

Zhaikmunai LLP

Interim condensed financial statements (unaudited)

For the three months ended 31 March 2015

Contents

Report on review of interim condensed financial statements

Interim condensed financial statements

Interim statement of financial position.....	1
Interim statement of comprehensive income	2
Interim statement of cash flows	3
Interim statement of changes in equity.....	4

Notes to the interim condensed financial statements

1. General.....	5
2. Basis of preparation.....	6
3. Exploration and evaluation assets	6
4. Property, plant and equipment	6
5. Advances for non-current assets	7
6. Current investments	7
7. Trade receivables	7
8. Cash and cash equivalents.....	7
9. Partnership capital.....	7
10. Borrowings	8
11. Other current liabilities.....	10
12. Revenue.....	10
13. Cost of sales.....	11
14. General and administrative expenses	11
15. Selling and transportation expenses	11
16. Finance costs	12
17. Income tax expense.....	12
18. Derivative financial instruments	12
19. Related party transactions.....	13
20. Contingent liabilities and commitments	14
21. Fair values of financial instruments.....	15
22. Events after the reporting period.....	16



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Report on review of interim condensed financial statements

To the participants and management of Zhaikmunai LLP

Introduction

We have reviewed the accompanying interim condensed financial statements of Zhaikmunai LLP, comprising the interim statement of financial position as at 31 March 2015 and the related interim statements of comprehensive income for the three months then ended, statements of changes in equity and cash flows for the three months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed 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 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.

Conclusion

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

Ernst & Young LLP



Alexandr Nazarkulov
Auditor

Evgeny Zhemaletdinov
General director
Ernst & Young LLP

Auditor qualification certificate
No. 0000059 dated 6 January 2012

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

21 May 2015

INTERIM STATEMENT OF FINANCIAL POSITION

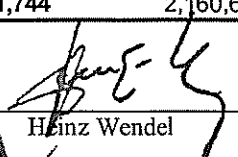
As at 31 March 2015

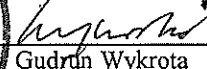
<i>In thousands of US Dollars</i>	Notes	31 March 2015 (unaudited)	31 December 2014 (audited)
Assets			
Non-current assets			
Exploration and evaluation assets	3	24,833	24,380
Property, plant and equipment	4	1,465,912	1,442,192
Restricted cash		5,174	5,023
Advances for non-current assets	5	144,686	134,355
Derivative financial instruments	18	-	60,301
		1,640,605	1,666,251
Current assets			
Inventories		29,524	25,443
Trade receivables	7	46,618	30,110
Prepayments and other current assets		39,958	38,570
Derivative financial instruments	18	70,306	-
Income tax prepayment		24,853	13,925
Current investments	6	25,000	25,000
Cash and cash equivalents	8	284,880	361,350
		521,139	494,398
Total assets		2,161,744	2,160,649
Equity and liabilities			
Partnership capital and reserves			
Partnership capital	9	4,112	4,112
Other reserves		32,440	32,440
Retained earnings		749,687	745,185
		786,239	781,737
Non-current liabilities			
Long-term borrowings	10	1,036,750	1,035,141
Abandonment and site restoration provision		20,934	20,877
Due to Government of Kazakhstan		5,777	5,906
Deferred tax liability		208,238	205,298
		1,271,699	1,267,222
Current liabilities			
Current portion of long-term borrowings		18,624	15,024
Trade payables		45,433	48,634
Advances received		524	2,670
Current portion of Due to Government of Kazakhstan		1,031	1,031
Other current liabilities	11	38,194	44,331
		103,806	111,690
Total equity and liabilities		2,161,744	2,160,649

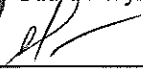
General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



 Heinz Wendel


 Gudryn Wykrota

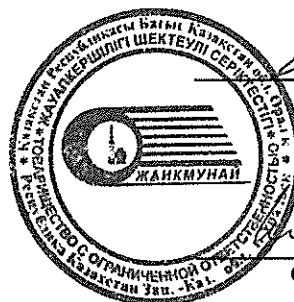

 Olga Shoshinova

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME**For the three months ended 31 March 2015**

