IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") UNDER RULE 144A OR (2) NON U.S. PERSONS OUTSIDE OF THE U.S. (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("**EEA**"), NOT A RETAIL INVESTOR (AS DEFINED IN THIS OFFERING MEMORANDUM)).

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs (within the meaning of Rule 144A under the Securities Act) or (2) non U.S. persons (within the meaning of Regulation S under the Securities Act) outside the U.S.; provided that investors resident in a Member State of the EEA must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the EEA) and must not be a retail investor. This Offering Memorandum is being sent at your request and by accepting the e mail and accessing this Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the attached Offering Memorandum (the "**Initial Purchasers**") that (1) you and any customers you represent are either (a) QIBs or (b) not a U.S. person and that the electronic mail address that you gave us and to which this Offering Memorandum has been delivered is not located in the U.S. (and if you are resident in a Member State of the EEA, you are a qualified investor and not a retail investor) and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

This communication is directed solely at persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(1) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**") or (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Initial Purchasers (as defined herein) or any affiliate of the Initial Purchasers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, the Issuer, their affiliates or any person who controls any Initial Purchaser, the Issuer or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you at a later date.

OFFERING MEMORANDUM | **NOT FOR GENERAL CIRCULATION IN THE UNITED STATES**

U.S.$400,000,000

Nostrum Oil & Gas Finance B.V.

*(a private company incorporated with limited liability under the laws of the Netherlands (the "**Issuer**"))*

7.000% Senior Notes due 2025 (the "Notes")

Guaranteed on a senior basis by Nostrum Oil & Gas PLC and certain of its subsidiaries

The Notes will bear interest at the rate of 7.000% per year. Interest on the Notes is payable on 16 February and 16 August of each year, beginning on 16 August 2018. The Notes will mature on 16 February 2025. The Issuer may redeem some or all of the Notes at any time on or after 16 February 2021 at the prices and as described under the caption "*Description of Notes—Optional redemption*". Prior to 16 February 2021, the Issuer may redeem all or part of the Notes by paying a "make whole" premium. In addition, prior to 16 February 2021, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes from the proceeds of certain equity offerings.

The Notes will be jointly and severally guaranteed (the "**Guarantees**") on a senior basis by Nostrum Oil & Gas PLC ("**Nostrum**") and certain of its subsidiaries (the "**Guarantors**"). The Notes will be the Issuer's and the Guarantors' senior obligations and will rank equally with all of the Issuer's and the Guarantors' other senior indebtedness and will rank effectively junior to all existing and future indebtedness of the Issuer and the Guarantor's secured by property or other assets to the extent of the value of such property or assets. The Notes will be structurally subordinated to all existing and future obligations and other liabilities (including trade payables) of Nostrum's subsidiaries that are not Guarantors.

There is currently no market for the Notes. Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars ("**Listing Particulars**"). Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. There can be no assurance that any such application will be successful or that any such listing will be maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 21.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees may be offered and sold only to persons reasonably believed to be qualified institutional buyers as defined in and in accordance with Rule 144A under the Securities Act ("Rule 144A") and to persons that are not U.S. persons outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "*Notice to Prospective Investors*", "*Plan of Distribution*" and "*Transfer Restrictions*".

Price for Notes: 99.320% plus accrued interest, if any, from the issue date.

Banca IMI S.p.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and VTB Capital plc (the "**Initial Purchasers**") expect to deliver the Notes to purchasers on or about 16 February 2018 only in book-entry form through the facilities of The Depository Trust Company ("**DTC**").

Joint Bookrunners

Banca IMI | **Citigroup** | **Deutsche Bank** | **VTB Capital**

16 February 2018

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described in this Offering Memorandum (the "**Offering**"). This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorised to use this Offering Memorandum solely for the purpose of considering the purchase of the Notes and no person is authorised to give information to you other than that contained in this Offering Memorandum. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without our prior consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and not to make any photocopies of this Offering Memorandum, in whole or in part, or any documents contained in this Offering Memorandum or transmit them electronically to any other person. You may not use any information herein for any purpose other than considering an investment in the Notes and you agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence.

We have furnished the information in this Offering Memorandum. You acknowledge and agree that none of Banca IMI S.p.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and VTB Capital plc. (together, the "**Initial Purchasers**") nor Citibank, N.A., London Branch (the "**Trustee**") make any representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or the Trustee.

The information contained under the heading "*Exchange Rates*" includes extracts from information and data publicly released by official and other sources. Although we accept responsibility for the accurate extraction and summarisation of such information and data, we accept no further responsibility in respect of such information. In addition, the information set out in relation to sections of this Offering Memorandum describing clearing arrangements, including the sections entitled "*Description of Notes*" and "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarising the information concerning DTC, Euroclear and Clearstream, we accept no further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of these documents will be made available to prospective investors upon request.

The Issuer accepts responsibility for the information contained in this Listing Particulars. To the best of the Issuer's knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this Listing Particulars is in accordance with the facts and contains no omission likely to affect its import. The Guarantors accept responsibility for the information relating to themselves and their Guarantees contained in this Listing Particulars. To the best of the Guarantors' knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this Listing Particulars with regard to themselves and their Guarantees, is in accordance with the facts and does not omit anything likely to affect the import of such information. Some of the information set out under the headings "*Summary*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. The Issuer accepts responsibility for all third party information and data set out in this Listing Particulars and confirms that it has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the Issuer has not independently verified the accuracy of such information and data and accepts no further responsibility in respect thereof. The information in this Listing Particulars is current only as of the date on the cover and the business and financial condition of the Issuer or the Group and other information in this Listing Particulars may change after that date.

Unless the context indicates otherwise, when we refer to "*Group*", "*we*", "*us*", "*our*" and "*Nostrum*", for the purposes of this Offering Memorandum, we are referring to Nostrum Oil & Gas PLC and its subsidiaries (including any of their predecessors).

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations. You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum.

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. We and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or sale would be unlawful.

We reserve the right to withdraw this Offering at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby and to allot to any prospective purchaser less than the full amount of the Notes sought by it for any reason or no reason.

We cannot guarantee that our application for the admission of the Notes to trading on the Global Exchange Market and the listing of the Notes on the Official List of the Irish Stock Exchange will be approved as of the settlement date for the Notes or at any time thereafter and settlement of the Notes is not conditioned on obtaining this listing.

STABILISATION

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS LIMITED (THE "**STABILISATION MANAGER**") OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER) IN ACCORDANCE WITH APPLICABLE LAWS AND RULES.

NOTICE TO PROSPECTIVE INVESTORS

Notice to Prospective Investors in the United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes and the Guarantees are being offered and sold in the United States only to persons that are reasonably believed to be qualified institutional buyers in reliance on Rule 144A and outside the United States to non-U.S. persons in offshore transactions in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Memorandum, see "*Transfer Restrictions*" and "*Notice to Certain European Investors*". By purchasing any Notes, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this Offering Memorandum.

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other U.S. or non U.S. securities authority has approved or disapproved of the Notes or the Guarantees or passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes are subject to restrictions on transferability and resale and may not be re-offered, resold or transferred except as permitted under the Securities Act pursuant to registration or exemption therefrom and applicable securities laws of any other jurisdiction. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Notice to prospective investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), or section 1.1 of National Instrument 45-106 *Prospectus Exemptions* and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Notice to Certain European Investors

European Economic Area

Each Initial Purchaser has represented and agreed that it has not offered or sold and will not offer or sell any Notes to any retail investor in the European Economic Area ("**EEA**"). For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

 (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

 (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

 (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

The Netherlands

The Notes (including rights representing an interest in each global note that represents the Notes) may not be offered or sold to individuals or legal entities in the Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets *(Autoriteit Financië le Markten*) or by a supervisory authority of another member state of the EU. Article 5:3 Financial Supervision Act (*Wet op het financieel toezicht*) (the "**FSA**") and article 53 paragraph 2 and 3 Exemption Regulation FSA (*Vrijstellingsregeling Wft*) provide for several exceptions and exemptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA.

United Kingdom

The issue and distribution of this Offering Memorandum is restricted by law. This Offering Memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This Offering Memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**") (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

Italy

The Offering has not been cleared by the Commissione Nazionale per la Società e la Borsa ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("**Regulation No. 16190**"), pursuant to Article 34- ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Financial Services Act**"); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and the implemented CONSOB regulations, including the Issuer Regulation.

Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy according to the provisions above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, Regulation No. 16190 (in each case, as amended from time to time) and any other applicable laws and regulations; and

(b) in compliance with any and all other applicable laws and regulations and any other condition or limitation that may be imposed by CONSOB, the Bank of Italy or any other relevant Italian authorities.

For selling restrictions in respect of Italy, see also "*Notice to Certain European Investors—European Economic Area*" above.

PRIIPs Regulation/Prohibition of sales to EEA retail investors – The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. No key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes to retail investors in the EEA has been prepared. Offering or selling the Notes to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

AVAILABLE INFORMATION

We have agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each of the Issuer and the Guarantors will, during any period in which they are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

General

The Issuer was incorporated under the laws of the Netherlands, Nostrum Oil & Gas PLC was formed under the laws of the England, the other Guarantors were formed under the laws of the Netherlands and The Republic of Kazakhstan and substantially all of the Group's material operations are located in Kazakhstan. Only certain directors and senior managers of Nostrum are residents of the United States or the United Kingdom. Our assets are principally located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States or the United Kingdom upon us, our directors or our executive officers or to enforce against any of them judgments of courts in the United States or the United Kingdom, including judgments predicated upon civil liabilities under the securities laws of the United States or the United Kingdom.

England and Wales

Nostrum is incorporated in England. As described above, only certain directors and senior managers of Nostrum is a resident of the United Kingdom (the "**English Guarantor**"). Our assets are principally located outside the United Kingdom. As a result, it may not be possible for you to serve process on such persons or Nostrum in the United States or to enforce judgments obtained in U.S. courts against such persons or Nostrum including judgments based on the civil liability provisions of the securities laws of the United States.

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognised or directly enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it).

Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (amongst other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;

- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment and the enforcement of such judgment not contravening public policy in England;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature, or in respect of a penalty or fine or otherwise based on a law that an English court considers to relate to a penal, revenue or other public law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980 and not being a judgment based on measures designated by the Secretary of State under Section 1 of that Act;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural or substantial justice;
- there not having been a prior decision of an English court or the court of another jurisdiction or an arbitral award on the issues in question between the same parties;
- the English enforcement proceedings being commenced within six years of the date of such judgment;
- the enforcement of the judgment is not prohibited by statute;
- the bringing of proceedings in the relevant U.S. court was not contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (and the judgment debtor did not submit to the jurisdiction of that court); and
- no order has been made and remains effective under Section 9 of the U.K. Foreign Judgments (Reciprocal Enforcement) Act 1933 applying that section to U.S. courts including the relevant U.S. court.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, we cannot assure you that those judgments will be recognised or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws.

The Netherlands

We are advised that there is no enforcement treaty between the Netherlands and the United States providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a judgment rendered by any federal or state court in the United States in such matters is not recognised and cannot automatically be enforced in the Netherlands. In order to obtain a judgment that can be enforced in the Netherlands, the dispute will have to be re-litigated before the competent Dutch court. This court will have discretion to attach such weight to the judgment of any federal or state court in the United States as it deems appropriate. Given the submission by the Dutch companies to the jurisdiction of the relevant courts in the United States, the Dutch courts can in principle be expected to give conclusive effect to a final and enforceable judgment of such court in respect of the contractual obligations under the relevant document without re-examination or re-litigation of the substantive matters adjudicated upon. This would require (i) the Dutch courts being satisfied that the federal or state court in the United States had jurisdiction over the proceedings, (ii) proper service of process to have been given, (iii) the proceedings before such court to have complied with principles of proper procedure (*behoorlijke rechtspleging*), (iv) the judgment to be final and conclusive in such a way that all appeals have been exhausted and no other remedy could be obtained from a competent individual body, and (v) such judgment not being contrary to the public policy of the Netherlands. However, no assurance can be given that the Dutch courts will give such effect to a final and enforceable judgment of the relevant United States courts. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil or other liability in an original action commenced in the Netherlands and predicated solely upon United States federal securities laws.

Kazakhstan

We are advised that Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless either on the basis of reciprocity (which can be difficult to prove in Kazakhstan courts as a matter of practice) or there are in effect Kazakhstan laws specifically providing for reciprocity and/or a ratified international treaty providing for enforcement of judgments and then only in accordance with the terms of such treaty. There is no such law or treaty between Kazakhstan and the United States or the United Kingdom. Since Kazakhstan is a party to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**"), foreign arbitration awards are generally recognised and enforceable in Kazakhstan, subject to qualifications provided in the Convention and in the laws of Kazakhstan.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. All statements other than statements of historical facts included in this Offering Memorandum, including, without limitation, those which reflect our current views or, as appropriate, those of our directors, with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to our business) are forward-looking statements. These forward-looking statements relate to the Group and the sectors and industries in which it operates. Statements that include the words "expects", "intends", "plans", "believes", "anticipates", "will", "targets", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the U.S. federal securities laws or otherwise.

All forward-looking statements included in this Offering Memorandum involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results, performance or achievements to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in the part of this Offering Memorandum entitled "*Risk Factors*", which should be read in conjunction with the other cautionary statements that are included in this Offering Memorandum. Other important factors that could cause actual results to differ materially from our expectations include, among others, the following:

- volatility and future decreases in crude oil, gas, refined products and other commodity world prices and related fluctuations in demand for such products;
- operational risks and limitations, including lack of availability and failures of equipment, labour disputes and processing limitations;
- unplanned events or accidents affecting the Group's operations or facilities, including the Group's existing gas treatment facility and construction of the third unit of the gas treatment facility;
- cancellation, delay, non-completion and cost overruns in relation to the Group's current and future projects;
- the availability or cost of transportation services and fees and expenses charged for providing or arranging transportation;
- the inability of the Group to accurately predict its future decommissioning liabilities;
- the uncertainty and expense inherent in the Group's exploration, appraisal, development and production projects;
- changes in governmental laws and regulations, including unfavourable tax laws, changes in royalties and production sharing requirements, regulatory changes affecting the availability of permits and licences, and governmental actions that may affect operations or the Group's planned expansion;
- the Group's ability to raise additional financing, and the availability and cost of debt and other financing;
- the ability of the Group to attract and retain qualified senior management, technical and other personnel and consultants;
- unfavourable changes in economic, social or political conditions in Kazakhstan and the Central Asia region, as well as adverse sovereign action by the Republic of Kazakhstan (the "**Kazakhstan Government**");
- incidents or conditions affecting the export of crude oil, gas and other hydrocarbon products;
- lower than estimated or expected crude oil and gas reserves and resources, and the quality and production volumes thereof;
- reservoir performance, drilling results and implementation of the Group's expansion plans;
- difficulties complying with obligations under licenses, permits, the PSA and the Subsoil Use Agreements, and environmental and other legal requirements;
- difficulties maintaining or increasing the capacity utilisation of the Group's production facilities;
- risks associated with customer concentration;

- reliance on third parties for construction, drilling and other services;
- claims of secured creditors of the Issuer or the 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 Notes, as will creditors of subsidiaries which are not guarantors of the Notes;
- financial covenants in the Group's debt instruments;
- risks associated with the Offering, the Notes or the Guarantees; and
- other factors discussed or referred to in this Offering Memorandum.

We urge you to read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Business*" and "*Regulation in Kazakhstan*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. The oil and gas industry changes rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this Offering Memorandum are subject to a significant degree of risk. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Offering Memorandum, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement or risk factors contained herein, to reflect new information, any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

We disclose important factors that could cause our actual results to differ materially from our expectations in this Offering Memorandum. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations and our ability to make payments on the Notes.

PRESENTATION OF FINANCIAL, RESERVES AND OTHER INFORMATION

Financial Information

The audited consolidated financial statements of Nostrum Oil & Gas PLC and its subsidiaries (the "**Group**") contained in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). Nostrum Oil & Gas PLC is the indirect holding entity of Zhaikmunai LLP ("**Zhaikmunai**"), a limited liability partnership formed under the laws of Kazakhstan and the Group's sole operating subsidiary. This Offering Memorandum contains unaudited interim condensed consolidated financial statements of Nostrum Oil & Gas PLC and its subsidiaries as at and for the nine months ended 30 September 2017 and audited consolidated financial statements of Nostrum Oil & Gas PLC and its subsidiaries as at and for the years ended 31 December 2016, 2015 and 2014 (together, the "**Financial Statements**"). The Financial Statements include both Guarantors and Non-Guarantor companies.

Nostrum Oil & Gas PLC is also presenting unaudited consolidated financial information for Nostrum Oil & Gas PLC and its subsidiaries for the twelve months ended 30 September 2017. The unaudited consolidated financial information for the twelve months ended 30 September 2017 is calculated by taking the results of operations for the nine months ended 30 September 2017 and adding to it the difference between the results of operations for the full year ended 31 December 2016 and the historical nine months ended 30 September 2016. The unaudited consolidated financial information for the twelve months ended 30 September 2017 have been prepared for illustrative purposes only and is not necessarily representative of the results of operations of Nostrum Oil & Gas PLC for any future period or our financial condition at any future date.

The unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2017 prepared in accordance with IAS 34 included elsewhere in this Offering Memorandum differ from the unaudited interim condensed consolidated financial statements as at and for the same period previously published by the Group on 21 November 2017 due to (i) the write off of unamortized debt issuance costs and redemption premium relating to a portion of the debt refinanced in July 2017 and (ii) the reclassification of certain business development expenses in the unaudited condensed consolidated statement of cash flows.

As presented in this Offering Memorandum, "**EBITDA**" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, cash received from hedging contract (net), employee share option plan expense, depreciation, depletion and amortisation, interest income, finance costs, reorganisation costs, other expenses/(income) and "**EBIT**" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, cash received from hedging contract (net), employee share option plan, interest income, finance costs, reorganisation costs, and other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as an alternative to cash flow from operating activities as a measure of the Group's liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although Nostrum Oil & Gas PLC does not currently employ EBITDA as a measure for internal valuations, Nostrum Oil & Gas PLC presents EBITDA in this Offering Memorandum because Nostrum Oil & Gas PLC believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. Nostrum Oil & Gas PLC presents EBIT because Nostrum Oil & Gas PLC believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance without taking into account the costs it incurs for depreciation. Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in isolation from, or as a substitute for, analysis of Nostrum Oil & Gas PLC's results of operations and cash flows. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect gains or losses in hedging or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;

- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting the usefulness of these measures as a comparative measure.

Rounding

Certain figures contained in this Offering Memorandum, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Offering Memorandum may not conform exactly to the total figure given for that column or row.

General

In respect of each of the audit reports relating to the Financial Statements included herein, Ernst & Young LLP provides in each report: "This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed".

Investors in the Notes should understand that these statements are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to the members of Nostrum with respect to those reports. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions, including the United Kingdom, and the legal effect of these statements in the audit reports is untested in the context of an offering of securities. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against Ernst & Young LLP for damages arising out of an investment in the Notes.

Certain Reserves Information

Cautionary Note to U.S. Investors

The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that the Group has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. The reserves data presented in this Offering Memorandum have been estimated at the request of the Group by Ryder Scott Company L.P., an international oil and gas consultant ("**Ryder Scott**"), according to definitions and disclosure guidelines contained in the Society of Petroleum Engineers ("**SPE**"), the World Petroleum Council (the "**WPC**"), American Association of Petroleum Geologists ("**AAPG**") and Society of Petroleum Evaluation Engineers ("**SPEE**") Petroleum Resources Management System ("**SPE-PRMS**") and thus proved reserves may differ from those estimated according to definitions used by the SEC. Ryder Scott staff engineers and geoscientist have received professional accreditation in the form of a registered licence, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization. Further, the Group uses certain terms in this Offering Memorandum in referring to its reserves, such as "probable" reserves, or its resources that the SEC's guidelines would prohibit it from including in filings with the SEC if the Group were subject to reporting requirements under the United States Securities Exchange Act of 1934 (the "**Exchange Act**"). Prospective investors should read "*Business—Operations—Oil and Gas Reserves*" and the report produced by Ryder Scott on the Group's reserves and resources as at 1 January 2017 dated 17 February 2017 (the "**2017 Ryder Scott Report**") contained in this Offering Memorandum, for more information on the Group's reserves and resources and the reserves and resources definitions that the Group uses.

Investors should note that the 2017 Ryder Scott Report was produced on the Group's reserves and resources as at 1 January 2017 and is dated 17 February 2017. The 2017 Ryder Scott Report has not been updated for any production that has taken place between 1 January 2017 and the date of this Offering Memorandum. The Group has announced (based on management estimates) for the year ended 31 December 2017, production volumes of 15,616 boepd of crude oil and condensate, 6,211 boepd of LPG and 21,367 boepd of dry gas, production after treatment volumes of 14,937 boepd of crude oil and condensate, 4,615 boepd of LPG and 19,647 boepd of dry gas and sold 15,292 boepd of crude oil and condensate, 4,618 boepd of LPG and 17,934 boepd of dry gas. In addition, as of the date of this Offering Memorandum, Ryder Scott is preparing a report on the Group's reserves and resources as at 1 January 2018 which is not yet finalized, see "*Risk Factors— Risk Factors relating to the Group —The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*".

Hydrocarbon Data

General

The Group uses standards established by the SPE-PRMS. Additionally, Zhaikmunai LLP is obliged to submit data according to Kazakhstan standards for reporting purposes to State bodies. Kazakhstan's method of classifying oil reserves is based on a system employed in the former Soviet Union and differs substantially from the standard international methodology. Since 2004, the Group has engaged Ryder Scott to conduct reviews of the Group's hydrocarbon reserves and resources. Unless otherwise stated herein, the estimates set forth in this Offering Memorandum of the Group's proved and probable reserves and resources are based on reports prepared for the Group by Ryder Scott in accordance with the standards established by the SPE-PRMS. For further information regarding these standards see the 2017 Ryder Scott Report contained in this Offering Memorandum.

For internal record-keeping purposes, the Group records information relating to production, transportation and sales of crude oil and gas condensate in tonnes, a unit of measure that reflects the mass of the relevant hydrocarbon, and, accordingly, the Group presents such information on the same basis in this Offering Memorandum. References in this Offering Memorandum to "tonnes" are to metric tonnes. One metric tonne equals 1,000 kilograms.

Presentation in the 2017 Ryder Scott Report

The 2017 Ryder Scott Report reports its estimations as follows:

- oil and condensate in standard 42 gallon barrels ("**barrels**" or "**bbl**");
- LPG (plant products) in barrels; and
- gas in millions of cubic feet ("**mmcf**").

Presentation in this Offering Memorandum

For information purposes only, the Group has presented its estimations in this Offering Memorandum as follows:

- oil and condensate in barrels and barrels per day. Barrel figures are extracted from the 2017 Ryder Scott Report or converted from the Group internal records presented in tonnes at a rate of 8.38 barrels per tonne for condensate and 7.74 barrels per tonne for oil. Barrel per day figures have been obtained by dividing annual figures by 365;
- LPG in barrels. Barrel figures are extracted from the 2017 Ryder Scott Report;
- gas in: (i) cubic metres (converted by the Group at a rate of 35.315 cubic feet per cubic metre) and (ii) barrels of oil equivalent ("**boe**") (converted by the Group at a rate of 5,326.5 cubic feet per boe). These conversion rates take into account the specific calorific values of each of the Group's gas-producing reservoirs. The actual number of barrels of crude oil produced, shipped or sold may vary from the barrel equivalents of crude oil presented herein, as a tonne of heavier crude oil will yield fewer barrels than a tonne of lighter crude oil. The conversion of data for other companies in tonnes into barrels and from cubic feet into boe may be at different rates; and
- the Group has previously reported production volumes over particular periods on an average boepd basis. Historically, production volumes are the amount of hydrocarbons produced from the Group's processing facilities and are available for sale. These historical production volumes are presented in this Offering Memorandum other than for the nine month period ended 30 September, 2017. From 2017, the Group has changed its reporting of production volumes to fully capture the amount of raw hydrocarbons produced at the Chinarevskoye field before entering the Group's processing facilities. Thus the production volumes for the nine months ended 30 September 2017 presented herein are not directly comparable to the other periods presented. In addition, the Group will begin to report sales volumes, which reflect the actual volume of hydrocarbons sold during the relevant reporting period. The difference between production volumes and sales volumes results from technical losses incurred during the treatment process, a portion of dry gas production being re-directed for internal consumption at the Group's power generation facilities, input for gas lift infrastructure and other small losses incurred during transportation. Under the new reporting regime, the Group had average daily production volumes of 44,879 boepd for the nine months ended 30 September 2017 and average sales volumes of 39,600 boepd for the nine months ended 30 September 2017.
- for the year ended 31 December 2017, the Group has also reported production after treatment volumes, which are the overall amount of the Group's processed hydrocarbon products (crude oil, stabilised condensate, LPG and dry gas) available for sale before internal consumption and technical losses incurred during the gas treatment process. Based on management estimates, the Group has announced for the year ended 31 December 2017, production

volumes of 15,616 boepd of crude oil and condensate, 6,211 boepd of LPG and 21,367 boepd of dry gas, production after treatment volumes of 14,937 boepd of crude oil and condensate, 4,615 boepd of LPG and 19,647 boepd of dry gas and sold 15,292 boepd of crude oil and condensate, 4,618 boepd of LPG and 17,934 boepd of dry gas.

In respect of the Chinarevskoye Field, the Group has presented herein total gross proved and probable reserves data for the aggregate of crude oil, condensate, LPG and gas (before the terms of the Chinarevskoye production sharing agreement with the Republic of Kazakhstan). In respect of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields, the Group has presented herein total net probable reserves data for the aggregate of crude oil, condensate, LPG and gas (after the terms of the relevant subsoil use licences). This discrepancy is because, under the PSA in respect of the Chinarevskoye Field, the Group owns the gross reserves whereas the Group is only entitled to the net reserves pursuant to the subsoil use licences in respect of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. The 2017 Ryder Scott Report does not include total proved and probable reserves figures and the Group has determined these totals using the conversion rates above.

Investors should note that while the covenants included in the Indenture which will govern the Notes specifically puts controls on the disposal of the subsoil use licence (and related production sharing agreement) related to the Chinarevskoye oil and gas condensate field to any party other than the Issuer or a Guarantor, there is no equivalent restriction with respect to the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. See "*Description of Notes—Certain Definitions—Asset Disposition*".

Certain figures contained in this Offering Memorandum relating to hydrocarbon data, including information from the 2017 Ryder Scott Report, have been subject to rounding adjustments.

Discrepancies in Terminology

This Offering Memorandum and the 2017 Ryder Scott Report use different terminology. For example, the 2017 Ryder Scott Report refers to "plant products" in its reserves and resources estimates, whereas this Offering Memorandum refers to these reserves and resources as LPG, including propane and butane.

Third-Party Information Regarding the Group's Market and Industry

Statistical data and other information appearing in this Offering Memorandum relating to the oil and gas industry in the Republic of Kazakhstan have, unless otherwise stated, been extracted from documents and other publications released by the President of Kazakhstan, the Statistics Agency of Kazakhstan, the Ministry of Finance of Kazakhstan, the Ministry of Energy of Kazakhstan (the "**Competent Authority**"), the National Bank of Kazakhstan ("**NBK**") and other public sources in Kazakhstan, including the NBK's Annual Report, as well as from Kazakhstan press reports and publications and edicts and resolutions of the Kazakhstan Government, the World Bank and the International Monetary Fund. Some of the market and competitive position data has been obtained from U.S. government publications and other third-party sources, including publicly available data from the World Bank, the Economist Intelligence Unit, the annual BP Statistical Review of World Energy, as well as from Kazakhstan press reports and publications, and edicts and resolutions of the Kazakhstan Government. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

The information described above has been accurately reproduced and, as far as the Group is aware and has been able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Offering Memorandum the source of such information has been identified.

This Offering Memorandum contains illustrations and charts derived from the Group's internal information, which have not been independently verified unless specifically indicated.

EXCHANGE RATES

The following table sets forth for the periods indicated, the period high, period low, period average and period-end Bloomberg Composite Rates expressed in Tenge ("**KZT**") per U.S.$1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for a partial month, means the average of the daily Bloomberg Composite Rate during that month, or partial month, as the case may be.

	High	Low	Average	Period End
	(KZT per U.S. Dollar)			
Year ended 31 December:				
2017	344.85	310.18	326.15	332.03
2016	388.50	327.35	342.02	333.68
2015	346.25	182.51	223.26	340.60
2014	186.08	154.35	179.41	182.36
2013	154.52	150.23	152.22	154.38
2012	150.89	147.55	149.16	150.44
Month:				
August 2017	338.40	331.00	333.40	338.40
September 2017	341.38	335.07	339.45	340.43
October 2017	344.85	333.44	337.05	334.80
November 2017	335.30	330.04	332.23	331.09
December 2017	336.25	329.25	333.84	332.03
January 2018	333.16	320.09	326.60	322.84
February 2018 (through 8 February)	325.87	322.10	323.52	325.87

The Group's functional and presentational currency is the U.S. Dollar. The above rates may differ from the actual rates used in the preparation of Nostrum Oil & Gas PLC's financial information and other financial information appearing in this Offering Memorandum. The inclusion of these exchange rates is not meant to suggest that the Tenge amounts actually represent such U.S. Dollar amounts or that such amounts have been or could have been converted into U.S. Dollars at any particular rate, if at all.

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SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum about the offering and our business, financial performance and prospects. This summary does not contain all of the information that may be important to you in deciding to invest in the Notes and it is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum, including the section entitled "Risk Factors" and the financial statements and related notes contained in this Offering Memorandum before making an investment decision. Certain defined terms used in this Offering Memorandum are defined in the section entitled "Definitions".

Overview

Nostrum Oil & Gas PLC ("**Nostrum**") is an independent oil and gas enterprise engaged in the exploration and production of oil and gas products in North-Western Kazakhstan. Nostrum, through its indirectly wholly-owned subsidiary Zhaikmunai LLP, is the owner and operator of four fields in Kazakhstan, the Chinarevskoye Field and the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields. The Group's primary field and licence area, which has been the Group's sole source of production to date, is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin.

For the nine months ended 30 September 2017, the Group reported total revenue, EBITDA and net cash flows from operating activities of U.S.$303.7 million, U.S.$171.5 million and U.S.$135.2 million, respectively. For the year ended 31 December 2016, the Group reported total revenue, EBITDA and net cash flows from operating activities of U.S.$348.0 million, U.S.$194.3 million and U.S.$206.5 million, respectively. The Group had average daily production volumes of 44,879 boepd (and sales volumes of 39,600 boepd) and 40,351 boepd for the nine months ended 30 September 2017 and for the year ended 31 December 2016, respectively. Production in 2018 is expected to be flat over the year at approximately 37,000 boepd taking into account ongoing operational activities.

The Chinarevskoye Field, approximately 274 square kilometres in size, is located in the West-Kazakhstan Oblast, near the border between Kazakhstan and Russia, and close to the main international railway lines in and out of Kazakhstan as well as to several major oil and gas pipelines. The Group conducts its operations in the Chinarevskoye Field pursuant to a subsoil use licence (the "**Licence**") and an associated production sharing agreement ("**PSA**"). Based on the 2017 Ryder Scott Report, as at 1 January 2017, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 379.3 million boe, of which 144.1 million barrels was crude oil and condensate, 56.3 million barrels was LPG and 178.8 million boe was sales gas (reduced by production through 2017 which had average daily production volumes of 39,199 boepd).

Nostrum's operational facilities in the Chinarevskoye Field consist of an oil treatment unit currently capable of processing 400,000 tonnes per year of crude oil, multiple oil gathering and transportation lines including a 120 kilometre oil pipeline from the field to its oil loading rail terminal in Rostoshi near Uralsk, a 17 kilometre gas pipeline from the field to the Orenburg-Novopskov pipeline, which has been extended to connect to the KTO pipeline (with export volumes through the pipeline having begun in the third quarter of 2017), a gas powered electricity generation system, warehouse facilities, an employee field camp and a gas treatment facility. The first phase of the gas treatment facility, consisting of two gas treatment units, became fully operational in 2011 and has enabled Nostrum to produce marketable liquid condensate (a product lighter than Brent crude oil) and LPG from the gas condensate stream.

Following the successful completion of the first phase of its gas treatment facility, Nostrum commenced the building of a third unit of the gas treatment facility to increase the operating capacity and production of liquid hydrocarbons. Completion of the third unit of the gas treatment facility has been delayed from the expected completion date and is currently further delayed given the winter temperatures during which certain required hydro-testing cannot take place. Nostrum expects to be able to begin its tie in procedures in the second quarter of 2018 which will allow gas to go from the first two gas treatment units to the third unit of the gas treatment facility. This will require a three week shutdown of the first two gas treatment units, following which the commissioning period of approximately 60 days can take place. See *"—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*. Management estimates that when fully operational, the third unit will double the Group's current production capacity. Management currently estimates that the construction of this third unit will not exceed U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which has already been incurred as at 31 December 2017) and will be funded primarily by cash from operations.

On 24 May 2013, the Group notified the Competent Authority of the completion of the acquisition for U.S.$16 million of three oil and gas development fields, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, also located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field. These development fields are approximately 139 square kilometres in size. During the development phase, the Group will explore the three fields under short term exploratory licenses which are subject to periodic renewal. These licences have currently all expired but applications have been made for renewal. In 2016, the Group drilled one appraisal well in the

Rostoshinskoye field, which changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. According to the 2017 Ryder Scott Report, as at 1 January 2017, the estimated net probable hydrocarbon reserves at these three fields were 87.2 million boe and estimated contingent resources of 12.7 million boe of liquids and 202.5 billion cubic feet of sales gas.

Key Strengths

Management believes that the key strengths of the Group are as follows:

- *Substantial reserve base*

  According to the 2017 Ryder Scott Report, as at 1 January 2017, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 379 million boe. These estimated reserves comprise proven reserves of 147 million boe and probable reserves of 232 million boe. Oil and condensate amounted to 144 million barrels of proven and probable reserves, LPG to 56 million barrels and gas to 178 million barrels. The estimated net probable hydrocarbon reserves at the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields were 87 million boe as at 1 January 2017. In addition, according to the 2017 Ryder Scott report, the estimated contingent resources as of 1 January 2017 amount to 118 million boe of liquids and 622 billion cubic feet of sales gas at the Chinarevskoye Field and the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. All amounts above will have been reduced by production through 2017 which had average daily production volumes of 39,199 boepd.

- *Proven ability to develop and replace reserves*

  According to data included in reserves reports prepared by Ryder Scott, since 1 January 2004 Nostrum has increased its gross proved hydrocarbon reserves from 28 million boe to 147 million boe, as at 1 January 2017, as well as increasing its probable hydrocarbon reserves from 170 million boe to 232 million boe (including the gross probable reserves attributable to the Chinarevskoye Field and the net reserves attributable to the Rostoshinskoye, Darjinskoye and Yuzhno- Gremyachenskoye fields), as at 1 January 2017. This has been achieved through ongoing appraisal and exploration work on the Chinarevskoye Field overseen by the current management team, as well as the acquisition of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields.

  In 2016, Nostrum drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section also of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report.

  Nostrum has a strong track record of replacing its proven reserve base. Since the commissioning of Nostrum's gas treatment facility in 2011, Nostrum has achieved a proven reserve replacement ratio over 100%. The Group seeks to continue the replacement and expansion of its reserve base through appraisal work at Chinarevskoye and the three neighbouring fields. Organic reserve growth in these areas will be complimented by carefully considered acquisitions where appropriate. Management believes that the strategy described in *"—Current Trading and Recent Developments—Operational and Financial Update—Production Guidance"* if successfully executed, will enable Nostrum to achieve average daily production volumes of 100,000 boepd by the end of 2021. Furthermore, through the replacement and expansion of its reserve base at Chinarevskoye, the three neighbouring fields and any appropriate acquisitions, management believes such a strategy will provide Nostrum with the reserve base to maintain production from 2021 to the end of the Chinarevskoye licence (2031—2033), at a level of 100,000 boepd.

- *Strong track record of production growth within the Chinarevskoye Field with a further significant increase expected*

  Nostrum has a strong track record of successful exploration and production within the Licence area. Analysis by Nostrum personnel of 3-D seismic surveys covering the entire Chinarevskoye Field has allowed Nostrum to position wells effectively. In addition, management has deployed advanced drilling techniques to exploit the Biski-Afoninski reserves which are located in vertically and horizontally fragmented segments including drilling deep wells (between approximately 5,000 to 5,500 metres), drilling multiple wells and undertaking horizontal drilling (up to 1,000 metres). Further, primarily as a result of the first phase of the gas treatment facility reaching design capacity by the end of 2012, hydrocarbon production volumes increased to an average of 40,351 boepd for the year ended 31 December 2016, an increase of 9.2% compared to an average of 36,940 boepd for the year ended 31 December 2012. Hydrocarbon production volumes for the nine months ended 30 September 2017 was an average of 44,879 boepd (and sales volumes of 39,600 boepd). Production in 2018 is expected to be flat over the year at around 37,000 boepd, taking into account the time it will take to bring the two new production wells currently being drilled on line in addition to the three week shutdown to link the first two gas treatment units to the third unit of the gas treatment facility in the second quarter of 2018. Management estimates that the average production will reach 50,000 boepd in 2019 assuming three drilling rigs will be used during all of the year, 65,000 boepd in 2020 assuming an increase to five rigs at the field and increasing the drilling rig count to six during 2021 will allow drilling of up to 16 new wells per year with successive increase of production reaching 100,000 boepd. Nostrum currently plans to employ the same exploration and production methods it uses within the Chinarevskoye Field at its three new development fields.

- *Advantageous location to access export infrastructure*

  Nostrum's facilities are located in western Kazakhstan approximately 10 kilometres from the Russian border, which reduces overall transportation distances from the Group's production operations to ultimate purchasers of its oil in European markets (as compared to other Kazakhstan oil and gas producers). In addition, Nostrum's operations are located close to various transportation routes, being 17 kilometres from the Orenburg-Novopskov gas pipeline and less than 100 kilometres from rail links and the Atyrau-Samara oil pipeline. Nostrum's oil pipeline from its field to its rail terminal in Rostoshi near Uralsk gives Nostrum direct access to the rail terminal and an option for a direct connection to the export pipeline to Samara which is crossed by the Group's pipeline. Nostrum's closer proximity to export infrastructure compared with other Kazakhstan oil and gas producers provides it with a competitive advantage and allows it to benefit from reduced transportation costs. In addition, during 2016 Nostrum concluded commercial negotiations and in 2017 completed construction of a secondary crude oil pipeline to enable export sales via the Atyrau-Samara international export pipeline, by connecting the current Nostrum pipeline to the KTO pipeline (with export volumes through the pipeline having begun in the third quarter of 2017). The KTO pipeline will substantially reduce Nostrum's crude oil transportation costs and enhance the Nostrum's ability to manage crude oil netbacks through the commodity cycle. The total cost of the pipeline did not exceed U.S.$7 million.

- *Stable tax and royalty payment terms under the PSA and strong relationship with regulators and authorities*

  The Group currently benefits from a relatively stable tax and royalty payment burden under the PSA for the Chinarevoskoye field as the terms of the PSA have been "grandfathered" from its signing in 1997. As such, the terms of the PSA allow Nostrum to estimate the Kazakhstan Government's share of production revenue with reasonable certainty (although the Kazakhstan Government could seek to restrict or amend such "grandfathering"—see "*Risk Factors—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government*"). The Group has amended the terms of the PSA on fourteen previous occasions and the Group is regularly in discussions with regulators about the terms of the PSA and issues that impact the Group's operations.

- *Management of balance sheet and cost control*

  Nostrum prudently manages its balance sheet while still positioning itself for successful future operations. As of 30 September, 2017, the Group had U.S.$144.4 million of cash on its balance sheet as of 30 September 2017 (and announced an estimated cash position in excess of U.S.$127.0 million as at 31 December 2017) with an oil price hedge in place until December 2017. In addition, in January 2018, the Group entered into an oil price hedge which runs until December 2018. These actions ensure continued cash flows to fund capital expenditures. During recent periods of low oil prices, the Group has continued to construct its new gas treatment unit in order to progress to its next production volume stage, while still maintaining a strong cash position.

  Operating expenditure per barrel has been reduced to below U.S.$4 per barrel in 2016, a reduction of approximately 12% compared to 2015. This was achieved through adherence to the Group's cost cutting program and also the continued devaluation of the Tenge over the period. The Group was further able to reduce costs in 2016 by scaling back its drilling programme. The Group added three instead of seven wells, on time and on budget, at approximately U.S.$11 million per well to meet production targets and ensure that the two existing gas treatment units were operating at full capacity by the end of 2016. This followed a successful cost cutting programme implemented in response to a decline in oil prices throughout 2015.

- *Strong and highly experienced management team*

  The Group benefits from management with significant experience in the oil and gas sector in general, and Kazakhstan in particular. Nostrum's Chief Executive Officer has worked in the oil and gas industry since 1985, including approximately 11 years' experience working in emerging markets for the Gaz de France group. In addition, Nostrum has experienced senior managers in key departments, including geology, drilling, production and engineering, with significant years of experience in the oil and gas industry.

- *High quality crude oil*

  The crude oil produced by Nostrum is a high quality "sweet" crude oil with an average API gravity of 42-43° and a low sulphur content of approximately 0.4%. The high quality of its crude oil allows Nostrum to sell its crude oil at a smaller discount to Brent crude than other oil producers in the region.

Business Strategy

Nostrum's long-term objective is to further consolidate its position as one of the leading independent oil and gas companies in Kazakhstan. The first phase of development of the Chinarevskoye Field has now been completed. Its infrastructure, including the first phase of development of the gas treatment facility consisting of two units, is fully operational and average daily production volumes averaged 44,879 boepd for the nine-month period ending 30 September 2017 (and sales volumes of 39,600 boepd). Production in 2018 is expected to be flat over the year at approximately 37,000 boepd taking into account ongoing operational activities.

The Group has commenced the construction of a third unit for the gas treatment facility as part of the development of the Chinarevskoye Field. Nostrum expects the third unit of the gas treatment facility to be completed on the completion schedule discussed in *"—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"* and estimates that when fully operational, the third unit will double the Group's current production capacity. In addition, the Group has opportunities for further expansion of operations through the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields. Together, the three fields contain estimated probable hydrocarbon reserves of 87.2 million boe. Contingent resources estimated as of 1 January 2017 amount to 12.7 million boe of liquids and 202.5 billion cubic feet of sales gas. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

The constituents of the Group's strategy in delivering the future growth potential of the Group comprise:

- *Delivering Organic Production Growth*

  The Group aims to double production levels from the Chinarevskoye Field by the end of 2021. To enable this, it is constructing a third unit for the gas treatment facility in the vicinity of the existing two units, each with the capacity to treat 850 million cubic metres of raw gas per year (total 1.7 billion cubic metres). The Group plans for the third unit to increase production capacity by 2.5 billion cubic metres of gas, bringing the total capacity of the gas treatment facility to 4.2 billion cubic metres of gas annually once all three units are fully operational. The Group has benefited from the technical expertise and significant experience gained from the construction of the first two units of the gas treatment facility in the construction of the third unit.

  The development and construction plan for the third unit of the gas treatment facility includes the front end engineering design, the selection of third parties, construction, commissioning and production ramp-up. The target completion date was revised from 2016 to 2017 in order to phase construction payments to match the proceeds received under Nostrum's oil hedging contract, which was in place until December 2017 (and has now been renewed with a new oil hedge until December 2018) and has been further revised for the completion schedule discussed in *"—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*.

  Management estimates that the capital expenditure required to build the third unit of the gas treatment facility will not exceed U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which had already been incurred as at 31 December 2017) and the unit is planned to be fully funded from operational cash flow which will also cover items such as renewing and expanding the oil treatment facility. Management believes that all other existing infrastructure owned and operated by the Group, such as pipelines and rail terminals, has sufficient capacity to accommodate double the Group's current production levels, to over 100,000 boepd in due course.

  Once the third unit of the gas treatment facility is operational, the focus of the Group will move towards ramping up the drilling programme in order to fill the gas treatment facility. The 2017 Ryder Scott Report estimates, that under the existing oil price environment, the Group will need to drill 50 to 60 wells to ramp up average daily production volumes to 100,000 boe per day by the end of 2020. In 2017, the Group has drilled seven new wells. Under the existing oil price environment, the current drilling plan foresees drilling up to nine wells (four production wells and up to five appraisal wells) in 2018. As of the date of this Offering Memorandum, management estimates that the average production will reach 50,000 boepd in 2019, assuming three drilling rigs will be used during all of the year, 65,000 boepd in 2020, assuming an increase to five rigs at the field, and increasing the drilling rig count to six during 2021 will allow drilling of up to 16 new wells per year with successive increase of production reaching 100,000 boepd.

- *Actively Pursuing Reserve Growth*

  The 2017 Ryder Scott Report reported estimated gross proved reserves of 147 million boe as at 1 January 2017 (reduced by production through 2017 which had average daily production volumes of 39,199 boepd). During 2016 this represented a proved reserve replacement ratio of 97%, notwithstanding a reduction in the drilling programme over the first three quarters of 2016 in response to the oil price environment. The Group's ongoing appraisal programme will focus on the Chinarevskoye Field's probable reserves (232 million boe as at 1 January 2017) and the ongoing appraisal of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields. Nostrum's long-term target is to increase the Group's proved reserves base to up to 700 million boe, by converting existing probable reserves, adding reserves from the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields and potential further acquisitions.

  In addition, Nostrum currently estimates that it will cost approximately U.S.$55 million to conduct the necessary appraisal activities for the appraisal and development of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields, which commenced in 2013, initially through 3D seismic acquisition. In 2016, Nostrum drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. The results of the reserves report will determine the development programme as well as provide greater detail on reservoir size and fluid composition. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

  The 2017 production drilling programme completed three gas condensate wells. However, in the course of the year two producing wells became unproductive due to uncontrollable water influx. Therefore, as at 31 December 2017, the Group remains with the same number of 19 active gas condensate wells as in the beginning of the year. As at 31 December 2017, the Group's oil production came from 21 oil wells, with two further oil wells having been suspended during the year because of uneconomic production rates.

- *Ramp-up Drilling Programme*

  The Group's drilling strategy balances the aims of exploratory and appraisal drilling to convert probable into proven reserves and the drilling of production wells to meet the Group's production targets and utilise the available capacity of the Group's oil and gas treatment facilities, while not jeopardising the Group's financial position. The scale of the Group's drilling programme will be contingent upon the prevailing oil price environment, allowing the Group to maintain financial flexibility during periods of volatility and increase activities if there is a material increase in prices. The drilling programme will be designed and planned to meet the production targets referred to in *"—Current Trading and Recent Developments—Operational and Financial Update—Production Guidance"*, including the planned ramp-up of production to 100,000 boepd.

- *Developing a Multi-Field Model*

  The Group is also pursuing a strategy of growth through value-accretive acquisitions. This is in line with its desire to leverage existing infrastructure to add further reserves at low finding costs. The acquisition of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields, all of which are located between 60 kilometres and 120 kilometres from the existing gas treatment facility, for total consideration of U.S.$16 million, represented the first such acquisition pursuant to this strategy. The acquisition of data on these three fields commenced in 2013 and appraisal on the Rostoshinskoye (the largest of the three fields) concluded in 2016. The testing of the appraisal well which was drilled on the Rostoshinskoye field during 2016 was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report.

  The Group evaluates opportunities for acquisitive growth on a continuous basis, with a focus on North-Western Kazakhstan where practicable, but it will also consider opportunities in the surrounding regions. Having appraised, developed and produced both crude oil and gas condensate in North-Western Kazakhstan for over a decade, Nostrum has accumulated a considerable amount knowledge of both the Chinarevskoye asset and also the surrounding regional geology, which it seeks to leverage to enhance its commercial reserve base and to achieve the Group's average daily production volumes described in *"—Current Trading and Recent Developments—Operational and Financial Update—Production Guidance"*. Nostrum will continue to look for further acquisitions which have the potential to further improve Group value.

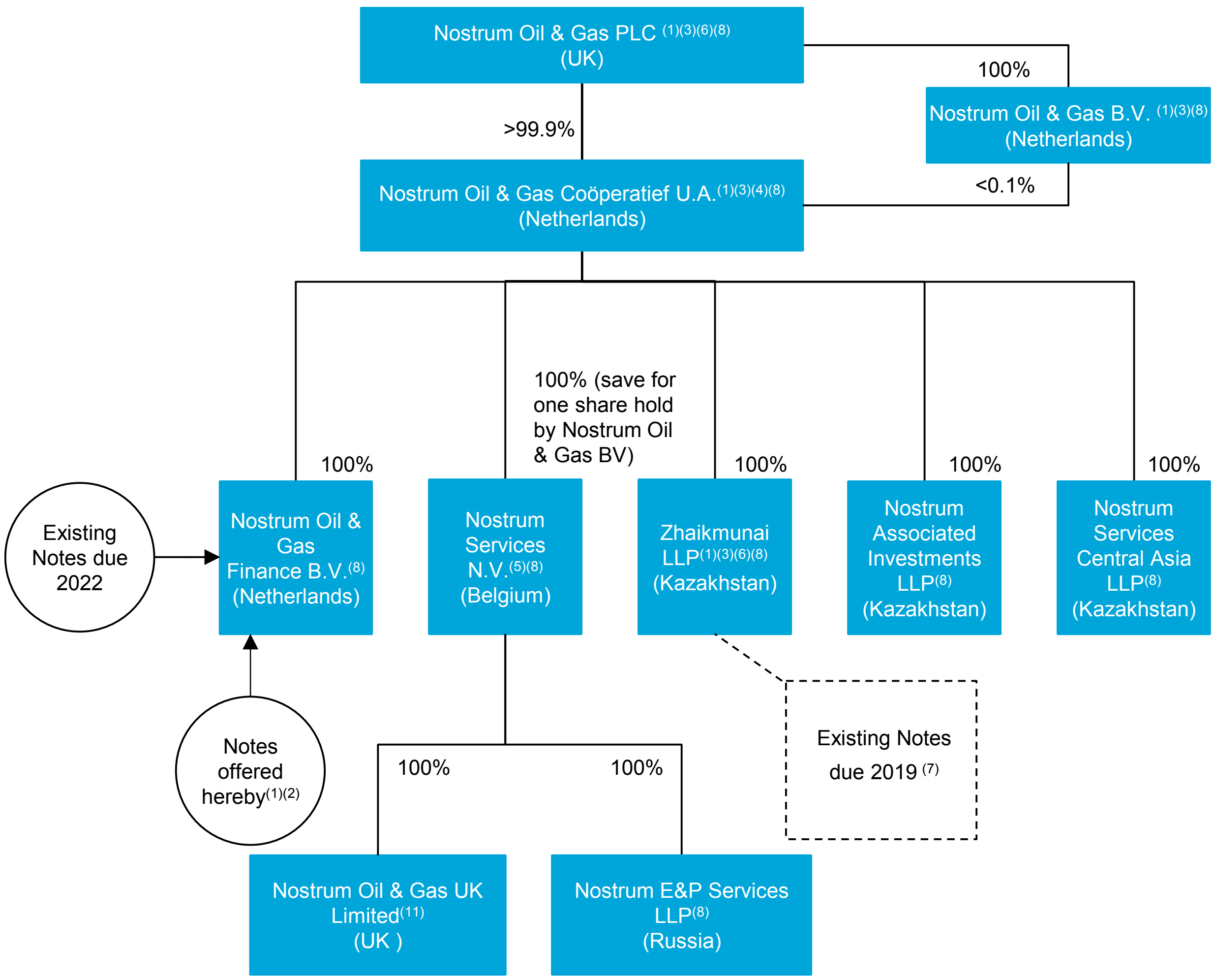
- *Making Sustainable Development a Priority*

  The Group's long presence in Kazakhstan has led to a natural, gradual and ambitious involvement in sustainable development. Over the years, it has built a comprehensive corporate social responsibility roadmap comprised of employee security and welfare, investment in community building and environmental protection and reporting. Each of these priorities is now taken up in the overall yearly management plan and monitored against specific voluntary as well as compliance objectives. As such, the Group continues to strive to improve and implement new policies each year in order to integrate further sustainability in all of its operations.

The Group sees corporate social responsibility as an important indicator of non-financial risk and is regularly developing internal best practices to improve its standards. This is an important standalone part of Nostrum's strategy while it is also complementary to all of the other strategic initiatives. Sustainable development remains a priority for the Group going forward.

Corporate Structure

The following chart shows a simplified summary of the corporate and financing structure of Nostrum and its subsidiaries adjusted to give effect to the offering of the Notes.



(1) The Notes will be guaranteed by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V.

(2) The Issuer expects to receive net proceeds (excluding transaction costs and expenses) of U.S.$397.3 million from the Offering.

(3) Each Guarantor, other than Nostrum Oil & Gas PLC, the Group's holding company, is a wholly-owned subsidiary of the Group.

(4) Nostrum Oil & Gas Coöperatief U.A. is a direct, 99.9% owned, subsidiary of Nostrum Oil & Gas PLC and, is directly owned 0.1% by Nostrum Oil & Gas B.V.

(5) Nostrum Services N.V. is directly owned by Nostrum Oil & Gas Coöperatief U.A., save for one share held by Nostrum Oil & Gas BV

(6) Zhaikmunai LLP is the sole operating subsidiary of Nostrum Oil & Gas PLC and owns substantially all of the assets of the Group.

(7) The Existing Notes due 2019 repurchased by the Group using the proceeds of the Notes and Existing Notes due 2019 previously purchased in the Tender Offer will be left outstanding and used for intra-group cashflows.

(8) All of the outstanding Existing Notes due 2019 not held by the Group will be called as part of the Offering.

(9) As of 31 December 2016, Zhaikmunai LLP had EBITDA of U.S.$211.7 million, which represented 109.0% of EBITDA of the Group, and had net assets of U.S.$592.8 million which represented 85.7% of the net assets of the Group. As of 31 December 2016, the Guarantors had an aggregated EBITDA of U.S.$190.7 million, which represented 98.1% of the consolidated EBITDA of the Group and, had aggregated net assets of U.S.$828.2 million which represented 119.7% of the consolidated net assets of the Group. As of 31 December 2016, the members of the Group that are not Guarantors had aggregated EBITDA of U.S.$3.6 million, which represented 1.9% of the consolidated EBITDA of the Group, and had aggregated net assets of U.S.$(136.2) million which represented (19.7)% of the consolidated net assets of the Group. The Issuer was not incorporated until 31 March 2017. Zhaikmunai LLP's EBITDA and assets are larger as compared to the EBITDA of the Group because it does not include certain expenses specific to the parent company of the Group, Nostrum Oil & Gas PLC.

The Offering

The summary below describes the principal terms of this Offering. The "*Description of Notes*" section of this Offering Memorandum contains a more detailed description of the Notes, including the definitions of certain terms used in this summary.

Issuer	Nostrum Oil & Gas Finance B.V. (the "**Issuer**"), a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or *B.V.*) under and subject to the laws of the Netherlands and a wholly owned subsidiary of Nostrum Oil & Gas Coöperatief U.A. The Issuer was formed in March 2017 and has no revenue-generating operations of its own. The Issuer conducts no business or operations and has no significant assets, other than the Existing Notes due 2019 (or, any on-loan of any proceeds available for general corporate purposes to another Group member) and certain hedging receivables. The Issuer's ability to service its indebtedness, including the Notes, is entirely dependent upon the receipt of intra-group funds under the Existing Notes due 2019 or otherwise. The Issuer's registered office is Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.
Guarantors	Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "**Guarantors**").
Notes Offered	U.S.$400,000,000 aggregate principal amount of 7.000% senior notes due 2025 (the "**Notes**").
Issue Date	16 February 2018.
Maturity Date	16 February 2025.
Interest Payment Dates	Interest will be payable in cash semi-annually in arrear on 16 February and 16 August of each year, beginning on 16 August 2018.
Ranking of the Notes	The Notes will be the senior unsecured obligations of the Issuer and: • will rank senior in right of payment to all existing and future subordinated indebtedness of the Issuer; • will rank equal in right of payment with all existing and future senior indebtedness of the Issuer, including the Existing Notes, without giving effect to collateral arrangements, and • will rank effectively junior to all existing and future indebtedness of the Issuer secured by property or other assets to the extent of the value of such property or assets.
Guarantees	The Notes will be jointly and severally, fully and unconditionally guaranteed on a senior basis (the "**Guarantees**") by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect limitations under applicable law, including, but not limited to, with respect to commercial benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors. Each Guarantor other than Zhaikmunai LLP is a special purpose financing vehicle or a holding company which currently does not conduct operations, and the only significant assets of such Guarantors are the shares or participation interests of their subsidiaries. Zhaikmunai LLP is the only operating subsidiary in the restricted group and owns most of the assets of the Group. Each Guarantor, other than Nostrum Oil & Gas PLC,

	the Group's holding company, is a wholly-owned subsidiary of the Group.
	See "*Description of Notes—Notes Guarantees*" and "*Risk Factors—Risks Related to the Notes and Guarantees—Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees*".
Ranking of the Guarantees	Each Guarantee of the Notes will be a senior unsecured obligation of the respective Guarantor and: • will rank senior in right of payment to all existing and future subordinated indebtedness of that Guarantor; • will rank equal in right of payment to all existing and future senior indebtedness of that Guarantor, including the Existing Notes, without giving effect to collateral arrangements; • will rank effectively subordinated to all existing and future obligations and other liabilities (including trade payables) of Nostrum's subsidiaries that are not Guarantors; and • will rank effectively junior to all existing and future indebtedness of such Guarantor secured by property or assets to the extent of the value of such properly or assets.
	As of 30 September 2017, on a *pro forma* basis after giving effect to this Offering and the use of proceeds therefrom, the Group has approximately U.S.$1.1 billion of outstanding indebtedness, including U.S.$400 million of the Notes and U.S.$725 million of the Existing Notes due 2022.
Use of Proceeds	The Issuer expects to receive net proceeds (excluding transaction costs and expenses) of U.S.$397.3 million from the Offering. The Issuer intends to use the proceeds from this Offering to pay the call price for the Existing Notes due 2019 not held by the Group as well as transaction fees and expenses. The Issuer will also retain approximately U.S.$30.8 million from the Offering to use for general corporate purposes.
Optional Redemption	The Issuer may redeem the Notes: • in whole or in part at any time on or after 16 February 2021 at the redemption prices described in this Offering Memorandum, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (see "*Description of Notes—Optional redemption*"); • at any time and from time to time prior to 16 February 2021in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more equity offerings, at a redemption price equal to 107.000% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, provided that at least 65% of the original principal amount of the Notes issued on the issue date remains outstanding immediately after each such redemption (see "*Description of Notes—Optional redemption*"); • in whole, but not in part, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, in the event of specified developments affecting taxation; and • in whole or in part at any time prior to 16 February 2021 at a redemption price equal to 100% of the principal amount

thereof plus the applicable "make-whole" premium described in this Offering Memorandum, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (see "*Description of Notes—Optional redemption*").

Certain U.S. Federal Income Tax Considerations	For a discussion of the material tax consequences of an investment in the Notes, see "*Taxation—United States Federal Income Tax Considerations*".
Additional Amounts	Any payments made by or on behalf of the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If the Issuer or a Guarantor, or another person on its behalf, is required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, the Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See "*Description of Notes—Additional Amounts*".
Asset Sale	The Issuer will be required to offer to purchase the Notes with excess proceeds, if any, following certain asset sales at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. See "*Description of Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".
Change of Control	Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of the purchase. See "*Description of Notes—Change of Control*".
Restrictive Covenants	The indenture governing the Notes and the Guarantees (the "**Indenture**") will, among other things, restrict the ability of Nostrum Oil & Gas PLC and its restricted subsidiaries (including the Issuer) to: • borrow additional money; • pay dividends, redeem or repurchase share capital or make other distributions; • make principal payments on or redeem or repurchase indebtedness that is junior to the Notes or the Guarantees; • make certain investments; • create liens; • guarantee additional indebtedness; • create restrictions on restricted subsidiaries' ability to pay dividends or other amounts to Nostrum Oil & Gas PLC or its restricted subsidiaries; • enter into transactions with affiliates; or • sell assets or consolidate or merge with or into other companies. Each of the covenants is subject to significant exceptions and qualifications.
Form and Denomination	The Notes will be issued only in registered form and in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of

	U.S.$200,000. Notes in denominations of less than U.S.$200,000 will not be available.
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". Holders of the Notes will not have the benefit of any registration rights.
No Prior Market	The Notes will be new securities for which there is no market. Although the Initial Purchasers have informed the Issuer that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, the Issuer cannot assure you that an active trading market for the Notes will develop or be maintained.
Listing	Application has been made to list the Notes on the Official List of the Irish Stock Exchange and for the Notes to be admitted to trading on the Global Exchange Market in accordance with the rules of that exchange.
Governing Law of the Indenture, Notes and Guarantees and jurisdiction	New York.
	Each of the parties shall submit to arbitration with respect to disputes provided that at the sole option of the Trustee, any suit, action or proceeding relating to a dispute may be instituted in any State or U.S. federal court in The City of New York and County of New York.
Trustee	Citibank, N.A., London Branch.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
New York Paying Agent	Citibank, N.A.
Registrar	Citigroup Global Markets Deutschland AG.
Listing Agent	Arthur Cox Listing Services Limited.

Risk Factors

Investing in the Notes involves substantial risks and uncertainties. Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

Summary of Financial Information and Operating Data

The tables below provide summary historical financial information in respect of the Group for the nine months ended 30 September 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014. The summary historical financial information has been derived from the unaudited interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2017, the audited consolidated financial statements of the Group for the years ended 31 December 2016, 2015 and 2014.

Investors should read the whole of this Offering Memorandum and not rely solely on this summarised information.

Nostrum Oil & Gas PLC is also presenting unaudited consolidated financial information for Nostrum Oil & Gas PLC and its subsidiaries for the twelve months ended 30 September 2017. The unaudited consolidated financial information for the twelve months ended 30 September 2017 is calculated by taking the results of operations for the nine months ended 30 September 2017 and adding to it the difference between the results of operations for the full year ended 31 December 2016 and the historical nine months ended 30 September 2016. The unaudited consolidated financial information for the twelve months ended 30 September 2017 have been prepared for illustrative purposes only and is not necessarily representative of the results of operations of Nostrum Oil & Gas PLC for any future period or our financial condition at any future date.

