

ORIGINAL 7

Nostrum Oil & Gas plc

Interim condensed consolidated financial statements (unaudited)

For the nine months ended 30 September 2014

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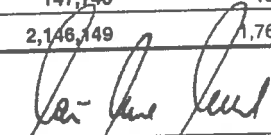

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

| <i>In thousands of US Dollars</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|-------|----------------------------------|-------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Exploration and evaluation assets | 3 | 22,598 | 20,434 |
| Goodwill | | 30,386 | 30,386 |
| Property, plant and equipment | 4 | 1,393,616 | 1,330,903 |
| Restricted cash | 8 | 4,823 | 4,217 |
| Advances for non-current assets | 5 | 54,305 | 10,037 |
| Derivative financial instruments | 19 | 2,894 | - |
| Non-current investments | 6 | - | 30,000 |
| | | 1,508,622 | 1,425,977 |
| Current assets | | | |
| Inventories | | 28,195 | 22,085 |
| Trade receivables | 7 | 54,837 | 66,565 |
| Prepayments and other current assets | | 38,992 | 31,192 |
| Income tax prepayment | | - | 5,042 |
| Current investments | 6 | 25,000 | 25,000 |
| Cash and cash equivalents | 8 | 490,503 | 184,914 |
| | | 637,527 | 334,798 |
| TOTAL ASSETS | | 2,146,149 | 1,760,775 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 9 | 3,203 | - |
| Treasury capital | | (57) | (30,751) |
| Partnership capital | | - | 380,874 |
| Share premium | | 2,574 | - |
| Additional paid-in capital | | - | 8,126 |
| Retained earnings and reserves | | 874,466 | 474,202 |
| | | 880,186 | 832,451 |
| Non-current liabilities | | | |
| Long-term borrowings | 11 | 928,495 | 621,160 |
| Abandonment and site restoration provision | | 15,588 | 13,874 |
| Due to Government of Kazakhstan | | 5,906 | 6,021 |
| Deferred tax liability | | 168,231 | 152,545 |
| | | 1,118,220 | 793,600 |
| Current liabilities | | | |
| Current portion of long-term borrowings | 11 | 18,513 | 7,263 |
| Employee share option plan liability | | 15,791 | 12,016 |
| Trade payables | | 55,978 | 58,518 |
| Advances received | | 6,287 | 36 |
| Income tax payable | | 13,999 | 1,232 |
| Current portion of Due to Government of Kazakhstan | | 1,031 | 1,031 |
| Other current liabilities | 12 | 36,144 | 54,628 |
| | | 147,743 | 134,724 |
| TOTAL EQUITY AND LIABILITIES | | 2,146,149 | 1,760,775 |

Chief Executive Officer of Nostrum Oil & Gas plc

Chief Financial Officer of Nostrum Oil & Gas plc


 Kai-Uwe Kessel

 Jan-Ru Muller

The accounting policies and explanatory notes on pages 7 through 24 are an integral part of these interim condensed consolidated financial statements

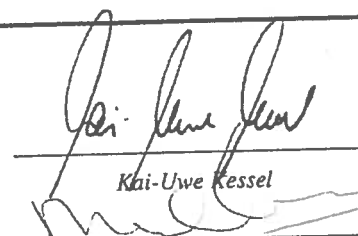
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 30 September 2014

| <i>In thousands of US Dollars</i> | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|---|-------|------------------------------------|---------------------|-----------------------------------|---------------------|
| | | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Revenue | | | | | |
| Revenue from export sales | | 148,862 | 187,318 | 538,781 | 565,408 |
| Revenue from domestic sales | | 26,426 | 27,373 | 81,484 | 91,782 |
| | 13 | 175,288 | 214,691 | 620,265 | 657,190 |
| Cost of sales | 14 | (59,310) | (71,213) | (157,859) | (206,544) |
| Gross profit | | 115,978 | 143,478 | 462,406 | 450,646 |
| General and administrative expenses | 15 | (14,693) | (17,786) | (42,199) | (43,211) |
| Selling and transportation expenses | 16 | (28,591) | (26,817) | (92,096) | (87,631) |
| Finance costs | 17 | (14,023) | (7,117) | (49,772) | (32,739) |
| Finance costs - reorganisation | 18 | (8,896) | - | (25,471) | - |
| Employee share option plan fair value adjustment | | (45) | (2,896) | (4,630) | (5,433) |
| Foreign exchange loss, net | | (1,243) | (226) | (3,446) | (436) |
| Gain on derivative financial instruments | 19 | 9,020 | - | 2,894 | - |
| Interest income | | 213 | 182 | 899 | 731 |
| Other expenses | | (13,070) | (7,148) | (27,128) | (17,794) |
| Other income | | 1,303 | 601 | 4,284 | 2,955 |
| Profit before income tax | | 45,953 | 82,271 | 225,741 | 267,088 |
| Income tax expense | 20 | (29,094) | (32,203) | (117,117) | (105,322) |
| Profit for the period | | 16,859 | 50,068 | 108,624 | 161,766 |
| Total comprehensive income for the period | | 16,859 | 50,068 | 108,624 | 161,766 |
| Profit for the period attributable to the holders of Common Units/shares (in thousands of US Dollars) | | | | 108,624 | 161,766 |
| Weighted average number of Common Units/shares | | | | 184,678,352 | 185,523,548 |
| Basic and diluted earnings per Common Unit/share (in US Dollars) | | | | 0.59 | 0.87 |

