Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited)

For the three months ended 31 March 2015

CONTENTS

Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

In thousands of US Dollars	Notes	31 March 2015 (unaudited)	31 December 2014 (audited)
Non-current assets			
Exploration and evaluation assets	3	**24,833**	24,380
Goodwill		**32,425**	32,425
Property, plant and equipment	4	**1,466,004**	1,442,157
Restricted cash	8	**5,175**	5,024
Advances for non-current assets	5	**144,686**	134,355
Derivative financial instruments	19	**–**	60,301
		1,673,123	1,698,642
Current assets			
Inventories		**29,524**	25,443
Trade receivables	6	**46,618**	30,110
Prepayments and other current assets		**41,130**	39,642
Derivative financial instruments	19	**70,306**	–
Income tax prepayment		**24,853**	13,925
Current investments	7	**25,000**	25,000
Cash and cash equivalents	8	**293,336**	375,443
		530,767	509,563
TOTAL ASSETS		**2,203,890**	2,208,205
Share capital and reserves	9		
Share capital		**3,203**	3,203
Treasury capital		**(1,888)**	(1,888)
Retained earnings and reserves		**915,081**	916,365
		916,396	917,680
Non-current liabilities			
Long-term borrowings	11	**931,689**	930,090
Abandonment and site restoration provision		**20,934**	20,877
Due to Government of Kazakhstan		**5,777**	5,906
Deferred tax liability		**209,723**	206,784
		1,168,123	1,163,657
Current liabilities			
Current portion of long-term borrowings	11	**18,624**	15,024
Employee share option plan liability	18	**8,922**	6,449
Trade payables		**47,042**	49,619
Advances received		**524**	2,670
Income tax payable		**1,267**	1,459
Current portion of Due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	12	**41,961**	50,616
		119,371	126,868
TOTAL EQUITY AND LIABILITIES		**2,203,890**	2,208,205

The interim condensed consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors. Signed on behalf of the Board:

Kai-Uwe Kessel
Chief Executive Officer

Jan-Ru Muller
Chief Financial Officer

The accounting policies and explanatory notes on pages 7 through 21 are an integral part of these interim condensed consolidated financial statements

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

		Three months ended 31 March	
In thousands of US Dollars	**Notes**	**2015 (unaudited)**	2014 (unaudited)
Revenue			
Revenue from export sales		**75,625**	197,844
Revenue from domestic sales		**24,714**	29,108
	13	**100,339**	226,952
Cost of sales	**14**	**(46,057)**	(49,992)
Gross profit		**54,282**	176,960
General and administrative expenses	**15**	**(12,284)**	(13,511)
Selling and transport expenses	**16**	**(21,379)**	(30,459)
Finance costs	**17**	**(12,369)**	(20,197)
Employee share option plan		**(2,473)**	2,299
Foreign exchange loss		**(986)**	(1,591)
Gain/(loss) on derivative financial instruments	**19**	**10,005**	(648)
Interest income		**36**	551
Other income		**1,113**	874
Other expenses		**(7,135)**	(6,541)
Profit before income tax		**8,810**	107,737
Income tax expense	**20**	**(10,085)**	(49,831)
(Loss)/profit for the period		**(1,275)**	57,906
Total comprehensive (loss)/income for the period		**(1,275)**	57,906
(Loss)/profit for the period attributable to the holders of Common Units/shares (in thousands of US Dollars)		**(1,275)**	57,906
Weighted average number of Common Units/shares		**184,828,819**	184,570,352
Basic and diluted earnings per Common Unit/share (in US Dollars)		**(0.01)**	0.31

All items in the above statement are derived from continuous operations.

Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended 31 March 2015

		Three months ended 31 March	
In thousands of US Dollars	**Notes**	**2015 (unaudited)**	2014 (unaudited)
Cash flow from operating activities:			
Profit before income tax		**8,810**	107,737
Adjustments for:			
Depreciation, depletion and amortisation	**14,15**	**28,578**	29,376
Finance costs	**17**	**12,369**	20,197
Employee share option plan fair value adjustment		**2,473**	–
Interest income		**(36)**	(551)
Foreign exchange loss/(gain) on investing and financing activities		**1,122**	(371)
Loss on disposal of property, plant and equipment		**7**	29
Loss/(gain) on derivative financial instrument	**19**	**(10,005)**	648
Accrued liabilities		**535**	–
Operating profit before working capital changes		**43,853**	157,065
Changes in working capital:			
Change in inventories		**(4,081)**	(799)
Change in trade receivables		**(16,508)**	(41,251)
Change in prepayments and other current assets		**(1,488)**	(3,398)
Change in trade payables		**2,710**	(7,682)
Change in advances received		**(2,146)**	–
Change in due to Government of Kazakhstan		**(258)**	(259)
Change in other current liabilities		**(7,284)**	(15,187)
Payments under Employee share option plan		**–**	(2,970)
Cash generated from operations		**14,798**	85,519
Income tax paid		**(17,973)**	(31,729)
Net cash flows from operating activities		**(3,175)**	53,790
Cash flow from investing activities:			
Interest received		**36**	551
Purchase of property, plant and equipment		**(61,788)**	(50,197)
Purchase of exploration and evaluation assets		**(856)**	(5,868)
Acquisition of subsidiaries		**(1,915)**	–
Placement of bank deposits		**(25,000)**	–
Redemption of bank deposits		**25,000**	25,000
Net cash used in investing activities		**(64,523)**	(30,514)
Cash flow from financing activities:			
Finance costs paid		**(12,750)**	–
Issue of notes	**11**	**–**	400,000
Transfer to restricted cash		**(151)**	(97)
Treasury shares sold		**–**	1,006
Net cash from / (used in) financing activities		**(12,901)**	400,909
Effects of exchange rate changes on cash and cash equivalents		**(1,508)**	(456)
Net increase/(decrease) in cash and cash equivalents		**(82,107)**	423,729
Cash and cash equivalents at the beginning of period	**8**	**375,443**	184,914
Cash and cash equivalents at the end of period	**8**	**293,336**	608,643

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

In thousands of US Dollars	Notes	Share capital	Share premium	Partnership capital	Treasury capital	Additional paid-in capital	Other reserves	Retained earnings	Total
As at 1 January 2014 (audited)		**–**	**–**	**380,874**	**(30,751)**	**8,126**	**3,437**	**470,765**	**832,451**
Profit for the period		–	–	–	–	–	–	57,906	57,906
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**57,906**	**57,906**
Sale of treasury capital		–	–	–	340	671	–	–	1,011
Transaction costs		–	–	–	–	(5)	–	–	(5)
As at 31 March 2014 (unaudited)		**–**	**–**	**380,874**	**(30,411)**	**8,792**	**3,437**	**528,671**	**891,363**
Profit for the period		–	–	–	–	–	–	88,519	88,519
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**88,519**	**88,519**
Sale of treasury capital		–	–	–	100	98	–	–	198
Profit distribution		–	–	–	–	–	–	(64,615)	(64,615)
Transaction costs		–	–	–	–	5	–	–	5
Group reorganisation:									
Replacement of GDRs		–	–	(380,874)	30,311	(8,895)	255,459	–	(103,999)
Issue of share capital		3,203	102,797	–	(2,001)	–	–	–	103,999
Effect of the Group reorganisation		**3,203**	**102,797**	**(380,874)**	**28,310**	**(8,895)**	**255,459**	**–**	**–**
Transfer to distributable reserves		–	(102,797)	–	–	–	–	102,797	–
Sale of treasury capital		–	–	–	113	–	2,393	–	2,506
Transaction costs		–	–	–	–	–	–	(296)	(296)
As at 31 December 2014 (audited)		**3,203**	**–**	**–**	**(1,888)**	**–**	**261,289**	**655,076**	**917,680**
Loss for the period		–	–	–	–	–	–	(1,275)	(1,275)
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**(1,275)**	**(1,275)**
Transaction costs		–	–	–	–	–	–	(9)	(9)
As at 31 March 2015 (unaudited)		**3,203**	**–**	**–**	**(1,888)**	**–**	**261,289**	**653,792**	**916,396**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Overview

Nostrum Oil & Gas PLC ("the Company" or "the Parent") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 4th Floor, 53-54 Grosvenor Street, London, UK, W1K 3HU.