Consolidated Income Statement

	Nine months ended 30 September		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
			(U.S.$ thousands)		
Revenue					
Revenue from export sales	192,414	173,722	244,586	426,764	676,064
Revenue from domestic sales	111,300	71,342	103,397	22,138	105,814
Total	**303,714**	**245,064**	**347,983**	**448,902**	**781,878**
Costs of sales	(146,259)	(145,827)	(199,455)	(186,567)	(221,921)
Gross profit	**157,455**	**99,237**	**148,528**	**262,335**	**559,957**
General and administrative expenses	(27,869)	(27,933)	(37,982)	(49,309)	(54,878)
Selling and transportation expenses	(52,016)	(55,504)	(75,681)	(92,970)	(122,254)
Finance costs	(49,616)	(32,315)	(44,474)	(45,998)	(61,939)
Finance costs—reorganisation	—	—	—	(1,053)	(29,572)
Employee share option plan fair value adjustment	632	2,323	99	2,165	3,092
Foreign exchange(loss), net	(435)	(695)	(390)	(21,200)	(4,235)
(Loss)/gain on derivative financial instruments	(6,627)	(46,750)	(63,244)	37,055	60,301
Interest income	305	353	461	515	986
Other income	9,373	7,225	9,841	11,296	10,086
Other expenses	(21,690)	(6,416)	(1,656)	(30,560)	(49,844)
(Loss)/profit before income tax	**9,512**	**(60,475)**	**(64,498)**	**72,276**	**311,700**
Income tax expense	**(33,371)**	**(3,786)**	**(17,407)**	**(166,641)**	**(165,275)**
(Loss)/Profit for the period	**(23,859)**	**(64,261)**	**(81,905)**	**(94,365)**	**146,425**
Total comprehensive(loss)/profit for the period	**(23,055)**	**(64,117)**	**(81,975)**	**(94,821)**	**146,425**

Consolidated Balance Sheet

	As at 30 September	**As at 31 December**		
	2017	**2016**	**2015**	**2014**
		(U.S.$ thousands)		
ASSETS				
Exploration and evaluation assets	45,821	44,271	36,917	24,380
Goodwill	32,425	32,425	32,425	32,425
Property, plant and equipment	1,899,518	1,807,768	1,605,756	1,442,157
Restricted cash	6,360	5,981	5,375	5,024
Advances for non-current assets	15,138	28,676	130,660	134,355
Derivative financial instruments	—	—	43,005	60,301
Non-current assets	**1,999,262**	**1,919,121**	**1,854,138**	**1,698,642**
Inventories	29,150	28,326	28,951	25,443
Trade receivables	34,210	29,052	31,337	30,110

	As at 30 September	As at 31 December		
	2017	2016	2015	2014
	(U.S.$ thousands)			
Prepayment and other current assets	23,239	21,171	27,411	39,642
Derivative financial instruments	31	6,658	54,095	—
Income tax prepayment	13	1,062	26,926	13,925
Current investments	—	—	—	25,000
Cash and cash equivalents	144,390	101,134	165,560	375,443
Current assets	**231,033**	**187,403**	**334,280**	**509,563**
Total assets	**2,230,295**	**2,106,524**	**2,188,418**	**2,208,205**
EQUITY AND LIABILITIES				
Share capital	3,203	3,203	3,203	3,203
Treasury capital	(1,660)	(1,846)	(1,888)	(1,888)
Retained earnings and reserves	668,211	690,617	772,441	916,365
Share capital and reserves	**669,754**	**691,974**	**773,756**	**917,680**
Long-term borrowings	1,055,196	943,534	936,470	930,090
Abandonment and site restoration provision	20,909	19,635	15,928	20,877
Due to government of Kazakhstan	5,466	5,631	5,777	5,906
Deferred tax liability	344,648	344,689	347,769	206,784
Non-current liabilities	1,426,219	1,313,489	1,305,944	1,163,657
Current portion of long-term borrowings	16,883	15,518	15,024	15,024
Trade payables	59,180	43,320	41,463	49,619
Employee share option plan	3,553	4,339	4,284	6,449
Advances received	893	1,810	245	2,670
Income tax payable	17,064	1,124	1,692	1,459
Current portion of due to government of Kazakhstan	1,031	1,289	1,031	1,031
Other current liabilities	35,718	33,661	44,979	50,616
Current liabilities	**134,322**	**101,061**	**108,718**	**126,868**
Total equity and liabilities	**2,230,295**	**2,106,524**	**2,188,418**	**2,208,205**

Consolidated Cash Flow Data

	Nine months ended 30 September		Year ended 31 December		
	2017	2016	2016	2015	2014
	(U.S.$ thousands)				
Net cash flow from operating activities	135,231	132,480	206,531	153,257	349,122
Net cash used in investing activities	(134,568)	(157,368)	(204,760)	(245,317)	(304,549)
Net cash (used in)/ provided by financing activities	41,916	(46,387)	(66,323)	(115,864)	147,462

Financial Data

	As at and for the nine months ended 30 September	As at and for the year ended 31 December		
	2017	2016	2015	2014
	(U.S.$ thousands)			
Total debt (U.S.$ thousands)	1,072,079	959,052	951,494	945,114
Net debt[(1)] (U.S.$ thousands)	921,329	851,937	780,559	539,647
EBITDA[(2)] (U.S.$ thousands)	171,537	194,266	229,407	494,694
Total debt/LTM EBITDA[(3)]	**4.8x**	**4.9x**	**4.1x**	**1.9x**
Net debt/LTM EBITDA[(3)]	**4.1x**	**4.4x**	**3.4x**	**1.1x**
Adjusted interest expenses[(4)] (U.S.$ thousands)	73,858	71,780	71,782	77,959
EBITDA/Adjusted interest expenses	**2.3**	**2.7**	**3.2**	**6.3**
Revenue (U.S.$ thousands)	303,714	347,983	448,902	781,878
Revenue/Net debt	**0.3x**	**0.4x**	**0.6x**	**1.4x**
Total debt/Equity[(5)]	**1.6x**	**1.4x**	**1.2x**	**1.0x**

(1) Net debt comprises of total debt less cash and cash equivalents, restricted cash and short-term and non-current investments.

(2) See "*—Other Financial and Operating Data*".
(3) Total debt/LTM EBITDA and Net debt/LTM EBITDA is calculated using Total debt and Net debt respectively as at the stated period ends divided by the EBITDA for the last twelve month period ("**LTM EBITDA**"). LTM EBITDA as at the nine months ended 30 September 2017 (U.S.$223,186 thousand) is calculated as the sum of EBITDA for the nine months ended 30 September 2017 (U.S.$171,537 thousand) and EBITDA for the year ended 31 December 2016 (U.S.$194,266 thousand) less EBITDA for the nine months ended 30 September 2016 (U.S.$142,617 thousand).
(4) Adjusted interest expenses represent interest expense on borrowings on the income statement as well as capitalised interest expense on borrowings.
(5) Equity means share equity and capital reserves.

Other Financial and Operating Data

	Nine months ended 30 September		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(U.S.$ thousands)				
EBIT(1)(2) (U.S.$ thousands)	77,570	42,998	62,063	120,056	382,825
EBITDA(1)(3) (U.S.$ thousands)	171,537	142,617	194,266	229,407	494,694
Average production volume (boepd)(4)	44,879	38,901	40,351	40,391	44,400

(1) As presented in this Offering Memorandum, "**EBITDA**" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, cash received from hedging contract (net), employee share option plan expense, depreciation, depletion and amortisation, interest income, finance costs, reorganisation costs, other expenses/(income) and "**EBIT**" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, cash received from hedging contract (net), employee share option plan, interest income, finance costs, reorganisation costs, and other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as cash flow from operating activities as a measure of the Group's profitability or liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although Nostrum Oil & Gas PLC does not currently employ EBITDA as a measure for internal valuations, Nostrum Oil & Gas PLC presents EBITDA in this Offering Memorandum because Nostrum Oil & Gas PLC believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. Nostrum Oil & Gas PLC presents EBIT because Nostrum Oil & Gas PLC believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance due to the costs it incurs for depreciation.

Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in isolation from, or as a substitute for, analysis of Nostrum Oil & Gas PLC's results of operations. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect gains or losses in derivative financial instruments or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way Nostrum does, limiting its usefulness as a comparative measure.

(2) The following table provides a reconciliation of EBIT to profit before income tax for the periods indicated:

	Nine months ended 30 September	Year ended 31 December

	2017	2016	2016	2015	2014
			(U.S.$ thousands)		
(Loss)/Profit before income tax	9,512	(60,475)	(64,498)	72,276	311,700
Add back:					
Finance costs	49,616	32,315	44,474	45,998	61,939
Reorganisation costs[(a)]	—	—	—	1,053	29,572
Cash received from hedge contract (net)[(b)]	—	27,198	27,198	—	—
Foreign exchange loss/net	435	695	390	21,200	4,235
(Loss)/gain on derivative financial instrument	6,627	46,750	63,244	(37,055)	(60,301)
Employee share option plan	(632)	(2,323)	(99)	(2,165)	(3,092)
Interest income	(305)	(353)	(461)	(515)	(986)
Net other expenses/(income)[(c)]	12,317	(809)	(8,185)	19,264	39,758
EBIT	**77,570**	**42,998**	**62,063**	**120,056**	**382,825**

(a) The reorganisation costs are represented by the costs associated with the introduction of Nostrum as the new holding company of the Group and the respective reorganisation that took place in June 2014.

(b) Cash received from hedge contract represents the cash proceeds from the long-term hedging contract which in accordance with IAS7 Statement of Cash Flows are included within operating cash flows. While this item is not required to be presented in the Consolidated Income Statement, we have included this in our definition of EBIT and EBITDA in order to better align these non-GAAP measures with our operating cash flows. During the years ended 31 December 2014 and 2015 the impact of cash received from hedging contracts (net) was not material and therefore is not reflected in the above table.

(c) Other expenses mainly represent export duties paid by the Group. The export duties represent custom duties for the export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc. Other expenses for the reporting period also include fines and penalties amounting to U.S.$2.6 million, which were the result of court decisions.

(3) The following table provides a reconciliation of EBITDA to profit before income tax for the periods indicated:

	Nine months ended 30 September		**Year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
			(U.S.$ thousands)		
(Loss)/Profit before income tax	9,512	(60,475)	(64,498)	72,276	311,700
Add back:					
Finance costs	49,616	32,315	44,474	45,998	61,939
Reorganisation costs[(a)]	—	—	—	1,053	29,572
Cash received from hedge contract (net)[(b)]	—	27,198	27,198	—	—
Foreign exchange loss/net	435	695	390	21,200	4,235
(Loss)/gain on derivative financial instrument	6,627	46,750	63,244	(37,055)	(60,301)
Employee share option plan	(632)	(2,323)	(99)	(2,165)	(3,092)
Depreciation, depletion and amortisation	93,967	99,619	132,203	109,351	111,869
Interest income	(305)	(353)	(461)	(515)	(986)
Net other expenses/(income)[(c)]	12,317	(809)	(8,185)	19,264	39,758
EBITDA	**171,537**	**142,617**	**194,266**	**229,407**	**494,694**

(a) The reorganisation costs are represented by the costs associated with the introduction of Nostrum as the new holding company of the Group and the respective reorganisation that took place in June 2014.

(b) Cash received from hedge contract represents the cash proceeds from the long-term hedging contract which in accordance with IAS7 Statement of Cash Flows are included within operating cash flows. While this item is not required to be presented in the Consolidated Income Statement, we have included this in our definition of EBIT and EBITDA in order to better align these non-GAAP measures with our operating cash flows. During the years ended 31 December 2014 and 2015 the impact of cash received from hedging contracts (net) was not material and therefore is not reflected in the above table.

(c) Other expenses mainly represent export duties paid by the Group. The export duties represent custom duties for the export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc. Other expenses for the reporting period also include fines and penalties amounting to U.S.$2.6 million, which were the result of court decisions.

(4) From 2017, the Group has changed its reporting of production volumes to fully capture the amount of raw hydrocarbons produced at the Chinarevskoye field before entering the Group's processing facilities. Under the new reporting regime, the Group had average daily production volumes of 44,879 boepd for the nine months ended 30 September 2017 and average sales volumes of 39,600 boepd for the nine months ended 30 September 2017. See

"*Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Hydrocarbon Data—Presentation in this Offering Memorandum*". For the three months ended 31 December 2017, the Group had average production of 34,285 boepd.

Other Financial and Operating Data (for Zhaikmunai LLP)

	Nine months ended 30 September		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(U.S.$ thousands)				
(Loss)/profit before income tax	44,508	(55,108)	(51,054)	86,680	348,273
Add back:					
Cash received from hedge contract (net)[(a)]	—	27,198	27,198	—	—
Finance costs	34,523	35,811	49,127	51,740	72,098
Foreign exchange gain/(loss)	271	483	(214)	20,023	3,401
(Loss)/gain on derivative financial instrument	6,627	46,750	63,244	(37,055)	(60,301)
Depreciation and amortization	93,689	99,442	131,960	109,120	111,774
Interest income	(211)	(315)	(423)	(341)	(812)
Net other expenses/(income)	2,681	(769)	(8,173)	19,086	40,975
EBITDA[(1)]	**182,088**	**153,492**	**211,665**	**249,253**	**515,408**
LLP EBITDA ratio (as % the Group)[(2)]	**106%**	**108%**	**109.0%**	**108.7%**	**104.2%**
Total assets	**2,103,329**	**2,063,522**	**2,058,622**	**2,123,536**	**2,160,649**
Total assets (as % of the Group)	**94.3%**	**97.5%**	**97.7%**	**97.0%**	**97.8%**
Net assets[(3)]	**599,913**	**601,758**	**592,824**	**659,315**	**781,737**
Net assets (as % of the Group)	**89.6%**	**86.9%**	**85.7%**	**85.2%**	**85.2%**

(a) Cash received from hedge contract represents the cash proceeds from the long-term hedging contract which in accordance with IAS7 Statement of Cash Flows is included within operating cash flows. While this item is not required to be presented in the Consolidated Income Statement, we have included this in our definition of EBIT and EBITDA in order to better align these non-GAAP measures with our operating cash flows. During the years ended 31 December 2014 and 2015 and nine months ended 30 September 2017 the impact of cash received from hedging contracts (net) was not material and therefore is not reflected in the above table.

(1) As presented in this Offering Memorandum, "EBITDA" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments (but includes cash proceeds received from these instruments), employee share option plan expense, road maintenance expense, depreciation, depletion and amortisation, interest income, finance costs, other expenses/(income), capitalisation of net proceeds from GTF test production and "EBIT" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments (but includes cash proceeds received from these instruments), employee share option plan, road maintenance expense, interest income, other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as cash flow from operating activities as a measure of the Group's profitability or liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although the Group does not currently employ EBITDA as a measure for internal valuations, it presents EBITDA in this Offering Memorandum because the Group believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. The Group presents EBIT because it believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance due to the costs it incurs for depreciation. Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in isolation from, or as a substitute for, analysis of the Group's results of operations. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect gains or losses in derivative financial instruments or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;

- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting its usefulness as a comparative measure.

(2) This represents the EBITDA of Zhaikmunai LLP as compared to the EBITDA of the Group. The EBITDA of Zhaikmunai LLP is higher as compared to the Group, because it does not include certain expenses specific to the parent company of the Group, Nostrum Oil & Gas PLC.

(3) As presented in this Offering Memorandum, net assets are calculated as total assets minus total liabilities.

Oil and Gas Reserves

The following table sets forth Nostrum's gross proved and probable hydrocarbon reserves at the Chinarevskoye Field based on data included in the 2017 Ryder Scott Report:

	As at 1 January 2017[(1)]
Gross Proved Reserves	
Crude oil and condensate (million bbl)	58.3
LPG (million boe)	18.6
Gas (million boe)	69.8
Total (million boe)[(2)]	**146.6**
Gross Probable Reserves	
Crude oil and condensate (million bbl)	85.9
LPG (million boe)	37.7
Gas (million boe)[(2)]	109.1
Total (million boe)[(2)]	**232.7**

(1) Based on the 2017 Ryder Scott Report which was produced on the Group's reserves and resources as at 1 January 2017 and is dated 17 February 2017. The 2017 Ryder Scott Report has not been updated for any production that has taken place between 1 January 2017 and the date of this Offering Memorandum. The Group has announced (based on management estimates) for the year ended 31 December 2017, production volumes of 15,616 boepd of crude oil and condensate, 6,211 boepd of LPG and 21,367 boepd of dry gas, production after treatment volumes of 14,937 boepd of crude oil and condensate, 4,615 boepd of LPG and 19,647 boepd of dry gas and sold 15,292 boepd of crude oil and condensate, 4,618 boepd of LPG and 17,934 boepd of dry gas. In addition, as of the date of this Offering Memorandum, Ryder Scott is preparing a report on the Group's reserves and resources as at 1 January 2018 which is not yet finalized, see "*Risk Factors— Risk Factors relating to the Group —The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*".

(2) Management has converted the dry gas reserves data from cubic feet to boepd of dry gas. See "*Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Hydrocarbon Data—Presentation in this Offering Memorandum*".

The following table sets forth Nostrum's net proved and probable hydrocarbon reserves at the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields based on data included in the 2017 Ryder Scott Report:

	As at 1 January 2017[1)]
Net Proved Reserves	
Crude oil and condensate (million bbl)	—
LPG (million boe)	—
Gas (million boe)[(1)]	—
Total (million boe)[(1)]	—
Net Probable Reserves	
Crude oil and condensate (million bbl)	3.6
LPG (million boe)	0.5
Gas (million boe)[(2)]	83.1
Total (million boe)[(2)]	**87.2**

(1) Based on the 2017 Ryder Scott Report which was produced on the Group's reserves and resources as at 1 January 2017 and is dated 17 February 2017. As of the date of this Offering Memorandum, Ryder Scott is preparing a report on the Group's reserves and resources as at 1 January 2018 which is not yet finalized, see "*Risk Factors— Risk Factors relating to the Group —The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*".
(2) Management has converted the dry gas reserves data from cubic feet to boepd of dry gas. See *"Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Presentation in this Offering Memorandum"*.

In accordance with SPE-PRMS reserves classifications, Ryder Scott assigned part of the volumes of crude oil that can be recovered from accumulation through water-flooding in the Tournaisian reservoir to the categories of probable reserves. See "*Risk Factors—Risk Factors Relating to the Group—The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*". The added potential resulting from enhanced oil recovery has therefore only partly been used to estimate the amount of proved reserves.

For a more detailed analysis of our reserves, see the 2017 Ryder Scott Report contained in this Offering Memorandum.

Current Trading and Recent Developments

Third Unit of the Gas Treatment Facility

The completion of the third unit of the gas treatment facility has been delayed from an anticipated date at the end of 2017 (which was delayed from the original expected completion date) due to the delayed delivery of some specially designed valves required for the tie-in of the third unit of the gas treatment facility with the first and second gas treatment units. The previously planned three week shut down of the first and second gas treatment unit has therefore been postponed until after the winter period. The shut down and tie-in are now scheduled to be completed in the second quarter of 2018. The tie-in will allow gas to go from the first and second gas treatment unit into the third unit of the gas treatment facility, for the third unit of the gas treatment facility to be connected with the export gas pipeline and for the third unit of the gas treatment facility commissioning to take place. Commissioning is expected to be completed within approximately 60 days of the end of the tie in.

The main reason for the delay is due to the fact that once the tie-in is completed the welding joints need to be hydro-tested prior to any gas passing through it. This testing cannot take place during the winter when temperatures are below freezing. In order to minimise the downtime of the first and second gas treatment unit it is more efficient to have a single period of downtime to complete the tie-in and the hydro-testing rather than to have two separate periods of shut down for the tie-in and hydro- testing to be carried out. Therefore the decision has been taken to move the three week shut down to the period when temperatures move above freezing. In the last three months of 2017, the construction of the third unit of the gas treatment facility entered into the final mechanical construction phase. With the onset of winter conditions, the priority has been pipe work welding, hydro-testing, cable-pulling and the completion of works inside the buildings, including process and compression units. Completion and commissioning of the third unit of the gas treatment facility are currently forecast for the second quarter of 2018.

The result of this change in timing for the tie-in means there was a very short shut down of the first and second gas treatment unit in the fourth quarter of 2017 as it was limited to the minimal required maintenance of only a few days. The total cost of the plant is not impacted by the delay to the tie-in and commissioning and remains at U.S.$532 million, with a spend as at 31 December 2017 of U.S.$473 million and U.S.$59 million expected to be spent in 2018. Nostrum remains fully funded to complete the third unit of the gas treatment facility and to implement its drilling strategy to ramp up production.

BTA Release

On 1 February 2018, Nostrum announced that on 31 January 2018 the Company and BTA Bank JSC entered into a mutual release (the "**Release**") of any and all claims that either party had or may hereafter have arising out of or connected with any alleged relationship between Claremont, Frank Monstrey and Mukhtar Ablyazov or entities he controls (the "**Dispute**"), any legal proceedings commenced by BTA Bank against Mukhtar Ablyazov and various other defendants and the underlying facts and circumstances relating to the Dispute or such proceedings.

Operational and Financial Update

On 30 January 2018, Nostrum announced an operational update for the year ended 31 December 2017.

Operations

For the year ended 31 December 2017, average daily production volumes after treatment was of 39,199 boepd and total sales volumes were 37,844 boepd. For the three months ended 31 December 2017, the Group had average production of 34,285 boepd.

The Group's sales volumes split for the year ended 31 December 2017 was:

Products	**Year ended 31 December 2017 average production (boepd)**	**Product Mix (%)**
Crude Oil and Stabilised Condensate	15,292	40.4%
LPG (Liquid Petroleum Gas)	4,618	12.2%
Dry Gas	17.934	47.4%
Total	**37,844**	**100%**

The difference between the Group's production after treatment and sales volumes is due to part of the dry gas being used for internal consumption (power generation), gas lift and losses during transportation.

Financial

For the year ended 31 December 2017, revenues are expected to be in excess of U.S.$400 million (compared to U.S.$348 million for the year ended 31 December 2016). The Group's cash position as at 31 December 2017 is expected to be in excess of U.S.$127 million (compared to U.S.144 million for the nine months ended 30 September 2017). Total debt is expected not to exceed U.S.$1,090 million and net debt is expected not to exceed approximately U.S.$965 million, in each case, as at 31 December 2017.

Drilling

As of 30 January 2018, 39 wells were producing at the Chinarevskoye Field, 21 oil wells and 19 gas condensate wells. In the three months ended 31 December 2017, drilling activity was completed on two wells which are currently undergoing stimulation and testing. There are currently two drilling rigs on field site drilling two production wells and a third drilling rig is expected to arrive and be operational in the beginning of the second half of 2018. Management expects that this will allow the Group to drill up to eight wells in 2018, the first four of which will be production wells. The drilling capital expenditures for 2018 are budgeted to be under U.S.$90 million.

Production Guidance

Production in 2018 is expected to be flat over the year at approximately 37,000 boepd, taking into account the time it will take to bring the two new production wells currently being drilled on line in addition to the three week shutdown to link the first two gas treatment units to the third unit of the gas treatment facility in the second quarter of 2018.

Production guidance for 2019 assumes 3 rigs will be used during the full year, leading to a production average of 50,000 boepd. The production guidance for 2020 assumes an increase in rigs at the field site to five, resulting in average production of 65,000 boepd. Management believes that increasing the rig count to 6 during 2021 will allow drilling of up to 16 new wells per year with successive increase of production reaching 100,000 boepd.

Call of the Existing Notes due 2019

On 18 January 2018, Zhaikmunai LLP issued a conditional call notice with respect to the Existing Notes due 2019 not currently held by the Group. The call price for the 7.125% senior notes of Zhaikmunai LLP due 13 November 2019 is equal to the stated redemption price of 101.78125% plus accrued and unpaid interest to the date of payment of the call price and the call price for the 6.375% senior notes of Zhaikmunai LLP due 14 February 2019 is equal to the stated redemption price of 100.000% plus accrued and unpaid interest to the date of payment of the call price. The call notice is conditional on the receipt of net proceeds from a financing sufficient to pay the call price. Such condition will be satisfied on receipt by the Issuer of the net proceeds of this Offering, and the Issuer will deposit the call price with the trustee for the Existing Notes due 2019 in anticipation of the payment thereof to holders.

Hedging

On 4 January 2018, Nostrum Oil & Gas Finance B.V. entered, at zero up front cost, into a hedging contract covering oil sales of a total notional quantity of 3,258,000 barrels of oil or approximately 9,000 boepd of production over the life of the contract. The hedging contract is a zero cost capped collar with a floor price of U.S.$60.0 per barrel. The Group has covered the cost of the floor price by selling call options at U.S.$67.5 per barrel for the period from 4 January 2018 to 31 March 2018, at U.S.$64.1 per barrel for the period from 1 April 2018 to 31 December 2018. The Group has capped the amount of upside it is giving away on the call options by purchasing call options at U.S.$71.5 per barrel for the period from 4 January 2018 to 31 March 2018, at U.S.$69.1 per barrel for the period from 1 April 2018 to 30 June 2018 and at U.S.$69.6 for the period from 1 July 2018 to 31 December 2018. The hedging contract matures on 31 December 2018 and is settled on a quarterly basis in cash.

Board Changes

On 16 November 2017, the Group announced the appointment of Mr. Simon Byrne and Mr. Martin Cocker as Non-Executive Director and Independent Non-Executive Director, respectively. As of the same date, Mr. Pankaj Jain is no longer a Non-Executive Director, but an Alternate Director for Mr. Simon Byrne.

RISK FACTORS

You should consider carefully the following information about these risks, together with the other information contained in this Offering Memorandum. If any of the following risks actually occur, the Group's business, prospects, financial condition, cash flows and results of operations could be materially and adversely affected. Additional risks or uncertainties not presently known to the Group, or that the Group currently believe are immaterial, may also impair the Group's business operations. The Group cannot assure you that any of the events discussed in the risk factors below will not occur and if such events do occur, you may lose all or part of your original investment in the Notes.

Risk Factors relating to the Group.

The Group's principal activities are conducted within the Chinarevskoye Field and currently its sole source of revenue comes from this field.

Nostrum conducts its principal operations in the Chinarevskoye oil and gas condensate field (the "**Chinarevskoye Field**") in North-Western Kazakhstan pursuant to a subsoil use licence (the "**Licence**") and an associated production sharing agreement ("**PSA**") which expires in 2031 (with respect to the North-Eastern Tournaisian reservoir) and 2033 (for the rest of the Chinarevskoye Field). The PSA grants sole exclusive rights to the Licence area (see "*Business—Subsoil Licences and Permits—The Licence and the PSA*"). Nostrum's activities in the Licence area (which consists of multiple reservoirs) are currently the Group's sole source of revenue. Whilst the Group completed the acquisition of subsoil use contracts in three oil and gas fields near to the Chinarevskoye Field, the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields, the Group has not yet determined when it is likely to be able to begin production from these fields. As a result, the Group's success depends heavily on the success of its activities in the Licence area. Any event (such as operational failures or adverse sovereign action) that adversely interferes with the Group's ability to conduct its operations in the Chinarevskoye Field or that adversely impacts production volumes or quality, or levels of reserves or resources, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations (see "*—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives*", "*—The Group relies on transportation systems owned and operated by third parties which may become unavailable. The Group may be unable to access these or alternative transportation systems*", "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government*" and "*—Risk Factors Relating to the Group—The Group faces drilling, exploration, production and operational risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs*").

The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives.

The Group's gas treatment facility is essential for the treatment of gas condensate to produce dry gas, condensate and LPG for sale by the Group. The gas treatment facility is operating at near to its current design capacity. The Group is constructing a new third unit of the gas treatment facility to increase capacity. See "*—The Group's planned development projects, in particular the construction of the third unit of the gas treatment facility, are subject to risks related to cancellation, delay, non-completion and cost overruns which could result in a reduction or suspension of the Group's production of hydrocarbons*" and "*Summary—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility*".

The Group conducts an annual shutdown of the facility for approximately fifteen days which results in some downtime in capacity. In 2016, planned maintenance shut downs did not exceed 15 days. There was an unexpected downtime in October 2015 due to unforeseen repair work made to the third party owned pipeline through which the Group exports gas, which severely disrupted production during that month. There can be no assurance that the Group will be able to maintain the gas treatment facility at or near design capacity, in the event other unexpected events cause there to be downtime, or if it does, that the Group will be able to maintain it without additional expense. In addition, the Group's future hydrocarbon production profile is based on the gas treatment facility, including phase two of the gas treatment facility, which has not yet been completed, operating at full or near full design capacity. If the gas treatment facility fails to operate at or near design capacity, the Group would have to reduce or suspend its production activities which would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Additionally, if the gas treatment facility ceases to be operational due to operational risks or hazards, the Group would have to rely on its existing gas flaring permits to flare the associated gas that cannot be treated or, if necessary, apply for additional gas flaring permits from the Competent Authority in order to flare the additional associated gas. There can be no guarantee that these permits would be issued. If the Group's existing gas flaring permits are insufficient and no such additional permits were issued, the Group might have to reduce or suspend its production activities which depend upon an operational gas treatment facility.

Any significant reduction in or suspension of the Group's production of hydrocarbons for a prolonged period of time would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. See "*— Risk Factors Relating to the Group—The Group faces drilling, exploration, production and transportation risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs*". Production in 2018 is expected to be flat over the year at around 37,000 boepd, taking into account the time it will take to bring the two new production wells currently being drilled on line in addition to the three week shut down to link the first two gas treatment units to the third unit of the gas treatment facility in the second quarter of 2018. For the three months ended 31 December 2017, the Group had average production of 34,285 boepd.

The Group also relies on its oil treatment unit to process up to 400,000 tonnes per year of crude oil and if this oil treatment unit ceased to operate at or near design capacity or if it ceases to be operational due to operational risks or hazards, this would also reduce the Group's production of hydrocarbons and could have an adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group's planned development projects, in particular the construction of the third unit of the gas treatment facility, are subject to risks related to cancellation, delay, non-completion and cost overruns which could result in a reduction or suspension of the Group's production of hydrocarbons.

An important element of the Group's growth strategy is to complete the construction of, and commence operations of, new operating facilities. The Group is in the process of building a third unit of the gas treatment facility in the vicinity of the first two units of the gas treatment facility. The third unit of the gas treatment facility, which Nostrum currently estimates should not cost more than U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which had already been incurred as at 31 December 2017) and which it currently expects to fund from cash from operations, is important for implementing the Group's strategy to increase the production of liquid hydrocarbons. Completion of the third unit of the gas treatment facility has been delayed from the expected completion date and is currently further delayed given the winter temperatures during which certain required hydro-testing cannot take place. Nostrum expects to be able to begin its tie in procedures in the second quarter of 2018 which will allow gas to go from the first two gas treatment units to the third unit of the gas treatment facility. This will require a three week shut down of the first two gas treatment units, following which the commissioning period of approximately 60 days can take place. See *"—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*. Production in 2018 is expected to be flat over the year at around 37,000 boepd, taking into account the time it will take to bring the two new production wells currently being drilled on line in addition to the three week shut down to link the first two gas treatment units to the third unit of the gas treatment facility in the second quarter of 2018. Once the third unit of the gas treatment facility becomes fully operational the Group expects a significant increase in its current operating capacity and production volumes.

The additional operating capacity and higher production volumes (including, specifically, production of liquid hydrocarbons) have been incorporated in the Group's long-term strategy. Any material failure or disruption relating to the gas treatment facility, including if the costs of bringing the second phase of the gas treatment facility online are significantly higher than expected (including as a result of any construction delay), could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

This project is subject to risks of cancellation, delay and non-completion. The Group may experience technical difficulties during construction, testing and commencement of operations that may not be resolved in a timely or cost-effective manner, or at all. For example, in October 2015 there was an unexpected downtime due to unforeseen repair work made to the third party owned pipeline through which the Group exports gas, which severely disrupted production during that month. In 2017, delivery of some specially designed valves required for the tie-in of the third unit of the gas treatment facility with the first and second gas treatment units was delayed. This delay required the three week shut down of the first and second gas treatment units to be postponed to the second quarter of 2018, when temperatures above freezing will allow the necessary hydro-testing of the welding joints to take place. See *"Summary—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*. The construction of the third unit of the gas treatment facility also will depend on the continued services of multiple contractors and the products of several specialist suppliers, as it nears finalisation. A reduction or cessation of the performance of the contractors retained to build the third unit of the gas treatment facility, or a shortage in the necessary supplies to complete it, could also result in further delays and could inflate the costs associated with this project. The Group may also incur cost overruns in connection with completing the third unit of the gas treatment facility, which it may not have sufficient financial resources to fund. The construction of the third unit of the gas treatment facility may not be completed as scheduled, or at all. Any further material delays relating to the construction of the second phase of the gas treatment facility, including if the costs of bringing the second phase of the gas treatment facility online are significantly higher than expected, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Additionally, the Group is continuing its appraisal work in the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields near the Chinarevskoye Field. In 2016, Nostrum drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. The extent of the success of the results of the re-entering into an existing well on the Darjinskoye field is not yet known and no assurance can be given that the full results, when known, will lead to additional reserves or an increase in production in the near or long term. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority. See "*—If the Group fails to develop the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields successfully, or the costs of such development are greater than expected, the Group's financial condition and future performance could be adversely affected*". Investors should note that while the covenants included in the Indenture which will govern the Notes specifically puts controls on the disposal of the subsoil use licence (and related production sharing agreement) related to the Chinarevskoye oil and gas condensate field to any party other than the Issuer or a Guarantor, there is no equivalent restriction with respect to the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. See "*Description of Notes—Certain Definitions—Asset Disposition*".

The failure to complete any of the Group's planned development projects (in particular the third unit of the gas treatment facility) and/or appraisal works that lead to a reduction or suspension of the Group's production of hydrocarbons, or any delays or cost overruns in the execution of these projects, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The proportion of oil and gas production that must be shared with the State, as well as the Group's royalty payments to the Kazakhstan Government, may increase.

Under the terms of the PSA and the Licence, the Group is required to deliver a proportion of its monthly production to the State (or make a payment in lieu of such delivery). The proportion to be delivered to the State increases as annual production levels increase (see "*Business—Subsoil Licences and Permits—State Share*"). In addition, as the level of oil and gas produced by the Group increases, the royalty rate payable to the State under the PSA will also increase. Increases in production will therefore result in a proportionately higher monthly royalty payment being made to the State. Significant increases in the proportion of oil and gas production that the Group must share with the State and in royalty payments to the State could therefore have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. Furthermore, the fiscal terms which govern the proportion of oil and gas production that must be shared with the State under the terms of the PSA may be subject to change (see "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government*").

The Group has been and may be further adversely affected by a substantial or extended decline in prices for crude oil and gas.

The Group's future revenues, profitability and cash flows depend heavily on prevailing crude oil and gas prices. Crude oil and gas sales have been and are expected to continue to be the Group's primary source of revenue, and the price of crude oil and gas is affected by a variety of factors beyond the Group's control. Historically, crude oil prices have been highly volatile. According to Bloomberg, the spot price of Brent crude oil reached approximately U.S.$56.8 per barrel as at 31 December 2016, U.S.$37.3 per barrel as at 31 December 2015 and U.S.$57.3 per barrel as at 31 December 2014. Prices have varied between a low of approximately U.S.$44.8 per barrel and a high of approximately U.S.$59.0 per barrel in the first nine months of 2017.

Prices for oil and gas are subject to large fluctuations in response to a variety of factors beyond the Group's control, including:

- the condition of the world economy and geopolitical events;
- changes in the global and regional supply of and demand for commodities and expectations regarding future supply and demand;
- market uncertainty and speculative activities by those who buy and sell commodities on the world markets or fluctuations in currencies, particularly the U.S. Dollar;
- weather, natural disasters and general economic conditions;
- actions of the Organisation of Petroleum Exporting Countries, and other nations exporting petroleum products, to set and maintain specified levels of production and prices;
- governmental regulation in Kazakhstan and elsewhere;

- political stability in Kazakhstan, neighbouring countries and other regions exporting petroleum products;
- technical advances affecting energy consumption and extraction methods;
- advances in shale oil and gas production in the United States, which facilitated the monetization of resources that were previously considered non-commercial; and
- prices and availability of alternative and competing fuel sources.

Accordingly, the Group may not continue to receive the same prices for its products as it currently receives or historically has received. Any decline in crude oil and gas prices and/or any curtailment in the Group's overall production volumes could result in a reduction in net income, could impair the Group's ability to make planned capital expenditures and to incur costs necessary for the development of the Group's business and its oil and gas fields, and could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

It is the Group's policy to hedge against adverse oil price movements during times of considerable non-scalable capital expenditure. On 14 December 2017, the put options which the Group purchased on 14 December 2015 matured. These put options protected the Group from any fall in the oil price below U.S.$49.16 per barrel on 15,000 boepd of production. On 4 January 2018, Nostrum Oil & Gas Finance B.V. entered, at zero up front cost, into a hedging contract covering oil sales of a total notional quantity of 3,258,000 barrels of oil or approximately 9,000 boepd of production over the life of the contract. The hedging contract is a zero cost capped collar with a floor price of U.S.$60.0 per barrel. The Group has covered the cost of the floor price by selling call options at U.S.$67.5 per barrel for the period from 4 January 2018 to 31 March 2018 and at U.S.$64.1 per barrel for the period from 1 April 2018 to 31 December 2018. The Group has capped the amount of upside it is giving away on the call options by purchasing call options at U.S.$71.5 per barrel for the period from 4 January 2018 to 31 March 2018, at U.S.$69.1 per barrel for the period from 1 April 2018 to 30 June 2018 and at U.S.$69.6 for the period from 1 July 2018 to 31 December 2018. The hedging contract matures on 31 December 2018 and is settled on a quarterly basis in cash. Going forward, the Group expects to continue to hedge a proportion of its production against adverse oil price movements for the foreseeable future, to provide certainty of funding for a minimum drilling programme, in addition to any future non-scalable capital expenditure. The Group will also monitor its currency and interest rate exposure and may enter into hedging to avoid any exposure to currency or interest rate risks which is considered excessive in the view of management. In the event Nostrum enters into any offtake agreements with a related prepayment facility, Nostrum may enter into hedging to provide more certainty of cashflows during the life of such facility taking into consideration the facility repayment profile. Nostrum considers the foregoing in line with its ongoing hedging strategy of hedging oil prices at times of non-scalable material expenditures.

However, no assurance can be given that the current hedging contract or any other such hedging contracts entered into by the Group will protect the Group from adverse oil price movements fully or at all nor can there be any assurance that in the future the Group will be able to enter into hedging contracts on commercially acceptable terms.

The Group may be unable to raise additional external financing if necessary; this would adversely affect its ability to pursue its business strategy.

The Group may require additional equity or debt financing to satisfy its existing capital investment commitment and liquidity needs. Management may also, from time to time, seek to refinance the Group's existing external debt finance or utilise additional sources of finance if less expensive sources of financing are available. For example, in the years ended 2014, 2015 and 2016, Nostrum's cash used in capital expenditures for purchase of property, plant and equipment was U.S.$325.5 million, U.S.$256.1 million and U.S.$197.3 million respectively, reflecting primarily drilling costs and infrastructure and development costs. This expenditure was funded by a combination of cash from operations and debt financing. Management believes that the Group's future capital expenditures will be broadly in line with recent levels. The Group's current investment programme does not foresee the requirement for external financing to fund its major planned capital expenditure for the completion of the third unit of the gas treatment facility. However, beyond the current investment programme, or if the investment programme were to change or if the Group undertakes potential acquisitions, the Group may be required to raise additional equity or debt financing.

The Group's ability to arrange external financing and the cost of financing generally depend on many factors, including:

- economic and capital markets conditions generally, and in particular the non-investment grade debt market;
- investor confidence in the oil and gas industry generally, in Kazakhstan and/or in the Group;
- the State's Pre-Emptive right in relation to any future issues of equity if such right is not waived *(see "—Risk Factors Relating to Kazakhstan—The Group is subject to the State's Pre-Emptive Right in respect of, and the Competent Authority's consent to, any transfer of subsoil use rights or direct or indirect interests in an entity holding subsoil use rights in Kazakhstan");*

- the business and financial performance of the Group;
- legal and regulatory developments;
- the restriction on the incurrence of indebtedness contained in the Group's indebtedness (see "*Description of Significant Indebtedness*");
- credit available from banks and other lenders; and
- provisions of tax and securities laws that are conducive to raising capital.

The terms and conditions on which future funding or financing may be made available may not be acceptable or funding or financing may not be available at all. If additional funds are raised by incurring debt, the Group may become more leveraged and subject to additional or more restrictive financial covenants and ratios. Although management believes that they will be able to raise external financing when necessary, any inability of the Group to procure future financing if necessary in the longer term would adversely affect its ability to pursue its business strategy or capital expenditure commitments at that time and could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group's leverage may, among other things, make it difficult for it to operate its business and may limit its operational flexibility.

As at 30 September 2017, having given effect to the Offering and the use of proceeds therefrom, the Group has U.S.$1.1 billion of outstanding indebtedness, including U.S.$400.0 million of the Notes and U.S.$725.0 million of Existing Notes due 2022. See "*Capitalisation*" and "*Description of Significant Indebtedness*". As a result, the risks normally associated with debt financing may affect the Group's business, prospects, financial position and operating result of operations. For example, the Group's leverage could:

- require the Group to dedicate a substantial portion of its cash flows from operations to payments on its debt, which may reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- impact the ability of the Group to obtain future debt financing, refinance its existing debt or raise new equity capital;
- impact the ability of the Group to meet its current interest payment obligations under its indebtedness;
- restrict the ability of the Group to pursue acquisitions and respond to business opportunities and changes in the business environment; and
- increase the Group's vulnerability in the event of general and/or industry-specific adverse economic conditions.

In addition, if principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, then the Group's cash flow may not be sufficient to repay all maturing debt.

In addition, prevailing interest rates or other factors at the time of refinancing, such as the possible reluctance of lenders to make commercial loans in Kazakhstan, could also result in higher interest rates and the increased interest expense would adversely affect the Group's ability to service its debt and to complete its capital expenditure programme.

The Group may not be able to manage its growth and expansion effectively.

The Group has experienced rapid growth and development in a relatively short period of time, and the Group expects to continue to expand its business in the future through the development of the second phase of the gas treatment facility, further appraisal and development of the Chinarevskoye Field and the initial appraisal of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. The Group's management of its growth and projects will require, among other things, stringent control of financial systems and operations; the continued development of the Group's management and financial control; the ability to attract and retain sufficient numbers of qualified management, technical, accounting and other personnel; the continued training of such personnel, the presence of adequate supervision and the continued consistency in the quality of its services. Failure to effectively manage growth, development and these major projects could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

If the Group fails to develop the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields successfully, or if the costs of such development are greater than expected, the Group's financial condition and future performance could be adversely affected.

In 2013, the Group acquired the subsoil use rights to the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields, all of which are located between 60 kilometres and 120 kilometres from the Group's existing gas treatment facility, for total consideration of U.S.$16 million. The Group is continuing its appraisal work in the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields near the Chinarevskoye Field. In 2016, Nostrum drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. The extent of the success of the results of the appraisal well and testing in the Rostoshinskoye field is not yet fully known and no assurance can be given that the full results, when known, will lead to additional reserves or an increase in production in the near or long term.

Appraisal results for development fields are uncertain. Appraisal and development activities involving the drilling of wells across a field are unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of the entire field be fully understood. Appraisal activities are also capital intensive and their successful outcome cannot be assured. The Group currently expects to incur costs of approximately U.S.$55 million in appraising the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields but no assurance can be given that such expenditure will result in the discovery of commercially deliverable hydrocarbons.

The Group could experience difficulties (including geological and/or operational difficulties) in developing the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields or the costs of developing such fields could be greater than expected, which could have an adverse effect on its business, prospects, financial condition, cash flows and results of operations (See "*—Risk Factors Relating to the Group—The Group faces drilling, exploration, production and operational risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs*").

Investors should note that while the covenants included in the Indenture which will govern the Notes specifically puts controls on the disposal of the subsoil use licence (and related production sharing agreement) related to the Chinarevskoye oil and gas condensate field to any party other than the Issuer or a Guarantor, there is no equivalent restriction with respect to the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. See "*Description of Notes—Certain Definitions—Asset Disposition*".

The Group may face unanticipated increases in costs.

The oil and gas business is a capital-intensive industry. To implement its business strategy, the Group has invested in the construction of its oil and gas pipelines, and has invested, and continues to invest, in drilling and exploration activities and infrastructure, including the second phase of the gas treatment facility. The Group's current and planned expenditures on such projects are subject to unexpected problems, costs and delays, and the economic results and actual costs of these projects may differ significantly from the Group's current estimates. For example, in October 2015 there was an unexpected downtime due to unforeseen repair work made to the third party owned pipeline through which the Group exports gas, which severely disrupted production during that month. See "*—The Group's planned development projects, in particular the construction of the third unit of the gas treatment facility, are subject to risks related to cancellation, delay, non-completion and cost overruns which could result in a reduction or suspension of the Group's production of hydrocarbons*".

The Group relies on oil field suppliers and contractors to provide materials and services in conducting its exploration, appraisal, development and production activities, and may incur additional expenses if it is required to perform some of these activities directly. Any competitive pressures on the oil field suppliers and contractors, or substantial increases in the global prices of certain commodities, such as steel, could result in a material increase in costs of materials and services required by the Group to conduct and expand its business. The cost of oil field services and materials globally has increased significantly in recent years and is heavily linked to the price of oil and could continue to increase in the future. Future increases could have a material adverse effect on the Group's operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the Group's properties, its planned level of spending for exploration and development and the level of its reserves. In addition, the 2017 Ryder Scott Report estimates, that under the existing oil price environment, the Group will need to drill 50 to 60 wells to ramp up average daily production volumes to 100,000 boe per day by the end of 2020. In 2017, the Group has drilled seven new wells. Under the existing oil price environment, the current drilling plan foresees drilling up to nine wells (four production wells and up to five appraisal wells) in 2018. As of the date of this Offering Memorandum, management estimates that the average production will reach 50,000 boepd in 2019, assuming three drilling rigs will be used during all of the year, 65,000 boepd in 2020, assuming an increase to five rigs at the field, and increasing the drilling rig count to six during 2021 will allow drilling of up to 16 new wells per year with successive increase of production reaching 100,000 boepd. In the event that drilling contractors are not available or the costs for such contractors increase, the Group's costs would increase in order to achieve this target.

Prices for the materials and services the Group depends on to conduct and expand its business may increase to levels that no longer enable the Group to operate profitably. The Group may also need to incur various unanticipated costs, such as those associated with personnel, transportation and Kazakhstan Government royalties and taxes. Personnel costs, including salaries, are increasing as the standard of living rises in Kazakhstan and as demand for suitably-qualified personnel for the oil and gas industry increases. Additionally, trade unions are active in Kazakhstan, particularly in the oil and gas sector. Although there have been no strikes in the history of the Group, industrial action, and the increased costs associated with such action, could occur. An increase in any of these or other costs could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

There is certain customer concentration with respect to our historical sales and this could continue going forward.

A substantial percentage of our sales are made to a small number of customers. For the nine months ended 30 September 2017, revenue from sales to the Group's top three customers amounted to U.S.$139.8 million, U.S.$79.3 million and U.S.$21.0 million, respectively. For the year ended 31 December 2016, revenue from sales to three major customers of the Group amounted to U.S.$109.5 million, U.S.$92.9 million and U.S.$38.1 million, respectively. During the year ended 31 December 2015, revenue to the same three customers amounted to U.S.$141.4 million, U.S.$105.0 million and U.S.$86.0 million, respectively. In the event Nostrum enters into any offtake agreements with a related prepayment facility, Nostrum may face further customer concentration with respect to the relevant offtake counterparty. Any failure by a customer to pay for the Group's products or a requirement for the Group to replace a large customer could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

If there is a change of law in Kazakhstan, the Group may be forced to sell its gas at prices determined by the Kazakhstan Government, which could be significantly lower than prices which the Group could otherwise achieve.

Since 2012, Zhaikmunai LLP has been included in a list prepared by the Competent Authority of subsoil users that the Competent Authority believes are subject to the Kazakhstan Law on Gas and Gas Supply No.532 IV dated 9 January 2012, as amended, (the "**Gas Law**") effective from 29 January 2012 with regards to the priority right of the Kazakhstan Government for the purchase of raw gas (this right became effective on 1 April 2012) at the price specified in accordance with the Minister of Energy of the Republic of Kazakhstan Order No. 121 dated 13 November 2014 "On approval of Rules for determination of price for raw and commercial gas purchased by the national operator under the priority right of the State" ("**Order 121**"). Subsoil users to which the Gas Law and Order 121 apply are required to sell their gas domestically at prices determined by the Kazakhstan Government calculated in accordance with a formula provided in Order 121 (including by reference to production and transportation costs, production volumes, raw gas prices in Kazakhstan and export prices for crude oil and gas).

Order 121 was issued to implement Article 15 of the Gas Law. However, according to Clause 14 of Article 15 of the Gas Law, the provisions of Article 15 of the Gas Law do not apply to (inter alia) raw and/or commercial gas produced (treated) by a subsoil user under a production sharing agreement which includes a tax stability clause, if the terms of that production sharing agreement include a priority right in favour of the Kazakhstan Government for the purchase of transferred raw and/or commercial gas.

Based on advice received from Kazakhstan legal counsel and in accordance with a letter received from the Ministry of Oil and Gas (the predecessor of the Ministry of Energy of the Republic of Kazakhstan) on 30 December 2013 management believes that Article 15 of the Gas Law (save for the aforementioned exception in Clause 14 thereof) should not apply to Zhaikmunai LLP, as (a) Article 9 of the PSA contains a priority right in favour of the Kazakhstan Government for the purchase of transferred raw and/or commercial gas and (b) it is the intention of Article 15 of the Gas Law that the priority right contained in the PSA shall apply (to the exclusion of the priority right referred to in Article 15 of the Gas Law).

However, if the Ministry of Energy were to change its position or there was to be a change in law in Kazakhstan, there is a risk that Zhaikmunai LLP would be forced to sell its gas at prices determined by the Kazakhstan Government in accordance with a formula provided in Order 121, which could be significantly lower than prices which the Group could otherwise achieve. If this were to happen, whilst the Group believes that it would still be able to implement its strategy as such gas sales would form only a minority part of its overall revenues, it could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group cannot accurately predict its future decommissioning liabilities.

The Group, through its operations, has in the past assumed certain obligations in respect of the decommissioning of the Chinarevskoye Field and related infrastructure and is expected to assume additional decommissioning liabilities in respect of its future operations. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provision for and/or underwrite the liabilities relating to such decommissioning. Although the Group's accounts make a provision for such decommissioning costs, there can be no assurances that the costs of decommissioning will not exceed the value of the long-term provision set aside to cover such decommissioning costs. It is difficult to forecast accurately the costs that the Group will incur in satisfying its decommissioning obligations and the Group may have to draw on funds from other sources to bear such costs, which could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

The Group requires significant water supplies in order to conduct its business and failure to obtain such water may adversely affect its business.

Normal production activities, and the use of water injection techniques in the Group's crude oil reservoirs, require access to significant supplies of water. For the majority of the Group's production activities, the Group currently extracts water pursuant to a water use permit issued on 8 January 2016, which is valid until 31 December 2020, a water use permit issued on 16 January 2017, which is valid until 31 December 2021 and the Group also holds a water use permit issued on 28 August 2008, valid until August 2030 under which water is not currently extracted (the "**Water Use Permits**"), with certain limitations on the amounts of water that can be used. The Group also obtains water under other permits for domestic and household needs, use in the camps on the Chinarevskoye Field, and obtains water for drilling and exploration operations from some smaller wells in relation to which no permits are required under Kazakhstan law.

The Water Use Permits may be suspended if the terms of special water use specified in the Water Use Permit are breached. The Water Use Permits may be withdrawn only if violations are not removed. There is no history of breaches or suspensions of the Group's water permits as at the date of this Offering Memorandum.

The terms of the Water Use Permit include monitoring the quality of underground water, submitting statistical reports and monitoring reports, complying with requirements relating to water protection during groundwater extraction operations and regular checking of equipment. See also "*—Risk Factors Relating to the Group—The Group is obliged to comply with environmental regulations and cannot guarantee that it will be able to comply with these regulations in the future"*.

As the Group's production increases, the amount of water required by the Group for its operations will also increase. Management of the Group believe that the Group's current Water Use Permits have sufficient capacity to support the planned increase in production following the commissioning of the third unit of the gas treatment facility, and the Group will apply for an extension of the Water Use Permits prior to their expiry to support future planned levels of production.

In the event that the Group ceases to have access to the necessary amount of water, if the level of water available to it is curtailed or if the Group fails to obtain further Water Use Permits upon the expiry of the current Water Use Permits, the Group's ability to pursue production activities may be materially and adversely affected, which would have a material adverse effect on its business, prospects, financial condition, cash flows and results of operations. For more information on Water Use Permits, please see "*Regulation in Kazakhstan—Regulation of subsoil use rights in Kazakhstan—Water permits*".

The Group faces potential conflicts of interest.

The Group has engaged in, and may continue to engage in, transactions with related parties that could give rise to conflicts of interest. For example, the Group has engaged in transactions with companies controlled by and/or related to its shareholders, including construction contracts with a member of the KSS Group. Conflicts of interest may continue to arise in the future and the Group may not satisfactorily resolve any actual or potential conflict in the future. See "*Principal Shareholders—Significant contractual arrangements*" and "*Related Parties and Related Party Transactions*".

The Group's major shareholders and their affiliates may be able to exercise substantial influence over the Issuer and the Group.

As at 31 January 2018 (being the date of the most recent available information), Mayfair Investments B.V., which is under common control with KSS, a major group contractor, owns 25.7% of the outstanding Nostrum shares and Baring Vostok Capital Partners, founded by Michael Calvey, a non-executive director of Nostrum owns 17.1% of the outstanding Nostrum shares. Mayfair, and Baring Vostok Capital Partners may therefore be able to exercise substantial influence over the Group's business and affairs and may potentially be able to influence actions that favour the interests of the Group or your interests as holders of the Notes over their own interests.

This concentration of ownership may also have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control.

Nostrum has entered into relationship agreements with Mayfair to allow Nostrum to operate its business independently from such persons, and to ensure that commercial transactions and relationships with such persons are conducted on an arm's length basis. However, Nostrum may be unable to enforce its rights under these relationship agreements and the relevant agreements will cease to have effect in certain circumstances. See *"Principal Shareholders—Significant contractual arrangements"*.

If Mayfair or Baring Vostok Capital Partners (or any other person or group which becomes a major shareholders) (or their affiliates) block actions and thereby favour their interests over those of the Group (in violation of the terms of the relevant relationship agreement), the Group's business, prospects, financial position or results of operations may be materially adversely affected.

One of the Group's former major shareholders and former Chairman was previously subject to a freezing order by the English High Court of Justice relating to JSC BTA Bank's claims against Mr. Mukhtar Ablyazov.

Between 2005 and 2009, Mr. Mukhtar Ablyazov served as chairman of the board of JSC BTA Bank, ("**BTA**"), a Kazakhstan bank headquartered in Almaty. In the midst of the financial crisis, BTA struggled with billions of dollars of foreign debt and the Kazakhstan government threatened to nationalize BTA. Mr. Ablyazov ultimately left the country in late 2009. Shortly thereafter, BTA claimed that its auditors had discovered a U.S.$10 billion deficit in the balance sheet and that Mr. Ablyazov and his associates had engaged in large-scale fraud. Later that same year, BTA began legal proceedings against Mr. Ablyazov in the English High Court of Justice (the "**High Court**"). BTA continues to pursue several different claims in its attempt to recover more than U.S.$6 billion that it alleges was misappropriated by Mr. Ablyazov.

On 15 March 2017, BTA obtained a freezing order and interim charging order (the "**Freezing Order**") from the High Court in relation to two entities, Claremont Holdings Limited ("**CHL**") and Claremont Holdings C.V. ("**CHVC**", and together with CHL, "**Claremont**"). Frank Monstrey and his spouse were at that time the ultimate beneficial owners of Claremont. The Freezing Order prevented any type of disposition of shares in Nostrum held by Claremont without prior court approval, as well as a prohibition against the exercise of benefits related to their shareholding, including the exercise of voting rights, the payment of dividends or the transfer of any payments or other benefits.

In the Freezing Order, Mr. Ablyazov was named as a Judgment Debtor, and Claremont was named as Additional Respondents. The affidavit containing the allegations that prompted the issuance of the Freezing Order, as well as the transcript of the 15 March 2017 court hearing, were not publicly available and were not obtained by the Group. However, the Group reviewed the Freezing Order and publicly available court files and based on that review understood that BTA's claim was, in essence, that Mr. Monstrey was at the time of the Freezing Order and always has been an agent for Mr. Ablyazov or his associates in connection with Mr. Monstrey's interest in Nostrum's shares and underlying assets since the original acquisition in 2004, so that Mr. Monstrey's then interest in the Group (which was at that time held via Claremont) should be awarded to BTA in order to partially satisfy its claim against Mr. Ablyazov.

On 18 April 2017, Mr. Monstrey resigned as Executive Chairman of Nostrum.

On 2 June 2017, pursuant to a consent order agreed between BTA and Claremont, the High Court discharged the Freezing Order. As part of a settlement agreement between Mr. Monstrey and BTA, a subsidiary of BTA subsequently acquired 3.76% of Nostrum's shares from Claremont, though Nostrum has been informed that BTA has since reduced its shareholding to less than 1.0% of Nostrum's shares.

On 1 February 2018, Nostrum announced that on 31 January 2018 the Company and BTA Bank JSC entered into the Release of the Dispute, any legal proceedings commenced by BTA Bank against Mukhtar Ablyazov and various other defendants and the underlying facts and circumstances relating to the Dispute or such proceedings.

The Freezing Order did not and the consent order does not prohibit the Group from carrying on its usual business operations, nor does it affect the Group's assets, including our operations or licenses. Events relating to the BTA case may, however, give rise to indirect risks to the Group as a whole to the extent not resolved by the execution of the Release, including reputational risks.

The Group depends on its key senior management and on its ability to retain and hire new qualified personnel and consultants.

The Group depends on the contribution of a number of its key senior management and personnel. For example, the Group depends on the extensive contacts and relationships of its executives and the services of Nostrum's Chief Executive Officer, for overall management of the Group's business.

The Group's future operating results depends in significant part upon the continued contribution of its key senior management, technical, financial, operations and marketing personnel. The Group's management of its business will require, among other things, stringent control of financial systems and operations, the continued development of its management controls, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and continued consistency in the quality of its services.

Key personnel, such as the Chief Executive Officer, may not remain with the Group. The Group is not insured against damage that may be incurred in case of loss or dismissal of the Group's key specialists or managers. The loss of or diminution in the services of one or more of the Group's senior management, or the Group's inability to attract and retain additional senior management personnel, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

In addition, the personal connections and relationships of Nostrum's key senior management, are important to the conduct of its business. If the Group were to unexpectedly lose a member of its key senior management, its business, prospects, cash flows and results of operations might be adversely affected.

The Group may face difficulties in recruiting and retaining qualified personnel in Kazakhstan.

The Group's future success will depend, in part, on its ability to continue to attract, retain and motivate qualified personnel. Competition in Kazakhstan for personnel with relevant expertise is intense due to the relatively small number of qualified individuals. Currently, all Kazakhstan employers attracting foreign employees must obtain a work permit for such employees to work in Kazakhstan from local executive bodies (*Akimats*). The Kazakhstan Government establishes an annual quota on the number of foreigners who can be given such a permit and then the Ministry of Labour and Social Defence of Population of Kazakhstan allocates such quota among the oblasts, and the cities of Astana and Almaty. The quota is typically too small to permit the desired number of foreign employees and, accordingly, the process of obtaining work permits for foreign employees can be time-consuming and uncertain. Sanctions may also be imposed during the period between applying for, and obtaining, a work permit, which could include deportation of the individual concerned and an administrative fine. While 4.2% of Nostrum's staff as at 31 December 2016 were non-Kazakhs requiring a work permit, these individuals tend to serve in senior positions. As such, any changes affecting the availability of, or difficulties or costs in obtaining, work permits for these individuals could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Factors critical to retaining the Group's present personnel and to attracting additional highly qualified personnel include the Group's ability to provide competitive compensation arrangements. Wage structures in Kazakhstan, though rising, remain lower than in more industrialised nations and it may be difficult to attract and retain experienced and skilled personnel from outside Kazakhstan at wages that are acceptable to the Group. In addition, the Group operates in areas which are subject to extreme temperatures and climate. As such, it is difficult to attract and retain skilled management personnel at affordable rates. The Group also retains external consultants to provide services that are critical to its operations and strategy, such as creating geological models used in exploration and performing hydro-fracturing and other stimulation techniques. Any failure by the Group to retain the services of its existing personnel and the services of specialist external consultants, and to successfully manage its personnel needs generally, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group relies on transportation systems owned and operated by third parties which may become unavailable. The Group may be unable to access these or alternative transportation systems.

The Group does not currently have the capacity to transport its crude oil, gas and condensate production for export fully independently. Although the Group's crude oil production is currently transported from the Chinarevskoye Field to export markets via a crude oil pipeline owned by the Group to the KTO pipeline, this pipeline is operated by a third party operator, KAZTRANSOIL. Additionally, the Group still relies on third parties to transport its condensate by rail car and its LPG by truck.

The availability of sufficient rail cars affects the cost of transport of the Group's condensate. Lack of available rail cars, or increased costs in the hiring of rail cars, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The viability of rail as a transport method for the Group depends heavily on Russia's transportation infrastructure since the rail cars must use the Russian railway system. The Russian government sets rail tariffs and may further increase these tariffs, as it has done in the past, generally on an annual basis. Russia has implemented the privatisation of certain state-owned railway enterprises. If the privatisation of Russia's railways or other factors result in increased railway transportation costs in Russia, this could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group may also encounter various transportation risks with regards to its oil and gas products, which may affect the Group's ability to deliver its products in a timely and cost effective manner. If the Group experiences any problems with its pipeline, which connects the Chinarevskoye Field with the KTO pipeline, as well as any other material transport disruptions (such as damage to its rail loading terminal in Rostoshi), it might be required to curtail its production activities or incur additional transportation and storage expenses from accessing alternative transport arrangements, including the use of trucks to transport condensate to alternative rail loading terminals. At present, the Group does not currently have any alternative means to supply its gas to its customers other than via its 17 kilometre gas pipeline, which links the gas treatment facility to the Orenburg-Novopskov gas pipeline. If this pipeline or its connection to the Orenburg-Novopskov gas pipeline were materially damaged, the Group would have to cease operating the gas treatment facility until such damage is repaired. The occurrence of any of these events could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Any reduction or cessation in the availability of rail infrastructure or other means of transporting the Group's oil and gas products, whether due to serious malfunctions, security issues, political developments or other force majeure events, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

There are risks inherent in the Group's strategy of acquisition of new exploration and development properties.

The Group's strategies include that, from time to time as suitable opportunities arise, it may consider acquiring additional oil and gas properties. Consistent with this strategy, the Group continuously evaluates opportunities, including in relation to potential exploration and development assets North-Western Kazakhstan. Although the Group performs a review of properties that it believes is consistent with industry practices prior to acquiring them (such as those it carried out in respect of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields), such reviews are inherently incomplete. It generally is not feasible to review in depth every individual property involved in each acquisition. Ordinarily, the Group will focus its due diligence efforts on higher valued properties or assets and will conduct due diligence on only a sample of the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Physical inspections may not be performed on every well, and structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken.

The Group may be required to assume pre-closing liabilities with respect to an acquisition, including environmental liabilities, and may acquire interests in properties on an "as is" basis. In addition, competition for the acquisition of prospective oil properties is intense, which may increase the cost of any potential acquisition. To date, the Group's exploration and development activities have been based in North-Western Kazakhstan, and the Group's lack of presence in other regions may limit its ability to identify and complete acquisitions in other geographic areas. There can be no assurance that any potential acquisition by the Group will be successful.

In addition, while management believes that the Group currently maintains adequate procedures, systems and controls, if the Group acquires another company or assets in the future, integrating operations and personnel and pre- or post-completion costs may prove more difficult and/or extensive than anticipated, thereby rendering the value of any company or assets acquired less than the amount paid. The integration of acquired businesses is likely to require significant time and effort on the part of the Group's management. Integration of new businesses can be difficult because the Group's operational and business culture may differ from the cultures of the businesses it acquires, unpopular cost-cutting measures may be required, internal controls may be more difficult to maintain and control over cash flows and expenditure may be difficult to establish. If the Group experiences difficulties in integrating future acquisitions it could have an adverse effect on its business, prospects, financial condition, cash flows and results of operations.

The Group relies and will continue to rely on the services of third parties with respect to the construction, development and maintenance of its gas treatment facility and the development of the Chinarevskoye Field and the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields.