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

Chief Executive Officer of Nostrum Oil & Gas plc



Kai-Uwe Kessel

Chief Financial Officer of Nostrum Oil & Gas plc



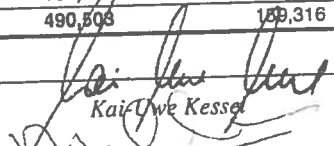
Jan-Ru Muller

The accounting policies and explanatory notes on pages 7 through 24 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2014

| <i>In thousands of US Dollars</i> | Notes | Nine months ended 30 September | |
|---|----------|--------------------------------|------------------|
| | | 2014 (unaudited) | 2013 (unaudited) |
| Cash flow from operating activities: | | 225,741 | 267,088 |
| Profit before income tax | | | |
| <i>Adjustments for:</i> | | | |
| Depreciation, depletion and amortisation | 14,15 | 85,093 | 92,190 |
| Finance costs - reorganisation | 18 | 25,471 | - |
| Finance costs | 17 | 49,772 | 32,739 |
| Interest income | | (899) | (731) |
| Foreign exchange gain on investing and financing activities | | (2,673) | (32) |
| Loss on disposal of property, plant and equipment | | 396 | - |
| Gain on derivative financial instruments | 19 | (2,894) | - |
| Operating profit before working capital changes | | 380,007 | 391,254 |
| <i>Changes in working capital:</i> | | | |
| Change in inventories | | (6,110) | 3,111 |
| Change in trade receivables | | 11,728 | (69,851) |
| Change in prepayments and other current assets | | (7,800) | (5,326) |
| Change in trade payables | | 13,456 | 967 |
| Change in advances received | | 6,251 | 1,559 |
| Change in due to Government of Kazakhstan | | (774) | (877) |
| Change in other current liabilities | | (17,820) | 845 |
| Change in Employee share option plan liability | | 7,056 | 4,502 |
| Cash generated from operations | | 385,994 | 326,184 |
| Income tax paid | | (82,446) | (95,738) |
| Net cash flows from operating activities | | 303,548 | 230,446 |
| Cash flow from investing activities: | | | |
| Interest received | | 899 | 731 |
| Purchase of property, plant and equipment | | (193,372) | (154,136) |
| Purchase of exploration and evaluation assets | 3 | (7,464) | (2,470) |
| Placement of bank deposits | | - | (30,000) |
| Redemption of bank deposits | | 30,000 | 18,500 |
| Net cash used in investing activities | | (169,937) | (167,375) |
| Cash flow from financing activities: | | | |
| Finance costs paid | | (42,389) | (24,918) |
| Issue of notes | 11 | 400,000 | - |
| Expenses paid on arrangement of notes | | (6,525) | - |
| Repayment of notes | | (92,505) | - |
| Transfer to restricted cash | | (606) | (529) |
| Repurchase of GDRs | 9 | - | (14,290) |
| Treasury shares reissued | | 444 | 1,431 |
| Distributions paid | 9 | (59,979) | (63,179) |
| Funds borrowed - reorganisation | 18 | 2,350,405 | - |
| Funds repaid - reorganisation | | (2,350,405) | - |
| Finance costs - reorganisation | | (25,471) | - |
| Net cash from / (used in) financing activities | | 172,969 | (101,485) |
| Effects of exchange rate changes on cash and cash equivalents | | (991) | - |
| Net increase/(decrease) in cash and cash equivalents | | 305,589 | (38,414) |
| Cash and cash equivalents at the beginning of the period | 8 | 184,914 | 197,730 |
| Cash and cash equivalents at the end of the period | 8 | 490,503 | 159,316 |

Chief Executive Officer of Nostrum Oil & Gas plc


Kai-Uwe Kessel

Chief Financial Officer of Nostrum Oil & Gas plc

Jan-Ru Muller

The accounting policies and explanatory notes on pages 7 through 24 are an integral part of these interim condensed consolidated financial statements

