Zhaikmunai LLP

Interim condensed consolidated financial statements (unaudited)

For the three months ended March 31, 2014

CONTENTS

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Report on review of interim condensed consolidated financial statements

To the participants and management of Zhaikmunai LLP

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Zhaikmunai LLP and its subsidiaries, comprising the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Zhaikmunai LLP and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Alexandr Nazarkulov
Auditor

Auditor Qualification Certificate
No. 0000059 dated 6 January 2012

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

22 May 2014

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

In thousands of US dollars

	Note	March 31, 2014 (unaudited)	December 31, 2013 (audited)
Assets			
Non-current assets			
Exploration and evaluation assets	3	**21,002**	20,434
Property, plant and equipment	4	**1,354,548**	1,331,386
Restricted cash		**4,314**	4,217
Advances for non-current assets		**6,954**	10,037
Non-current investments	5	**–**	25,000
		1,386,818	1,391,074
Current assets			
Inventories		**22,884**	22,085
Trade receivables		**107,815**	66,564
Prepayments and other current assets		**32,461**	29,168
Income tax prepayment		**–**	5,042
Current investments	5	**25,000**	25,000
Cash and cash equivalents		**595,621**	170,447
		783,781	318,306
Total assets		**2,170,599**	1,709,380
Equity and liabilities			
Partnership capital and reserves			
Partnership capital	6	**4**	4
Other reserves		**32,454**	32,440
Retained earnings		**615,950**	558,877
		648,408	591,321
Non-current liabilities			
Long-term borrowings	7	**1,134,481**	830,854
Abandonment and site restoration provision		**13,842**	13,874
Due to Government of Kazakhstan		**5,906**	6,021
Deferred tax liability		**162,062**	152,545
		1,316,291	1,003,294
Current liabilities			
Current portion of long-term borrowings	7	**120,356**	7,449
Derivative financial instrument	14	**648**	–
Trade payables		**44,825**	56,676
Income tax payable		**4,223**	–
Current portion of Due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities		**34,817**	49,609
		205,900	114,765
Total equity and liabilities		**2,170,599**	1,709,380

General Director of Zhaikmunai LLP — *Heinz Wendel*

Chief Financial Officer of Zhaikmunai LLP — *Gudrun Wykrota*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

The accounting policies and explanatory notes on pages 5 through 16 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2014

In thousands of US dollars

	Notes	Three months ended March 31, 2014 (unaudited)	2013 (unaudited)
Revenue			
Revenue from export sales		**197,844**	196,712
Revenue from domestic sales		**29,108**	31,814
	8	**226,952**	228,526
Costs of sales	9	**(51,221)**	(72,402)
Gross profit		**175,731**	156,124
General and administrative expenses	10	**(7,383)**	(6,611)
Selling and transportation expenses	11	**(30,459)**	(28,330)
Finance costs	12	**(23,686)**	(16,672)
Loss on derivative financial instrument	14	**(648)**	–
Foreign exchange loss, net		**(1,496)**	(98)
Interest income		**504**	258
Other expenses		**(6,533)**	(2,838)
Other income		**874**	1,005
Profit before income tax		**106,904**	102,838
Income tax expense	13	**(49,831)**	(37,590)
Profit for the period		**57,073**	65,248
Total comprehensive income for the period		**57,073**	65,248

