

**KazMunaiGas Exploration Production
Joint Stock Company**

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2009

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 Condensed Consolidated Interim Financial Statements -----	5-13

Condensed Consolidated Interim Statement of Financial Position*Tenge thousands*

	Notes	September 30, 2009	December 31, 2008
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	249,242,505	248,920,924
Other financial assets	7	8,542,310	5,108,021
Receivable from jointly controlled entity		21,035,705	18,862,017
Intangible assets		2,268,245	2,831,782
Investments in associates and joint ventures		127,901,221	121,910,766
Deferred tax asset		1,955,380	1,428,948
Other assets		5,612,493	3,519,908
Total non-current assets		416,557,859	402,582,366
Current assets			
Inventories		16,442,488	14,405,863
Taxes prepaid and VAT recoverable		11,497,667	8,352,503
Prepaid and deferred expenses	14	22,121,938	6,562,709
Receivable from jointly controlled entity		4,924,481	–
Trade and other receivables	7	60,737,109	37,819,473
Other financial assets	7	470,633,818	264,677,096
Cash and cash equivalents	7	140,036,827	285,131,743
Total current assets		726,394,328	616,949,387
Total assets		1,142,952,187	1,019,531,753
EQUITY			
Share capital		238,399,839	259,724,847
Other capital reserves		1,441,458	1,385,036
Retained earnings		718,669,654	586,058,950
Other components of equity		14,540,080	(76,197)
Total equity		973,051,031	847,092,636
LIABILITIES			
Non-current liabilities			
Borrowings		7,076,372	5,532,332
Provisions	8	36,828,085	38,716,666
Total non-current liabilities		43,904,457	44,248,998
Current liabilities			
Borrowings		1,867,912	14,905,744
Other financial liabilities	9	1,086,811	183,144
Income taxes payable		26,393,691	55,806,901
Trade and other payables		61,359,958	32,197,091
Provisions	8	35,288,327	25,097,239
Total current liabilities		125,996,699	128,190,119
Total liabilities		169,901,156	172,439,117
Total liabilities and equity		1,142,952,187	1,019,531,753

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,	
		2009	2008	2009	2008
Revenue	10	141,024,201	182,504,504	347,654,914	519,536,141
Operating expenses	11	(90,901,186)	(75,367,696)	(240,492,520)	(197,144,890)
Profit from operations		50,123,015	107,136,808	107,162,394	322,391,251
Interest income		11,057,645	11,396,988	34,901,161	31,849,005
Interest expense		(795,836)	(558,940)	(1,766,373)	(2,290,984)
Unrealised gain / (loss) of crude oil derivative instrument, net	9	3,705,199	–	(786,258)	–
Foreign exchange gain / (loss)		2,009,690	(3,072,327)	99,895,981	(2,109,955)
Share of result of associates and joint ventures		6,211,343	10,997,547	1,080,664	38,252,310
Profit before tax		72,311,056	125,900,076	240,487,569	388,091,627
Income tax expense	12	(20,500,944)	(54,872,114)	(59,911,766)	(169,548,788)
Profit for the period		51,810,112	71,027,962	180,575,803	218,542,839
Exchange difference on translating foreign operations		512,273	(876,195)	14,616,277	(542,265)
Realised loss on available-for-sale financial investments reclassified to the profit for the period		–	–	–	435,886
Other comprehensive income for the period, net of tax		512,273	(876,195)	14,616,277	(106,379)
Total comprehensive income for the period, net of tax		52,322,385	70,151,767	195,192,080	218,436,460
EARNINGS PER SHARE					
Basic and diluted		0.72	0.96	2.47	2.95

