Zhaikmunai LP

Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2012

CONTENTS

Page

Report On Review Of Interim Condensed Consolidated Financial Statements

Interim Condensed Consolidated Statement of Financial Position

In thousands of US dollars

	Note	March 31, 2012 (unaudited)	December 31, 2011(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	3	**1,136,758**	1,120,453
Restricted cash		**3,189**	3,076
Advances for equipment and construction works		**9,413**	3,368
		1,149,360	1,126,897
Current assets			
Inventories		**15,962**	14,518
Trade receivables		**40,545**	12,640
Prepayments and other current assets		**24,253**	23,279
Income tax prepayment		**–**	3,453
Cash and cash equivalents		**141,147**	125,393
		221,907	179,283
TOTAL ASSETS		**1,371,267**	1,306,180
EQUITY AND LIABILITIES			
Partnership capital and reserves			
Partnership capital	4	**369,944**	368,203
Additional Paid-in-Capital		**4,270**	1,677
Retained earnings and translation reserve		**263,792**	215,351
		638,006	585,231
Non-current liabilities			
Long term borrowings	5	**435,786**	438,082
Abandonment and site restoration liabilities		**9,125**	8,713
Due to Government of Kazakhstan		**6,122**	6,211
Employee share option plan		**11,705**	11,734
Deferred tax liability	11	**147,995**	146,674
		610,733	611,414
Current liabilities			
Current portion of long term borrowings	5	**21,263**	9,450
Trade payables		**60,494**	81,914
Advances received		**6,012**	3,154
Income tax payable		**17,294**	–
Current portion of Due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities		**16,434**	13,986
		122,528	109,535
TOTAL EQUITY AND LIABILITIES		**1,371,267**	1,306,180

The accounting policies and explanatory notes on pages 5 through 12 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP *Jan-Ru Muller*

Interim Condensed Consolidated Statement of Comprehensive Income

In thousands of US dollars

	Notes	Three months ended March 31, 2012(unaudited)	2011 (unaudited)
Revenues:	**6**		
Revenues from export sales		**139,287**	51,164
Revenues from domestic sales		**24,108**	1,238
		163,395	52,402
Cost of sales	**7**	**(44,393)**	(14,206)
Gross profit		**119,002**	38,196
General and administrative expenses	**8**	**(11,146)**	(10,096)
Selling and transportation expenses	**9**	**(21,475)**	(6,763)
Finance costs	**10**	**(9,897)**	(354)
Loss on derivative financial instrument	**12**	**–**	(487)
Foreign exchange gain, net		**146**	179
Interest income		**97**	71
Other (expenses) / income		**(771)**	62
Profit before Income tax		**75,956**	20,808
Income tax expense	**11**	**(27,515)**	(9,687)
Profit for the period		**48,441**	11,121
Other comprehensive income		**–**	–
Total comprehensive income, net of tax		**48,441**	11,121

The accounting policies and explanatory notes on pages 5 through 12 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP — *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP — *Jan-Ru Muller*

Interim Condensed Consolidated Statement of Cash Flows

In thousands of US dollars

	Notes	Three months ended March 31, 2012 (unaudited)	2011 (unaudited)
Cash flow from operating activities:			
Profit before income tax		**75,956**	20,808
Adjustments for:			
Depreciation and amortization	**7,8**	**21,923**	3,722
Accrual of share option expenses		**2,564**	3,596
Finance costs	**10**	**9,897**	354
Interest income		**(97)**	(71)
Loss on derivative financial instrument	**12**	**–**	487
Accrued liabilties		**2,966**	–
Unrealized foreign exchange gain		**(103)**	(28)
Operating profit before working capital changes		**113,106**	28,868
Changes in working capital:			
Increase in inventories		**(1,444)**	(2,739)
Increase in trade receivables		**(27,905)**	–
Increase in prepayments and other current assets		**(4,596)**	(3,136)
Increase / (decrease) in trade payables		**2,868**	(7,510)
Increase / (decrease) in advances received		**2,858**	(9,869)
Payment of obligation to Government of Kazakhstan		**(257)**	(515)
(Decrease) / increase in other current liabilities		**(1,556)**	754
Cash generated from operations		**83,074**	5,853
Income tax paid		**(1,825)**	–
Payments under Employee share option plan		**(2,593)**	–
Net cash flows from operating activities		**78,656**	5,853
Cash flow from investing activities:			
Interest income		**97**	71
Purchases of property, plant and equipment		**(65,194)**	(18,299)
Net cash used in investing activities		**(65,097)**	(18,228)
Cash flow from financing activities:			
Finance costs paid		**(2,026)**	(833)
Transfer (to) / from restricted cash		**(113)**	1,001
Realized loss on derivative financial instrument		**–**	(372)
Treasury shares sold		**4,334**	–
Net cash from / (used in) financing activities		**2,195**	(204)
Net change in cash and cash equivalents		**15,754**	(12,579)
Cash and cash equivalents at the beginning of period		**125,393**	144,201
Cash and cash equivalents at the end of period		**141,147**	131,622