General Director of Zhaikmunai LLP — *Heinz Wendel*

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2014

In thousands of US dollars

	Note	Three months ended March 31, 2014 (unaudited)	2013 (unaudited)
Cash flow from operating activities:			
Profit before income tax		**106,904**	102,838
Adjustments for:			
Depreciation, depletion and amortization	9, 10	**29,368**	36,031
Finance costs	12	**23,686**	16,672
Loss on derivative financial instrument		**648**	–
Interest income		**(504)**	(258)
Loss on disposal of property, plant and equipment		**29**	–
Foreign exchange gain on investing and financing activities		**(371)**	(3)
Operating profit before working capital changes		**159,760**	155,280
Changes in working capital:			
Change in inventories		**(799)**	1,348
Change in trade receivables		**(41,251)**	(13,874)
Change in prepayments and other current assets		**(3,293)**	874
Change in trade payables		**(6,558)**	(5,222)
Change in advances received		**262**	951
Change in due to Government of Kazakhstan		**(259)**	(258)
Change in other current liabilities		**(15,455)**	(5,822)
Cash generated from operations		**92,407**	133,277
Income tax paid		**(31,735)**	(31,656)
Net cash flows from operating activities		**60,672**	101,621
Cash flow from investing activities:			
Interest received		**504**	258
Purchase of property, plant and equipment		**(50,531)**	(60,875)
Purchases of exploration and evaluation assets		**(5,868)**	–
Redemption of bank deposits		**25,000**	–
Net cash used in investing activities		**(30,895)**	(60,617)
Cash flow from financing activities:			
Transfer to restricted cash		**(97)**	(114)
Proceeds from notes issue		**400,000**	–
Finance costs paid		**(4,050)**	(5,521)
Net cash from / (used in) financing activities		**395,853**	(5,635)
Effects of exchange rate changes on cash and cash equivalents		**(456)**	–
Net increase in cash and cash equivalents		**425,174**	35,369
Cash and cash equivalents at the beginning of the period		**170,447**	164,979
Cash and cash equivalents at the end of the period		**595,621**	200,348

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2013

In thousands of US dollars

	Partnership capital	Other reserves	Retained earnings	Total
As at December 31, 2012 (audited)	4	32,637	340,857	373,498
Net income for the period	–	–	65,248	65,248
Total comprehensive income for the period	–	–	65,248	65,248
Effect of other transactions with the Participants	–	(197)	–	(197)
As at March 31, 2013 (unaudited)	4	32,440	406,105	438,549
As at December 31, 2013 (audited)	4	32,440	558,877	591,321
Net income for the period	–	–	**57,073**	**57,073**
Total comprehensive income for the period	–	–	**57,073**	**57,073**
Effect of other transactions with the Participants	–	**14**	–	**14**
As at March 31, 2014 (unaudited)	**4**	**32,454**	**615,950**	**648,408**

General Director of Zhaikmunai LLP — *Heinz Wendel*

Chief Financial Officer of Zhaikmunai LLP — *Gudrun Wykrota*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2014

1. GENERAL

Zhaikmunai, a Limited Liability Partnership (the "Partnership" or "Zhaikmunai") was established in Kazakhstan in 1997 for the purpose of exploration and development of Chinarevskoye oil and gas condensate field in the Western Kazakhstan Region. The Partnership carries out its activities in accordance with the Contract for Additional Exploration, Production and Production-Sharing of Crude Hydrocarbons in the Chinarevskoye oil and gas condensate field (the "Contract") dated October 31, 1997 between the State Committee of Investments of the Republic of Kazakhstan and Partnership in accordance with the license MG No. 253D for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field.

On December 29, 2010 the Partnership acquired in a transaction under common control 18,000 ordinary shares of Zhaikmunai Finance B.V., representing 100% of its charter capital, from Zhaikmunai Netherlands B.V. (formerly known as Frans van der Schoot B.V.), an entity under control of a common parent. Zhaikmunai Finance B.V. was established by Frans van der Schoot B.V. in April 2010 specifically to issue the US$ 450 million senior notes with an October 19, 2015 maturity and a fixed coupon of 10.50% per annum (the "2010 Notes").

On March 1, 2013 the Partnership acquired in a transaction under common control 2,559,200 ordinary shares of Zhaikmunai International B.V., representing 100% of its charter capital, from Zhaikmunai Netherlands B.V. (formerly known as Frans van der Schoot B.V.), an entity under control of a common parent.

On February 28, 2014 the Partnership acquired in a transaction under common control 1,000 ordinary shares of Nostrum Oil & Gas Finance B.V., representing 100% of its charter capital, from Zhaikmunai Netherlands B.V. (formerly known as Frans van der Schoot B.V.), an entity under control of a common parent.

The consolidated financial statements include the financial statements of the Partnership and its subsidiaries (jointly the "Group"), Zhaikmunai Finance B.V., Zhaikmunai International B.V. and Nostrum Oil and Gas Finance B.V.

