

Zhaikmunai LLP

Interim condensed financial statements (unaudited)

For the three months ended 31 March 2016

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Report on review of interim condensed financial statements

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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 2016 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 are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP


Paul Conn
Audit Partner


Aigerim Nurkenova
Auditor




Gulmira Turmagambetova
Acting General Director
Ernst & Young LLP

Auditor Qualification Certificate No. 0000115
dated 21 September 2012

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

20 May 2016

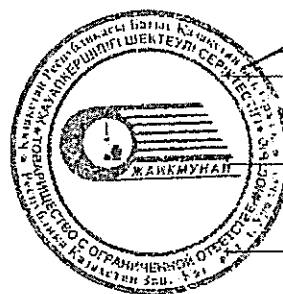
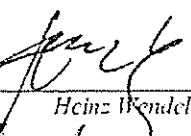
STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

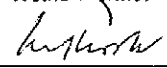
<i>In thousands of US dollars</i>	Notes	31 March 2016 (unaudited)	31 December 2015 (audited)
ASSETS			
Non-current assets			
Exploration and evaluation assets	3	37,280	36,917
Property, plant and equipment	4	1,661,369	1,605,821
Restricted cash	8	5,606	5,375
Advances for non-current assets	5	95,895	130,660
Derivative financial instruments	19	34,626	43,005
		1,834,776	1,821,778
Current assets			
Inventories		27,942	26,953
Trade receivables	7	39,693	31,337
Prepayments and other current assets	6	27,550	25,519
Derivative financial instruments	19	46,470	54,095
Income tax prepayment		33,300	26,926
Cash and cash equivalents	8	110,857	134,928
		285,812	301,758
TOTAL ASSETS		2,120,588	2,123,536
EQUITY AND LIABILITIES			
Partnership capital			
Partnership capital		4,112	4,112
Other reserves		32,440	32,440
Retained earnings		611,210	622,763
		647,762	659,315
Non-current liabilities			
Long-term borrowings	10	998,293	996,666
Abandonment and site restoration provision		16,012	15,928
Due to Government of Kazakhstan		5,631	5,777
Deferred tax liability		350,612	347,767
		1,370,548	1,366,138
Current liabilities			
Current portion of long-term borrowings	10	18,624	15,361
Trade payables	11	42,353	40,678
Advances received		1,375	245
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	12	38,895	40,768
		102,278	98,083
TOTAL EQUITY AND LIABILITIES		2,120,588	2,123,536

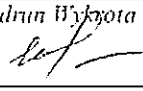
General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



Heinz Wendel


Gulnir Wykzota


Olga Shashinova

The accounting policies and explanatory notes on pages 6 through 19 are an integral part of these interim condensed financial statements

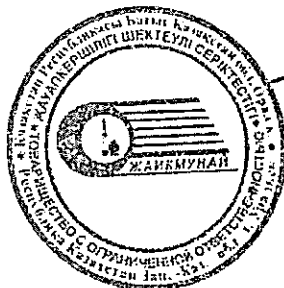
STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March 2016

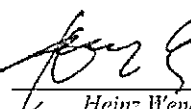
<i>In thousands of US dollars</i>	Notes	Three months ended 31 March	
		2016 (unaudited)	2015 (unaudited)
Revenue			
Revenue from export sales		48,681	75,625
Revenue from domestic sales		25,237	24,714
	13	73,918	100,339
Cost of sales	14	(47,106)	(46,424)
Gross profit		26,812	53,915
General and administrative expenses	15	(5,261)	(7,649)
Selling and transportation expenses	16	(16,153)	(21,414)
Finance costs	17	(11,686)	(14,331)
Foreign exchange loss, net		(4,128)	(315)
Gain on derivative financial instruments	19	3,558	10,005
Interest income		99	99
Other income		1,655	1,113
Other expenses		(2,856)	(7,123)
(Loss) / profit before income tax		(7,960)	14,300
Income tax expense	18	(3,593)	(9,798)
(Loss) / profit for the period		(11,553)	4,502
Other comprehensive income for the period		-	-
Total comprehensive (loss) / income for the period		(11,553)	4,502