NON-CASH TRANSACTIONS

During the three month period ended March 31, 2012, the Partnership offset Corporate Income Tax liability for the amount of US$3,622 thousand with Value Added Tax receivable.

The accounting policies and explanatory notes on pages 5 through 12 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP *Jan-Ru Muller*

Interim Condensed Consolidated Statement of Changes in Equity

In thousands of US dollars

	Partnership capital	Treasury Shares	Additional paid-in capital	Retained earnings and reserves	Total
As of December 31, 2010 (audited)	**366,942**	–	–	**133,727**	**500,669**
Profit for the period	–	–	–	11,121	11,121
Total comprehensive income for the period	**–**	–	–	**11,121**	**11,121**
As of March 31, 2011 (unaudited)	**366,942**	–	–	**144,848**	**511,790**
As of December 31, 2011 (audited)	**373,990**	**(5,787)**	**1,677**	**215,351**	**585,231**
Profit for the period	–	–	–	48,441	48,441
Total comprehensive income for the period	**–**	–	–	**48,441**	**48,441**
Share issue	–	1,741	2,593	–	4,334
As of March 31, 2012 (unaudited)	**373,990**	**(4,046)**	**4,270**	**263,792**	**638,006**

The accounting policies and explanatory notes on pages 5 through 12 are an integral part of these interim condensed consolidated financial statements

Chief Executive Officer of the General Partner of Zhaikmunai LP *Kai-Uwe Kessel*

Chief Financial Officer of the General Partner of Zhaikmunai LP *Jan-Ru Muller*

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US dollars

1. GENERAL

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

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

These interim condensed consolidated financial statements were authorized for issue by Kai-Uwe Kessel, Chief Executive Officer of the General Partner of Zhaikmunai LP and by Jan-Ru Muller, Chief Financial Officer of the General Partner of Zhaikmunai LP on May 15, 2012.

These interim condensed consolidated financial statements include the results of the operations of Zhaikmunai LP ("Zhaikmunai LP") and its wholly owned subsidiaries Zhaikmunai Netherlands B.V. (formerly Frans Van Der Schoot B.V.), Claydon Industrial Limited ("Claydon"), Jubilata Investments Limited ("Jubilata"), Zhaikmunai LLP ("the Partnership") and Condensate Holdings LLP ("Condensate"). Zhaikmunai LP and its subsidiaries are hereinafter referred to as "the Group". The Group's operations comprise of a single operating segment and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan. The Group is ultimately indirectly controlled through Thyler Holdings Limited ("Thyler"), by Frank Monstrey. The General Partner of Zhaikmunai LP is Zhaikmunai Group Limited, which is responsible for the management of the Group (Note 4).

The Partnership carries out its activities in accordance with the Contract for Additional Exploration, Production and Production-Sharing of Crude Hydrocarbons in the Chinarevskoye oil and gas condensate field (the "Contract") dated October 31, 1997, as amended, in accordance with the license MG No. 253D (the "License") for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field between the State Committee of Investments of the Republic of Kazakhstan and the Partnership.

Licence terms

The term of the license of the Partnership originally included a 5 year exploration period and a 25 year production period. The exploration period was initially extended for additional 4 years and then for further 2 years according to the supplements to the Contract dated January 12, 2004 and June 23, 2005, respectively. In accordance with the supplement dated June 5, 2008, Tournaisian North reservoir entered into production period as at January 1, 2007. Following additional commercial discoveries during 2008, the exploration period under the license, other than for the Tournaisian horizons, was extended for an additional 3-year period, which expired on May 26, 2011. An application for further extension has been made.

Royalty Payments

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

Royalty rates depend on recovery levels and the phase of production and can vary from 2% to 7% of produced petroleum and from 4% to 9% of produced natural gas.