The Parent became the holding company of the remainder of the Group (via its subsidiary Nostrum Oil Coöperatief U.A.) on 18 June 2014 and was listed on the London Stock Exchange ("LSE") on 20 June 2014 (Note 15). On the same date the former parent of the Group, Nostrum Oil & Gas LP, was delisted from the LSE. In addition to the subsidiaries of Nostrum Oil & Gas LP, Nostrum Oil Coöperatief U.A. acquired substantially all of the assets and liabilities of Nostrum Oil & Gas LP on 18 June 2014. The Parent does not have an ultimate controlling party.

These interim condensed consolidated financial statements include the financial position and the results of the operations of Nostrum Oil & Gas PLC and its following wholly owned subsidiaries:

Company	Country of registration or incorporation	Form of capital	Ownership, %
Amersham Oil LLP	Republic of Kazakhstan	Participatory interests	100
Claydon Industrial Limited	British Virgin Islands	Ordinary shares	100
Condensate Holding LLP	Republic of Kazakhstan	Participatory interests	100
Grandstil LLC	Russian Federation	Participatory interests	100
Jubilata Investments Limited	British Virgin Islands	Ordinary shares	100
Nostrum E&P Services LLC[1]	Russian Federation	Participatory interests	100
Nostrum Oil & Gas UK Ltd.	England and Wales	Ordinary shares	100
Nostrum Oil BV	Netherlands	Ordinary shares	100
Nostrum Oil Coöperatief U.A.	Netherlands	Members' interests	100
Nostrum Services CIS BVBA[2]	Belgium	Ordinary shares	100
Nostrum Services N.V.[3]	Belgium	Ordinary shares	100
Zhaikmunai LLP	Republic of Kazakhstan	Participatory interests	100
Zhaikmunai Netherlands B.V.	Netherlands	Ordinary shares	100

[1] *Formerly Investprofi LLC*

[2] *Formerly Prolag BVBA*

[3] *Formerly Probel Capital Management N.V.*

Nostrum Oil & Gas PLC and its wholly-owned subsidiaries are hereinafter referred to as "the Group". The Group's operations comprise of a single operating segment with three exploration concessions and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

As at 31 March 2015, the Group employed 1012 employees.

Subsoil use rights terms

Zhaikmunai LLP 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 Zhaikmunai LLP 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 Zhaikmunai LLP 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 Zhaikmunai LLP has 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. Zhaikmunai LLP 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 Zhaikmunai LLP was signed on 9 August 2013. On 11 March 2015 the Group 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.

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

Zhaikmunai LLP 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"

Zhaikmunai LLP 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.

2. BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

These interim condensed consolidated financial statements for the three months ended 31 March 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted by the European Union. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

annual consolidated financial statements for the year ended 31 December 2014 prepared in accordance with IFRS as adopted by the European Union.

Group reorganisation

The Group has been formed through a reorganisation in which Nostrum Oil & Gas PLC became a new parent entity of the Group (Note 9). The reorganisation is not a business combination and does not result in any change of economic substance of the Group. Accordingly, the interim condensed consolidated financial statements of Nostrum Oil & Gas PLC are a continuation of the existing group (Nostrum Oil & Gas LP and its subsidiaries).

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis. The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the following new standards and interpretations effective as of 1 January 2015, and which did not have an impact on the Group:

- *Defined Benefit Plans: Employee Contributions – Amendments to IAS 19*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

The standards and interpretations that are issued, but not yet applied, up to the date of issuance of the Group's interim condensed financial statements are disclosed below. The Group intends to adopt these standards, if applicable, from the effective dates adopted by EU.