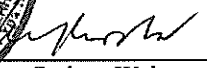
<i>In thousands of US Dollars</i>	Notes	Three months ended 31 March	
		2015 (unaudited)	2014 (unaudited)
Revenue			
Revenue from export sales	12	75,625	197,844
Revenue from domestic sales	12	24,714	29,108
		100,339	226,952
Cost of sales	13	(46,424)	(51,221)
Gross profit		53,915	175,731
General and administrative expenses	14	(7,649)	(7,383)
Selling and transportation expenses	15	(21,414)	(30,459)
Finance costs	16	(14,331)	(23,686)
Gain/(loss) on derivative financial instruments	18	10,005	(648)
Foreign exchange loss, net		(315)	(1,496)
Interest income		99	504
Other income		1,113	874
Other expenses		(7,123)	(6,533)
Profit before income tax		14,300	106,904
Income tax expense		(9,798)	(49,831)
Profit for the period		4,502	57,073
Other comprehensive income for the period		-	-
Total comprehensive income for the period		4,502	57,073

General Director of Zhaikmunai LLP

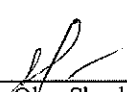


 Heinz Wendel

Chief Financial Officer of Zhaikmunai LLP


 Gudrun Wykrota

Chief Accountant of Zhaikmunai LLP


 Olga Shoshinova

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INTERIM STATEMENT OF CASH FLOWS

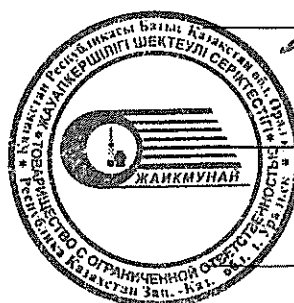
For the three months ended 31 March 2015

<i>In thousands of US Dollars</i>	Notes	Three months ended 31 March	
		2015 (unaudited)	2014 (unaudited)
Cash flow from operating activities			
Profit before income tax		14,300	106,904
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	13, 14	28,535	29,368
Finance costs	16	14,331	23,686
Interest income		(99)	(504)
Foreign exchange gain on investing and financing activities		(360)	(371)
Loss on disposal of property, plant and equipment		7	29
(Gain)/loss on derivative financial instruments	18	(10,005)	648
Operating profit before working capital changes		46,709	159,760
<i>Changes in working capital:</i>			
Change in inventories		(4,081)	(799)
Change in trade receivables		(16,508)	(41,251)
Change in prepayments and other current assets		(1,388)	(3,293)
Change in trade payables		2,087	(6,558)
Change in advances received		(2,146)	262
Change in Due to Government of Kazakhstan		(258)	(259)
Change in other current liabilities		(6,137)	(15,455)
Cash generated from operations		18,278	92,407
Income tax paid		(17,493)	(31,735)
Net cash flows from operating activities		785	60,672
Cash flow from investing activities			
Interest received		99	504
Purchase of property, plant and equipment		(61,620)	(50,531)
Purchase of exploration and evaluation assets		(856)	(5,868)
Redemption of current bank deposits		-	25,000
Net cash used in investing activities		(62,377)	(30,895)
Cash flow from financing activities			
Finance costs paid		(14,700)	(4,050)
Issue of notes	10	-	400,000
Transfer to restricted cash		(151)	(97)
Net cash (used in) / from financing activities		(14,851)	395,853
Effects of exchange rate changes on cash and cash equivalents		(27)	(456)
Net (decrease)/increase in cash and cash equivalents		(76,470)	425,174
Cash and cash equivalents at the beginning of the period		361,350	170,447
Cash and cash equivalents at the end of the period		284,880	595,621

General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



[Signature]
Herz Wendel

[Signature]
Gudrun Wykrota

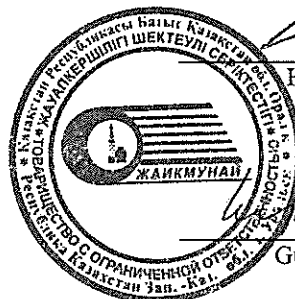
[Signature]
Olga Shoshinova

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

INTERIM STATEMENT OF CHANGES IN EQUITY**For the three months ended 31 March 2015**