Nostrum Oil & Gas plc

Interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

| | Notes | Share capital | Share premium | Partnership capital | Treasury capital | Additional paid-in capital | Other reserves | Retained earnings | Total |
|---|-------|---------------|---------------|---------------------|------------------|----------------------------|----------------|-------------------|-----------|
| <i>In thousands of US Dollars</i> | | | | | | | | | |
| As at 1 January 2013 (audited) | | - | - | 380,874 | (9,727) | 6,095 | 3,437 | 314,425 | 695,104 |
| Profit for the period | | - | - | - | - | - | - | 161,766 | 161,766 |
| Total comprehensive income for the period | | - | - | - | - | - | - | 161,766 | 161,766 |
| Buyback of GDRs | | - | - | - | (14,290) | - | - | - | (14,290) |
| Sale of treasury capital | | - | - | - | 480 | 951 | - | - | 1,431 |
| Profit distribution | | - | - | - | - | - | - | (63,179) | (63,179) |
| As at 30 September 2013 (unaudited) | | - | - | 380,874 | (23,537) | 7,046 | 3,437 | 413,012 | 780,832 |
| Profit for the period | | - | - | - | - | - | - | 57,753 | 57,753 |
| Total comprehensive income for the period | | - | - | - | - | - | - | 57,753 | 57,753 |
| Buyback of GDRs | | - | - | - | (7,875) | - | - | - | (7,875) |
| Sale of treasury capital | | - | - | - | 661 | 1,080 | - | - | 1,741 |
| As at 31 December 2013 (audited) | | - | - | 380,874 | (30,751) | 8,126 | 3,437 | 470,765 | 832,451 |
| Profit for the period | | - | - | - | - | - | - | 108,624 | 108,624 |
| Total comprehensive income for the period | | - | - | - | - | - | - | 108,624 | 108,624 |
| Sale of treasury capital | | - | - | - | 440 | 769 | - | - | 1,209 |
| Profit distribution | 9 | - | - | - | - | - | - | (64,615) | (64,615) |
| Group reorganisation: | | - | - | - | - | - | - | - | - |
| Replacement of GDRs | | - | - | (380,874) | 30,311 | (8,895) | 253,458 | - | (106,000) |
| Share capital | 9 | 3,203 | 102,858 | (380,874) | (61) | - | - | - | 106,000 |
| Effect of the group reorganisation | | 3,203 | 102,858 | (380,874) | 30,250 | (8,895) | 253,458 | - | - |
| Transfer to distributable reserves | | - | (102,797) | - | - | - | - | 102,797 | - |
| Sale of treasury capital | | - | 2,513 | - | 4 | - | - | - | 2,517 |
| As at 30 September 2014 (unaudited) | | 3,203 | 2,574 | - | (57) | - | 256,895 | 617,571 | 880,186 |

Chief Executive Officer of Nostrum Oil & Gas plc

Chief Financial Officer of Nostrum Oil & Gas plc


Kai-Uwe Kessel

Jan-Ru Muller

The accounting policies and explanatory notes on pages 7 through 24 are an integral part of these interim condensed consolidated financial statements

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 established 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 9). 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 & Gas 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 were authorised for issue by Kai-Uwe Kessel, Chief Executive Officer of Nostrum Oil & Gas plc and by Jan-Ru Muller, Chief Financial Officer of Nostrum Oil & Gas plc on 26 November 2014.

These interim condensed consolidated financial statements include the financial position and the results of the operations of Nostrum Oil & Gas plc and its wholly owned subsidiaries Zhaikmunai Netherlands B.V. (formerly Frans Van Der Schoot B.V.), Zhaikmunai Finance B.V., Zhaikmunai International B.V., Nostrum Oil & Gas Finance B.V., Claydon Industrial Limited ("Claydon"), Jubilata Investments Limited ("Jubilata"), Zhaikmunai LLP, Condensate Holding LLP ("Condensate"), Nostrum Oil & Gas Coöperatief U.A., Probel Capital Management N.V. ("Probel"), Nostrum Oil & Gas UK Ltd. and Nostrum Oil B.V.. Nostrum Oil & Gas plc, its wholly-owned subsidiaries and Amersham Oil LLP, Prolag BVBA, Grandstil LLC and Investprofi LLC are hereinafter referred to as "the Group". The Group's operations comprise of a single operating segment and three exploration concessions and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

As at 30 September 2014, the Group employed approximately 989 employees.

Sale and purchase agreements for the acquisition of Amersham Oil LLP ("Amersham") and Prolag BVBA ("Prolag") were entered into on 19 May 2014 by Nostrum Oil & Gas Coöperatief U.A. The legal completion of the acquisition of Amersham and Prolag is scheduled to occur in Q4 2014 but under the terms of the sale and purchase agreements, the Group controls the entities and has the economic risk and benefit in the entities since 19 May 2014.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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.

Change in estimates

During the nine months ended 30 September 2014 Zhaikmunai LLP changed the calculation of the coefficient of natural gas equivalent from density ratio used in the prior periods to compression ratio. The coefficient of natural gas equivalent is used in determining of the natural gas cost which is the basis for the government profit share calculation.

Also during the nine months ended 30 September 2014 Zhaikmunai LLP reassessed the government profit share for 2013 following the revision of the work program for the Chinarevskoye oil and gas condensate field operations.

Seasonality of operations

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

2. BASIS OF PREPARATION AND CONSOLIDATION**Basis of preparation**

These interim condensed consolidated financial statements for the nine months ended 30 September 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted by the European Union and the requirements of the Disclosure and Transparency Rules ("DTR") of the Financial Conduct Authority ("FCA") in the United Kingdom as applicable to interim financial reporting. These interim

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

condensed consolidated financial statements represent a 'condensed set of financial statements' as referred to in the DTR issued by the FCA. Accordingly they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013 prepared in accordance with IFRS as adopted by the European Union.