The Group's operations comprise of a single operating segment and 3 additional exploration concessions and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

On August 17, 2012 the Partnership signed Asset Purchase Agreements to acquire 100% of the subsoil use rights related to three oil and gas fields – Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye – all located in the Western Kazakhstan region. On March 1, 2013 the Partnership acquired the subsoil use rights related to these three oil and gas fields in Kazakhstan following the signing of the respective supplementary agreements related thereto by the Ministry of Oil and Gas (the "MOG") of the Republic of Kazakhstan.

The participants of the Partnership, their shares and changes in the participants' structure are disclosed in Note 6. The Partnership does not have an ultimate controlling party.

The registered legal address of the Partnership is: 59/2, Prospect Evrazia, Uralsk, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorized for issue by the Partnership's General Director, Chief Financial Officer and Chief Accountant on May 22, 2014.

Subsoil use rights terms

The term of the Chinarevskoye subsoil use rights 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 Chinarevskoye subsoil use rights, other than for the Tournaisian horizons, was extended for an additional 3-year period, which expired on May 26, 2011. A further extension to May 26, 2014 was made under the supplement dated October 28, 2013. The extensions to the exploration periods have not changed the Chinarevskoye subsoil use rights term, which expires in 2031. The Partnership applied to the MOG for another extension of the exploration period.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated February 8, 2008 originally included a 3-year exploration period and a 12-year production period. On April 27, 2009 the exploration period was extended so as to have a total duration of 6 years. In January 2012 the MOG made the decision to extend the exploration period until February 8, 2015 and the corresponding supplementary agreement between MOG and the Partnership was signed on August 9, 2013.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated July 28, 2006 originally included a 6-year exploration period and a 19-year production period. On October 21, 2008 the exploration period was extended for 6 months so as to expire on January 28, 2013. On April 27, 2009 the exploration period was extended until January 28, 2015. Upon receipt of the ownership rights the Partnership started the process of application for further extension of the exploration period.

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field dated July 28, 2006 originally included a 5-year exploration period and a 20-year production period. On April 27, 2009 the exploration period was extended until July 28, 2012. On July 8, 2011 the exploration period was further extended until July 28, 2014. Upon receipt of the ownership rights the Partnership started the process of application for further extension of the exploration period.

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 hydrocarbons recovery levels and the phase of production and can vary from 3% to 7% of produced crude oil and from 4% to 9% of produced natural gas. Royalty is accounted on a gross basis.

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. Government profit share is accounted on a gross basis.

Seasonality of operations

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

2. BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

These interim condensed consolidated financial statements for the three months ended March 31, 2014 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 annual consolidated financial statements for the year ended December 31, 2013.

New standards, interpretations and amendments 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 consolidated financial statements for the year ended December 31, 2013, except for the following new standards and interpretations effective as of January 1, 2014, and which did not have an impact on the Group.

- *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27);
- *Offsetting Financial Assets and Financial Liabilities* – Amendments to IAS 32;
- *Novation of Derivatives and Continuation of Hedge Accounting* – Amendments to IAS 39;
- *Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36; and
- *IFRIC 21 Levies.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. EXPLORATION AND EVALUATION ASSETS

During the three months ended March 31, 2014 the Group had additions of exploration and evaluation assets of US$ 568 thousand which includes capitalized expenditures on geological and geophysical studies (three months ended March 31, 2013: US$ 15,937 thousand, mainly represented by capitalized consideration under the acquisition agreements for the Darinskoye, Rostoshinskoye and Yuzhno-Gremyachinskoye oilfields). There was no capitalized interest.

4. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2014, the Group had additions of property, plant and equipment of US$ 59,371 thousand (three months ended March 31, 2013: US$ 49,443 thousand). These additions are mostly associated with drilling costs, capitalised interest of US$ 3,766 thousand (three months ended March 31, 2013: US$ 2,932 thousand), and abandonment and site restoration assets of US$ 460 thousand (three months ended March 31, 2013: US$ 224 thousand).

As of March 31, 2014 the Partnership's property, plant and equipment of US$ 1,086,250 thousand are pledged as security for the loans due to Zhaikmunai Netherlands B.V. (Note 7).