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

		Nine months ended September 30,	
	Notes	2009	2008
Cash flows from operating activities			
Profit before income tax		240,487,569	388,091,627
Adjustments to add (deduct) non-cash items			
Depreciation, depletion and amortisation	11	23,055,517	25,179,596
Share of result of associates and joint ventures		(1,080,664)	(38,252,310)
Settlement of crude oil under the terms of a pre-export financing agreement	4	(10,830,585)	(13,398,832)
Loss on disposal of property, plant and equipment (PPE)	6	1,389,803	349,767
(Reversal of impairment) / impairment of PPE		(544,162)	245,899
Recognition of share based payments		202,535	301,263
Forfeiture of share-based payments		(146,113)	–
Unrealised foreign exchange (gain) / loss on non-operating activities		(44,227,222)	1,667,614
Unrealized loss of crude oil derivative instrument, net	9	786,258	–
Tax provisions		9,694,391	1,880,754
Other non-cash income and expense		1,090,383	3,029,559
Add interest expense		1,766,373	2,290,984
Deduct interest income relating to investing activity		(34,901,161)	(31,849,005)
Working capital adjustments			
Change in other assets		(2,092,586)	714,951
Change in inventories		(2,051,767)	(398,675)
Change in taxes prepaid and VAT recoverable		(3,689,084)	(791,011)
Change in prepaid and deferred expenses		(14,226,904)	(18,485,370)
Change in trade and other receivables		(22,120,588)	(14,033,794)
Change in trade and other payables		23,660,435	(5,293,456)
Income tax paid		(84,385,710)	(135,984,906)
Net cash generated from operating activities		81,836,718	165,264,655
Cash flows from investing activities			
Purchases of PPE	6	(25,508,604)	(28,834,980)
Proceeds from sale of PPE		1,129,367	511,610
Purchases of intangible assets		–	(16,786)
Purchases of joint venture interest		(580,044)	–
Dividends received from joint ventures and associates		3,768,250	27,084,750
Purchase of financial assets held-to-maturity, net		(147,374,344)	(141,913,677)
Sale of available-for-sale financial assets, net		–	6,449,113
Interest received		14,736,191	20,086,757
Net cash used in investing activities		(153,829,184)	(116,633,213)
Cash flows from financing activities			
Purchase of treasury shares		(21,392,129)	–
Repayment of borrowings		(6,104,629)	(8,873)
Dividends paid to Company's shareholders		(45,524,743)	(39,214,502)
Interest paid		(104,875)	(816,390)
Net cash used in financing activities		(73,126,376)	(40,039,765)
Net change in cash and cash equivalents		(145,118,842)	8,591,677
Cash and cash equivalents at beginning of the year	7	285,131,743	21,658,451
Exchange gains on cash and cash equivalents		23,926	(164,812)
Cash and cash equivalents at end of the period	7	140,036,827	30,085,316

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Condensed Consolidated Interim Statement of Changes in Equity

Tenge thousands

	Share capital	Treasury stock	Other capital reserves	Retained earnings	Foreign currency translation	Reserves for available-for-sale financial assets	Total Equity
As at December 31, 2007 (audited)	263,094,581	(3,728,667)	1,672,224	386,494,710	(655,350)	(435,886)	646,441,612
Profit for the period	–	–	–	218,542,839	–	–	218,542,839
Other comprehensive income	–	–	–	–	(542,265)	435,886	(106,379)
Total comprehensive income	–	–	–	218,542,839	(542,265)	435,886	218,436,460
Recognition of share-based payments	–	–	301,263	–	–	–	301,263
Exercise of employee options	–	868,011	(641,840)	–	–	–	226,171
Dividends	–	–	–	(41,718,129)	–	–	(41,718,129)
As at September 30, 2008 (unaudited)	263,094,581	(2,860,656)	1,331,647	563,319,420	(1,197,615)	–	823,687,377
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

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 59.39% of the Company’s outstanding shares as at September 30, 2009 (December 31, 2008: 58.19%). From June 2006 NC KMG was 100%-owned by joint stock company Kazakhstan Holding for Management of State Assets “Samruk” (“Samruk”) which is in turn 100% owned by the government of the Republic of Kazakhstan (the “Government”). In October 2008 Samruk was merged with the Government owned Sustainable Development Fund “Kazyna” and formed joint stock company SamrukKazyna National Welfare Fund (“SamrukKazyna NWF”).

The Company conducts its principal operations through the UzenMunaiGas and EmbaMunaiGas production divisions. In addition the Company has a 50% interest in a jointly controlled oil and natural gas producer and a receivable from a jointly controlled entity. These condensed consolidated interim financial statements reflect the financial position and results of operations of those divisions, jointly controlled entities and certain other controlling and non-controlling interests in predominantly non-core entities.

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, 2008.

Exchange rates

The official rate of the Kazakhstan Tenge to the US Dollar at September 30, 2009 and December 31, 2008 was 150.95 and 120.77 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 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 SamrukKazyna NWF.

4. Significant non-cash transactions

During the nine months ended September 30, 2009 the Company excluded from the condensed consolidated interim statement of cash flows the following non-cash transactions:

- i. settlement in crude oil 10,830,585 thousand Tenge due under the terms of a financing agreement (nine months of 2008: 13,398,832 thousand Tenge);
- ii. offset of withholding income tax payable against corporate income tax payable of 4,770,346 thousand Tenge (nine months of 2008: 4,471,681 thousand Tenge);
- iii. other insignificant transactions.