Government "profit share"

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

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

In thousands of US dollars

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three months ended March 31, 2012 have been prepared in accordance with *IAS 34 Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended December 31, 2011.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of new standards and interpretations as of January 1, 2012, noted below.

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

IAS 12 - *Deferred Tax: Recovery of Underlying Assets* (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

IFRS 7 - *Disclosures - Transfers of financial assets* (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Seasonality of operations

The Group's operating expenses are subject to seasonal fluctuations, with higher expenses for various professional services, maintenance and other services usually performed in the warmer months.

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

In thousands of US dollars

3. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2012, the Group had additions of property, plant and equipment of US$ 38,425 thousand (three month period ended March 31, 2011: US$ 36,501 thousand). These additions are mostly associated with drilling costs, capitalised interest of US$ 4,044 thousand (three month period ended March 31, 2011: US$ 13,403 thousand), and abandonment and site restoration assets of US$ 208 thousand (three month period ended March 31, 2011: US$ 2,858 thousand).

4. PARTNERSHIP CAPITAL

The ownership interests in Zhaikmunai LP consist of (a) Common Units, which represent a fractional entitlement in respect of all of the limited partner interests in Zhaikmunai LP and (b) the interest of the General Partner. At any general meeting every holder of Common Units shall have one vote for each Common Unit of which he or she is the holder. Under the Partnership Agreement, distributions to limited partners will be made either as determined by the General Partner in its sole discretion or following the approval of a majority of limited partners provided such amount does not exceed the amount recommended by the General Partner. Any distributions to Zhaikmunai LP's limited partners will be made on a pro rata basis according to their respective partnership interests in Zhaikmunai LP and will be paid only to the recorded holders of Common Units.

As at December 31, 2010 Zhaikmunai LP had issued 186,761,882 common units, all but 10 of which were represented by GDRs, which includes common units (represented by GDRs) issued by Zhaikmunai LP to support its obligations to employees under the Employee Share Option Plan (ESOP). The trust in which these GDRs are held for the ESOP constitutes a special purpose entity under IFRS and therefore, these GDRs are recorded as treasury shares of Zhaikmunai LP. During the three month period ended March 31, 2012 435,276 share options were exercised by employees under the ESOP, whereupon Ogier Employee Benefit Trustee Limited ("the Trustee") sold GDRs on the market and settled the respective obligations under the ESOP.

5. BORROWINGS

In thousands of US dollars	**March 31, 2012 (unaudited)**	December 31, 2011 (audited)
Notes payable	**457,049**	447,532
Less amounts due within 12 months	**(21,263)**	(9,450)
Amounts due after 12 months	**435,786**	438,082

On October 19, 2010 Zhaikmunai Finance B.V. (the "Initial Issuer") issued US$ 450,000 thousand notes (the "Notes").

On February 28, 2011 Zhaikmunai LLP (the "Issuer") substituted for the Initial Issuer, as issuer of the Notes, whereupon it assumed all of the obligations of the Initial Issuer under the Notes (the "Substitution").

The Notes bear interest at the rate of 10.50% per year. Interest on the Notes is payable on April 19 and October 19 of each year, beginning on April 19, 2011. Prior to 19 October 2013, the Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more equity offerings at a redemption price of 110.50% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; provided that (1) at least 65% of the original principal amount of the Notes (including Additional Notes) remains outstanding after each such redemption; and (2) the redemption occurs within 90 days after the closing of the related equity offering.

In addition, the Notes may be redeemed, in whole or in part, at any time prior to 19 October 2013 at the option of the Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of Notes at its registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Applicable Premium means, with respect to any Note on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such Note; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such Note at19 October 2013 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such Note through 19 October 2013 computed using a discount rate equal to the United States treasury rate as of such redemption date plus 50 basis points; over (b) the principal amount of such Note.

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

In thousands of US dollars

5. BORROWINGS (continued)

The Notes are jointly and severally guaranteed (the "Guarantees") on a senior basis by Zhaikmunai LP and all of its subsidiaries other than the Issuer (the "Guarantors"). The Notes are the Issuer's and the Guarantors' senior obligations and rank equally with all of the Issuer's and the Guarantors' other senior indebtedness. The Notes and the Guarantees have the benefit of first-priority pledges over the shares of Zhaikmunai Finance B.V. and Zhaikmunai Netherlands B.V

The total outstanding principal balance of the liability under the Notes payable as at March 31, 2012 is US$ 450,000 thousand, which is presented net of the unamortized transaction costs of US$ 14,214 thousand and increased by the amount of interest payable of US$ 21,263 thousand (December 31, 2011: US$ 450,000 thousand, US$ 11,918 thousand, and US$ 9,450 thousand, respectively).