5. CURRENT AND NON-CURRENT INVESTMENTS

Current investments as at March 31, 2014 were represented by an interest bearing deposit placed on September 30, 2013 for a one-year and one day period which was reclassified from non-current investments. As at March 31, 2014 no non-current investments were placed by the Group.

Current investments as at December 31, 2013 were represented by an interest bearing short-term deposit placed on September 30, 2013 for a six-month period. Non-current investments as at December 31, 2013 were represented by an interest bearing deposit placed on September 30, 2013 for a period more than one year.

6. PARTNERSHIP CAPITAL

The charter capital of the Partnership was contributed in Tenge and amounts to Tenge 600 thousand, equivalent to US$ 4 thousand as at December 31, 2003. The shares of Condensate Holding LLP and Claydon Industrial Ltd in charter capital of the Partnership constitutes 55% and 45%, respectively, equivalent to US$ 2.2 thousand and US$ 1.8 thousand, respectively.

Gain on initial recognition of loans received from Zhaikmunai Netherlands B.V. at the below market interest rates as well as loss on its subsequent substantial modification have been recorded in other reserves.

Retained earnings and reserves include foreign currency translation reserve accumulated before 2009, when the functional currency of the Group was Tenge.

Partners in the Partnership are allowed to vote based on their participation percentage and are also entitled to participate in any distributions on the same basis.

On July 5, 2013 the Partnership made payments of profit distribution in the amount of US$ 10,000 thousand according to the decision made at the Annual General Meeting of Participants of the Partnership on June 28, 2013.

7. BORROWINGS

Borrowings comprise the following as at March 31, 2014 and December 31, 2013:

In thousands of US dollars	**March 31, 2014 (unaudited)**	December 31, 2013 (audited)
Notes issued in 2012 and maturing in 2019	**546,176**	534,920
Notes issued in 2014 and maturing in 2019	**396,929**	–
Zhaikmunai Netherlands B.V.	**210,000**	210,186
Notes issued in 2010 and maturing in 2015	**101,732**	93,197
	1,254,837	838,303
Less: amounts due within 12 months	**(120,356)**	(7,449)
Amounts due after 12 months	**1,134,481**	830,854

2010 Notes

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

On February 28, 2011 Zhaikmunai LLP (the "2010 Issuer") replaced the 2010 Initial Issuer of the 2010 Notes, whereupon it assumed all of the obligations of the 2010 Initial Issuer under the 2010 Notes.

The 2010 Notes bear interest at the rate of 10.50% per year. Interest on the 2010 Notes is payable on April 19 and October 19 of each year, beginning on April 19, 2011. Prior to October 19, 2013, the 2010 Issuer could, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2010 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 (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that (1) at least 65% of the original principal amount of the 2010 Notes (including Additional Notes as defined in the indenture relating to the 2010 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 2010 Notes could have been redeemed, in whole or in part, at any time prior to October 19, 2013 at the option of the 2010 Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of 2010 Notes at its registered address, at a redemption price equal to 100% of the principal amount of the 2010 Notes redeemed plus the Applicable Premium (as defined below) 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 2010 Note on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such 2010 Note; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such 2010 Note at October 19, 2013 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2010 Note through October 19, 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 2010 Note.

The 2010 Notes are jointly and severally guaranteed (the "2010 Guarantees") on a senior basis by Nostrum Oil & Gas LP and all of its subsidiaries other than the 2010 Issuer (the "2010 Guarantors"). The 2010 Notes are the 2010 Issuer's and the 2010 Guarantors' senior obligations and rank equally with all of the 2010 Issuer's and the 2010 Guarantors' other senior indebtedness. The 2010 Notes and the 2010 Guarantees have the benefit of first-priority pledges over the shares of Zhaikmunai Finance B.V. and Zhaikmunai Netherlands B.V.

On October 19, 2012, Zhaikmunai International B.V. commenced a cash tender offer (the "Tender Offer") to purchase any and all of the 2010 Notes. US$ 347,604 thousand aggregate principal amount of the 2010 Notes had been tendered into the Tender Offer, representing approximately 77% of the outstanding 2010 Notes, by the time the Tender Offer for 2010 Notes expired on November 19, 2012. The holders of US$ 200,732 thousand 2010 Notes that accepted the Tender Offer have subscribed to the 2012 Notes of the same amount.