Certain prior year figures have been reclassified to conform to the 2014 presentation. This had no impact on the profit and loss for the year or net assets / liabilities.

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 consolidated financial statements of Nostrum Oil & Gas plc are a continuation of the existing group (Nostrum Oil & Gas LP and its subsidiaries). The consolidated financial statements reflect the difference in share capital as an adjustment to equity (Other reserves) that is not subject to reclassification to income statement in the future periods.

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 2013, except for the following new standards and interpretations effective as of 1 January 2014, and which did not have an impact on the Group:

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

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.

- *Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (effective for annual periods beginning 1 July 2014)*
- *Annual Improvements to IFRSs 2010-2012 Cycle (effective for annual periods beginning 1 July 2014)*
- *Annual Improvements to IFRSs 2011-2013 Cycle (effective for annual periods beginning 1 July 2014)*
- *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)*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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)

3. EXPLORATION AND EVALUATION ASSETS

| <i>In thousands of US Dollars</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|---------------------------------------|
| Subsoil use rights | 15,835 | 15,835 |
| Expenditures on geological and geophysical studies | 6,763 | 4,599 |
| | 22,598 | 20,434 |

During the nine months ended 30 September 2014 the Group had additions to exploration and evaluation assets of US\$2,164 thousand which includes capitalised expenditures on geological and geophysical studies (9M 2013: US\$17,859 thousand, mainly represented by capitalised consideration under the acquisition agreements for the Darjinskoye, Rostoshinskoye and Yuzhno-Gremyachinskoye oilfields). Interest was not capitalised in exploration and evaluation assets. During nine months ended 30 September 2014; the Group repaid capitalised contingent consideration under the acquisition agreements for the Darjinskoye and Yuzhno-Gremyachinskoye oil and gas fields in the amount of US\$ 5,300 thousand.

4. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2014 the Group had additions of property, plant and equipment of US\$148,222 thousand (9M 2013: US\$170,048 thousand). These additions are mostly associated with drilling costs, capitalised interest of US\$11,863 thousand (9M 2013: US\$10,458 thousand) and increase in oil and gas assets due to the changes in abandonment and site restoration assets of US\$476 thousand (9M 2013: US\$844 thousand).

See Note 23 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 (GTU3).

6. CURRENT AND NON-CURRENT INVESTMENTS

Current investments as at 30 September 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. As at 30 September 2014 no non-current investments were placed by the Group.

Current investments as at 31 December 2013 were represented by an interest bearing short-term deposit placed on 30 September 2013 for a six-month period with interest rate of 0.31% per annum. Non-current investments as at 31 December 2013 were represented by an interest bearing deposit placed on 30 September 2013 for a period of more than one year and an interest bearing deposit placed on 4 March 2013 for a two-year period, which was terminated on 23 April 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. TRADE RECEIVABLES**

As at 30 September 2014 and 31 December 2013 trade receivables were not interest bearing and were mainly denominated in US dollars, their average collection period is 30 days.

As at 30 September 2014 and 31 December 2013 the ageing analysis of trade receivables is as follows:

| <i>In thousands of US Dollars</i> | Total | Neither past due nor impaired | Past due but not impaired | | | |
|--------------------------------------|---------------|-------------------------------|---------------------------|------------|-------------|-----------|
| | | | <30 days | 60-90 days | 90-120 days | >120 days |
| 30 September 2014 (unaudited) | 54,837 | 40,809 | 14,025 | – | – | 3 |
| 31 December 2013 (audited) | 66,565 | 66,561 | – | – | – | 4 |

8. CASH AND CASH EQUIVALENTS

| <i>In thousands of US Dollars</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|-------------------------------|----------------------------|
| Current accounts in US Dollars | 476,151 | 150,931 |
| Current accounts in tenge | 5,869 | 5,485 |
| Current accounts in other currencies | 8,469 | 3,492 |
| Petty cash | 14 | 6 |
| Bank deposits with maturity less than three months | – | 25,000 |
| | 490,503 | 184,914 |

The Group has restricted cash accounts as liquidation fund deposit in the amount of US\$4,823 thousand with Kazkommertsbank JSC in Kazakhstan (31 December 2013: US\$4,217 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration provision of the Group.

Bank deposits with maturity of less than three months as at December 31, 2013 represent an interest bearing short-term deposit placed on December 30, 2013.

9. SHARE CAPITAL AND RESERVES**Partnership capital of Nostrum Oil & Gas LP before the reorganisation**

Other reserves include foreign currency translation reserve accumulated before 2009, when the functional currency of the Group was Kazakhstani Tenge.