<i>In thousands of US Dollars</i>	Partnership capital	Other reserves	Retained earnings	Total
As at 1 January 2014 (audited)	4	32,440	558,877	591,321
Profit 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 31 March 2014 (unaudited)	4	32,454	615,950	648,408
As at 31 December 2014 (audited)	4,112	32,440	745,185	781,737
Profit for the period	-	-	4,502	4,502
Total comprehensive income for the period	-	-	4,502	4,502
As at 31 March 2015 (unaudited)	4,112	32,440	749,687	786,239

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 financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the three months ended 31 March 2015**

1. GENERAL**Overview**

Zhaikmunai, a Limited Liability Partnership (the “Partnership” or “Zhaikmunai LLP”) was established under the laws of the Republic of Kazakhstan in 1997.

On 28 February 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. In 2014 the Partnership sold 100% interest in its dormant subsidiaries Zhaikmunai Finance B.V., Zhaikmunai International B.V. and Nostrum Oil & Gas Finance B.V. to Zhaikmunai Netherlands B.V. The Partnership prepared consolidated financial statements for the year ended 31 December 2014 that included the financial statements of the Partnership and its subsidiaries up to the date of derecognition.

The Partnership’s operations comprise of a single operating segment and 3 (three) additional exploration concessions located in Kazakhstan.

The participants of the Partnership, their shares and changes in the participants’ structure are disclosed in *Note 9*. The Partnership does not have an ultimate controlling party.

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

These interim condensed financial statements were authorised for issue by the Partnership’s General Director, Chief Financial Officer and Chief Accountant on 21 May 2015.

Subsoil use rights terms

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 31 October 1997 between the State Committee of Investments of the Republic of Kazakhstan and the Partnership in accordance with the license MG No. 253D for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field.

On 17 August 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 1 March 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 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 12 January 2004 and 23 June 2005, respectively. In accordance with the supplement dated 5 June 2008, Tournaisian North reservoir entered into production period as at 1 January 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 26 May 2011. A further extension to 26 May 2014 was made under the supplement dated 28 October 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 8 February 2008 originally included a 3-year exploration period and a 12-year production period. On 27 April 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 8 February 2015 and the corresponding supplementary agreement between MOG and the Partnership was signed on 9 August 2013. On 11 March 2015 the Partnership received the written permission on extension of the exploration period to 8 February 2017, however, the supplementary agreement is expected to be signed soon.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. On 21 October 2008 the exploration period was extended for 6 months so as to expire on 28 January 2013. On 27 April 2009 the exploration period was extended until 28 January 2015. On 23 January 2014 the exploration period was further extended until 31 December 2015.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field dated 28 July 2006 originally included a 5-year exploration period and a 20-year production period. On 27 April 2009 the exploration period was extended until 28 July 2012. On 8 July 2011 the exploration period was further extended until 28 July 2014. On 23 January 2014 the exploration period was further extended until 31 December 2015.

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 Partnership’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**Basis of preparation**

These interim condensed financial statements for the three months ended 31 March 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Partnership’s annual consolidated financial statements for the year ended 31 December 2014.

New standards, interpretations and amendments adopted by the Partnership

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Partnership’s annual consolidated financial statements for the year ended 31 December 2014.

Standards issued, but not yet effective, as at 1 January 2015, have not been early adopted by the Partnership.

3. EXPLORATION AND EVALUATION ASSETS

During the three months ended 31 March 2015 the Partnership had additions to exploration and evaluation assets of US\$ 453 thousand which includes capitalised expenditures on geological and geophysical studies (three months ended 31 March 2014: US\$ 568 thousand). Interest was not capitalised in exploration and evaluation assets.

4. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2015, the Partnership had additions of property, plant and equipment of US\$ 52,260 thousand (three months ended 31 March 2014 US\$ 59,371 thousand). These additions are mostly associated with drilling costs and capitalised interest of US\$ 5,763 thousand (three months ended 31 March 2014: US\$ 3,766 thousand).