The Group relies and will continue to rely to a large extent on external contractors to carry out construction, development and maintenance of the second phase of the Group's gas treatment facility and the development of the Chinarevskoye Field, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. The Group relies and expects to continue to rely on external contractors both local and external to Kazakhstan to perform major works, such as the project management, front end engineering and design, procurement, construction, engineering and commissioning of the planned second phase of the gas treatment facility as well as well drilling and maintenance, repairs and maintenance of equipment, maintaining and replacing pipe and other general building and structure maintenance. Some of the services required for the Group's operations and developments are currently only available on commercially reasonable terms from one or a limited number of providers. These operations and developments may be interrupted or otherwise adversely affected by failure to supply, or delays in the supply of services that meet the Group's quality requirements. If the Group is forced to change a provider of such services, there is no guarantee that this would not result in the Group experiencing additional costs and interruptions to production and supply continuity to its customers. There is also no guarantee that the Group will be able to find adequate replacement services on a timely basis or at all. In addition, the 2017 Ryder Scott Report estimates, that under the existing oil price environment, the Group will need to drill 50 to 60 wells to ramp up average daily production volumes to 100,000 boe per day by the end of 2020. In 2017, the Group has drilled seven new wells. Under the existing oil price environment, the current drilling plan foresees drilling up to nine wells (four production wells and up to five appraisal wells) in 2018. As of the date of this Offering Memorandum, management estimates that the average production will reach 50,000 boepd in 2019, assuming three drilling rigs will be used during all of the year, 65,000 boepd in 2020, assuming an increase to five rigs at the field, and increasing the drilling rig count to six during 2021 will allow drilling of up to 16 new wells per year with successive increase of production reaching 100,000 boepd. In the event that drilling contractors are not available or the costs for such contractors increase, the Group's costs would increase in order to achieve this target.

Competition for the services of highly skilled third party contractors has increased and supply has become tightly constrained, and such competition may continue or intensify. As a result, the Group may face shortages of qualified third party contractors and significantly higher fees to retain the services of qualified third party contractors. As a result, the Group is largely dependent on satisfactory performance by its external contractors and the fulfilment of their obligations. If an external contractor fails to perform its obligations satisfactorily, this may lead to delays or curtailment of the production, transportation, refining or delivery of oil and gas and related products, which could have an adverse effect on the Group's business, prospects, financial condition or results of operations.

Harsh climate conditions may detrimentally affect the lifespan of the Group's assets and the future cost and operation of the Group's facilities.

West Kazakhstan, where the Chinarevskoye Field is located, is subject to extreme temperatures and climate. These temperature fluctuations impose additional stress on buildings and equipment and, as a result, the lifespan of buildings and equipment is not as long as in milder climates. The need to cater to extreme temperatures and climate also imposes additional costs in design, construction and maintenance. Since most of the equipment used by the Group is imported, maintenance costs are high. Supplies of spare parts and replacement parts are not locally or cheaply available and there is a shortage of skilled maintenance personnel to adequately service and maintain the Group's equipment. As a result, the increased costs of design, construction and maintenance, or delays while replacement equipment and spare parts are delivered to the Chinarevskoye Field, could have an adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group is subject to risks related to fluctuations in the U.S. Dollar/Tenge exchange rate and will be subject to the Euro/U.S. Dollar exchange rate.

The products that the Group exports are sold at prices quoted in U.S. Dollars and cash payment to the Group is made in U.S. Dollars.

For the nine month period ended 30 September 2017, approximately 75% of the Group's expenses were denominated in Tenge and not indexed to the U.S. Dollar and hence were subject to fluctuations of the U.S. Dollar/Tenge exchange rate. The Group does not maintain any currency hedging arrangements. If the value of the U.S. Dollar falls against the Tenge, then the Group will have less Tenge available to pay its Tenge expenses and its results will be adversely affected.

The Group has also considered in the past certain euro-denominated financings. In the event the Group enters into such euro-denominated financings, the Group intends to assess whether to enter into forward exchange contracts to hedge exposure to the euro, but does not have any such contracts in place as of the date of the Offering Memorandum.

The Group's insurance coverage does not cover all risks and may not be adequate for covering losses arising from potential operational hazards and unforeseen interruptions.

The insurance industry in Kazakhstan is not as developed as in more advanced economies and many forms of insurance protection typically used in more advanced economies, such as business interruption insurance, are unavailable. Kazakhstan laws require oil and gas companies to insure only against certain limited types of risks, such as insurance of employees against accidents at work, environmental damage and certain civil liability, for instance civil liability of owners of objects, activities of which may cause damage to third parties, and vehicle owners' civil liability. As a result of its engagement in extraction and exploration activities, the Group may become subject to liabilities for hazards against which it either cannot obtain insurance, or which it may elect not to insure against because of high insurance premium costs. Losses from uninsured risks may cause the Group to incur costs that could have a material adverse effect on the Group's business, prospects, operating results, cash flows and financial condition.

The Group's insurance does not cover business interruption, key-man, terrorism or sabotage insurance. The proceeds of insurance applicable to covered risks may not be adequate to cover increased expenses relating to these losses or liabilities. Accordingly, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage which could materially and adversely affect the Group's business, prospects, financial condition and results of operations.

The Group is or may become subject to the Bribery Act 2010 (the "Bribery Act") and the U.S. Foreign Corrupt Practices Act (the "FCPA"), and its failure to comply with the laws and regulations thereunder could result in

penalties which could harm its reputation and have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group is or may become subject to the Bribery Act and the FCPA, which generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. Although the Group has policies and procedures designed to ensure that the Group, its employees and agents comply with the Bribery Act and the FCPA, including a whistle-blowing policy, there is no assurance that such policies or procedures will work effectively all of the time or protect the Group against liability under the Bribery Act or the FCPA for actions taken by its agents, employees and intermediaries with respect to the Group's business. If the Group is not in compliance with the Bribery Act, the FCPA or other laws governing the conduct of business with government entities (including Kazakhstan laws), it may be subject to criminal and civil penalties and other remedial measures, which could have a material adverse impact on the Group's business, prospects, financial condition, cash flows and results of operations. Any investigation or allegation of any potential violations of the Bribery Act, the FCPA or other anti-corruption laws by U.S. or foreign authorities also could have a material adverse impact on the Group's business, prospects, financial condition, cash flows and results of operations. Furthermore, any remediation measures taken in response to such potential or alleged violations of the Bribery Act, the FCPA or other anti-corruption laws, including any necessary changes or enhancements to the Group's procedures, policies and controls and potential personnel changes and/or disciplinary actions, may materially adversely impact its business, prospects, financial condition, cash flows and results of operations.

In 2016, an employee raised one matter under Nostrum's whistle-blowing policy. Upon receipt of this request, Nostrum followed the review procedures contained in the whistle-blowing policy and a full report detailing the outcomes of the investigation was presented to the Audit Committee. Nostrum considers this matter closed and no remedial action was required.

The Group's IT systems are subject to disruption which could adversely impact the Group's operations.

The Group's IT systems in Uralsk, where its operations are primarily carried out by Zhaikmunai LLP, occasionally suffer from power outages and other disruptions. Zhaikmunai LLP has implemented backup procedures and has developed formal disaster recovery plans. Zhaikmunai LLP's main storage data is regularly backed up and Zhaikmunai LLP has conducted testing on backup copies for restoration. Despite these precautions, were a severe disruption to the Group's IT systems in Uralsk to occur, it could adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

Labour unrest may materially adversely affect the Group's business.

While the Group has not experienced any work stoppages, strikes or similar actions in the past and considers its relations with its employees to be good, there can be no assurance that stoppages or strikes will not occur in the future, that there will be sufficient alternative staff and employees to run production and other activities in the event of a stoppage or strike, that any such future potential labour unrest will be satisfactorily resolved and that further disturbances will not arise. In addition, there can be no assurance that any future strike would not result in ongoing reductions in production or a need to devote significant financial resources to restore production. Labour unrest may materially adversely affect the Group's business, prospects, financial condition or results of operations as a result of a disruption in production or other activities.

The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected.

Unless stated otherwise, the reserves data included in this Offering Memorandum has been derived or extracted from the 2017 Ryder Scott Report and have been prepared in accordance with the standards established by the SPE-PRMS. There are numerous uncertainties inherent in estimating the quantity and the quality of reserves and in projecting future rates of production, including many factors beyond the Group's control. Estimating the amount and quality of reserves is a subjective process and estimates made by different experts can vary significantly. In addition, results of drilling, testing and production subsequent to the date of an estimate may result in revisions to that estimate. Accordingly, reserves estimates may be different from the quantity or quality of hydrocarbons that are ultimately recovered and, consequently, the revenue derived therefrom could be less than that currently expected. The significance of such estimates depends heavily on the accuracy of the assumptions on which they are based, the quality of the information available and the ability to verify such information against industry standards.

The reserves data contained in the 2017 Ryder Scott Report are estimates only and should not be construed as representing exact quantities. These estimates are based on production data, prices, costs, ownership, geological and engineering data, and other information assembled by the Group, and they assume, among other things, that the future development of the Group's fields and the future marketability of the Group's products will be similar to past development and marketability. Many of the factors, assumptions and variables involved in estimating reserves are beyond the Group's control and may prove to be incorrect over time, and potential investors should not place undue reliance on the forward-looking statements contained in the 2017 Ryder Scott Report concerning the Group's reserves or production levels. In the past, production results for a given year have differed from the production estimates as a result of a slower ramp up of production. In the past this has been linked to delays in the completion of phases of the gas treatment facility, but similar delays in completing the third unit of the gas treatment facility, or other unexpected production delays, could also lead to results which differ from the 2017 Ryder Scott Report estimates.

Estimates of the value and quantity of economically recoverable oil reserves, rates of production, net present value of future cash flows and the timing of development expenditures necessarily depend upon several variables and assumptions, including:

- historical production from the area compared with production from other comparable producing areas;
- interpretation of geological and geophysical data;
- assumed effects of regulations adopted by governmental agencies;
- assumptions concerning future percentages of international and domestic sales;
- assumptions concerning future crude oil and other hydrocarbon prices;
- the availability, application and efficacy of new technologies;
- capital expenditures; and
- assumptions concerning future operating costs, taxes on the extraction of hydrocarbons, development costs and workover and remedial costs.

Because all reserves estimates are subjective, each of the following items may differ materially from those assumed in estimating the Group's reserves:

- the quantities and qualities of hydrocarbons that are ultimately recovered;
- the production and operating costs incurred;
- the amount and timing of additional exploration, appraisal and development expenditures; and
- future hydrocarbon oil sales prices.

Many of the factors, assumptions and variables used in estimating reserves are beyond the Group's control and may prove to be incorrect over time. Evaluations of reserves necessarily involve multiple uncertainties. The accuracy of any reserves or resources evaluation depends on the quality of available information and petroleum engineering and geological interpretation. Exploration drilling, interpretation and testing and production after the date of the estimates may require substantial upward or downward revisions in the Group's reserves or resources data. Moreover, different reservoir engineers may make different estimates of reserves and cash flows based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates, and the variances may be material. The estimation of reserves may also change because of acquisitions and disposals, new discoveries and extensions of existing fields as well as the application of improved recovery techniques.

If the assumptions on which the estimates of the Group's reserves have been based are wrong, the Group may be unable to produce the estimated levels or quality of products set out in this Offering Memorandum, which would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

In addition, from 2017, the Group has changed its reporting of production volumes to fully capture the amount of raw hydrocarbons produced at the Chinarevskoye field before entering the Group's processing facilities. Thus the production volumes for the nine months ended 30 September 2017 presented herein are not directly comparable to the other periods presented. Under the new reporting regime, the Group had average daily production volumes of 44,879 boepd for the nine months ended 30 September 2017 and average sales volumes of 39,600 boepd for the nine months ended 30 September 2017. See "*Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Hydrocarbon Data—Presentation in this Offering Memorandum*".

The 2017 Ryder Scott Report is dated 17 February 2017 and reflects the reserves and resources of the Group as at 1 January 2017 and has not been updated for any production that has taken place between 1 January 2017 and the date of this Offering Memorandum. The Group has announced (based on management estimates) for the year ended 31 December 2017, production volumes of 15,616 boepd of crude oil and condensate, 6,211 boepd of LPG and 21,367 boepd of dry gas, production after treatment volumes of 14,937 boepd of crude oil and condensate, 4,615 boepd of LPG and 19,647 boepd of dry gas and sold 15,292 boepd of crude oil and condensate, 4,618 boepd of LPG and 17,934 boepd of dry gas. In addition, as of the date of this Offering Memorandum, Ryder Scott is preparing a report on the Group's reserves and resources as at 1 January 2018 and as this has not been finalized, the Group cannot provide assurances of the content of such report, including with respect to reported repaid amounts and quality of the Group reserves, which may be different from the amounts presented herein for the period subsequent to 1 January 2017.

Contingent and prospective resources are unlikely to be commercially productive in the short or medium term.

Unless stated otherwise, the contingent and prospective resources set forth in this Offering Memorandum have been extracted without material adjustment from the 2017 Ryder Scott Report, which has been prepared by Ryder Scott in accordance with the SPE-PRMS standards. Special uncertainties exist with respect to the estimation of contingent and prospective resources in addition to those that apply to reserves. Contingent resources are resources estimated, as of a given date, to be potentially recoverable from known accumulations but are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Prospective resources are resources estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Development of contingent and prospective resources, if undertaken, may involve considerable expense, and may not result in the discovery of hydrocarbons in commercially viable quantities. The probability that contingent and prospective resources will be economically recoverable is considerable lower than that for proved and probable reserves. Volumes and values associated with contingent and prospective resources should be considered highly speculative and there can be no guarantee that the Group will be able to develop these resources commercially.

Failure by the Group to gain access to additional reserves or to acquire additional reserves at commercially viable prices could materially adversely affect the Group's ability to achieve its long-term growth strategy.

As with any company in the oil and gas industry, the long-term commercial success of the Group depends on its ability to explore, appraise and develop oil and gas reserves and to commercially produce oil and gas from such reserves. If the Group is unsuccessful in locating and developing or acquiring new reserves, its existing reserves (and hence production) will decline over time due to depletion by production. Future increases in the Group's reserves will depend not only on the Group's ability to develop its present properties but also on its ability to select and acquire additional suitable producing properties or prospects. The Group will need to acquire or find and develop additional reserves in order to maintain its current production levels in the long term. There can be no assurance that the Group will be able to identify appropriate acquisition opportunities or that it will be able to make such acquisitions on appropriate terms as and when they become available. Any efforts by the Group to acquire additional reserves involve a number of risks, including competition from other interested purchasers who may have larger financial resources than the Group has; unidentified historical or future liabilities of the operations that the Group may acquire; the inability to receive accurate and timely information about these operations in order to make informed investment decisions; problems in integrating acquired operations; and problems in hiring and retaining qualified personnel. Many of the Group's competitors are also actively seeking to acquire interests in Kazakhstan oil and gas operations. These companies may be able to pay more for exploratory prospects and productive oil and gas properties and may be able to identify, evaluate, bid for and purchase a greater number of prospects and properties, including operatorships and licences, than the Group's financial or human resources permit. Any failure by the Group to acquire or find and develop additional reserves at commercially viable prices is likely to lead to a decline in the Group's reserves and production, which may materially adversely affect the Group's business, prospects, financial condition and results of operations.

The Group may not be able to develop commercially its reserves and resources.

The SPE-PRMS standards have been applied to estimate the Group's reserves and resources. Under SPE-PRMS standards, probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than proved reserves. Contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable. The resources may not be considered commercially recoverable by the Group for a variety of reasons, including the high costs involved in recovering the contingent resources, the price of oil at the time and the availability of the Group's resources and other development plans that the Group may have. By contrast, prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. The Group's estimates of its probable reserves, and resources, are uncertain and can change with time and there can be no guarantee that the Group will be able to develop its reserves and resources commercially.

The Group faces drilling, exploration, production and operational risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs.

The Group's future success will depend, in part, on its ability to develop oil and gas products reserves in a timely and cost-effective manner. The Group's drilling activities may be unsuccessful and the actual costs incurred to drill and operate wells, and to complete well workovers, may have an adverse impact on the Group's profits. The Group may be required to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of hydrocarbons or well fluids, pollution and other environmental risks, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment and spare parts. The Group's current or future oil and gas appraisal, exploration projects and use of enhanced recovery techniques may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. The Group is also exposed to drilling hazards and environmental damage that could greatly increase its operating costs or result in the deterioration of its field operations. In addition, various field conditions may adversely affect its oil and gas production. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, and adverse geological conditions.

For example, in August 2012, the Group decided to expand its operations and agreed to acquire subsoil use rights to three new oil and gas fields in Kazakhstan, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, located approximately 60 to 120 kilometres from the Chinarevskoye Field. This transaction was completed on 24 May 2013 and the Group is currently in the process of analysing the optimal appraisal and development programme for the fields. However, appraisal and exploration activities are capital intensive and inherently uncertain in their outcome and there can be no assurance that the Group will be successful in its plans to develop these fields profitably. In 2016, Nostrum drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. The extent of the success of the results of the appraisal well and testing in the Rostoshinskoye field is not yet fully known and no assurance can be given that the full results, when known, will lead to additional reserves or an increase in production in the near or long term. Despite the 2017 production drilling programme completing three gas condensate wells, in the course of the year two producing wells became unproductive due to uncontrollable water influx. Therefore, as at 31 December 2017, the Group remains with the same number of 19 active gas condensate wells as in the beginning of the year. As at 31 December 2017, the Group's oil production came from 21 oil wells, with two further oil wells having been suspended during the year because of uneconomic production rates. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

The Group's production operations are also subject to risks associated with natural catastrophe, fire, explosion, blowouts, encountering formations with abnormal pressure, the level of water cut, cratering and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury or death. Any of these risks could, among other things, result in loss of hydrocarbons or could lead to environmental pollution and other damage to the Group's properties or nearby areas, increased costs, loss of life, injury to persons and affect the ability of the Group to extract hydrocarbons, process gas and transport its products and potentially sanctions for breach of the PSA, the subsoil use agreements for the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields (the "**Subsoil Use Agreements**"), the Licence and applicable law.

The Group's existing gas treatment facility is shut down each year for scheduled maintenance of approximately two weeks. In 2016, planned maintenance shut downs did not exceed 15 days and there was no material shut down in 2017 (in addition to the short routine maintenance shut down). There will be a two to three week shut down in the second quarter of 2018 for the tie in with the third unit of the gas treatment facility. The Group flares gas during the maintenance shut down and this flaring is part of the volume of permitted gas flaring that the Group obtains an annual permission for. In the event that the Group cannot receive an annual permission to flare gas for an appropriate volume, or if unanticipated events mean that flaring exceeds the permitted volume, the Group could be subject to fines, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. Additionally, the cost and duration of this maintenance shutdown could be greater than the Group forecasts. Any prolonged shutdown of the gas treatment facility could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. For example, in October 2015, the Group suffered an unexpected downtime due to unforeseen repair work made to the third party owned pipeline through which the Group exports its gas, which severely disrupted production during that month.

Any of these drilling, exploration, production and operational risks and hazards could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group may be unable to comply with its obligations under the PSA and the Licence.

The Group's exploration, mining and processing activities depend on the grant, renewal or continuance in force of the PSA, the Licence, other licences, permits, and regulatory approvals and consents, each of which are valid for a limited time period. The PSA, the Licence, other licences, permits and regulatory approvals and consents may not in the future be granted on terms acceptable to the Group or at all, and may not continue in force. Various provisions of Kazakhstan laws provide that fines may be imposed and licences and hydrocarbon contracts may be suspended, amended or terminated if a licence holder fails to comply with its obligations under such documents, including if a license holder fails to make timely payments of levies and taxes for subsoil use, fails to provide the required geological information or fails to meet other reporting requirement.

The Group's operations must be carried out in accordance with the terms of applicable law, the Licence and the PSA (including the production permit, the exploration permit, the Development Plans, the gas flaring permits, the technological scheme of development of the Licence area and work programs) and other licences, permits, regulatory approvals and consents. Under the Subsoil Law, the failure by a subsoil user to remedy more than two breaches of its obligations under a subsoil use contract within a period of time established in the notice of such breach from the Competent Authority may result in a termination of the relevant subsoil use contract. In the past few years the Competent Authority announced it had terminated subsoil use contracts of certain companies due to breaches of Kazakhstan regulations relating to goods, supplies and services from Kazakhstan sources. In addition, any antecedent breach under the Licence, the PSA and other licences, permits, regulatory approvals and consents could result in the Group being ineligible for the licenses, approvals and permits it needs in the future.

The State's central executive agency, designated by the Kazakhstan Government to act on behalf of the State to exercise rights relating to the execution and performance of subsoil use contracts, which was the Ministry of Energy and Mineral Resources of Kazakhstan until 12 March 2010, when it was reorganised into the Ministry of Oil and Gas with respect to the oil and gas industry and further reorganized into the Ministry of Energy of Kazakhstan in August 2014, has, on various occasions in the past, notified Nostrum of purported violations of certain provisions of the PSA and requested information from Nostrum demonstrating its compliance with its obligations under the PSA. Nostrum has responded to all such notices and requests and has provided the requested information, which Nostrum believes demonstrates its compliance with the terms of the PSA, to the relevant authorities. Management believes that Nostrum is in compliance in all respects with its obligations under the PSA and the Licence. To date such authorities have not taken any further action in relation to such notices regarding the PSA following receipt of such information from Nostrum and no notices of any material adverse action on the part of the authorities have been received by Nostrum although no assurance can be given that the relevant authorities will not in the future take further action or that new allegations of violations against the Group will not be made.

However, the views of the Kazakhstan Government agencies regarding the development of the Chinarevskoye Field or compliance with the terms of its licences or permits may not coincide with the Group's views, which might lead to disagreements that cannot be resolved. The Group could also encounter challenges from third parties to the validity of its existing Licence and contracts, or any future permits that may be required, which could trigger suspension and subsequent termination of these contracts. Management regards the likelihood of either of these risks materialising as low.

Any suspension, revocation or termination of any of the Licence, the PSA or other material permits or agreements (for either of the reasons stated above) could prevent or significantly reduce the Group's production of hydrocarbons at the Chinarevskoye Field, which would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Because certain material investments in infrastructure at the Chinarevskoye Field have been a part of the development plan approved by the Kazakhstan Government, the Group would not retain rights in such infrastructure, including the gas treatment facility, following the revocation or termination of the License or PSA. The Group does not independently own any significant assets at the Chinarevskoye Field which are not connected to the License or the PSA.

The Subsoil Code was enacted on 27 December 2017, and will generally come into force on 29 June 2018 (with certain provisions coming into force at different later dates). Such new legislation is completely untested and may have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group has certain contingent liabilities to the Competent Authority in relation to underperformance of work programmes on the three development fields, and the exploration periods for the three development fields will require extension.

As of 30 September 2017, Zhaikmunai LLP's accruals under the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye subsoil use contracts totalled U.S.$8,273,000. These accruals relate to underperformance under work programs on the three development fields. Zhaikmunai LLP continues to negotiate with the Competent Authority to make necessary amendments to the subsoil use contracts to eliminate the said underperformance and respective liabilities. In addition, the exploration licence for Rostoshinskoye expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority. Although the three development fields are exploration assets only and no production is currently derived from them, if the exploration licences for the three development fields are not extended, or if the amendments to the subsoil use contracts to eliminate underperformance and liabilities are not entered into, then the licences and subsoil use contracts in relation to the three development fields may expire, be suspended or terminated, preventing the Group from completing exploration of those fields and potential future hydrocarbon production from those fields, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group may be unable to implement changes to its existing work program.

As part of the tenth supplementary agreement to the PSA, the Group has replaced its annual work program for the Chinarevskoye field by a single work program for the 2013-2032 period and the fourteenth supplementary agreement to the PSA has amended the current work program. Any additional changes to the single work program would require the Group to further amend the PSA. In previous years, the relevant government authorities have approved changes requested by the Group and have executed supplemental agreements to the PSA. In the future, if the Group is unable to amend the PSA for any reason, it would be required to follow the existing single work program, which might not be sufficient to accommodate future increases in the Group's reserve base and would therefore constrain the Group's ability to diversify its sources of production.

The Group is obliged to comply with environmental regulations and cannot guarantee that it will be able to comply with these regulations in the future.

The Group's operations are subject to environmental risks inherent in oil and gas exploration and production industries. Compliance with environmental regulations may make it necessary for the Group, at costs that may be substantial, to undertake measures in connection with the storage, handling, transportation, treatment or disposal of hazardous materials and waste and the remediation of contamination.

The legal framework for environmental protection and operational safety is not yet fully developed in Kazakhstan. Stricter environmental requirements, such as those governing discharges to air and water, the handling and disposal of solid and hazardous wastes, land use and reclamation and remediation of contamination, may be adopted in the near future, and the environmental authorities may move towards a stricter interpretation of existing legislation. The costs associated with compliance with such regulations could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group's environmental obligations include complying with Kazakhstan environmental legislation, particularly the Kazakhstan Environmental Code (dated 9 January 2007, as amended) (See also "*Regulation in Kazakhstan—Regulation of subsoil use rights in Kazakhstan—Environmental Permits*"). The costs of environmental compliance in the future and potential liability due to any environmental damage that may be caused by the Group could be material. Moreover, the Group could be adversely affected by future actions and fines imposed on the Group by the environmental protection agencies of the Kazakhstan Government, including the potential suspension or revocation of the Licence or Subsoil Use Agreements and termination of the PSA. To the extent that any provision in the Group's accounts relating to remediation costs for environmental liabilities proves to be insufficient, this could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

In addition, in March 2009, the President of Kazakhstan signed the law on the ratification of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "**Kyoto Protocol**"), which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide. The effect of such ratification in other countries is still unclear; accordingly, potential compliance costs associated with the Kyoto Protocol in Kazakhstan are unknown and may be significant. Nonetheless, the likely effect will be to increase costs for electricity and transportation, restrict emissions levels, impose additional costs for emissions in excess of permitted levels and increase costs for monitoring, reporting and financial accounting. Increases in such costs could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results or operations.

Although the Group is obliged to comply with all applicable environmental laws and regulations, given the changing nature of environmental regulations, it may not be in compliance at all times. Any failure to comply with these environmental requirements could subject the Group to, among other things, civil liabilities and penalty fees and possibly temporary or permanent shutdown of the Group's operations. In the past, the Group has been served with administrative and other environmental claims from Government or regulatory departments.

As an example of the potential serious consequences for breach of provisions of environmental laws, in the past, the Kazakhstan Government claimed that the operator of the Kashagan oil field (a consortium of international investors) had breached certain provisions of its licence and environmental regulations, and consequently suspended the operator's licence.

The Subsoil Law and the Subsoil Code empower the Competent Authority to terminate existing subsoil licences in certain circumstances. The PSA and the Licence or the Subsoil Use Agreements could be suspended as a consequence of non-compliance with environmental regulations. See "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government*". Any such suspension or revocation of the PSA, the License or the Subsoil Use Agreements, or the costs associated with compliance with such regulations, could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

The Group is obliged to comply with health and safety regulations and cannot guarantee that it will be able to comply with these regulations.

The Group's operations are subject to laws and regulations relating to the protection of human health and safety. Failure, whether inadvertent or otherwise, by Nostrum to comply with applicable legal or regulatory requirements may give rise to significant liabilities. The Group's health and safety policy is to observe local and national, legal and regulatory requirements and generally to apply best practice where local legislation does not exist.

Nostrum incurs, and expects to continue to incur, substantial capital and operating costs in order to comply with increasingly complex health and safety laws and regulations. New laws and regulations, the imposition of tougher requirements in licences, subsoil use agreements and permits, increasingly strict enforcement of, or new interpretations of, existing laws, regulations and licences, or the discovery of previously unknown contamination may require further expenditures to modify operations or pay fees or fines or make other payments for breaches of health and safety requirements.

Although the costs of the measures taken to comply with health and safety regulations have not had a material adverse effect on the Group's financial condition or results of operations to date, in the future, the costs of such measures and/or liabilities related to damage to human health and safety caused by Nostrum may increase, adversely affecting its operating results and financial condition.

The Group is subject to an uncertain tax environment that may lead to disputes with regulatory authorities.

The PSA provides that for the lifetime of the PSA, Nostrum shall be subject to the tax regime that was in place in Kazakhstan at the time the PSA was signed, unless the parties to the PSA agree otherwise. In addition, under the PSA, Zhaikmunai LLP is required to share a proportion of its production (in cash or kind), and make royalty payments in addition to certain other payments.

As of 1 January 2018, a new Code of the Republic of Kazakhstan "On Taxes and Other mandatory Payments into the Budget (Tax Code)" (the "**Tax Code**") No. 120-VI dated 25 December 2017, became effective (with certain provisions coming into force at different later dates) and introduced a number of amendments to the tax regime and taxes applicable to subsoil users (including alternative subsoil use tax). While the Tax Code does not supersede the previous tax regime applicable to PSAs entered into before 1 January 2009 and which has undergone mandatory tax expertise, which continues to be effective under Articles 721 and 722 of the Tax Code, the Tax Code applies to the Subsoil Use Agreements.

In 2010 and 2011 after adoption of the Code of the Republic of Kazakhstan "On taxes and Other mandatory Payment into the Budget" No. 99-IV, dated 10 December 2008, as amended, (the "**Old Tax Code**) (which was replaced by the Tax Code), the Competent Authority entered into discussions with all subsoil users who were parties to PSAs with the Kazakhstan Government, including Zhaikmunai LLP, with regard to potential changes to the tax regime applicable to such PSAs. Kazakhstan Government officials publicly expressed a desire to remove tax stability provisions from PSAs in cases where such a change was necessary to restore the balance of interests between the parties. While the Group believes that such a change would not be justified or appropriate in relation to its PSA, there is no certainty that the Kazakhstan Government will share this view and will not try to remove tax stability provisions from PSAs once again. There is currently no indication that the Kazakhstan Government's stated intention to remove tax stability provisions from PSAs will result in any change in the tax regime applicable to Zhaikmunai LLP's PSA or what such change, if any, would be (see "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government*").

Future tax investigations or inquiries could create tax liabilities for the Group or could result in assessments to which the Group believes it is not subject, or with which the Group believes it has complied. Tax authorities could conceivably impose material fines, penalties and interest charges that could be challenged unsuccessfully by the Group either with the tax authorities or through the courts. The uncertainty of application, including retroactive application, including with respect to our financial indebtedness, of tax laws and the evolution of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group operates in a highly competitive industry.

The oil and gas industry is highly competitive. The Group competes with numerous other participants in the acquisition of subsoil use rights for oil and gas exploration, production and properties, and access to export transportation routes for oil and gas. Competitors include oil and gas companies that have greater financial resources, staff and facilities than the Group has. See "*Business—Competition*". The Group's ability to increase reserves in the future will depend not only on its ability to develop existing properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and gas products include price, methods and reliability of delivery and availability of imported products. The Group's failure to compete effectively could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Risk Factors Relating to Kazakhstan

Risks associated with emerging and developing markets generally.

The disruptions experienced in the global and regional capital markets from 2007 onwards have led to reduced liquidity and increased credit risk for certain market participants and have resulted in a reduction of available financing. Companies located in emerging markets such as Kazakhstan may be particularly susceptible to these disruptions and to reductions in the availability of credit or increased financing costs, which could result in financial difficulties. In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in these markets, and, as such, any factors that impact market confidence, (for example, a decrease in credit ratings, or state or central bank intervention in one market or terrorist activity and conflict), could affect the price or availability of funding for entities within any of these markets.

Kazakhstan's economy is vulnerable to recent changes related to a decrease in oil prices and adoption of a free floating currency exchange rate by the NBK in 2015. Both factors led to a destabilisation of Kazakhstan's banking sector with respect to a level of deposits allocated in the second-tier banks and loans provided. Kazakhstan's banking sector has also been significantly affected by the increased portfolio of non-performing loans ("**NPLs**") which has an adverse effect on the liquidity and level of capital adequacy. For the purposes of reducing the level of NPLs, the Kazakhstan Government together with the NBK established the Stressed Assets Fund in 2012. The principal idea for establishment of the Stressed Assets Fund was to reduce the level of NPLs and help the banking sector in Kazakhstan, wherein the NPLs allocated on the balance sheet of the banks will be transferred to the Stressed Assets Fund. Despite the establishment of the Stressed Assets Fund, the Kazakhstan's banking sector still tends to experience difficulties preventing the banking sector to be more developed in comparison to other banking sectors globally. The requirements on the capital adequacy together with the bad loan portfolio accelerated some serious changes that occurred within Kazakhstan's banking sector, such as a proposed merger of JSC Bank CenterCredit with Tsesnabank JSC and the initiative of the Kazakhstan Government together with the NBK to provide state support to Kazkommertsbank JSC and its further acquisition by JSC Halyk Bank. Acquisition and reorganization of the major second-tier banks in Kazakhstan for the purposes of proclaiming financial stability within the banking sector and accelerating the capitalization of the banks may in turn have further effects on the Kazakhstan economy and Kazakhstan sovereign ratings.

In May 2015 the Kazakhstan Government together with the NBK adopted and proceeded with the establishment and development of the Astana International Financial Centre and in December 2015, the President signed the Constitutional Law of the Republic of Kazakhstan regulating the activity of the Astana International Financial Centre. The Astana International Financial Centre purports to accelerate the establishment of a new securities market wherein there would be a newly established stock exchange operating within the territory of the Astana International Financial Centre. There is currently only one stock exchange operating in Kazakhstan, i.e. the KASE. The establishment of a new stock exchange may lead to a rise in negative comments from the current securities market participants as it might may result in a shift of securities listed on the KASE to a newly established stock exchange in the territory of the Astana International Financial Centre. As the securities of Zhaikmunai LLP are listed on the KASE, there is a possible risk that Zhaikmunai LLP's securities may be shifted to the newly established stock exchange. For now it is not clear how the newly established stock exchange of the Astana International Financial Centre and the KASE will be operated but this may affect the securities of the Group due to the fact that, first of all, the newly established stock exchange would have different listing requirements which in turn could affect the securities of the Group and secondly, it could require the Group to proceed with additional applications for the Group's securities to be listed on the stock exchange of the Astana International Financial Centre.

The oil and gas sector in Kazakhstan has recently experienced significant volatility. As oil and gas production and exports, to a large degree, form the foundation of the country's economy, the Kazakhstan economy is particularly sensitive to fluctuations in the price of oil and gas on the world market. A decline in the price of oil and/or gas could therefore have a significant negative effect on Kazakhstan's economy. In turn, this could have a direct negative effect on the Group, whose primary source of revenue is sales of crude oil, gas and other hydrocarbons. See "*—The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and the Group may be affected by oil price volatility*" and "*—Risk Factors Relating to the Group—The Group has been and may be further adversely affected by a substantial or extended decline in prices for crude oil and gas".*

In addition, on-going terrorist activity and armed conflicts across the globe have also had a significant effect on international finance and commodity markets. Any future national or international acts of terrorism or armed conflicts could have an adverse effect on the financial and commodities markets in Kazakhstan and the global economy. As Kazakhstan produces and exports large volumes of crude oil and gas, any acts of terrorism or armed conflicts causing disruptions of Kazakhstan oil and gas exports could negatively affect the Kazakhstan economy and thereby materially adversely affect the Group's business, prospects, financial condition, cash flows or results of operations.

Potential investors in emerging markets such as Kazakhstan should therefore be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Potential investors in the Notes should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Offering Memorandum may become outdated relatively quickly. Accordingly, potential investors in the Notes should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

The political environment in Kazakhstan has a significant impact on the Group and the regional political environment may also have a significant impact on the Group.

Kazakhstan became an independent sovereign nation in 1991 following the break-up of the Union of Soviet Socialist Republics (the "**USSR**" or the "**Soviet Union**"). Since then, Kazakhstan has undergone major change as part of its transformation from a centralised planned economy to a free-market economy. Initially, this transformation was accompanied by political uncertainty and strain, where economic downturns were accompanied by high inflation, volatility in the national currency and rapid, although incomplete, changes to the legal environment.

Following the break-up of the Soviet Union, a number of the former republics of the USSR went through periods of political instability, civil unrest, military action and territorial disputes accompanied by violence. From the period of independence up to the date of this Offering Memorandum, the political situation in Kazakhstan has generally remained calm. At the same time, no assurances can be given that the situation will not change as a result of an internal conflict or outside influence. An example of this is provided by the events which occurred on 16 December 2011 in the city of Zhanaozen in the Mangistau Oblast of Kazakhstan. Mass riots which started in the city's main square during the celebrations of the 20th anniversary of Kazakhstan's independence resulted in dozens of people being killed or injured and significant damage being caused to the city's infrastructure. According to some sources, the riots were caused by discontent amongst oil workers, including over low wages.

In addition, Kazakhstan could be adversely affected by political unrest in the region, such as that experienced by the neighbouring country of Kyrgyzstan in 2010. Additionally, like other countries in Central Asia, Kazakhstan could be adversely affected by terrorism, military or other action taken against sponsors of terrorism in the region. Although Kazakhstan has in the recent past enjoyed relative political stability, it could be adversely affected by political unrest in the Central Asian region. Additionally, in common with other countries in Central Asia, Kazakhstan could be adversely affected by terrorism, military or other action taken against sponsors of terrorism in the region.

Crude oil is exported from Kazakhstan through pipelines and railways across the Caspian Sea and through Russia to the Black Sea ports or by pipeline to China. Certain regions surrounding Kazakhstan are experiencing turbulent political and economic events. Kazakhstan's neighbour, Russia, has been involved in conflicts, both economic and military, with neighbouring states. On several occasions, this has resulted in the deterioration of Russia's relations with other members of the international community, including the United States and various countries in Europe. Many of these jurisdictions are home to financial institutions and corporations that are significant investors in Russia and whose investment strategies and decisions may be affected by such conflicts and by worsening relations between Russia and its immediate neighbours. The continuing significant civil unrest and political instability in Ukraine and the armed conflict in Eastern Ukraine have affected Russia's relations with the European Union, the United States and certain other countries (including Ukraine, Canada, Australia, Japan, Norway and Switzerland). In March 2014, a referendum on the status of Crimea was held which resulted in a majority of votes in favour of seceding from Ukraine and joining the Russian Federation as a federal constituent entity. On 18 March 2014, Russia and Crimea signed an agreement on the accession of the Republic of Crimea to the Russian Federation. On 21 March 2014, the Russian parliament passed legislation extending the effect of Russian laws and operation of governmental authorities to the territory of Crimea.

In addition, Russia's involvement in an armed conflict in Syria since September 2015, which followed a request from the Syrian government to provide support in fighting the Islamic State, an extremist militant group, may put further pressure on relations between Russia and other countries. In particular, on 24 November 2015, a Turkish fighter jet shot down a Russian bomber aircraft near the Turkish-Syrian border. The incident resulted in a bilateral crisis, with Russia imposing economic sanctions against Turkey. This has led to a decrease in export-import and investment activity between the countries. Russia's involvement in the conflict in Syria could further lead to an escalation of geopolitical tensions, the possible introduction or expansion of international sanctions against Russia by other countries and an increased risk of terrorist attacks in Russia or the surrounding regions. The emergence of any new tensions or the escalation of existing tensions in the region could negatively affect the economy of Russia and other countries that are involved, including Kazakhstan.

Given the transportation of crude oil though Russia, the above conflicts and tensions may affect the region and the local oil and gas industry, which may have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Political events surrounding the Caspian Sea may affect our operations.

Crude oil is exported from Kazakhstan through pipelines and railways across the Caspian Sea and through Russia to the Black Sea ports or by pipeline to China. Events affecting Russia, as described above, may have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. In addition, the political situations of countries surrounding the Caspian Sea, and the legal status of the Caspian Sea, may affect our business operations. The main oil and gas operations in the Caspian Sea region have come through Kazakhstan and Azerbaijan with respect to oil and Turkmenistan and Uzbekistan with respect to gas, and Russia plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea. The legal status of the Caspian Sea is uncertain. This has led to debate over who governs, and owns, certain parts of the Caspian Sea. Recently Russia and Iran, which also borders the Caspian Sea, have made further public statements regarding the legal status of the Caspian Sea. Iran currently does not have significant energy resources within the areas of the Caspian Sea under its sovereignty. It is difficult to predict the outcome of such discussions and its potential impact on the region, including the regional oil and gas industry.

The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and the Group may be affected by oil price volatility.

The economy and state budget of Kazakhstan, as with other countries in the Central Asian region, rely on the export of crude oil and oil products and other commodities, the import of capital equipment and significant foreign investment in infrastructure projects. As a result, Kazakhstan could suffer from volatility, or a sustained decline in oil and other commodity prices, or from the frustration or delay of any infrastructure projects caused by political or economic instability in countries participating in such projects. Kazakhstan's dependence on oil and oil products also has an indirect impact on its currency, the Tenge, which is indirectly correlated to the price of oil.

In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility in earnings from U.S. Dollar-denominated crude oil, condensate and other hydrocarbons exports. An oversupply of crude oil or other commodities in world markets or a general downturn in the economies of any significant markets for crude oil or other commodities or weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy which, in turn, could have an adverse effect on the business, prospects, financial condition, cash flows and results of operations of the Group.

Uncertainty over the outcome of the implementation of economic reforms in Kazakhstan may impose risks.

There remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. The Kazakhstan Government has stated that it intends to address these problems by improving business infrastructure and tax administration. Further, the significant size of the shadow economy may adversely affect the implementation of reforms and hamper the efficient collection of taxes. There can be no assurance that these measures taken by the Kazakhstan Government for the implementation of the economic reform will be effective or that any failure to implement them may not materially and adversely affect the Group's business, prospects financial condition, cash flows and results of operations.

The Kazakhstan currency is subject to volatility and depreciation

The depreciation of Tenge against the U.S. dollar or other foreign currencies, and any future devaluation in the currencies of Kazakhstan's neighbouring countries (including countries forming part of the Commonwealth of Independent States and, specifically, Russia) may adversely affect the financial condition of Kazakhstan and its economy, as well as Kazakhstan's (or companies operating therein) ability to repay its debt denominated in currencies other than Tenge. Since the NBK adopted a free floating rate exchange policy in April 1999, the Tenge has fluctuated significantly, with significant recent devaluations and depreciation.

The value of Tenge is impacted by a number of factors, including but not limited to, a depreciation of the Russian Ruble and Chinese Yuan, and a rapid decline in oil prices, all of which are outside of the control of the Kazakhstan Government. As Kazakhstan heavily relies on the export of oil, the Kazakhstan Government decided to adopt a monetary policy with an extended exchange rate band due to a major reduction in the oil prices.

On 20 August 2015 the Kazakhstan Government, together with the NBK, decided to implement a new monetary policy based on inflation targeting and a free floating rate exchange. This led to a rise in volatility in the Kazakhstan monetary markets. Tenge rapidly depreciated from approximately KZT 186.80 per 1 U.S. dollar as of July 2015 (prior to implementation of a new monetary policy), to KZT 340.60 per 1 U.S. dollar at the end of 2015. Tenge further depreciated to KZT 333.68 per 1 U.S. dollar as of 31 December 2016 and KZT 332.3 per U.S. Dollar as of 31 December 2017.

Since 2015 there was a change in the deposits and loans rate denominated in a foreign currency. Given that commercial bank loans and deposits in the banking system in Kazakhstan were denominated in a foreign currency, there is a risk that further destabilisation of Tenge could result in reduced revenues in the balance of payments or outflow of capital from Kazakhstan, each of which could have a material adverse effect on Kazakhstan's economy.

Any change in the NBK's exchange rate policy could have an adverse effect on the economy and public finances of Kazakhstan, which could in turn, affect the Group's business, prospects, financial condition, cash flows or results of operations.

Kazakhstan laws related to currency regulation grant to the President of the Republic of Kazakhstan the right to temporarily change the currency regulation regime in case of threat to the economic security of Kazakhstan and stability of its financial system, which could temporarily prevent the Group from, or significantly impair its ability to, conduct its business.

Kazakhstan's tax regime and its judiciary are not fully developed and are therefore unpredictable.

Although a large volume of legislation has come into force since early 1995 (including the Law "On National Security" of the Republic of Kazakhstan No. 527-IV dated 6 January 2012, as amended, the Tax Code, the Entrepreneurial Code of the Republic of Kazakhstan (No. 375-V, dated 29 October 2015, amended) (the "**Entrepreneurial Code**"), law relating to arbitration and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation), the legal framework in Kazakhstan is still in a relatively early stage of development compared to those in countries with established market economies. The judicial system, judicial officials and other government officials in Kazakhstan may not be independent of external social, economic and political forces. There have been instances of improper payments being made to public officials, and administrative decisions have been inconsistent and court decisions difficult to predict.

Further, due to numerous ambiguities in Kazakhstan's commercial legislation, in particular in its tax legislation, Kazakhstan tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty of legal interpretation and implementation of the Tax Code, which recently entered into force as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially greater than those in jurisdictions with more developed legal and tax systems. Transition to the amended tax regulations under the Tax Code in Kazakhstan may result in further uncertainty.

The Tax Code was adopted at the end of 2017 and came into force on 1 January 2018, except for certain provisions which will come into force gradually until 1 January 2024. The Tax Code provides for alternative subsoil use tax applicable to certain types of oil deposit at tax payee's discretion (it is uncertain if it may be applicable to the Subsoil Use Agreements and if there are any advantages to apply for alternative subsoil use tax application). Despite all taxation reforms and certain reductions of tax rates during the last decade, the Group expects certain revenue-raising measures to be implemented, which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on companies operating in Kazakhstan, such as the Group.

The banking system in Kazakhstan is not as developed as in many Western countries.

Kazakhstan's laws regarding banking activities and consumer finance legislation have been adopted only relatively recently and are subject to change. Regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the relevant regulators may differ from those applicable to banking operations in countries with more developed regulatory regimes.

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakhstan economy generally, or specific economic sectors within it, or corporate or financial information relating to companies or other economic enterprises, is not as comprehensive as those of many countries with established market economies. This results in less robust underwriting standards. Along with an economic crisis which Kazakhstan has experienced over the past few years caused by a decrease in oil prices and adoption of a new monetary policy, the position of Kazakhstan banks tends to be more unstable, and larger banks tend to acquire smaller banks that have less adequate capital levels. An example of this is a proposed merger of JSC Bank CenterCredit with Tsesnabank JSC and acquisition of Kazkommertsbank JSC by JSC Halyk Bank. It could be noted that together with the changes in Kazakhstan economy, the banking system tends to be more unstable and affected by those changes.

The President of Kazakhstan, Nursultan Nazarbayev, has been in office since 1991 and should he leave office without a smooth transfer to his successor, the political and macroeconomic situation in Kazakhstan could become unstable.

The President of Kazakhstan, Nursultan Nazarbayev, is 77 years old and has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. President Nazarbayev was re-elected by a 97.7% majority for a new five year term in elections which took place in April 2015. In May 2007, Kazakhstan's parliament voted to amend Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of elections. While this amendment will allow President Nazarbayev to seek re-election at the end of his current term, there is no guarantee that he will remain in office. President Nazarbayev is also the father-in-law of Timur Kulibayev, a shareholder in KazStroyService Global B.V. ("**KSS Global**"), which indirectly owns Mayfair, one of the Group's largest shareholders.

In March 2017, the Kazakhstan Constitution was further amended by giving more power to the Kazakhstan Government and the Kazakhstan Parliament. Thus, the power to adopt significant state programmes aimed at the development of the Kazakhstan's economy is given to the Kazakhstan Government rather that the President. The power of the Kazakhstan Parliament has also been strengthened and widened; i.e. now the Kazakhstan Parliament can terminate the power of the Prime-Minister and the Kazakhstan Government. However, these changes shall be produced with an approval of the President. The amendments to the Constitution were primarily aimed at setting forth a more politically stable state and at restricting the power of the President in some certain issues. The amendments to the Constitution also referred to the establishment of the Astana International Financial Centre.

Should President Nazarbayev fail to complete his current term of office for whatever reason or should a new President of Kazakhstan succeed him without a clear mandate, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate, which could have an adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

All the Group's assets are located in Kazakhstan and the Group is therefore susceptible to country-specific risk factors, such as political, social and economic instability.

The Group is subject to Kazakhstan-specific risks, including, but not limited to, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, changes in energy prices, changes with respect to taxes and royalties, withholding taxes on distributions to foreign investors, changes in anti-monopoly legislation, nationalisation or expropriation of property, and interruption or blockage of hydrocarbons or other strategic materials exports. The occurrence of any of these factors could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government.

The oil and gas industry is central to Kazakhstan's economy and its future prospects for development, and thus can be expected to be the focus of continuing attention and debate. In similar circumstances in other developing countries, petroleum companies have faced the risks of expropriation or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks.

The Kazakhstan Government may attempt to modify or remove the stability of the tax regime of the PSA which could result in negative tax consequences. In January 2010, President Nazarbayev of Kazakhstan spoke out against tax stabilisation clauses stating that parties operating in Kazakhstan should work under the same legislation. In the past Kazakhstan Government ministers of energy and natural resources have publicly warned foreign companies that they should prepare themselves for losing their exemption from domestic taxation. Moreover, the Subsoil Law came into force on 7 July 2010 and the Subsoil Code is to come into force on 29 June 2018. Any complaints by the Kazakhstan Government or the invocation or application by the Kazakhstan Government of the Subsoil Law and the Subsoil Code in relation to the Chinarevskoye Field may have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Subsoil Code was enacted on 27 December 2017 and will come into force on 29 June 2018. Such new legislation is completely untested and may have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group is subject to the State's Pre-Emptive Right in respect of, and the Competent Authority's consent to, any transfer of subsoil use rights or direct or indirect interests in an entity holding subsoil use rights in Kazakhstan.

Article 12 of the Subsoil Law and Article 43 of the Subsoil Code provides that the Kazakhstan Government has a pre-emptive right to purchase subsoil use rights or indirect or direct interests in companies having subsoil use rights for sale, where such subsoil use rights or interests are pertinent to any strategic deposit (the "**State's Pre-Emptive Right**"). The list of strategic deposits is approved by the Kazakhstan Government, and the Chinarevskoye Field has been included on the list of strategic deposits since 2011.

The State's Pre-Emptive Right permits the Kazakhstan Government to purchase any such subsoil use rights or equity interests (including any securities convertible into equity interests) pertaining to the strategic deposit being offered for sale or otherwise being alienated, including any issuance of new shares, on terms no less favourable than those offered by the potential purchaser or transferee. The Kazakhstan Government is expected to approve a new list of strategic deposits based on the new criteria for such deposits under the Subsoil Code. If the Chinarevskoye field remains being a strategic deposit, the Group will continue to be subject to the State's Pre-Emptive Right.

In addition to the State's Pre-Emptive right, pursuant to Article 36 of the Subsoil Law, any transfer or pledge of subsoil use rights, including transfers of direct and indirect equity interests in a company holding a subsoil use right requires the consent of the Competent Authority. The Competent Authority may terminate a subsoil use contract if a transaction occurs in violation of this law. Following the Subsoil Code coming into force, termination of the subsoil use contract will be possible if the transactions consummated in absence of the Competent Authority's consent led to a national security threat. The Subsoil Law also requires notification to the Competent Authority within 5 working days following the consummation of a transaction for which the Competent Authority's consent has been granted. Under the Subsoil Code the notification will need to be filed within one month. These provisions apply to Kazakhstan and overseas entities which directly or indirectly control decisions of a company holding subsoil use rights.

In the event that the Kazakhstan Government exercises the State's Pre-Emptive Right or refuses to consent to any transfer of subsoil use rights or equity interests within or to the Group (to the extent such State's Pre-Emptive Right applies), such exercise or refusal could have a material adverse effect on the Group. However, this pre-emptive right has been waived by the Kazakhstan Government and consent obtained from the Competent Authority in connection with the premium listing in 2013.

Any future issue of equity in the Group, including any issue of debt securities convertible into equity in the Group, would however be subject to the State's Pre-Emptive Right and the Competent Authority's consent and a further waiver and consent would have to be obtained. Whilst such waivers and consents have been obtained in the past, there can be no assurance that a waiver or consent will be obtained in respect of any future issue of equity. If the Kazakhstan Government seeks to exercise the State's Pre-Emptive Right in respect of future issues of equity securities, the Group would either be unable (and would have no obligation) to issue such equity securities (as to do so would be in violation of Nostrum's shareholders' pre-emption rights contained in the U.K. Companies Act 2006, Nostrum's articles of association and the applicable listing rules) or would have to obtain the approval of its shareholders for the disapplication of their statutory pre-emption rights in order to issue such equity securities to the Kazakhstan Government. If the Kazakhstan Government seeks to exercise the State's Pre-Emptive Right in respect of future issues of equity securities and the Group was not able to obtain such shareholder approval, or if the Competent Authority does not provide its consent in respect of such issue, the Group would be unable to proceed with the issue of equity securities and the Group would instead need to either seek alternative sources of financing or otherwise potentially not undertake the business activities for which such additional equity financing was sought. See "*—The Group's leverage may, among other things, make it difficult for it to operate its business and may limit its operational flexibility*"**.**

The laws and regulations of Kazakhstan are developing and uncertain. Any changes in laws, regulations and permit requirements to which the Group is subject could require it to make substantial expenditures or subject the Group to material liabilities or other sanctions.

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, permits, companies, procurement, customs, currency, capital markets, pensions, insurance, banking, taxation and competition are still developing and are uncertain. Many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. Furthermore, the judicial system may not be fully independent of social, economic and political forces. Court decisions can be difficult to predict and enforce, and the Group's best efforts to comply with applicable law may not always result in compliance as determined by regulators and/or the courts. Furthermore, because the Subsoil Law and the Subsoil Code do not define the course of action available to the Kazakhstan Government by reference to the gravity of a breach, a minor breach could lead to severe consequences, such as suspensions or termination of subsoil user rights. Because the Subsoil Code is new and certain of its provisions will apply to the Group's PSA and Subsoil Use Agreements, there are no precedents that would make the consequences of a breach more predictable. The Group is required to obtain, on an on-going basis, all permits as are required by the laws of Kazakhstan. Failure to obtain all such permits could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Given Kazakhstan's legislative, judicial and administrative history, it is not possible to predict the effect of current and future legislation on the Group's business. Moreover, the Subsoil Law came into force on 7 July 2010 and the application of this law is largely untested and the Subsoil Code is to come into effect on 29 June 2018 and therefore is entirely untested. The on-going rights of the Group under the PSA, the Licence, the Subsoil Use Agreements and other licences, approvals and permits (if applicable) and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain. Any changes to the rights of the Group under the PSA, the Licence, the Subsoil Use Agreements and other licences, approvals and permits (and any other relevant legislative changes) could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. See "*Regulation in Kazakhstan—Regulation of subsoil use rights in Kazakhstan*" for a summary of the Subsoil Law, the Subsoil Code, the rights of the Competent Authority thereunder and the impact of a breach of such law.

Risks Related to the Notes and the Guarantees

The Issuer has no revenue generating operations of its own.

The Issuer was formed in March 2017 and has no revenue-generating operations of its own. The Issuer conducts no business or operations and has no significant assets, other than the Existing Notes due 2019 (or, any on-loan of the proceeds available for general corporate purposes to another Group member) and certain hedging receivables. The Issuer's ability to service its indebtedness, including the Notes, is entirely dependent upon the receipt of funds under the terms of the Existing Notes due 2019 or otherwise.

In addition, the ability of members of the Group to make payments, loans or advances or pay dividends may be limited by the laws of the relevant jurisdictions in which members of the Group are organised or located. Any of the restrictions or limitations described above could adversely affect the ability of Zhaikmunai LLP to service its obligations to the Issuer in respect of the Existing Notes due 2019 or by the Guarantors to honour their obligations under the Guarantees.

Claims of secured creditors of the Issuer or the 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 Notes.

The Notes will not benefit from any security. Claims of the creditors of the Issuer or the Guarantors that are secured by property or other assets will effectively have priority with respect to such property and other assets securing their indebtedness over the claims of the holders of the Notes to the extent of the value of such property and other assets (other than to the extent such property and other assets also secure the Notes and/or the Guarantees on an equal and rateable basis or priority basis). The Notes will be structurally subordinated to all existing and future obligations and other liabilities (including trade payables) of Nostrum's subsidiaries that are not Guarantors.

In the event of bankruptcy, liquidation, reorganisation or other winding up of the Issuer or the Guarantors or upon a default in payment with respect to, or the acceleration of, any secured indebtedness, the property or other assets of the Issuer and the Guarantors that secure such indebtedness will be available to pay obligations on the Notes and the Guarantees only after all such indebtedness has been repaid in full from such property and other assets. In addition, in the event of bankruptcy, liquidation, reorganisation or other winding up of an Unrestricted Subsidiary or subsidiary that does not guarantee the Notes, the assets of such Unrestricted Subsidiary or subsidiary will be available to pay obligations on the Notes only after all obligations of such Unrestricted Subsidiary or subsidiary have been repaid in full from such assets. There may not be sufficient assets remaining to pay amounts due on any or all of the Notes and the Guarantees then outstanding.

As a result, holders of Notes may receive less, rateably, than holders of secured indebtedness.

As of 30 September 2017, on a *pro forma* basis after giving effect to this Offering, the Group has U.S.$1.1 billion of outstanding indebtedness, including U.S.$400.0 million of the Notes and U.S.$725.0 million of the Existing Notes due 2022. See "*Capitalisation*". The Group will be permitted, however, subject to certain conditions, to incur additional indebtedness in the future, including additional indebtedness secured by property and other assets on a basis prior to the Notes according to the terms of the Indenture.

The terms of our indebtedness will restrict the Group's operating flexibility.

Among other things, the Indenture will restrict the ability of Nostrum Oil & Gas PLC and its subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends, make distributions or redeem or repurchase their securities;
- make investments;
- grant security interests or create liens on their assets;
- enter into transactions with their affiliates other than on an arm's-length basis;
- transfer or sell assets or shares in subsidiaries;
- guarantee future debt; or
- engage in mergers or consolidations.

These covenants could limit the ability of the Group to finance their future operations and capital needs and their ability to pursue acquisitions and other business activities that may be in their interest.

If Nostrum and its subsidiaries fail to comply with any of these covenants, they will be in default under the Indenture, and the Trustee or holders of the Notes could, after any applicable cure period, declare the principal and accrued interest on the Notes due and payable. These restrictions could materially adversely affect the ability of Nostrum's and its subsidiaries to finance future operations or capital needs or engage in other business activities that may be in their best interest.

Further, if the Group enters into any further financings, these will be subject to additional covenants. The Group has considered certain prepayment facilities in the past, under which they would enter into an offtake agreement and receive an advance payment, which would be subject to terms and conditions as to repayment, and which may contain covenants and undertakings relating to the prepayment of the facility and the operation of the Group's business. The Group has previously signed term sheets with respect to such facilities and is continuing to explore arrangements of this type. If the Group does enter into any further arrangements, and fails to comply with the covenants or obligations thereunder, it would be in default and creditors thereunder could, after any applicable cure period, declare such facility due and payable. These restrictions could materially adversely affect the ability of Nostrum and its subsidiaries to finance future operations or capital needs or engage in other business activities that may be in their best interest. See "*Description of Notes—Certain covenants*" and "*Description of Significant Indebtedness*".

The Issuer may not be able to obtain enough funds to repurchase the Notes if a change of control takes place.

Upon a change of control (as defined in the Indenture), the Issuer may be required to purchase all or a part of the Notes then outstanding at 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, as applicable, to the date of repurchase. If a change of control were to occur, the Issuer cannot assure you that it will have sufficient funds to pay the purchase price of the outstanding Notes, and the Issuer expects that third party financing would be required to do so. The Issuer cannot assure you that it will be able to obtain financing on favourable terms, if at all. In addition our other indebtedness may contain restrictions on repayment requirements with respect to certain events or transactions that could constitute a change of control under the Indenture. The inability to purchase the tendered Notes would constitute an event of default under the Indenture.

The change of control provisions contained in the Indenture may not protect holders of the Notes in the event of highly leveraged transactions, including reorganisations, restructurings or mergers, because these transactions may not involve a change in voting power or beneficial ownership of the magnitude required to trigger the change of control provisions. See "*Description of Notes—General—Change of Control*".

The insolvency laws of the Netherlands, Kazakhstan and England may not be as favourable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

In the event of insolvency of the Issuer or any of the Guarantors, insolvency proceedings should typically be initiated in the jurisdiction of incorporation or formation of the relevant entity and insolvency proceedings should be governed by the law of such relevant jurisdiction subject to the conflict of laws position in relevant jurisdictions. The insolvency laws of the Netherlands, Kazakhstan and England may not be as favourable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. A brief description of the insolvency laws in the Netherlands, Kazakhstan and England follows for information purposes only and does not address all insolvency law considerations that may be relevant to creditors.

The Netherlands

The Issuer, Nostrum Oil & Gas B.V. and Nostrum Oil & Gas Coöperatief U.A., are incorporated in the Netherlands. Any insolvency proceedings relating to either of such companies would likely be based on Dutch insolvency law. Under certain circumstances, bankruptcy proceedings may also be opened in the Netherlands in accordance with Dutch law over the assets of companies that are not established under Dutch law (for example, if the centre of main interests or the business operations of such company is within the Netherlands). In addition, as a member state of the European Union, a Dutch company will be subject to the regulations of the European Union on the jurisdiction of insolvency proceedings. There are two applicable corporate insolvency regimes under Dutch law: (a) moratorium of payments (*surséance van betaling*), which is intended to facilitate the reorganisation of the company's debts and enable it to continue as a going concern and (b) bankruptcy (*faillissement*), which is primarily designed to liquidate assets and distribute the proceeds thereof to its creditors. In practice, a suspension of payments often results in bankruptcy.

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor will be terminated by operation of law (other than with respect to secured creditors and preferential creditors). Litigation pending in relation to a claim against the bankruptcy estate on the date of the bankruptcy order is automatically stayed and attachments become part of the general attachment caused by the bankruptcy.

Kazakhstan

Zhaikmunai LLP is organised in Kazakhstan and is subject to the bankruptcy law of Kazakhstan. Kazakhstan bankruptcy law may prohibit Zhaikmunai LLP from making payments pursuant to its Guarantees under certain circumstances. From the moment bankruptcy proceedings are initiated in court, a Kazakhstan debtor is prohibited from paying any debts outstanding prior to the bankruptcy proceedings, subject to specified exceptions. After the initiation of bankruptcy proceedings, creditors of the debtor may not pursue any legal action to obtain payment to set aside a contract for non-payment or to enforce the creditor's rights against any asset of the debtor except within the scope of the bankruptcy procedure. Contractual provisions, such as those contained in the Guarantees, which would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events, would accelerate the amount due but each accelerated amount becomes part of the total liabilities within the proper priority class. Further, Kazakhstan bankruptcy law provides, inter alia, that any dispositions of the debtor's property made within the period beginning three years prior to commencement of the bankruptcy proceedings for no consideration or below market value or without sufficient grounds may be clawed back by a Kazakhstan court see "*—Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees—Kazakhstan*". Since Kazakhstan's courts are not experienced with complex commercial issues, there is no way to predict the outcome of a bankruptcy proceeding.

England and Wales

Nostrum is a company incorporated under the laws of England and Wales. Therefore, any insolvency proceedings with respect to Nostrum would likely be based on English insolvency laws, although insolvency proceedings in respect of Nostrum could also be based in other jurisdictions if its centre of main interests for the purposes of the regulations of the European Union on the jurisdiction of insolvency proceedings is located in a member state other than the United Kingdom (except Denmark) in which case the laws of that other member state will, subject to certain exceptions, govern the relevant insolvency proceedings. There is a rebuttable presumption that the centre of main interests of a company will be located in the jurisdiction of that company's registered office.

English insolvency law may not be as favourable to investors' interests as the laws of the United States or other jurisdictions with which investors are familiar. In the event that Nostrum experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the English Guarantor's directors or a creditor making an application for administration, in or (in the case of the English Guarantor's directors or any creditors holding security over all or substantially all of the English Guarantor's assets under a qualifying floating charge) out of court, or by a creditor filing a petition to wind up the English Guarantor or the English Guarantor's shareholders resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely, to become unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the Insolvency Act 1986, as amended (the **"Insolvency Act**"), a company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a ''balance sheet'' basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order).