General Director of Zhaikmunai LLP

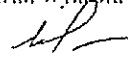
Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP




Heinz Wendel


Gudrun Wykrota


Olga Shoshinova

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STATEMENT OF CASH FLOWS

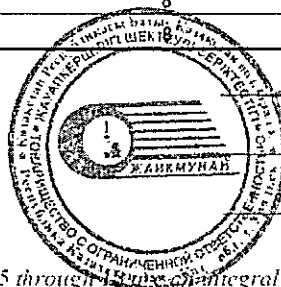
For the three months ended 31 March 2016

<i>In thousands of US dollars</i>	Notes	Three months ended 31 March	
		2016 (unaudited)	2015 (unaudited)
Cash flow from operating activities:			
(Loss) / profit before income tax		(7,960)	14,300
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	14, 15	30,874	28,535
Finance costs	17	11,686	14,331
Interest income		(99)	(99)
Foreign exchange gain on investing and financing activities		(44)	(360)
Loss on disposal of property, plant and equipment		4	7
Proceeds from derivative financial instruments	19	19,562	-
Gain on derivative financial instruments	19	(3,558)	(10,005)
Operating profit before working capital changes		50,465	46,709
<i>Changes in working capital:</i>			
Change in inventories		1,011	(4,081)
Change in trade receivables		(8,356)	(16,508)
Change in prepayments and other current assets		(2,031)	(1,388)
Change in trade payables		(357)	2,087
Change in advances received		1,130	(2,146)
Change in due to Government of Kazakhstan		(258)	(258)
Change in other current liabilities		(1,873)	(6,137)
Cash generated from operations		39,731	18,278
Income tax paid		(7,088)	(17,493)
Net cash flows from operating activities		32,643	765
Cash flow from investing activities:			
Interest received		99	99
Purchase of property, plant and equipment		(41,802)	(61,620)
Exploration and evaluation works	3	(558)	(856)
Net cash used in investing activities		(42,261)	(62,377)
Cash flow from financing activities:			
Finance costs paid		(14,210)	(14,700)
Transfer to restricted cash		(231)	(151)
Net cash used in financing activities		(14,441)	(14,851)
Effects of exchange rate changes on cash and cash equivalents		(12)	(27)
Net decrease in cash and cash equivalents		(24,071)	(76,470)
Cash and cash equivalents at the beginning of the year	8	134,928	361,350
Cash and cash equivalents at the end of the period		110,857	284,880

General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



Heinz Wendel

Gudrun Wolkova

Olga Shoshinova

The accounting policies and explanatory notes on pages 5 through 8 are an integral part of these interim condensed financial statements

STATEMENT OF CHANGES IN EQUITY

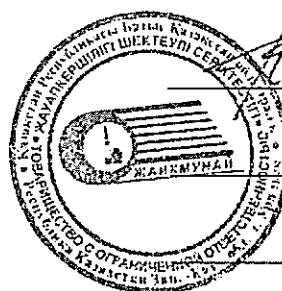
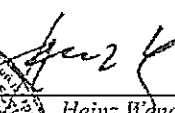
For the three months ended 31 March 2016

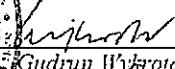
<i>In thousands of US dollars</i>	Notes	Partnership capital	Other reserves	Retained earnings	Total
As at 1 January 2015 (audited)		4,112	32,440	745,185	781,737
Profit for the period		–	–	4,502	4,502
Total comprehensive income for the period		–	–	4,502	4,502
As at 31 March 2015 (unaudited)		4,112	32,440	749,687	786,239
As at 31 December 2015 (audited)		4,112	32,440	622,763	659,315
Loss for the period		–	–	(11,553)	(11,553)
Total comprehensive loss for the period		–	–	(11,553)	(11,553)
As at 31 March 2016 (unaudited)		4,112	32,440	611,210	647,762

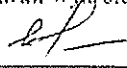
General Director of Zhaikmunai LLP

Chief Financial Officer of Zhaikmunai LLP

Chief Accountant of Zhaikmunai LLP



 Heinz Wendel


 Gudrun Wylkrota


 Olga Shoshinova

The accounting policies and explanatory notes on pages 5 through 18 are an integral part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**For the three months ended 31 March 2016**

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 Nostrum Oil & Gas B.V. (formerly known as Zhaikmunai Netherlands 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 Nostrum Oil & Gas B.V.