As at 31 March 2015 the Partnership’s property, plant and equipment of US\$ 301,589 thousand are pledged as security for the loans due to Zhaikmunai Netherlands B.V. (31 December 2014: US\$ 309,133 thousand) (*Note 10*).

See *Note 20* for capital commitments.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**5. ADVANCES FOR NON-CURRENT ASSETS**

Increase in the advances for non-current assets is mainly driven by an increase in advances to suppliers of services and equipment for construction of a third unit for the gas treatment facility.

6. CURRENT INVESTMENTS

Current investments as at 31 March 2015 were represented by an interest bearing deposit placed on 30 March 2015 for a three-month period with an interest rate of 0.18% per annum. Current investments as at 31 December 2014 were represented by an interest bearing short-term deposit placed on 30 September 2014 for a six-month period with interest rate of 0.24% per annum.

7. TRADE RECEIVABLES

As at 31 March 2015 and 31 December 2014 trade receivables were not interest bearing and were mainly denominated in US dollars, their average collection period is 30 days.

As at 31 March 2015 and 31 December 2014 there were neither past due nor impaired trade receivables.

8. CASH AND CASH EQUIVALENTS

<i>In thousands of US Dollars</i>	31 March 2015 (unaudited)	31 December 2014 (audited)
Current accounts in US Dollars	282,540	353,159
Current accounts in Tenge	1,485	8,054
Current accounts in other currencies	830	132
Petty cash	25	5
	284,880	361,350

The Partnership has restricted cash accounts as liquidation fund deposit in the amount of US\$ 5,174 thousand with Kazkommertsbank JSC and Sberbank in Kazakhstan (31 December 2014: US\$ 5,023 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

9. PARTNERSHIP CAPITAL

The charter capital of the Partnership was formed in Tenge and amounted to Tenge 600 thousand, equivalent to US\$ 4 thousand as at 31 December 2013. As at 31 December 2013, the shares of Condensate Holding LLP and Claydon Industrial Ltd in the charter capital of the Partnership constituted 55% and 45%, respectively, equivalent to US\$ 2.2 thousand and US\$ 1.8 thousand, respectively.

On 23 May 2014, Nostrum Oil Coöperatief U.A. made a contribution to the charter capital of the Partnership in the amount of 749,400 thousand Tenge, equivalent to US\$ 4,108 thousand so that the interests of the partners were changed to the following:

	In thousands of Tenge	%
Nostrum Oil Coöperatief U.A.	749,400	99.920
Condensate Holding LLP	330	0.044
Claydon Industrial Ltd	270	0.036

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.

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 5 July 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 28 June 2013.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**10. BORROWINGS**

Borrowings comprise the following as at 31 March 2015 and 31 December 2014:

<i>In thousands of US Dollars</i>	31 March 2015 (unaudited)	31 December 2014 (audited)
Notes issued in 2012 and maturing in 2019	551,371	540,115
Notes issued in 2014 and maturing in 2019	398,003	404,050
Zhaikmunai Netherlands B.V.	106,000	106,000
	1,055,374	1,050,165
Less amounts due within 12 months	(18,624)	(15,024)
Amounts due after 12 months	1,036,750	1,035,141

2012 Notes

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

On 24 April 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 14 May and 13 November of each year, beginning on 14 May 2013. Prior to 13 November 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 13 November 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 13 November 2016 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2012 Note through 13 November 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 plc 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 14 February 2014, Nostrum Oil & Gas Finance B.V. (the "2014 Initial Issuer") issued US\$ 400,000 thousand notes (the "2014 Notes").

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

The 2014 Notes bear interest at the rate of 6.375% per annum. Interest on the 2014 Notes is payable on 14 February and August of each year, beginning on 14 August 2014. Prior to 14 February 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 14 February 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 14 February 2017 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2014 Notes through 14 February 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 plc 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.

Costs directly attributable to the 2014 Notes arrangement amounted to US\$ 6,525 thousand.

Covenants contained in the 2012 Notes and the 2014 Notes.