6. REVENUES

In thousands of US dollars	Three months ended March 31, 2012 (unaudited)	2011 (unaudited)
Oil and gas condensate	**130,608**	52,402
Gas and liquefied petroleum gas ("LPG")	**32,787**	–
	163,395	52,402

In November 2011 the Partnership started recording revenue from sales of products from the gas treatment unit, which allows the Company to produce gas condensate, LPG and gas. As a result the Company's revenues during the three months ended 31 March 2012 included revenues from these products.

7. COST OF SALES

In thousands of US dollars	Three months ended March 31, 2012 (unaudited)	2011 (unaudited)
Depreciation and amortization	**21,647**	3,600
Repair, maintenance and other services	**8,606**	2,909
Payroll and related taxes	**3,966**	2,633
Materials and supplies	**3,684**	765
Royalties	**3,209**	1,952
Other transportation services	**1,611**	654
Well workover costs	**1,477**	2,111
Government profit share	**787**	487
Management fees	**506**	547
Environmental levies	**418**	205
Change in stock	**(2,725)**	(2,251)
Other	**1,207**	594
	44,393	14,206

8. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US dollars	Three months ended March 31, 2012 (unaudited)	2011 (unaudited)
Employee share option plan	**2,564**	3,596
Management fees	**2,791**	1,892
Business travel	**1,243**	1,199
Payroll and related taxes	**1,159**	993
Professional services	**799**	993
Training	**804**	483
Insurance fees	**323**	122
Bank charges	**230**	130
Communication	**217**	173
Depreciation and amortization	**276**	122
Other taxes	**144**	60
Sponsorship	**142**	37
Social program	**134**	75
Materials and supplies	**132**	83
Lease payments	**95**	90
Other	**93**	48

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

In thousands of US dollars

	11,146	10,096

9. SELLING AND TRANSPORTATION EXPENSES

In thousands of US Dollar	**Three months ended March 31, 2012 (unaudited)**	2011 (unaudited)
Transportation costs	**19,097**	5,329
Loading and storage costs	**801**	154
Payroll	**407**	329
Management fees	**476**	365
Other	**694**	586
	21,475	6,763

10. FINANCE COSTS

In thousands of US dollars	**Three months ended March 31, 2012 (unaudited)**	2011 (unaudited)
Interest expenses on borrowings	**9,525**	–
Unwinding of discount on Due to Government	**168**	178
Unwinding of discount on Abandonment and Site Restoration Liability	**204**	176
	9,897	354

11. INCOME TAX EXPENSE

The income tax expense consisted of the following:

In thousands of US dollars	**Three months ended March 31, 2012 (unaudited)**	2011 (unaudited)
Income tax expenses comprise:		
- current income tax expense	**26,194**	4,667
- deferred income tax expense	**1,321**	5,020
Total income tax expense	**27,515**	9,687

The Group's profits are assessed for income taxes only in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the license for the three months period ended 31 March is as follows:

In thousands of US Dollar	**Three months ended March 31, 2012(unaudited)**	2011 (unaudited)
Profit before income tax	**75,956**	20,808
Statutory tax rate	**30%**	30%
Expected tax provision	**22,787**	6,242
Non-deductible interest expense on borrowings	**5,405**	5,917
Change of the tax base	**(635)**	(2,084)
Foreign exchange gain	**(67)**	(104)
Non-assessable income	**(311)**	(617)
Other	**336**	333
Income tax expense reported in the financial statements	**27,515**	9,687

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

In thousands of US Dollar	**March 31, 2012 (unaudited)**	December 31, 2011 (audited)
Deferred tax asset:		
Accounts payable and provisions	**2,433**	2,289
Deferred tax liability:		
Property, plant and equipment	**(150,428)**	(148,963)
Net deferred tax liability	**(147,995)**	(146,674)

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

In thousands of US dollars

11. INCOME TAX EXPENSE (continued)

As at March 31, 2012 and 2011 the movements in the deferred tax liability were as follows:

In thousands of US Dollar	**March 31, 2012 (unaudited)**	March 31, 2011 (unaudited)
Balance at January 1, 2012 and 2011	**(146,674)**	(100,823)
Current period charge to profit or loss	**(1,321)**	(5,020)
Balance at March 31, 2012 and 2011	**(147,995)**	(105,843)

12. DERIVATIVE FINANCIAL INSTRUMENT

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

On October 19, 2010, after prepayment in full of the BNP Paribas Facility all the rights, liabilities, duties and obligations of the Partnership under and in respect of each of the hedging agreements were transferred by novation to Citibank, N.A. (“Citibank”).The contract expired in January 2011.