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 20 May 2016.

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 authority now known as the Ministry of Energy (the “MOE”) 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. On 28 July 2015 the eleventh supplementary agreement to the Contract was signed extending the exploration period to 26 May 2016. The Partnership’s application for further extension of the Chinarevskoye exploration period was approved by the MOE on 11 March 2016 with extension till 26 May 2018.

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. Subsequently, the exploration period was extended until 8 February 2017.

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. Subsequently, the exploration period was extended until 31 December 2017.

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. Subsequently, the exploration period was extended until 31 December 2017.

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 2016 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 financial statements for the year ended 31 December 2015.

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 financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

Standards issued, but not yet effective, as at 1 January 2016, have not been adopted early by the Partnership.

3. EXPLORATION AND EVALUATION ASSETS

During the three months ended 31 March 2016 the Partnership had additions to exploration and evaluation assets of US\$ 363 thousand which mainly includes capitalised expenditures on geological studies and drilling costs (three months ended 31 March 2015: US\$ 453 thousand). Interest was not capitalised on exploration and evaluation assets.

4. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2016, the Partnership had additions of property, plant and equipment of US\$ 86,434 thousand (three months ended 31 March 2015: US\$ 52,260 thousand). These additions are mostly associated with drilling costs, construction of a third unit for the gas treatment facility and capitalised interest of US\$ 7,638 thousand (three months ended 31 March 2015: US\$ 5,763 thousand).

As at 31 March 2016 the Partnership’s property, plant and equipment of US\$ 275,465 thousand are pledged as security for the loans due to Nostrum Oil & Gas B.V. (formerly known as Zhaikmunai Netherlands B.V.) (31 December 2015: US\$ 283,448 thousand) (*Note 10*).

See *Note 21* for capital commitments.

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

Advances for non-current assets mainly comprised prepayments made to suppliers of services and equipment for construction of a third unit for the Partnership's gas treatment facility.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 31 March 2016 and 31 December 2015 prepayments and other current assets comprised the following:

<i>In thousands of US dollars</i>	31 March 2016 (unaudited)	31 December 2015 (audited)
VAT receivable	20,663	18,053
Advances paid	4,024	4,040
Other taxes receivable	2,233	2,731
Other	630	695
	27,550	25,519

Advances paid consist primarily of prepayments made to service providers.

7. TRADE RECEIVABLES

As at 31 March 2016 and 31 December 2015 trade receivables were not interest bearing and were mainly denominated in US dollars, their average collection period is 30 days.

As at 31 March 2016 there were neither past due nor impaired trade receivables.

8. CASH AND CASH EQUIVALENTS

<i>In thousands of US dollars</i>	31 March 2016 (unaudited)	31 December 2015 (audited)
Current accounts in US dollars	84,711	108,026
Current accounts in tenge	1,135	1,893
Petty cash	11	9
Bank deposits with maturity less than three months	25,000	25,000
	110,857	134,928

Bank deposits as at 31 December 2015 were represented by an interest bearing deposit placed on 30 December 2015 for a one-month period with an interest rate 0.25% per annum.

Bank deposits as at 31 March 2016 were represented by an interest bearing deposit placed on 1 March 2016 for a one-month period with an interest rate 0.34% per annum.

In addition to the cash and cash equivalents in the table above, the Partnership has restricted cash accounts as liquidation fund deposit in the amount of US\$ 5,606 thousand with Sberbank in Kazakhstan (31 December 2015: US\$ 5,375 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**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 Nostrum Associated Investments 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 & Gas 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 & Gas Coöperatief U.A.	749,400	99.920
Nostrum Associated Investments LLP	330	0.044
Claydon Industrial Limited	270	0.036

Gain on initial recognition of loans received from Nostrum Oil & Gas B.V. in 2008 and 2009 at the below market interest rates as well as loss on its subsequent substantial modification were 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 26 May 2015 the Partnership made payments of profit distribution in the amount of US\$ 45,000 thousand according to the decision made at the Annual General Meeting of Participants of the Partnership on 24 April 2015.