Administration

The Insolvency Act empowers English courts to make an administration order in respect of an English company, in certain circumstances or, as noted above, the company's directors or certain creditors to commence administration through an out of court process (provided that, in the case of the company's directors, the company is not subject to an outstanding winding up petition). During the administration in general no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with permission of the court or the consent of the administrator. The administration of a company must achieve one of the following statutory objectives: (1) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the primary objective); (2) the achievement of a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) (the second objective); or (3) the realization of some or all of the company's property to make a distribution to one or more secured or preferential creditors (the third objective). An administrator must attempt to achieve the objectives of administration in the prescribed order, unless he thinks either that it is not reasonably practicable to achieve the primary objective, or that the secondary objective would achieve a better result for the company's creditors as a whole. Therefore, the administrator cannot pursue the third objective unless he thinks that it is not reasonably practicable to achieve either the first objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Liquidation/Winding-Up

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. At the end of the liquidation process the company will be dissolved. In the case of a liquidation commenced by way of a court order, no proceedings or other actions may be commenced or continued against the company except by leave of the court (although creditors' rights in respect of security enforcement are not affected).

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract all the obligations under which have been performed nor can it be used to disturb accrued rights and liabilities.

Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees.

General

The granting of the Guarantees in favour of the holders of the Notes may be subject to legal challenge and review and are potentially voidable by an insolvency practitioner, or may be otherwise set aside by a court if certain events or circumstances exist or occur, under fraudulent transfer, commercial benefit or other laws, that have been enacted for the protection of creditors or corporate members in the Netherlands, Kazakhstan, or England, as applicable. These laws, among other things, limit the ability of subsidiaries to guarantee and secure the debt of a related company. Although laws differ among various jurisdictions, in general, under fraudulent transfer laws, a court could subordinate or a court or a creditor could void a Guarantee if it found that the Guarantor granting such Guarantee:

- knew or should have known that the transaction was to the detriment of the creditors;
- intended to hinder, delay or defraud creditors or preferred one creditor over another; or
- did not receive fair consideration or reasonably equivalent value for incurring such indebtedness and such Guarantor (i) was insolvent or rendered insolvent because it incurred such indebtedness, (ii) was engaged or about to engage in a business or transaction for which its remaining assets constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay them as they mature.

The measure of insolvency for purposes of fraudulent transfer laws varies, depending on the law applied. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or
- it could not or would not pay its debts as they become due.

If a court or a creditor were to find that the granting of a Guarantee was a fraudulent transfer, the court or a creditor could void or declare unenforceable the payment obligations under such Guarantee, or subordinate such Guarantee to presently existing and future indebtedness of such Guarantor (including trade payables) or require the holders of the Notes to repay any amounts received with respect to such Guarantee.

In addition, the Netherlands has certain requirements relating to sufficient commercial benefit and/or compliance with corporate objects, the violation of which may result in a company (and any bankruptcy receiver) contesting the enforcement of a guarantee.

A brief description of the fraudulent transfer laws, commercial benefit and insolvency related claw-back laws in the Netherlands, Kazakhstan and England and Wales follows for informational purposes only and does not address all fraudulent transfer, commercial benefit and insolvency related claw-back laws considerations that may be relevant to creditors.

The Netherlands

To the extent that Dutch law applies, a guarantee granted by a legal entity may, under certain circumstances, be nullified by any of its creditors, if (i) the guarantee was granted without a prior existing legal obligation to do so (*onverplicht*), (ii) the creditor concerned was prejudiced as a consequence of the guarantee and (iii) at the time the guarantee was granted both the legal entity and, unless the guarantee was granted for no consideration (*om niet*), the beneficiary of the guarantee knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced. Also to the extent that Dutch insolvency law applies, a guarantee may be nullified by the receiver (*curator*) on behalf of and for the benefit of all creditors of the insolvent debtor. The foregoing requirements apply *mutatis mutandis* for such actions. In addition, the receiver in bankruptcy proceedings may challenge the guarantee if it was granted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the guarantee was granted at a time that the beneficiary knew that a request for bankruptcy had been filed or (ii) the granting of such guarantee was the result of a deliberation between the debtor and the beneficiary with a view to give preference to the latter over the debtor's other creditors. The above applies to any legal act performed by the debtor and therefore also for the granting of a guarantee by the debtor. Consequently, the validity of any Dutch guarantees entered into by the debtor may be challenged and it is possible that such challenge would be successful.

In addition, if a Dutch company grants a guarantee and the granting of the guarantee is not in the company's corporate interest, the guarantee may be nullified by the Dutch company, the Dutch company, acting together with its administrator or its receiver and, as a consequence, not be valid, binding and enforceable against it. In determining whether the granting of such guarantee is in the interest of the relevant company, the Dutch Courts would consider the text of the objects clause in the articles of association of the company, whether the company derives, irrespective of the wording of the objects clause, certain commercial benefits from the transaction in respect of which the guarantee was granted and the balance between the risk that the company is assuming and the benefit it derives from such transaction.

If it is determined that there are no, or insufficient, commercial benefits from the transactions for the company that grants the guarantee and/or the objects clause of the company was transgressed, then such company (and any bankruptcy receiver) may challenge the guarantee, and it is possible that such challenge would be successful. Such benefit may, according to Dutch case law, consist of an indirect benefit derived by the company as a consequence of the interdependence of such company with the group of companies to which it belongs. In addition, it is relevant whether, as a consequence of the granting of the guarantee, the continuity of such company would foreseeably be endangered by the granting of such guarantee. It remains possible that even where such strong financial and commercial interdependence exists, the transaction may be declared void if it appears that the granting of the guarantee cannot serve the realisation of the relevant company's objects or where it is determined that there is a material imbalance, to the disadvantage of the company, between the commercial benefit on the one hand and the risks on the other hand.

Payment pursuant to a guarantee may also be withheld under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*), unforeseen circumstances (*onvoorziene omstandigheden*), suspension (*opschorting*) of the performance of obligations, dissolution (*ontbinding*) of contract, set-off (*verrekening*) and other general defences available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee. Other general defences include claims that a guarantee should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*).

Under Dutch law, any guarantee given or liability accepted by a Dutch company which is a public company (*Naamloze Vennootschap*) or any of its subsidiaries (including, possibly, any foreign subsidiaries) with a view to (*met het oogmerk*) the acquisition by any party of shares in the relevant company's share capital (or the refinancing thereof) violates Dutch law and will most likely be void. The relevant Guarantees are subject to limitations accordingly.

Kazakhstan

Under Kazakhstan laws, a transaction may be invalidated in the following circumstances:

- the price of the transaction and (or) other conditions are negatively different (for the debtor) from the price and (or) other condition of the similar transactions, which resulted in financial losses;
- the transaction does not correspond to the activities of the debtor, limited by Kazakhstan laws, its constituent documents, or committed in violation of the competence defined by its charter;
- the property is transferred (including for temporary use) (i) without consideration or at a price significantly lower than the price of an identical or homogeneous property under comparable economic conditions or (ii) without grounds, which is detrimental to the interests of creditors;
- the transaction is entered into within six months prior to the initiation of the rehabilitation or bankruptcy procedure if it results in preferential satisfaction of claims of some creditors over the others; or
- the transaction is a gift of debtor's property (save for ordinary commercial operations), if such transaction is sufficiently different from other transactions entered into within one year prior to the initiation of the rehabilitation or bankruptcy procedure.

A rehabilitation manager may also reject the performance of contracts which have not been fully or partially performed by the parties in one of the following circumstances: (i) if a contract is concluded with an affiliated person, (ii) if a contract contains unusually burdensome provisions for the debtor, (iii) is long term (i.e. more than one year), or (iv) if there are other reasons to believe that the execution of the contract by the debtor would entail adverse consequences for other creditors.

England and Wales

There are circumstances under English insolvency law in which the granting by an English company of guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of the granting of the guarantee. Therefore, if during the specified period an administrator or liquidator is appointed in respect of an English company, the administrator or liquidator may challenge the validity of the guarantee given by such company.

The following potential grounds for challenge may apply to guarantees:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a guarantee if such liquidator or administrator believes that the creation of such guarantee constituted a transaction at an undervalue. It will only be a transaction at an undervalue if at the time of the transaction or as a result of the transaction, the English company was or became unable to pay its debts (as defined in the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date that the English company grants the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. A court, however, generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the Insolvency Act), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a guarantee if such liquidator or administrator believes that the creation of such guarantee constituted a preference. It will only be a preference if at the time of the transaction or as a result of the transaction the English company was or became unable to pay its debts (as defined in the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date that the English company grants the guarantee. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the Notes and the Note Guarantees in this instance (although there is protection for a third party who enters into a transaction in good faith and without notice). For the court to determine a preference, however, it must be shown that the English company was influenced by a desire to produce the preferential effect.

In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person (other than by being an employee), in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such desire.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction (with leave of the court if the company is in liquidation or administration) and is not therefore limited to liquidators or administrators. There is no time limit in the English insolvency law within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

Enforcing your rights as a holder of the Notes or under the Guarantees across multiple jurisdictions may prove difficult.

The Issuer is organised under the laws of the Netherlands and the Guarantors are organised under the laws of the Netherlands, Kazakhstan and England and Wales. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes and the Guarantees are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings.

The insolvency, administration and other laws of the jurisdiction of organisation of the Issuer and the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the Guarantees in these jurisdictions or limit any amounts that you may receive. See "*—The insolvency laws of the Netherlands, Kazakhstan and England may not be as favourable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes*".

The Issuer may, with the vote of 75% of the aggregate principal amount of the outstanding Notes, amend the economic terms and conditions of the Notes without the prior consent of all the holders of the Notes.

The Indenture contains provisions for amending, supplementing or waiving terms of the Notes or the Indenture with a vote of holders of the Notes. As set forth in "*Description of the Notes—Amendments and waivers*", defined majorities (50% or 75%, depending on the nature of the amendment, supplement or waiver) may bind all holders of the Notes, including holders of the Notes who did not vote, and holders who vote in a manner contrary to the relevant majority. In particular, under the Indenture, an amendment, supplement or waiver passed by 75% of the aggregate principal amount of the outstanding Notes may, among other things, agree to proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the amendment provisions (including as to the relevant majorities). These and other changes may adversely impact your rights as a holder of the Notes and may have a material adverse effect on the market value of the Notes.

You may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors are entities organised outside the United States. All of the Issuer's and the Guarantors' directors and executive officers are non-residents of the United States and all of the assets of the Issuer and its Guarantors as well as the assets of our directors and executive officers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or upon our and the Guarantors' directors and executive officers or to enforce against the Issuer or the Guarantors judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. See "*Enforceability of Judgments*".

Recent experience has shown that credit ratings do not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Offering Memorandum, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

There is no established trading market for the Notes and no assurance that holders of the Notes will be able to sell their Notes.

There is no existing market for the Notes. The Issuer has made an application to list the Notes on the Official List of the Irish Stock Exchange and for the Notes to be admitted to trading on the Global Exchange Market in accordance with the rules of that exchange but cannot guarantee the liquidity of any market that may develop for the Notes, your ability to sell the Notes or the price at which you may be able to sell the Notes. Liquidity and future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, results of operations and the market for similar securities. The Initial Purchasers of the Notes have informed the Issuer that they intend to make a market in the Notes after completing this Offering. They are not, however, obligated to do so. Any market-making that is commenced may be halted at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance in the markets in which the Group operates may adversely affect the liquidity of any trading market in the Notes that does develop and any market price quote for the Notes. As a result, the Group cannot assure you that an active trading market will actually develop for the Notes.

Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. Any market for the Notes may be subject to similar disruptions. Any disruptions may affect any liquidity and trading of the Notes independently of our financial performance and prospects and may have an adverse effect on the holders of the Notes.

Transfer of the Notes will be subject to certain restrictions.

The Issuer has not agreed to register, and does not intend to register, the Notes under the Securities Act or any U.S. state securities laws. You may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities law. The Issuer has not undertaken to register the Notes or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. You should read the discussion under the heading "*Notice to Prospective Investors*" and "*Transfer Restrictions*" for further information about these transfer restrictions. It is your obligation to ensure that your offers and sales of Notes within the United States and other countries comply with any applicable securities law.

The Notes will initially be held in book-entry form and, therefore, you must rely on the procedures of the relevant clearing system to exercise any rights or remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes, owners of the book entry interests will not be considered holders of the Notes. Instead, Cede & Co., as the nominee of DTC will be deemed the sole holder of the Notes.

Book-entry interests in the Notes are subject to the procedures of DTC and its participants and holders of such interests will not have the direct right to act upon solicitations or consent or other actions requested from the holders of the Notes.

Unless and until Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of the Notes. DTC (or its nominee) will be the sole holder of the global Notes representing the Notes. After payment to DTC, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form*".

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC. The Issuer cannot assure you that the procedures to be implemented through DTC will be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

You may face foreign exchange risks by investing in the Notes.

The Notes are denominated and payable in dollars. If you measure your investment returns by reference to another currency, an investment in the Notes entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the dollar relative to your reference currency. Such currency fluctuations could result from economic, political and other factors over which the Group has no control. Depreciation of the dollar against your reference currency could cause a decrease in your effective yield from the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into your reference currency. There may also be tax consequences for you as a result of any foreign exchange gains or losses resulting from investment in the Notes.

Investors in the Notes may have limited recourse against our independent auditors.

In respect of each of the audit reports relating to the Financial Statements reproduced herein, Ernst & Young LLP provides in each report: "This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed"**.**

Investors in the Notes should understand that these statements are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to the members of Nostrum with respect to those reports. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions, including the United Kingdom, and the legal effect of these statements in the audit reports is untested in the context of an offering of securities. The inclusion of the language referred to above, however, may limit the ability of holders of the Notes to bring any action against Ernst & Young LLP for damages arising out of an investment in the Notes.

USE OF PROCEEDS

The Issuer will use the amounts received pursuant to the Offering to purchase all of the Existing Notes due 2019 not held by the Group and pay certain fees and expenses in connection with the Offering.

The estimated sources and uses of the proceeds of the Offering are shown in the table below. Approximately U.S.$30.8 million will be available for general corporate purposes.

Sources of Funds		Uses of Funds	
	(U.S.$ in millions)		
Notes offered hereby	U.S.$397.3	Call of Existing Notes due 2019 (including premium)	U.S.$356.2
		Accrued interest [(1)]	U.S.$3.3
		Costs and expenses[(2)]	U.S.$7.0
		General corporate purposes	U.S.$30.8
Total sources	U.S.$397.3	**Total uses**	U.S.$397.3

(1) Accrued interest on U.S.$184,076,000 of the 6.375% Notes and U.S.$169,116,000 of the 7.125% Notes. Accrued interest as at 30 September 2017 was U.S.$6,117,559.

(2) Represents estimated fees and expenses incurred in connection with the Offering including underwriting fees and commissions, financial advisory costs and other transaction costs and professional fees, to be paid by the Issuer or a member of the Group.

THE ISSUER

Incorporation and Status

The Issuer is a finance company incorporated on 31 March 2017 as a private company with limited liability incorporated under the laws of the Netherlands. The Issuer is registered in the Trade Register of the Chamber of Commerce under the number 68446705. The articles of incorporation of the Issuer are available for inspection at the Issuer's registered office located at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands (Tel: +31 20 737 2288).

The Issuer's only significant assets are the Existing Notes due 2019 (or, any on-loan of the proceeds available for general corporate purposes to another Group member) and certain hedging receivables. The Issuer's material liabilities will be the Notes and the Existing Notes due 2022. The Issuer has no subsidiaries. The Issuer's ability to service its indebtedness, including the Notes, is entirely dependent upon the receipt of intra-group funds under the Existing Notes due 2019. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Issuer has no revenue generating operations of its own*".

Objects

The Issuer will be managed by its directors in accordance with those articles and with the provisions of the laws of the Netherlands.

The deed of incorporation of the Issuer provides that the objects of the Issuer are as follows:

- to finance group companies and for such purpose borrow moneys through bond issues, bank financing, or in any other way whatsoever;
- to furnish guarantees, provide security, warrant performance or in any other way assume liability, whether jointly or severally or otherwise, for or in respect of obligations of group companies and third parties; and
- to do anything which is, in the widest sense of the word, connected with or may be conductive to the attainment of these objects.

Share Capital

The Issuer's issued share capital is U.S.$100 divided into ordinary registered shares with a par value U.S.$1 each. The share capital is fully paid up. The sole shareholder of the Issuer's share capital is Nostrum Oil & Gas Coöperatief U.A.

Directors

The Issuer has a board of directors, currently consisting of the following two directors (whose business address is at the registered office of the Issuer as set forth above):

- Jan-Ru Muller was appointed as managing director of the Issuer on 31 March 2017. His business address is Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.
- Thomas Hartnett was appointed as managing director of the Issuer on 31 March 2017. His business address is Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.

Transactions with Directors

Save as set out in "*Related Parties and Related Party Transactions—Related Party Transactions with Directors*" and "*Related Parties and Related Party Transactions—Other*" no director or senior manager has, or has had, any interest in any transaction related to the Group which is or was unusual in its nature or condition or which is, or was, significant in relation to the Group's business, and which was effected by Nostrum or any of its subsidiaries during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

Save as set out above, no director has any potential conflict of interest between his duties to the Issuer and his private interests or other duties.

CAPITALISATION

The following table sets forth the consolidated cash and cash equivalents and capitalisation of the Group as at 30 September 2017. The historical consolidated financial information has been derived from the unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2017 prepared in accordance with IFRS included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Significant Indebtedness*" and the unaudited interim condensed consolidated financial statements of Group as at and for the nine months ended 30 September 2017, the audited consolidated financial statements as at and for the years ended 31 December 2016, 2015 and 2014 and, in each case, the accompanying notes appearing elsewhere in this Offering Memorandum.

The estimated sources and uses of the proceeds of the Offering are shown in the table below. Approximately U.S.$30.8 million will be available for general corporate purposes.

	As at 30 September 2017		
	Historical	**Adjustments**	**As Adjusted**
		(U.S.$ thousands)	
Cash and cash equivalents	**144,390**	**27,958**	**172,348**
Existing debt:			
Notes issued in 2017 and maturing in 2022(1)	**735,633**	—	**735,633**
Notes issued in 2014 and maturing in 2019 not held by the Group(1)	**185,608**	**(185,608)**	**—**
Notes issued in 2012 and maturing in 2019 not held by the Group(1)	**173,702**	**(173,702)**	**—**
Finance lease liability	**813**	**—**	**813**
Debt to be incurred in connection with the Offering:			
Notes offered hereby	—	400,000	400,000
Capitalized transaction costs(3)	(23,676)	(8,669)	(32,345)
Total debt	**1,072,079**	**32,021**	**1,104,101**
Total Equity (share capital and reserves)(3)	**669,754**	**(4,051)**	**665,703**
Capitalisation(1)(2)(3)	**1,741,833**	**27,971**	**1,769,804**

(1) On 25 July 2017, the Issuer issued U.S.$725.0 million of Existing Notes due 2022, the proceeds of which were used primarily to fund the Tender Offer and consent solicitation in respect of the Existing Notes due 2019. See Note 11 to the Financial Statements for the nine months ended 30 September 2017. This presents the aggregate principal amount of the Existing Notes due 2022, excluding borrowing costs and adding accrued interest.

(2) Capitalisation equals total debt plus total equity.

(3) Includes adjustments for capitalised transaction costs on the Notes offered hereby (U.S.$7,000 thousand), the discount on the Notes offered hereby due to the Notes being offered at discount to par (U.S.$2,720 thousand), transfer of a portion of previously capitalised transaction costs from the Existing Notes due 2019 to the new Notes offered hereby (U.S.$1,755 thousand), a portion of the call purchase premium for the Existing Notes due 2019 issued in 2012 (U.S.$1,286 thousand) and previously capitalised transaction costs for the Existing Notes due 2022 issued in 2017 (U.S.$19,584 thousand).

SELECTED HISTORICAL FINANCIAL INFORMATION

Potential investors should read the following selected consolidated financial information in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Significant Indebtedness*" and the audited consolidated financial statements, unaudited interim condensed consolidated financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum.

Consolidated Income Statement

	Nine months ended 30 September		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(U.S.$ thousands)				
Revenue					
Revenue from export sales	192,414	173,722	244,586	426,764	676,064
Revenue from domestic sales	111,300	71,342	103,397	22,138	105,814
Total	**303,714**	**245,064**	**347,983**	**448,902**	**781,878**
Costs of sales	(146,259)	(145,827)	(199,455)	(186,567)	(221,921)
Gross profit	**157,455**	**99,237**	**148,528**	**262,335**	**559,957**
General and administrative expenses	(27,869)	(27,933)	(37,982)	(49,309)	(54,878)
Selling and transportation expenses	(52,016)	(55,504)	(75,681)	(92,970)	(122,254)
Finance costs	(49,616)	(32,315)	(44,474)	(45,998)	(61,939)
Finance costs—reorganisation	—	—	—	(1,053)	(29,572)
Employee share option plan fair value adjustment	632	2,323	99	2,165	3,092
Foreign exchange(loss), net	(435)	(695)	(390)	(21,200)	(4,235)
(Loss)/gain on derivative financial instruments	(6,627)	(46,750)	(63,244)	37,055	60,301
Interest income	305	353	461	515	986
Other income	9,373	7,225	9,841	11,296	10,086
Other expenses	(21,690)	(6,416)	(1,656)	(30,560)	(49,844)
(Loss)/profit before income tax	**9,512**	**(60,475)**	**(64,498)**	**72,276**	**311,700**
Income tax expense	**(33,371)**	**(3,786)**	**(17,407)**	**(166,641)**	**(165,275)**
(Loss)/Profit for the period	**(23,859)**	**(64,261)**	**(81,905)**	**(94,365)**	**146,425**
Total comprehensive(loss)/profit for the period	**(23,055)**	**(64,117)**	**(81,975)**	**(94,821)**	**146,425**

Consolidated Balance Sheet

	As at 30 September	As at 31 December		
	2017	**2016**	**2015**	**2014**
	(U.S.$ thousands)			
ASSETS				
Exploration and evaluation assets	45,821	44,271	36,917	24,380
Goodwill	32,425	32,425	32,425	32,425
Property, plant and equipment	1,899,518	1,807,768	1,605,756	1,442,157
Restricted cash	6,360	5,981	5,375	5,024
Advances for non-current assets	15,138	28,676	130,660	134,355
Derivative financial instruments	—	—	43,005	60,301
Non-current assets	**1,999,262**	**1,919,121**	**1,854,138**	**1,698,642**
Inventories	29,150	28,326	28,951	25,443
Trade receivables	34,210	29,052	31,337	30,110
Prepayment and other current assets	23,239	21,171	27,411	39,642
Derivative financial instruments	31	6,658	54,095	—
Income tax prepayment	13	1,062	26,926	13,925
Current investments	—	—	—	25,000
Cash and cash equivalents	144,390	101,134	165,560	375,443
Current assets	**231,033**	**187,403**	**334,280**	**509,563**
Total assets	**2,230,295**	**2,106,524**	**2,188,418**	**2,208,205**
EQUITY AND LIABILITIES				
Share capital	3,203	3,203	3,203	3,203
Treasury capital	(1,660)	(1,846)	(1,888)	(1,888)
Retained earnings and reserves	668,211	690,617	772,441	916,365
Share capital and reserves	**669,754**	**691,974**	**773,756**	**917,680**
Long-term borrowings	1,055,196	943,534	936,470	930,090

	As at 30 September	As at 31 December		
	2017	2016	2015	2014
		(U.S.$ thousands)		
Abandonment and site restoration provision	20,909	19,635	15,928	20,877
Due to government of Kazakhstan	5,466	5,631	5,777	5,906
Deferred tax liability	344,648	344,689	347,769	206,784
Non-current liabilities	**1,426,219**	**1,313,489**	**1,305,944**	**1,163,657**
Current portion of long-term borrowings	16,883	15,518	15,024	15,024
Trade payables	59,180	43,320	41,463	49,619
Employee share option plan	3,553	4,339	4,284	6,449
Advances received	893	1,810	245	2,670
Income tax payable	17,064	1,124	1,692	1,459
Current portion of due to government of Kazakhstan	1,031	1,289	1,031	1,031
Other current liabilities	35,718	33,661	44,979	50,616
Current liabilities	**134,322**	**101,061**	**108,718**	**126,868**
Total equity and liabilities	**2,230,295**	**2,106,524**	**2,188,418**	**2,208,205**

Consolidated Cash Flow Data

	Nine months ended 30 September		Year ended 31 December		
	2017	2016	2016	2015	2014
			(U.S.$ thousands)		
Net cash flow from operating activities	135,231	132,480	206,531	153,257	349,122
Net cash used in investing activities	(134,568)	(157,368)	(204,760)	(245,317)	(304,549)
Net cash (used in)/ provided by financing activities	41,916	(46,387)	(66,323)	(115,864)	147,462

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with the unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2017 and 2016, the audited consolidated financial statements as at and for the years ended 31 December 2016, 2015 and 2014, including the accompanying notes, included elsewhere in this Offering Memorandum. The audited consolidated financial statements and the accompanying notes and accompanying notes have been prepared in accordance with IFRS as adopted by the European Union.

Some of the information in the discussion and analysis set forth below and elsewhere in this Offering Memorandum includes forward-looking statements that involve risks and uncertainties. See "*Forward-Looking Statements*" *and* "*Risk Factors*" *for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this Offering Memorandum.*

Overview

Nostrum is the indirect holding entity of Zhaikmunai LLP, an independent oil and gas enterprise engaged in the exploration and production of oil and gas products in North-Western Kazakhstan. Nostrum's primary field and Licence area is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin. In addition, in May 2013, the Group completed the acquisition of three development fields, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field.

Prior to 2011, all of the Group's revenues were generated by its crude oil sales. However, starting in late 2011 when the gas treatment facility came into full production, the Group began producing and selling stabilised condensate, dry gas and LPG in addition to crude oil. The gas treatment facility has enabled Nostrum to increase its daily production of oil and gas products from an average daily production of approximately 9,700 boepd (primarily crude oil) during the first half of 2011 to an average production volume of 40,351 boepd (comprised of crude oil, stabilised condensate, dry gas and LPG) during the year ended 31 December 2016. During the nine months ending 30 September 2017, average daily production was 44,879 boepd (and sales volumes of 39,600 boepd). The Group has announced (based on management estimates) for the year ended 31 December 2017, production volumes of 15,616 boepd of crude oil and condensate, 6,211 boepd of LPG and 21,367 boepd of dry gas, production after treatment volumes of 14,937 boepd of crude oil and condensate, 4,615 boepd of LPG and 19,647 boepd of dry gas and sold 15,292 boepd of crude oil and condensate, 4,618 boepd of LPG and 17,934 boepd of dry gas. For the three months ended 31 December 2017, the Group had average production of 34,285 boepd.

The primary factors affecting the Group's results of operations are: (i) the prices received by Nostrum for its products, (ii) the quantities of Nostrum's production for a given period, (iii) the costs Nostrum incurs to produce and transport its products, (iv) finance costs incurred by the Group under its borrowings and (v) amounts payable pursuant to the PSA (see "*—Primary Factors Affecting Results of Operations*").

The following table sets forth the Group's revenues from the sale of its oil and gas products, cost of sales, gross profit, profit before income tax and net income/(loss) for the nine months ending 30 September 2017 and 2016:

	Nine months ended 30 September	
	2017	**2016**
	(unaudited) *(U.S.$ thousands)*	
Revenue	**303,714**	**245,064**
Cost of sales	(146,259)	(145,827)
Gross profit	**157,455**	**99,237**
Profit/(loss) before income tax	9,512	(60,475)
Profit/(loss) for the period	**(23,859)**	**(64,261)**

The following table sets forth the Group's revenues from the sale of its oil and gas products, cost of sales, gross profit, profit before income tax and net income/(loss) for the years ended 31 December 2016, 2015 and 2014:

	Years ended 31 December		
	2016	2015	2014
		(U.S.$ thousands)	
Revenue	**347,983**	**448,902**	**781,878**
Cost of sales	(199,455)	(186,567)	(221,921)
Gross profit	**148,528**	**262,335**	**559,957**
Profit/(loss) before income tax	(64,498)	72,276	311,700
(Loss)/Income for the year	**(81,905)**	**(94,365)**	**146,425**

Primary Factors Affecting Results of Operations

The primary factors affecting the Group's results of operations during the periods under review are the following:

Pricing

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 pricing of the Group's dry gas is negotiated on a case by case basis with relevant off-takers for a fixed term. During the periods under review, the price of Brent crude oil experienced significant fluctuations. According to Bloomberg, the spot price of Brent crude oil reached approximately U.S.$56.8 per barrel as at 31 December 2016, U.S.$37.3 per barrel as at 31 December 2015 and U.S.$57.3 per barrel as at 31 December 2014. Prices have varied between a low of approximately U.S.$44.8 per barrel and a high of approximately U.S.$59.0 per barrel in the first nine months of 2017. The price per barrel was approximately U.S.$56.82 as at 31 December 2016. See "*Risk Factors—Risk Factors Relating to the Group—The Group has been and may be further adversely affected by a substantial or extended decline in prices for crude oil and gas*".

	Nine months ended 30 September		Years ended 31 December		
	2017	2016	2016	2015	2014
Average Brent crude oil price	52.5	43.1	45.1	53.6	99.4

It is the Group's policy to hedge against adverse oil price movements during times of considerable non-scalable capital expenditure. On 14 December 2017, the put options which the Group purchased on 14 December 2015 matured. These put options protected the Group from any fall in the oil price below U.S.$49.16 per barrel on 15,000 boepd of production. On 4 January 2018, Nostrum Oil & Gas Finance B.V. entered, at zero up front cost, into a hedging contract covering oil sales of a total notional quantity of 3,258,000 barrels of oil or approximately 9,000 boepd of production over the life of the contract. The hedging contract is a zero cost capped collar with a floor price of U.S.$60.0 per barrel. The Group has covered the cost of the floor price by selling call options at U.S.$67.5 per barrel for the period from 4 January 2018 to 31 March 2018 and at U.S.$64.1 per barrel for the period from 1 April 2018 to 31 December 2018. The Group has capped the amount of upside it is giving away on the call options by purchasing call options at U.S.$71.5 per barrel for the period from 4 January 2018 to 31 March 2018, at U.S.$69.1 per barrel for the period from 1 April 2018 to 30 June 2018 and at U.S.$69.6 for the period from 1 July 2018 to 31 December 2018. The hedging contract matures on 31 December 2018 and is settled on a quarterly basis in cash. Going forwards, the Group expects to continue to hedge a proportion of its production against adverse oil price movements for the foreseeable future, to provide certainty of funding for a minimum drilling programme, in addition to any future non-scalable capital expenditure. The Group will also monitor its currency and interest rate exposure and may enter into hedging to avoid any exposure to currency or interest rate risks which is considered excessive in the view of management. In the event Nostrum enters into any offtake agreements with a related prepayment facility, Nostrum may enter into hedging to provide more certainty of cashflows during the life of such facility taking into consideration the facility repayment profile. Nostrum considers the foregoing in line with its ongoing hedging strategy of hedging oil prices at times of non-scalable material expenditures.

Until 2010, the Group's products were sold and delivered from Uralsk to Nostrum's customers on a FCA (free carrier) shipment basis. However, in order to avoid incurring higher transportation costs and to introduce higher profitability into the Group's pricing, in 2010, Nostrum started selling its products on the basis of DAP (delivered at place) and FOB (free on board) terms. This means that Nostrum incurs most of the transportation costs relating to shipment. However, it also provides the Group with access to a larger number of purchasers and access to a greater number of markets, resulting in the Group's ability to seek greater returns or competitive pricing.

The Group generates revenue from the sale of four principal products: crude oil, condensate, dry gas and LPG.

- *Crude oil*

  Pursuant to the PSA, the Group is required to deliver 15% of its crude oil production sourced from wells in production in the domestic Kazakhstan market at government-regulated prices. The remainder of the Group's crude oil is free to be exported; currently the Group exports its remaining crude oil to purchasers in, among other places, Finland, Ukraine and Belarus. From the third quarter of 2017, Nostrum exported all of its crude oil volumes through the KTO pipeline.

- *Condensate*

  The Group exports 100% of its condensate. Destinations include the Russian Black Sea port of Taman.

  The Group has considered entering into certain offtake agreements with offtakers offering advance payments with respect to the Group's condensate production. This had included signing term sheets with potential offtakers. The Group continues to consider such arrangements, which could account for a material amount of the Group's annual condensate production.

- *Dry gas*

  The Group sells 100% of its dry gas not used in production domestically in Kazakhstan to KazTransGaz JSC, a state-owned company, at the connection point with the Intergas Central Asia pipeline.

- *LPG*

  Currently the Group sells approximately 10-15% of its LPG production domestically in Kazakhstan and the remainder is exported to various destinations, including include the Russian Black Sea ports.

Production volumes

The table below sets forth Nostrum's production volumes for the nine months ending 30 September 2017 and 2016.

	Nine months ended 30 September	
	2017	**2016**
Total production volumes (boe)	11,153,416	10,619,973
Average production volumes (boepd)	44,879[(1)]	38,901

(1) From 2017, the Group has changed its reporting of production volumes to fully capture the amount of raw hydrocarbons produced at the Chinarevskoye field before entering the Group's processing facilities. Under the new reporting regime, the Group had average daily production volumes of 44,879 boepd for the nine months ended 30 September 2017 and average sales volumes of 39,600 boepd for the nine months ended 30 September 2017. See "*Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Hydrocarbon Data—Presentation in this Offering Memorandum*". For the three months ended 31 December 2017, the Group had average production of 34,285 boepd.

The table below sets forth Nostrum's production volume for the years ended 31 December 2016, 2015 and 2014.

	Years ended 31 December		
	2016	**2015**	**2014**
Total production volume (boe)	14,768,296	14,742,614	16,205,641
Average production volume (boepd)	40,351	40,391	44,400

Nostrum's production profile has remained substantially stable between 2014 and 2016 and for the first nine months of 2017, with the gas treatment facility running near full capacity. The slightly lower total production in 2015 and 2016, as compared to 2014, was due primarily to a short period of additional unplanned downtime in October 2015 resulting from maintenance work on a pipeline owned by a third party, through which the Group exports its gas, and the reduced 2016 drilling programme. Nostrum's production volume for the years ended 31 December 2012 and 2013 were 36,940 boepd and 46,178 boepd, respectively.

Cost of sales

The Group's oil and gas prices are based on a mix of fixed and quotation pricing, and therefore Nostrum's ability to control costs is critical to its profitability. Nostrum's cost of sales comprise various costs including depreciation of oil and gas properties, repair, maintenance and other services, royalties, payroll and related taxes, materials and supplies, other transportation services, government profit share, environmental levies, and well workover costs. The most material of these are depreciation and amortisation costs and repair, maintenance and other services costs.

Depreciation and amortisation costs, during the periods under review, have represented as a percentage of total cost of sales 63.0% and 67.2% for the nine months ended 30 September 2017 and 2016, respectively, and 65.2%, 57.7% and 49.8% for the years ended 31 December 2016, 2015 and 2014, respectively. Such costs fluctuate according to the level of Nostrum's proved developed reserves, the volume of oil and gas it produces and the net book value of its oil and gas properties (see "— *Summary of Significant Accounting Policies*" below for an explanation of this accounting policy). The increases were a consequence of the ratio change between the volumes produced and the proven developed reserves, as well as an addition to oil and gas assets in the year ended 31 December 2016.

Repair, maintenance and other services are related to the repair and maintenance of the Group's infrastructure, including the gas treatment facility but does not include ongoing repair and maintenance of production and exploration wells. These costs, during the periods under review, have represented as a percentage of total cost of sales 10.3% and 10.5% for the nine months ended 30 September 2017 and 2016, respectively, and 10.6%, 14.2% and 16.1% for the years ended 31 December 2016, 2015 and 2014, respectively.

Finance costs

Finance costs for the nine months ended 30 September 2017 and 2016, and for the years ended 31 December 2016, 2015 and 2014 consisted of interest expenses and fees and expenses in relation to the Existing Notes, as well as costs relating to the Tender Offer; unwinding of discount on amounts due to the Kazakhstan Government; and unwinding of discount on abandonment and site restoration liability.

Interest expense in the nine months ended 30 September 2017 and the year ended 31 December 2016 consisted of interest on the Existing Notes. Capitalised borrowing costs into qualifying assets amounted to U.S.$29.6 million in 2016, U.S.$27.1 million in 2015 and U.S.$17.1 million in 2014. Interest expense (including withholding tax paid by Nostrum) amounted to U.S.$0.3 million and U.S.$0.4 million for the nine months ended 30 September 2017 and 2016, respectively, and to U.S.$42.2 million in 2016, U.S.$44.7 million in 2015 and U.S.$60.8 million in 2014.

Royalties, Government Share and Taxes payable pursuant to the PSA

Nostrum operates and produces pursuant to the PSA. The PSA has, during the periods under review, and will continue to have both a positive and negative effect on Nostrum's results of operations as a result of (i) the tax regime applicable to Nostrum under the PSA (discussed below), (ii) increasing royalty expenses payable to the State, (iii) the share of profit oil and the share of gas that Nostrum pays to the State and (iv) recovery bonus payable to the State.

Under the PSA, the Kazakhstan tax regime that was in place in 1997 applies to the Group for the entire term of the PSA and the Licence (as to VAT and social tax, the regime that was in place as of 1 July 2001 applies). As of 1 January 2009, the Old Tax Code became effective and introduced a new tax regime and taxes applicable to subsoil users (including mineral extraction tax and historical cost). As of 1 January 2018, the Tax Code became effective and introduced amendments to the tax regime and taxes applicable to subsoil users (including alternative subsoil use tax). However, neither the Old Tax Code nor the Tax Code superseded the previous tax regime applicable to PSAs entered into before 1 January 2009 and underwent mandatory tax expertise, which continues to be effective under Articles 721 and 722 of the Tax Code. Despite the stabilisation clauses (providing for general and tax stability) provided for by the PSA, in 2008, in 2010 and again in 2013, Nostrum was required to pay new crude oil export duties introduced by the Kazakhstan Government. Despite Nostrum's efforts to show that the new export duties were not applicable to it, the State authorities did not accept this position and Nostrum was required to pay the export duties. During January 2009, the Kazakhstan Government revised and established the rate of the export duties at U.S.$ nil per tonne of crude oil, but reimposed a U.S.$20 per tonne duty in August 2010 which was gradually increased to a rate of U.S.$80 per tonne by April 2014. Following the fall in oil prices in 2014, the Kazakhstan Government began to reduce the rate of export duties. In March 2016, the Kazakhstan Government introduced a floating export duty rate linked to world oil prices. As at the date of this Offering Memorandum the rate of export duties was U.S.$60 per tonne.

For the purposes of corporate income tax from 1 January 2007, the Group considers its revenue from oil and gas sales related to the Tournaisian horizon as taxable revenue and its expenses related to the Tournaisian horizon as deductible expenses, except those expenses which are not deductible in accordance with the Kazakhstan tax laws. Assets related to the Tournaisian reservoir that were acquired during the exploration phase are then depreciated for tax purposes at a maximum rate of 25.0% per annum. Assets related to the Tournaisian reservoir that were acquired after the commencement of the production phase are subject to the depreciation rate in accordance with the 1997 Kazakhstan tax regime, which is between 5% and 25% depending on the nature of the asset. Assets related to the other horizons will depreciate in the same manner as those described above for the Tournaisian reservoir.

Under the PSA, Nostrum is obliged to pay to the State royalties on the volumes of crude oil and gas produced, with the royalty rate increasing as the volume of hydrocarbons produced increases. In addition, Nostrum is required to deliver a share of its monthly production to the State (or make a payment in lieu of such delivery). The share to be delivered to the State also increases as annual production levels increase. Pursuant to the PSA, the Group is currently able to effectively deduct a significant proportion of production (known as Cost Oil) from the sharing arrangement that it would otherwise have to share with the Kazakhstan Government. Cost Oil reflects the deductible capital and operating expenditures incurred by the Group in relation to its operations. During the periods under review, royalties and government profit share represented, as a percentage of total cost of sales, 7.7% and 1.8%, respectively, for the nine months ended 30 September 2017, compared to 5.4% and 1.2%, respectively, for the nine months ended 30 September 2016, 6.0% and 1.3%, respectively, for the year ended 31 December 2016, 7.7% and 1.0%, respectively, for the year ended 31 December 2015 and 11.0% and 2.1%, respectively, for the year ended 31 December 2014.

Summary of Significant Accounting Policies

The Group's significant accounting policies are more fully described in note 1 to the Financial Statements.

However, certain of the Group's accounting policies are particularly important to the presentation of the Group's results of operations and require the application of significant judgment by its management.

In applying these policies, the Group's management uses its judgment to determine the appropriate assumption to be used in the determination of certain estimates used in the preparation of the Group's results of operations. These estimates are based on the Group's previous experience, the terms of existing contracts, information available from external sources and other factors, as appropriate.

The Group's management believes that, among others, the following accounting policies that involve management judgments and estimates are the most critical to understanding and evaluating its reported financial results.

Exploration expenditure

Costs directly associated with exploration wells are capitalised within exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration and materials and fuel used, rig costs and payments made to contractors and asset retirement obligation fees. If hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an asset while sufficient and/or continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Subsoil use rights acquisition costs are initially capitalised in exploration and evaluation assets. Subsoil use rights acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the subsoil use rights have been relinquished or has expired, the carrying value of the subsoil use rights acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

For more detailed information in relation to exploration and evaluation assets, please see Note 6 to the Financial Statements.

Accounting Judgements, Estimations and Assumptions

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortisation (the "**DD&A**"). These reserve quantities are used for calculating the unit of production depletion rate as it reflects the expected pattern of consumption of future economic benefits by the Group.

The Group uses the internal estimates confirmed by independent reserve engineers on an annual basis to assess the oil and gas reserves of its fields. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (the "**SPE**"). In estimating its reserves under the SPE methodology, the Group uses long-term planning prices which are also used by management to make investment decisions about development of a field. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves. All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually.

Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A, whereby changes in proved reserves are dealt with prospectively by amortizing the remaining carrying value of the asset over the expected future production. Downward revision of the proved reserves estimates in the future could lead to relative increase in depreciation expense. Estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the Group.

Details on carrying values of oil and gas properties and related depreciation, depletion and amortization are shown in Note 7 of the audited financial statements for the year ended 31 December 2016.

Property, Plant and Equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalized within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment.

All capitalized costs of oil and gas properties are amortized using the unit-of-production method based on estimated proved developed reserves of the field, except the Group depreciates its oil pipeline and oil loading terminal on a straight line basis over the life of the license. In the case of assets that have a useful life shorter than the lifetime of the field the straight line method is applied.

Other properties

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	7-15
Vehicles	8
Machinery and equipment	3-13
Other	3-10

For more detailed information in relation to property, plant and equipment, please refer to Note 7 of the Financial Statements.

Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed by the Group at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group classifies as contingent liabilities those possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise and the present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognise contingent liabilities but discloses contingent liabilities in Note 31 of the audited financial statements for the year ended 31 December 2016, unless the possibility of an outflow of resources embodying economic benefits is remote.

Borrowing Costs

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortised, provided that work is in progress at that time. Qualifying assets mostly include wells and other operations field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

For more detailed information in relation to capitalisation of borrowing costs, please refer to Note 7 of the audited financial statements for the year ended 31 December 2016.

Derivative Financial Instruments and Hedging

The Group uses hedging contracts for oil export sales to cover part of its risks associated with oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

For more detailed information in relation to derivative financial instruments, please refer to Note 28 of the audited financial statements for the year ended 31 December 2016.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.

The fair value of derivative financial instruments is calculated using Black-Scholes valuation model based on Brent Crude Futures traded on the Intercontinental Exchange. Significant management judgment is required to estimate expected volatility used in the internal valuation model. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Changes in the key assumptions may have a material impact on the fair value gains and losses on derivatives recognised in the future reporting periods.

The detail information on the derivative financial instruments and their fair value sensitivity to changes in volatilities and oil price assumptions is provided in Note 32 of the audited financial statements for the year ended 31 December 2016.

Results of Operations

Comparison of the nine months ended 30 September 2017 and 2016

The table below sets forth the line items of the Group's interim consolidated statements of comprehensive income for the nine months ended 30 September 2017 and 2016 in U.S. Dollars and as a percentage of revenue.

	Nine months ended 30 September 2017	% of revenue	Nine months ended 30 September 2016	% of revenue
		(unaudited) *(U.S.$ thousands)*		
Revenue	303,714	100.0	245,064	100.0
Cost of sales	(146,259)	48.2	(145,827)	59.5
Gross Profit	**157,455**	**51.8**	**99,237**	**40.5**
General and administrative expenses	(27,869)	9.2	(27,933)	11.4
Selling and transportation expenses	(52,016)	17.1	(55,504)	22.6
Finance costs	(49,616)	16.3	(32,315)	13.2
Employee share option plan fair value adjustment	632	0.2	2,323	0.9
Foreign exchange gain/(loss), net	(435)	0.1	(695)	0.3
(Loss)/gain on derivative financial instrument	(6,627)	2.2	(46,750)	19.1

	Nine months ended 30 September 2017	% of revenue	Nine months ended 30 September 2016	% of revenue
		(unaudited) (U.S.$ thousands)		
Interest income	305	0.1	353	0.1
Other income	9,373	3.1	7,225	2.9
Other expenses	(21,690)	7.1	(6,416)	2.6
Profit before income tax	**9,512**	**3.1**	**(60,475)**	**24.7**
Income tax expense	(33,371)	11.0	(3,786)	1.5
Profit/(loss) for the period	**(23,859)**	**8.0**	**(64,261)**	**26.2**

Revenue increased by U.S.$58.6 million, or 23.9%, to U.S.$303.7 million in the nine months ended 30 September 2017 from U.S.$245.1 million in the nine months ended 30 September 2016 primarily due to an increase in revenue from export sales and domestic sales. Revenue from export sales increased by U.S.$18.7 million, or 10.8%, to U.S.$192.4 million in the nine months ended 30 September 2017 from U.S.$173.7 million in the nine months ended 30 September 2016 primarily due to the increase in average Brent crude oil price from U.S.$43.17 per barrel on 30 September 2016 to U.S.$52.53 per barrel on 30 September 2017. 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. Revenue from domestic sales increased by U.S.$40.0 million, or 56.0%, to U.S.$111.3 million in the nine months ended 30 September 2017 from U.S.$71.3 million in the nine months ended 30 September 2016 primarily due to higher average Brent crude oil prices, which led to higher prices in the domestic market in the nine months ended 30 September 2017. Domestic sales were further supported by a portion of 2017 export volumes for sale being rerouted into the domestic market.

For the nine months ended 30 September 2017, revenue from sales to the Group's top three customers amounted to U.S.$139.8 million, U.S.$79.3 million and U.S.$21.0 million, respectively. For the nine months ended 30 September 2016, revenue from sales to the Group's top three customers amounted to U.S.$74.1 million, U.S.$67.7 million and U.S.$33.8 million, respectively.

The following table shows the Group's revenue and production volumes for the nine months ended 30 September 2017 and 2016:

	Nine months ended 30 September	
	2017	2016
	(U.S.$ thousands)	
Oil and gas condensate (U.S.$ thousands)	193,720	158,557
Gas products (U.S.$ thousands)	109,994	86,507
Total revenue (U.S.$ thousands)	**303,714**	**245,064**
Production volumes (boe)	11,153	10,619
Average Brent crude oil price on which Nostrum based its sales (U.S.$/bbl)	52.5	43.1

The following table shows the Group's revenue breakdown by export/domestic sales for the nine months ended 30 September 2017 and 2016:

	Nine months ended 30 September	
	2017	2016
	(U.S.$ thousands)	
Revenue from export sales	192,414	173,722
Revenue from domestic sales	111,300	71,345
Total revenue	**303,714**	**245,064**

Cost of sales increased by U.S.$0.5 million, or 0.3%, to U.S.$146.3 million in the nine months ended 30 September 2017 from U.S.$145.8 million in the nine months ended 30 September 2016. While these costs were substantially stable, certain items in costs of sales had material movements in the periods which are described below.

Depreciation, depletion and amortisation decreased by U.S.$5.9 million, or 6.0%, to U.S.$92.2 million in the nine months ended 30 September 2017 from U.S.$98.1 million in the nine months ended 30 September 2016 primarily due to the ratio change between the volumes production and the proven developed reserves, as well as due to an addition to the Group's oil and gas assets in the amount of U.S.$186 million in nine months ended 30 September 2017, compared to an addition in the amount of U.S.$275 million in nine months ended 30 September 2016.

Payroll and related taxes increased by U.S.$4.1 million, or 45.2%, to U.S.$13.2 million in the nine months ended 30 September 2017 from U.S.$9.1 million in the nine months ended 30 September 2016 primarily due to the recruitment of specialist staff into management positions within the Group.

Royalties increased by U.S.$3.3 million, or 42.0%, to U.S.$11.3 million in the nine months ended 30 September 2017 from U.S.$7.9 million in the nine months ended 30 September 2016 primarily due to increase of revenues for sold products. Royalties are calculated on the basis of production and market prices for the different products.

Materials and supplies increased by U.S.$3.3 million, or 115.3%, to U.S.$6.2 million in the nine months ended 30 September 2017 from U.S.$2.9 million in the nine months ended 30 September 2016 primarily due to the Group starting to generate its own electricity to cover its electricity needs at the field sites.

General and administrative expenses remained stable at U.S.$27.9 million for the nine months ended 30 September 2017 compared to the nine months ended 30 September 2016.

Selling and transportation expenses decreased by U.S.$3.5 million, or 6.3%, to U.S.$52.0 million in the nine months ended 30 September 2017 from U.S.$55.5 million in the nine months ended 30 September 2016, primarily driven by decreases in loading and transportation costs due to the reductions in rail tariffs and rail and car (RTC) leasing costs from the period comparative period and transportation costs primarily due to the completion of the KTO pipeline in the second quarter of 2017. Crude oil was exported via this pipeline from the third quarter of 2017 which resulted in transportation cost savings for the Group on export crude oil deliveries.

Finance Costs increased by U.S.$17.3 million to U.S.$49.6 million in the nine months ended 30 September 2017 compared to U.S.$32.3 million in the nine months ended 30 September 2016 primarily due to primarily due to refinancing transaction and premium costs associated to the Tender Offer in July 2017.

Foreign exchange loss amounted to U.S.$1.8 million in the nine months ended 30 September 2017 compared to U.S.$1.2 million in the nine months ended 30 September 2016 primarily due to a small decrease in value of the Tenge against the U.S. Dollar in the period.

Loss on derivative financial instruments decreased by U.S.$40.1 million, or 85.8%, to U.S.$6.6 million in the nine months ended 30 September 2017 from U.S.$46.8 million in the nine months ended 30 September 2016 primarily due to movements in the fair value of the hedging contract covering oil sales. Based on the hedging contract, the Group bought a put, which protects it against any decline in the price of oil below U.S.$49.16 per barrel throughout 2016 and 2017. The recovery in oil prices in 2016 resulted in a reduction in the fair value of the hedging contract and a resultant loss in the Group's income statement.

Other expenses increased by U.S.$15.3 million, or 238.1%, to U.S.$21.7 million in the nine months ended 30 September 2017 from U.S.$6.4 million in the nine months ended 30 September 2016 primarily due to additional business development expenses incurred in relation to potential acquisitions of oil and gas exploration and appraisal assets in Kazakhstan

Income tax expense increased by U.S.$29.6 million to U.S.$33.4 million in the nine months ended 30 September 2017 from U.S.$3.8 million in the nine months ended 30 September 2016 primarily due to higher corporate income tax attributable to the Group's higher revenues and lower net loss in the nine months ended 30 September 2017 compared to the nine months ended 30 September 2016.

Net loss decreased to U.S.$23.9 million in the nine months ended 30 September 2017 compared to U.S.$64.3 million in the nine months ended 30 September 2016 for the reasons described above.

Comparison of the years ended 31 December 2016 and 2015

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2016 and 2015 in U.S. Dollars and as a percentage of revenue.

	Year ended 31 December 2016	**% of revenue**	**Year ended 31 December 2015**	**% of revenue**
	(U.S.$ thousands)		*(U.S.$ thousands)*	
Revenue	347,983	100.0	448,902	100.0
Cost of sales	(199,455)	57.3	(186,567)	41.6
Gross Profit	**148,528**	**42.7**	**262,335**	**58.4**
General and administrative expenses	(37,982)	10.9	(49,309)	11.0
Selling and transportation expenses	(75,681)	21.7	(92,970)	20.7
Finance costs	(44,474)	12.8	(45,998)	10.2
Finance costs—Reorganisation	—	0.0	(1,053)	0.2
Employee share option plan fair value adjustment	99	0.0	2,165	0.5

	Year ended 31 December 2016	% of revenue	Year ended 31 December 2015	% of revenue
	(U.S.$ thousands)		(U.S.$ thousands)	
Foreign exchange gain/(loss), net	(390)	0.1	(21,200)	4.7
(Loss)/gain on derivative financial instrument	(63,244)	18.2	37,055	8.3
Interest income	461	0.1	515	0.1
Other income	9,841	2.8	11,296	2.5
Other expenses	(1,656)	0.5	(30,560)	6.8
Profit/(loss) before income tax	**(64,498)**	**18.5**	**72,276**	**16.1**
Income tax expense	(17,407)	5.0	(166,641)	37.1
Profit/(loss) for the period	**(81,905)**	**23.5**	**(94,365)**	**21.0**

Revenue decreased by U.S.$100.9 million, or 22.5%, to U.S.$348.0 million in the year ended 31 December 2016 from U.S.$448.9 million in the year ended 31 December 2015 primarily due to the decrease in the average Brent crude oil price from U.S.$53.6 per barrel during 2015 to U.S.$45.1 per barrel during 2016. 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.

For the year ended 31 December 2016, revenue from sales to three major customers of the Group amounted to U.S.$109.5 million, U.S.$92.9 million and U.S.$38.1 million, respectively. During the year ended 31 December 2015, revenue to the same three customers amounted to U.S.$141.4 million, U.S.$105.0 million and U.S.$86.0 million, respectively.

The following table shows the Group's revenue, production volumes and the commodity price of Brent crude oil for the years ended 31 December 2016 and 2015:

	Years ended 31 December	
	2016	2015
	(U.S.$ thousands)	
Oil and gas condensate (U.S.$ thousands)	226,357	297,777
Gas products (U.S.$ thousands)	121,626	151,125
Total revenue (U.S.$ thousands)	**347,983**	**448,902**
Production volumes (boe)	14,289,654	14,080,339
Average Brent crude oil price on which Nostrum based its sales (U.S.$/bbl)	45.1	53.6

The following table shows the Group's revenue breakdown by export/domestic sales for the years ended 31 December 2016 and 2015:

	Years ended 31 December	
	2016	2015
	(U.S.$ thousands)	
Revenue from export sales	244,586	426,764
Revenue from domestic sales	103,397	22,138
Total revenue	**347,983**	**448,902**

The decrease in export sales was primarily due to a drop in average oil prices by U.S.$8.5 per barrel, or 15.9% to U.S.$45.1 per barrel in the year ended 31 December 2016 from U.S.$53.6 per barrel in the year ended 31 December 2015. The increase of domestic sales relative to export sales in 2016 was due to 100% of dry gas volumes being sold to the domestic market in Kazakhstan. In 2015 the majority of the Company's dry gas volumes were exported.

Cost of sales increased by U.S.$12.9 million, or 6.9%, to U.S.$199.5 million in the year ended 31 December 2016 from U.S.$186.6 million in the year ended 31 December 2015 primarily due to the change in depreciation referred to below, partially offset by decreases in repair, maintenance and other services, materials and supplies and payroll and related costs.

Depreciation, depletion and amortisation increased by U.S.$22.3 million, or 20.7%, to U.S.$130.0 million in the year ended 31 December 2016 from U.S.$107.7 million in the year ended 31 December 2015, primarily resulting from a ratio change between the volumes produced and the proven developed reserves, as well as an addition to oil and gas assets in the amount of U.S.$225.3 million during the year ended 31 December 2016.

Repair, maintenance and other services decreased by U.S.$5.5 million, or 20.7%, to U.S.$21.1 million for the year ended 31 December 2016 compared to U.S.$26.6 million year ended 31 December 2015. These expenses include maintenance expenses related to the gas treatment facility and other facilities of the Group, and engineering and geophysical study expenses. These costs fluctuate depending on the planned works on certain objects. The decrease in the year ended 31 December 2016 is mainly attributable to Tenge devaluation.

Payroll and related taxes decreased by U.S.$5.4 million, or 28.9%, to U.S.$13.3 million for the year ended 31 December 2016 compared to U.S.$18.7 million for the year ended 31 December 2015. This mainly resulted from the Tenge devaluation over the reporting period as the majority of payroll costs are denominated in Tenge.

Royalties, which are calculated on the basis of production and market prices for the different products, decreased by U.S.$2.5 million, or 17.4%, to U.S.$11.9 million for the year ended 31 December 2016 compared to U.S.$14.4 million for the year ended 31 December 2015. This decrease follows the decline of revenues for sold products.

Other transportation services increased by U.S.$3.8 million, or 126.7%, to U.S.$6.8 million for the year ended 31 December 2016 compared to U.S.$3.0 million for the year ended 31 December 2015. This increase is driven by the fact that transportation services previously provided within the Group have been outsourced since the fourth quarter of 2015 and these outsourced costs now include, for example, vehicle rental fare.

General and administrative expenses decreased by U.S.$11.3 million, or 22.9%, to U.S.$38.0 million for the year ended 31 December 2016 compared to U.S.$49.3 million for the year ended 31 December 2015. This was primarily due to a decrease of payroll and related costs, and professional services, namely legal, and business travel expenses. The payroll costs decrease was driven by Tenge devaluation and the Group's ongoing staff optimisation programme.

Selling and transportation expenses decreased by U.S.$17.3 million, or 18.6%, to U.S.$75.7 million in the year ended 31 December 2016 from U.S.$93.0 million in the year ended 31 December 2015, primarily driven by decreases in rail tariffs and rail tank car (RTC) leasing costs and partially offset by increases in marketing services costs from U.S.$0.2 million to U.S.$14.1 million.

Finance costs decreased by U.S.$1.5 million, or 3.3%, to U.S.$44.5 million in the year ended 31 December 2016 from U.S.$46.0 million in the year ended 31 December 2015. The increase in costs was primarily driven by higher interest capitalised into qualifying assets.

Foreign exchange losses amounted to U.S.$0.4 million for the reporting period compared to U.S.$21.2 million for the year ended 31 December 2015. Losses in the year ended 31 December 2015 are explained by the fact that on 20 August 2015 the Tenge was devalued against the U.S. Dollar and other major currencies due to a decision of Kazakhstan to switch to free-float, triggering a 22% slide in the Tenge to a record 252.4 Tenge for 1 U.S. Dollar. As per 31 December 2015 the exchange rate was 340.6 Tenge for 1 U.S. Dollar. Since the Group had a net asset position of Tenge-denominated accounts around this date, the devaluation of the Tenge resulted in a significant foreign exchange loss recognised in the year ended 31 December 2015. As at 31 December 2016 the exchange rate was 333.7 Tenge for 1 U.S. Dollar.

Loss on derivative financial instruments amounted to U.S.$63.2 million in the year ended 31 December 2016 and relates to fair value of the hedging contract covering oil sales. Based on the contract the Group has bought a put, which protects it against any fall in the price of oil below U.S.$49.16 per barrel. Movement in fair value of financial derivative instruments is disclosed in Note 29 to the Financial Statements for the year ended 31 December 2016.

Other expenses decreased by U.S.$28.9 million, or 94.4%, to U.S.$1.7 million for the year ended 31 December 2016 compared to U.S.$30.6 million for the year ended 31 December 2015. Other expenses comprise export custom duties, expenses for social gas compensation, accrual under subsoil use agreements and other expenses. The variation is largely caused by a change in the estimate of amounts due under subsoil use agreements for the exploration and production of hydrocarbons from the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields.

Income tax expense decreased by U.S.$149.2 million, or 89.6%, to U.S.$17.4 million in the year ended 31 December 2016 from U.S.$166.6 million in the year ended 31 December 2015 primarily due lower deferred tax expenses in the current period. In the year ended 31 December 2015, U.S.$141.0 million of deferred tax expenses was recorded, mainly due to the Tenge devaluation having an impact on the tax base.

Net loss decreased by U.S.$12.5 million, or 13.2%, to U.S.$81.9 million in the year ended 31 December 2016 from U.S.$94.4 million in the year ended 31 December 2015 for the reasons described above.

Comparison of the years ended 31 December 2015 and 2014

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2015 and 2014 in U.S. Dollars and as a percentage of revenue.

	Year ended 31 December 2015	% of revenue	Year ended 31 December 2014	% of revenue
	(U.S.$ thousands)		*(U.S.$ thousands)*	
Revenue	448,902	100.0	781,878	100.0
Cost of sales	(186,567)	41.6	(221,921)	28.4

	Year ended 31 December 2015	% of revenue	Year ended 31 December 2014	% of revenue
	(U.S.$ thousands)		*(U.S.$ thousands)*	
Gross Profit	**262,335**	58.4	**559,957**	**71.6**
General and administrative expenses	(49,309)	11.0	(54,878)	7.0
Selling and transportation expenses	(92,970)	20.7	(122,254)	15.6
Finance costs	(45,998)	10.2	(61,939)	7.9
Finance costs—Reorganisation	(1,053)	0.2	(29,572)	3.8
Employee share option plan fair value adjustment	2,165	0.5	3,092	0.4
Foreign exchange gain/(loss), net	(21,200)	4.7	(4,235)	0.5
(Loss)/gain on derivative financial instrument	37,055	8.3	60,301	7.7
Interest income	515	0.1	986	0.1
Other income	11,296	2.5	10,086	1.3
Other expenses	(30,560)	6.8	(49,844)	6.4
Profit/(loss) before income tax	**72,276**	16.1	**311,700**	**39.9**
Income tax expense	(166,641)	37.1	(165,275)	21.1
Profit/(loss) for the period	**(94,365)**	21.0	**146,425**	**18.7**

Revenue decreased by U.S.$333.0 million, or 42.6%, to U.S.$448.9 million in 2015 from U.S.$781.9 million in 2014 primarily due to the decrease in the average Brent crude oil price from U.S.$99.7 per barrel during 2014 to U.S.$53.6 per barrel on average during 2015. 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 following table shows the Group's revenue and production volumes for the years ended 31 December 2015 and 2014:

	Years ended 31 December	
	2015	**2014**
Oil and gas condensate (U.S.$ thousands)	297,777	620,164
Gas products (U.S.$ thousands)	151,125	161,714
Total revenue (U.S.$ thousands)	**448,902**	**781,878**
Production volumes (boe)	14,080,339	16,205,641
Average Brent crude oil price on which Nostrum based its sales (U.S.$/bbl)	53.6	99.7

The following table shows the Group's revenue breakdown by export/import for the years ended 3 December 2015 and 2014:

	Years ended 31 December	
	2015	**2014**
	(U.S.$ thousands)	
Revenue from export sales	426,764	676,064
Revenue from domestic sales	22,138	105,814
Total revenue	**448,902**	**781,878**

Cost of sales decreased by U.S.$35.3 million, or 15.9%, to U.S.$186.6 million in 2015 from U.S.$221.9 million in 2014 primarily due to the change in royalties, repair, maintenance and other services and depreciation, depletion and amortization, referred to below. On a boe basis, cost of sales decreased marginally by U.S.$1.1, or 7.8%, to U.S.$12.6 for 2015 compared to U.S.$13.7 for 2014 and cost of sales net of depreciation per boe decreased by U.S.$1.5, or 21.6%, to U.S.$5.4 compared to U.S.$6.9 for 2014.

Depreciation and amortisation decreased by U.S.$2.8 million, or 2.5%, to U.S.$107.7 million for the year ended 31 December 2015 compared to U.S.$110.5 million for the year ended 31 December 2014, substantially in line with the prior period.

Repair, maintenance and other services expenses decreased by U.S.$9.2 million, or 25.7%, to U.S.$26.6 million for the year ended 31 December 2015 compared to U.S.$35.8 million for the year ended 31 December 2014, mainly due to fluctuations in our work plans in 2015.