- *IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning 1 January 2016)*
- *Amendments to IAS 16 and IAS 38 – Clarification of Accountable Methods of Depreciation and Amortisation (effective for annual periods beginning 1 January 2016)*
- *Amendments to IFRS 11- Accounting for Acquisition of Interests in Joint Operations(effective for annual periods beginning 1 January 2016)*
- *Amendments to IAS 16 and IAS 41- Agriculture: Bearer Plants(effective for annual periods beginning 1 January 2016)*
- *IFRS 15 Revenue from Contracts with Customers(effective for annual periods beginning 1 January 2017)*
- *IFRS 9 Financial Instruments (issued in 2014) (effective for annual periods beginning 1 January 2018)*
- *Amendments to IAS 27- Equity Method in Separate Financial Statements(effective for annual periods beginning 1 January 2016)*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. EXPLORATION AND EVALUATION ASSETS

In thousands of US Dollars	**31 March 2015 (unaudited)**	31 December 2014 (audited)
Subsoil use rights	**15,835**	15,835
Expenditures on geological and geophysical studies	**8,998**	8,545
	24,833	24,380

During the three months ended 31 March 2015 the Group had additions to exploration and evaluation assets of US$453 thousand which includes capitalised expenditures on geological and geophysical studies (Q1 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 Group had additions of property, plant and equipment of US$52,418 thousand (Q1 2014: US$59,371 thousand). These additions are mostly associated with drilling costs, capitalised interest of US$5,763 thousand (Q1 2014: US$3,391 thousand). See Note 22 for capital commitments.

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. 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.

7. 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 deposit placed on 30 September 2014 for a six-month period with an interest rate of 0.24% per annum.

8. CASH AND CASH EQUIVALENTS

In thousands of US Dollars	**31 March 2015 (unaudited)**	31 December 2014 (audited)
Current accounts in US Dollars	**284,353**	356,316
Current accounts in tenge	**1,995**	8,709
Current accounts in other currencies	**6,963**	10,413
Petty cash	**25**	5
	293,336	375,443

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group 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$5,024 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liability of the Group.

9. SHARE CAPITAL AND RESERVES

Share capital of Nostrum Oil & Gas PLC

As at 31 March 2015 the ownership interests in the Parent consist of issued and fully paid ordinary shares, which are listed on the London Stock Exchange.

	31 March 2015 (unaudited)
Number of shares	**Ordinary shares**
Balance at the beginning of the period	188,182,958
Issued during the period	–
Balance at the end of the period	**188,182,958**

The ordinary shares have a nominal value of GB£ 0.01.

Distributions

The Board approved a final dividend of US$0.27 per Ordinary Share for the year ended 31 December 2014, subject to shareholder approval at the AGM.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange has enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 31 March 2015 the book value per share amounted to US$4.70 (31 December 2014: US$4.70).

10. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period by the weighted average number of Common Units/ shares outstanding during the period.

The basic and diluted EPS are the same as there are no instruments that have a dilutive effect on earnings.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

	Three months ended 31 March	
	2015(unaudited)	2014(unaudited)
(Loss)/profit for the period attributable to the holders of Common Units/shares (in thousands of US Dollars)	**(1,275)**	57,906
Weighted average number of Common Units/shares	**184,828,819**	184,570,352
Basic and diluted earnings per Common Unit/share (in US Dollars)	**(0.01)**	0.31

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. BORROWINGS

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

In thousands of US Dollars	**31 March 2015 (unaudited)**	31 December 2014 (audited)
Notes issued in 2012 and maturing in 2019	**552,037**	540,793
Notes issued in 2014 and maturing in 2019	**398,276**	404,321
	950,313	945,114
Less amounts due within 12 months	**(18,624)**	(15,024)
Amounts due after 12 months	**931,689**	930,090

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").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. 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 2010 Notes, the 2012 Notes and the 2014 Notes contain a number of covenants that, among other things, restrict, subject to certain exceptions,

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including shares of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses; and

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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.