10. BORROWINGS

Borrowings comprise the following as at 31 March 2016 and 31 December 2015:

<i>In thousands of US dollars</i>	31 March 2016 (unaudited)	31 December 2015 (audited)
Notes issued in 2012 and maturing in 2019	556,579	545,309
Notes issued in 2014 and maturing in 2019	399,338	405,718
Nostrum Oil & Gas B.V.	61,000	61,000
	1,016,917	1,012,027
Less amounts due within 12 months	(18,624)	(15,361)
Amounts due after 12 months	998,293	996,666

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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 are unsecured. Claims of secured creditors of the 2012 Issuer or the 2012 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 2012 Notes.

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.

The 2014 Notes bear interest at the rate of 6.375% per annum. Interest on the 2014 Notes is payable on 14 February and 14 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. The 2014 Notes and the 2014 Guarantees are unsecured. 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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, the ability of the Issuer, the 2012 Guarantors and the 2014 Guarantors to:

- (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) repay 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 Nostrum Oil & Gas 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.

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% and the maturity date was moved to 31 December 2019.

The outstanding balance of the loan as at 31 March 2016 has an interest rate of 6.625% (31 December 2015: 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 Nostrum Oil & Gas B.V. On 23 December 2013 the Partnership made another early repayment of US\$ 30,000 thousand to Nostrum Oil & Gas B.V. On 19 May 2014 the Partnership made an early repayment of US\$ 104,000 thousand. On 13 May 2015 the Partnership made an early repayment of US\$ 45,000 thousand.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**11. TRADE PAYABLES**

Trade payables comprise the following as at 31 March 2016 and 31 December 2015:

<i>In thousands of US dollars</i>	31 March 2016 (unaudited)	31 December 2015 (audited)
Tenge denominated trade payables	22,652	22,437
US dollar denominated trade payables	14,595	13,956
Euro denominated trade payables	3,352	2,437
Russian roubles denominated trade payables	1,754	1,848
	42,353	40,678

12. OTHER CURRENT LIABILITIES

Other current liabilities comprise the following as at 31 March 2016 and 31 December 2015:

<i>In thousands of US dollars</i>	31 March 2016 (unaudited)	31 December 2015 (audited)
Accruals under the subsoil use agreements	16,902	16,902
Training obligations accrual	12,354	11,443
Taxes payable, other than corporate income tax	5,359	8,941
Due to employees	3,322	2,541
Other current liabilities	958	941
	38,895	40,768

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.

13. REVENUE

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Oil and gas condensate	43,722	67,051
Gas and LPG	30,196	33,288
	73,918	100,339

During the three months ended 31 March 2016 the revenue from sales to three major customers amounted to US\$ 24,874 thousand, US\$ 23,376 thousand and US\$ 8,055 thousand, respectively (three months ended 31 March 2015: three major customers: US\$ 40,595 thousand, US\$ 24,763 thousand and US\$ 22,704 thousand, respectively).

The Partnership's exports are mainly represented by deliveries to Finland, the Black Sea ports of Russia and the United Arab Emirates.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**14. COST OF SALES**

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Depreciation, depletion and amortisation	30,483	28,167
Repair, maintenance and other services	5,245	7,302
Payroll and related taxes	2,632	4,664
Change in stock	1,864	(4,118)
Other transportation services	1,824	597
Royalties	1,253	3,773
Well workover costs	1,165	1,290
Materials and supplies	1,062	1,755
Management fees	886	929
Government profit share	323	771
Environmental levies	125	492
Other	244	802
	47,106	46,424

15. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Payroll and related taxes	1,521	2,368
Management fees	972	920
Training	968	765
Depreciation and amortisation	391	368
Professional services	291	1,167
Insurance fees	273	406
Other taxes	141	171
Communication	127	205
Bank charges	120	131
Lease payments	88	125
Materials and supplies	81	162
Social program	79	75
Business travel	63	98
Sponsorship	15	573
Other	131	115
	5,261	7,649

16. SELLING AND TRANSPORTATION EXPENSES

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Loading and storage costs	9,077	10,530
Transportation costs	6,174	9,167
Payroll and related taxes	295	510
Management fees	35	36
Other	572	1,171
	16,153	21,414