Royalties, which are calculated on the basis of production and market prices for the different products, decreased by U.S.$9.9 million, or 40.7%, to U.S.$14.4 million for the year ended 31 December 2015 compared to U.S.$24.3 million for the year ended 31 December 2014. This decrease follows the decline of revenues for sold products.

Materials and supplies expenses decreased by U.S.$3.1 million, or 28.4%, to U.S.$7.8 million for the year ended 31 December 2015 compared to U.S.$10.9 million for the year ended 31 December 2014. This decrease resulted from less need for spare parts and other materials for repairs and maintenance of the facilities, specifically for the gas treatment facility and wells.

Well workover costs decreased by U.S.$1.1 million, or 17.5%, to U.S.$5.2 million for the year ended 31 December 2015 compared to U.S.$6.3 million for the year ended 31 December 2014. The decrease resulted from adjustments to the drilling and workover programme.

Costs for government profit share decreased by U.S.$2.7 million, or 58.7%, to U.S.$1.9 million for the year ended 31 December 2015 compared to U.S.$4.6 million for the year ended 31 December 2014. This decrease follows the decline of revenues for sold products.

General and administrative expenses decreased by U.S.$5.6 million, or 10.2%, to U.S.$49.3 million for the year ended 31 December 2015 from U.S.$54.9 million for the year ended 31 December 2014 due primarily to a decrease in professional services, in particular audit fees, legal services and other consultancy fees, offset by an increase in payroll and related taxes driven partly by the agreement on 19 May 2014 to acquire Nostrum Services BVBA (formerly Prolag BVBA) and Nostrum Services Central Asia LLP (formerly Amersham Oil LLP), which led to the elimination of intercompany management fees, decrease in consultancy fees and recognition of those expenses as payroll and related taxes.

Selling and transportation expenses decreased by U.S.$29.3 million, or 24.0%, to U.S.$93.0 million for the year ended 31 December 2015 from U.S.$122.3 million for the year ended 31 December 2014 driven by a combination of lower sales quantities of liquid products for the year ended 31 December 2015, lower rail tariffs and rail tank car leasing costs offset, however, by transportation costs incurred in relation to export gas sales for the year ended 31 December 2015 under new sales contract.

Finance costs decreased by U.S.$15.9 million, or 25.7%, to U.S.$46.0 million for the year ended 31 December 2015 from U.S.$61.9 million for the year ended 31 December 2014 primarily due to the expenses relating to the early redemption of the Group's bonds issued in 2010 and the amortisation of the remainder of transaction cost, incurred for the issuance of those bonds.

Foreign exchange losses amounted to U.S.$21.2 million for the year ended 31 December 2015 compared to U.S.$4.2 million for the year ended 31 December 2014. Higher losses in 2015 are explained by the fact that on 20 August 2015 the Tenge was devalued against the U.S. Dollar and other major currencies due to decision of Kazakhstan to switch to free-float, triggering a 23% slide in the Tenge to a record 257.21 Tenge for 1 U.S. Dollar. As at 31 December 2015 the exchange rate made up 340.6 Tenge for 1 U.S. Dollar. Since the Group had a net asset position of Tenge denominated accounts around this date, the devaluation of the Tenge resulted in a significant foreign exchange loss recognised for the year ended 31 December 2015.

Gain on derivative financial instruments amounted to U.S.$37.1 million for the year ended 31 December 2015. Movement in the fair value of the derivative financial instruments is disclosed in the Note 29 of the consolidated Financial Statements for the year ended 31 December 2015 included in this Offering Memorandum.

Other expenses decreased by U.S.$19.2 million, or 38.6%, to U.S.$30.6 million for the year ended 31 December 2015 compared to U.S.$49.8 million for the year ended 31 December 2014 mainly due to lower export custom duties, compensation for social gas and expenses for accruals under subsoil use agreement.

Income tax expense increased by U.S.$1.3 million, or 0.8%, to U.S.$166.6 million for the year ended 31 December 2015 from U.S.$165.3 million for the year ended 31 December 2014, primarily driven by additional deferred tax expenses due to a decrease of the tax base due to effect of exchange rates changes, partially offset by lower taxable profit.

Net income decreased by U.S.$240.8 million, or 164.4%, to a loss of U.S.$94.4 million for the year ended 31 December 2015 from U.S.$146.4 million for the year ended 31 December 2014, for the reasons described above.

Liquidity and Capital Resources

General

The Group's principal sources of funds were cash from operations and amounts raised under the Existing Notes. Its liquidity requirements primarily relate to meeting ongoing debt service obligations and to funding capital expenditures and working capital requirements.

Cash Flows

The following table sets forth the Group's consolidated cash flow statement data for nine months ended 30 September 2017 and 2016.

	Nine months ended 30 September	
	2017	**2016**
	(unaudited)	
	(U.S.$ thousands)	
Net cash flow from operating activities	135,231	132,480
Net cash used in investing activities	(134,568)	(157,368)
Net cash (used in)/ provided by financing activities	41,916	(46,387)
Cash and cash equivalents at the end of the period	144,390	94,310

The following table sets forth the Group's consolidated cash flow statement data for the years ended 31 December 2016, 2015 and 2014.

	Year ended 31 December		
	2016	**2015**	**2014**
	(U.S.$ thousands)		
Net cash flow from operating activities	206,531	153,257	349,122
Net cash used in investing activities	(204,760)	(245,317)	(304,549)
Net cash (used in)/ provided by financing activities	(66,323)	(115,864)	147,462
Cash and cash equivalents at the end of the year	101,134	165,560	375,443

Net cash flows from operating activities

Net cash flows from operating activities were U.S.$135.2 million for the nine months ended 30 September 2017 and were primarily attributable to:

- a profit before income tax for the nine months ended 30 September 2017 of U.S.$9.5 million, adjusted primarily by a non-cash charge for depreciation, depletion and amortisation of U.S.$94.0 million finance costs of U.S.$49.6 million and business development costs of U.S.$9.3 million.
- a U.S.$10.5 million change in working capital primarily attributable to a decrease in prepayments and other current assets of U.S.$1.9 million and a decrease trade receivables of U.S.$5.2 million.
- income tax paid of U.S.$15.2 million.

Net cash flows from operating activities were U.S.$132.5 million for the nine months ended 30 September 2016 and were primarily attributable to:

- a loss before income tax for the nine months ended 30 September 2016 of U.S.$60.5 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$99.6 million, a loss on derivatives of U.S.$46.8 million, finance costs of U.S.$32.3 million and proceeds from derivative financial instruments of U.S.$27.2 million.
- income tax paid of U.S.$8.7 million.

Net cash flows from operating activities were U.S.$206.5 million for the year ended 31 December 2016 and were primarily attributable to:

- a loss before income tax for the year ended 31 December 2016 of U.S.$64.5 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$132.2 million, finance costs of U.S.$43.6 million, proceeds from derivative financial instruments of U.S.$27.2 million and loss on derivatives of U.S.$63.2 million.
- a U.S.$15.8 million change in working capital primarily attributable to a decrease in prepayments and other current assets of U.S.$22.2 million, an increase in trade payables of U.S.$2.0 million and a decrease in other current liabilities of U.S.$12.3 million.
- income tax paid of U.S.$9.5 million.

Net cash flows from operating activities were U.S.$153.3 million for the year ended 31 December 2015 and were primarily attributable to:

- a profit before income tax for the period of U.S.$72.3 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$109.4 million finance costs of U.S.$46.0 million and gain on derivative financial instruments of U.S.$37.1 million;
- a U.S.$9.3 million change in working capital primarily attributable to an increase in trade receivables of U.S.$1.2 million, a decrease in prepayments and other current assets of U.S.$12.2 million, an increase in trade payables of U.S.$7.3 million and a decrease in other current liabilities of U.S.$2.1 million; and
- income tax paid of U.S.$41.2 million.

Net cash flows from operating activities were U.S.$349.1 million for the year ended 31 December 2014 and were primarily attributable to:

- a profit before income tax of U.S.$311.7 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$111.9 million, and finance costs of U.S.$61.9 million.
- a U.S.$19.5 million change in working capital primarily attributable to a decrease in trade receivables of U.S.$36.5 million, an increase in prepayments and other current assets of U.S.$7.7 million, a decrease in trade payables of U.S.$5.6 million and an increase in other current liabilities of U.S.$0.3 million; and
- income tax paid of U.S.$118.2 million.

Net cash used in investing activities

The substantial portion of cash used in investing activities is related to the drilling programme and the construction of gas treatment units one, two and three. During the period from 1 January 2014 through 31 December 2016, cash used in the drilling programme represented between 21% and 39% of total cash flow from investment activities. During the period from 1 January 2014 through 31 December 2016, cash used in the construction of the third unit of the gas treatment facility represented between 40% and 56% of total cash flow from investment activities. Together, drilling and the construction of the gas treatment units represented between 61% and 83% of cash used for investment in property, plant and equipment.

Net cash used in investing activities (including VAT) for the nine months ended 30 September 2017 was U.S.$134.6 million due primarily to costs associated with drilling and construction of a third unit for the gas treatment facility.

Net cash used in investing activities (including VAT) for the nine months ended 30 September 2016 was U.S.$157.4 million due primarily to costs associated with drilling, construction of a third unit for the gas treatment facility and drilling an appraisal well at the Rostoshinskoye field.

Net cash used in investing activities (including VAT) for the year ended 31 December 2016 was U.S.$221.6 million due primarily to costs associated with the drilling of new wells of U.S.$47.7 million for year ended 31 December 2016, costs associated with the third unit of the gas treatment facility of U.S.$123.3 million, and costs associated with Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields of U.S.$4.7 million.

Net cash used in investing activities (including VAT) for the year ended 31 December 2015 was U.S.$281.9 million due primarily to costs associated with the drilling of new wells of U.S.$64.6 million for the year ended 31 December 2015, costs associated with the third unit of the gas treatment facility of U.S.$123.7 million, costs associated with Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields of U.S.$8.3 million and placement of U.S.$17.0 million of bank deposits, partially offset by the redemption of U.S.$42.0 million of cash deposits.

Net cash used in investing activities (including VAT) for the year ended 31 December 2014 was U.S.$326.0 million due primarily to the drilling of new wells resulting in cash spent of approximately U.S.$126.8 million, costs associated with the third unit of the gas treatment facility of approximately U.S.$142.8 million and costs associated with Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields of U.S.$10.4 million, partially offset by the redemption of U.S.$30.0 million of cash.

Net cash (used in)/provided by financing activities

Net cash from financing activities was U.S.$41.9 million for the nine months ended 30 September 2017, and was mainly represented by the issue of the Existing Notes due 2022 and the excess cash not used in the Tender Offer and available for general corporate purposes.

Net cash used in financing activities was U.S.$46.4 million for the nine months ended 30 September 2016, and was mainly represented by the payment of U.S.$45.6 million in finance costs paid on the Group's Existing Notes due 2019.

Net cash used in financing activities was U.S.$66.3 million for the year ended 31 December 2016, and was mainly represented by the payment of U.S.$65.4 million in finance costs paid on the Group's Existing Notes.

Net cash used in financing activities for the year ended 31 December 2015 was U.S.$115.9 million, and was mainly represented by the payment of U.S.$49.1 million in distributions. Net cash provided by financing activities for the year ended 31 December 2014 was U.S.$147.5 million, primarily attributable to the issue of the 2014 Notes amounting to U.S.$400.0 million, offset by an early redemption of the 2010 Notes amounting to U.S.$92.5 million, payment of U.S.$64.6 million in distributions and the finance costs paid on the Group's 2010 Notes, 2012 Notes and 2014 Notes.

Indebtedness

See "*Description of Significant Indebtedness*" for a description of the Existing Notes due 2022.

Commitments

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management seeks to ensure that sufficient funds are available to meet any commitments as they arise. The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016 based on contractual undiscounted payments:

	Year ended 31 December 2016					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
			(U.S.$ thousands)			
Borrowings	—	16,499	49,225	1,063,544	2,039	1,131,307
Trade payables	34,959	—	8,361	—	—	43,320
Other current liabilities	18,344	—	—	—	—	18,344
Due to Government of Kazakhstan	—	258	773	4,124	9,536	14,691
Total	**53,303**	**16,757**	**58,359**	**1,067,668**	**11,575**	**1,207,662**

For more information on the Group's commitments regarding the Chinarevskoye, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye field, see "*Business—Subsoil Licences and Permits*".

Contingent Liabilities

For a description of the Group's contingent liabilities, please see Note 23 of the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2017, Note 23 interim condensed consolidated financial statements for the nine months ended 30 September 2016, Note 31 to the Financial Statements for the year ended 31 December 2016, Note 34 to the Financial Statements for the year ended 31 December 2015 and Note 34 to the Financial Statements for the year ended 31 December 2014.

Capital Expenditures

In the years ended 31 December 2016, 2015 and 2014, Nostrum's cash used in capital expenditures for purchase of property, plant and equipment (excluding VAT) was U.S.$197.3 million, U.S.$256.1 million and U.S.$325.5 million, respectively, reflecting primarily drilling costs and infrastructure and development costs for the crude oil pipeline, the gas pipeline, the oil treatment unit and the gas treatment facility. This represented 56.7%, 57.1% and 41.6% of revenue, respectively. Nostrum's cash used in capital expenditures for purposes of property, plant and equipment during the first nine months of 2017 was U.S.$132.1 million, compared to U.S.$154.1 million during the first nine months of 2016. The Group has implemented a capital expenditure programme in which Nostrum has budgeted a cost per well of approximately U.S.$10 million for oil wells and approximately U.S.$14.0 million for gas condensate wells. Nostrum has also budgeted for capital expenditures of approximately U.S.$532 million (excluding VAT) for the construction of the third unit of the gas treatment facility (U.S.$473 million (excluding VAT) of which had already been incurred as at 31 December 2017).

In addition, under the most recent guidance provided by management in relation to the drilling rigs to be operated at field site the total cost of drilling over the next two years would equate to approximately U.S.$240 million and the Group will spend U.S.$59 million to complete the third unit of the gas treatment facility and other infrastructure expenditure.

Nostrum has spent over U.S.$2.0 billion in production, transportation and storage infrastructure of its operated asset base over the past decade.

Gas Treatment facility

Following the successful implementation of the first phase of the gas treatment facility, Nostrum is expecting to complete the third unit for the gas treatment facility (phase two of the gas treatment facility development plan). Completion of the third unit of the gas treatment facility has been delayed from the expected completion date and is currently further delayed given the winter temperatures during which certain required hydro-testing cannot take place. Nostrum expects to be able to begin its tie in procedures in the second quarter of 2018 which will allow gas to go from the first two gas treatment units to the third unit of the gas treatment facility. This will require a three week shut down of the first two gas treatment units, following which the commissioning period of approximately 60 days can take place. Management currently estimates that the total cost of this project will not exceed U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which had already been incurred as at 31 December 2017).

See "Summary—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility", "*Risk Factors—Risk Factors Relating to the Group—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives*" and "*—Operations—Gas Treatment facility*".

Oil Treatment Units

Currently Nostrum operates a first crude oil treatment unit, which was built and commissioned at the beginning of 2006.

Acquisition of Oil and Gas Development Fields

In the third quarter of 2012, the Group signed purchase agreements for the acquisition of three new licenses in fields near the Chinarevskoye Field for a total purchase price of U.S.$16 million.

On 24 May 2013, the Group notified the Competent Authority of the completion of the acquisition of three development fields, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field. Nostrum has estimated that it will cost approximately U.S.$55 million to conduct the necessary appraisal activities for the development of these fields, which has begun in 2013 initially through 3D seismic acquisition. See "*Business—Subsoil License and Permits*". The Group is continuing its appraisal work in the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields near the Chinarevskoye Field. During 2016 the Group drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section also of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. The extent of the success of the results of the appraisal well and testing in the Rostoshinskoye field is not yet fully known. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

Disclosure about Market Risk

The Group is exposed to a variety of market risks with respect to the market price of crude oil and condensate, foreign currency exchange rates, interest rates and the creditworthiness of the counterparties with whom Nostrum expects payments under normal commercial conditions.

Commodity price risk

Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market price of crude oil and other hydrocarbon commodities. Commodity price risk is extremely significant to the Group's results of operations given that all sales of the Group's products are based on the commodity price in the relevant market. Commodity prices are influenced by factors such as OPEC actions, political events and supply and demand fundamentals. Although the Group enters into hedging contracts, these only partially protect the Group against decreases in commodity prices from their current levels. The Group intends to keep the same hedging policy going forward.

Foreign currency exchange rate risk

The Group is exposed to foreign currency risk associated with transactions entered into, and assets and liabilities denominated, in currencies other than the functional currency of its operating entities, being the U.S. dollar since 1 January 2009. This exposure is primarily associated with transactions, contracts and borrowings denominated in Tenge. Most of the Group's cash inflows as well as its accounts receivable are denominated in U.S. Dollars, and most of the Group's expenses are primarily denominated in U.S. Dollars, with approximately 40% to 45% denominated in Tenge.

Thus, Tenge appreciation would adversely impact results. There is no significant forward market for the Tenge and the Group does not use other foreign exchange or forward contracts to manage this exposure. The Group will monitor its currency exposure and may enter into hedging contracts to avoid any exposure to currency risks that are considered excessive in the view of management.

With respect to foreign exchange, the Group incurred a loss of U.S.$0.4 million in the nine months ended 30 September 2017 (compared to a loss of U.S.$0.7 million in the nine months ended 30 September 2016), a loss of U.S.$390 thousand in the year ended 31 December 2016, a loss of U.S.$21.2 million in the year ended 31 December 2015 and a loss of U.S.$4.2 million for the year ended 31 December 2014. The Group does not hedge against this risk. As at the date of this Offering Memorandum, all of the Group's financing is in U.S. Dollars and in the future the Group's capital expenditures are expected to be primarily denominated in U.S. Dollars.

Interest rate risk

The Group's interest rate risk in the periods described relates principally to the interest rates receivable and payable on its cash deposits and borrowings. During the periods under review, the Group's existing borrowings have borne interest at a fixed rate. The Group will monitor its interest rate exposure and may enter into hedging contracts to avoid any exposure to interest rate risks that are considered excessive in the view of management.

Credit risk

Nostrum's policy is typically to mitigate the payment risk on its off takers by requiring all purchases to be prepaid or secured by a letter of credit from an international bank.

BUSINESS

Overview

Nostrum Oil & Gas PLC ("**Nostrum**") is an independent oil and gas enterprise engaged in the exploration and production of oil and gas products in North-Western Kazakhstan. Nostrum, through its indirectly wholly-owned subsidiary Zhaikmunai LLP, is the owner and operator of four fields in Kazakhstan, the Chinarevskoye Field and the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields. The Group's primary field and licence area, which has been the Group's sole source of production to date, is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin.

For the nine months ended 30 September 2017, the Group reported total revenue, EBITDA and net cash flows from operating activities of U.S.$303.7 million, U.S.$171.5 million and U.S.$135.2 million, respectively. For the year ended 31 December 2016, the Group reported total revenue, EBITDA and net cash flows from operating activities of U.S.$348.0 million, U.S.$194.3 million and U.S.$206.5 million, respectively. The Group had average daily production volumes of 44,879 boepd (and sales volumes of 39,600 boepd) and 40,351 boepd for the nine months ended 30 September 2017 and for the year ended 31 December 2016, respectively. Production in 2018 is expected to be flat over the year at approximately 37,000 boepd taking into account ongoing operational activities.

The Chinarevskoye Field, approximately 274 square kilometres in size, is located in the West-Kazakhstan Oblast, near the border between Kazakhstan and Russia, and close to the main international railway lines in and out of Kazakhstan as well as to several major oil and gas pipelines. The Group conducts its operations in the Chinarevskoye Field pursuant to a subsoil use licence (the "**Licence**") and an associated production sharing agreement ("**PSA**"). Based on the 2017 Ryder Scott Report, as at 1 January 2017, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 379.3 million boe, of which 144.1 million barrels was crude oil and condensate, 56.3 million barrels was LPG and 178.8 million boe was sales gas (reduced by production through 2017 which had average daily production volumes of 39,199 boepd).

Nostrum's operational facilities in the Chinarevskoye Field consist of an oil treatment unit currently capable of processing 400,000 tonnes per year of crude oil, multiple oil gathering and transportation lines including a 120 kilometre oil pipeline from the field to its oil loading rail terminal in Rostoshi near Uralsk, a 17 kilometre gas pipeline from the field to the Orenburg-Novopskov pipeline, which has been extended to connect to the KTO pipeline (with export volumes through the pipeline having begun in the third quarter of 2017), a gas powered electricity generation system, warehouse facilities, an employee field camp and a gas treatment facility. The first phase of the gas treatment facility, consisting of two gas treatment units, became fully operational in 2011 and has enabled Nostrum to produce marketable liquid condensate (a product lighter than Brent crude oil) and LPG from the gas condensate stream.

Following the successful completion of the first phase of its gas treatment facility, Nostrum commenced the building of a third unit of the gas treatment facility to increase the operating capacity and production of liquid hydrocarbons. Completion of the third unit of the gas treatment facility has been delayed from the expected completion date and is currently further delayed given the winter temperatures during which certain required hydro-testing cannot take place. Nostrum expects to be able to begin its tie in procedures in the second quarter of 2018 which will allow gas to go from the first two gas treatment units to the third unit of the gas treatment facility. This will require a three week shutdown of the first two gas treatment units, following which the commissioning period of approximately 60 days can take place. See *"—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*. Management estimates that when fully operational, the third unit will double the Group's current production capacity. Management currently estimates that the construction of this third unit will not exceed U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which has already been incurred as at 31 December 2017) and will be funded primarily by cash from operations.

On 24 May 2013, the Group notified the Competent Authority of the completion of the acquisition for U.S.$16 million of three oil and gas development fields, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, also located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field. These development fields are approximately 139 square kilometres in size. During the development phase, the Group will explore the three fields under short term exploratory licenses which are subject to periodic renewal. These licences have currently all expired but applications have been made for renewal. In 2016, the Group drilled one appraisal well in the Rostoshinskoye field, which changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. According to the 2017 Ryder Scott Report, as at 1 January 2017, the estimated net probable hydrocarbon reserves at these three fields were 87.2 million boe and estimated contingent resources of 12.7 million boe of liquids and 202.5 billion cubic feet of sales gas.

Key Strengths

Management believes that the key strengths of the Group are as follows:

- *Substantial reserve base*

  According to the 2017 Ryder Scott Report, as at 1 January 2017, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 379 million boe. These estimated reserves comprise proven reserves of 147 million boe and probable reserves of 232 million boe. Oil and condensate amounted to 144 million barrels of proven and probable reserves, LPG to 56 million barrels and gas to 178 million barrels. The estimated net probable hydrocarbon reserves at the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields were 87 million boe as at 1 January 2017. In addition, according to the 2017 Ryder Scott report, the estimated contingent resources as of 1 January 2017 amount to 118 million boe of liquids and 622 billion cubic feet of sales gas at the Chinarevskoye Field and the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. All amounts above will have been reduced by production through 2017 which had average daily production volumes of 39,199 boepd.

- *Proven ability to develop and replace reserves*

  According to data included in reserves reports prepared by Ryder Scott, since 1 January 2004 Nostrum has increased its gross proved hydrocarbon reserves from 28 million boe to 147 million boe, as at 1 January 2017, as well as increasing its probable hydrocarbon reserves from 170 million boe to 232 million boe (including the gross probable reserves attributable to the Chinarevskoye Field and the net reserves attributable to the Rostoshinskoye, Darjinskoye and Yuzhno- Gremyachenskoye fields), as at 1 January 2017. This has been achieved through ongoing appraisal and exploration work on the Chinarevskoye Field overseen by the current management team, as well as the acquisition of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields.

  In 2016, Nostrum drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section also of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report.

  Nostrum has a strong track record of replacing its proven reserve base. Since the commissioning of Nostrum's gas treatment facility in 2011, Nostrum has achieved a proven reserve replacement ratio over 100%. The Group seeks to continue the replacement and expansion of its reserve base through appraisal work at Chinarevskoye and the three neighbouring fields. Organic reserve growth in these areas will be complimented by carefully considered acquisitions where appropriate. Management believes that the strategy described in *"—Current Trading and Recent Developments—Operational and Financial Update—Production Guidance"* if successfully executed, will enable Nostrum to achieve average daily production volumes of 100,000 boepd by the end of 2021. Furthermore, through the replacement and expansion of its reserve base at Chinarevskoye, the three neighbouring fields and any appropriate acquisitions, management believes such a strategy will provide Nostrum with the reserve base to maintain production from 2021 to the end of the Chinarevskoye licence (2031—2033), at a level of 100,000 boepd.

- *Strong track record of production growth within the Chinarevskoye Field with a further significant increase expected*

  Nostrum has a strong track record of successful exploration and production within the Licence area. Analysis by Nostrum personnel of 3-D seismic surveys covering the entire Chinarevskoye Field has allowed Nostrum to position wells effectively. In addition, management has deployed advanced drilling techniques to exploit the Biski-Afoninski reserves which are located in vertically and horizontally fragmented segments including drilling deep wells (between approximately 5,000 to 5,500 metres), drilling multiple wells and undertaking horizontal drilling (up to 1,000 metres). Further, primarily as a result of the first phase of the gas treatment facility reaching design capacity by the end of 2012, hydrocarbon production volumes increased to an average of 40,351 boepd for the year ended 31 December 2016, an increase of 9.2% compared to an average of 36,940 boepd for the year ended 31 December 2012. Hydrocarbon production volumes for the nine months ended 30 September 2017 was an average of 44,879 boepd (and sales volumes of 39,600 boepd). Production in 2018 is expected to be flat over the year at around 37,000 boepd, taking into account the time it will take to bring the two new production wells currently being drilled on line in addition to the three week shutdown to link the first two gas treatment units to the third unit of the gas treatment facility in the second quarter of 2018. Management estimates that the average production will reach 50,000 boepd in 2019 assuming three drilling rigs will be used during all of the year, 65,000 boepd in 2020 assuming an increase to five rigs at the field and increasing the drilling rig count to six during 2021 will allow drilling of up to 16 new wells per year with successive increase of production reaching 100,000 boepd. Nostrum currently plans to employ the same exploration and production methods it uses within the Chinarevskoye Field at its three new development fields.

- *Advantageous location to access export infrastructure*

  Nostrum's facilities are located in western Kazakhstan approximately 10 kilometres from the Russian border, which reduces overall transportation distances from the Group's production operations to ultimate purchasers of its oil in European markets (as compared to other Kazakhstan oil and gas producers). In addition, Nostrum's operations are located close to various transportation routes, being 17 kilometres from the Orenburg-Novopskov gas pipeline and less than 100 kilometres from rail links and the Atyrau-Samara oil pipeline. Nostrum's oil pipeline from its field to its rail terminal in Rostoshi near Uralsk gives Nostrum direct access to the rail terminal and an option for a direct connection to the export pipeline to Samara which is crossed by the Group's pipeline. Nostrum's closer proximity to export infrastructure compared with other Kazakhstan oil and gas producers provides it with a competitive advantage and allows it to benefit from reduced transportation costs. In addition, during 2016 Nostrum concluded commercial negotiations and in 2017 completed construction of a secondary crude oil pipeline to enable export sales via the Atyrau-Samara international export pipeline, by connecting the current Nostrum pipeline to the KTO pipeline (with export volumes through the pipeline having begun in the third quarter of 2017). The KTO pipeline will substantially reduce Nostrum's crude oil transportation costs and enhance the Nostrum's ability to manage crude oil netbacks through the commodity cycle. The total cost of the pipeline did not exceed U.S.$7 million.

- *Stable tax and royalty payment terms under the PSA and strong relationship with regulators and authorities*

  The Group currently benefits from a relatively stable tax and royalty payment burden under the PSA for the Chinarevoskoye field as the terms of the PSA have been "grandfathered" from its signing in 1997. As such, the terms of the PSA allow Nostrum to estimate the Kazakhstan Government's share of production revenue with reasonable certainty (although the Kazakhstan Government could seek to restrict or amend such "grandfathering"—see "*Risk Factors—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government*"). The Group has amended the terms of the PSA on fourteen previous occasions and the Group is regularly in discussions with regulators about the terms of the PSA and issues that impact the Group's operations.

- *Management of balance sheet and cost control*

  Nostrum prudently manages its balance sheet while still positioning itself for successful future operations. As of 30 September, 2017, the Group had U.S.$144.4 million of cash on its balance sheet as of 30 September 2017 (and announced an estimated cash position in excess of U.S.$127.0 million as at 31 December 2017) with an oil price hedge in place until December 2017. In addition, in January 2018, the Group entered into an oil price hedge which runs until December 2018. These actions ensure continued cash flows to fund capital expenditures. During recent periods of low oil prices, the Group has continued to construct its new gas treatment unit in order to progress to its next production volume stage, while still maintaining a strong cash position.

  Operating expenditure per barrel has been reduced to below U.S.$4 per barrel in 2016, a reduction of approximately 12% compared to 2015. This was achieved through adherence to the Group's cost cutting program and also the continued devaluation of the Tenge over the period. The Group was further able to reduce costs in 2016 by scaling back its drilling programme. The Group added three instead of seven wells, on time and on budget, at approximately U.S.$11 million per well to meet production targets and ensure that the two existing gas treatment units were operating at full capacity by the end of 2016. This followed a successful cost cutting programme implemented in response to a decline in oil prices throughout 2015.

- *Strong and highly experienced management team*

  The Group benefits from management with significant experience in the oil and gas sector in general, and Kazakhstan in particular. Nostrum's Chief Executive Officer has worked in the oil and gas industry since 1985, including approximately 11 years' experience working in emerging markets for the Gaz de France group. In addition, Nostrum has experienced senior managers in key departments, including geology, drilling, production and engineering, with significant years of experience in the oil and gas industry.

- *High quality crude oil*

  The crude oil produced by Nostrum is a high quality "sweet" crude oil with an average API gravity of 42-43° and a low sulphur content of approximately 0.4%. The high quality of its crude oil allows Nostrum to sell its crude oil at a smaller discount to Brent crude than other oil producers in the region.

Business Strategy

Nostrum's long-term objective is to further consolidate its position as one of the leading independent oil and gas companies in Kazakhstan. The first phase of development of the Chinarevskoye Field has now been completed. Its infrastructure, including the first phase of development of the gas treatment facility consisting of two units, is fully operational and average daily production volumes averaged 44,879 boepd for the nine-month period ending 30 September 2017 (and sales volumes of 39,600 boepd). Production in 2018 is expected to be flat over the year at approximately 37,000 boepd taking into account ongoing operational activities.

The Group has commenced the construction of a third unit for the gas treatment facility as part of the development of the Chinarevskoye Field. Nostrum expects the third unit of the gas treatment facility to be completed on the completion schedule discussed in *"—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"* and estimates that when fully operational, the third unit will double the Group's current production capacity. In addition, the Group has opportunities for further expansion of operations through the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields. Together, the three fields contain estimated probable hydrocarbon reserves of 87.2 million boe. Contingent resources estimated as of 1 January 2017 amount to 12.7 million boe of liquids and 202.5 billion cubic feet of sales gas. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

The constituents of the Group's strategy in delivering the future growth potential of the Group comprise:

- *Delivering Organic Production Growth*

  The Group aims to double production levels from the Chinarevskoye Field by the end of 2021. To enable this, it is constructing a third unit for the gas treatment facility in the vicinity of the existing two units, each with the capacity to treat 850 million cubic metres of raw gas per year (total 1.7 billion cubic metres). The Group plans for the third unit to increase production capacity by 2.5 billion cubic metres of gas, bringing the total capacity of the gas treatment facility to 4.2 billion cubic metres of gas annually once all three units are fully operational. The Group has benefited from the technical expertise and significant experience gained from the construction of the first two units of the gas treatment facility in the construction of the third unit.

  The development and construction plan for the third unit of the gas treatment facility includes the front end engineering design, the selection of third parties, construction, commissioning and production ramp-up. The target completion date was revised from 2016 to 2017 in order to phase construction payments to match the proceeds received under Nostrum's oil hedging contract, which was in place until December 2017 (and has now been renewed with a new oil hedge until December 2018) and has been further revised for the completion schedule discussed in *"—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*.

  Management estimates that the capital expenditure required to build the third unit of the gas treatment facility will not exceed U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which had already been incurred as at 31 December 2017) and the unit is planned to be fully funded from operational cash flow which will also cover items such as renewing and expanding the oil treatment facility. Management believes that all other existing infrastructure owned and operated by the Group, such as pipelines and rail terminals, has sufficient capacity to accommodate double the Group's current production levels, to over 100,000 boepd in due course.

  Once the third unit of the gas treatment facility is operational, the focus of the Group will move towards ramping up the drilling programme in order to fill the gas treatment facility. The 2017 Ryder Scott Report estimates, that under the existing oil price environment, the Group will need to drill 50 to 60 wells to ramp up average daily production volumes to 100,000 boe per day by the end of 2020. In 2017, the Group has drilled seven new wells. Under the existing oil price environment, the current drilling plan foresees drilling up to nine wells (four production wells and up to five appraisal wells) in 2018. As of the date of this Offering Memorandum, management estimates that the average production will reach 50,000 boepd in 2019, assuming three drilling rigs will be used during all of the year, 65,000 boepd in 2020, assuming an increase to five rigs at the field, and increasing the drilling rig count to six during 2021 will allow drilling of up to 16 new wells per year with successive increase of production reaching 100,000 boepd.

- *Actively Pursuing Reserve Growth*

  The 2017 Ryder Scott Report reported estimated gross proved reserves of 147 million boe as at 1 January 2017 (reduced by production through 2017 which had average daily production volumes of 39,199 boepd). During 2016 this represented a proved reserve replacement ratio of 97%, notwithstanding a reduction in the drilling programme over the first three quarters of 2016 in response to the oil price environment. The Group's ongoing appraisal programme will focus on the Chinarevskoye Field's probable reserves (232 million boe as at 1 January 2017) and the ongoing appraisal of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields. Nostrum's long-term target is to increase the Group's proved reserves base to up to 700 million boe, by converting existing probable reserves, adding reserves from the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields and potential further acquisitions.

In addition, Nostrum currently estimates that it will cost approximately U.S.$55 million to conduct the necessary appraisal activities for the appraisal and development of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields, which commenced in 2013, initially through 3D seismic acquisition. In 2016, Nostrum drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. The results of the reserves report will determine the development programme as well as provide greater detail on reservoir size and fluid composition. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

The 2017 production drilling programme completed three gas condensate wells. However, in the course of the year two producing wells became unproductive due to uncontrollable water influx. Therefore, as at 31 December 2017, the Group remains with the same number of 19 active gas condensate wells as in the beginning of the year. As at 31 December 2017, the Group's oil production came from 21 oil wells, with two further oil wells having been suspended during the year because of uneconomic production rates.

- *Ramp-up Drilling Programme*

The Group's drilling strategy balances the aims of exploratory and appraisal drilling to convert probable into proven reserves and the drilling of production wells to meet the Group's production targets and utilise the available capacity of the Group's oil and gas treatment facilities, while not jeopardising the Group's financial position. The scale of the Group's drilling programme will be contingent upon the prevailing oil price environment, allowing the Group to maintain financial flexibility during periods of volatility and increase activities if there is a material increase in prices. The drilling programme will be designed and planned to meet the production targets referred to in *"—Current Trading and Recent Developments—Operational and Financial Update—Production Guidance"*, including the planned ramp-up of production to 100,000 boepd.

- *Developing a Multi-Field Model*

The Group is also pursuing a strategy of growth through value-accretive acquisitions. This is in line with its desire to leverage existing infrastructure to add further reserves at low finding costs. The acquisition of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields, all of which are located between 60 kilometres and 120 kilometres from the existing gas treatment facility, for total consideration of U.S.$16 million, represented the first such acquisition pursuant to this strategy. The acquisition of data on these three fields commenced in 2013 and appraisal on the Rostoshinskoye (the largest of the three fields) concluded in 2016. The testing of the appraisal well which was drilled on the Rostoshinskoye field during 2016 was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report.

The Group evaluates opportunities for acquisitive growth on a continuous basis, with a focus on North-Western Kazakhstan where practicable, but it will also consider opportunities in the surrounding regions. Having appraised, developed and produced both crude oil and gas condensate in North-Western Kazakhstan for over a decade, Nostrum has accumulated a considerable amount knowledge of both the Chinarevskoye asset and also the surrounding regional geology, which it seeks to leverage to enhance its commercial reserve base and to achieve the Group's average daily production volumes described in *"—Current Trading and Recent Developments—Operational and Financial Update—Production Guidance"*. Nostrum will continue to look for further acquisitions which have the potential to further improve Group value.

- *Making Sustainable Development a Priority*

The Group's long presence in Kazakhstan has led to a natural, gradual and ambitious involvement in sustainable development. Over the years, it has built a comprehensive corporate social responsibility roadmap comprised of employee security and welfare, investment in community building and environmental protection and reporting. Each of these priorities is now taken up in the overall yearly management plan and monitored against specific voluntary as well as compliance objectives. As such, the Group continues to strive to improve and implement new policies each year in order to integrate further sustainability in all of its operations.

The Group sees corporate social responsibility as an important indicator of non-financial risk and is regularly developing internal best practices to improve its standards. This is an important standalone part of Nostrum's strategy while it is also complementary to all of the other strategic initiatives. Sustainable development remains a priority for the Group going forward.

History and Corporate Structure

Zhaikmunai LLP was registered on 20 March 1997 as a Kazakhstan limited liability partnership and obtained the Licence from JSC Condensate (which was granted the Licence in January 1996). Zhaikmunai LLP entered into the PSA in October 1997.

In September 2004, Thyler Holdings Limited (a company beneficially owned by Frank Monstrey, the former chairman of Nostrum) indirectly acquired 100% of the participation interests in Zhaikmunai LLP. Zhaikmunai LP was formed in August 2007 as an Isle of Man limited partnership in connection with the admission of the GDRs to the Official List and to trading on the London Stock Exchange in 2008. In March 2008, the Group effected a reorganisation which resulted in the Partnership indirectly holding all of the participation interests in Zhaikmunai LLP, with Nostrum Oil & Gas Group Limited (owned by Thyler Holdings Limited) becoming the general partner of the Partnership (the "**General Partner**"). As a result, Zhaikmunai LP became the parent entity of the Group.

In October 2012, Thyler Holdings BV (another company beneficially owned by Frank Monstrey) acquired 100% of the General Partner. On 29 November 2013, the limited partners of Zhaikmunai LP duly approved a change in Zhaikmunai LP's name to "Nostrum Oil & Gas LP".

Nostrum was incorporated as an English public limited company on 3 October 2013. On 20 May 2014, Nostrum Oil & Gas LP announced its intention to seek a premium listing of a public limited liability company newly incorporated in England and Wales, namely Nostrum. On 24 June 2014, Nostrum was admitted to the premium list of the London Stock Exchange and also became the new holding company for the Group. Nostrum also sought a listing of its ordinary shares on the KASE. On 29 March 2013, the KASE announced that Zhaikmunai LLP was presented with a special award for its transparency record and commitment to all of its stakeholders.

Nostrum's registered office is in 9th Floor, 20 Eastbourne Terrace, London, W2 6LG, United Kingdom, and its principal offices are in Gustav Mahlerplein 23B, 1082 MS, Amsterdam, The Netherlands. The headquarters of Zhaikmunai LLP are located in Uralsk, Kazakhstan.

Operations

Nostrum's primary field and licence area is the Chinarevskoye Field. In August 2012, the Group decided to expand its operations and agreed to acquire subsoil use rights to three new oil and gas fields in Kazakhstan, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, located approximately 60 to 120 kilometres from the Chinarevskoye Field. The purchase of these fields was completed on 24 May 2013 for consideration of U.S.$16 million. The Group is currently in the process of analysing the optimal appraisal and development programme for the fields. See "*Risk Factors—Risk Factors Relating to the Group—The Group's principal activities are conducted within the Chinarevskoye Field and currently its sole source of revenue comes from this field*".

The following map sets forth the location of the Chinarevskoye Field:

Chinarevskoye Field

History of Operations

Oil and gas operations in the Chinarevskoye Field began during the Soviet era with the drilling of nine wells. Hydrocarbons were discovered in the Biski-Afoninski reservoirs in 1991. The discovery of the Tournaisian reservoir was made in 1992.

In May 1997, Nostrum was granted exploration and production licences with respect to the Chinarevskoye Field, which initially covered the entire Chinarevskoye Field. During October 1997, Nostrum entered into the PSA with the Kazakhstan Government which has been subsequently amended fourteen times. See "— *Subsoil Licences and Permits— The Licence and the PSA*". The PSA sets forth parameters for the exploration and development of the Chinarevskoye Field and the fees, profit sharing and tax liabilities payable to the Kazakhstan Government. To date, Nostrum has met all of its capital investment obligations under the PSA.

Three of the wells that were drilled prior to Kazakhstan independence were reactivated between 2000 and 2002. In 2003, Nostrum discovered the Givetian accumulation and in 2004 the Lower Permian reservoir was successfully tested. An oil treatment unit was completed in July 2006. In 2007, crude oil was discovered in the Bashkirian formation. In May 2008, commercial prospects were declared for the Mullinsky oil and gas condensate pool, the Ardatovski gas condensate pool, the Famenian oil and gas condensate pool and the Biski-Afoninski oil and gas condensate pool. New commercial discoveries were also made in the south and west regions of the Tournaisian reservoir.

In 2004, new senior management was appointed at Nostrum which instituted a strategy of increasing drilling and improving infrastructure, as well as focusing on improving the level of reserves. In the same year, Nostrum commissioned Ryder Scott to conduct an independent engineer's reserves assessment for the Licence area according to SPE-PRMS standards. According to management estimates based on data included in the Ryder Scott reserves report of 2004, Nostrum had approximately 28 million boe of proved reserves. Nostrum's primary exploration effort from 2004 to 2006 was dedicated to the Tournaisian horizon. As a result of increased drilling and improved geological data, management estimated that, as at 1 January 2017, based on the 2017 Ryder Scott Report, Nostrum had increased its gross proved reserves by 411.3% to 147 million boe and increased its probable reserves by 45.9% to 232 million boe (each as compared to 2004). According to the 2017 Ryder Scott Report, as at 1 January 2017, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 379 million boe.

Following successful test production from the Tournaisian reservoir during the exploration phase of the Licence, Nostrum commenced commercial crude oil production from the Tournaisian reservoir on 1 January 2007. Nostrum has obtained a production permit for the Mullinsky, Ardatovski, Famenian and Biski-Afoninski reservoirs. Nostrum expects to continue exploration activities in the North Biski-Afoninski, Lower Permian and North Tournaisian reservoirs and the Givetian accumulations until the expiry of the exploration period. Nostrum was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of a tenth supplementary agreement to the PSA on 28 October 2013. The tenth supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2014 and the eleventh supplementary agreement further extended the exploration period to 26 May 2016. On 28 December 2016 the thirteenth supplementary agreement to the PSA was signed extending the exploration period for the Bobrikovski reservoir in the Chinarevskoye Field to 26 May 2018. On 1 November 2017 the fourteenth supplementary agreement to the PSA was signed contains updates and adjustments to the work programme.

In December 2008, Nostrum received an extension of its production licence. The new production licence is valid until 2033 for all horizons (other than the North-Eastern Tournaisian reservoir for which the production licence is valid until 2031) and oil or gas-condensate bearing reservoirs and covers 185 square kilometres of the Licence area. The production licence covers all proved and probable reserves reported by Ryder Scott.

The Group invested significantly in the construction and development of the first two units of the gas treatment facility, which entered into test production from May 2011 and came online into full production (and therefore resulting in IFRS recognition of revenue and cost of sales in the Group's income statement) in November 2011. Prior to the construction of the first two units of the gas treatment facility the Group's revenue resulted solely from the sale of crude oil. Commencing in November 2011, the Group began selling condensate, dry gas and LPG in addition to crude oil. The Group is currently well advanced in the construction of the third unit of the gas treatment facility, which Management currently expects to be completed on the completion schedule discussed in *"Summary—Current Trading and Recent Developments—Third unit of the gas treatment facility"*.

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 U.S.$150 million, which was amended with effect from 10 August 2015 by a supplementary agreement increasing that consideration to U.S.$160 million. With effect from 1 August 2015 the Group entered into a technical support and service agreement with the Contractor, which terminated on 30 September 2016, for an aggregate consideration of U.S.$6.9 million. With effect from 10 September 2015 the Group entered into a service agreement with the Contractor, which terminated on 30 April 2016, for the provision of engineering staff for an aggregate consideration of U.S.$280 thousand. The Contractor is an affiliate of Mayfair Investments B.V., which as at 24 January 2018 owned approximately 25.7% of the ordinary shares of Nostrum.

The third unit of the gas treatment facility is expected to be completed on the completion schedule discussed in *"Summary—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*. As a result of this gas treatment unit becoming operational the Group expects a significant increase in its operating capacity and production volumes. The additional operating capacity and higher production volumes have been incorporated in the Group's long-term strategy and operating plans. See "*Risk Factors—Risk Factors Relating to the Group—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives*"**.**

Oil and Gas Reserves

The following table sets forth Nostrum's gross proved and probable hydrocarbon reserves at the Chinarevskoye Field based on data included in the 2017 Ryder Scott Report:

	As at 1 January 2017(1)
Gross Proved Reserves	
Crude oil and condensate (million bbl)	58.3
LPG (million boe)	18.6
Gas (million boe)	69.8
Total (million boe)(2)	**146.6**
Gross Probable Reserves	
Crude oil and condensate (million bbl)	85.9
LPG (million boe)	37.7
Gas (million boe)(2)	109.1
Total (million boe)(2)	**232.7**

(1) Based on the 2017 Ryder Scott Report which was produced on the Group's reserves and resources as at 1 January 2017 and is dated 17 February 2017. The 2017 Ryder Scott Report has not been updated for any production that has taken place between 1 January 2017 and the date of this Offering Memorandum. The Group has announced (based on management estimates) for the year ended 31 December 2017, production volumes of 15,616 boepd of crude oil

and condensate, 6,211 boepd of LPG and 21,367 boepd of dry gas, production after treatment volumes of 14,937 boepd of crude oil and condensate, 4,615 boepd of LPG and 19,647 boepd of dry gas and sold 15,292 boepd of crude oil and condensate, 4,618 boepd of LPG and 17,934 boepd of dry gas. In addition, as of the date of this Offering Memorandum, Ryder Scott is preparing a report on the Group's reserves and resources as at 1 January 2018 which is not yet finalized, see "*Risk factors—Risk Factors relating to the Group—The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*".

(2) Management has converted the dry gas reserves data from cubic feet to barrels of oil equivalent of dry gas. See *"Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Hydrocarbon Data—Presentation in this Offering Memorandum"*.

In accordance with SPE-PRMS reserves classifications, Ryder Scott assigned part of the volumes of crude oil that can be recovered from the accumulation through water-flooding in the Tournaisian reservoir to the category of probable reserves. See "*Risk Factors—Risk Factors Relating to the Group—The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*". The added potential resulting from enhanced oil recovery has therefore only partly been used to estimate the amount of proved reserves.

Geological Information

The Chinarevskoye Field is a multi-formation structure. It has tested hydrocarbons at significant rates from (i) the Lower Permian horizons at depths of 2,700m to 2,900m, represented by limestone and dolomitic limestone; (ii) limestone of the Lower Carboniferous Tournaisian formation at a depth of approximately 4,200m with a gross thickness of about 200m; (iii) the middle Devonian Givetian horizons at a depth of approximately 5,000m, represented by sandstone with carbonate cement; and (iv) the middle Devonian Biski-Afoninski formations at a depth of approximately 5,000m with a gross thickness of 200m and represented by limestone and dolomitic limestone. Oil has been found in the Lower Permian, Tournaisian and Givetian Mulinski reservoirs, while gas condensate has been found in the Tournaisian, Biski-Afoninski, Givetian, Ardatovski, Famenian and Vorobyovski reservoirs.

Appraisal and Exploration

In addition to the estimated reserves calculated by Ryder Scott, management believes that there is additional exploration potential in the Licence area due to Nostrum's successful drilling record in the Chinarevskoye Field. The Group is continuing to explore parts of the Chinarevskoye Field under the terms of the Licence and the PSA. Using information obtained from 3-D seismic surveys and geological analysis, management (and consultants) review all available data and undertake individual drilling programmes.

Studies prepared by the research institute KaspiMunaiGaz in 2006 and PM Lucas in 2007-2013 confirmed the possibility of significant improvement of oil recovery through water-flooding in the North-Eastern part of the Tournaisian reservoir. The Group began water injection testing at the end of 2008 and implemented the use of water-injection for improved oil recovery in 2009.

Water injection is solely required for the recovery of the probable reserves. The Group previously analysed reservoir simulations prepared by independent third parties to understand the effect of the water injection on ultimate recovery of oil from the reservoirs. See "*Risk Factors—Risk Factors Relating to the Group—The Group requires significant water supplies in order to conduct its business and failure to obtain such water may adversely affect its business*" *and* "*Risk Factors—Risk Factors Relating to the Group—The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*".

A significant portion of the Group's reserves are classified as contingent reserves, and a drilling schedule has been prepared to further appraise these accumulations. These gross contingent reserves were estimated by Ryder Scott to be up to 105.4 million boe as at 1 January 2017. Management believes that a portion of these contingent reserves could be transferred into higher reserves categories as a result of the scheduled appraisal activities, which are planned to be performed simultaneously with the development of the existing proved and probable reserves.

CONTINGENT RESOURCES ARE RESOURCES ESTIMATED, AS OF A GIVEN DATE, TO BE POTENTIALLY RECOVERABLE FROM KNOWN ACCUMULATIONS BUT NOT YET CONSIDERED MATURE ENOUGH FOR COMMERCIAL DEVELOPMENT DUE TO ONE OR MORE CONTINGENCIES. CONTINGENT RESOURCES MAY INCLUDE, FOR EXAMPLE, PROJECTS FOR WHICH THERE ARE CURRENTLY NO VIABLE MARKETS, OR WHERE COMMERCIAL RECOVERY IS DEPENDENT ON TECHNOLOGY UNDER DEVELOPMENT, OR WHERE EVALUATION OF THE ACCUMULATION IS INSUFFICIENT TO CLEARLY ASSESS COMMERCIALITY. SEE **"RISK FACTORS—RISK FACTORS RELATING TO THE GROUP—CONTINGENT AND PROSPECTIVE RESOURCES ARE UNLIKELY TO BE COMMERCIALLY PRODUCTIVE IN THE SHORT OR MEDIUM TERM"**.

The Group has mapped several additional prospects in the Licence area, including the Biski-Afoninski (gas condensate), Tournaisian (oil and gas condensate), Lower Permian (oil) and South Tournaisian (gas condensate) reservoirs. In addition to the reported reserves as at 1 January 2017, Ryder Scott has estimated the remaining resources identified, but not yet drilled in the Chinarevskoye Field.

Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye Fields

In August 2012, the Group decided to expand its operations and agreed to acquire subsoil use rights to three new oil and gas fields in Kazakhstan, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye, located approximately 60 to 120 kilometres from the Chinarevskoye Field. The purchase of these fields was completed on 24 May 2013 for consideration of U.S.$16 million. The Group is currently in the process of analysing the optimal appraisal and development programme for the fields. During 2016 the Group drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section also of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report. The extent of the success of the results of the appraisal well and testing in the Rostoshinskoye field is not yet fully known. The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

Investors should note that while the covenants included in the Indenture that will govern the Notes specifically put controls on the disposal of the subsoil use licence (and related production sharing agreement) related to the Chinarevskoye oil and gas condensate field to any party other than the Issuer or a Guarantor, there is no equivalent restriction with respect to the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. See "*Description of Notes—Certain Definitions—Asset Disposition*".

Oil and Gas Reserves

The following table sets forth Nostrum's net proved and probable hydrocarbon reserves at the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields based on data included in the 2017 Ryder Scott Report:

	As at 1 January 2017
Net Proved Reserves	
Crude oil and condensate (million bbl)	—
LPG (million boe)	—
Gas (million boe)(2)	—
Total (million boe)(2)	—
Net Probable Reserves	
Crude oil and condensate (million bbl)	3.6
LPG (million boe)	0.5
Gas (million boe)(2)	83.1
Total (million boe)(2)	**87.2**

(1) Based on the 2017 Ryder Scott Report which was produced on the Group's reserves and resources as at 1 January 2017 and is dated 17 February 2017. As of the date of this Offering Memorandum, Ryder Scott is preparing a report on the Group's reserves and resources as at 1 January 2018 which is not yet finalized, see "*Risk Factors— Risk Factors relating to the Group —The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*".

(2) Management has converted the dry gas reserves data from cubic feet to barrels of oil equivalent of dry gas. See *"Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Presentation in this Offering Memorandum"*.

Geological Information

The Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields are approximately 139 square kilometres in size and are located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field.

Appraisal and Exploration

Nostrum has estimated that it will cost approximately U.S.$55 million to conduct the necessary appraisal activities for the development of these fields, which commenced in 2013, initially through 3D seismic acquisition.

Production and Facilities

Oil, Gas, LPG and Condensate Production

During the nine months ended 30 September 2017 Nostrum produced a total of 11.2 million boe, with average production volumes of 44,879 boepd, an increase compared to the nine months ended 30 September 2016, during which Nostrum produced a total of 10.6 million boe, with average production volumes of 38,901 boepd. In 2016, Nostrum produced a total of 14.8 million boe, with an average of 40,351 boepd, substantially similar compared to 2015, during which Nostrum produced a total of 14.7 million boe, with an average daily output of 40,391 boepd, and a decrease to 2014, during which Nostrum produced a total of 16.2 million boe, with an average of 44,400 boepd. The slightly lower total production volumes in 2015 and 2016, as compared to 2014, was due primarily to a short period of additional unplanned downtime in October 2015 resulting from maintenance work on a pipeline owned by a third party, through which the Group exports its gas, and the reduced 2016 drilling programme.

The crude oil extracted from the Chinarevskoye Field has an average API gravity of 42-43° and sulphur content of approximately 0.4%. Primary benchmark crude oils produced in Kazakhstan include CPC Blend (approximately 44.2° API with 0.53% sulphur), Kumkol (approximately 41.2° API with 0.4% sulphur) and Tengiz (approximately 47.2° API with 0.55% sulphur). The quality of the crude oil extracted allows Nostrum to sell its crude oil at a smaller discount to Brent crude than other oil producers in the region.

The stabilised condensate produced out of the gas-condensate feeds has an average API gravity of 57-58° with a sulphur content of less than 0.1%.

The Chinarevskoye Field contains significant gas reserves. The Group monetises these gas reserves using the gas treatment facility and by implementing a gas utilisation concept prepared by NIPI Neftegaz Institute. For more information regarding the gas treatment facility, see "*—Production and Facilities—Gas Treatment facility*".

Gas processed by the Group's treatment units is used to produce dry gas, LPG and condensate for sale in addition to providing feed stock for power generation to cover Nostrum's power requirements.

Nostrum continues to operate a reservoir pressure maintenance system currently consisting, inter alia, of six water production wells, six water injection wells, central pumping facilities, central water treatment facilities and infield waterlines to the water well sites.

In 2017, Nostrum completed three gas condensate wells. However, in the course of the year two producing wells became unproductive due to uncontrollable water influx. Therefore, as at 31 December 2017, the Group remains with the same number of 19 active gas condensate wells as in the beginning of the year. As at 31 December 2017, the Group's oil production came from 21 oil wells, with two further oil wells having been suspended during the year because of uneconomic production rates.

Crude Oil Facilities

Nostrum's facilities consist of an oil treatment unit capable of processing 400,000 tonnes per year of crude oil, as well as multiple oil gathering and transportation lines within the Licence area. Nostrum's storage facilities currently allow storage of 5,000 cubic metres of oil and 15,000 cubic metres of condensate on-site and 10.0 cubic metres of oil and 10,000 cubic metres of condensate at the rail terminal (equivalent in total to approximately 15 days' production of crude oil and 12 days' production of condensate). In addition, in 2009, Nostrum completed its 120 kilometre oil pipeline through which it pumps crude oil and condensate from the field site to the railway-loading terminal in Rostoshi near Uralsk. From the third quarter of 2017 all exported crude oil volumes were delivered into the KTO pipeline.

Drilling Facilities

The Group contracts with third parties who perform drilling operations in the Chinarevskoye Field. As at the date of this Offering Memorandum, UNGG and Saipem are providing drilling services to the Group and two drilling rigs are being operated by these contractors. In addition, two drilling rigs from Kazburgaz and Zhan-Ros have been hired to carry out workover and well re-entry operations. The average time required to drill new deviated wells is approximately four to five months in the Devonian reservoirs. Based on historical contracts, the Group has budgeted a cost per well of between approximately U.S.$10 million for oil wells and U.S.$14 million for gas condensate wells. During 2017, Nostrum added seven wells, two of which were side-track wells. Nostrum delivered these wells on budget at approximately U.S.$8-9 million per well. *See "—Procurement Contracts material to Nostrum's Business—Drilling Contracts*".

Gas Treatment facility

The first phase of the gas treatment facility involved the construction of two gas treatment units and cost approximately U.S.$270 million. Each of the gas treatment units has the capacity to treat approximately 850 million cubic metres of raw gas (a combination of associated gas and gas condensate). Both units are equipped with sweetening and sulphur recovery units to improve the quality of the gas. The gas treatment facility also includes a gas-fired power plant with a design capacity of 15 megawatts that provides the field site with all required electricity. The power plant has been constructed as part of the first phase of the gas treatment facility. Handover of the gas treatment facility took place in December 2011.

Nostrum has commenced the construction of an additional gas treatment unit (phase two of the gas treatment facility) with a capacity to treat 2.5 billion cubic metres of gas per year. Assuming completion of the second phase of the gas treatment facility, the Group would have capacity to treat up to 4.2 billion cubic metres of raw gas per year. Management currently estimates that the total cost of this project will not exceed U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which had already been incurred as at 31 December 2017). Groundworks onsite in preparation for construction were completed in early 2014 and the third unit of the gas treatment facility is expected to be completed on the completion schedule discussed in *"Summary—Current Trading and Recent Developments—Third Unit of the Gas Treatment Facility"*. See "*Risk Factors—Risk Factors Relating to the Group—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives*"**.**

The Group's future hydrocarbon production profile is based on the gas treatment facility operating at full or near-full capacity. If the gas treatment facility is not operating at full or near-full capacity, this may result in a reduction or suspension of the Group's production of hydrocarbons.

Oil Pipeline and Railway-Loading Terminal

The Group's pipeline and loading terminal has been fully operational since January 2009. The pipeline links the Chinarevskoye Field directly to the Group's railway loading terminal at a rail connection located at Rostoshi, near Uralsk. The oil pipeline has a maximum annual throughput capacity of 3 million tonnes (equivalent to approximately 66,000 boepd). The railway-loading terminal receives all crude oil and condensate produced by Nostrum and has a capacity of 3 to 4 million tonnes of crude oil and gas condensate per year (equivalent to approximately 66,000-87,000 boepd). Management estimates that the oil pipeline has reduced the cost of transporting crude oil and condensate from the Chinarevskoye Field to the Rostoshi rail terminal by approximately U.S.$25 per tonne (U.S.$3.1 per barrel). The construction of the pipeline and the loading terminal facilitates the Group's distribution of its crude oil and condensate internationally, where it can achieve higher prices than can be obtained within Kazakhstan.

Gas Pipeline

Nostrum's 17 kilometre gas pipeline linking it to the Orenburg-Novopskov gas pipeline has been constructed and was commissioned in February 2011, with the first sales gas being transported in May 2011. Maximum annual throughput of this gas pipeline is approximately 5.0 billion cubic metres.

Subsoil Licences and Permits

Zhaikmunai LLP, is the owner and operator of four fields in Kazakhstan, the Chinarevskoye Field and the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye development fields.

Chinarevskoye Field

Nostrum's authorisation to conduct operations in the Chinarevskoye Field was granted pursuant to the Licence issued by the Kazakhstan Government on 26 May 1997 which is part of an associated PSA entered into with the Competent Authority (on behalf of Kazakhstan) on 31 October 1997. The Licence and the PSA were granted under Kazakhstan's pre-1999 "licence and contract" regime described in "*Regulation in Kazakhstan*". Under the PSA, Nostrum is able to undertake both exploration and production activities, subject to obtaining relevant permits. A dual-track system is available to obtain a production permit. See "*— Development Plan*".

The Licence is separated into two phases consisting of an exploration phase and a production phase. The exploration phase consists of two periods. The first exploration period lasted four years, from October 1997 to October 2001; the second exploration period, which commenced on 26 May 2001 was initially agreed to run for three years, but has since been extended four times to May 2011. The Group was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of the tenth supplementary agreement to the PSA on 28 October 2013. The tenth supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2014. On 28 July 2015 the eleventh supplementary agreement to the PSA was signed extending the exploration period to 26 May 2016. On 28 December 2016 the thirteenth supplementary agreement to the PSA was signed extending the exploration period for the Bobrikovski reservoir in the Chinarevskoye Field to 26 May 2018.

Further to Nostrum's exploration activities in the North-Eastern Tournaisian reservoir, approval to commence commercial production in this area was initially granted by the award of a production permit for the North-Eastern Tournaisian reservoir in March 2007. When Nostrum subsequently made six new commercial discoveries (in the West

Tournaisian (oil), South Tournaisian (oil and gas condensate), Biski-Afoninski (gas condensate), Givetian Ardatovski (gas condensate), Givetian Mulinski (oil and gas condensate) and Famenian (gas condensate) reservoirs) during 2007 and 2008, it entered into discussions with the Competent Authority to extend the exploration permit to appraise these discoveries. In 2008, Nostrum received a new exploration permit valid until 26 May 2011 to appraise all newly made discoveries. Once Nostrum believed that all new discoveries were sufficiently appraised in order to start production, it applied for approval of the reserves for the entire licence area (as required by the terms of the PSA) and once the approval of Nostrum's reserve estimation by the State Committee of Reserves was received in December 2008, Nostrum was issued with an extended production permit, which expires in 2033, and which now covers 185 square kilometres (including the area under the previous production permit as well as the six new commercial discoveries made by Nostrum).

In addition, Nostrum was required to submit separate development plans ("**Development Plans**") to the State Committee for Field Development ("**SCFD**") for oil and gas condensate deposits in accordance with the production permit. Both such Development Plans were approved by the SCFD in March 2009.

Nostrum's initial Development Plan for the North-Eastern Tournaisian reservoir, which was approved on 17 November 2006, has now been incorporated into the new Development Plan for oil deposits as an integral part thereof. In addition to the ongoing commercial production of oil, Nostrum's current production permit allows it to engage in the commercial production of its gas reservoirs.

Nostrum holds one gas flaring permit to flare associated gas. Nostrum flares associated gas during the periods when its gas treatment facility is shut for annual maintenance. Since completion of its gas facility treatment, this situation has changed considerably and total greenhouse gas emissions have decreased from 222,546.2 mtCO2e in 2015 to 207,349.6 mtCO2e in 2016.

The Licence and the PSA

The Licence and the PSA are currently valid until 2031 (with respect to the North-Eastern Tournaisian reservoir) and 2033 (with respect to the rest of the Chinarevskoye Field). To date, management believes that Nostrum has met all of its obligations, including capital investment obligations, under the PSA.

The duration of the production phase, which began in 2007 in respect of the North East Tournaisian reservoir and 2008 in respect of the other Chinarevskoye reservoirs, for all reservoirs is 25 years. Nostrum must comply with the terms of the production permit and the Development Plans during this period. Management believes that Nostrum has fulfilled all those contractual obligations.

Although management believes that Nostrum has to date met all of its obligations under the PSA, please see "*Risk Factors—Risk Factors Relating to the Group—The Group may be unable to comply with its obligations under the PSA and the Licence*".