On March 14, 2014 the Group submitted a notice of early redemption on April 14, 2014 of the principal amount of the 2010 Notes plus accrued interest and premium. As at that date the outstanding principal amount of US$ 92,505 thousand was reclassified to the current portion of long-term borrowings and the related unamortized transaction costs were expensed to profit and loss. The Group has also accrued related early redemption premium in the amount of US$ 4,857 thousand.

2012 Notes

On November 13, 2012, Zhaikmunai International B.V. (the "2012 Initial Issuer") issued US$ 560,000 thousand notes (the "2012 Notes").

On April 24, 2013 Zhaikmunai LLP (the "2012 Issuer") replaced the 2012 Initial Issuer of the 2012 Notes, whereupon it assumed all of the obligations of the 2012 Initial Issuer under the 2012 Notes.

The 2012 Notes bear interest at the rate of 7.125% per year. Interest on the 2012 Notes is payable on May 14 and November 13 of each year, beginning on May 14, 2013. Prior to November 13, 2016, the 2012 Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2012 Notes with the net cash proceeds of one or more equity offerings at a redemption price of 107.125% of the principal amount thereof, plus accrued and unpaid interest, if any, to the 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); provided that (1) at least 65% of the original principal amount of the 2012 Notes (including Additional Notes as defined in the indenture relating to the 2012 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 2012 Notes may be redeemed, in whole or in part, at any time prior to November 13, 2016 at the option of the 2012 Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of 2012 Notes at its registered address, at a redemption price equal to 100% of the principal amount of the 2012 Notes redeemed plus the Applicable Premium (as defined below) 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 2012 Note on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such 2012 Note; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such 2012 Note at November 13, 2016 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2012 Note through November 13, 2016 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 2012 Note.

The 2012 Notes are jointly and severally guaranteed (the "2012 Guarantees") on a senior basis by Nostrum Oil & Gas LP and all of its subsidiaries other than the 2012 Issuer (the "2012 Guarantors"). The 2012 Notes are the 2012 Issuer's and the 2012 Guarantors' senior obligations and rank equally with all of the 2012 Issuer's and the 2012 Guarantors' other senior indebtedness. The 2012 Notes and the 2012 Guarantees do not have the benefit of first-priority pledges over the shares of Zhaikmunai Finance B.V. and Zhaikmunai Netherlands B.V.

2014 Notes

On February 14, 2014, Nostrum Oil & Gas Finance B.V. (the "2014 Issuer") issued US$ 400,000 thousand notes (the "2014 Notes").

The 2014 Notes bear interest at the rate of 6.375% per annum. Interest on the 2014 Notes is payable on February 14 and August 14 of each year, beginning on August 14, 2014. Prior to February 14, 2017, the 2014 Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2014 Notes with the net cash proceeds of one or more equity offerings at a redemption price of 106.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the 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); provided that (1) at least 65% of the original principal amount of the 2014 Notes (including Additional Notes as defined in the indenture relating to the 2014 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 2014 Notes may be redeemed, in whole or in part, at any time prior to February 14, 2017 at the option of the 2014 Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of 2014 Notes at its registered address, at a redemption price equal to 100% of the principal amount of the 2014 Notes redeemed plus the Applicable Premium (as defined below) 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 2014 Notes on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such 2014 Notes; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such 2014 Notes at February 14, 2017 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2014 Notes through February 14, 2017 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 2014 Notes.

The 2014 Notes are jointly and severally guaranteed (the "2014 Guarantees") on a senior basis by Nostrum Oil & Gas LP and all of its subsidiaries other than the 2014 Issuer (the "2014 Guarantors"). The 2014 Notes are the 2014 Issuer's and the 2014 Guarantors' senior obligations and rank equally with all of the 2014 Issuer's and the 2014 Guarantors' other senior indebtedness. Claims of secured creditors of the 2014 Issuer or the 2014 Guarantors will have priority with respect to their security over the claims of creditors who do not have the benefit of such security, such as the holders of the 2014 Notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Loans due to Zhaikmunai Netherlands B.V.