12. OTHER CURRENT LIABILITIES

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

In thousands of US Dollars	**31 March 2015 (unaudited)**	31 December 2014 (audited)
Accruals under the subsoil use agreements	**13,137**	14,435
Taxes payable, other than corporate income tax	**10,566**	17,191
Training obligations accrual	**10,351**	9,686
Due to employees	**5,942**	4,605
Liability accrued with respect to acquisitions	**487**	2,402
Production bonus	**469**	449
Pension obligations	**295**	314
Other current liabilities	**714**	1,534
	41,961	50,616

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

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

The pricing for all of the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price during the three months ended 31 March 2015 has been US$55.89 (Q1 2014: US$107.92)

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 (Q1 2014: US$87,283 thousand, US$51,127 thousand and US$25,066 thousand respectively). The Group's exports are mainly represented by deliveries to Finland and the Black Sea ports of Russia.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. COST OF SALES

	Three months ended 31 March	
In thousands of US Dollars	**2015 (unaudited)**	2014 (unaudited)
Depreciation, depletion and amortisation	**28,167**	29,047
Repair, maintenance and other services	**7,292**	9,213
Payroll and related taxes	**5,039**	4,008
Royalties	**3,773**	9,142
Materials and supplies	**1,751**	2,198
Well workover costs	**1,303**	344
Government profit share	**771**	(5,174)
Other transportation services	**597**	726
Environmental levies	**492**	222
Stock value adjustment	**(4,118)**	(558)
Other cost of sales	**990**	824
	46,057	49,992

During the three months ended 31 March 2014 the Group 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.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
In thousands of US Dollars	**2015 (unaudited)**	2014 (unaudited)
Payroll and related taxes	**4,456**	3,463
Professional services	**3,302**	4,558
Business travel	**980**	1,108
Training	**771**	779
Sponsorship	**573**	730
Insurance fees	**492**	393
Depreciation and amortization	**411**	328
Bank charges	**273**	169
Communication	**215**	334
Lease payments	**197**	273
Materials and supplies	**153**	135
Social program	**75**	75
Other taxes	**49**	488
Management fees	**–**	284
Other general and administrative expenses	**337**	394
	12,284	13,511

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. SELLING AND TRANSPORTATION EXPENSES

	Three months ended 31 March	
In thousands of US Dollars	**2015 (unaudited)**	2014 (unaudited)
Loading and storage costs	**10,530**	14,997
Transportation costs	**9,167**	12,971
Payroll and related taxes	**510**	525
Other	**1,172**	1,966
	21,379	30,459

17. FINANCE COSTS

	Three months ended 31 March	
In thousands of US Dollars	**2015 (unaudited)**	2014 (unaudited)
Interest expense on borrowings	**12,184**	19,730
Unwinding of discount on amounts Due to Government of Kazakhstan	**129**	144
Unwinding of discount on Abandonment and site restoration provision	**56**	323
	12,369	20,197

18. EMPLOYEE SHARE OPTION PLAN

The Group operates one option plan (the Phantom Option Plan), that was adopted by the board of directors of the Company on 20 June 2014. The rights and obligations in relation to this option plan were transferred to Nostrum Oil & Gas PLC from Nostrum Oil & Gas LP following the reorganisation (Note 2).

To date, options relating to 2,611,413 shares remain outstanding (the “Subsisting Options”), 1,351,413 options with a Base Value of US$4.00 and 1,260,000 options with a Base Value of US$10.00.

Each Subsisting Option is a right for its holder to receive on exercise a cash amount equal to the difference between (i) the aggregate Base Value of the shares to which the Subsisting Option relates; and (ii) their aggregate market value on exercise.

19. DERIVATIVE FINANCIAL INSTRUMENTS

On 3 March 2014, in accordance with its hedging policy, the Group 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 to 29 February 2016. The counterparty to the hedging agreement is Citibank. Based on the hedging contract the Group bought a put at US$85/bbl, which protects it against any fall in the price of oil below US$85/bbl, i.e. Citibank will compensate the difference in price below US$85/bbl. As part of this contract the Group also sold a call at US$111.5/bbl and bought a call at US$117.5/bbl, under which Zhaikmunai LLP is obliged to compensate the difference in price above US$111.5/bbl with an upper limit of US$117.5/bbl, i.e. up to US$6/bbl. If the spot price goes above US$117.5/bbl, then Zhaikmunai LLP will be obliged to pay US$6/bbl to Citibank.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Three months ended 31 March	
In thousands of US Dollars	**2015 (unaudited)**	2014 (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)