Amendments to the PSA

As at the date of this Offering Memorandum, the PSA includes fourteen amendments. The first amendment, implemented in 2000, restated certain environmental commitments and amended the provision in the PSA regarding the share of and royalty payments to the State, in addition to specifying the manner in which Nostrum was to reimburse the State for any costs it incurred in establishing the field and the manner in which it was to contribute to an abandonment fund when it ceased its operations. The second amendment, dated 24 October 2001, extended the first exploration period for a further two years to four years and set out the requirements during the exploration phase. The third amendment, dated 29 June 2002, amended the provisions relating to tax and royalty payments. This amendment also provided that 15% of the Licence area was to be relinquished back to the State following the first phase of the exploration period (previously the PSA provided that Nostrum was to relinquish 25% of the Licence area). The fourth amendment, dated 12 January 2004, extended the exploration phase to 26 May 2006 with the term of the PSA set to expire on 26 May 2031.

The fifth amendment extended the exploration period by one year until 26 May 2008.

On 5 June 2008 a sixth amendment was made to the PSA, this time determining the Licence area and clarifying the payment and certain other obligations of Nostrum to the State. In addition, it established the production period on the North East Tournaisian reservoir as commencing on 1 January 2007.

Prior to the expiry of the exploration phase on 26 May 2008 (as per the provisions of the fifth amendment of the PSA), Nostrum declared six new commercial discoveries, pursuant to which it applied to the Competent Authority for a further extension of the exploration period to evaluate these commercial discoveries in accordance with its proposed work program for further appraisal. As a result, the Competent Authority, pursuant to the seventh amendment to the PSA dated 17 November 2008, agreed to extend the exploration period until 26 May 2011 to allow Nostrum to fully appraise the newly declared discoveries.

The seventh amendment also clarified the Licence area determined the requirements of Nostrum under the extended exploration period, which included the drilling of 12 exploration wells and amended the clauses of the PSA pursuant to which Nostrum agreed to engage Kazakhstan goods and companies and give preference to Kazakhstan personnel. Management believes that Nostrum has fulfilled all of those contractual obligations. In addition, in the seventh amendment, Nostrum agreed to deliver at least 15% of its crude oil production to domestic buyers in Kazakhstan at domestic market prices, which are lower than those Nostrum can achieve in the export market.

The eighth amendment to the PSA dated 27 April 2010 formally incorporates the terms of the current production permit and the exploration permit as part of the PSA.

The ninth amendment to the PSA dated 12 August 2011 clarified Nostrum's obligations under the PSA related to social funds payments and expenses for the training of Kazakhstan personnel. Among other terms and conditions of the ninth amendment to the PSA, Nostrum received an increase in its Cost Oil recoverable social obligations under the PSA due to increased costs in relation to the relocation of the Rozhkovo village population in 2009 and the repair and reconstruction of the local state roads infrastructure.

The tenth amendment to the PSA dated 28 October 2013 contained, among other items, the extension of the Group's exploration period, other than for the Tournaisian horizons, to 26 May 2014. This provided sufficient time for the Group to carry out its planned exploration programme before submitting the results to the State.

The eleventh amendment to the PSA dated 28 July 2015 contained, among other items, the extension of the Group's exploration period to 26 May 2016.

The twelfth amendment to the PSA dated 30 May 2016 provided that Zhaikmunai LLP's additional expenses for social development and infrastructure development from 2014 to 2015 shall also include the expenses incurred by Zhaikmunai LLP as a result of compensating expenses for procurement of sales gas to supply heating for the West Kazakhstan Oblast community.

On 28 December 2016 the thirteenth supplementary agreement to the PSA was signed extending the exploration period for the Bobrikovski reservoir in the Chinarevskoye Field to 26 May 2018.

On 1 November 2017 the fourteenth supplementary agreement to the PSA was signed contains updates and adjustments to the work programme.

Exploration Permit

Nostrum was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of the tenth supplementary agreement to the PSA on July 2015. The eleventh supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2016. Thereafter, Nostrum may relinquish the area covered by the exploration permit and/or request a production permit in respect of any new commercially viable reserves that are declared.

Development Plan

Following the appraisal and/or discovery of reserves, under the PSA Nostrum was required to submit a development plan for the particular reserves discovered to the SCFD. Following the appraisal and exploration of additional oil and gas condensate reserves at the end of May 2008, Nostrum received approval for the two Development Plans from the SCFD in March 2009, one regarding oil deposits (which relate to the Tournaisian and Mulinski reservoirs) and the other regarding gas condensate deposits (which relate to the Biski-Afoninski and Ardatovski reservoirs).

The Development Plan related to oil deposits required (i) the drilling of nine additional production and water injection wells and (ii) the start of water injection in 2009 to support reservoir pressure and to achieve final oil recovery of at least 32.2% from the Tournaisian reservoir. The Development Plan related to gas condensate deposits allowed Nostrum to begin commercial production of such deposits upon (i) the construction and commissioning of the gas treatment facility and (ii) the construction and commissioning of a 17 kilometre gas pipeline. All of these conditions have now been satisfied.

The following summarises the other principal terms of the PSA:

Royalty Payments

The rate of monthly royalty payments to be made by Nostrum to the State depends on the volume of hydrocarbons extracted, calculated according to the realised value for each class of hydrocarbon sales at its final destination less the cost of transportation to its final destination and any discounts incurred due to the quality of hydrocarbons produced, as compared to a benchmarked quality. See "*Risk Factors—Risk Factors Relating to the Group—The proportion of oil and* *gas production that must be shared with the State, as well as the Group's royalty payments to the Kazakhstan Government, may increase*".

Zhaikmunai LLP is required to make monthly royalty payments throughout the entire production period, at the rates specified in the PSA. Royalty rates can vary from 3% to 7% of produced crude oil and from 4% to 9% of produced natural gas. Royalties are accounted on a gross basis.

	Royalty rate
Annual crude oil production levels (tonnes)	
From 0 to 100,000	3%
From 100,000 to 300,000	4%
From 300,000 to 600,000	5%
From 600,000 to 1,000,000	6%
Over 1,000,000	7%

	Royalty rate
Annual gas production levels (1,000m^3)	
From 0 to 1,000,000	4%
From 1,000,000 to 2,000,000	4.5%
From 2,000,000 to 3,000,000	5%
From 3,000,000 to 4,000,000	6%
From 4,000,000 to 6,000,000	7%
Over 6,000,000	9%

State Share

Pursuant to the PSA, in addition to the royalty payments, the State receives a monthly share of Nostrum's hydrocarbon production which is paid by Zhaikmunai LLP. The share that the State receives is calculated, first, by notionally separating production into "**Cost Oil**" and "**Profit Oil**". Cost Oil denotes an amount of hydrocarbons produced in respect of which the market value is equal to Nostrum's monthly expenses that may be deducted pursuant to the PSA. Deductible expenses for the purposes of Cost Oil include all operating costs and the development and exploration costs of completed infrastructure and wells up to an annual maximum of 90% of the annual gross realised value of hydrocarbon production. Any unused expenses may be carried forward indefinitely in the calculation of Cost Oil. Profit Oil, being the difference between Cost Oil and the total amount of hydrocarbons produced each month, is shared between the State and Nostrum. Consequently, increases in Nostrum's monthly expenditures result in lower amounts of Profit Oil being transferred to the State (due to the higher notional value of Cost Oil).

The State's share of Profit Oil must be physically delivered to the State or, alternatively, the State can elect to receive an amount equal to the value of the Profit Oil on a monthly basis. To date, the State has always elected to receive a monetary payment. Any such amounts delivered or paid are based on actual monthly production volumes. The share to be allocated to the State is calculated based on annual levels of production of crude oil and gas as set out below.

	State's share
Annual Crude Oil Production levels (tonnes)	
From 0 to 2,000,000	10%
From 2,000,000 to 2,500,000	20%
From 2,500,000 to 3,000,000	30%
Over 3,000,000	40%

	State's share
Annual Gas Production levels (1,000m^3)	
From 0 to 2,000,000	10%
From 2,000,000 to 2,500,000	20%
From 2,500,000 to 3,000,000	30%
Over 3,000,000	40%

The State share of Profit Oil was 10% in 2014, 2015 and 2016 and in the nine months ended 30 September 2017.

If Nostrum pays cash in lieu of delivery of the State's share of Profit Oil, the price (in U.S. Dollars) is determined to be that which Nostrum actually received on the same date for a similar volume of hydrocarbons at connection to a trunk pipeline, on the basis of an arm's length transaction, less transportation costs from the trunk pipeline.

Upon expiration of the Licence and the PSA (which will occur between 2031-2033 depending on the geographical and geological area in question), Nostrum is obliged to transfer to the State all assets acquired, built or installed as per the work program and the approved budget.

Delivery of crude oil

Pursuant to the PSA, the State has the priority right to purchase up to 50% of hydrocarbons produced by Nostrum calculated after the share of production with the State at prices not exceeding world market prices, as determined by the Kazakhstan Government. In addition, the State has the right under the PSA to request Nostrum to deliver the State's distributed oil and gas in-kind to destinations specified by the State. Also, the State has the right to requisition part or all of the hydrocarbons owned by Nostrum under the PSA in the event of war, natural disasters or other emergency situations. Moreover, the Kazakhstan Government can require oil producers in Kazakhstan to supply a portion of their crude oil production to domestic refineries to meet domestic energy requirements.

Pursuant to the seventh amendment of the PSA, Nostrum agreed to deliver not less than 15% of its monthly crude oil production to the domestic market. The seventh amendment of the PSA does not specify the price at which any such crude oil should be supplied.

Tax—General

- *Corporate Income Tax*

  In accordance with Kazakhstan's tax regulations, Nostrum makes monthly payments of corporate income tax at a fixed rate of 30% of Nostrum's taxable income from contract activity for each year of commercial production during the term of the PSA. Any taxable income from non-contract activity (such as income from hedging) is taxable at the corporate income tax rate applicable for the year the income is realised.

- *Discovery Payments*

  Under the PSA, Nostrum must declare each new discovery of a crude oil horizon that leads to commercial production and pay U.S.$500,000 to the State in respect of each of such discoveries. In 2008, Nostrum paid U.S.$3.0 million to the State in respect of six commercial discoveries which were declared in May 2008. For the commercial discovery declared for the Bashkirian horizon in October 2012 a commercial discovery bonus of U.S.$500,000 was paid in 2013.

- *Recovery Bonus*

  Nostrum must pay to the State a U.S.$1 million recovery bonus for each 10 million metric tonnes of cumulative recovery of crude oil and natural gas. Nostrum has made recovery bonus payments of U.S.$1 million to date.

- *Reimbursement of Historic Expenses*

  Nostrum is required to reimburse the State for a total of U.S.$25.0 million for historic costs (its costs for appraisal activities undertaken prior to the grant of the Licence) in equal quarterly instalments during the production phase of the PSA starting from the production phase. Nostrum began making such payments on 1 January 2007 and makes such payments on an annual basis.

- *Social Expenditures*

  Further, pursuant to the ninth amendment to the PSA, the Group is obliged to perform repair and reconstruction of state roads (including the construction of a 37 kilometre asphalt road accessing the field site), spend U.S.$300 thousand per annum to finance social infrastructure, make an accrual of 1% of capital expenditures per annum for the purpose of educating Kazakhstan citizens and adhere to a spending schedule on education (which lasts to and including 2020).

- *Liquidation Fund*

  The PSA requires Nostrum to establish a liquidation fund in the amount of U.S.$12.0 million by making annual contributions to the fund of U.S.$100,000 per year during the exploration phase and U.S.$452,000 per year during the production phase. The liquidation fund will provide funds for the removal of Nostrum's property and equipment at the end of the PSA's term. Management sets aside the amounts required for the liquidation fund and believes that such provisions satisfy its obligations to make annual contributions to the fund.

  Under the terms of the PSA and the subsoil use agreements for Rostoshinskoye, Yuzhno-Gremyachenskoye and Darjinskoye, U.S.$521,000 is held with Sberbank in Kazakhstan, U.S.$3,404,000 with Kazkommertsbank JSC and

U.S.$2,055,000 with JSC Halyk Bank, which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

In addition, Nostrum makes accruals for the abandonment of facilities. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term interest rates for emerging market debt adjusted for risks specific to the Kazakhstan market.

Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields

On 24 May 2013, the Group completed the U.S.$16 million acquisition of three oil and gas development fields, Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye. The Group is currently in the process of analysing the optimal appraisal and development programme for the fields. During 2016 the Group drilled one appraisal well in the Rostoshinskoye field. This appraisal well changed the geological model of the Rostoshinskoye field and also increased the reserves potential of the Bashkirian section also of the adjacent Darjinskoye field. The testing of this appraisal well was completed in 2017, and its impact on the Group's reserves will be reflected in the 2018 Ryder Scott report.

The contracts for exploration and production of hydrocarbons from Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields required fulfilment of several social and other obligations. Although the contracts have currently expired and renewal applications have been made, during the exploration period Zhaikmunai LLP had certain minimum requirements with regard to investment in the field and social and liquidation fund obligations. For more information on the social and other obligations contained in the expired contracts for the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields, please see Note 23 to the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2017. The Group expects that the extended contracts for the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields will contain similar requirements with regard to minimum investment in field obligations, and minimum social and liquidation fund contributions.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. On 27 April 2009 the exploration period was extended so as to have a total duration of 6 years. Subsequently, the exploration period was extended until 8 February 2017.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. Subsequently, the exploration period was extended until 31 December 2017.

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field dated 28 July 2006 originally included a 5-year exploration period and a 20-year production period. Subsequently, the exploration period was extended until 31 December 2017.

The licence providing for the exploration of hydrocarbons from the Rostoshinskoye field expired in February 2017 and the exploration licences for Darjinskoye and Yuzhno-Gremyachenskoye expired in December 2017, applications for extension of the three licences have been submitted to the Competent Authority.

The prior operators of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields were not in compliance with certain of their obligations under the subsoil use contracts covering such fields. However, the Group has been able to amend such obligations. The remaining deferred consideration (KZT 312.2 million for Darjinskoye field and KZT 487.4 million for Yuzhno-Gremyachenskoye field) was paid to the sellers during the first quarter of 2014.

Procurement Contracts material to Nostrum's Business

Drilling Contracts

The Group contracts with third parties who perform drilling operations in the Chinarevskoye Field. As at the date of this Offering Memorandum, UNGG and Saipem are providing drilling services to the Group and two drilling rigs are being operated by these contractors. In addition, two drilling rigs from Kazburgaz and Zhan-Ros have been hired to carry out workover and well re-entry operations. The average time required to drill new deviated wells is approximately four to five months in the Devonian reservoirs. Based on historical contracts, the Group has budgeted a cost per well of between approximately U.S.$10 million for oil wells and U.S.$14 million for gas condensate wells.

Third Unit of the Gas Treatment Facility

As of the date of this Offering Memorandum, Nostrum is well advanced in the process of constructing this gas treatment unit. Completion of the third unit of the gas treatment facility has been delayed from the expected completion date and is currently further delayed given the winter temperatures during which certain required hydro-testing cannot take place. Nostrum expects to be able to begin its tie in procedures in the second quarter of 2018 which will allow gas to go from the first two gas treatment units to the third unit of the gas treatment facility. This will require a three week shut down of the first two gas treatment units, following which the commissioning period of approximately 60 days can take place. Management currently estimates that the total cost of this project will not exceed U.S.$532 million (excluding VAT) (U.S.$473 million (excluding VAT) of which had already been incurred as at 31 December 2017).

Transportation

Transportation of Crude Oil and Condensate

Transportation routes for the export of hydrocarbons by Nostrum and other oil and gas producers in Kazakhstan are important because of the country's land-locked position. In particular, Kazakhstan depends heavily on Russia's transportation infrastructure for export routes. Crude oil is exported from Kazakhstan through pipelines and railways across the Caspian Sea and through Russia to the Black Sea ports or by pipeline to China.

The principal transportation options for the export of the Group's crude oil and condensate are rail car and pipeline. Crude oil and condensate are pumped through the Group's 120 kilometre oil pipeline, completed in January 2009, from the Chinarevskoye Field to the nearby city of Rostoshi near Uralsk, where it is loaded at the Group's oil loading terminal onto rail cars. By transporting its production by rail, Nostrum does not encounter any dilution of the quality of its crude oil or condensate as it would if it was transported by pipeline, and is therefore able to obtain a higher price for its production in the export market. Also, as a result of the completion of its oil pipeline, transportation of the Group's crude oil has become safer, less costly and more efficient.

There is one pipeline operated by a third party—the KTO pipeline—to which the Group's oil pipeline has now been connected by a short connecting pipeline to the Nostrum pipeline. The pipeline was completed at a total cost of under U.S.$7 million. From the third quarter of 2017 all exported crude oil volumes were delivered into the KTO pipeline.

Transportation of Dry Gas and LPG

The Group's gas production is transported by its 17 kilometre gas pipeline (commissioned in February 2011) linking the Chinarevskoye Field to the Orenburg-Novopskov gas pipeline. The gas pipeline has a maximum annual throughput of 5.0 billion cubic metres. As the gas is sold at the point of entry to the pipeline, the Group is not liable for any additional transportation tariffs.

In addition, the Group has engaged third-party contractors to transport its LPG products by truck to railway-loading terminals operated by third parties near Uralsk. LPG is then delivered by rail car to its ultimate purchaser.

Sales and Marketing

Crude Oil and Condensate

Pursuant to the PSA, Nostrum has agreed to deliver 15% of its crude oil production in the domestic market and sell the remaining crude oil to the export market.

Until 2010, the Group delivered most of its exported crude oil on the basis of FCA (free carrier) Uralsk, the price being based on the market price for Brent crude oil less a discount for rail fees, transportation costs, quality differentials and trader's fees incurred in order to deliver the crude oil from Uralsk to its ultimate destination at refineries in Finland and Azerbaijan. Until 2010, the Group entered into crude oil contracts with one or more traders. The traders then contracted with the ultimate purchasers for the provision of the Group's crude oil products. The Group did not enter into contracts for crude oil products with its ultimate customers.

Since 2011, the Group has sold its crude oil and condensates based on DAP (delivery at place) and FOB (free on board) terms. The benefit of selling on DAP and FOB terms is that the sales discount is significantly reduced, although this benefit is partially offset by an increase in transportation costs for the Group as it must pay for transportation costs from the terminal to the point of sale. The Group plans to continue selling on a DAP and FOB basis as management believes the Group will benefit from a net decrease in overall transportation costs.

The Group has considered entering into certain offtake agreements with offtakers offering advance payments with respect to the Group's condensate production. This has included signing term sheets with potential offtakers. The Group continues to consider such arrangements, which could account for a material amount of the Group's annual condensate production.

Dry Gas and LPG

The Group's deliveries of dry gas are made to the Group's gas purchaser at the Group's connection to the Orenberg-Novopskov gas pipeline. Prices for the Group's gas products are negotiated annually with the buyer pursuant to annual contracts at market rates on arm's length terms. The purchaser of the Group's dry gas is a well-established gas company within Kazakhstan and the commercial relationship between them and the Group has been stable since its inception.

Environmental Matters

Management are committed to complying with applicable local and international standards for environmental protection. Nostrum prepares and submits to authorities a yearly action plan in accordance with Kazakh environmental regulations. In addition, Nostrum has started to implement International Finance Corporation and World Bank Group (IFC/WBG) environmental standards for its operations and expects to achieve compliance with these standards in the next five to ten years.

Zhaikmunai LLP has engaged, as external consultants, AMEC LLP, a member of Wood plc (formerly Amec Foster Wheeler plc), ("**AMEC**"), to carry out the independent health, safety and environmental due diligence assessment for the November 2016 to November 2017 period.

On 14 March 2017, a report titled "Zhaikmunai LLP Environmental Matters Report for 2016" was received (the "**Environmental Matters Report**"). On 29 December 2017, a report titled "Report on Health & Safety and Environmental Due Diligence Assessment of LLC "Zhaikmunai" Facilities" was received (the "**HSE Due Diligence Report**", and together with the Environmental Matters Report, the "**AMEC Reports**").

The AMEC Reports, while noting some shortcomings requiring correction, which the Group notes and will consider in detail, finds that Zhaikmunai LLP continues the implementation of its investment programs in order to ensure sustainable production and product treatment, and that Zhaikmunai LLP's landmark environmental facilities, once put into operation, will allow for more efficient use of natural resources, utilisation of production waste, and decreasing emissions and environmental load.

Nostrum's environmental protection policies include the following key objectives: (i) cease gas flaring; (ii) remediate or re-cultivate areas impacted by petroleum hydrocarbons, particularly abandoned wells and mud pits; (iii) provide training to employees and contractors to understand its environmental policies and minimise environmental damage; (iv) monitor the impact of Nostrum's operations on the environment; (v) put in place emergency procedures to deal with the environmental impact of any spillage; and (vi) utilise associated production gas to produce low cost power as part of its gas treatment facility.

For details regarding Nostrum's compliance with applicable environment requirements see "*Regulation in Kazakhstan—Regulation of subsoil use rights in Kazakhstan*".

Employees, Health and Safety

Employees

The table below sets out the average number of people (full-time equivalents) employed by the Group over the periods indicated below:

	Year ended 31 December			
	2017	**2016**	**2015**	**2014**
Location				
Chinarevskoye Field	696	612	710	686
Uralsk	250	322	305	268
Other	43	55	53	51
Total	**989**	**989**	**1,068**	**1,005**

The average number of people (full-time equivalents) employed by the Group has decreased since 2015 due to the Group's staff optimisation programme. Nostrum has not experienced any work stoppages, strikes or similar actions in the past and considers its relations with its employees to be good.

Management believes that the Group has complied in all material respects with applicable health and safety standards within the Kazakhstan oil and gas industry. See "*Regulation in Kazakhstan—Health and Safety Compliance*". Health and safety is a priority for the Group as it is key to the sustainability and success of the business. In 2017, Nostrum launched a new simplified system for the reporting of hazards and unsafe behaviour to management, including reporting forms in Kazakh, Russian and English. The Group intends to hold ten contractor quality, health and safety audits over 2017. In the three years ended 31 December 2017, 2016 and 2015, Nostrum achieved 1.73 million, 1.71 million and 1.91 million man hours without loss of working hours, respectively and had a total recordable injury frequency of 2.5, 2.0 and 2.8 persons injured per million man hours worked, respectively.

Litigation

From time to time, the Group is served with administrative and other claims from Government or regulatory departments or from commercial parties. The Group has a dedicated legal department which deals with such claims, including establishing defences in court proceedings where required. In addition, the Group is subject, from time to time, to audits and investigations, some of which may result in proceedings being instituted against the Group in the future.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), during the period covering the 12 months prior to the date of this Offering Memorandum, which may have or have had in the previous 12 months significant effects on the Group's financial position or profitability.

Insurance

Management believes that the types of coverage structure, limits and quality of the Group's insurance programme are comparable with other Kazakhstan oil companies of a similar size.

The Group insures some of its risks under the following mandatory insurance contracts:

(a) general third-party liability insurance;

(b) employer's liability insurance;

(c) environmental insurance; and

(d) civil liability as the owner of vehicles.

As at the date of this Offering Memorandum, the Group maintains and is in compliance with all mandatory insurance requirements under Kazakhstan laws. In addition, the Group maintains the following voluntary insurance contracts:

(a) voluntary cargo insurance;

(b) oil operations voluntary insurance contract;

(c) voluntary third party liability insurance;

(d) property voluntary insurance contract; and

(e) voluntary property insurance for the gas treatment facility.

The Group has also arranged directors' and officers' liability insurance through a third-party insurer.

The Group does not maintain business interruption, key-man, terrorism or sabotage insurance because the Group believes that the chance of any such event occurring is small. *See "Risk Factors—Risk Factors Relating to the Group—The Group's insurance coverage does not cover all risks and may not be adequate for covering losses arising from potential operational hazards and unforeseen interruptions*".

Competition

Since independence in 1991, major Western oil companies have dominated the oil and gas sector of Kazakhstan, with BG Group, Chevron, ENI, Exxon, Shell, Total, Mobil, LUKOIL and Texaco acquiring stakes in the world-scale TCO, North Caspian and Karachaganak projects. Investment from Asian oil and gas companies began in the late 1990s led by Indonesia's Central Asia Petroleum (which acquired a share in Mangistaumunaigas in 1997) and CNPC International (which acquired shares in Aktobemunaigas in 1997 and PetroKazakhstan in 2005). CNPC International has continued to invest heavily in the country and has been joined by, among others, Inpex, Sinopec and KNOC. LUKOIL and Rosneft have led the investment of Russian oil and gas companies in Kazakhstan with a focus on offshore Caspian Sea projects.

Regional Overview of the Oil and Gas Industry

The information contained in this section is intended to give an overview of the upstream oil and gas industry in Kazakhstan and the Caspian region. This information has, unless otherwise stated, been extracted from documents, websites and other publications released by the President of Kazakhstan, the Statistics Agency of Kazakhstan, the Ministry of Finance of Kazakhstan, the Competent Authority and other public sources.

Some of the market and competitive position data has been obtained from U.S. government publications and other third-party sources, including publicly available data from the World Bank, the Economist Intelligence Unit, the annual BP Statistical Review of World Energy for 2017, as well as from Kazakhstan press reports and publications, and edicts and resolutions of the Kazakhstan Government. In the case of statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

Certain sources are only updated periodically. This means that certain data for current periods cannot be obtained and we cannot assure you that such data has not been revised or will not be subsequently amended.

The Caspian region includes those parts of the countries (including Russia and Iran) that are adjacent to the Caspian Sea. A part of Uzbekistan is also considered to be part of the Caspian region due to its proximity to the Caspian Sea. Kazakhstan and Azerbaijan are the two significant crude oil producing countries in the Caspian region, producing 1.7 million boepd and 0.8 million boepd, respectively, in 2016. It is expected that these countries will continue to lead the region in crude oil production. Turkmenistan and Uzbekistan are the predominant gas producers in the region. Russia plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea, although this part of Russia is not a substantial source of crude.

According to BP's Statistical Review of World Energy 2017, as at 31 December 2016 Kazakhstan ranked twelfth in the world by oil reserves and twenty-fifth in the world by gas reserves. Kazakhstan is the second largest oil producer (after Russia) among the former Soviet Republics and has the Caspian region's largest recoverable oil reserves. Kazakhstan's proved oil and gas reserves were 3.9 billion tonnes and 1.0 trillion cubic metres respectively as at 31 December 2016. The U.S. Energy Information Administration has raised the forecast for the 2017 and 2018 oil output in the country, increasing the projected volume up to 1.86 and 1.88 million barrels per day for 2017 and 2018, respectively. Most of this growth is expected to come from the Tengiz, Karachaganak and Kashagan fields.

REGULATION IN KAZAKHSTAN

Regulation of the oil and gas sector can be divided into three broad areas:

- regulation in relation to subsoil use rights;
- regulation in relation to environmental, health and safety matters; and
- anti-monopoly regulation.

Existing regulation of subsoil use rights in Kazakhstan

General

In Kazakhstan, the subsoil and minerals contained therein are owned by the State in accordance with the Constitution of the Republic of Kazakhstan. The State shall ensure access to the subsoil on the terms, conditions and within the limits as provided for by the Subsoil Law and the Subsoil Code (as applicable). Unless otherwise stipulated by Kazakhstan laws and subsoil use contracts, mineral raw materials shall be owned by the subsoil user under a right of ownership. The Competent Authority, on behalf of the State, grants exploration and production rights for hydrocarbons. Subsoil use rights are granted for a specific period but may be extended before the expiration of the applicable contract and licence (if applicable), subject to certain limitations and conditions. Subsoil use rights may be terminated by the Competent Authority if, among other things, subsoil users do not satisfy their contractual obligations, which may include periodic payment of royalties and taxes to the Kazakhstan Government and the satisfaction of mining, environmental, and health and safety requirements.

Prior to August 1999, subsoil use rights for hydrocarbons and mining sector operations were established by the grant of a licence and the execution of a subsoil use contract in a tax royalty or PSA model. In August 1999, in an attempt to simplify the procedure, the Kazakhstan Government abolished the licence regime for subsoil use rights granted after September 1999 and, in December 2008, the PSA model was also abolished. Subsoil use rights are currently established only by means of a subsoil use contract and no licence is required. Nevertheless, previously issued and unexpired licences and PSAs survived. Nostrum holds its subsoil use rights in the Chinarevskoye Field on the basis of the pre-August 1999 "licence and contract" regime and in the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields on the basis of the Subsoil Law and subsoil use contracts. See "*Business—Subsoil Licences and Permits*".

Regulation of subsoil use rights

There have been four main phases of subsoil use regulation in Kazakhstan preceding the enactment of the Subsoil Code:

- from Kazakhstan's independence in 1991 to August 1994;
- the licensing contractual regime from August 1994 to August 1999, which had two sub-phases: (i) August 1994 to January 1996, and (ii) January 1996 to August 1999;
- the contractual regime, which was effective from August 1999 through 7 July 2010 and was regulated by the Law "On Subsoil and Subsoil Use" of 27 January 1996; and
- the regulation of activities in the oil and gas sector by the Subsoil Law, enacted in June 2010, and the Laws on Gas and Gas Supply (enacted 9 January 2012) and Trunk Pipeline (enacted 22 June 2012).

The enactment of the Subsoil Code on 27 December 2017 marked the beginning of a new phase of regulation in Kazakhstan. The Subsoil Code will become effective on 29 June 2018 and will replace the Subsoil Law, except for certain surviving provisions. The Subsoil Code mostly reformed the mining sector regulations, while the oil and gas sector regulations remained either unchanged or very similar to those existing under the Subsoil Law. The Subsoil Code sets out a list of its provisions which will apply to already existing subsoil use agreements and licenses, including the PSA and the Subsoil Use Agreements, while a few provisions of the Subsoil Law, including the stability clause, will remain in effect in parallel.

Subsoil Law

The Subsoil Law replaced two major laws governing relations of the State and subsoil users in the oil and gas sector: (i) the Republic of Kazakhstan Law "On Subsoil and Subsoil Use" of 27 January 1996; and (ii) the Republic of Kazakhstan Law "On Oil" of 28 June 1995.

Under the Subsoil Law, the subsoil use rights may be permanent or temporary, alienable or inalienable, payable or free of charge. Most types of subsoil operations shall be carried out on the basis of temporary and payable subsoil use (except for production of commonly occurring minerals for the subsoil user's own needs and production of underground water in volumes of up to 50 cubic meters in land plots held under the right of ownership or use, which shall be carried out under permanent and free of charge rights of subsoil use). Subsoil use rights shall be granted following a tender process or direct negotiations with the Competent Authority, with certain exceptions.

Subsoil use rights may be held by Kazakhstan and foreign individuals and legal entities. A subsoil user shall be guaranteed protection of its rights in accordance with Kazakhstan legislation. Any amendments and additions to legislation that worsen the results of a subsoil user's business activities under subsoil use contracts shall not apply to subsoil use contracts that were concluded prior to such amendments and additions. Such guarantees do not apply to changes in Kazakhstan legislation in the areas of national security, defence capabilities, environmental protection, health, taxation and customs regulation.

The State has the following rights under the Subsoil Law:

- *Priority Right to Acquire Minerals*

  The State shall have a priority right over other parties to acquire a subsoil user's minerals, at prices not exceeding those applied by the subsoil user that prevail on the date of the relevant transaction, minus transportation and selling costs.

- *Right to Requisition Minerals*

  In the event of martial law or a state of emergency, the Kazakhstan Government may requisition some or all of the minerals owned by a subsoil user. Requisition may be in any amount necessary to cover the needs of the State during the entire period of martial law or the state of emergency. Minerals may be requisitioned from any subsoil user regardless of the form of ownership. The State shall guarantee compensation for requisitioned minerals either by payment in kind, or by paying their monetary value to a foreign subsoil user in freely convertible currency and to a domestic subsoil user in the national currency at prices not exceeding those applied by subsoil users in transactions related to the relevant minerals that prevail on the date of requisition, minus transportation and selling costs.

- *The State's Pre-Emptive Right*

  The Subsoil Law differentiates between subsoil use rights and the objects related to the subsoil use rights (the "**Objects**"). Objects are participatory interests (shares, securities confirming title to shares and securities convertible into shares) in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user, if the principal activity of such entity is related to subsoil use in the Republic of Kazakhstan (the "**Controlling Legal Entity**"). The State Pre-Emptive Right applies to any transfer of subsoil use rights and/or shares or participation interests in subsoil users, and/or any transfer of the Objects. The State's Pre-Emptive Right only applies to those contracts (whether existing or future) related to the strategic deposits.

  With certain limited exemptions discussed in "*—The Consent for Transfers of Subsoil Use Rights and Objects*", the State's waiver of its State's Pre-Emptive Rights would need to be obtained for any transfer of the subsoil use rights or the Objects related to the strategic deposits.

  The State's Pre-Emptive Right is also applicable to any initial public offering of shares on an organised securities market, or other securities confirming title to shares, or securities convertible into shares, issued by a subsoil user legal entity or a Controlling Legal Entity, including any further public offerings of securities in such legal entities on an organised securities market. In addition, such public offerings require the consent of the Competent Authority, which may be granted in accordance with the Subsoil Law provisions.

- *The Consent for Transfers of Subsoil Use Rights and the Objects*

  The subsoil use rights (or parts thereof) and the Objects can only be transferred, including in cases of foreclosure (including a pledge), with the consent of the Competent Authority in accordance with the procedure established by Article 37 of the Subsoil Law.

  An initial public offering of shares on an organised securities market or other securities confirming title to shares or securities convertible into shares issued by a subsoil user legal entity or a Controlling Legal Entity, including the further placement of securities in such legal entities on an organised securities market, requires the consent of the Competent Authority.

The Competent Authority's consent shall not, however, be required in the following instances under the Subsoil Law and similarly under the Subsoil Code:

- transactions for alienation of shares or other securities confirming title to shares, or securities convertible into shares which are traded on an organised securities market and are issued by a subsoil user legal entity or a Controlling Legal Entity;
- the transfer, in full or in part, of the subsoil use right and/or the Object:
  (a) to a subsidiary in which at least a 99% participatory interest (shareholding) is held directly or indirectly by the subsoil user, *provided that* such subsidiary is not registered in a jurisdiction with a preferential tax treatment (the so-called "black listed offshore jurisdictions"); or
  (b) between legal entities in each of which at least a 99% participatory interest (shareholding) is held directly or indirectly by one and the same person, provided that the acquirer of all or part of the subsoil use right and/or the Objects is not registered in a jurisdiction with a preferential tax treatment; or
- the transfer of shares (participatory interests) in a subsoil user legal entity if as the result of such a transfer, an entity acquires the right to directly or indirectly control less than 0.1% (or, under the Subsoil Code, to own less than 1%) of the participatory interests (shareholdings) in the charter capital of the subsoil user or the Controlling Legal Entity.

In these instances, the State's waiver of the State's Pre-Emptive Right (if applicable) shall not be required either.

Any transactions or other related actions effected without the required consent of the Competent Authority are null and void ab initio.

- *Termination of Subsoil Use Contracts*

According to Article 72.3 of the Subsoil Law, the Competent Authority may prematurely terminate a subsoil use contract on a unilateral basis:

(1) if the subsoil user fails to eliminate more than two violations of obligations under its subsoil use contract within the time set in the Competent Authority's notice;

(2) in the event of a transfer of a subsoil use right and/or of an Object by the subsoil user without the Competent Authority's consent when such consent is required; and

(3) if the subsoil user performs less than 30% of its financial obligations under the contract during two consecutive years.

- *Treatment of Subsoil Use Contracts in Relation to Strategic Deposits*

In October 2011, the Kazakhstan Government approved a list (as supplemented further) of over 350 hydrocarbon, hard mineral and underground water deposits categorised as strategic. This list included the Chinarevskoye oil, gas and condensate deposit.

For an oil and gas deposit to be designated as a strategic deposit, one of the following criteria shall be satisfied:

(a) the deposit is part of a group of deposits which are developed by one person or a group of affiliated persons under one or several subsoil use contracts, the aggregate amount of recoverable resources of which exceed:

  (i) 15 million tonnes for oil; or

  (ii) 10 billion cubic meters for natural gas;

(b) the deposit is located in the sea or an inland water; or

(c) the development of the deposit, which is important to the State's national security and defence in the State's perspective:

  (i) could pose or poses a threat to the economic interest of Kazakhstan;

  (ii) will lead to decrease of the defence capacity of the State or a threat of State borders a inviolability; or

  (iii) will lead to sharp deterioration of ecological situation, including the quality of potable water, natural disasters and other force-majeure circumstances of natural and technogeneous nature and/or epidemic.

Pursuant to the Subsoil Law, the Competent Authority has the right to initiate amendments to any subsoil use contracts (including those pre-dating the enactment of the Subsoil Law) in respect of a strategic deposit if particular actions of a subsoil user have a negative impact on Kazakhstan's economic interests thus threatening national security. The Law on National Security defines the term "threat to the national security" as any set of internal or external factors that obstructs the realisation of the national interests of Kazakhstan, with the term "national interests" being broadly defined as any lawful political, economic or social needs of Kazakhstan that enable the State to protect the rights of citizens, societal values and fundamentals of the constitutional order. The main test for terminating a subsoil use contract, i.e. 'change of economic interests of Kazakhstan creating a threat to national security' is unclear and will be determined at the discretion of the relevant state authorities in each particular case.

If the introduction of amendments proposed by the Competent Authority fails or is otherwise not agreed, the Competent Authority may unilaterally terminate the relevant subsoil use contract if the following conditions are met:

(1) if within a period of up to two months after the receipt of the Competent Authority's notice of a required amendment and/or an addition to the relevant subsoil use contract, the subsoil user fails to give its consent in writing to the conduct of such negotiations or if it refuses to conduct them; or

(2) if within a period of up to four months after the receipt of the subsoil user's consent to negotiate a required amendment and/or addition to the relevant contract, the subsoil user and the Competent Authority fail to reach an agreement on the amendment and/or addition to the contract; or

(3) if within a period of up to six months after the date of achievement of a mutually agreed decision on restoration of economic interests of the State, the parties fail to sign the agreed amendments and/or additions to the contract.

In addition, as an ultimate means of sanction, the Competent Authority (based on a decision of the Kazakhstan Government) has the right to unilaterally terminate a subsoil use contract in respect of a strategic deposit, if the Kazakhstan Government believes that the subsoil user's actions lead to a change of Kazakhstan's economic interests thereby threatening the national security, by giving two months' advance notice.

Notwithstanding the breadth of these definitions, the national security threat test appears to be of a sufficiently high standard to ensure that the Kazakhstan Government should only use its unilateral termination right without abuse.

From public discussions preceding the enactment of the Subsoil Law, it was apparent that this provision, as well as certain other provisions of the Subsoil Law, were meant to strengthen the Kazakhstan Government's legal options in confronting the group of largest subsoil users not willing to cooperate with the Kazakhstan Government's efforts to re-negotiate economic terms of underlying subsoil use contracts. Since the enactment of the Subsoil Law, according to publicly available information, the Kazakhstan Government has never officially invoked this provision with respect to any of the strategic deposits. See "*Risk Factors—Risk Factors Relating to the Group—The Group may be unable to comply with its obligations under the PSA and the Licence*" and "*Risk Factors—Risk Factors Risks Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakhstan Government*".

- *Procurement Rules*

The Subsoil Law generally requires subsoil users to comply with certain local content requirements, including the use of Kazakhstan produced goods and local suppliers and personnel. These general requirements should be detailed in subsoil use contracts, including those executed prior to the enactment of the Subsoil Law.

In connection with Kazakhstan's accession to the World Trade Organization a number of amendments to Kazakhstan legislation (Law No. 365-V, dated 27 October 2015), including the Subsoil Law, were introduced modifying, inter alia, the procurement and local content regulation regime. For instance, according to the said amendments, subsoil users parties to the contracts executed prior to 1 January 2015, are obliged to procure Kazakhstan produced goods until the earlier of:

(a) 1 January 2021; or

(b) expiration of the subsoil use contract,

provided, however, that if the subsoil use contract's duration term is modified, the local content obligations in respect of procurement of locally produced goods shall be excluded from the contract.

New regulation of subsoil use rights under the Subsoil Code

The Subsoil Code introduces a new regulatory model for the use of the subsoil in Kazakhstan changing some of its core principles. From 29 June 2018, the Subsoil Code will become effective while the Subsoil Law will cease to have effect, save for a number of surviving provisions which shall continue to apply to contracts executed prior to the Subsoil Code becoming effective.

The reform mostly affected the mining sector while the regulation of the oil and gas sector remained substantially unchanged. Nevertheless, there are a number of key changes concerning oil and gas contracts.

The State has the following rights under the Subsoil Code:

- *Priority Right to Acquire Minerals*

  The State continues to enjoy a priority right over other parties to acquire minerals produced by a subsoil user on the same terms and conditions as are currently provided by the Subsoil Law.

- *Right to Requisition Minerals*

  The Subsoil Code no longer stipulates the Kazakhstan Government's right to requisition minerals owned by a subsoil user. At the same, pursuant to the Law "On State Property" No.413-IV, dated 1 March 2011, as amended, the State is entitled to requisition any person or legal entity's property in the public interest in the event of martial law or a state of emergency, subject to compensation being paid to the owner of such requisitioned property.

- *The State's Pre-Emptive Right and strategic deposits*

  The notion of the State's Pre-Emptive Right has been retained in the Subsoil Code which continues to apply to strategic deposits. However, the criteria for designating the deposits as strategic were amended. For instance, the criteria for oil and gas deposits are the following:

  (a) the deposit contains in excess of 50 million tonnes of geological reserves of oil or in excess of 15 billion cubic metres of natural gas; or

  (b) the deposit is located in the Kazakhstan sector of the Caspian sea.

  The Kazakhstan Government is expected to approve a new list of strategic deposits. If the Chinarevskoye field is included in the new list, the State's Pre-Emptive Right shall continue to apply.

- *The Consent for Transfers of Subsoil Use Rights and the Objects*

  Similarly as provided in the Subsoil Law, under the Subsoil Code the Competent Authority's consent continues to be required in case of transfer of subsoil use rights and the Objects, including in case of the initial public offering of shares (including other equity securities and securities convertible into equity interests) and pledge of subsoil use rights and the Objects. At the same time, the Subsoil Code extended the list of exemptions and otherwise liberates some of the applicable thresholds. For example the consent shall not be required, *inter alia,* in cases of transfer, in full or in part, of the subsoil use rights and/or the Objects:

  (a) to a legal entity which already owns at least a 99% participatory interest (shareholding) of a subsoil user or its Controlling Legal Entity, provided that it is not registered in a jurisdiction with a preferential tax treatment;

  (b) in case of increase of share capital (including by way of additional issue), provided that the ownership proportions remain the same;

  (c) buy-out by an issuer of its shares or other securities; or

  (d) if, as a result of such a transfer an entity becomes the owner of less than 1% of the participatory interests (shareholdings) in the subsoil user or the Controlling Legal Entity (whereas under the Subsoil Law the similar threshold is only 0.1%).

In these instances, the State's waiver of the State's Pre-Emptive Right (if applicable) shall not be required either. Any transactions or other related actions effected without the required consent of the Competent Authority are null and void ab initio.

Law on Trunk Pipeline

The Law on Trunk Pipeline No. 20-V, dated 22 June 2012, as amended, (the "**Trunk Pipeline Law**") provides a unified legislative basis for the construction, ownership, and operation of trunk pipelines and represents another step towards extending the State's control over strategic industries.

Pursuant to the Trunk Pipeline Law, the Kazakhstan Government will have a priority right to participate in any newly constructed trunk pipelines with an interest of no less than 51%. Further, the Trunk Pipeline Law provides that, for trunk pipelines where the State, national management holding company, or national company directly or indirectly owns 50% or more of the shares or participatory interests, operator services must be provided by the national operator, unless the Kazakhstan Government decides to authorise another legal entity (in which the State, a national management holding company, or a national company owns 50% or more of the shares or participatory interests) to provide such services in order to comply with international treaties.

The Trunk Pipeline Law (as well as the legislation regulating natural monopolies) provides for the equal right of shippers to access trunk pipeline services if there is free throughput capacity, subject to certain statutory limitations. If there is limited throughput pipeline capacity, oil and oil product transportation services must be rendered in the priority established by the Trunk Pipeline Law, where first priority is given to shippers supplying oil to domestic refineries. The Trunk Pipeline Law also provides for the possibility of swap operations (i.e., swap of products by one shipper for the products of another shipper) for the purposes of supplying oil to domestic refineries and gas to the domestic market and/or outside Kazakhstan, upon written consent of the pipeline owner (or any other person legally holding rights to the pipeline), the Competent Authority, and the relevant swapping entities.

Law on Gas and Gas Supply

The Gas Law consolidates and streamlines the various parts of legislation that previously regulated this area.

Pursuant to the Gas Law, state ownership of associated gas has been further elaborated. The State is the owner of associated gas produced in Kazakhstan (under all new contracts and old contracts that provide that the State is the owner of the associated gas) and transferred to the State by oil producers (under old contracts that provide that the subsoil user is the owner of the associated gas).

The Gas Law establishes the State's priority right to purchase (through a national operator) on terms no less favourable than those offered by a third party: (i) any facility within an integrated sales gas supply system (connecting pipeline, trunk pipelines, sales gas storage facilities and other facilities for production, transport, storage, sale and consumption of gas); (ii) a share in the right of common ownership over such facilities, and (iii) shares (participatory interest) in the owner of such facilities (i.e. any oil producer that owns gas processing facilities or connecting pipelines for sales of gas).

Further, the Gas Law provides for the State's priority right to buy (through the national operator) raw and commercial gas (with some exceptions provided for in Clause 14 of Article 15 of the Gas Law) at a price approved by the Competent Authority and calculated pursuant to a formula provided in the Competent Authority's order. If the State waives its priority right, the seller may sell the gas to a third party.

Applicability of Article 15 of the Gas Law to the Group is discussed above (see "—*Risk Factors Relating to Kazakhstan—The Group may be forced to sell its gas at prices determined by the Kazakhstan Government, which could be significantly lower than prices which the Group could otherwise achieve*").

The Competent Authority and other regulatory authorities

General

The State plays a role in four areas of subsoil management. Firstly, the Kazakhstan Government is, *inter alia*, responsible for organising and managing state-owned reserves; imposing restrictions on subsoil use for the purposes of national security, environmental security and the protection of the life and health of the population; defining procedures for the conclusion of contracts; appointing the Competent Authority; regulating oil and gas export by imposing customs, protection, anti-dumping and compensation duties and quotes; establishing quotes for oil transportation by various transport methods; and approving a number of normative legal acts in the sphere of oil and gas. Secondly, the State executes, implements and monitors subsoil use contracts through the Competent Authority (currently the Ministry of Energy), which has the power to execute and implement oil and gas contracts, and through a number of other state agencies. Thirdly, the State's Pre-Emptive Right is exercised through the national management holding company (JSC National Welfare Fund Samruk-Kazyna), the national oil and gas company (NC KMG) and authorised state agencies. Finally, local executive authorities have responsibility for, *inter alia*, granting land to subsoil users; supervising the protection of the land; and participating in negotiations with subsoil users for environmental and social protection.

The Ministry of Energy

According to resolutions of the Kazakhstan Government adopted in 2014, the Ministry of Energy is the Competent Authority. The Ministry of Energy is also the authorised agency for environmental protection and preservation of mineral resources. According to the Subsoil Law and other effective legislation, the Ministry of Energy is responsible for, *inter alia*:

- implementing the State's policy in oil and gas, petrochemical and hydrocarbon transportation industries;
- representing the State's interests in production sharing agreements;
- appointing members of the Inter-Departmental Committee on exercising the State's Pre-Emptive Right;
- organising tenders and auctions for grants of subsoil use rights for oil and gas exploration and production, preparing and approving lists of blocks for tenders and auctions;
- executing and registering oil and gas contracts;
- preparing and approving model contracts;
- approving working programmes related to oil and gas contracts;
- monitoring compliance with the terms of oil and gas contracts;
- granting consents for the transfer of subsoil use rights and the Objects and registration of transactions involving pledges of subsoil use rights, as applicable to oil and gas projects;
- suspending and terminating subsoil use contracts in oil and gas in accordance with the procedures set forth in the Subsoil Law;
- determining the amounts of oil and gas to be supplied by subsoil users to the domestic market;
- monitoring compliance of oil and gas subsoil users with requirements to purchase certain amounts of goods, works and services from local providers;
- licensing the activities related to engineering and exploitation of oil and gas facilities and engineering of trunk pipelines;
- approving gas utilisation programmes; and
- issuing permits for using money in the liquidation fund.

Other regulatory authorities

Other governmental ministries and authorities which regulate aspects of hydrocarbon extraction in Kazakhstan include:

- the Ministry of Investments and Development (the "**MID**"), which is the competent state body for subsoil users carrying out exploration and production activities in mining areas (except for the commonly occurring minerals);
- Committee for Technical Regulation and Metrology of the MID, which supervises compliance of oil and gas equipment with quality and safety standards in Kazakhstan;
- Committee of Geology and Subsoil Use, which issues geological and mining allotments;
- the Ministry of Internal Affairs whose Committee for Emergency Situations (the "**CES**"), *inter alia*, supervises mining operations in terms of health and safety matters;
- various governmental authorities responsible for the approval of construction projects and the use of water and land resources;
- the Committee for Public Health Protection of the Ministry of Healthcare ("**CPHP**"), which is responsible for monitoring compliance with sanitary standards and conducting state sanitary-epidemiological examination of project documents;
- the Ministry of Labour and Social Protection of the Population, which is responsible for monitoring compliance with subsoil users' obligations to employ a certain minimum percentage of, and to provide equal wages and labour conditions to, Kazakhstan nationals;

- regional and municipal justice authorities, which are responsible for registering properties, pledges and mortgages; and
- central and regional tax authorities.

Environmental permits

An environmental permit ("**EP**") is a special permit that grants a subsoil user a temporary right to emit or disburse emissions into the atmosphere and discharge waste substances into surface and underground waters. EPs contain the conditions governing the user's impact on the environment. The obligation to obtain an EP arises not only as a matter of law, but also under the PSA and the subsoil use contracts in respect of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields. Companies which have an impact on the environment (polluting, discharging waste, etc.) are required to obtain an EP. An EP is normally issued for up to ten years or until the technology used by the EP holder or the terms and conditions set forth in the EP change, either by regional executive authorities or the Ministry of Energy. Fees for pollution of the environment are established by the Tax Code of Kazakhstan and may be increased (within certain limits) by local representative bodies (Maslikhat). The holding of an EP shall not exempt a subsoil user or its officers from liability to pay compensation for damage to the environment caused by its activities, or from any administrative or criminal liability.

The current EP is valid until 31 December 2018, and may be renewed subject to the terms and conditions of the applicable environmental laws. According to the EP granted to the Group, Zhaikmunai LLP is allowed to emit and discharge in the amounts not exceeding certain pre-set thresholds as set forth in the EP. For risks related to Zhaikmunai LLP's breach of terms and conditions of the EP, see "*Risk Factors—Risk Factors Relating to the Group—The Group is obliged to comply with environmental regulations and cannot guarantee that it will be able to comply with these regulations in the future*".

Nostrum is generally in compliance with material national and international regulations and standards associated with onshore oil and gas production (as confirmed by AMEC during its environmental, health and safety due diligence review in 2017). Only minor areas of non-compliance were identified by AMEC, which do not require complex mitigation.

In March 2009, Kazakhstan ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "**Kyoto Protocol**"). Ratification of the Kyoto Protocol, which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide, had an impact on environmental regulations in Kazakhstan.

Following the ratification, the Kazakhstan Environmental Code (dated 9 January 2007, as amended) (the "**Environmental Code**") was amended to set out a framework for climate change control in Kazakhstan, which came into force on 1 January 2013, including in relation to obtaining quotas for greenhouse gas emissions by legal entities emitting more than 20,000 tonnes of carbon dioxide in a year, quota trading and development of the national quota allocation plan. However, in response to industry complaints on the imperfections of the legal mechanism put in place for the allocation of quotas and trading, and difficulties with adherence to the same, in April 2016 Kazakhstan suspended the application of a number of provisions of the Environmental Code related to greenhouse gas emissions until 1 January 2018. The application of the national allocation plan for 2016 to 2020 and the quotas distributed among the companies were also suspended until 1 January 2018. The Ministry of Energy is currently reconsidering the mechanisms in place under the greenhouse gas emissions regulation.

In November 2016 Kazakhstan ratified the Paris Agreement under the United Nations Framework Convention on Climate Change (the "**Paris Agreement**"). The impact of the ratification of the Paris Agreement aimed at, *inter alia*, mitigation of greenhouse gases emissions remains to be assessed.

Water permits

The Water Code No. 481, dated 9 July 2003, as amended (the "**Water Code**") aims at implementing governmental policy in relation to the utilisation and protection of water resources. The Water Code sets out obligations for the use of water and discharge of certain materials into the water on the basis of Water Use Permits (or "**Water Use Permits**"). The Group holds the Water Use Permit issued on 8 January 2016, which is valid until 31 December 2020, required for the Group's production activities, and the use of water injection techniques in the Group's crude oil reservoirs, the Water Use Permit issued on 16 January 2017, which is valid until 31 December 2021, allowing the Group to use water for drinking, utility, and technical purposes, and the Water Use Permit issued on 28 August 2008, valid until August 2030, under which water is not currently extracted. See "*Risk Factors—Risk Factors Relating to the Group—The Group requires significant water supplies in order to conduct its business and failure to obtain such water may adversely affect its business*". The Water Use Permits can be suspended if the terms of special water use specified in the relevant Water Use Permit are breached, and may be withdrawn only if the violations are not removed. Such terms include monitoring the quality of underground water, submitting statistical reports and monitoring reports, complying with requirements relating to water protection during groundwater extraction operations and regular checking of equipment. There is no history of breaches or suspensions of the Group's Water Use Permits.

Enforcement

Article 116 of the Environmental Code specifies which state officials are responsible for monitoring environmental compliance and enforcing environmental requirements. These officials include the Chief State Ecological Inspector, the Deputy Chief State Ecological Inspector, Senior State Ecological Inspector, State Ecological Inspectors and other regional officials who have the authority to supervise environmental compliance and initiate judicial proceedings.

Article 117 of the Environmental Code authorises state officials, in their enforcement of environmental protection measures, to, *inter alia*:

- inspect facilities and take measurements and/or samples for analysis;
- request and receive documentation, results of analysis and other materials;
- initiate procedures relating to the (i) recall of licences; (ii) termination of contracts for the use and taking of natural resources; and (iii) suspension and annulment of environmental and other permits in the event of violation of the terms of such permits;
- issue orders for individuals and legal entities to eliminate violations of Kazakhstan environmental laws;
- file court claims with respect to violations of Kazakhstan laws; and
- suggest to the Competent Authority to suspend or terminate a subsoil use contract in certain circumstances.

Statute of limitations on proceedings

The time limit for bringing civil proceedings for breach of environmental requirements is governed by the general limitation period provisions under Kazakhstan laws, in particular, under Article 178 of the Civil Code which provides for a three-year limitation period. This limitation does not apply to regulatory procedures, criminal or administrative prosecutions in connection with breaches of environmental requirements, since administrative and criminal laws establish their own limitation periods.

Health and safety compliance

Nostrum's business is affected by various laws and normative acts of the Republic of Kazakhstan, relating to safety and health matters and regulated by various state bodies, including the CPHP. Such laws and normative acts include the Sanitary Rules on "Sanitary and Epidemiological Requirements to Technological and Axillary Facilities and Installations Carrying Out Oil Operations" approved by the Order of the Minister of National Economy of the Republic of Kazakhstan No. 236, dated 20 March 2015, as amended, and other normative acts setting out requirements for industry safety in the oil and gas industry. Oil and gas operations carried out by Nostrum within Kazakhstan are also regulated by the CES with respect to industry specific health and safety requirements. As part of the health and safety assessment received on 29 December 2016, AMEC reported that Nostrum generally complied with health and safety standards applicable to the Kazakhstan oil and gas industry. The health and safety assessment of Nostrum conducted by AMEC found no significant non-compliance issues with applicable laws and regulations.

Nostrum's operations are subject to legislation, regulations and other requirements relating to health and safety applicable to oil and gas companies operating in Kazakhstan, which are regulated by state authorities, including the Ministry of Labour and Social Protection of the Population. The PSA for Chinarevskoye and subsoil use contracts in respect of the Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachenskoye fields, additionally require that Nostrum's operations be carried out in conformity with applicable health and safety requirements.

Insurance

Kazakhstan laws establish several types of mandatory insurance to be obtained by any entity conducting certain types of activities. The Group is in compliance with all mandatory insurance requirements under current Kazakhstan laws.

The following types of mandatory insurance are applicable to the oil and gas industry under Kazakhstan law:

Insurance of Employees against Accidents at Work

According to the Kazakhstan Law "On Mandatory Insurance of an Employee against Accidents when Carrying Out Employee's Labour Duties" (No. 30-III, dated 7 February 2005, as amended), all employers are obliged to insure employees against accidents when carrying out their labour duties.

Insurance of the Civil Liability of Transport Vehicle Owners

According to the Kazakhstan Law "On Mandatory Insurance of the Civil Liability of Transport Vehicle Owners" (No. 446 II, dated 1 July 2003, as amended), civil liability of owners of cars, trucks, buses, microbuses, and transport vehicles, motor transport and trailers (semi-trailers) are subject to mandatory insurance requirements, and any use of such vehicles without insurance is prohibited.

Environmental Insurance

Pursuant to the Kazakhstan Law "On Mandatory Environmental Insurance" (No. 93-III, dated 13 December 2005, as amended), any entity carrying out environmentally hazardous activities should insure against the risks associated with such activities. Environmental insurance should cover damages to life, health and property of third parties and the environment caused as a result of an environmentally hazardous activity (except for payments for moral damage, loss of profit and payment of penalty interest).

According to Clause 3 of the List of Environmentally Hazardous Commercial and Other Activities, approved by the Order of the Minister of National Economy "On Approval of the List of Environmentally Hazardous Commercial and Other Activities" (No. 27, dated 21 January 2015, as amended), oil and gas commercial production; oil, oil products and chemicals storage; and operating oil and gas pipelines are classified as environmentally hazardous types of activities.

Insurance of Civil Liability of Danger Units Owners

According to the Kazakhstan Law "On Mandatory Insurance of Civil Liability of Owners of Units the Activity of which is Associated with Danger of Damage to Third Parties" (No. 580 II, dated 7 July 2004, as amended), companies must insure against risks associated with their hazardous manufacturing units. Pursuant to the Kazakhstan Law "On Civilian Protection" (No. 188-V, dated 11 April 2014, as amended) hazardous manufacturing units are defined as a unit that produces, uses, processes, generates, stores, transposes or destroys at least one of the following substances: flammable substances, explosives, fuels, oxidising agents, toxic agents, highly toxic substances and other hazardous substances or a unit that carries out mining, geological prospecting, drilling and explosive works, production of natural resources and processing of minerals in underground conditions.

For additional information, please see "*Business—Insurance*".

Licensing of Subsoil Services, Storage and Pipeline Transportation

In May 2014, the new Kazakhstan Law No. 202-V, dated 16 May 2014, as amended, "On Permits and Notifications" came into force (the "**Permits and Notifications Law**"). According to the Permits and Notifications Law, operations concerning the production of oil and gas and the operation of oil and gas main pipeline are licenced activities. Subsoil services (such as the drilling of oil and gas wells and other related services) are also subject to licensing.

A licence is not transferable from an existing facility to another. It is granted for an unlimited period of time by the Competent Authority after submission of the required documentation confirming that the facility fulfils all applicable requirements and payment of a fee.

A licence can be suspended or terminated in case a licensee fails to comply with qualification requirements, including but not limited to, a lack of qualified personnel or proper equipment.

If a legal entity conducts activities without the relevant licence, as required by the Permits and Notifications Law, such entity and its managers are subject to administrative and criminal liability.

Nostrum is not required to obtain most licences for operations on oil and gas production, as it engages third parties that already possess the relevant licences including the licenses for performing drilling operations.

However, Nostrum does hold a licence for operating main gas, oil and oil products pipelines (State licence no. 16013708, dated 31 August 2016).

Oil and Gas Export Duties

The export duty for crude oil exports was effectively replaced with a rent tax under the Old Tax Code, but in 2010, the Kazakhstan Government re-introduced an export duty for crude oil exports.

On 15 October 2005, the Kazakhstan Government adopted Resolution No. 1036, which approved a list of certain oil products on which an export customs duty was levied (the "**ED Resolution 2005**"). Initially, one of the purposes of the ED Resolution 2005 was to stimulate development of internal refinery/processing industries. By amendments to the ED Resolution 2005, dated 8 April 2008, "crude oil" was added to the list of oil products covered by the ED Resolution

2005. The Government Resolution No. 1598, dated 31 December 2013 (the "**New ED Resolution 2013**") replaced the ED Resolution 2005 at that time setting the rate of export customs duty for crude oil at U.S.$60 per tonne.

Subsequently, the New ED Resolution 2013 was abolished with the adoption of the Order of the Minister of National Economy No. 81, dated 17 February 2016 which, *inter alia*, approved the Rules for Calculation of the Rate of Export Customs Duty for Crude Oil and Oil Products (the "**ED Rules**").

According to the ED Rules, the rate of customs duty for crude oil shall depend on the average world price of crude oil for a specific period which shall be calculated by the tax authorities according to the formula provided in the ED Rules. Accordingly, the customs duty rate for crude oil varies from 0 (when average world price of crude oil is less than U.S.$25) up to U.S.$236 per tonne (when average world price of crude oil is U.S.$185 and higher). The customs duty rate is calculated by the tax authorities on a monthly basis.

The ED Rules provide that the export duties for crude oil shall not apply to (i) export by subsoil users of crude oil produced under their production sharing agreements, if such agreements had been signed with the Kazakhstan Government or the Competent Authority before 1 January 2009, and such agreement had undergone a mandatory tax appraisal and contains a specific exemption from paying export customs duties for crude oil, and (ii) export by subsoil users of crude oil produced under their subsoil use contracts, which are not production sharing agreements and which provide for an exemption from paying export customs duties for crude oil, except for crude oil that is exported by subsoil users paying royalties; and (iii) export of crude oil to the countries of the Eurasian Economic Union or countries which have agreements with the Republic of Kazakhstan providing for the exemption of crude oil exports from payment of export customs duties, unless otherwise provided in Kazakhstan legislation. Both the ED Resolution 2005 and 2013 previously provided for similar exemptions. Notwithstanding this, the authorities previously sought to impose export customs duty in all cases pursuant to ED Resolution 2005. Nostrum had written to the Ministry of Finance and the Competent Authority to state that Nostrum was not subject to such export duty and to protest against the application of such duty to it. However, to date, the Ministry of Finance continues to seek to compel Nostrum to pay such export duty. Nostrum therefore currently pays such export duty under protest. See "*Risk Factors—Risk Factors Relating to the Group—The Group is subject to an uncertain tax environment that may lead to disputes with regulatory authorities*".

Anti-monopoly regulation

The Anti-monopoly Committee is responsible for the supervision of competition matters, including those relating to the oil and gas industry. It regulates the competitive behaviour of legal entities that are not natural monopolies and supervises legal entities that hold dominant positions in a particular commodity market.

In accordance with the Entrepreneurial Code a company is deemed to occupy a dominant position if its market share is equal to or exceeds a threshold of 35%, provided that all of the following circumstances are true in respect of such entity: (i) possibility of unilaterally determining the prices and have a decisive influence on the general conditions of a product's sale in the market; (ii) the duration of the possibility to have a decisive influence on the general conditions of a product's sale in the market; and (iii) if there are economic, technological, administrative or any other restrictions to access the market. Notwithstanding the mentioned circumstances, an entity would be considered occupying a dominant position, if its market share is 50% or more.