On July 1, 2008 the Partnership signed a loan agreement with Frans van der Schoot B.V. under which the latter provided the Partnership with a US$ 90,276 thousand loan at an annual interest rate of two times LIBOR.

On September 15, 2009 Frans van der Schoot B.V. provided an additional loan of US$ 261,650 thousand at then prevailing interest rate of 2.6% per year. On December 22, 2010, a portion of this loan amounting to US$ 51,926 thousand was repaid.

On October 19, 2010, amendments to the loan agreement were made according to which the interest rate was increased from 2.6% to 10% and the maturity date was moved to December 31, 2015.

On January 1, 2013, amendments to the loan agreement were made according to which the interest rate was decreased from 10% to 6.625%.

The outstanding balance of the loan as at March 31, 2014 has an interest rate of 6.625% (December 31, 2013: 6.625%).

In accordance with the decisions of the Annual General Meeting of the Partnership on June 28, 2013 the Partnership on July 3, 2013 made an early repayment of the part of the loan in the amount of US$ 60,000 thousand to Zhaikmunai Netherlands B.V. On December 23, 2013 the Partnership made another early repayment of US$ 30,000 thousand to Zhaikmunai Netherlands B.V.

8. REVENUE

	Three months ended March 31,	
In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Oil and gas condensate	**177,224**	182,784
Gas and LPG	**49,728**	45,742
	226,952	228,526

During three months ended March 31, 2014 the revenue from sales to three major customers amounted to US$ 87,283 thousand, US$ 51,127 thousand and US$ 25,066 thousand respectively (three months ended March 31, 2013 three major customers: US$ 61,063 thousand, US$ 55,475 thousand, US$ 53,640 thousand, respectively).

9. COST OF SALES

	Three months ended March 31,	
In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Depreciation, depletion and amortization	**29,048**	35,668
Repair, maintenance and other services	**9,213**	12,284
Royalties	**9,142**	9,771
Payroll and related taxes	**4,008**	3,985
Materials and supplies	**2,198**	3,003
Management fees	**1,228**	811
Other transportation services	**726**	1,178
Well workover costs	**344**	854
Environmental levies	**222**	181
Change in stock	**(558)**	2,089
Government profit share	**(5,174)**	2,295
Other	**824**	283
	51,221	72,402

The Partnership revised the estimates related to the government profit share in accordance with the recent supplement to the Chinarevskoye subsoil use rights and recognized reversal of the expense in the amount of US $15,334 thousand related to prior periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended March31,	
In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Payroll and related taxes	**2,178**	1,624
Professional services	**1,287**	703
Training	**779**	1,077
Sponsorship	**730**	338
Management fees	**675**	921
Insurance	**355**	451
Depreciation and amortization	**320**	363
Communication	**197**	204
Bank charges	**161**	270
Business trip	**145**	120
Rent expenses	**138**	119
Materials and supplies	**135**	132
Other taxes	**100**	94
Social Program	**75**	75
Other	**108**	120
	7,383	6,611

11. SELLING AND TRANSPORTATION EXPENSES

	Three months ended March 31,	
In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Loading and storage costs	**14,997**	7,839
Transportation costs	**12,971**	18,476
Payroll and related taxes	**525**	601
Management fees	**27**	198
Other	**1,939**	1,216
	30,459	28,330

The transportation costs for the three months ended March 31, 2013 also included certain loading and storage costs, which are included in loading costs in 2014.

12. FINANCE COSTS

	Three months ended March 31,	
In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Interest expense on borrowings	**23,219**	16,257
Unwinding of discount on Abandonment and Site Restoration Provision	**323**	258
Unwinding of discount on Due to Government of Kazakhstan	**144**	157
	23,686	16,672

13. INCOME TAX EXPENSE

The income tax expense consisted of the following:

	Three months ended March31,	
In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Current income tax expense	**40,314**	42,454
Deferred income tax expense/(benefit)	**9,517**	(4,864)
Total income tax expense	**49,831**	37,590

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 Chinarevskoye subsoil use rights is as follows:

	Three months ended March31,	
In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Profit before income tax	**106,904**	102,838
Tax rate applicable to the subsoil use rights	**30%**	30%
Expected tax provision	**32,071**	30,851
Change of the tax base	**6,066**	101
Non-deductible interest expense on borrowings	**6,062**	4,515
Adjustments in respect of current income tax of previous years	**4,331**	646
Foreign exchange loss	**1,847**	106
Non-deductible training expenditures	**153**	214
Non-deductible compensation for gas	**74**	238
Effect of income taxed at different rate	**6**	12
Non-deductible cost of natural loss	**3**	341
Adjustments of government profit share of prior periods	**(1,278)**	–
Other	**496**	566
Income tax expense reported in the financial statements	**49,831**	37,590

Deferred tax balances are calculated by applying the Kazakhstani statutory tax rate applicable to the Chinarevskoye subsoil use rights to the temporary differences between the tax amounts and the amounts reported in the financial statements and are comprised of the following:

In thousands of US dollars	**March 31, 2014 (unaudited)**	December 31, 2013 (audited)
Deferred tax asset:		
Accounts payable and provisions	**3,176**	2,811
Deferred tax liability:		
Property, plant and equipment	**(165,238)**	(155,356)
Net deferred tax liability	**(162,062)**	(152,545)

The movements in the deferred tax liability were as follows:

In thousands of US dollars	**2014 (unaudited)**	2013 (unaudited)
Balance at January 1 (audited)	**(152,545)**	(148,932)
Current period charge to profit or loss (unaudited)	**(9,517)**	4,864
Balance at March 31 (unaudited)	**(162,062)**	(144,068)

14. DERIVATIVE FINANCIAL INSTRUMENT

On March 3, 2014, in accordance with its hedging policy, the Group entered, at nil upfront cost, into a new hedging contract covering oil sales of 7,500 bbls/day, or a total of 5,482,500 bbls running through February 29, 2016. The counterparty to the hedging agreement is Citibank. Based on the hedging contract the Group bought a put at $85/bbl, which protects it against any fall in the price of oil below $85/bbl, i.e. Citibank will compensate the difference in price below $85/bbl. As part of this contract the Group also sold a call at $111.5/bbl and bought a call at $117.5/bbl which further allowed the Group to benefit from oil prices up to $111.5/bbl and above $117.5/bbl, under which Partnership is obliged to compensate the difference in price above $111.5/bbl with an upper limit of $117.5/bbl, i.e up to $6/bbl. If the spot price will go above $117.5/bbl, then Partnership will be obliged to pay $6/bbl to Citibank.

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

	Three months ended March 31,	
In thousands of US Dollar	**2014 (unaudited)**	2013 (unaudited)
Hedging contract fair value at January 1	**–**	–
Realized hedging loss	**–**	–
Hedging loss	**(648)**	–
Hedging contract at fair value at March 31	**(648)**	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. RELATED PARTY TRANSACTIONS

For the purpose of these interim condensed consolidated financial statements transactions with related parties mainly comprise transactions between the members of the Group and the participants and/or their subsidiaries or associated companies and which were made on terms agreed to between the parties that may not necessarily be at market rates.

Accounts payable to and borrowings from related parties consisted of the following:

In thousands of US dollars	March 31, 2014 (unaudited)	December 31, 2013 (audited)
Entities under control of common shareholder		
Borrowings		
Zhaikmunai Netherlands B.V.	**210,000**	210,186
Management fees and consulting services		
Probel Capital Management N.V.	**921**	109
Entities indirectly controlled by shareholder with significant influence		
Trade payables		
Amersham Oil LLP	**50**	52
Prolag BVBA	**–**	240

During the three months ended March 31, 2014 and 2013 the Group had the following transactions with related parties:

	Three months ended March 31,	
In thousands of US dollars	2014 (unaudited)	2013 (unaudited)
Entities under control of common shareholder		
Interest paid		
Zhaikmunai Netherlands B.V.	**3,664**	5,521
Management fees and consulting services		
Probel Capital Management N.V.	**1,930**	1,154
Entities indirectly controlled by shareholder with significant influence		
Management fees and consulting services		
Amersham Oil LLP	**285**	325
Prolag BVBA	**–**	451

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

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$ 144 thousand for the three months ended March 31, 2014 (three months ended March 31, 2013: US$ 107 thousand). Other key management personnel were employed and paid by Amersham Oil LLP and Probel Capital Management N.V. and whose remuneration forms part of management fees and consulting services above.