Prior to the reorganization the partnership capital of the Group comprised of the partnership capital of Nostrum Oil & Gas LP:

| <i>Number of GDRs</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|-------------------------------|----------------------------|
| Balance at beginning of the period | 188,182,958 | 188,182,958 |
| Replacement of GDRs | (188,182,958) | – |
| Balance at the end of the period | – | 188,182,958 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**Distributions**

During the nine months ended 30 September 2014 Nostrum Oil & Gas LP made a distribution of US\$0.35 per Common Unit (9M 2013 US\$0.34 per Common Unit) to the holders of Common Units representing limited partnership interests which amounted to a total of US\$64,615 thousand and was paid in full on 6 June 2014 (9M 2013 a distribution of US\$63,179 thousand was announced which was paid in full on 19 July 2013).

Reorganisation

On 17 June 2014 the limited partners of Nostrum Oil & Gas LP duly passed all proposed resolutions at the special general meeting of limited partners.

The resolutions passed by the limited partners included a resolution to approve the new corporate structure (the "Scheme") whereby Nostrum Oil & Gas plc was to become the new holding company for the business of Nostrum Oil & Gas LP.

Furthermore the limited partners approved special resolutions to approve the amendment to the limited partnership agreement (to permit implementation of the Scheme) and the dissolution of Nostrum Oil & Gas LP, which was completed on 27 August 2014.

On 18 June 2014, following the decision of the board of directors, Nostrum Oil & Gas LP commenced the Group's reorganization. This was implemented by means of an exchange offer made by the Company to the GDR holders of Nostrum Oil & Gas LP, which were entitled to receive 1 share of Nostrum Oil & Gas plc for each GDR of Nostrum Oil & Gas LP.

The GDR facility was cancelled on 22 September 2014.

The difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas plc as at the date of the transaction amounting to US\$253,458 has been included in the other reserves of the Group.

On 17 September 2014 US\$102,797,484 were transferred from the share premium account to distributable reserves based on a Special Resolution passed at a general meeting of the Parent, which was confirmed by an Order of the High Court of Justice.

Please refer to Note 18 for information on the costs related to the reorganisation.

Share capital of Nostrum Oil & Gas plc

As at 30 September 2014 the ownership interests in the Parent consist of ordinary shares, which are listed on the London Stock Exchange. As at 31 December 2013 the Parent had subscriber shares and redeemable preference shares, all of which were cancelled on 7 August 2014.

After the reorganization the share capital of the Group comprised of the share capital of Nostrum Oil & Gas Plc:

| <i>Number of shares</i> | 30 September 2014 (unaudited) | |
|---|--|------------------------|
| | Subscriber and redeemable preference shares | Ordinary shares |
| Balance at beginning of the period | 410,002 | - |
| Share capital | - | 188,182,958 |
| Cancellation of shares | (410,002) | - |
| Balance at the end of the period | - | 188,182,958 |

The subscriber and redeemable preference shares had a nominal value of GB£ 1 and the ordinary shares have a nominal value of GB£0.01.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**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 30 September 2014 the book value per share amounted to US\$ 4.45 (31 December 2013: US\$ 4.26).

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.

| | Nine months ended | |
|---|-------------------|----------------------------------|
| | 2014 (unaudited) | 30 September 2013 (unaudited) |
| Profit for the period attributable to the holders of Common Units/shares (in thousands of US Dollars) | 108,624 | 161,766 |
| Weighted average number of Common Units/shares | 184,678,352 | 185,523,548 |
| Basic and diluted earnings per Common Unit/share (in US Dollars) | 0.59 | 0.87 |

11. BORROWINGS

Borrowings comprise the following as at 30 September 2014 and 31 December 2013:

| <i>In thousands of US Dollars</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|----------------------------------|-------------------------------|
| Notes issued in 2012 and maturing in 2019 | 549,388 | 536,301 |
| Notes issued in 2014 and maturing in 2019 | 397,620 | - |
| Notes issued in 2010 and maturing in 2015 | - | 92,122 |
| | 947,008 | 628,423 |
| Less amounts due within 12 months | (18,513) | (7,263) |
| Amounts due after 12 months | 928,495 | 621,160 |

2010 Notes

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

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

The 2010 Notes bore interest at the rate of 10.50% per year. Interest on the 2010 Notes was payable on 19 April and 19 October of each year, beginning on 19 April 2011. Prior to 19 October 2013, the 2010 Issuer could, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2010 Notes with the net cash proceeds of one or more equity offerings at a redemption price of 110.50% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

record date to receive interest due on the relevant interest payment date); provided that (1) at least 65% of the original principal amount of the 2010 Notes (including Additional Notes as defined in the indenture relating to the 2010 Notes) remains outstanding after each such redemption; and (2) the redemption occurs within 90 days after the closing of the related equity offering.

In addition, the 2010 Notes could have been redeemed, in whole or in part, at any time prior to 19 October 2013 at the option of the 2010 Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of 2010 Notes at its registered address, at a redemption price equal to 100% of the principal amount of the 2010 Notes redeemed plus the Applicable Premium (as defined below) as of, and accrued and unpaid interest to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Applicable Premium means, with respect to any 2010 Note on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such 2010 Note; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such 2010 Note at 19 October 2013 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2010 Note through 19 October 2013 computed using a discount rate equal to the United States treasury rate as of such redemption date plus 50 basis points; over (b) the principal amount of such 2010 Note.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Applicable Premium means, with respect to any 2012 Note on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such 2012 Note; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such 2012 Note at 13 November 2016 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2012 Note through 13 November 2016 computed using a discount rate equal to the United States treasury rate as of such redemption date plus 50 basis points; over (b) the principal amount of such 2012 Note.