In addition, if not more than three entities in a relevant market hold an aggregate market share of 50% or more, or if not more than four entities in a relevant market hold an aggregate market share of 70% or more, each is deemed to hold a dominant market position, provided that such entities meet all of the following criteria: (i) the market share remains the same within a year or longer (or the term of a certain market existence); (ii) the product sold or purchased by such entity cannot be replaced with another product; and (iii) the information on the price for such product or the conditions of its sale is available to the general public. At the same time, if an entity holds a market share not exceeding 15% of the relevant market, such entity shall not be deemed to hold a dominant market position.

Market participants that intend to engage or have engaged in an economic concentration must obtain approval from the Anti-monopoly Committee or properly notify it of the engagement, depending on the type of concentration.

According to the Entrepreneurial Code, an economic concentration is:

(1) reorganisation of a market participant through a merger or consolidation;

(2) acquisition by a person (or a group of persons) of voting shares (or participation interests in charter capital or participatory shares) in a market participant where such person (or group of persons) gains the right to dispose of more than 50% of such shares (or participation interests in charter capital or participatory shares) if prior to such acquisition such person (or group of persons) did not possess shares (or participation interests in charter capital or participatory shares) in such market participant or possessed 50% or less of the voting shares (or participation interests in charter capital or participatory shares) in the charter capital of such market participant. This, however, does not apply to a new company set-up;

(3) acquisition by a market participant (or a group of persons) of fixed production assets and/or intangible assets of another market participant into ownership, possession and use, including in payment (transfer) of charter capital if the book value of the property constituting the subject of the transaction (inter-related transactions) exceeds 10% of the book value of the fixed production assets and intangible assets of the market participant alienating or transferring the property;

(4) acquisition by a market participant (including on the basis of a trust management agreement, joint operation agreement or agency agreement) of rights which allow such market participant to issue binding instructions to the other market participant for the conduct of its business activities or to perform the functions of its executive body; or

(5) participation of the same individuals in the executive bodies, boards of directors, supervisory boards or other management bodies of two or more market participants, provided that such individuals determine the terms of business activities conducted by such market participants.

Either of the above transactions effected within one group of entities is not considered to be an economic concentration and as such does not require approval from or notification to the Anti-monopoly Agency. Approval by the Anti-monopoly Committee (for transaction(s) numbered (1) to (3) immediately above) or the notification to the Anti-monopoly Committee (for transactions numbered (4) and (5)) is required when the aggregate book value of assets of the reorganised market participants (or group of persons) or the acquirer (or group of persons) and the market participant whose voting shares (or participation interests in charter capital or participatory shares) are acquired, or their aggregate sales of goods in the most recent financial year exceed by ten times the monthly calculation index in effect in the year of filing an application for approval (notification) (which is currently approximately U.S.$74.4 million).

In general, it is the responsibility of the purchaser, which acquires shares (participation interests, stocks), fixed production assets, intangible assets or respective rights, to obtain prior approval from the Anti-monopoly Committee.

A company which engages in an economic concentration without the applicable approval of or notification to the Anti-monopoly Committee in violation of the Entrepreneurial Code may be subject to administrative fines and penalties.

Economic concentration conducted in the absence of the Anti-monopoly Committee's consent which resulted in creation of enhancing of a dominant of monopoly positions of a market participant (or a group of entities) and/or restriction of competition may be invalidated by a court on the basis of an action brought by the Anti-monopoly Committee.

In addition, state registration, re-registration of a market participant and rights to real estate in violation of the requirements of the Entrepreneurial Code discussed above may be invalidated and cancelled by a court on the basis of an action brought by the Anti-monopoly Committee.

DIRECTORS AND SENIOR MANAGEMENT

The articles of association of Nostrum provides for the management of Nostrum's business and affairs by a board of directors. Nostrum's board of directors (the "**Board**") includes the following members.

Board of Directors

As at the date of this Offering Memorandum, the members of the Board and their positions are:

Name	Position	Year of Birth
Atul Gupta	Non-Executive Chairman	1959
Kai-Uwe Kessel	Chief Executive Officer	1961
Thomas Richardson	Chief Financial Officer	1981
Mark Martin	Senior Independent Non-Executive Director	1969
Kaat Van Hecke	Independent Non-Executive Director	1971
Sir Christopher Codrington	Independent Non-Executive Director	1960
Michael Calvey	Non-Executive Director	1967
Martin Cocker	Independent Non-Executive Director	1959
Simon Byrne(1)	Non-Executive Director	1967

(1) Pankaj Jain is an Alternate Director for Simon Byrne.

Atul Gupta (Non-Executive Chairman)

Mr. Gupta was appointed as a director of Nostrum's predecessor entities on 30 November 2009, a director of Nostrum on 19 May 2014 and as Chairman of the Board as from 25 April 2017. Mr. Gupta has worked for 25 years in the international upstream oil and gas business with Charterhouse Petroleum, Petrofina, Monument and Burren Energy. Mr. Gupta joined Burren in 1999 as Chief Operating Officer and served as its Chief Executive Officer from 2006 until the company was sold to ENI in 2008. Mr. Gupta has a degree in chemical engineering from Cambridge University and studied petroleum engineering at the Heriot Watt University, Edinburgh.

Kai-Uwe Kessel (Chief Executive Officer)

Mr. Kessel was appointed as a director of Nostrum's predecessor entities on 16 November 2007 and has served as chief executive of Nostrum's predecessor entities and Nostrum since November 2004. Since 2005, Mr. Kessel has been Managing Director of Probel. From 2002 to 2005, Mr. Kessel was director of Gaz de France's North African E&P division. From 1992 to 2001, Mr. Kessel was Managing Director of Erdgas Erdol GmbH, an oil and gas company owned by Gaz de France, and a member and chairman of the board of KazGermunai. Mr. Kessel is a graduate of the Gubkin Russian State University of Oil and Gas.

Thomas Richardson (Chief Financial Officer)

Mr. Richardson was appointed as Chief Financial Officer and a director of Nostrum on 1 September 2016. Mr. Richardson had previously served as Group Head of Corporate Finance at Nostrum since 2011. Prior to joining Nostrum Mr. Richardson worked in investment banking, including at ING. Mr. Richardson graduated from Bristol University with a Bachelor of Science degree.

Mark Martin (Senior Independent Non-Executive Director)

Mr. Martin was appointed as a director of Nostrum on 19 May 2014 and served as Senior Independent Director from 31 December 2016 until his temporary appointment as Chairman on 18 April 2017. As of 26 April 2017, Mr. Martin has stepped down from the position of Chairman and re-assumed his previous position as Senior Independent Director. Mr. Martin has over 20 years of investment banking experience with Barclays, Baring Securities and ING, where he was the global head of equity capital markets from 2003 to 2011. Between 2011 and 2014, he served as the CEO of Exillon Energy PLC. Mr. Martin graduated from Cambridge University with a degree in social and political sciences.

Kaat Van Hecke (Independent Non-Executive Director)

Ms. Van Hecke was appointed as a director of Nostrum on 31 December 2016. Ms. Van Hecke served as managing director and senior vice president of the Austrian Upstream business at Österreichische Mineralölverwaltung ("**OMV**") from 2013 to 2016. Between 2011 and 2014, and from 2010 to 2013 served as E&P Head of Business Support at OMV. From 2002 to 2010 Ms. Van Hecke held various positions with Shell in Russia, Nigeria and The Netherlands. Ms. Van Hecke graduated from University of Ghent with a degree in chemical engineering and also owns a Master in General Management from the Vlerick Management School.

Sir Christopher Codrington (Independent Non-Executive Director)

Mr. Codrington was appointed as a director of Nostrum on 19 May 2014. Mr. Codrington has more than 30 years of executive board and senior management experience in the oil and gas sector and the hospitality and other industries. Mr. Codrington spent eight years living in Houston, Texas, developing prospects in various oil and gas fields for COG, Inc., Texas General Resources, Inc., TexBrit Corporation, Inc. and Whitehall Energy Limited. Mr. Codrington has a degree from the Royal Agricultural University- DipAFM.

Michael Calvey (Non-Executive Director)

Mr. Calvey was appointed as a director of Nostrum on 25 April 2017. Mr. Calvey is a USA national who is the Founder and Senior Partner of BVCP. Prior to joining BVCP in 1994, Mr. Calvey worked on oil and gas projects for the European Bank for Reconstruction and Development (EBRD) and Salomon Brothers. Mr. Calvey has a Master's degree in finance from the London School of Economics and a Bachelor's degree in business from Oklahoma University. Mr. Calvey is a member of the Board of Directors of Baring Vostok Capital Partners Group Limited, Etalon Group Public Company Limited, Volga Gas plc, the Atlantic Council and the Emerging Markets Private Equity Association.

Martin Cocker (Independent Non-Executive Director)

Mr. Cocker was appointed as a Director of Nostrum on 16 November 2017. Mr. Cocker is a chartered accountant with over 30 years' business experience. He has held several line management, project leader and CEO level positions and currently is an Independent Non-Executive Director and chairman of the audit committee at Etalon Group PLC and TCS Group Holdings PLC, both of which are Russia-based entities listed on the London Stock Exchange, at a UK National Health Service Foundation Trust and at a UK Building Society. Mr. Cocker is a member of the investment committee of Pride Capital, and previously held senior positions with Deloitte & Touche, KPMG, Ernst & Young and Amerada Hess.

Simon Byrne (Non-Executive Director)

Mr. Byrne was appointed as a Director of Nostrum on 16 November 2017. Mr. Byrne is the Chief Executive Officer of Steppe Capital Pte Ltd. Prior to joining Steppe Capital in 2008, Mr Byrne worked in corporate and investment banking for 22 years, including 17 years with ABN AMRO Bank and RBS Global Banking & Markets where he served as a Managing Director covering the oil & gas sector. Prior to that he held positions with Asahi Bank and Manufacturers Hanover Limited. Mr. Byrne is KSS Global's nominee on the Board pursuant to the terms of the KSS Global Relationship Agreement.

Pankaj Jain (Alternate Director)

Mr. Jain was appointed as a director of Nostrum's predecessor entities on 26 November 2012 and a director of Nostrum on 19 May 2014. Mr. Jain resigned as director on 16 November 2017 and is now an alternate director to Mr. Byrne. Since 2012, Mr. Jain has been CEO of KSS Global and has over 20 years of experience in engineering, procurement and construction projects in India, Kazakhstan, the Middle East and the Far East. Mr. Jain is a graduate from the Regional Engineering College, Trichy, India (B.E. Hons in Civil Engineering (Major: oil and gas infrastructure)).

Senior Management

As at the date of this Offering Memorandum, in addition to the Board, the members of the senior management and their positions are:

Name	Position	Year of Birth
Thomas Hartnett	Chief Legal Officer and Company Secretary	1964
Arkadi Epifanov.................................	Chief Commercial Officer	1957
Heinz Wendel	Chief Operating Officer	1953
Sergey Khafizov	Chief Business Development Officer	1965

Thomas Hartnett (Chief Legal Officer and Company Secretary)

Mr. Hartnett was appointed as General Counsel of the Group at Nostrum's predecessor entities on 5 September 2008 and as Nostrum's General Counsel on 19 May 2014. Mr. Hartnett was previously a partner in the international law firm White & Case LLP, where he focused on cross-border corporate and mergers and acquisitions transactions and worked in the firm's New York, Istanbul, London, Brussels and Bangkok offices over a 16 year period. Mr. Hartnett also served as Senior Corporate Counsel for Intercontinental Hotels Group from 1996 to 1998. Mr. Hartnett holds a BA in Comparative and Developmental Politics from the University of Pennsylvania and a JD from the New York University School of Law, and is a member of the New York Bar.

Arkadi Epifanov (Chief Commercial Officer)

Mr. Epifanov is Chief Commercial Officer, as of 13 January 2017. Prior to this, Mr. Epifanov was appointed as marketing consultant of Zhaikmunai LLP in 2009. Mr. Epifanov has over 20 years' experience in senior management and directorial positions in the oil and gas industry, having held positions in Nafta, Transoil, Lukoil, Litasco and Baltic Oil Terminal. He has worked in the oil sector across diverse regions including Finland, Belgium, Romania, Russia, Switzerland, The Netherlands and the British Isles. Mr. Epifanov holds qualifications in economics from Leipziger University.

Heinz Wendel (Chief Operating Officer)

Mr. Wendel was appointed as COO in November 2016. Prior this, Mr. Wendel had held the position as General Director of Zhaikmunai LLP since August 2013 and was Operations Director of Zhaikmunai LLP since 1 January 2012. He has over 30 years of exploration and production experience, primarily as an oil and gas engineer. Prior to joining Zhaikmunai LLP, Mr. Wendel served in various managerial and technical capacities with, among others, East German EEG (Erdöl-Erdgas Gormmerd) and GDF SUEZ E&P Deutschland in Germany, Poland, Azerbaijan and Kazakhstan.

Sergey Khafizov (Chief Business Development Officer)

Mr. Khafizov was appointed as Chief Business Development Officer in September 2016. Mr. Khafizov had been Project Director and Head of the Exploration Department since 2015. He has over 25 years of experience in geological exploration and production, leading large exploration projects, research and project teams. Prior to joining the Group Mr. Khafizov served in various managerial and technical positions at Gazprom Neft and TNK-BP. He is a graduate of the Gubkin Russian State University of Oil and Gas, Doctor of Science, Geology Professor, Full Member (Academician) of the Russian Academy of Natural Sciences, Member of the American Association of Petroleum Geologists (AAPG) and Society of Petroleum Engineers (SPE).

The business address of each of the directors and the members of senior management is Nostrum's principal place of business, at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.

Service Contracts and Compensation

Under the terms of their service contracts and applicable incentive plans, in the year ended 31 December 2016, the aggregate remuneration of key management personnel amounted to U.S.$4.7 million.

There is no arrangement under which any director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Offering Memorandum.

There were no amounts set aside or accrued to provide pension, retirement or other benefits to the directors and senior managers of the Group for the year ended 31 December 2016.

All executive directors have service agreements with the Group and all non-executive directors have letters of appointment with the Group. For all executive directors, there is no term limit on their services, as the Group proposes all executive directors for annual re-election at each subsequent annual general meeting of the Group. Non-Executive Directors have appointments for an initial term of three years, subject to being re-elected as a director at each subsequent annual general meeting of the Group. The Group has entered into new letters of appointment with all non-executive directors, subject to their election or re-election, as applicable at the Annual General Meeting.

Interests of the Directors and Senior Managers

As of the date of this Offering Memorandum, the interests of the directors in the share capital of Nostrum were as follows:

Name	Number of Ordinary Shares(1)
Atul Gupta	178,357
Kai-Uwe Kessel	10,000
Thomas Richardson	—
Mark Martin	10,000
Kaat Van Hecke	—
Sir Christopher Codrington, Bt.	3,312
Michael Calvey	—
Martin Cocker	—
Simon Byrne	5,000
Pankaj Jain	119,700

(1) Does not reflect interests under the Phantom Option Plan or the 2017 LTIP, see "*Share Option Plans*".

Transaction with Directors

Save as set out in "*Related Parties and Related Party Transactions*" no director or senior manager has, or has had, any interest in any transaction related to the Group which is or was unusual in its nature or conditions or which is, or was, significant in relation to the Group's business, and which was effected by Nostrum or any of its subsidiaries during the current or immediately preceding financial year, or during any earlier financial year and remains in any respect outstanding or unperformed.

Other Directorships

Set out below are certain significant directorships and partnerships in which the directors and members of the senior management are currently directors or partners as of the date of this Offering Memorandum:

Name	Current directorships/partnerships
Atul Gupta	None
Kai-Uwe Kessel	None
Thomas Richardson	Sokoni Medical Ltd.
	Sokoni Ventures Ltd.
	Nostrum Oil & Gas UK Ltd.
	TDR Enterprises Holding Ltd.
	TDR Enterprises Ltd.
	TDR Investments Ltd.
Mark Martin	None
Kaat Van Hecke	None
Sir Christopher Codrington	Navarino Services Ltd.
	Capital Marketing Investments Ltd.
Michael Calvey	Public Joint Stock Company "Orient Express Bank"
	BPEP International – Director
	Kaspi Bank
	Volga Gas plc
	Atlantic Council of United States
	Etalon Group Public Company Limited
	Baring Vostok Capital Partners
	Baring Vostok Holding Limited
	Baring Vostok Capital Partners Group Limited
	Baring Vostok Capital Partners Limited (Cyprus)
Martin Cocker	Etalon Group PLC
	Tickoff Credit Systems Group Holdings
	Northumberland
	Tyne and Wear NHS Foundation Trust
	Beverley Building Society
	Zeminik Trading Limited
Simon Byrne	Glenville Asset Management Pte Ltd

Name	Current directorships/partnerships
	Steppe Capital Pte Ltd
	Steppe Investments Pte Ltd
	Steppe Fund Management Pte Ltd
	Advent Flight AVV
	Medina Aviation AVV
	Prime Aviation JSC
	Apollo Trading Ltd FZE
	Kazstroyservice Global BV
	Kazstroyservice Limited
	Mayfair Investments BV
	Akbulak Properties BV
	Steppe Unity Holdings Pte Ltd
	Steppe Treasury Services Pte Ltd
	Prime Aviation Holding Pte Ltd
	TCA Capital Management Pte Ltd
Pankaj Jain	RMG Properties Private Ltd.
	RHA Holding Pte Ltd.
	KazStroyService Global B.V.
Thomas Hartnett	Cabot Consulting limited
	Thomas Hartnett BVBA
	Nostrum Oil & Gas Cooperatief UA
	Nostrum Oil & Gas Finance B.V.
	Nostrum Oil & Gas UK Limited
	Timeway Capital Investment Limited
Arkadi Epifanov	None
Heinz Wendel	None
Sergey Khafizov	None

Litigation Statement about Directors and Senior Managers

No director or senior manager has, for at least the five years prior to the date of this Offering Memorandum:

- any convictions in relation to fraudulent offences;
- been a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Share Option Plans

The Group currently operates two share option plans, one non-performance related share option plan (the "**Phantom Option Plan**" or "**Plan**") and one performance related long term incentive plan (the "**2017 LTIP**"). The Plan was initially adopted by the Board of Nostrum's predecessor entities on 27 March 2008 and subsequently amended on 24 July 2008 and 14 August 2008. The Plan was adopted by Nostrum and remained in place following Nostrum's admission to the premium listing segment of the Official List in June 2014.

As of the date of this Offering Memorandum, the directors each held the following options over ordinary shares of Nostrum, generally vesting over a five year period, exercisable at either U.S.$4.00 or U.S.$10.00 per ordinary share and expiring ten years from the date of grant, pursuant to the Plan:

	Date of grant	Options held at 31 Dec 2016	Face value (USD)	Options exercised during financial year 2016	Options lapsed during financial year 2016	Options held at 31 Dec 2016	Options exercise price (U.S.$ per option)	Expiry date
Atul Gupta	—	—	—	—	—	—	—	—
Kai-Uwe Kessel	27.03.08	700,794	—(1)	—	—	700,794	4.0	26.03.18
	26.03.13	200,000	18,000(2)	—	—	200,000	10.0	25.03.23
Thomas Richardson	26.03.13	110,000	9,900(2)	—	—	110,000	10.0	25.03.23
Mark Martin	—	—	—	—	—	—	—	—

	Date of grant	Options held at 31 Dec 2016	Face value (USD)	Options exercised during financial year 2016	Options lapsed during financial year 2016	Options held at 31 Dec 2016	Options exercise price (U.S.$ per option)	Expiry date
Kaat van Hecke	—	—	—	—	—	—	—	—
Sir Christopher Codrington	—	—	—	—	—	—	—	—
Michael Calvey	—	—	—	—	—	—	—	—
Martin Cocker	—	—	—	—	—	—	—	—
Simon Byrne	—	—	—	—	—	—	—	—
Pankaj Jain	—	—	—	—	—	—	—	—

(1) The options do not have a face value at the date of the grant, since the grant date was before the listing of Nostrum Oil & Gas LP on the London Stock Exchange on 2 April 2008.
(2) Calculated by multiplying the market value of the options at the date of grant (U.S.$10.09) less U.S.$10.00 by the number of options granted.

The Board retains discretion over a number of areas relating to the operation and administration of the Plan, such as (i) who participates; (ii) the timing of the grant of award; and (iii) the size of the award. The principal features of the Plan (as amended) are as follows:

Operation

The Plan is administered by a plan trustee, (the "**Plan Trustee**"), which is responsible for granting rights under the Plan. Each right entitles holders (the "**Optionholders**") to receive, on exercise, a cash amount equal to the excess of the market value on the exercise date of the ordinary shares to which it relates over the value of the same number of ordinary shares at the date of grant (the "**Option**"). The Plan is discretionary and only operates in those years as the Board determines. Options under the Plan may be granted as required by the Board.

Eligibility

All employees, executive directors, and consultants to, a member of the Group are eligible to participate in the Plan at the discretion of the Board. However, to date, participation has only been offered to a limited number of senior employees, executive directors, and consultants of members of the Group. There is no entitlement for the Non-Executive Directors to participate in the Plan.

Grant of Options

The Plan Trustee may grant Options to an employee or executive director as requested by the Board. No payment is required for the grant of Options. Options will not be taken into account in determining an Optionholder's pension rights. Options are not transferable, other than to associated parties or on death.

The aggregate number of ordinary shares in respect of which Options may be outstanding under the Plan will not exceed 5,000,000 shares.

Exercise of Options

Options are normally exercisable at the following times:

- as to 20% of the ordinary shares in respect of which an Option is granted, from the first anniversary of the date of grant;
- as to a further 20% of the ordinary shares in respect of which an Option is granted, from the second anniversary of the date of grant;
- as to a further 20% of the ordinary shares in respect of which an Option is granted, from the third anniversary of the date of grant;
- as to a further 20% of the ordinary shares in respect of which an Option is granted, from the fourth anniversary of the date of grant; and
- as to the remaining 20% of the ordinary shares in respect of which an Option is granted from the fifth anniversary of the date of grant.

The Plan Trustee will satisfy an Option by paying to the Optionholder on exercise an amount equal to the excess of the value of the ordinary shares in respect of which it is exercised at the date of exercise over the market value of the same number of ordinary shares on the date of grant (minus any amounts required to be withheld). In relation to the grant of Options to date, the vesting of such Options is not subject to any performance targets. The Board may, however, determine that any Options granted in the future should be subject to performance targets.

Cessation of Employment

If an Optionholder dies whilst in employment with a member of the Group his legal representatives shall be entitled to exercise his Options (whether vested or not) during the 12 month period following the date of his death. After this period, the Options will lapse, to the extent that they have not been exercised.

If an Optionholder leaves employment by reason of injury, disability, redundancy, retirement or the sale of the business for which he works to a third party, his Options may generally be exercised at any time up to the tenth anniversary of the date of grant.

If an Optionholder gives notice of termination of his employment or consultancy, an Option will generally lapse to the extent that it has not vested on the date of cessation and any portion that remains outstanding but unexercised after 12 months following such cessation will lapse.

Corporate Events

Takeover

In the event of a takeover of Nostrum or Zhaikmunai LLP, all of the Options shall be deemed to have vested and the Board shall direct the Plan Trustee in writing to allow the Optionholder to exercise his Options at any time from the date of the change of control up to the tenth anniversary of the date of grant. Any Options which have not been exercised will lapse at the end of this period.

Merger, demerger

In the event of a merger, dividend in specie, super dividend, stock split, dilutive issuance, demerger or other transaction or change in the structure of Nostrum which would affect the value of any Option, the Board shall, acting reasonably and objectively, direct the Plan Trustee to make such adjustments as it considers appropriate in order to ensure that Optionholders are not prejudiced.

Dissolution

In the event of a dissolution of Nostrum, Options may, subject to satisfaction of any performance conditions, be exercised during the period between the date of notice of a meeting to consider a resolution for the voluntary dissolution of Nostrum and the date on which the dissolution becomes effective. To the extent that any Options have not been exercised at the expiry of this period, the Options will lapse.

Alterations to the Plan

Subject to the discretion of the Board in relation to certain matters as set out in the rules of the Plan, the decision of the Plan shall be final and binding in all matters relating to the Plan.

Termination of the Plan

The Plan shall terminate on 27 March 2018. Expiry of the plan shall not affect Options already granted.

Long Term Arrangements relating to the Plan

The remuneration committee did not award any additional phantom share options to directors in 2017.

The remuneration committee has reviewed the effectiveness of the phantom share option plan for the executive directors and wider employee population and concluded that appropriate senior management remuneration would be better achieved by implementing a long term incentive plan (the "**2017 LTIP**") that provides awards subject to the achievement of performance conditions. Accordingly, at Nostrum's annual general meeting held on 26 June 2017, shareholder authority was obtained with respect to the 2017 LTIP. Awards comprise a conditional right over a specified number of ordinary shares in Nostrum structured as "nil/nominal cost options" or share appreciation rights granted by Nostrum. The terms of the plan also provide flexibility for cash settlement of awards at Nostrum's discretion and to accommodate any differences in treatment of awards in other jurisdictions.

Under the 2017 LTIP, any employee (including executive directors), the chairman and independent non-executive directors of Nostrum (or any subsidiary of Nostrum) are eligible for selection to participate in the plan. Nostrum envisages that approximately 40 persons will participate in the 2017 LTIP.

As of the date of this this Offering Memorandum, a total of 1,191,284 options have been issued. The table below shows the awards made to Directors and Senior Management under the 2017 LTIP as of 31 December 2017:

	Number of shared under award	**Date of grant**
Atul Gupta	46,544	10.10.17
Kai-Uwe Kessel	332,706	10.10.17
Thomas Richardson	122,495	10.10.17
Mark Martin	19,095	10.10.17
Kaat van Hecke	19,095	10.10.17
Sir Christopher Codrington, Bt.	19,095	10.10.17
Michael Calvey	—	—
Martin Cocker	2,406	11.12.217
Simon Byrne	—	—
Thomas Hartnett	107,020	10.10.17
Arkadi Epifanov	37,396	10.10.17
Heinz Wendel	64,937	10.10.17
Sergey Khafizov	51,139	10.10.17
Zhomart Darkeev	24,368	10.10.17

Intertrust Employee Benefit Trust

The Intertrust Employee Benefit Trustee Limited holds shares in Nostrum in trust (the "**Trust**") for the purposes of Nostrum's Phantom Option Plan and 2017 LTIP, and the rights attaching to them are exercised by independent trustees. As at 30 September 2017 the Trust held 2,948,879 ordinary shares in Nostrum.

MANAGEMENT AND CORPORATE GOVERNANCE

Corporate Structure

Management of Zhaikmunai LLP is exercised by its General Director on the basis of its charter and decisions taken by the sole participant of Zhaikmunai LLP.

The management of Nostrum is exercised by its directors on the basis of its articles of association and decisions taken at the general meeting of shareholders.

Shareholders are not entitled to participate, directly or indirectly, in Nostrum's management meetings.

Corporate Governance

The directors support high standards of corporate governance. Except as set out below, Nostrum complies with the provisions of the U.K. Corporate Governance Code. The Board comprises a Non-Executive Chairman, two Executive Directors, two non-independent Non-Executive Directors and four Independent Non-Executive Directors. Nostrum regards all of the Non-Executive Directors to be independent within the meaning of "independent" as defined in the U.K. Corporate Governance Code, other than Simon Byrne (and his alternate director Pankaj Jain) and Michael Calvey. Simon Byrne (and his alternate director Pankaj Jain) and Michael Calvey are not deemed to be independent as a result of representing Mayfair Investments B.V. ("**Mayfair**"), and Baring Vostok Capital Partners, respectively, who hold approximately 25.7% and 17.1% of the ordinary shares of Nostrum as at 24 January 2017, being the latest practicable date prior to the date of this Offering Memorandum. The Board has also taken this view on independence notwithstanding the participation of the independent directors in the 2017 LIIP.

The Board meets on at least four occasions during the course of the year to review trading performance and budgets, funding, to set and monitor strategy, examine acquisition opportunities and report to shareholders. The Board has a formal schedule of matters specifically reserved to it for decisions. The roles of Chairman and Chief Executive Officer are separate and the responsibilities of Chairman and Chief Executive Officer are independently defined. The Chairman sets the agenda for Board meetings in consultation with the Chief Executive, the Chief Financial Officer and the chief legal officer and company secretary. The Chairman is also responsible for ensuring that the directors receive accurate, timely and clear information and that there is effective communication with the directors. The Chief Executive provides leadership to the Group, which enables the successful planning and execution of the objectives and strategies agreed by the Board. The Chief Executive is also responsible for care of the Group's assets and, jointly with the chairman, representation of the Group to third parties.

The U.K. Corporate Governance Code recommends that the Board should appoint one of its Independent Non-Executive Directors to be the Senior Independent Director. The Senior Independent Director should be available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or where such contact is inappropriate. Mark Martin is the Board's Senior Independent Director.

The Board has appointed an Audit Committee, a Remuneration Committee and a Nomination and Governance Committee. The members of these committees are appointed principally from among the independent directors and all appointments to these committees shall be for a period of one year. The terms of reference of the committees have been drawn up in accordance with the provisions of the U.K. Corporate Governance Code. A summary of the terms of reference of these committees is set out below.

Each committee and each director has the authority to seek independent professional advice where necessary to discharge their respective duties, in each case at Nostrum's expense. In addition, each director and committee has access to the advice of Nostrum's company secretary, Thomas Hartnett.

Nostrum has adopted a share dealing code of securities dealings in relation to the ordinary shares which is based on, and is no less exacting than, the Model Code as previously published in the Listing Rules (and in compliance with the requirements of the Market Abuse Regulation). The dealing code applies to the directors, senior management and other relevant employees of the Group.

Nostrum has implemented internal procedures and measures designed to ensure compliance by it and other members of the Group with the Bribery Act.

Areas of Non-Compliance

Remuneration Committee Members

U.K. Corporate Governance Code also provides that the Remuneration Committee must include at least three independent non-executive directors. The most common interpretation of this requirement is that any additional director appointed as a member of the committee must also be an independent non-executive director. If such interpretation is correct, Mr. Calvey's membership in the Remuneration Committee does not comply with the requirement. However, Nostrum believes that there are good reasons for having Mr. Calvey as a member of the Remuneration Committee, in that a director representing a significant shareholder can bring a valuable additional perspective to discussions regarding the remuneration and incentivisation of directors and senior management in the long-term interest of Nostrum.

Attendance of the Annual General Meeting

All directors did not attend the 2017 Annual General Meeting, however those directors who did not attend were available by teleconference to answer questions from shareholders.

Senior Management Team

In 2016 the Group undertook an internal reorganisation with the aim of moving from an administrative-driven organisation to a functional organisation. As part of this process, the executive committee was renamed the Senior Management Team and five functional teams were created, with the head of each function becoming a member of the Senior Management Team. The head of each function is responsible for leading their functional team across the entire Group. The Senior Management Team supports the chief executive in making important decisions regarding the overall management of the Group and in respect of all Group matters that are not reserved for the Board. Each member of the Senior Management Team reports directly to the chief executive and the CEO reports directly to the Board.

Each member of the Senior Management Team has functional management authority over particular organisational units and areas within the Group. Their ongoing responsibilities include ensuring that goals and objectives are aligned with the Group's overall strategy and vision.

The Senior Management Team meets on a weekly basis.

Board Structure, Practices and Committees of Nostrum

The Board currently has nine members, as of the date of this Offering Memorandum. In addition to the Chairman, Atul Gupta, there are two executive directors and six non-executive directors, of whom two are not considered by the Board to be independent non-executive directors.

The structure, practices and committees of the Board, including matters relating to the size, independence and composition of the Board, the election and removal of directors, requirements relating to Board action, the powers delegated to Board committees and the appointment of executive officers, are governed by Nostrum's articles of association. The following summarises certain provisions of those articles of association.

Size of the Board of Directors

The Board, which as at the date of this Offering Memorandum has nine members, may consist of such number of directors as may be determined from time to time by a resolution of Nostrum's shareholders.

Election and Removal of Directors

All directors stand for re-election by shareholders at annual general meetings until the Board determines otherwise.

Committees

The Board can delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time on such terms and subject to such conditions as it thinks fit to any committee consisting of one or more directors and (if thought fit) one or more other persons *provided that* a majority of the members of a committee shall be directors or alternate directors and no resolution of a committee shall be effective unless a majority of those present when it is passed are directors or alternate directors. Any committee so formed may exercise its power to sub-delegate by sub-delegating to any person or persons (whether or not a member or members of the Board or of the committee).

The directors have established audit, remuneration and nomination and governance committees, as described below, and will utilise other committees as necessary to ensure effective governance.

Audit Committee

The Board has established an audit committee that operates pursuant to written terms of reference. The purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities of oversight and supervision of, among other things:

- the integrity of the financial statements of Nostrum including annual and interim reports, financial returns to regulators and announcements of a price sensitive nature;

- the adequacy of Nostrum's internal controls and accountancy standards; assessing consistency and clarity of disclosure as well as the operating and financial review and corporate governance statement; and
- the relationship with Nostrum's external auditor including appointment, remuneration, terms of engagement, assessing independence and objectivity and ultimately reviewing the findings and assessing the standard and effectiveness of the external audit.

The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

The Audit Committee comprises Sir Christopher Codrington (chairman), Mark Martin, Martin Cocker and Kaat Van Hecke. The terms of reference of this committee require that it comprise of at least two independent directors and at least one member who has recent and relevant financial experience.

The Audit Committee meets at least four times a year at appropriate times in the reporting and audit cycle of Nostrum and more frequently if required. The Audit Committee considers annually how the Group's internal audit requirements shall be satisfied and makes recommendations to the Board accordingly as well as on any area it deems needs improvement or action.

Remuneration Committee

The remuneration committee operates pursuant to written terms of reference, under which its purpose is to assist the Board in determining its responsibilities in relation to remuneration, including:

- making recommendations to the Board on Nostrum's overall framework for remuneration and its cost and in consultation with the Chairman and Chief Executive Officer determining remuneration packages of each Executive Director;
- reviewing the scale and structure of Executive Directors' remuneration and the terms of their service or employment contracts, including share based schemes, other employee incentive schemes adopted by Nostrum from time to time and pension contributions. Executive Directors of Nostrum are not permitted to participate in discussions or decisions of the Committee regarding their own remuneration;
- demonstrating to the shareholders of Nostrum that the remuneration of the executive directors of Nostrum and other senior members of executive management of Nostrum and its subsidiaries is set by a committee of the Board whose members have no personal interest in the outcomes of the decisions of the committee and who will have due regard to the interests of the shareholders; and
- ensuring that payments made on termination are fair to the individual and Nostrum.

The remuneration of the Non-Executive Directors is determined by the Chairman and the other Executive Directors outside the framework of the Remuneration Committee.

The Remuneration Committee comprises Mark Martin (chairman), Sir Christopher Codrington, Kaat Van Hecke and Michael Calvey. The terms of reference of this committee require that at least three of its members be Independent Directors. The remuneration committee meets not less than two times a year and is responsible for assisting the Board in determining its responsibilities in relation to remuneration.

Nomination and Governance

The Board has established the nomination and governance committee that operates pursuant to written terms of reference. The nomination and governance committee is responsible for:

- leading the process for Board appointments and making recommendations to the Board regarding candidates for appointment or reappointment as directors;
- monitoring and making recommendations to the Board on board governance and corporate governance issues, to enable the Board to operate effectively and efficiently;
- regularly reviewing the structure, size and composition (including skills, knowledge and experience) required of the Board;
- keeping under review the leadership needs of Nostrum, both executive and non-executive, with a view to ensuring the continued ability of Nostrum to compete effectively in the marketplace; and
- review annually the time required from non-executive directors.

The nominations committee is also responsible for periodically reviewing the Board's structure, determining succession plans for the Chairman and Chief Executive, and providing advice to the Board on the retirement and appointment of additional and/or replacement Directors.

The Nomination and Governance Committee comprises of Sir Christopher Codrington (chairman), Kaat Van Hecke, Mark Martin and Atul Gupta. The terms of reference of this committee require that a majority of its members comprise Independent Non-Executive Directors and that the chairman is either the Senior Independent Non-Executive Director or another Independent Non-Executive Director. The Nomination and Governance Committee meets at least twice a year and more frequently if required and has responsibility for making recommendations to the Board regarding the composition of the Board, its committees and corporate governance issues.

Takeover Code

The Takeover Code applies to Nostrum. As a result, a takeover offer for Nostrum will be regulated by the UK Takeover Panel.

Mandatory bids

Under the Takeover Code, if an acquisition of interests in Nostrum's shares were to result in the aggregate interests of an acquirer and persons acting in concert with it in Nostrum's shares representing 30% or more of the voting rights in Nostrum, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with persons acting in concert with it) an interest in shares carrying between 30% and 50% of the voting rights in Nostrum if the effect of such acquisition were to increase that person's percentage of the voting rights.

Squeeze out

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for Nostrum's shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the shares to which the offer relates (the "**Takeover Offer Shares**") and not less than 90% of the voting rights attached to the Takeover Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10%. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to Nostrum, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell out

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

Directors' liabilities and indemnities

Nostrum maintains liability insurance for its directors. All directors are also in receipt of an indemnity from Nostrum under Nostrum's articles of association (the "**Articles**") in respect of (a) liability incurred by any director due to the negligence, default, breach of duty or breach of trust in relation to the affairs of Nostrum, or any subsidiary undertaking or (b) any liability incurred by any director in connection with the activities of Nostrum, or any subsidiary undertaking, in its capacity as a trustee of an occupational pension scheme, in both instances to the extent permitted under the Companies Act 2006.

In May 2015 the Board approved a policy for the indemnification of directors, officers and other designated beneficiaries and the entry by Nostrum into an accompanying deed of indemnity. The policy clarifies that Nostrum will seek to provide the maximum indemnification and protection to Group directors and officers permissible under applicable law, except in cases of fraud or wilful default, including but not limited to: (i) providing compensation for losses suffered in the course of acting as a director or officer in the interests of the Group, (ii) providing directors and officers with quality external legal representation and external professional advisers, (iii) assisting directors or officers with repatriation following a third party claim, (iv) continuing to make payment of a director's or officer's remuneration and benefits while such director or officer is under suspension, investigation or detention by order of a third party, (v) taking reasonable steps to place any such director or officer in a similar position working in another location or elsewhere in the Group which would allow his/her employment to continue and to compensate for any adverse financial consequences they incur as a result of their loss of office, or (vi) maintaining customary directors and officers liability insurance policies.

The deed of indemnity is intended to cover any insufficiency in the protection granted to directors and officers under the Articles which could expose such persons to substantial liability to third parties, including governmental authorities, in particular in jurisdictions where significant uncertainty exists in relation to the interpretation and application of the law. The deed of indemnity allows directors, officers and other designated beneficiaries to enforce the protection provided for under the Articles without any further action by Nostrum being required.

PRINCIPAL SHAREHOLDERS

Ownership of Nostrum Oil & Gas PLC

As at 31 January 2018 (being the latest practical date prior to the date of this Offering Memorandum), Nostrum has been notified of the following interests in Nostrum's issued share capital of significant shareholdings above 5% of the total issued share capital of Nostrum and has also been notified of the 4.81% interest of Harding Loevner LP.

Name	Number of Ordinary Shares	% of total Ordinary Shares
Mayfair Investments B.V.(1)	48,333,300	25.68
Baring Vostok Capital Partners(2)	32,170,044	17.10
Aberforth Partners LLP	14,835,949	7.88
Harding Loevner LP	9,056,786	4.81

Notes:

(1) Mayfair Investments B.V. is indirectly owned by KSS Global's three principal shareholders, being Timur Kulibayev (33.33%), Arvind Tiku (33.33%) and Lakshmi Mittal (33.33%).

(2) The shareholding of Baring Vostok Capital Partners is held in part by Baring Vostok PCC Investments Limited, and in part by Baring Vostok fund managers (Baring Vostok Private Equity Fund IV and Baring Vostok Fund IV Supplemental Fund, LP). The Baring Vostok fund managers hold shares on behalf of multiple institutional investors and they also hold the 178,357 shares of Mr. Atul Gupta.

Significant contractual arrangements

On 19 May 2014 Nostrum entered into relationship agreements with Claremont Holdings C.V. ("**Claremont**") (the "**Claremont Relationship Agreement**") and KazStroyService Global B.V. ("**KSS Global**") (the "**KSS Global Relationship Agreemen**t" and together with the Claremont Relationship Agreement, the "**Relationship Agreements**") to regulate (in part) the degree of influence that Claremont and KSS Global and their affiliates may exercise over the management of Nostrum. The principal purposes of the Relationship Agreements are to ensure that Nostrum is capable at all times of carrying on its business independently of Claremont and KSS Global and their affiliates and that all of Nostrum's transactions and relationships with Claremont and KSS Global and its affiliates are at arm's length and on normal commercial terms.

Pursuant to its terms each of the Relationship Agreements will continue until the earlier of (a) the ordinary shares ceasing to be admitted to the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange or (b) Claremont and/or KSS Global (together with any of their affiliates) ceasing to be entitled to exercise, or to control the exercise of, 10% or more of the rights to vote at Nostrum's general meetings. The Claremont Relationship Agreement has terminated as (b) in the foregoing sentence applies.

Terms of the KSS Global Relationship Agreement

Under the KSS Global Relationship Agreement, KSS Global has agreed that (a) it will, and will procure its affiliates will, allow Nostrum and its affiliates at all times to carry on its business independently of KSS Global and its affiliates, (b) it will not, and will procure its affiliates will not, act in any way which shall prejudice the ability of Nostrum and its affiliates to carry on its business independently of KSS Global or its affiliates, (c) it will comply with, and will procure its affiliates comply with, the Disclosure Guidance and Transparency Rules in respect of its interests in the ordinary shares, (d) it will not, and will procure its affiliates will not, take any action (or omit to take any action) to prejudice Nostrum's status as a listed company or its suitability for listing under the Listing Rules after Admission has occurred or Nostrum's ongoing compliance with the Listing Rules and the Disclosure Guidance and Transparency Rules or have the effect of preventing Nostrum from complying with its obligations under the Listing Rules, provided that this shall not prevent KSS Global (or any other person) from: (i) accepting a Takeover Offer for Nostrum in relation to their respective interests in Nostrum or, where such Takeover Offer is made by way of a CA2006 Scheme, voting in favour of such CA2006 Scheme at the court and related shareholder meetings or otherwise agreeing to sell their ordinary shares in connection with a Takeover Offer; or (ii) making a Takeover Offer by way of a general offer for all the outstanding ordinary shares or by way of a CA2006 Scheme and de-listing Nostrum after such Takeover Offer has become wholly unconditional or, in the case of a CA2006 Scheme, after it has become effective, it will not, and will procure that its affiliates will not, influence the day-to-day running of Nostrum at an operational level or hold or acquire a material shareholding in one or more significant subsidiaries of Nostrum and (e) it will exercise its voting rights in such a manner as to procure (to the extent possible): (i) at least half of the Board comprises independent directors (excluding the chairman of the Board); (ii) the Audit Committee shall be comprised of entirely independent directors and the Remuneration Committee shall be comprised of not less than three independent directors; and (iii) the Nomination and Governance Committee and any other committee of the Board to which significant powers, authorities or discretions are delegated shall at all times consist of a majority of independent directors.

Deed of adherence with Mayfair Investments B.V.

On 30 January 2015 KSS Global transferred its 50 million ordinary shares in Nostrum as follows: (a) 48,333,300 shares to Mayfair Investments B.V. ("**Mayfair**"), a company indirectly owned by KSS Global's three principal shareholders on the date of the transfer, and (b) 1,666,700 shares to KSS Global's other shareholder on such date.

In connection with such transfer, Mayfair entered into a Deed of Adherence with Nostrum pursuant to which Mayfair has undertaken to Nostrum to be bound by the KSS Global Relationship Agreement in all respects and to observe and perform all of the provisions and obligations of such relationship agreement previously applicable to or binding on KSS Global in so far as they fall to be observed or performed on or after the date of the transfer.

RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The following is a description of the material transactions with related parties to which Nostrum or its subsidiaries are a party. Nostrum believes that it has executed all of its transactions with related parties on terms no less favourable to the Group than those it could have obtained from unaffiliated third parties.

Agreements with JSC "OGCC KazStroyService"

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 U.S.$150 million, which was amended with effect from 10 August 2015 by a supplementary agreement increasing that consideration to U.S.$160 million.

With effect from 1 August 2015 the Group entered into a technical support and service agreement with the Contractor, which terminated on 30 September 2016, for an aggregate consideration of U.S.$6.9 million. With effect from 10 September 2015 the Group entered into a service agreement with the Contractor, which terminated on 30 April 2016 for the provision of engineering staff for an aggregate consideration of U.S.$280 thousand.

The Contractor is an affiliate of Mayfair Investments B.V. See "Principal Shareholders".

Related Party Transactions with Directors

Technical Assistance Agreements

During the year ended 31 December 2016 management and consulting services were provided in accordance with business centre and consultancy agreements signed between members of the Group and Cervus Business Services BVBA and VWEW Advocaten VOF. See Note 29 to the Financial Statements for the year ended 31 December 2016.

Other

In addition to the above, the Group has entered into a number of related party transactions for amounts and terms which are immaterial to the Group both individually and in the aggregate. See Note 22 to the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2017; Note 22 to the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2016; Note 29 to the Financial Statements for the year ended 31 December 2016; Note 32 to the Financial Statements for the year ended 31 December 2015; and Note 32 to the Financial Statements for the year ended 31 December 2014.

DESCRIPTION OF SIGNIFICANT INDEBTEDNESS

The following is a summary of certain provisions of the Group's indebtedness. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

2022 Bonds

Overview

On 25 July 2017, Nostrum Oil & Gas Finance B.V. issued the 2022 Bonds. The 2022 Bonds are guaranteed by Nostrum and certain of its subsidiaries.

Interest and Maturity

The 2022 Bonds bear interest at the rate of 8.000% per year. Interest on the 2022 Bonds is payable on 25 January and 25 August of each year. The 2022 Bonds mature on 25 July 2022.

Redemption

The Issuer may redeem some or all of the 2022 Bonds at any time on or after 25 July 2019 at established redemption prices (being 106.000% of nominal principal amount until and including 25 July 2019, 104.000% until and including 25 July 2020 and 100% from and including 25 July 2021 onwards) plus accrued and unpaid interest to the redemption date. Prior to 25 July 2019, all or part of the 2022 Bonds may be redeemed in whole or in part at a price equal to 100% of the principal amount of the 2022 Bonds to be redeemed plus accrued and unpaid interest to the redemption date and a "make whole" premium.

In addition, prior to 25 July 2019, up to 35% of the aggregate principal amount of 2022 Bonds may be redeemed with the proceeds of certain equity offerings at a redemption price equal to 108.000% of the principal amount of the 2022 Bonds to be redeemed, plus accrued and unpaid interest to the redemption date, so long as at least 65% of the original principal amount of the 2022 Bonds (including Additional Notes as defined in the indenture relating to the 2022 Bonds) remains outstanding after each such redemption and each such redemption occurs within 120 days after the closing of the relevant equity offering.

In the event of certain developments affecting taxation, the 2022 Bonds may also be redeemed in whole, but not in part, at any time, at a redemption price of 100% of the principal amount of the 2022 Bonds plus accrued and unpaid interest and additional amounts to the date of redemption.

Upon the occurrence of certain events defined as constituting a change of control, the issuer of the 2022 Bonds will be required to offer to repurchase the 2022 Bonds at 101% of their principal amount, plus accrued and unpaid interest to the date of purchase.

Guarantees and Security

The 2022 Bonds are jointly and severally guaranteed on a senior basis by Nostrum, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. The 2022 Bonds constitute senior obligations of the Issuer and the guarantors and will rank equally with all of the Issuer's and the guarantors' other senior indebtedness.

The 2022 Bonds do not benefit from any security.

Ranking

The 2022 Bonds:

- constitute general senior obligations of the Issuer;
- rank senior in right of payment to all existing and future subordinated obligations of the Issuer;
- rank equally in right of payment to any future senior indebtedness of the Issuer, without giving effect to collateral arrangements; and
- effectively rank junior to any existing or future indebtedness of the Issuer secured by property or assets to the extent of the value of such property or assets.

Certain Covenants and Events of Default

The indenture governing the 2022 Bonds contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of Nostrum and its restricted subsidiaries to:

- 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 Partnership 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
- consolidated or merge with other entities.

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

In addition, the indenture governing the 2022 Bonds imposes certain requirements as to future subsidiary guarantors. In addition, the indenture governing the 2022 Bonds also contains certain customary information covenants and events of default.

DESCRIPTION OF NOTES

Nostrum Oil & Gas Finance B.V. will issue U.S.$400.0 million in aggregate principal amount of Notes in this Offering under an indenture (the "**Indenture**") between among others the Issuer, the Guarantors and Citibank, N.A., London Branch as trustee (the "**Trustee**") in a transaction that is not subject to the registration requirements of the Securities Act, as amended. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1933, as amended. The Indenture is unlimited in aggregate principal amount, although the issuance of Notes in this Offering will be limited to U.S.$400.0 million. Subject to the exception in this paragraph, the Issuer may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes (the "**Additional Notes**") even if the Additional Notes have a different amount of original issue discount for U.S. federal income tax purposes; provided that if the Additional Notes will not be fungible for U.S. federal income tax purposes, such Additional Notes will have a different CUSIP and/or ISIN. The Issuer will only be permitted to issue such Additional Notes in compliance with the covenant described under the subheading "*—Certain covenants—Limitation on Indebtedness*". The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of Notes*," references to the Notes include any Additional Notes actually issued.

The following description is a summary of the material terms of the Notes and the Indenture. It does not, however, restate such documents in their entirety and, where reference is made to particular provisions of such documents, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Notes. A copy of the form of the Indenture may be obtained from the Issuer upon request. You can also obtain a copy of the Indenture in the manner described under "*Listing and General Information*".

You will find the definitions of capitalized terms used in this description of notes under the heading "*Certain definitions*". For purposes of this description, references to the "**Parent**," "**we**," "**our**" and "**us**" refer only to Nostrum Oil & Gas PLC and not to any of its subsidiaries. References to the "**Issuer**" refer to Nostrum Oil & Gas Finance B.V. and not to any of its subsidiaries.

General

The Notes:

The Notes:

- are general senior unsecured obligations of the Issuer;
- mature on 16 February 2025;
- will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000;
- will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in definitive form (see "*Book-entry, delivery and form*");
- rank senior in right of payment to all existing and future Subordinated Obligations of the Issuer;
- rank equally in right of payment to any future senior Indebtedness of the Issuer, without giving effect to collateral arrangements;
- will be initially fully and unconditionally guaranteed on a senior basis by the Parent, Nostrum Oil & Gas Coöperatief U.A., Nostrum Oil & Gas B.V. and Zhaikmunai LLP; and
- effectively rank junior to any existing or future Indebtedness of the Issuer secured by property or assets to the extent of the value of such property or assets.

Not all of the Parent's Subsidiaries will guarantee the Notes. For the nine months ended 30 September 2017 and year ended 31 December 2016, the Issuer and Guarantors collectively generated substantially all of our consolidated revenue and EBITDA and represented substantially all of our total assets (and in each case, Zhaikmunai LLP was the only material contributor). However, subject to the covenants in this "*Description of Notes*", we will be permitted to transfer assets or make investments in Subsidiaries that are not Guarantors. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of any of the Parent's non-Guarantor Subsidiaries. Any right of the Parent, the Issuer or any Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-

Guarantor Subsidiary's creditors, except to the extent that the Parent, the Issuer or such Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of the, Parent, the Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-Guarantor Subsidiary and any Indebtedness of the non-Guarantor Subsidiary senior to that held by the Parent, the Issuer or such Guarantor.

As at 30 September 2017, on a *pro forma* basis after giving effect to this Offering, the Group would have had approximately U.S.$1.1 billion of outstanding Indebtedness.

Interest

Interest on the Notes will compound semi-annually and will:

- accrue at the rate of 7.000% per annum;
- accrue from the Issue Date or, if interest has already been paid, from the most recent interest payment date;
- be payable in cash semi-annually in arrear on 16 February and 16 August, commencing on 16 August 2018;
- be payable to the holders of record as of 2 February and 2 August immediately preceding the related interest payment dates; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

If an interest payment date falls on a day that is not a Business Day, the interest payment to be made on such interest payment date will be made on the next succeeding Business Day with the same force and effect as if made on such interest payment date, and no additional interest will accrue as a result of such delayed payment. The Issuer will pay interest on overdue principal of the Notes at the above rate, and overdue instalments of interest at such rate, to the extent lawful.

Payments on the Notes

The Issuer will pay principal of, premium, if any, and interest on, Notes in global form registered in the name of or held by The Depository Trust Company or its nominee in immediately available funds to The Depository Trust Company or its nominee, as the case may be, as the registered holder of such global Note.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Notes in each of (i) the City of London (the "**Principal Paying Agent**"), (ii) the Borough of Manhattan, City of New York, and (iii) Dublin, Ireland, for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange (the "**Global Exchange Market**") and the rules of the Irish Stock Exchange so require. The initial Paying Agents will be Citibank, N.A., London Branch in London, and Citibank, N.A. in New York.

The Issuer will also maintain one or more registrars (each, a "**Registrar**"), including a registrar in Dublin, Ireland, for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require. The initial Registrar will be Citigroup Global Markets Deutschland AG. The initial Transfer Agent will be Citibank, N.A., London Branch in London. The Registrar will maintain a register reflecting ownership of Notes outstanding from time to time.

The Issuer may change any of the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of the Notes.

Transfer and exchange

A holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. No service charge will be imposed by the Issuer, the Trustee or the Registrar for any registration of transfer or exchange of Notes, but the Issuer may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered holder of a Note will be treated as the owner of it for all purposes.

Optional redemption

On and after 16 February 2021, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days' prior notice, at the following redemption prices (expressed as a percentage of principal amount of the Notes), plus accrued and unpaid interest on the Notes, if any, to the applicable redemption date (subject to the right of holders of record as of the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on 16 February of the years indicated below:

Year	Percentage
2021	105.250%
2022	103.500%
2023	101.750%
2024 and thereafter	100.000%

Prior to 16 February 2021, the Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes (including Additional Notes) issued under the Indenture, upon not less than 10 nor more than 60 days' notice, with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 107.000% 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 aggregate principal amount of the Notes (including Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 120 days after the closing of the related Equity Offering.

In addition, the Notes may be redeemed, in whole or in part, at any time prior to16 February 2021 at the option of the Issuer upon not less than 10 nor more than 60 days' prior notice mailed by first-class mail to each holder of Notes at its registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium (as calculated by the Issuer) as of, and accrued and unpaid interest, and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record as of the relevant record date to receive interest due on the relevant interest payment date). "**Applicable Premium**" means, with respect to any Note on any applicable redemption date, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess, if any, of:

  (a) the present value at such redemption date of (i) the redemption price of such Note at 16 February 2021 (such redemption price being set forth in the table appearing above under the caption "— *General—Optional redemption*") plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such Note through 16 February 2021 computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

  (b) the principal amount of such Note.

"**Treasury Rate**" means, as of any redemption date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data)) most nearly equal to the period from the redemption date to 16 February 2021; *provided*, *however*, *that* if the period from the redemption date to 16 February 2021 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to 16 February 2021 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

The Applicable Premium will be calculated by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice of redemption may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Selection and notice

If the Issuer is redeeming less than all of the outstanding Notes, the Trustee will select the Notes for redemption on a *pro rata* basis, by lot or, if required by law or regulation, in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if not possible, by such other method as the Trustee in its sole discretion will deem to be fair and appropriate, although no Note of U.S.$200,000 in original principal amount or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the partially redeemed Note. On and after the redemption date, interest will cease to accrue on Notes or the portion of them called for redemption unless we default in the payment thereof.

Mandatory redemption; Offers to purchase; Open market purchases

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under the captions "*—General—Change of Control*" and "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*".

The Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in each case in accordance with applicable securities laws. However, other existing or future agreements of the Parent and its Restricted Subsidiaries may limit the ability of the Issuer to purchase Notes prior to maturity.

Additional Amounts

All payments made under or with respect to the Notes or that the Guarantors make under or with respect to the Notes Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor is organized, engaged in business, resident for tax purposes or generally subject to tax on a net income basis or from or through which payment on the Notes is made or any political subdivision or authority thereof or therein having the power to tax (each, a "**Relevant Taxing Jurisdiction**") and any interest, penalties and other liabilities with respect thereto (collectively, "**Taxes**"), unless the withholding or deduction of such Taxes is required by law or by the relevant taxing authority's interpretation or administration thereof. In the event that the Issuer or a Guarantor, or any other person on its behalf, is required to so withhold or deduct any amount for or on account of any such Taxes from any payment made under or with respect to the Notes, the Issuer or such Guarantor, as the case may be, will pay such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by each holder or beneficial owner (including Additional Amounts) after such withholding or deduction will be equal to the amount that such holder or beneficial owner would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will pay Additional Amounts to a holder or beneficial owner in respect or on account of:

(1) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction (including, but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction) other than the mere receipt or holding of any Note or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under such Note or the Indenture;

(2) any Taxes that are imposed or withheld by reason of the failure of the holder or beneficial owner of any Note, prior to the relevant date on which a payment under and with respect to the Notes is due and payable (the "**Relevant Payment Date**"), to comply with the Issuer's written request addressed to the holder or beneficial owner at least 30 calendar days prior to the Relevant Payment Date to provide accurate information with respect to any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction which the holder or such beneficial owner is legally required to satisfy, whether imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or

withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(4) any Tax that is payable other than by deduction or withholding from payments made under or with respect to any Note or Notes Guarantee;

(5) any Tax which would not have been so imposed but for the presentation (where presentation is required in order to receive payment) by the holder or beneficial owner of a Note for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period; or

(6) any Tax that is imposed on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by requesting that a payment on the Note be made by, or presenting a Note for a payment to, another Paying Agent in a Member State of the European Union.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items.

Notwithstanding anything herein to the contrary, none of the Issuer, the Guarantors, nor any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note or Notes Guarantee pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**"), the laws of a Relevant Taxing Jurisdiction implementing FATCA, any law implementing an intergovernmental approach thereto, or any agreement between the Issuer and the United States or any authority thereof entered into for FATCA purposes.

The Issuer or Guarantor will also make or cause to be made such withholding or deduction of Taxes and remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer will, upon request, make available to the Trustee, within 30 days after the date on which the payment of any Taxes so deducted or withheld is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Issuer or a Guarantor or if, notwithstanding the Issuer's reasonable efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee of such payment by the Issuer.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor will be obliged to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer or Guarantor will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable such Trustee or Paying Agent to pay such Additional Amounts to the holders of the Notes on the payment date. The Issuer will promptly publish a notice in accordance with the provisions set forth in "*— Notices*" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

In addition, the Issuer or a Guarantor will pay (i) any present or future stamp, issue, registration, transfer, documentation, court, excise or property taxes or other similar taxes, charges and duties, including interest, penalties and Additional Amounts with respect thereto in respect of the execution, issue, delivery, registration, redemption or retirement of the Notes, or receipt of payment to, the Indenture or the Notes Guarantees, or any other document or instrument referred to thereunder; (ii) any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes, Notes Guarantee or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes; and (iii) any stamp, court or documentary taxes (or similar charges or levies) imposed with respect to the receipt of any payments with respect to the Notes or the Notes Guarantees.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any Successor Company (as defined below) or successor person to the Issuer or a Guarantor is organized, engaged in business, resident for tax purposes or otherwise subject to taxation on a net income basis or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or this "*Description of Notes*" there is mentioned, in any context, the payment of principal (and premiums, if any), interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to any Notes Guarantee), such mention will be deemed to include mention of the payment of Additional Amounts.

Redemption upon changes in withholding taxes

The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer is or, on the next date on which any amount would be payable in respect of the Notes, would be obliged to pay Additional Amounts (as defined above under "*—General—Additional Amounts*") in respect of the Notes pursuant to the terms and conditions thereof, which the Issuer cannot avoid by the use of reasonable measures available to it as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "*— General—Additional Amounts*") affecting taxation which change or amendment becomes effective on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, on or after the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, on or after the date of assumption by the successor person of the Issuer's obligations hereunder); or

(2) any change in, or amendment to, the official application, administration, or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction or a change in established practice) on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, on or after the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, on or after the date of assumption by the successor person of the Issuer's obligations hereunder) (each of the foregoing Clauses (1) and (2), a "**Change in Tax Law**").

Notwithstanding the foregoing, the Issuer may not redeem the Notes under this provision if the Relevant Taxing Jurisdiction changes under the Indenture and the Issuer is obliged to pay Additional Amounts as a result of a Change in Tax Law of the then current Relevant Taxing Jurisdiction which, at the time the latter became the Relevant Taxing Jurisdiction under the Indenture, had been publicly announced as being or having been formally proposed.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, mailing of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

(1) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it); and

(2) an Opinion of Counsel, of independent tax counsel of recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and who shall be reasonably satisfactory to the Trustee to the effect that the Issuer is or would be obliged to pay such Additional Amounts as a result of a Change in Tax Law.

Absent manifest error, the Trustee will accept such Officer's Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

Notes Guarantees

The Guarantors will, jointly and severally, fully and unconditionally guarantee on a senior basis obligations under the Notes and the Indenture. Each Guarantor will agree that its Notes Guarantee is unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

The Notes Guarantee of each Guarantor:

- is a general senior unsecured obligation of such Guarantor;
- ranks senior in right of payment to all existing and future Guarantor Subordinated Obligations of such Guarantor;
- ranks equally in right of payment to any future senior Indebtedness of such Guarantor, without giving effect to collateral arrangements, including the guarantee (or direct obligation) by such Guarantor of the Existing Notes;
- ranks effectively subordinated to all existing and future obligations and other liabilities (including trade payables) of the Parent's subsidiaries that are not Guarantors; and
- effectively ranks junior to any existing or future Indebtedness of such Guarantor secured by property or assets to the extent of the value of such property or assets.

Although the Indenture will limit the amount of Indebtedness that the Guarantors may Incur, such Indebtedness may be substantial and such limitation is subject to a number of significant qualifications. Moreover, the Indenture does not impose any limitation on the Incurrence by the Guarantors of liabilities that are not considered Indebtedness under the Indenture. See "*—Certain covenants—Limitation on Indebtedness*".

The obligations of each Guarantor under its Notes Guarantee will be limited as necessary to prevent the Notes Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law, and to reflect limitations with respect to corporate benefit and other legal restrictions as applicable, although no assurance can be given that a court would give the holder the benefit of such provision. See "*Risk factors—Risks Related to the Notes and the Guarantees—Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees*".

The Notes Guarantee of a Subsidiary Guarantor will be automatically released:

(a) upon any sale or other disposition of (i) Capital Stock of a Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a Restricted Subsidiary or (ii) all or substantially all of the properties and assets of a Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent or a Restricted Subsidiary of the Parent and that complies with the covenant described in "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*;"

(b) upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary;

(c) in accordance with a transaction that complies with the covenant set forth under "*—Certain covenants—Merger and consolidation*";

(d) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "*—Certain covenants—Limitation on issuances of Guarantees of Indebtedness*'' upon the release or discharge of the Guarantee of Indebtedness by such Restricted Subsidiary which resulted in the obligation to Guarantee the Notes; provided that such Restricted Subsidiary does not guarantee any other Indebtedness of the Issuer or any Guarantor (unless such other guarantee is released at the same time);

(e) upon irrevocable repayment of the Notes;

(f) upon defeasance or satisfaction and discharge of the Indenture as described below under "*—Defeasance*" or "*—Satisfaction and discharge*"; or

(g) as described under "*—Amendments and waivers*".

The Note Guarantee of the Parent will be automatically released in the circumstances prescribed by Clauses (c), (e), (f) or (g) above.