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, 2008, except as discussed below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009:

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

The Company has adopted the revised standard and has elected to present one performance statement (the statement of comprehensive income).

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

The Company has adopted the amendment to this standard. The adoption of this amendment did not have any impact on the financial position and performance of the Company.

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

- IFRS 8, *Operating segments*;
- IAS 32 (amendment), *Financial instruments: Presentation*;
- IFRIC 13, *Customer loyalty programmes*;
- IFRIC 15, *Agreements for the construction of real estate*;
- IFRIC 16, *Hedges of a net investment in a foreign operation*; and
- IFRIC 9, *Reassessment of Embedded Derivatives* and IAS 39 (amendment), *Financial instruments: Recognition and measurement*.

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments did not have any impact on the financial position and performance of the Company.

6. Property, plant and equipment

During the nine months ended September 30, 2009, the Company prepaid for and purchased property, plant and equipment with a cost of 25,508,604 thousand Tenge.

Property, plant and equipment with the net book value of 2,551,548 thousand Tenge were disposed of by the Company during the nine months ended September 30, 2009, resulting in a net loss on disposal of 1,389,803 thousand Tenge.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

7. Financial assets

Other financial assets

	September 30, 2009	December 31, 2008
	Unaudited	Audited
US dollar-denominated term deposits	7,749,406	3,863,736
Tenge-denominated term deposits	631,493	613,815
Other	161,411	630,470
Total non-current	8,542,310	5,108,021
US dollar-denominated term deposits	469,210,548	124,625,296
Tenge-denominated term deposits	677	129,292,592
Held-to-maturity financial assets	1,121,770	10,758,938
Other	300,823	270
Total current	470,633,818	264,677,096
	479,176,128	269,785,117

Trade and other receivables

	September 30, 2009	December 31, 2008
	Unaudited	Audited
Trade receivables	55,499,907	37,640,937
Other	5,435,043	1,467,613
Allowance for doubtful receivables	(197,841)	(1,289,077)
	60,737,109	37,819,473

As at September 30, 2009 the Company's trade receivables included receivables from sales of crude oil to Trade House KazMunaiGas JSC, a subsidiary of the Parent Company, of 36,735,653 thousand Tenge (December 31, 2008: 32,056,337 thousand Tenge). As at September 30, 2009 the Company has accrued other receivables of 4,979,830 thousand Tenge (December 31, 2008: 1,057,105 thousand Tenge), which represent penalties for late payment by Trade House KazMunaiGas JSC.

Cash and cash equivalents

	September 30, 2009	December 31, 2008
	Unaudited	Audited
US dollar denominated term deposits with banks	51,907,065	241,278,281
Tenge denominated term deposits with banks	32,549,325	42,926,389
US dollar denominated cash in bank and on hand	44,803,779	457,973
Tenge denominated cash in bank and on hand	10,776,658	469,100
	140,036,827	285,131,743

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

8. Provisions

	September 30, 2009	December 31, 2008
	Unaudited	Audited
Taxes	29,031,586	18,840,500
Environmental remediation	23,226,967	25,505,339
Asset retirement obligation	15,349,888	15,183,703
Other	4,507,971	4,284,363
	72,116,412	63,813,905

Except as discussed in Note 14, a description of these provisions, including critical estimates and judgments, is disclosed in Note 3 of the Company's annual consolidated financial statements for the year ended December 31, 2008.

9. Other financial liabilities

From May 1, 2009 the Company entered into oil price derivative transactions. The objective of the derivatives was to protect the Company's revenue should the oil price drop below a set price level. To achieve this a zero cost 'collar' was chosen as the appropriate instrument. The details of the 'collar' derivatives are as follows:

	Derivative I	Derivative II	Derivative III	Derivative IV
	Brent	Brent	Brent	Brent
Crude oil blend (average monthly price)	1,000,000	500,000	1,000,000	500,000
Notional amount per month in barrels	May 1, 2009	May 1, 2009	Aug 1, 2009	Aug 1, 2009
Effective from	Dec 31, 2009	Dec 31, 2009	Dec 31, 2009	Dec 31, 2009
Expiration date	Asian	Asian	Asian	Asian
Option style	USD 40	USD 40	USD 60	USD 60
Strike price per unit (barrel): put	USD 75	USD 77	USD 85	USD 86
Strike price per unit (barrel): call				

As at September 30, 2009 the Company recognized an unrealized fair value loss on these derivatives of 786,258 thousand Tenge.

10. Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
Export:				
Crude oil	127,590,578	166,905,204	310,617,956	476,943,934
Domestic:				
Crude oil	8,322,187	9,864,455	22,367,323	30,101,924
Refined products	1,549,347	-	3,289,379	-
Gas products	1,492,030	1,220,115	3,674,253	4,118,561
Other	2,070,059	4,514,730	7,706,003	8,371,722
	141,024,201	182,504,504	347,654,914	519,536,141

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

11. Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
Rent tax	18,896,350	–	37,693,222	–
Mineral Extraction Tax	15,813,382	–	39,601,981	–
Employee benefits	13,682,169	10,672,173	37,919,475	28,636,253
Transportation	13,279,835	13,391,073	39,933,712	39,145,817
Depreciation, depletion and amortization	7,902,437	8,982,929	23,055,517	25,179,596
Repairs, maintenance and other services	6,707,797	5,901,833	15,825,553	15,133,459
Materials	3,382,914	2,729,328	7,311,049	9,461,965
Management fees and sales commissions	2,814,631	2,111,549	4,838,661	6,324,520
Energy	2,496,797	1,717,231	7,545,773	6,378,851
Taxes other than on income	1,013,003	1,508,202	3,113,203	3,603,280
Social infrastructure projects	999,261	1,455,466	1,701,975	2,749,888
Loss on disposal of fixed assets	987,877	85,469	1,389,803	349,767
Fines and penalties	826,991	581,464	12,571,724	2,001,871
Royalties	–	7,136,487	–	21,096,836
Export customs duty	–	15,164,818	–	30,967,696
Change in crude oil balance	(907,436)	479,444	140,177	(1,630,843)
Other	3,005,178	3,450,230	7,850,695	7,745,934
	90,901,186	75,367,696	240,492,520	197,144,890

12. Income tax expense

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
Corporate income tax	13,493,354	36,891,786	48,069,326	112,992,056
Excess profit tax	6,451,393	20,442,981	12,368,872	63,048,510
Current income tax	19,944,747	57,334,767	60,438,198	176,040,566
Corporate income tax	517,452	(1,450,448)	(531,014)	(3,823,589)
Excess profit tax	38,745	(1,012,205)	4,582	(2,668,189)
Deferred income tax	556,197	(2,462,653)	(526,432)	(6,491,778)
Income tax expense	20,500,944	54,872,114	59,911,766	169,548,788

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

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 SamrukKazyna NWF, except for banks, controlled by SamrukKazyna NWF. Halyk Bank of Kazakhstan is a related party due to the bank being controlled by a member of the management board of SamrukKazyna NWF, who was appointed on November 3, 2008. BTA Bank is a related party since it is controlled by SamrukKazyna NWF, which acquired 75% of issued shares on February 2, 2009. Kazkommertsbank became a related party on May 15, 2009 after the purchase of 21.2% of the bank’s ordinary shares by SamrukKazyna NWF was completed.

Sales and purchases with related parties during the nine months ended September 30, 2009 and 2008 and the balances with related parties at September 30, 2009 and December 31, 2008 are as follows:

	Nine months ended September 30	
	2009	2008
	Unaudited	Unaudited
Sales of goods and services		
Entities under common control	262,373,726	397,436,847
Other state controlled entities	933,298	265
Joint ventures	323,165	92,385
Associates	8,520	16,065
Purchases of goods and services		
Entities under common control	18,414,372	20,736,304
Parent Company	4,508,044	5,008,937
Other state controlled entities	9,205,808	1,361,450
Associates	160,162	92,215
Halyk Bank of Kazakhstan affiliates	927,978	–
Interest earned on financial assets		
Halyk Bank of Kazakhstan	12,769,397	–
Average interest rate on deposits	8.39%	–
Kazkommertsbank	6,307,249	–
Average interest rate on deposits	7.93%	–
BTA Bank	2,151,524	–
Average interest rate on deposits	11.28%	–
Salaries and other short-term benefits		
Members of the Board of Directors	79,026	60,371
Members of the Management Board	120,985	123,943
Share-based payments		
Members of the Board of Directors	4,238	–
Members of the Management Board	31,335	54,474