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

2014 Notes

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

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

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.

12. OTHER CURRENT LIABILITIES

Other current liabilities comprise the following as at 30 September 2014 and 31 December 2013:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

| <i>In thousands of US Dollars</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|----------------------------------|-------------------------------|
| Taxes payable, other than corporate income tax | 17,793 | 32,110 |
| Training obligations accrual | 9,815 | 8,986 |
| Due to employees | 4,873 | 3,227 |
| Contingent consideration | – | 5,300 |
| Accrual for additional payment for acquisition of Probel | – | 1,953 |
| Pension obligations | 230 | 204 |
| Other current liabilities | 3,433 | 2,848 |
| | 36,144 | 54,628 |

13. REVENUE

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|-----------------------------------|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Oil and gas condensate | 136,806 | 171,771 | 490,316 | 525,157 |
| Gas and LPG | 38,482 | 42,920 | 129,949 | 132,033 |
| | 175,288 | 214,691 | 620,265 | 657,190 |

During the nine months ended 30 September 2014 the revenue from sales to three major customers amounted to US\$264,835 thousand, US\$102,122 thousand and US\$77,113 thousand respectively (9M 2013 five major customers: US\$142,257 thousand, US\$140,218 thousand, US\$77,522 thousand, US\$77,508 thousand and US\$51,832 thousand respectively).

14. COST OF SALES

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Depreciation, depletion and amortisation | 27,379 | 27,883 | 84,058 | 91,096 |
| Repair, maintenance and other services | 8,619 | 15,296 | 26,553 | 40,066 |
| Royalties | 7,509 | 9,140 | 17,890 | 27,168 |
| Payroll and related taxes | 6,082 | 5,104 | 15,896 | 12,908 |
| Materials and supplies | 3,634 | 3,987 | 8,373 | 10,266 |
| Well workover costs | 2,048 | 589 | 5,821 | 2,334 |
| Other transportation services | 727 | 1,188 | 2,190 | 3,544 |
| Environmental levies | 177 | 269 | 803 | 843 |
| Management fees | – | 863 | – | 2,450 |
| Government profit share | 5,690 | 9,956 | (2,260) | 14,205 |
| Change in stock | (3,093) | (3,223) | (3,820) | 624 |
| Other | 538 | 161 | 2,355 | 1,040 |
| | 59,310 | 71,213 | 157,859 | 206,544 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Zhaikmunai LLP revised the estimates related to the government profit share and royalties in accordance with the recent supplement to the Chinarevskoye subsoil use rights and change in the coefficient of natural gas equivalent (Note 1), which resulted in the total reversal of the government profit share in the amount of US\$20,224 thousand and in the total reversal of the royalties in the amount of US\$6,080 thousand related to prior periods.

15. GENERAL AND ADMINISTRATIVE EXPENSES

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|-----------------------------------|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Professional services | 5,085 | 3,671 | 16,022 | 5,997 |
| Payroll and related taxes | 4,960 | 2,806 | 11,592 | 5,717 |
| Business travel | 769 | 1,175 | 3,623 | 3,365 |
| Training | 747 | 1,282 | 2,136 | 3,831 |
| Sponsorship | 618 | 2,084 | 1,650 | 2,709 |
| Insurance fees | 557 | 526 | 1,342 | 1,525 |
| Depreciation and amortization | 377 | 376 | 1,035 | 1,094 |
| Communication | 445 | 313 | 1,100 | 780 |
| Management fees | – | 3,834 | 614 | 11,460 |
| Lease payments | 203 | 149 | 539 | 434 |
| Bank charges | 150 | 294 | 517 | 882 |
| Materials and supplies | 154 | 140 | 413 | 416 |
| Social program | 75 | 75 | 225 | 225 |
| Other taxes | 64 | 804 | 138 | 4,184 |
| Other | 489 | 257 | 1,253 | 592 |
| | 14,693 | 17,786 | 42,199 | 43,211 |

The change in the structure of general and administrative expenses is driven by the acquisition of Probel Capital Management N.V. on 30 December 2013, which led to the elimination of intercompany management fees, and recognition of its expenses as professional services and payroll and related taxes.