The indentures governing the 2012 Notes and the 2014 Notes contain a number of covenants that, among other things, restrict, subject to certain exceptions:

- (i) incur or guarantee additional indebtedness and issue certain preferred stock;
- (ii) create or incur certain liens;
- (iii) make certain payments, including dividends or other distributions;
- (iv) prepay or redeem subordinated debt or equity;
- (v) make certain investments;
- (vi) create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to Nostrum Oil & Gas PLC or any of its restricted subsidiaries;
- (vii) sell, lease or transfer certain assets including shares of restricted subsidiaries;
- (viii) engage in certain transactions with affiliates;
- (ix) enter into unrelated businesses; and
- (x) consolidate or merge with other entities.

Each of these covenants is subject to certain exceptions and qualifications.

In addition, the indentures impose certain requirements as to future subsidiary guarantors, and certain customary information covenants and events of default.

Loans due to Zhaikmunai Netherlands B.V.

On 1 July 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

On 15 September 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 22 December 2010, a portion of this loan amounting to US\$ 51,926 thousand was repaid.

On 19 October 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 31 December 2015.

On 1 January 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 31 March 2015 has an interest rate of 6.625% (31 December 2014: 6.625%).

In accordance with the decisions of the Annual General Meeting of the Partnership on 28 June 2013 the Partnership on 3 July 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 23 December 2013 the Partnership made another early repayment of US\$ 30,000 thousand to Zhaikmunai Netherlands B.V. On 19 May 2014 the Partnership made an early repayment of US\$ 104,000 thousand.

11. OTHER CURRENT LIABILITIES

Other current liabilities comprise the following as at 31 March 2015 and 31 December 2014:

<i>In thousands of US Dollars</i>	31 March 2015 (unaudited)	31 December 2014 (audited)
Accruals under subsoil use agreements	13,137	14,435
Taxes payable, other than corporate income tax	10,363	17,223
Training obligations accrual	10,351	9,686
Due to employees	3,272	2,157
Other current liabilities	1,071	830
	38,194	44,331

Accruals under subsoil use agreements mainly include amounts estimated in respect of the contractual obligations for exploration and production of hydrocarbons from Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields.

12. REVENUE

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015 (unaudited)	2014 (unaudited)
Oil and gas condensate	67,051	177,224
Gas and LPG	33,288	49,728
	100,339	226,952

During the three months ended 31 March 2015 the revenue from sales to three major customers amounted to US\$ 40,595 thousand, US\$ 24,763 thousand and US\$ 22,704 thousand respectively (three months ended 31 March 2014: three major customers: US\$ 87,283 thousand, US\$ 51,127 thousand and US\$ 25,066 thousand, respectively). The Partnership's exports are mainly represented by deliveries to Finland and the Black Sea ports of Russia.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**13. COST OF SALES**

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015 (unaudited)	2014 (unaudited)
Depreciation and amortization	28,167	29,048
Repair, maintenance and other services	7,302	9,213
Payroll and related taxes	4,664	4,008
Royalties	3,773	9,142
Materials and supplies	1,755	2,198
Well workover costs	1,290	344
Management fees	929	1,228
Government profit share	771	(5,174)
Other transportation services	597	726
Environmental levies	492	222
Change in stock	(4,118)	(558)
Other	802	824
	46,424	51,221

During the three months ended 31 March 2014 the Partnership revised the estimates related to the government profit share in accordance with the recent supplement to the Chinarevskoye subsoil use rights and change in the coefficient of natural gas equivalent, which resulted in the total reversal of the government profit share in the amount of US\$ 15,334 thousand related to prior periods.

14. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015 (unaudited)	2014 (unaudited)
Payroll and related taxes	2,368	2,178
Professional services	1,167	1,287
Management fees	920	675
Training	765	779
Sponsorship	573	730
Insurance fees	406	355
Depreciation and amortization	368	320
Communication	205	197
Other taxes	171	100
Materials and supplies	162	135
Bank charges	131	161
Lease payments	125	138
Business travel	98	145
Social program	75	75
Other	115	108
	7,649	7,383

15. SELLING AND TRANSPORTATION EXPENSES

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015 (unaudited)	2014 (unaudited)
Loading and storage costs	10,530	14,997
Transportation costs	9,167	12,971
Payroll and related taxes	510	525
Management fees	36	27
Other	1,171	1,939
	21,414	30,459

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**16. FINANCE COSTS**

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015	2014
	(unaudited)	(unaudited)
Interest expense on borrowings	14,146	23,219
Unwinding of discount on amounts Due to Government of Kazakhstan	129	144
Unwinding of discount on abandonment and site restoration liability	56	323
	14,331	23,686

17. INCOME TAX EXPENSE

The income tax expense consisted of the following:

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015	2014
	(unaudited)	(unaudited)
Income tax expenses comprise:		
Current income tax expense	6,858	40,314
Deferred income tax expense	2,940	9,517
Total income tax expense	9,798	49,831

18. DERIVATIVE FINANCIAL INSTRUMENTS

During the three months ended 31 March 2015 and 2014 the movement in the fair value of derivative financial instruments was presented as follows:

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015	2014
	(unaudited)	(unaudited)
Derivative financial instruments at fair value at 1 January	60,301	-
Gain/(loss) on derivative financial instruments	10,005	(648)
Derivative financial instruments at fair value at 31 March	70,306	(648)

On 3 March 2014, in accordance with its hedging policy, the Partnership entered, at nil upfront cost, into a long-term hedging contract covering oil sales of 7,500 bbls/day, or a total of 5,482,500 bbls running through 29 February 2016. The counterparty to the hedging agreement is Citibank. Based on the hedging contract the Partnership 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 Partnership also sold a call at \$ 111.5/bbl and bought a call at \$ 117.5/bbl, under which Zhaikmunai LLP 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 goes above \$ 117.5/bbl, then Zhaikmunai LLP will be obliged to pay \$ 6/bbl to Citibank.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**19. RELATED PARTY TRANSACTIONS**

For the purpose of these interim condensed financial statements transactions with related parties mainly comprise transactions between the Partnership and the participants and/or their subsidiaries or associated companies.

Accounts receivable from and advances paid to related parties as at 31 March 2015 and 31 December 2014 consisted of the following:

<i>In thousands of US Dollars</i>	31 March 2015 (unaudited)	31 December 2014 (audited)
Trade receivables and advances paid		
<i>With significant influence over Partnership:</i>		
KazStroyService JSC	35,961	36,915

Accounts payable to related parties as at 31 March 2015 and 31 December 2014 consisted of the following:

<i>In thousands of US Dollars</i>	31 March 2015 (unaudited)	31 December 2014 (audited)
Borrowings		
<i>Entity under common control:</i>		
Zhaikmunai Netherlands B.V.	106,000	106,000
Trade payables		
<i>With significant influence over Partnership:</i>		
KazStroyService JSC	1,195	2,753
<i>Entity under common control:</i>		
Nostrum Services N.V. (formerly known as Probel Capital Management N.V.)	838	46
Amersham Oil LLP	145	76

During the three months ended 31 March 2015 and 2014 the Partnership had the following transactions with related parties:

<i>In thousands of US Dollars</i>	Three months ended 31 March	
	2015 (unaudited)	2014 (unaudited)
Interest paid		
<i>Entity under common control:</i>		
Zhaikmunai Netherlands B.V.	1,951	3,664
Purchases		
<i>With significant influence over Partnership:</i>		
KazStroyService JSC	1,161	-
Management fees and consulting services		
<i>Entity under common control:</i>		
Nostrum Services N.V. (formerly known as Probel Capital Management N.V.)	1,799	1,930
Amersham Oil LLP	389	285

On 28 July 2014 the Partnership entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Partnership's gas treatment facility for a consideration of US\$ 150 million.

The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 March 2015 owned approximately 25.7% of the ordinary shares of Nostrum Oil & Gas PLC.

