment interest to 2,632,746 thousand Tenge. The Company filed an appeal to the court of second instance, which was not satisfied by the court on July 29, 2010. On August 12, 2010 the Company further appealed the second instance court's decision in the court of cassation, which also was not satisfied on September 23, 2010. Thus, first instance court ruling came into legal force on September 23, 2010. The remaining assessment of taxes and late payment interest in the amounts of 8,634,939 thousand Tenge and 2,632,746 thousand Tenge correspondingly were fully paid by the Company. The Company is planning to appeal cassation court ruling in the Supreme Court.

Management believes the further outcome of this dispute is uncertain and also believes that the Company may not be entirely successful in their appeals due to the ambiguity contained in the tax legislation and a history of varying interpretations and inconsistent opinions of the authorities. Management has therefore accrued for certain matters that arose in the assessment. As at September 30, 2010, the Company provided for the amounts already paid related to the audit and further accrued 5,302,271 thousand Tenge for similar matters not covered by tax audit for the period 2006 through to September 30, 2010. The Company's management believes its interpretations of the tax legislation are appropriate and that the Company has justifiable arguments for its tax positions and will dispute the tax assessment to the fullest extent possible under the law of the Republic of Kazakhstan.

Customs claim

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

On September 23, 2009 the Company filed the appeal with the court of first instance. On December 1, 2009 the court of first instance ruled in favor of the Company. However, on January 20, 2010 the appeal filed by the customs committee was satisfied by the court of second instance. On February 8, 2010 the Company filed the further appeal with the third instance court. On March 9, 2010 the third instance court also ruled in favor of the customs authorities. The Company is planning to appeal this matter to the Supreme Court of Kazakhstan.

Management of the Company believes that they will ultimately prevail in this matter and therefore no amounts have been accrued in the consolidated interim financial statements for the nine months ended September 30, 2010.

Commitments of JV Kazgermunai LLP ("Kazgermunai")

As at September 30, 2010 the Company's share in the commitments of Kazgermunai is as follows:

| Year | Capital expenditures | Operational expenditures |
|-------------|-----------------------------|---------------------------------|
| 2010 | 1,152,534 | 752,992 |

Kazgermunai environmental claim

In 2008 the tax and ecological authorities of the Kyzylorda region commenced legal actions against Kazgermunai in respect of obligations related to rates applied in the computation of penalties for gas flaring above regulated norms. The tax authorities are claiming that Kazgermunai understated its obligations related to excessive gas flaring for the period from January 1, 2007 through June 30, 2008. In 2009 Kazgermunai accrued fines and penalties related to the above mentioned claim in the amount of 111.9 million US Dollars or 17,089,219 thousand Tenge, which were paid during 2009 in order to avoid enforced collection.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

14. Commitments and contingencies (continued)

Kazgermunai environmental claim (continued)

On January 21, 2010 Kazgermunai filed an appeal to the Supreme Court of the Republic of Kazakhstan. On February 18, 2010 the Supreme Court of the Republic of Kazakhstan declined Kazgermunai's appeal. On May 24, 2010 Kazgermunai filed a repetitive petition to the General Prosecutor's Office of the Republic of Kazakhstan. On June 28, 2010 the General Prosecutor declined the petition of Kazgermunai. Kazgermunai will consider their potential actions and is in the process of filing a further appeal to the General Prosecutor's Office.

Result of the dispute regarding JSC Turgai Petroleum ("TP")

During 2006, PetroKazakhstan Inc. ("PKI") and Lukoil Overseas Kumkol B.V. ("Lukoil") commenced arbitration claims against each other in the Stockholm Chamber of Commerce ("the Tribunal"). On October 28, 2009, the Tribunal issued an award, where Lukoil was entitled to acquire 50% of TP from PKI and to receive compensation by way of damages and accrued interest on such damages. Starting from October 28, 2009 PKI ceased consolidation of TP's results in its consolidated financial statement for the year ended December 31, 2009. The Company accordingly reflected this in its consolidated financial statements for the year ended December 31, 2009.

On August 16, 2010 PKI and Lukoil have entered into an Amicable Agreement (hereinafter – the Agreement) with respect to the TP dispute. According to the Agreement the ownership structure of TP remains unchanged: PKI and Lukoil will continue to jointly own TP in equal shares. Furthermore, PKI paid to Lukoil an amount of 438 million US Dollars as compensation for damages.

With regard to the compensation to Lukoil, CNPC Exploration and Development Company Limited ("CNPC E&D") and the Company entered into a separate agreement on principles (the "AOP") on July 28, 2010. In accordance with AOP the payment of compensation to Lukoil will be financed by PKI. The Company will be held harmless in respect of any liability in relation to the payment of the compensation or any loss relating to such liability.

As a result of the Agreement, PKI accounted for the re-acquisition of a 50% interest in TP in its consolidated interim financial statements for the period ended September 30, 2010, based on the provisional assessment of fair values of the identifiable assets, liabilities and contingent liabilities of TP as at the acquisition date. The Company accordingly reflected this in its condensed consolidated interim financial statements for the period ended September 30, 2010. The resulting share of gain in the amount of 91 million US Dollars (13,413,400 thousand Tenge) was recognized by the Company in the third quarter of 2010.

15. Subsequent events

Acquisition of preferred shares on KASE

As part of its buy back program, on October 4, 2010 the Company purchased 220,598 preferred shares at an aggregate purchase price of 3,413,178 thousand Tenge via a specialized trade of its preferred shares on KASE. The Company has purchased 983,858 preferred shares during 2010 for an aggregate price of 18,050,056 thousand Tenge as at October 4, 2010.

Rights awarded to develop Akkas field in Iraq

On October 20, 2010 the Company announced that in partnership with Korea Gas Corporation ("KOGAS") it has been awarded the rights to develop the Akkas gas field in the Republic of Iraq in the Third Licensing Round organized by Petroleum Contracts & Licensing Directorate of the Iraqi Ministry of Oil. The key parameters of the proposed deal are \$5.5/boe (barrels of oil equivalent) Remuneration Fee Bid and 400 MMSCFD (millions standard cubic feet per day) Plateau Production Target. In accordance with the conditions of the Third Licensing Round, the State Company owned by Iraqi Government will hold 25% equity share in the final consortium with the remainder equally split between Company and KOGAS (37.5% and 37.5%). Consortium members intend to conduct negotiations with the Government of the Republic of Iraq and sign a field development contract.

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

Tenge thousands unless otherwise stated

15. Subsequent events (continued)

Dividends received from Kazgermunai

On November 3, 2010 the partners of Kazgermunai agreed to distribute 150 million US Dollars as a dividend payment. The Company received its 50% share of the above dividend amount on November 4, 2010.

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 4, 2010:



Chief Executive Officer

Handwritten signature of Ibrashev K.

Ibrashev K.

Chief Financial Officer

Handwritten signature of Bekezhanova Zh.

Bekezhanova Zh.

Financial Controller

Handwritten signature of Drader Sh., CA.

Drader Sh., CA

Additional information

Contact information

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Book value per share

As per listing requirement of the Kazakhstan Stock Exchange, which was enacted on October 11, 2010, as at September 30, 2010 the book value per ordinary and preferred shares are 15,903 Tenge and 658 Tenge, respectively.