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

13. Related party transactions (continued)

	September 30, 2009	December 31, 2008
	Unaudited	Audited
Cash and cash equivalents		
Halyk Bank of Kazakhstan	45,419,458	91,888,302
Kazkommertsbank	15,622,862	n/a
BTA Bank	28,884,182	n/a
Financial assets		
Halyk Bank of Kazakhstan	232,796,450	93,843,547
Kazkommertsbank	189,382,177	n/a
BTA Bank	5,754,969	n/a
Trade and other receivables		
Entities under common control	45,262,984	36,569,465
Other state controlled entities	1,010,455	798,591
Joint ventures	25,995,963	19,214,446
Associates	6,481	4,567
Halyk Bank of Kazakhstan affiliates	271,497	189,910
Trade payables		
Entities under common control	532,939	444,739
Parent Company	1,009,802	1,132,020
Other state controlled entities	91,167	251,657
Joint ventures	–	48,600
Associates	123,639	120,785
Halyk Bank of Kazakhstan affiliates	21,382	–

14. Commitments and contingencies

Commitments arising from oilfield licenses and contracts

Year	Capital expenditures	Operational expenditures
2009	10,958,823	782,672
2010	841,000	4,029,933
2011	841,000	4,029,933
2012	–	4,029,933
2013	–	4,029,933
2013-2021	–	22,866,026
	12,640,823	39,768,430

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

14. Commitments and contingencies (continued)

Tax audit

The Company underwent a 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 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, 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.

The Company's management believes its interpretations of the tax legislation were 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.

However, management believes the outcome of the dispute is uncertain and further 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, 2009 6,117,462 thousand Tenge relating to the assessment has been accrued and a further 3,015,830 thousand Tenge for these matters in the periods of 2006 through 2008, including late payment interest has also been accrued. (See Note 8 Provisions).

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 August 28, 2009 the Company paid the principal in order to cease the accrual of late payment interest.

Management of the Company believes that the laws and regulations of the Republic of Kazakhstan do not allow for double taxation and therefore export customs duty can ultimately not be accrued on volumes of crude for export from January 1, 2009 (date of enactment of new tax code) on which rent tax has been accrued and paid. Management further believes that they will ultimately prevail in this matter and therefore no amounts have been accrued in the condensed consolidated interim financial statements for the period ending September 30, 2009.

Commitments of JV Kazgermunai LLP (Kazgermunai)

As at September 30, 2009 the Company's share in the commitments of Kazgermunai is as follows:

Year	Capital expenditures	Operational expenditures
2009	4,989,048	1,075,821

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

Tenge thousands unless otherwise stated

14. Commitments and contingencies (continued)

Contingencies of Kazgermunai

In 2008 the tax authorities of the Kyzylorda region commenced legal actions against Kazgermunai in respect of obligations related to rates applied on 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. Kazgermunai is in the process of appealing the series of cases to the Supreme Court of the Republic of Kazakhstan. As at September 30, 2009 Kazgermunai accrued fines and penalties related to abovementioned in the amount of 111.8 million US Dollars or 16,176,342 thousand Tenge.

Although, the trial dates have not yet been set, during 2009 Kazgermunai paid 94 million US Dollars or 13,601,860 thousand Tenge of the claims, in order to avoid enforced collection. The management of Kazgermunai assesses the ultimate outcome of the cases continually and determined that it has become probable that the action by the authorities will succeed and have therefore recognized the entire amount in their nine months accounts ended September 30, 2009 as previously no amounts were accrued for this contingency.

15. Subsequent events

Crude oil derivative instrument

On October 13, 2009 the Company entered into an oil price derivative transaction. The details of the derivative instrument are as follows:

	Derivative V
Crude oil blend (average monthly price)	Brent
Notional amount per month in barrels	300,000
Effective from	Oct 1, 2009
Expiration date	Dec 31, 2009
Option style	Asian
Strike price per unit: put	USD 60 per barrel
Strike price per unit: call	USD 85 per barrel

Guaranteed payment received

On October 19, 2009 the Company received a cash payment of 20.01 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.

Approval of KazMunaiGaz PKI Finance B.V. acquisition

At the Extraordinary General Meeting ("EGM") held on November 10, 2009, independent shareholders approved the acquisition of a 100% interest in KazMunaiGaz PKI Finance B.V. from Coöperatieve KazMunaiGaz PKI U.A., a subsidiary of NC KMG for a total cash consideration of 100.5 million US Dollars. This company is a special purpose entity that owns a 33% interest in PetroKazakhstan Inc.

PetroKazakhstan Inc. is an energy group which is involved in exploration, development and production of hydrocarbons in the South Turgai Basin in South Central Kazakhstan.

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

Tenge thousands unless otherwise stated

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 26, 2009:

Chief Executive Officer

Ibrashev K.N.

Acting Chief Financial Officer

Drader Sh., CA

Contact information

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