16. SELLING AND TRANSPORTATION EXPENSES

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|-----------------------------------|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Loading and storage costs | 12,894 | 9,364 | 42,233 | 25,354 |
| Transportation costs | 11,794 | 16,477 | 40,992 | 55,962 |
| Payroll and related taxes | 632 | 749 | 1,689 | 1,948 |
| Management fees | 131 | 165 | 131 | 640 |
| Other | 3,140 | 62 | 7,051 | 3,727 |
| | 28,591 | 26,817 | 92,096 | 87,631 |

The transportation costs for the nine months ended 30 September 2013 also included certain loading and storage costs provided by the transportation companies, which are included in loading costs in 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. FINANCE COSTS

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Interest expense on borrowings | 13,442 | 6,600 | 48,143 | 31,291 |
| Unwinding of discount on Abandonment and site restoration provision | 323 | 259 | 970 | 776 |
| Unwinding of discount on amounts Due to Government | 258 | 258 | 659 | 672 |
| | 14,023 | 7,117 | 49,772 | 32,739 |

18. FINANCE COSTS – REORGANISATION

The “finance costs – reorganisation” are represented by the costs associated with introduction of Nostrum Oil & Gas plc as the new holding company of the Group and respective reorganisation. These costs include US\$14,389 thousand under the facility agreements with VTB Capital plc (under which US\$3,000,000 thousand were committed and US\$2,350,405 thousand were lent) and US\$11,082 thousand financing costs related to advisory and other services incurred in relation to the reorganisation.

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

During the nine months ended 30 September 2014 the movement in the fair value of derivative financial instruments was presented as follows:

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Derivative financial instruments at fair value at 1 January | – | – | – | – |
| Gain on derivative financial instruments | 9,020 | – | 2,894 | – |
| Derivative financial instruments at fair value at 30 September (unaudited) | 9,020 | – | 2,894 | – |

Derivative financial instruments comprise the following as at 30 September 2014 and 31 December 2013:

| <i>In thousands of US Dollars</i> | 31 December 2013 |
|-----------------------------------|------------------|
| | |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | 30 September 2014 (unaudited) | (audited) |
|---|----------------------------------|-----------|
| Assets | | |
| Options maturing within 12 months | 1,316 | - |
| Options maturing after 12 months | 1,949 | - |
| | 3,265 | - |
| Liabilities | | |
| Options maturing within 12 months | - | - |
| Options maturing after 12 months | (371) | - |
| | (371) | - |
| Derivative financial instruments at fair value | 2,894 | - |

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:

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Income tax expenses comprise: | | | | |
| Corporate income tax | 23,174 | 29,208 | 97,437 | 106,026 |
| Adjustment in respect of the current income tax for the prior periods | 3,121 | - | 4,002 | - |
| Deferred income tax expense /(benefit) | 2,799 | 2,995 | 15,678 | (704) |
| Total income tax expense | 29,094 | 32,203 | 117,117 | 105,322 |

Zhaikmunai LLP applies the liability method to recognize deferred income tax expense on temporary differences between the tax bases of assets and their carrying amounts in the financial statements. By application of this method, Zhaikmunai LLP recognizes gains and losses on deferred income tax due to the effect of the changes in the value of the Kazakhstani Tenge on the tax bases of the fixed assets of Zhaikmunai LLP whose functional currency is the US Dollar. This was the primary reason for the increase in the deferred income tax expense during the nine months ended 30 September 2014. These gains and losses are required by IFRS even though the devalued tax basis of the relevant assets will result in a reduced US Dollar of depreciation deductions for tax purposes in the future periods throughout the useful lives of those assets. As a result, the resulting deferred income tax charge does not represent a separate obligation for Zhaikmunai LLP that is due and payable in any of the relevant periods. The estimated average annual effective income tax rate at 30 September 2014 assessed by Zhaikmunai LLP is 42.9% (9M 2013: 38.6%).

21. 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 2,811,413 shares remain outstanding (the "Subsisting Options"), each with a Base Value of up to US\$10.00 (the "Base Value").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

22. RELATED PARTY TRANSACTIONS

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

Accounts payable to related parties represented by entities controlled by the shareholders with significant influence over the Group as at 30 September 2014 and 31 December 2013 consisted of the following:

| <i>In thousands of US Dollars</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|-----------------------------------|--|---------------------------------------|
| Trade payables | | |
| KazStroyService JSC | 2,931 | 50 |
| Prolag BVBA | - | 240 |
| Amersham Oil LLP | - | 52 |

During the nine months ended 30 September 2014 and 2013 the Group had the following transactions with related parties represented by entities controlled by the shareholders with significant influence over the Group:

| <i>In thousands of US Dollars</i> | Three months ended 30 September | | Nine months ended 30 September | |
|--|--|-----------------------------|---|-----------------------------|
| | 2014 (unaudited) | 2013 (unaudited) | 2014 (unaudited) | 2013 (unaudited) |
| Purchases | | | | |
| KazStroyService JSC | 2,744 | 50 | 2,744 | 50 |
| Management fees and consulting services | | | | |
| Cervus Business Services | 399 | - | 1,605 | - |
| Amersham Oil LLP | - | 325 | 455 | 650 |
| Prolag BVBA | - | 391 | 130 | 842 |
| Probel Capital Management N.V. | - | 3,966 | - | 8,197 |

On 19 May 2014, SEPOL AG and Nostrum Oil & Gas Coöperatief U.A. ("Co-op") entered into a purchase agreement for the acquisition by Co-op of the entire issued share capital of Amersham Oil LLP (the "Amersham Acquisition Agreement") for a consideration of €1.69 million. Completion of the sale of these shares under the Amersham Acquisition Agreement is conditional upon clearance being obtained from the competition authorities in the Republic of Kazakhstan (which is expected to occur in the fourth quarter of 2014).