On March 29, 2011, in accordance with its hedging policy, the Partnership entered, at nil upfront cost, into a new hedging contract covering oil sales of 2,000 bbls/day, or a total of 556,000 bbls running through December 31, 2011. The counterparty to the hedging agreement was Citibank. Based on the new hedging contract the Partnership bought a put at $85/bbl, sold a call at $125/bbl and bought a call at $134/bbl.

Gains and losses on the hedge contract, which do not qualify for hedge accounting, are taken directly to profit and loss.

	Three months ended March 31,	
In thousands of US Dollar	**2012(unaudited)**	2011 (unaudited)
Hedging contract fair value at January 1	–	(372)
Realized hedging loss	–	372
Hedging loss	–	(487)
Hedging contract at fair value at March 31	–	(487)

13. RELATED PARTY TRANSACTIONS

For the purpose of these interim condensed consolidated financial statements related parties transactions include mainly balances and transactions between the Group and the participants and/or affiliates.

Accounts payable to related parties as at March 31, 2012 and December 31, 2011 consisted of the following:

In thousands of US Dollar	**March 31, 2012 (unaudited)**	December 31, 2011 (unaudited)
Trade payables		
Probel Capital Management N.V.	**356**	242
Prolag BVBA	**359**	18
Amersham Oil LLP	**39**	39
	754	299

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

In thousands of US dollars

13. RELATED PARTY TRANSACTIONS (continued)

During the three month period ended March 31, 2012 and 2011 the Group had the following transactions with related parties:

In thousands of US Dollar	**Three months ended March 31, 2012(unaudited)**	2011 (unaudited)
Management fees and consulting services		
Amersham Oil LLP	**296**	1,513
Prolag BVBA	**572**	430
Probel Capital Management N.V.	**2,837**	284
	3,705	2,227

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

Remuneration of key management personnel amounted to US$ 123 thousand for the three month period ended March 31, 2012 (three month period ended March 31, 2011: US$ 123 thousand). Other key management personnel were employed and paid by Amersham Oil LLP and Probel Capital Management N.V. and their remuneration forms part of management fees and consulting services above.

All related parties are companies indirectly controlled by Frank Monstrey.

14. CONTINGENT LIABILITIES AND COMMITMENTS

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at March 31, 2012. As at March 31, 2012 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax positions will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and cleanup evolve, the Partnership may incur future costs, the amount of which is currently indeterminable. Such costs, when known, will be provided for as new information, legislation and estimates evolve.

Environmental obligations

The Partnership may also be subject to loss contingencies relating to regional environmental claims that may arise from the past operations of the related fields in which it operates. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the Partnership may incur future costs, the amount of which is currently indeterminable.

Capital commitments

As at March 31, 2012 the Partnership had contractual capital commitments in amount of US$ 21,971 thousand (31 December 2011: US$ 17,880 thousand) mainly in respect to the Partnership's oil field development activities.

Operating leases

The Partnership entered into a cancellable lease agreement for the main administrative office in Uralsk in October 2007 for a period of 20 years for US$ 15 thousand per month.

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

In thousands of US dollars

In March 2010 the Partnership entered into an agreement on lease of 200 railway tank wagons for transportation of liquefied hydrocarbon gases and other hydrocarbon products for a period of 7 years for KZT 6,989 (equivalent of US$ 47) per day per one wagon.

14. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Social and education commitments

As required by the Contract (as amended by, inter alia, amendment #9), the Partnership is obliged to:

(i) spend US$ 300 thousand per annum to finance social infrastructure;

(ii) perform repair and reconstruction of state automobile roads for the amount of US$ 12,000 thousand in 2012;

(iii) make an accrual of one percent of capital expenditure per annum for the purposes of educating Kazakh citizens; and

(iv) adhere to a spending schedule on education which lasts until (and including) 2020.

Domestic oil sales

In accordance with Addendum # 7 of the Contract, the Partnership is required to sell at least 15% of produced oil on the domestic market on a monthly basis for which prices are materially lower than export prices.