Management fees are payable in accordance with the Technical Assistance Agreements signed between the Partnership and Amersham Oil LLP and Nostrum Services 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\$ 126 thousand for the three months ended 31 March 2015 (three months ended 31 March 2014: US\$ 144 thousand). Other key management personnel were employed and paid by Amersham Oil LLP and Nostrum Services N.V. and their remuneration forms part of management fees and consulting services above.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**20. 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 31 March 2015. As at 31 March 2015 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax position will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and clean-up 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 unfavourable 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 31 March 2015 the Partnership had contractual capital commitments in the amount of US\$ 244,672 thousand (31 December 2014: US\$ 248,644 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 seven 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 fulfil its obligations under the contract.

The total of future minimum lease payments under non-cancellable operating leases was represented as follows:

<i>In thousands of US Dollars</i>	31 March 2015 (unaudited)	31 December 2014 (audited)
No later than one year	12,561	14,788
Later than one year and no later than five years	13,779	17,671
Later than five years	–	–

Lease expenses of railway tank wagons for the three months ended 31 March 2015 amounted to US\$ 3,913 thousand (three months ended 31 March 2014: US\$ 5,372 thousand).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**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 per annum of the actual investments for the Chinarevskoye field 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 fulfilment of several social and other obligations.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Rostoshinskoye field (as amended on 9 August 2013) require the subsurface user to:

- (i) spend US\$ 1,000 thousand for funding of development of Astana city in case of commercial discovery;
- (ii) invest at least US\$ 16,815 thousand for exploration of the field during the exploration period;
- (iii) reimburse historical costs of US\$ 383 thousand to the Government upon commencement of production stage;
- (iv) fund liquidation expenses equal to US\$ 206 thousand.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Darjinskoye field (after its amendment on 24 February 2015) require the subsurface user to:

- (i) spend at least US\$ 14 thousand for education of personnel engaged to work under the contract during the exploration stage;
- (ii) invest at least US\$ 20,536 thousand for exploration of the field during the exploration period;
- (iii) fund liquidation expenses equal to US\$ 86 thousand.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field (after its amendment on 24 February 2015) require the subsurface user to:

- (i) invest at least US\$ 32,234 thousand for exploration of the field during the exploration period;
- (ii) fund liquidation expenses equal to US\$ 201 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.

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
	31 March 2015 (unaudited)	31 December 2014 (audited)	31 March 2015 (unaudited)	31 December 2014 (audited)
<i>In thousands of US Dollars</i>				
Financial instruments measured at fair value				
Derivative financial instruments	70,306	60,301	70,306	60,301
Financial liabilities measured at amortised cost				
Interest bearing borrowings	(1,055,374)	(1,050,165)	(936,400)	(1,050,165)
Total	(985,068)	(989,864)	(866,094)	(989,864)

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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. The fair value of derivative financial instruments is categorised as Level 3 with the fair value hierarchy and is calculated using Black-Scholes valuation model based on Brent Crude Futures traded on the Intercontinental Exchange, with the relative expiration dates ranging from the current reporting date until March 2016.

The following table shows ranges of the inputs depending on maturity, which are used in the model for calculation of the fair value of the derivative financial instruments as at 31 March 2015 and 31 December 2014:

	31 March 2015 (unaudited)	31 December 2014 (audited)
Future price at the reporting date (US\$)	57.08-62.58	59.2-67.9
Historical volatility (%)	19.1	16.02-17.73
Risk-free interest rate (%)	0.25	0.25-0.67
Maturity (months)	1-12	3-15

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The following table reflects the results of the changes in volatilities and oil price assumptions on the fair value of the derivative financial instruments:

	Increase in the assumption	Decrease in the assumption
Increase/(decrease) in gain on derivative financial instruments due to change in oil price assumption (+/-US\$ 2/bbl)	(5,267)	5,338
Increase/(decrease) in gain on derivative financial instruments due to change in volatility rate assumption (+/-2%)	43	(40)

22. EVENTS AFTER THE REPORTING PERIOD

On 24 April 2015 the Annual General Meeting of the Partnership resolved (inter alia) to approve:

- a profit distribution by the Partnership in Tenge amount equivalent to US\$ 45,000 thousand; and
- a prepayment by the Partnership of US\$ 45,000 thousand to Zhaikmunai Netherlands B.V. under the intercompany loan agreement referred to in *Note 10*.