On 19 May 2014 Crest Capital Management NV, Petra Noé and Co-op entered into a purchase agreement for the acquisition by Co-op of the entire issued share capital of Prolag BVBA (the "Prolag Acquisition Agreement") for a consideration of €1, as all services previously provided by Prolag to the Group were internalised within Probel prior to the acquisition of Probel.

As at 31 December 2013 management fees and consulting services were payable in accordance with the Technical Assistance Agreements signed between members of the Group and Amersham Oil LLP and Prolag BVBA related to the rendering of geological, geophysical, drilling, technical and other consultancy services.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the nine months ended 30 September 2014 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.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US\$3,526 thousand for the nine months ended 30 September 2014 (9M 2013: US\$107 thousand). During the nine months ended 30 September 2013 other key management personnel were employed and paid by Amersham Oil LLP and Probel Capital Management N.V. and their remuneration forms part of management fees and consulting services above. During 2014 all key management personnel are employed and paid by the Group.

Payments to key management personnel under ESOP for the nine months ended 30 September 2014 amounted to US\$769 thousand (9M 2013: no payments under ESOP were made).

23. 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 30 September 2014. As at 30 September 2014 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and 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 30 September 2014 the Group had contractual capital commitments in the amount of US\$319,683 thousand (31 December 2013: US\$26,842 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|---------------------------------------|
| No later than one year | 14,050 | 12,501 |
| Later than one year and no later than five years | 20,696 | 23,846 |
| Later than five years | - | - |

Lease expenses of railway tank wagons for the nine months ended 30 September 2014 amounted to US\$14,622 thousand (9M 2013: US\$9,368 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:

- i. spend at least US\$42 thousand for education of personnel engaged to work under the contract during the exploration stage;
- ii. spend US\$1,450 thousand to finance social infrastructure of the region during the exploration stage (including US\$1,000 thousand for funding of development of Astana city in case of commercial discovery);
- iii. invest at least US\$17,545 thousand for exploration of the field during the exploration period;
- iv. reimburse historical costs of US\$372 thousand to the Government upon commencement of production stage;
- v. create a liquidation fund (special deposit account with local bank) equal to US\$ 206 thousand.

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

- i. spend at least US\$159 thousand for education of personnel engaged to work under the contract during the exploration stage;
- ii. spend US\$75 thousand to finance social infrastructure of the region;
- iii. invest at least US\$19,751 thousand for exploration of the field during the exploration period;
- iv. create a liquidation fund (special deposit account with local bank) equal to US\$209 thousand.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field (after its amendment on 23 January 2014) require the subsurface user to:

- i. spend at least US\$315 thousand for education of personnel engaged to work under the contract during the exploration stage;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

- ii. spend US\$75 thousand to finance social infrastructure of the region;
- iii. invest at least US\$33,042 thousand for exploration of the field during the exploration period;
- iv. create a liquidation fund (special deposit account with local bank) equal to US\$ 345 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.

24. 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 | |
|---|-------------------------------------|-------------------------------|--|----------------------------------|
| <i>In thousands of US Dollars</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
| Financial instruments measured at fair value | | | | |
| Derivative financial instruments | 2,894 | – | 2,894 | – |
| Financial liabilities measured at amortised cost | | | | |
| Interest bearing borrowings | 947,008 | 628,423 | 1,037,320 | 686,795 |
| Total | 949,902 | 628,423 | 1,040,214 | 686,795 |

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

The fair value of the financial assets and liabilities represents the amount at which the 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 30 September 2014 and 31 December 2013:

| | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|----------------------------------|-------------------------------|
| Future price at the reporting date (US\$) | 94.67-97.49 | – |
| Historical volatility (%) | 15.22-18.23 | – |
| Risk-free interest rate (%) | 0.02-0.58 | – |
| Maturity (months) | 1-17 | – |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Increase in volatilities used in the model by 2% (with all other variables held constant) would lead to an increase in the gain on derivative financial instruments by US\$655 thousand and, respectively, decrease in the volatilities used in the model by 2% (with all other variables held constant) would lead to a decrease in the gain on derivative financial instruments by US\$780 thousand.

The contingent consideration liability under acquisition agreement of Darjinskoye and Yuzhno-Gremyachenskoye oil and gas fields (Note 3 and 12) outstanding as at 31 December 2013 was recognised at fair value, which was assessed to be equal to its nominal amount due to its short-term nature and, respectively, categorised as Level 3 within the fair value hierarchy. There were no gains or losses arising during 2013 from fair value measurement of this contingent consideration liability.

During the nine months ended 30 September 2014 and 2013 there were no transfers between the levels of fair value hierarchy of the Groups' financial instruments.



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