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**17. FINANCE COSTS**

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Interest expense on borrowings	11,462	14,146
Unwinding of discount on amounts due to Government of Kazakhstan	112	129
Unwinding of discount on abandonment and site restoration provision	112	56
	11,686	14,331

18. INCOME TAX EXPENSE

The income tax expense consisted of the following:

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Deferred income tax expense	2,845	2,940
Corporate income tax	806	6,378
Adjustment in respect of the current income tax for the prior periods	(58)	480
Total income tax expense	3,593	9,798

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the three months ended 31 March 2016. Differences between the recognition criteria in IFRS and under the statutory taxation regulations in Kazakhstan give rise to a temporary difference between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the change in temporary differences is recorded at the tax rate of 30% applicable to the Chinarevskoye subsoil use license.

The Partnership's tax bases of non-monetary assets and liabilities are determined in Tenge. Therefore, any change in the US dollar/Tenge exchange rates results in a change in the temporary difference between the tax bases of non-current assets and their carrying amounts in the financial statements.

19. DERIVATIVE FINANCIAL INSTRUMENTS

During the three months ended 31 March 2016 and 2015 the movement in the fair value of derivative financial instruments was presented as follows:

<i>In thousands of US dollars</i>	2016 (unaudited)	2015 (unaudited)
Derivative financial instruments at fair value as at 1 January	97,100	60,301
Proceeds from derivative financial instruments	(19,562)	–
Gain on derivative financial instruments	3,558	10,005
Derivative financial instruments	81,096	70,306
Less current portion of derivative financial instruments	46,470	–
Derivative financial instruments at fair value as at 31 March	34,626	70,306

On 3 March 2014, 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 through 29 February 2016, which was sold for US\$ 92,256 thousand before expiration on 14 December 2015.

On 14 December 2015, the Partnership entered, at cost of US\$ 92,000 thousand, into a long-term hedging contract covering oil sales of 14,674 bbls/day for the first calculation period and 15,000 bbls/day for the subsequent calculation periods or a total of 10,950,000 bbls running through 14 December 2017. The counterparty to the hedging agreement is VTB Capital Plc. Based on the hedging contract the Partnership bought a put, which protects it against any fall in the price of oil below US\$ 49,16/bbl.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 22*.

20. 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 2016 and 31 December 2015 consisted of the following:

<i>In thousands of US dollars</i>	31 March 2016 (unaudited)	31 December 2015 (audited)
Trade receivables and advances paid		
With significant influence over Partnership:		
KazStroyService JSC	28,671	35,832

Accounts payable to related parties as at 31 March 2016 and 31 December 2015 consisted of the following:

<i>In thousands of US dollars</i>	31 March 2016 (unaudited)	31 December 2015 (audited)
Borrowings		
Under common control:		
Nostrum Oil & Gas B.V.	61,000	61,000
Trade payables		
With significant influence over the Partnership:		
KazStroyService JSC	4,724	4,144
Nostrum Services N.V.	814	217
Nostrum Services Central Asia LLP	73	73

During the three months ended 31 March 2016 and 2015 the Partnership had the following transactions with related parties:

<i>In thousands of US dollars</i>	Three months ended 31 March	
	2016 (unaudited)	2015 (unaudited)
Interest paid		
Under common control:		
Nostrum Oil & Gas B.V.	1,123	1,951
Purchases		
With significant influence over the Partnership:		
KazStroyService JSC	12,660	1,161
Management fees and consulting services		
Under common control:		
Nostrum Services Central Asia LLP	378	389
Nostrum Services N.V.	2,269	1,799

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, which was amended with effect from 10 August 2015 by a supplementary agreement increasing that consideration to US\$ 160 million.

The technical support and service agreement with the Contractor that was originally valid until 31 December 2015 was extended on 24 February 2016 until 30 June 2016.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

With effect from 10 September 2015 the Partnership entered into a service agreement with the Contractor valid until 31 March 2016 for the provision of engineering staff for an aggregate consideration of US\$ 245 thousand.