16. CONTINGENT LIABILITIES, COMMITMENTS AND OPERATING RISKS

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, 2014. As at March 31, 2014 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position 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 due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of respective parties' ability to pay for the costs related to environmental reclamation.

However, depending on any unfavorable claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Partnership's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

As at March 31, 2014 the Group had contractual capital commitments in the amount of US$ 197,870 thousand (December 31, 2013: US$ 26,842 thousand) mainly in respect to the Partnership's oil field development activities.

Operating lease

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.

In 2010 the Partnership entered into several agreements on lease of 650 railway tank wagons for transportation of hydrocarbon products for a period of up to 7 years for KZT 6,989 (equivalent of US$ 47) per day per one wagon. The lease agreements may be early terminated either upon mutual agreement of the parties, or unilaterally by one of the parties if the other party does not fulfill its obligations under the contract.

In thousands of US dollars	**March 31, 2014 (unaudited)**	December 31, 2013 (audited)
No later than 1 year	**15,583**	12,501
Later than 1 year and not later than five years	**28,046**	23,846
Later than five years	**–**	–

Lease expenses of railway tank wagons for the three months ended March 31, 2014 amounted to US$ 5,372 thousand (the three months ended March 31, 2013: US$ 2,755 thousand).

Social and education commitments

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

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

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

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

The contracts for exploration and production of hydrocarbons from Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields require fulfillment of several social and other obligations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The current contract for exploration and production of hydrocarbons from Rostoshinskoye field (as amended on August 9, 2013) requires the subsurface user to:

(i) spend at least US$ 206 thousand of investments for education of personnel engaged to work under the contract during the exploration stage;

(ii) spend US$ 600 thousand to finance social infrastructure of the region during the exploration stage;

(iii) invest at least US$ 20,750 thousand for exploration of the field during the exploration period;

(iv) create a liquidation fund (special deposit account with local bank) equal to US$ 206 thousand.

The contract for exploration and production of hydrocarbons from Darjinskoye field (after its amendment on January 23, 2014) requires the subsurface user to:

(i) spend at least US$ 200 thousand for education of personnel engaged to work under the contract during the exploration stage;

(ii) spend US$ 225 thousand to finance social infrastructure of the region;

(iii) invest at least US$ 20,355 thousand for exploration of the field during the exploration period;

(iv) create a liquidation fund (special deposit account with local bank) equal to US$ 208 thousand.

The current contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field (after its amendment on January 23, 2014) requires the subsurface user to:

(i) spend at least US$ 200 thousand for education of personnel engaged to work under the contract during the exploration stage;

(ii) spend US$ 1,050 thousand to finance social infrastructure of the region;

(iii) invest at least US$ 19,850 thousand for exploration of the field during the exploration period;

(iv) reimburse historical costs of US$ 96 thousand; and

(v) create a liquidation fund (special deposit account with local bank) equal to US$ 244 thousand.

Domestic oil sales

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

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts reasonably approximating their fair values:

	Carrying amount		Fair value	
(U.S.$ thousands)	**March 31, 2014**	December 31, 2013	**March 31, 2014**	December 31, 2013
Financial liabilities				
Interest bearing borrowings	**1,254,837**	838,303	**1,305,874**	896,795
Total	**1,254,837**	838,303	**1,305,874**	896,795

The management assessed that cash and cash equivalents, short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. EVENTS AFTER THE REPORTING PERIOD

On April 14, 2014 the Partnership repaid the outstanding 2010 Notes including interest and premium.

On May 6, 2014, Zhaikmunai LLP replaced Nostrum Oil & Gas Finance B.V. as issuer of the 2014 Notes, whereupon it assumed all of the obligations of Nostrum Oil & Gas Finance B.V. as issuer under the 2014 Notes.

On May 19, 2014 the Partnership made an early repayment to Zhaikmunai Netherlands B.V. of the part of the loan made available to the Partnership by Zhaikmunai Netherlands B.V. in the amount of US $104,000 thousand.