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

20. INCOME TAX

The income tax expense consisted of the following:

	Three months ended 31 March	
In thousands of US Dollars	**2015 (unaudited)**	2014 (unaudited)
Corporate income tax	**7,145**	40,314
Deferred income tax expense	**2,940**	9,517
Total income tax expense	**10,085**	49,831

21. RELATED PARTY TRANSACTIONS

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

Accounts receivable from and advances paid to related parties represented by entities controlled by the shareholders with significant influence over the Group as at 31 March 2015 and 31 December 2014 consisted of the following:

In thousands of US Dollars	**31 March 2015 (unaudited)**	31 December 2014 (audited)
KazStroyService JSC	**35,961**	36,915

Accounts payable to related parties represented by entities controlled by the shareholders with significant influence over the Group as at 31 March 2015 and 31 December 2014 consisted of the following:

In thousands of US Dollars	**31 March 2015 (unaudited)**	31 December 2014 (audited)
Trade payables		
KazStroyService JSC	**1,195**	2,753
Telco B.V.	**32**	–
Cervus Business Services	**–**	259
Nostrum Services CIS BVBA	**–**	70
Amersham Oil LLP	**–**	50

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the three months ended 31 March 2015 and 2014 the Group had the following transactions with related parties represented by entities controlled by the shareholders with significant influence over the Group:

	Three months ended 31 March	
In thousands of US Dollars	**2015 (unaudited)**	2014 (unaudited)
Purchases		
KazStroyService JSC	**1,161**	–
Management fees and consulting services		
Cervus Business Services	**339**	642
Crest Capital Management N.V.	**193**	–
Telco B.V.	**96**	–
Amersham Oil LLP	**–**	455
Nostrum Services CIS BVBA	**–**	130

On 28 July 2014 the Group entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Group'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.

During the three months ended 31 March 2014 management fees were payable in accordance with the Technical Assistance Agreements signed between Zhaikmunai LLP and Amersham Oil LLP and Nostrum Services CIS BVBA related to the rendering of geological, geophysical, drilling, technical and other consultancy services. Following the agreement on 19 May 2014 to acquire Amersham Oil LLP and Nostrum Services CIS BVBA, these management fees were eliminated as intercompany transactions.

During the three months ended 31 March 2015 management and consulting services were provided in accordance with business center and consultancy agreements signed between members of the Group and Cervus Business Services BVBA, Crest Capital Management N.V. and Telco B.V.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$755 thousand for the three months ended 31 March 2015 (Q1 2014: US$738 thousand).

There were no payments made under the ESOP during the three months ended 31 March 2015 (Q1 2014: US$671)

22. 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 Group's tax position will be sustained.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and clean-up evolve, the Group 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 Group 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 Group 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 Group's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

As at 31 March 2015 the Group had contractual capital commitments in the amount of US$244,672 thousand (31 December 2014: US$248,644 thousand) mainly in respect to the Group's oil field development activities.

Operating lease

The Group 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 Group 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:

In thousands of US Dollars	**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

Lease expenses of railway tank wagons for the three months ended 31 March 2015 amounted to US$3,913 thousand (Q1 2014: US$5,372 thousand).

Social and education commitments

As required by the Contract (as amended by, inter alia, Supplement #9), the Group 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:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(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, Zhaikmunai LLP 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.

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
In thousands of US Dollars	**31 March 2015 (unaudited)**	**31 December 2014 (audited)**	**31 March 2015 (unaudited)**	**31 December 2014 (audited)**
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	**950,313**	945,114	**830,400**	1,037,320
Total	**1,020,619**	1,005,415	**900,706**	1,097,621

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 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:

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

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

In thousands of US Dollars	**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)

24. EVENTS AFTER THE REPORTING PERIOD

The amount of the price adjustment with respect to the acquisition of Amersham Oil LLP was determined as US$387 thousand on 18 May 2015 and paid on 19 May 2015.