The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 December 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 Nostrum Services Central Asia 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\$ 95 thousand for the three months ended 31 March 2016 (three months ended 31 March 2015: US\$ 126 thousand). Other key management personnel were employed and paid by Nostrum Services Central Asia LLP and Nostrum Services N.V. and their remuneration forms part of management fees and consulting services above.

21. 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 2016. As at 31 March 2016 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. Kazakhstan's environmental legislation and regulations are subject to ongoing changes and varying interpretations. 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 court decisions with respect to any 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 2016 the Partnership had contractual capital commitments in the amount of US\$ 120,106 thousand (31 December 2015: US\$ 123,529 thousand) mainly in respect to the Partnership's oil field exploration and development activities.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**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 2016 (unaudited)	31 December 2015 (audited)
No later than one year	11,747	12,471
Later than one year and no later than five years	18,227	4,623
Later than five years	—	—

Lease expenses of railway tank wagons for the three months ended 31 March 2016 amounted to US\$ 3,630 thousand (three months ended 31 March 2015: US\$ 3,913 thousand).

Social and education commitments

As required by the Contract (as amended by, inter alia, Supplement No. 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 3 July 2015) 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\$ 22,495 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; and
- (iv) fund liquidation expenses equal to US\$ 9 thousand.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Darjinskoye field (after its amendment on 30 December 2015) require the subsurface user to:

- (i) invest at least US\$ 20,888 thousand for exploration of the field during the exploration period;
- (ii) fund liquidation expenses equal to US\$ 121 thousand.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field (after its amendment on 30 December 2015) require the subsurface user to:

- (i) invest at least US\$ 21,584 thousand for exploration of the field during the exploration period;
- (ii) fund liquidation expenses equal to US\$ 118 thousand.

Domestic oil sales

In accordance with Supplement No. 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

22. 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:

In thousands of US dollars	Carrying amount		Fair value	
	31 March 2016 (unaudited)	31 December 2015 (audited)	31 March 2016 (unaudited)	31 December 2015 (audited)
Derivative financial instruments	81,096	97,100	81,096	97,100
Interest bearing borrowings	(1,016,917)	(1,012,027)	(840,724)	(871,161)
Total	(935,821)	(914,927)	(759,628)	(774,061)

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 instruments 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 within 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 December 2017.

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 2016 and 31 December 2015:

	31 March 2016 (unaudited)	31 December 2015 (audited)
Future price at the reporting date (US\$)	40.33–47.53	37.19–48.75
Historical volatility (%)	30.46	30.31
Risk-free interest rate (%)	0.32–0.69	0.32–0.69
Maturity (months)	1–20	1–23

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)	(11,182)	12,482
Increase/(decrease) in gain on derivative financial instruments due to change in volatility rate assumption (+/-2%)	3,220	(2,719)

There were no movements between levels of fair value of derivative instrument during three months ended 31 March 2016..

23. EVENTS AFTER THE REPORTING DATE

On 12 April 2016 the Partnership entered into a noncancellable lease agreement for the main administrative office in Uralsk for a period of 20 years for US\$ 66 thousand per month.

As at 31 March 2016, Zhaikmunai LLP was owned 99.92% by Nostrum Oil & Gas Cooperatief U.A., 0.036% by Claydon Industrial Limited and 0.044% by Nostrum Associated Investments LLP.

On 4 April 2016, Zhaikmunai LLP received notification from Claydon Industrial Limited and Nostrum Associated Investments LLP that they wished to sell their interests in Zhaikmunai LLP for USD 219,761.00 and USD 268,597.00 (KZT 92,526,294.60) respectively.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

Following the waiver of the other participant's pre-emptive rights to acquire the interests, Zhaikmunai LLP resolved to buy back the interests itself and hold them pending a potential future sale of the 0.08% interests bought back. Zhaikmunai LLP does not intend to cancel the 0.08% interests bought back.

The interests were bought back on the 21 April 2016 for USD 219,761.00 in respect of the interest formerly held by Claydon Industrial Limited, and KZT 92,526,294.60 in respect of the interest formerly held by Nostrum Associated Investments LLP.

As a result of the transactions, Zhaikmunai LLP has a sole participant, Nostrum Oil & Gas Cooperatief U.A.