Change of Control

If a Change of Control occurs, unless the Issuer has previously or concurrently exercised its right to redeem all of the Notes as described under "*General—Optional redemption*," each holder will have the right to require the Issuer to repurchase all or any part (equal to U.S.$200,000 or an integral multiple of U.S.$1,000 in excess of U.S.$200,000) of such holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following any Change of Control, unless the Issuer has previously or concurrently exercised its right to redeem all of the Notes as described under "*General—Optional redemption*," the Issuer will mail a notice (the "**Change of Control Offer**") to each holder, with a copy to the Trustee, stating:

(1) that a Change of Control has occurred and that such holder has the right to require the Issuer to purchase such holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of such Notes plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date) (the "**Change of Control Payment**");

(2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed or delivered) (the "**Change of Control Payment Date**");

(3) that any Note not properly tendered will remain outstanding and continue to accrue interest;

(4) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) that holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes, *provided that* the Paying Agent receives, not later than the close of business on the 30th day following the date of the Change of Control Offer, a telegram, telex, facsimile transmission or letter (or any method of reply specified as acceptable in the notice from the Issuer) setting forth the name of the holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such holder is withdrawing its tendered Notes and its election to have such Notes purchased;

(7) that if the Issuer is redeeming less than all of the Notes, the holders of the remaining Notes will be issued new Notes and such new Notes will be equal in principal amount to the unpurchased portion of the Notes surrendered. The unpurchased portion of the Notes must be equal to a minimum principal amount of U.S.$200,000 and an integral multiple of U.S.$1,000 in excess of U.S.$200,000; and

(8) the procedures determined by the Issuer, consistent with the Indenture, that a holder must follow in order to have its Notes repurchased.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes (in a minimum principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000) properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered and not properly withdrawn; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly mail or deliver to each holder of Notes properly tendered and not properly withdrawn the Change of Control Payment for such Notes, and the Trustee, or an authenticating agent appointed by it, will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided that* each such new Note will be in a minimum principal amount of U.S.$200,000 or an integral multiple of U.S.$1,000 in excess of U.S.$200,000.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no further interest will be payable to holders who tender pursuant to the Change of Control Offer.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders to require that the Parent repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the

Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, or compliance with the Change of Control provisions of the Indenture would constitute a violation of any such laws or regulations, the Issuer will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under the Change of Control provisions of the Indenture by virtue of its compliance with such securities laws or regulations.

Notices in respect of the Notes will be given in the manner set forth below under "*Notices*".

The Issuer's ability to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. Future Indebtedness of the Issuer, the Parent and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer or the Parent. Finally, the Issuer's ability to pay cash to the holders upon a repurchase may be limited by the Issuer's or the Parent's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. Any failure of the Issuer to offer to purchase the Notes would constitute a Default under the Indenture, which in turn may constitute a default under an instrument evidencing other Indebtedness of the Issuer, including the Existing Notes.

Even if sufficient funds were otherwise available, future Indebtedness may prohibit the Issuer's or the Parent's prepayment or repurchase of Notes before their scheduled maturity. Consequently, if the Issuer is not able to prepay the Indebtedness under any such other Indebtedness containing similar restrictions or obtain requisite consents, the Issuer will be unable to fulfil its repurchase obligations if holders of Notes exercise their rights following a Change of Control, resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under any such other Indebtedness.

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Parent. The Change of Control purchase feature is a result of negotiations between the underwriters and us. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "— *Certain covenants—Limitation on Indebtedness*" and "*—Certain covenants—Limitation on Liens*". Such restrictions in the Indenture can be waived only with the consent of the holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

The definition of "**Change of Control**" includes a disposition of all or substantially all of the property and assets of the Parent and its Restricted Subsidiaries taken as a whole to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Parent to make an offer to repurchase the Notes as described above.

Certain covenants

Limitation on Indebtedness

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) and the Parent will not permit any of its Restricted Subsidiaries to issue Preferred Stock; *provided*, *however*, *that* the Parent may Incur Indebtedness (including Acquired Indebtedness) and the Issuer or any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) and issue Preferred Stock if, in each case, as of the date of such Incurrence or issuance, the Consolidated Coverage Ratio for the Parent and its Restricted Subsidiaries is at least 2.75 to 1.00, determined on a *pro forma* basis (including a *pro forma* application of proceeds); provided that any Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor may not incur Indebtedness under this paragraph in an amount to exceed U.S.$100.0 million.

This covenant will not prohibit the Incurrence of the following Indebtedness:

(1) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of any services or assets used or useful in the Oil and Gas Business and undertaken as part of a Vendor Financing which, when taken together with the principal amount of all other Indebtedness Incurred under Vendor Financings pursuant to this Clause (1) and then outstanding, will not at any time exceed U.S.$350.0 million (measured at the time of incurrence);

(2) Guarantees by the Parent or any of its Restricted Subsidiaries of Indebtedness (other than Project Debt) of the Parent or any Restricted Subsidiary, as the case may be, Incurred in accordance with the provisions of the Indenture; *provided that* in the event such Indebtedness that is being Guaranteed is a Subordinated Obligation or a Guarantor Subordinated Obligation of the Parent or a Subsidiary Guarantor, then the related Guarantee shall be subordinated in right of payment to the Notes or the Notes Guarantee, as the case may be, to at least the same extent as the Indebtedness being Guaranteed;

(3) the incurrence by the Parent or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Parent and any of its Restricted Subsidiaries; provided, however, that:

(a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Parent and its Restricted Subsidiaries and (ii) only to the extent legally permitted) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a Person other than the Parent or a Restricted Subsidiary of the Parent and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Parent or a Restricted Subsidiary of the Parent will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this Clause (3);

(4) Indebtedness represented by (a) the Notes issued on the Issue Date and all Notes Guarantees, (b) any Indebtedness (other than the Indebtedness described in Clauses (2) and (3) above) outstanding on the Issue Date (including the Existing Notes) and (c) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in this Clause (4), Clause (5), Clause (13) or Incurred pursuant to the first paragraph of this covenant;

(5) Indebtedness of a Person that becomes a Restricted Subsidiary or is acquired by the Parent or a Restricted Subsidiary or merged into the Parent or a Restricted Subsidiary in accordance with the Indenture and outstanding on the date on which such Person became a Restricted Subsidiary or was acquired by or was merged into the Parent or a Restricted Subsidiary (including Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by or was merged into the Parent or a Restricted Subsidiary or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided*, *however*, *that* at the time such Person becomes a Restricted Subsidiary or is acquired by or was merged into the Parent or a Restricted Subsidiary, the Parent would have been able to Incur U.S.$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this Clause (5) or the Consolidated Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) the Incurrence by the Parent or a Restricted Subsidiary of Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations, in each case Incurred for the purpose of financing all or any part of the purchase price or cost of installation, construction or improvements or carrying costs of property, plant and equipment used in the business of the Parent or any of its Restricted Subsidiary, and Refinancing Indebtedness Incurred to Refinance any Indebtedness Incurred pursuant to this Clause (6) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this Clause (6) and then outstanding, will not exceed U.S.$20.0 million at any time outstanding;

(7) the Incurrence by the Parent or any Restricted Subsidiary of any Hedging Obligations not for speculative purposes;

(8) the incurrence by the Parent or a Restricted Subsidiary of Indebtedness in respect of workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property,

casualty or liability insurance, self-insurance obligations and bankers' acceptances in the ordinary course of business;

(9) Indebtedness arising from agreements of the Parent or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earn outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary, *provided that* the maximum liability of the Parent and the Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Parent and the Restricted Subsidiaries in connection with such disposition;

(10) Indebtedness of the Parent and the Restricted Subsidiaries in respect of letters of credit, bid, surety, performance, appeal and similar bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers' compensation obligations, *provided*, *however*, *that* upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(11) Indebtedness of the Parent or any Restricted Subsidiary to the extent the net proceeds thereof are concurrently with the Incurrence thereof deposited to defease the Notes in full as described below under "*—Defeasance*" or "*—Satisfaction and discharge*";

(12) Capital Stock (other than Disqualified Stock) of the Parent or of any of its Restricted Subsidiaries to the extent held by the Parent or any of its Restricted Subsidiaries;

(13) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness in the form of customer deposits and advance payments received in the ordinary course of business from customers for purchases in the ordinary course of business (including, without limitation, under Prepayment Facilities);

(14) the incurrence by any non-Guarantor Restricted Subsidiary of Indebtedness that is Project Debt; and

(15) in addition to the items referred to in Clauses (2) through (14) above, Indebtedness of the Parent or a Restricted Subsidiary in an aggregate outstanding principal amount (including all Indebtedness incurred to renew, refund, refinance, replace, or discharge any Indebtedness incurred pursuant to this Clause (15)) which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this Clause (15) and then outstanding, will not at any time exceed the greater of U.S.$50.0 million or 5.0% of Total Assets (measured at the time of incurrence).

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event an item of that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Parent, in its sole discretion, will classify such item of Indebtedness on the date of Incurrence and may reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant;

(2) Guarantees of, or obligations in respect of letters of credit supporting, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) the principal amount of any Disqualified Stock of the Parent or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(4) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(5) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the amortization of debt discount or the accretion of accreted value, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock and unrealized losses or charges in respect of Hedging Obligations will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be the principal amount or liquidation preference thereof, as applicable, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of the date of such redesignation (and, if such Indebtedness is not permitted to be Incurred as of such date under this "*Limitation on Indebtedness*" covenant, the Parent shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than U.S. dollars, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to secured Indebtedness merely because it is unsecured or (2) senior Indebtedness as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral.

Limitation on Restricted Payments

The Parent will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any payment or distribution on or in respect of the Parent's Capital Stock (including any payment or distribution in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) except:

    (a) dividends or distributions by the Parent payable solely in Capital Stock of the Parent (other than Disqualified Stock); and

    (b) dividends or distributions payable (i) to the Parent or a Restricted Subsidiary and (ii) if paid by a Restricted Subsidiary that is not a Wholly-Owned Subsidiary, to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) so long as the Parent or a Restricted Subsidiary receives at least its *pro rata* share of such dividend or distribution;

(2) purchase, redeem, defease, retire or otherwise acquire for value any Capital Stock of the Parent or any direct or indirect parent of the Parent held by Persons other than the Parent or a Restricted Subsidiary or any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Parent (other than by a Restricted Subsidiary), in each case other than in exchange for Capital Stock of the Parent (other than Disqualified Stock);

(3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations or Guarantor Subordinated Obligations (other than Indebtedness permitted under Clause (3) of the second paragraph of the covenant "*—Certain covenants—Limitation on Indebtedness*"); or

(4) make any Restricted Investment

    (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in Clauses (1) through (4) shall be referred to herein as a "**Restricted Payment**") if at the time the Parent or such Restricted Subsidiary makes such Restricted Payment:

    (a) a Default shall have occurred and be continuing (or would result therefrom);

    (b) the Parent is not able to Incur an additional U.S.$1.00 of Indebtedness pursuant to the covenant described under the first paragraph under "*—Certain covenants—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Existing Notes Issue Date would exceed the sum of:

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from 1 January 2017 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds received by the Parent from the issue or sale of its Capital Stock (other than Disqualified Stock) or other cash capital contributions to the Parent subsequent to the Existing Notes Issue Date (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock to (y) a Subsidiary of the Parent or (z) an employee stock ownership plan, option plan or similar trust);

(iii) the amount by which Indebtedness of the Parent or its Restricted Subsidiaries is reduced on the Parent's balance sheet upon the conversion or exchange (other than by a Wholly-Owned Subsidiary of the Parent) subsequent to the Existing Notes Issue Date of any Indebtedness of the Parent or its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Parent (less the amount of any cash, or the Fair Market Value of any other property (other than such Capital Stock), distributed by the Parent upon such conversion or exchange), together with the net proceeds, if any, received by the Parent or any of its Restricted Subsidiaries upon such conversion or exchange; *provided that* the foregoing amount shall not exceed the Net Cash Proceeds received by the Parent or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sale to (y) a Subsidiary of the Parent or (z) an employee stock ownership plan, option plan or similar trust);

(iv) the amount equal to the aggregate net reduction in Restricted Investments that were made by the Parent or any of its Restricted Subsidiaries in any Person after the Existing Notes Issue Date resulting from:

(A) repurchases, repayments or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale of such Restricted Investment (other than to a Subsidiary of the Parent), repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Parent or any Restricted Subsidiary; and

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries or an Unrestricted Subsidiary is merged, amalgamated or consolidated with or into the Parent or a Restricted Subsidiary, or all or substantially all of the properties or assets of such Unrestricted Subsidiary are transferred to the Parent or a Restricted Subsidiary (valued in each case as provided in the definition of "**Investment**"),

not to exceed, in each case, the amount of Restricted Investments previously made by the Parent or any Restricted Subsidiary in such Person or Unrestricted Subsidiary; *provided*, *however*, *that* no amount will be included under this Clause (iv) to the extent it is already included in Consolidated Net Income;

(v) to the extent that any Restricted Investment that was made after the Existing Notes Issue Date is (x) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the Fair Market Value of the marketable securities and other property received by the Parent or any Restricted Subsidiary, or (y) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Parent and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; and

(vi) 100% of any dividends or distributions received by the Parent or a Restricted Subsidiary after the Existing Notes Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Parent for such period.

The provisions of the preceding paragraph will not prohibit:

(1) any Restricted Payment made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Parent (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Parent or an employee stock ownership plan or similar trust) or a substantially concurrent cash

capital contribution received by the Parent from its shareholders; *provided*, *however*, *that* (a) such Restricted Payment will be excluded from subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale of Capital Stock or capital contribution will be excluded from Clause (c)(ii) of the preceding paragraph;

(2) so long as no Default has occurred and is continuing, any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations or Guarantor Subordinated Obligations made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness of such Person that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Certain covenants—Limitation on Indebtedness*;" *provided*, *however*, *that* such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded from subsequent calculations of the amount of Restricted Payments;

(3) so long as no Default has occurred and is continuing, any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Parent or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Parent or such Restricted Subsidiary, as the case may be, that, in each case, does not mature, is redeemable, convertible or exchangeable prior to the retired Disqualified Stock and is permitted to be Incurred pursuant to the covenant described under "*— Certain covenants—Limitation on Indebtedness;*" *provided*, *however*, *that* such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded from subsequent calculations of the amount of Restricted Payments;

(4) dividends paid or distributions made within 60 days after the date of declaration if at such date of declaration such dividend or distribution would have complied with this covenant; *provided*, *however*, *that* such dividends and distributions will be included in subsequent calculations of the amount of Restricted Payments; and *provided further*, *however*, *that* for purposes of clarification, this Clause (4) shall not include cash payments in lieu of the issuance of fractional shares included in Clause (7) below;

(5) so long as no Default has occurred and is continuing, the purchase, repurchase, redemption or other acquisition or retirement for value of Capital Stock or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock of the Parent or any Restricted Subsidiary held by any existing or former employees, management, officers or directors of the Parent or any Restricted Subsidiary or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management, employees, officers or directors; *provided that* such purchases, repurchases, redemptions, acquisitions or retirements during any calendar year will not exceed U.S.$2 million in the aggregate; *provided further*, *that* such maximum amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds received by the Parent from the sale of Capital Stock of the Parent to members of management or directors of the Parent and its Restricted Subsidiaries that occurs after the Issue Date (to the extent the cash proceeds from the sale of such Capital Stock have not otherwise been applied to the making of Restricted Payments pursuant to Clause (c) of the preceding paragraph), plus (B) the cash proceeds of key man life insurance policies received by the Parent and its Restricted Subsidiaries after the Issue Date; *provided further*, *however*, *that* the amount of any such purchase, repurchase, redemption, acquisition or retirement will be included in subsequent calculations of the amount of Restricted Payments and the proceeds received from any such sale will be excluded from Clause (c)(ii) of the preceding paragraph;

(6) repurchases, redemptions or other acquisitions or retirements for value of Capital Stock deemed to occur upon the exercise of stock options, warrants, rights to acquire Capital Stock or other convertible securities if such Capital Stock represents a portion of the exercise or exchange price thereof, and any repurchases, redemptions or other acquisitions or retirements for value of Capital Stock made in lieu of withholding taxes in connection with any exercise or exchange of warrants, options or rights to acquire Capital Stock; *provided*, *however*, *that* such repurchases will be excluded from subsequent calculations of the amount of Restricted Payments;

(7) cash payments in lieu of the issuance of fractional shares; *provided*, *however*, *that* any payment pursuant to this Clause (7) shall be excluded from subsequent calculations of the amount of Restricted Payments;

(8) the declaration and payment of scheduled or accrued dividends to holders of any class of or series of Disqualified Stock of the Parent or any Preferred Stock of any Restricted Subsidiaries issued on or after the Issue Date in accordance with the covenant captioned "*—Certain covenants—Limitation on Indebtedness*," to the extent such dividends are included in Consolidated Interest Expense; *provided*, *however*, *that* any payment pursuant to this Clause (8) shall be excluded from subsequent calculations of the amount of Restricted Payments;

(9) to the extent constituting Restricted Payments, any payments pursuant to Clause (8) or Clause (9) of the second paragraph of the covenant described under "—*Certain covenants—Limitation on Affiliate Transactions;*" *provided that* the amount of such Restricted Payments shall be excluded from subsequent calculations of the amount of Restricted Payments;

(10) the repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations or Guarantor Subordinated Obligations with (i) the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness; (ii) from Net Available Cash to the extent permitted under "—*Limitation on sales of assets and Subsidiary stock*" below, but only if the Issuer shall have first complied with the terms described under "—*Limitation on sales of assets and Subsidiary stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Indebtedness at a purchase price not greater than 100% of the principal amount of such Indebtedness plus accrued and unpaid interest or (iii) to the extent required by the agreement governing such Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (a) if the Issuer shall have first complied with the terms described under "—*Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Indebtedness and (b) at a purchase price not greater than 101% of the aggregate principal amount of such Indebtedness plus accrued and unpaid interest *provided*, *however*, *that* such repurchase, redemption, defeasance or other acquisition or retirement will be excluded from subsequent calculations of the amount of Restricted Payments;

(11) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed the greater of U.S.$25.0 million *provided*, *however*, *that* such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount and the Fair Market Value of any non-cash Restricted Payment shall be determined as provided in the definition of "Fair Market Value".

In the event that a Restricted Payment meets the criteria of more than one of the exceptions described in Clauses (1) through (11) above or is entitled to be made pursuant to the first paragraph above, the Parent shall, in its sole discretion, classify such Restricted Payment.

As of the Issue Date, the Parent has no Unrestricted Subsidiaries. The Parent will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the last sentence of the definition of "Unrestricted Subsidiary." For purpose of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Parent and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of "Investment." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, whether pursuant to the first or second paragraph of this covenant or pursuant to the definition of "Permitted Investments," and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

Limitation on Liens

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien (the "**Initial Lien**") of any kind securing Indebtedness other than Permitted Liens upon any of its property or assets (including Capital Stock of Restricted Subsidiaries), including any income or profits therefrom, whether owned on the date of the Indenture or acquired after that date; *provided that* the Parent and any of its Restricted Subsidiaries may Incur or suffer to exist any Initial Lien on property or assets if, contemporaneously with the Incurrence of such Initial Lien, effective provision is made to secure the Indebtedness due under the Notes and Notes Guarantees equally and ratably with (or senior in priority to in the case of Initial Liens with respect to Subordinated Obligations or Guarantor Subordinated Obligations, as the case may be) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

Limitation on restrictions on distributions from Restricted Subsidiaries

The Parent will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Parent or any Restricted Subsidiary (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);

(2) make any loans or advances to the Parent or any Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Parent or any Restricted Subsidiary to other Indebtedness Incurred by the Parent or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(3) sell, lease or otherwise transfer any of its property or assets to the Parent or any Restricted Subsidiary.

The preceding provisions will not prohibit any encumbrance or restriction:

(i) (a) pursuant to or by reason of an agreement in effect at or entered into on the Existing Notes Issue Date, and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided that* the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such encumbrance or restriction than those contained in those agreements on the Existing Notes Issue Date and (b) pursuant to or by reason of the Notes Documents;

(ii) with respect to a Person pursuant to or by reason of an agreement or instrument relating to any Capital Stock or Indebtedness Incurred by such Person on or before the date on which such Person was acquired by the Parent or another Restricted Subsidiary (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person was acquired by the Parent or a Restricted Subsidiary or in contemplation of the transaction) and outstanding on such date; *provided that* any such encumbrance or restriction shall not extend to any assets or property of the Parent or any other Restricted Subsidiary other than the assets and property of the Person so acquired;

(iii) contained in contracts entered into in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of, or from the ability of the Parent and the Restricted Subsidiaries to realize the value of, property or assets of the Parent or any Restricted Subsidiary in any manner material to the Parent or any Restricted Subsidiary;

(iv) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease (including leases governing leasehold interests), license or similar contract, or the assignment or transfer of any such lease (including leases governing leasehold interests), license (including, without limitation, licenses of intellectual property) or other contract;

(vi) contained in mortgages, pledges or other security agreements permitted under the Indenture securing Indebtedness of the Parent or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements;

(vii) contained in Hedging Obligations permitted from time to time under the Indenture;

(viii) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Parent or any Restricted Subsidiary;

(ix) restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business;

(x) provisions with respect to the disposition or distribution of assets or property in operating agreements, joint venture agreements, development agreements, area of mutual interest agreements and other agreements that are customary in the Oil and Gas Business and entered into in the ordinary course of business;

(xi) purchase money obligations, mortgage financings, Capitalized Lease Obligations Incurred pursuant to Clause (6) of the second paragraph of the covenant described under "—*Certain covenants—Limitation on Indebtedness*" that impose restrictions on the property purchased or leased;

(xii) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or a portion of the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(xiii) any customary encumbrances or restrictions imposed pursuant to any agreement governing a Vendor Financing, under any Prepayment Facility or under any Project Debt;

(xiv) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order or the terms of any authorisation, concession or permit;

(xv) any encumbrance or restriction contained in the terms of any Indebtedness Incurred pursuant to the first paragraph of the covenant described under "—*Certain covenants—Limitation on Indebtedness*" or any guarantees thereof or liens related thereto and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such terms if (x) either (i) the encumbrance or restriction applies only in the event of and during the continuance of a payment default or a default with respect to a financial covenant contained in such Indebtedness, guarantees or liens or (ii) the Parent determines at the time any such Indebtedness is Incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction will not materially affect the Issuer's and the Guarantors' ability to make principal or interest payments on the Notes and any other Indebtedness for borrowed money that is an obligation of the Issuer or the Guarantors and (y) the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings or agreements (as determined by the Parent in good faith);

(ix) supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements and similar documents and agreements;

(x) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(xi) any encumbrance or restriction existing under any agreement that extends, renews, refinances (including by way of Refinancing Indebtedness) or replaces the agreements containing the encumbrances or restrictions in the foregoing Clauses (i) through (x), or in this Clause (xi); *provided that* the terms and the conditions of any such encumbrances or restrictions are not more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

Limitation on sales of assets and Subsidiary stock

The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Parent or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreed for such Asset Disposition and including the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(2) at least 75% of the consideration received by the Parent or such Restricted Subsidiary, as the case may be, from such Asset Disposition is in the form of cash or Cash Equivalents or Additional Assets, or any combination thereof; and

(3) except as provided in the next paragraph, an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied, within one year from the date of such Asset Disposition by the Parent or such Restricted Subsidiary, as the case may be:

(a) to the extent that the Parent or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase (i) any Indebtedness of the Parent or a Subsidiary Guarantor that is secured by a Lien permitted to be Incurred under the Indenture, either on a basis prior to the Notes or where such Lien does not secure the Notes or (ii) Indebtedness (other than Disqualified Stock) of any Subsidiary of the Parent that is not a Subsidiary Guarantor; *provided*, *however*, *that*, in connection with any prepayment, repayment, redemption or purchase of Indebtedness pursuant to this Clause (a), the Parent or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, redeemed or purchased;

(b) to invest in Additional Assets;

(c) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of holders of the Notes of record on the relevant record date to receive interest due on the relevant interest payment date) (a "**Notes Offer**") or to redeem the Notes as set forth under "*—General—Optional redemption*"; or

(d) enter into a binding commitment to apply Net Available Cash pursuant to Clause (b) of this paragraph; *provided that* such binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned one year period,

provided that pending the final application of any such Net Available Cash in accordance with this covenant, the Parent and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds". Not later than the Business Day immediately following the date that is one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds U.S.$15.0 million, the Issuer will be required to make an offer (an "**Asset Disposition Offer**") to all holders of Notes and, to the extent required by the terms of other *Pari Passu* Indebtedness, to all holders of other *Pari Passu* Indebtedness outstanding with similar provisions requiring the Issuer to make an offer to purchase such *Pari Passu* Indebtedness with the proceeds from any Asset Disposition to purchase the maximum principal amount of Notes and any such *Pari Passu* Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount (or, in the event such *Pari Passu* Indebtedness of the Issuer was issued with significant original issue discount, 100% of the accreted value thereof) of the Notes and *Pari Passu* Indebtedness plus accrued and unpaid interest, if any (or in respect of such *Pari Passu* Indebtedness, such lesser price, if any, as may be provided for by the terms of such Indebtedness), to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures set forth in the Indenture or the agreements governing the *Pari Passu* Indebtedness, as applicable, in each case in minimum principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000. If the aggregate principal amount of Notes surrendered by holders thereof and other *Pari Passu* Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness or if the aggregate principal amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee will select the Notes to be purchased on a pro rata basis or in accordance with the procedures of DTC (or in the manner described under "*—Selection and Notice*"), based on the amounts tendered or required to be prepaid or redeemed. To the extent that the aggregate amount of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for any purpose not prohibited by the Indenture.

The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and *Pari Passu* Indebtedness required to be purchased pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no further interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer.

On the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn, in each case in minimum principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant and, in addition, the Issuer will deliver all certificates and notes required, if any, by the agreements governing the *Pari Passu* Indebtedness. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after the termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of *Pari Passu* Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or *Pari Passu* Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note, and the Trustee or an authenticating agent appointed by it, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided that* each such new Note will be in a minimum principal amount of U.S.$200,000 or an integral multiple of U.S.$1,000 in excess of U.S.$200,000. In addition, the Issuer will take any and all other actions required by the agreements governing the *Pari Passu* Indebtedness. Any Note not so accepted will be promptly mailed or delivered by the Issuer to the holder thereof. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of its compliance with such securities laws or regulations.

For the purposes of Clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness (other than Subordinated Obligations or Disqualified Stock) of the Parent or Indebtedness of a Restricted Subsidiary (other than Guarantor Subordinated Obligations, Preferred Stock or Disqualified Stock of any Restricted Subsidiary that is a Subsidiary Guarantor) and the unconditional release of the Parent or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition, in which case the Parent will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with Clause (3)(a) of the first paragraph of this covenant;

(2) securities, notes or other obligations received by the Parent or any Restricted Subsidiary from the transferee that are converted by the Parent or such Restricted Subsidiary into cash within 180 days after receipt thereof;

(3) consideration consisting of Indebtedness of the Parent (other than Subordinated Obligations or Disqualified Stock) or Indebtedness of a Restricted Subsidiary (other than Guarantor Subordinated Obligations, Preferred Stock or Disqualified Stock) which is either deemed repaid in full or is cancelled in connection with such Asset Disposition; and

(4) any Designated Non-cash Consideration received by the Parent or any Restricted Subsidiary in such Asset Dispositions having an aggregate Fair Market Value, when taken together with all other Designated Non-cash Consideration received pursuant to this Clause (4) that is at that time outstanding, not to exceed U.S.$20.0 million (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Limitation on Affiliate Transactions

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, make, amend or conduct any transaction (including making a payment to, the purchase, sale, lease or exchange of any property or the rendering of any service), contract, agreement or understanding with or for the benefit of any Affiliate of the Parent in an amount exceeding U.S.$5.0 million (an "**Affiliate Transaction**") unless:

(1) the terms of such Affiliate Transaction are no less favourable to the Parent or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction on an arm's-length basis with a Person that is not such an Affiliate as certified by an Officer's Certificate;

(2) the terms of such Affiliate Transaction have been approved by a majority of members of the Board of Directors of the Parent who are disinterested with respect to the transaction and such members of the Board of Directors have accepted the Officer's Certificate delivered pursuant to Clause (1) above; and

(3) if such Affiliate Transaction involves an aggregate consideration in excess of U.S.$25.0 million, the Board of Directors of the Parent has received a written opinion from an independent investment banking, accounting or appraisal firm of internationally recognized standing that such Affiliate Transaction is fair, from a financial standpoint, to the Parent or such Restricted Subsidiary or is not materially less favourable to the Parent and the Restricted Subsidiaries than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Certain covenants—Limitation on Restricted Payments*" or any Permitted Investment;

(2) any issuance of Capital Stock (other than Disqualified Stock), or other payments, awards or grants in cash, Capital Stock (other than Disqualified Stock) or otherwise pursuant to, or the funding of, employment or severance agreements and other compensation arrangements, options to purchase Capital Stock (other than Disqualified Stock) of the Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans and/or indemnity provided on behalf of officers and employees approved by the Board of Directors of the Parent;

(3) loans or advances (or cancellations thereof) or guarantees of loans to employees or, officers of the Parent or any of its Restricted Subsidiaries or members of the Board of Directors of the Parent or any of its Restricted Subsidiaries not to exceed U.S.$5.0 million in the aggregate outstanding at any time;

(4) any transaction between the Parent and any Restricted Subsidiary or between Restricted Subsidiaries;

(5) any transaction with a joint venture or similar entity which would constitute an Affiliate Transaction solely because the Parent or a Restricted Subsidiary owns, directly or indirectly, Capital Stock in or otherwise controls such joint venture or similar entity;

(6) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Parent or the receipt by the Parent of any capital contribution;

(7) any employment agreement, employee compensation plan or employee benefit arrangement, indemnification and similar arrangement (including the payment of directors' and officers' insurance premiums), employee salaries and bonuses (including stock options) entered into in the ordinary course of business by the Parent or any of its Restricted Subsidiaries;

(8) the payment of reasonable compensation and fees paid to, and indemnity provided on behalf of, members of the Board of Directors of the Parent or any Restricted Subsidiary and indemnities of directors of the Parent or any of its Restricted Subsidiaries permitted by bylaws or statutory provisions;

(9) the agreements relating to, and payments thereunder to fund, the cost of services provided directly to the Parent or any Restricted Subsidiary by employees, officers, contractors, consultants or advisors (and related indemnities for such employees, officers, contractors, consultants or advisors) of the Issue Date Counterparty or of any Affiliate of the Issue Date Counterparty; *provided that* the aggregate level of such payments shall be consistent with the ordinary course of business and past practice of the Parent and its Restricted Subsidiaries, taken as a whole;

(10) the performance of obligations of the Parent or any of its Restricted Subsidiaries under the terms of any agreement to which the Parent or any of its Restricted Subsidiaries is a party as of or on the Existing Notes Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided*, *however*, *that* any future amendment, modification, supplement, extension or renewal entered into after the Existing Notes Issue Date will be permitted to the extent that its terms are not materially more disadvantageous, taken as a whole, to the holders of the Notes than the terms of the agreements in effect on the Existing Notes Issue Date;

(11) transactions permitted by, and complying with, the provisions of "*—Certain covenants—Merger and consolidation*" and all agreements and instruments effecting such transactions; and

(12) (i) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labour, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Parent or the Restricted Subsidiaries, in the reasonable determination of the senior management of the Parent, or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated Person and (ii) to the extent constituting Affiliate Transactions, transactions with any governmental agency or entity in connection with the Oil and Gas Business or in connection with any Prepayment Facilities.

Reports to holders

So long as any Notes are outstanding, the Parent will furnish to the Trustee and to holders of the Notes (as described below):

(1) within 120 days after the end of the Parent's fiscal year, annual reports containing: (i) information with a scope that is substantially comparable in all material respects to the sections in this Offering Memorandum entitled "*Risk Factors*," "*Selected Historical Financial Information,*" "*Business,*" "*Management and Corporate Governance,*" "*Related Parties and Related Party Transactions*" *and* "*Description of Significant Indebtedness;*" (ii) the audited consolidated balance sheet of the Parent and the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Parent for the most recent two fiscal years, including appropriate footnotes to such financial statements, and the report of the independent auditors on the financial statements; and (iii) information with a level of detail that is substantially comparable in all material respects to the section in this Offering Memorandum entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*;"

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Parent, (i) quarterly financial statements containing the Parent's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure and (ii) with respect to the second fiscal quarter in each fiscal year of the Parent information for such quarter and the year-to-date period with a level of detail that is substantially comparable in all material respects to the section in this Offering Memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations;" and

(3) promptly after the occurrence of a material event, acquisition, disposition, restructuring, changes of the Chief Executive Officer, Chief Financial Officer, Director of Geology or General Counsel of the Parent or a change in auditors of the Parent, a report containing a description of such event.

In addition, the Parent shall furnish to the holders of the Notes and to prospective investors, upon the request of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

Notwithstanding the foregoing, the reports set forth in Clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles (or any replacement, in whole or in part, thereof), (ii) include separate financial statements for any Guarantors or non-Guarantors (or aggregate set of either thereof) or (iii) include any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

The Parent will be deemed to have furnished to the Trustee its reports once it has published such reports on the Parent's public website. In addition, if and so long as the Notes are listed on the Official List of the Irish Stock Exchange and traded on the Global Exchange Market and to the extent that the rules of the Irish Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the Paying Agent in Ireland.

At any time that any of the Parent's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Parent, then the annual financial information and the second fiscal quarter information, in each case, required by the first paragraph of this "*Reports to holders*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Parent and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All reports provided pursuant to this "*Reports to holders*" covenant shall be made in the English language.

Merger and consolidation

The Parent and the Issuer will not consolidate with or merge with or into (whether or not the Parent, or the Issuer, as applicable, is the surviving corporation), or convey, transfer or lease all or substantially all of its assets in one or more related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "**Successor Company**") will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member state of the European Union, Switzerland, the Republic of Kazakhstan, Canada, the United States, any state of the United States or the District of Columbia and the Successor Company (if not the Parent or the Issuer, as applicable) will expressly assume, by supplemental indenture and other appropriate agreements and instruments, executed and delivered to

the Trustee, in form reasonably satisfactory to the Trustee, all of the obligations of the Parent or the Issuer, as applicable, under the Notes and the Indenture;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving pro forma effect to such transaction, the Successor Company would be able to Incur at least an additional U.S.$1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "—*Certain covenants—Limitation on Indebtedness*" or the Consolidated Coverage Ratio would not be less than it was immediately prior to giving effect to transaction;

(4) the Successor Company is not the Parent or the Issuer, each Subsidiary Guarantor (unless it is the other party to the transactions above, in which case Clause (1) shall apply) shall have by a supplemental indenture confirmed that its Notes Guarantee shall apply to such Successor Company's obligations in respect of the Indenture and the Notes; and

(5) the Parent shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture (if any) comply with the Indenture and such supplemental indenture, if any, and the Notes are enforceable.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Parent.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Parent or the Issuer, as applicable, under the relevant Notes Documents; and the predecessor Parent or Issuer, as applicable, except in the case of a lease of all or substantially all its assets, will be released from all of its obligations under the relevant Notes Documents.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

In addition, the Parent will not permit any Subsidiary Guarantor to consolidate with or merge with or into, and will not permit the conveyance, transfer or lease of substantially all of the assets of any Subsidiary Guarantor to, any Person (other than the Issuer, the Parent or another Subsidiary Guarantor) unless:

(1) (a) the resulting, surviving or transferee Person will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member state of the European Union, Switzerland, the Republic of Kazakhstan, Canada, the United States, any state of the United States or the District of Columbia and such Person (if not such Subsidiary Guarantor) will expressly assume, by supplemental indenture and other appropriate agreements and instruments, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee and (b) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the resulting, surviving or transferee Person or any Restricted Subsidiary as a result of such transaction as having been Incurred by such Person or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing; and

(2) the Parent shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

This "*Merger and consolidation*" covenant will not apply to: (a) any consolidation or merger among Guarantors, (b) any consolidation or merger among the Issuer and any Guarantor, *provided that*, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organized or existing under the laws of The Republic of Kazakhstan, any member state of the European Union, Switzerland, Canada, the United States, any state of the United States or the District of Columbia and will assume the obligations of the Issuer under the Indenture and the Notes, or (c) any sale, assignment, transfer, conveyance, lease or other disposition of assets among the Issuer and/or the Guarantors, *provided*, *however*, *that* this "Merger and consolidation" covenant shall apply, if the Issuer so elects, to any sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the assets of the Parent to any other Guarantor.

Limitation on issuances of guarantees of Indebtedness

The Parent will not cause or permit any Restricted Subsidiary (other than the Issuer) that is not a Subsidiary Guarantor, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Issuer, the Parent or any Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Note Guarantee of the payment of the Notes by such Restricted Subsidiary, which guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness.

Each additional Note Guarantee will be limited as necessary to recognize certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law.

The first paragraph of this covenant will not be applicable to any guarantees of any Restricted Subsidiary given to a bank or trust company having combined capital and surplus and undivided profits of not less than U.S.$500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established in the ordinary course of business for the benefit of the Parent or any of the Restricted Subsidiaries.

Notwithstanding the foregoing, the Parent shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that such guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law or any liability for the officers, directors or shareholders of such Restricted Subsidiary that, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary.

Limitation on Line of Business

The Parent will not, and will not permit any Restricted Subsidiary, to engage in any business other than an Oil and Gas Business (including the financing and refinancing of such activities).

Listing

The Parent shall use all commercially reasonable efforts to list and maintain the listing of the Notes on the Irish Stock Exchange; *provided that* if the Parent is unable to list the Notes on the Irish Stock Exchange or if maintenance of such listing becomes unduly onerous, it will use all commercially reasonable efforts to list and maintain the listing of the Notes on another recognized stock exchange.

Payments for consent

Neither the Parent nor any of its Restricted Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fees or otherwise, to any holder of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, the Parent and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (a)(i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Parent or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Parent in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Events of default

Each of the following is an Event of Default:

(1) default in any payment of interest on any Note when due, continued for 30 days;

(2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, or otherwise;

(3) failure by the Issuer or a Guarantor to comply with its obligations under "*—Certain covenants—Merger and consolidation*";

(4) failure by the Issuer or a Guarantor to comply for 30 days after notice as provided below with any of its obligations under the covenant described under "*Change of Control*" above or under the covenants described under "*Certain covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under Clause (2) above and other than a failure to comply with "*—Certain covenants—Merger and consolidation*");

(5) failure by the Issuer or a Guarantor to comply for 60 days after notice as provided below with its other agreements contained in the Indenture (other than those covered under Clauses (1), (2), (3) and (4) above);

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness by the Parent or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Parent or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:

   (a) is caused by a failure to pay principal of, or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness ("**payment default**"); or

   (b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**"),

   and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates U.S.$25.0 million or more;

(7) certain events of bankruptcy, insolvency or reorganization of the Issuer, a Guarantor or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(8) any judgment or decree for the payment of money in excess of U.S.$25.0 million is entered against the Issuer, any Guarantor, any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary, remains outstanding for a period of 60 consecutive days following such judgment and is not discharged, waived or stayed (the "**judgment default provision**"); or

(9) any Notes Guarantee ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or any Guarantor denies or disaffirms its obligations under the Indenture or its Notes Guarantee.

However, a default under Clauses (4) and (5) of this paragraph will not constitute an Event of Default until i) the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Parent in writing or ii), in the case where a notice of the default is given by the holders or, the Trustee, the Parent does not cure such default within the time specified in Clauses (4) and (5) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in Clause (7) above) occurs and is continuing, the Trustee by notice to the Parent, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Parent and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, accrued and unpaid interest, if any, on all the Notes to be due and payable. If an Event of Default described in Clause (7) above occurs and is continuing, the principal of, premium, if any, accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to non-payment of principal, premium or interest, if any) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction based on an Opinion of Counsel delivered by the Parent to the Trustee, (2) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived and (3) the Parent has paid the Trustee its proper compensation and has reimbursed the Trustee for its costs, expenses, disbursements and advances.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders unless such holders have provided to the Trustee indemnity and/or security and/or prefunding against any loss, liability, costs or expense satisfactory to the Trustee in its sole discretion. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have provided the Trustee security and/or indemnity and/or pre-funding satisfactory to the Trustee in its sole discretion against any loss, liability, cost or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity or pre-funding; and

(5) the holders of a majority in principal amount of the outstanding Notes have not waived such Event of Default or otherwise given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security and/or pre-funding satisfactory to it in its sole discretion against all losses, liabilities, costs and expenses caused by taking or not taking such action.

The Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Parent is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Parent also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain Defaults, their status and what action the Parent is taking or proposing to take in respect thereof.

Amendments and waivers

The Indenture, the Notes and the Notes Guarantees may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past or existing default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of holders holding at least 75% of the principal amount of the Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), no amendment may:

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note pursuant to the provisions described under "—*General—Optional redemption*," or change the time at which any Note may be redeemed pursuant to the provisions described under "—*General—Optional redemption*;"

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of, premium, if any, principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(7) make any change in the amendment provisions or the waiver provisions, in each case which require the consent of holders holding at least 75% of the principal amount of the Notes;

(8) release any Notes Guarantees (except in accordance with the terms of the Indenture);

(9) make any change in the provisions of the Indenture described under "— *General—Additional Amounts*" that adversely affects the rights of any holder of Notes or amend the terms of the Notes or the Indenture in a way that would result in the loss of an exemption from any of the Taxes described thereunder; or

(10) make any change to or modify the ranking of the Notes that would adversely affect the holders.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, the Guarantors and the Trustee may amend the Indenture, the Notes and the Notes Guarantees to:

(1) cure any ambiguity, omission, defect, mistake or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Parent, the Issuer or any Subsidiary Guarantor under any Notes Document;

(3) add Guarantees with respect to the Notes, including Subsidiary Guarantees, or release a Subsidiary Guarantor from its Subsidiary Guarantee and terminate such Subsidiary Guarantee; *provided that* the release and termination do not violate the Indenture;

(4) provide security for the Notes or the Notes Guarantees;

(5) add to the covenants of the Parent or a Subsidiary Guarantor for the benefit of the holders or surrender any right or power conferred upon the Parent or a Subsidiary Guarantor;

(6) make any change that does not adversely affect the rights of any holder;

(7) comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act;

(8) provide for the succession of a successor Trustee;

(9) conform the text of the Indenture or the Notes to any provision of this description of notes;

(10) provide for the issuance of Additional Notes in accordance with the terms of the Indenture; or

(11) allow any Guarantor to execute a supplemental indenture and a Note Guarantee with respect to the Notes

In connection with any proposed amendment or supplement in respect of such matter, the Trustee will be entitled to receive, and rely conclusively on, an Opinion of Counsel and/or an Officer's Certificate.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Parent is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice will not impair or affect the validity of the amendment.

Defeasance

The Parent and the Issuer at any time may terminate all their respective obligations under the Notes, the Indenture and the Parent's Notes Guarantee ("**legal defeasance**"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a Registrar and Paying Agent in respect of the Notes. If the Parent and the Issuer exercise their legal defeasance option, the Notes Guarantees of the Subsidiary Guarantors in effect at such time will terminate.

The Parent and the Issuer at any time may terminate all of their respective obligations described under "*—General—Change of Control*" and under covenants described under "*Certain covenants*" (other than Clauses (1), (2), (4) and (5) of the first paragraph and Clauses (1), (2) and (3) of the sixth paragraph under "*—Certain covenants—Merger and consolidation*"), the operation of the cross default upon a payment default, cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries (other than Guarantors), the judgment default provision, and the limitations contained in Clause (3) of the first paragraph under "*—Certain covenants—Merger and consolidation*" above, and the Parent and the other Guarantors may terminate the obligations of such Guarantors to provide the Notes Guarantees, which thereupon shall be automatically released ("**covenant defeasance**").

The Parent and the Issuer may exercise their legal defeasance option notwithstanding the Parent's prior exercise of its covenant defeasance option. If the Parent and the Issuer exercise their legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Parent exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in Clause (4), (5), (6), (7) (with respect only to Significant Subsidiaries other than Guarantors), (8), (9) or (10) under "*Events of default*" above or because of the failure of the Parent to comply with Clause (3) of the first paragraph under "*—Certain covenants—Merger and consolidation*" above.

In order to exercise either defeasance option, the Parent must, among other things, irrevocably deposit in trust (the "**defeasance trust**") with the Trustee money or U.S. Government Obligations (or a combination thereof) for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit and defeasance and will be subject to United States federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law.

Satisfaction and discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when either:

(1) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Parent and thereafter repaid to the Parent or discharged from such trust) have been delivered to the Trustee for cancellation; or

(2) all Notes that have not been delivered to the Trustee for cancellation have become due and payable or will become due and payable within one year by reason of the giving of a notice of redemption or otherwise and the Parent or any Subsidiary Guarantor has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust solely for such purpose, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal and accrued interest to the date of maturity or redemption, and in each case certain other requirements set forth in the Indenture are satisfied.

No personal liability of directors, officers, employees and stockholders

No member of the Board of Directors of the Parent, officer, employee, director, incorporator, stockholder, member, partner or trustee of the General Partner, the Parent, the Issuer or any Subsidiary Guarantor, as such, shall have any liability for any obligations of the Parent, the Issuer or any Subsidiary Guarantor under the Notes, the Indenture or the Notes Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver and release may not be effective to waive liabilities under U.S. federal or other applicable securities laws.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Concerning the Trustee and Certain Agents

Citibank, N.A., London Branch has been appointed to be the Trustee and the Paying Agent under the Indenture and Citigroup Global Markets Deutschland AG has been appointed as Registrar with regard to the Notes. The Trustee will be permitted to engage in other transactions with the Issuer, Parent, Guarantors and their Affiliates and Subsidiaries.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, cost and expense incurred by the Trustee without gross negligence and wilful misconduct.

Notices

For Notes which are represented by global Notes held on behalf of DTC, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders.

So long as any Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Notes outstanding.

Governing law

The Indenture will provide that it, the Notes and the Notes Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Arbitration, Consent to Jurisdiction and Service of Process

Each of the Issuer, the Guarantors and the Trustee have irrevocably agreed that any dispute arising out of or connected with the Indenture (including the Notes or any Guarantee) (including, without limitation, (1) any contractual, pre-contractual or non-contractual rights, obligations or liabilities arising in any way out of, in relation to or in connection with the Indenture, and (2) any issue as to the existence, validity or termination of the Indenture) (a "**Dispute**") shall, subject to the below, be referred to and finally resolved by arbitration under the Arbitration Rules (the "**Rules**") of the LCIA. The arbitral tribunal shall consist of three arbitrators. Each party will nominate an arbitrator and then the two arbitrators shall together nominate a Chairman. Any requirement in the Rules to take account of the nationality of a person considered for appointment as an arbitrator shall be disapplied and a person shall be nominated or appointed as an arbitrator (including as Chairman) regardless of his nationality. The seat of arbitration shall be London, England. The language of the arbitration shall be English.

At the sole option of the Trustee, any suit, action or proceeding relating to a Dispute may be instituted in any State or U.S. federal court in The City of New York and County of New York. If the Trustee is in the position of a Respondent (as defined in the LCIA Rules) and wishes to exercise this option, it must do so by notice to the other parties to the Dispute within 30 days of service on it of the Request for Arbitration (as defined in the LCIA Rules).

The Indenture will provide that each of the Issuers and the Guarantors will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any federal or state court located in the Borough of Manhattan in the City of New York and will submit to such jurisdiction.

Enforceability of judgments

Substantially all of the assets of the Issuer and the Guarantors are outside the United States. As a result, any judgment obtained in the United States against the Issuer or any Guarantor may not be collectable within the United States.

Certain definitions

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Guarantor or is merged into or consolidated with the Issuer or any Guarantor, or assumed in connection with the acquisition of assets from any such Person; whether or not such Indebtedness was Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Indebtedness will be deemed to be Incurred on the date the acquired Person becomes Guarantor (or is merged into or consolidated with the Issuer or any Guarantor, as the case may be) or the date of the related acquisition of assets from any Person.

"**Additional Assets**" means:

(1) any properties or assets to be used by the Parent or a Restricted Subsidiary in the Oil and Gas Business;

(2) capital expenditures by the Parent or a Restricted Subsidiary in the Oil and Gas Business;

(3) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Parent or a Restricted Subsidiary; or

(4) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, *however*, *that*, in the case of Clauses (3) and (4), such Restricted Subsidiary is primarily engaged in the Oil and Gas Business.

"**Affiliate** " of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of the Oil and Gas Business), transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of (A) shares of Capital Stock of a Restricted Subsidiary (other than Preferred Stock of Restricted Subsidiaries issued in compliance with the covenant described under the heading "—*Certain covenants—Limitation on Indebtedness*," and directors' qualifying shares or shares required by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary), (B) all or substantially all the assets of any division or line of business of the Parent or any Restricted Subsidiary or (C) any other assets of the Parent or any Restricted Subsidiary outside of the ordinary course of business of the Parent or such Restricted Subsidiary (each referred to for the purposes of this definition as a "disposition"), in each case by the Parent or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Parent or by the Parent or a Restricted Subsidiary to the Parent or a Restricted Subsidiary, provided that (i) there shall be no such disposition of the subsoil use licence (and related production sharing agreement) related to the Chinarevskoye oil and gas condensate field in North-Western Kazakhstan to any party other than the Parent, the Issuer or a Guarantor and (ii) to the extent the disposal is made by the Parent, the Issuer of a Guarantor to a non-Guarantor, the Asset Disposition Calculation is complied with;

(2) the sale of cash and Cash Equivalents;

(3) a disposition of Hydrocarbons or mineral products inventory in the ordinary course of business;

(4) a disposition of damaged, unserviceable, obsolete or worn out equipment or equipment that is no longer necessary for the proper conduct of the business of the Parent and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business (including the abandonment or other disposition of property that is, in the reasonable judgment of the Parent, no longer economically practicable to maintain or useful in the conduct of the business of the Parent and its Restricted Subsidiaries taken as whole);

(5) transactions in accordance with the covenant described under "—*Certain covenants—Merger and consolidation*;"

(6) an issuance, sale, lease, assignment, conveyance or other disposition of Capital Stock by a Restricted Subsidiary (i) in the case of the Parent, the Issuer or a Subsidiary Guarantor, to the Parent, the Issuer or to a Subsidiary Guarantor or (ii) in the case of a non-Guarantor Restricted Subsidiary, to the Parent or a Restricted Subsidiary;

(7) the making of a Restricted Payment (or a disposition that would constitute a Restricted Payment but for the exclusions from the definition thereof) permitted by the covenant described under "—*Certain covenants—Limitation on Restricted Payments*" or a Permitted Investment;

(8) an Asset Swap;

(9) any single disposition or a series of related dispositions of assets with a Fair Market Value of less than U.S.$5.0 million;

(10) Liens permitted under the Indenture (but not the sale or other disposition of the property subject to such Lien);

(11) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(12) the licensing or sublicensing of intellectual property (including, without limitation, the licensing of seismic data) or other general intangibles in the ordinary course of business which do not materially interfere with the business of the Parent and its Restricted Subsidiaries;

(13) foreclosure on assets;

(14) surrender or waiver of contract rights, oil and gas leases, or the settlement, release or surrender of contract, tort or other claims of any kind;

(15) the sale or transfer (whether or not in the ordinary course of business) of any Oil and Gas Property or interest therein to which no proved reserves are attributable at the time of such sale or transfer; and

(16) the primary issuance of Capital Stock by an Unrestricted Subsidiary so long as the Parent, directly or indirectly, retains a majority interest in such Unrestricted Subsidiary's Capital Stock (including Voting Stock) after giving effect to such issuance.

"**Asset Disposition Calculation**" means that *pro forma* for any such disposition, the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent shall have determined that such disposition will not cause the remaining combined EBITDAX of the Parent and the Guarantors (determined separately and without double counting (for the avoidance of doubt, all intra-group items and Investments in Restricted Subsidiaries of the Parent of or by Parent or any of its Restricted Subsidiaries shall be excluded) but otherwise using the same method of calculation as set forth in the definition of Consolidated EBITDAX) for the most recently ended four fiscal quarters of the Parent for which financial statements are available to not equal or exceed 80.0% of the Consolidated EBITDAX of the Parent and its Restricted Subsidiaries for such four fiscal quarters (calculated as if the relevant disposal had occurred at the beginning of the applicable four quarter period), which shall be calculated by removing the combined EBITDAX (as defined above) attributable to the relevant disposed of assets from the calculation of the combined EBITDAX calculation of the Parent and the Subsidiary Guarantors *pro forma* for the disposition, but making no amendment to the Consolidated EBITDAX of the Parent.

"**Asset Swap**" means any substantially contemporaneous (and in any event occurring within 90 days of each other) purchase and sale or exchange of any Oil or Gas Properties or assets or interest therein between the Parent or any of its Restricted Subsidiaries and another Person; provided that any cash received must be applied in accordance with "—*Certain covenants—Limitation on sales of assets and Subsidiary stock*" as if the Asset Swap were an Asset Disposition.

"**Attributable Debt**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in such lease determination in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended) after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, and similar charges; *provided*, *however*, *that* if such Sale/Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized Lease Obligation".

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Indebtedness or Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

"**Board of Directors**" means:

(1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorised to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, the United States, London, the United Kingdom, Amsterdam, the Netherlands, Almaty, Kazakhstan or Ireland are authorised or required by law, regulation or executive order to close.

"**Capital Stock**" of any Person means any and all shares, units, interests (including limited partnership interests and participatory interests), rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Capitalized Lease Obligations**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. A Capitalized Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the Government or any agency or instrumentality of any member state of the European Union, Switzerland, Canada or the United States, (*provided that* the full faith and credit of such member state of the European Union, Switzerland, Canada or the United States is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(2) marketable general obligations issued by any member state of the European Union, Switzerland, Canada or the United States or any political subdivision of any such state or any public instrumentality thereof maturing within

one year from the date of acquisition (*provided that* the full faith and credit of such member state of the European Union, Switzerland, Canada or the United States is pledged in support thereof) and, at the time of acquisition, having a credit rating of "A" (or the equivalent thereof) or better from either S&P or Moody's;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits, money market deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank provided that either (i) the short-term deposit of which is rated at the time of acquisition thereof at least "A2" or the equivalent thereof by S&P, or "P-2" or the equivalent thereof by Moody's, and having combined capital and surplus in excess of U.S.$250.0 million or (ii) reputable banks (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) within jurisdictions of operations of the Parent or a Restricted Subsidiary;

(4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in Clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in Clause (3) above;

(5) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's, or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in Clauses (1) through (5) above and/or cash.

"**Change of Control**" means the occurrence of any of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer permitted or not otherwise prohibited under the terms of the Indenture), in one or a series of related transactions, of all or substantially all of the assets of the Parent and its Restricted Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act));

(2) any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (2) such person shall be deemed to have "beneficial ownership" of all securities that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of Voting Stock representing 50% or more of the voting power of the total outstanding Voting Stock of the Parent; or

(3) the adoption by the holders of Capital Stock of the Parent of a voluntary plan relating to the liquidation or dissolution of the Parent.

"**Commodity Agreement**" means, in respect of any Person, any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement in respect of Hydrocarbons used, produced, processed or sold by such Person that are customary in the Oil and Gas Business and designed to protect such Person against fluctuation in Hydrocarbon prices.

"**Consolidated Coverage Ratio**" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDAX for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which financial statements are available to (y) Consolidated Interest Expense for such four fiscal quarters, *provided*, *however*, *that*:

(1) if the Parent or any Restricted Subsidiary:

(a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) to such Indebtedness and the use of proceeds thereof as if such Indebtedness had been Incurred on the first day of such period and such proceeds had been applied as of such date (except that in making such computation, the amount of Indebtedness under any revolving Credit Facility outstanding on the date of such calculation will be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such revolving Credit Facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such revolving Credit Facility to the date of such calculation, in each case, provided that such average daily balance shall take into account any repayment of Indebtedness under such revolving Credit Facility as provided in Clause (b)); or

(b) has repaid, repurchased, defeased, redeemed or otherwise discharged any Indebtedness since the beginning of the period, including with the proceeds of such new Indebtedness, that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving Credit Facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving effect on a *pro forma* basis (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) to such discharge of such Indebtedness as if such discharge had occurred on the first day of such period and as if the Parent or such Restricted Subsidiary had not earned the interest income actually earned during such period in respect of cash or Cash Equivalents used to repay, repurchase, defease, redeem or otherwise discharge such Indebtedness;

(2) if, since the beginning of such period, the Parent or any Restricted Subsidiary has made any Asset Disposition or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is such an Asset Disposition, the Consolidated EBITDAX for such period will be reduced by an amount equal to the Consolidated EBITDAX (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Consolidated EBITDAX (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Parent or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Parent and its continuing Restricted Subsidiaries in connection with or with the proceeds from such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Parent and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if, since the beginning of such period, the Parent or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Parent or a Restricted Subsidiary) or an acquisition (or will have received a contribution) of assets, including any acquisition or contribution of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition or contribution had occurred on the first day of such period; and

(4) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Parent or any Restricted Subsidiary since the beginning of such period) made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to Clause (2) or (3) above if made by the Parent or a Restricted Subsidiary during such period, Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) thereto (including the Incurrence of any Indebtedness) as if such Asset Disposition or Investment or acquisition of assets had occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness). If any Indebtedness is incurred under a revolving credit facility and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the *pro forma* calculation to the extent that such Indebtedness was incurred solely for working capital purposes.

"**Consolidated EBITDAX**" of the Parent and its Restricted Subsidiaries for any period means the Consolidated Net Income for such period, plus the following, without duplication and to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depletion, amortization and depreciation expense of the Parent and its Restricted Subsidiaries;

(4) other non-cash charges and expenses of the Parent and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period not included in the calculation) less all non-cash items increasing such Consolidated Net Income of the Parent and its Restricted Subsidiaries (other than accruals of revenue or the reversal of a reserve for cash charges in a future period by the Parent and its Restricted Subsidiaries in the ordinary course of business); and

(5) consolidated exploration expense of the Parent and its Restricted Subsidiaries, if applicable for such period (determined in accordance with GAAP).

Notwithstanding the preceding sentence, Clauses (2) through (5) relating to amounts of a Restricted Subsidiary of a Person will be added to Consolidated Net Income to compute Consolidated EBITDAX of such Person only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person and only if a corresponding amount would be permitted at the date of determination to be dividended to the Parent by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Consolidated Income Taxes**" means, with respect to the Parent and its Restricted Subsidiaries for any period, taxes imposed upon such Person or other payments required to be made by such Person to any governmental authority which taxes or other payments are calculated by reference to the income, profits or capital of such Person or such Person and its Restricted Subsidiaries (to the extent such income or profits were included in computing Consolidated Net Income for such period), regardless of whether such taxes or payments are required to be remitted to any governmental authority.

"**Consolidated Interest Expense**" means, for any period, the total consolidated interest expense of the Parent and its Restricted Subsidiaries, whether paid or accrued, plus, to the extent not included in such interest expense and without duplication:

(1) interest expense attributable to Capitalized Lease Obligations and Attributable Debt and the interest component of any deferred payment obligations;

(2) amortization of debt discount;

(3) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(4) the interest expense on Indebtedness of another Person that is Guaranteed by the Parent or one of its Restricted Subsidiaries or secured by a Lien on assets of the Parent or one of its Restricted Subsidiaries;

(5) costs associated with Interest Rate Agreements (including amortization of fees); *provided*, *however*, *that* if Interest Rate Agreements result in net benefits rather than costs, such benefits shall be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(6) the consolidated interest expense of the Parent and its Restricted Subsidiaries that was capitalized during such period; and

(7) all dividends (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Parent) accrued during such period on any series of Disqualified Stock of the Parent or on Preferred Stock of its Restricted Subsidiaries payable to a party other than the Parent or a Restricted Subsidiary,

provided that

(a) Consolidated Interest Expense shall include any withholding taxes payable in respect of any of the amounts described in Clauses (1) through (7) of this definition; and

(b) any of the foregoing with respect to Non-Financial Indebtedness shall be excluded from the calculation of Consolidated Interest Expense.

"**Consolidated Net Income**" means, for any period, the consolidated net income (loss) of the Parent and its Restricted Subsidiaries determined in accordance with GAAP; *provided*, *however*, *that* there will not be included (to the extent otherwise included therein) in such Consolidated Net Income:

(1) any net income (loss) of any Person (other than the Parent) if such Person is not a Restricted Subsidiary, except that:

(a) subject to the limitations contained in Clauses (3) and (4) below, the Parent's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in Clause (2) below); and

(b) the Parent's equity in a net loss of any such Person for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded from the Parent or a Restricted Subsidiary during such period;

(2) any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent, except that:

(a) subject to the limitations contained in Clauses (3) and (4) below, the Parent's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Parent or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this Clause); and

(b) the Parent's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

(3) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Parent or its Restricted Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any securities;

(4) (a) any extraordinary, exceptional or unusual gain, loss or charge (together with any related provision for taxes on such gain, loss or charge), and (b) any asset impairment writedowns on Oil and Gas Properties under GAAP, or the financial impacts of natural disasters (including fire, flood, storm and related events);

(5) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(6) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(8) the cumulative effect of a change in accounting principles; and

(9) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person Guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof; or

(4) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes.

"**Credit Facilities**" means one or more debt facilities or arrangements, commercial paper facilities, notes, debentures, indentures, or overdraft facilities with banks or other institutional lenders, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced, in whole or in part from time to time (whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under one or more other credit or other agreements, indentures, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing. Without limiting the generality of the foregoing, the term "**Credit Facilities**" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Parent as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder subject to compliance with the covenant described under "*—Certain covenants—Limitation on Indebtedness*" or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means in respect of a Person any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration. A particular item of Designated Non-cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold in compliance with the provisions of the "*Limitation on sales of assets and Subsidiary stock*" covenant.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder of the Capital Stock) or upon the happening of any event:

(1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Parent or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is six months after the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding; *provided that* only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided further*, *that* any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Parent to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) provide that (i) the Parent may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) pursuant to such provision prior to compliance by the Parent with the provisions of the Indenture described under the captions "*—General—Change of Control*" and "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*" and (ii) such repurchase or redemption will be permitted solely to the extent also permitted in accordance with the provisions of the Indenture described under the caption "*—Certain covenants—Limitation on Restricted Payments*".

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided*, *however*, *that* if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"**Equity Offering**" means a public or private offering for cash by the Parent of Capital Stock (other than Disqualified Stock).

"**European Union**" means the European Union as of 1 January 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which becomes a member of the European Union after 1 January 2004.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Existing Notes**" means the 8.000% Senior Notes due 2022 issued Nostrum Oil & Gas Finance B.V.

"**Existing Notes Issue Date**" means 25 July 2017.

"**Fair Market Value**" means (unless otherwise provided in the Indenture) the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by an Officer or the Board of Directors of the Parent.

"**GAAP**" means International Financial Reporting Standards as issued by the IASB as in effect from time to time. All ratios and computations based on GAAP contained in the Indenture will be computed in conformity with GAAP.

"**Guarantee**" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to maintain financial statement conditions or otherwise), or entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "Guarantee" will not include the endorsements for collection or deposit in the ordinary course of business or any obligation to the extent it is payable only in Capital Stock of the Guarantor that is not Disqualified Stock. The term ''Guarantee'' used as a verb has a corresponding meaning.

"**Guarantor Subordinated Obligation**" means, with respect to a Guarantor, any Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate in right of payment to the obligations of such Guarantor under its Notes Guarantee pursuant to a written agreement.

"**Guarantors**" means the Parent and the Subsidiary Guarantors.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"**holder**" means a Person in whose name a Note is registered on the registrar's books.

"**Hydrocarbons**" means oil, natural gas, casing head gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all constituents, elements or compounds thereof and products refined or processed therefrom.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become directly or indirectly liable for, contingently or otherwise; *provided*, *however*, *that* any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication, whether or not contingent):

(1) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(2) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) the principal component of all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable, to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such obligation is satisfied within 30 days of payment on the letter of credit);

(4) the principal component of all obligations of such Person (other than obligations payable solely in Capital Stock that is not Disqualified Stock) to pay the deferred and unpaid purchase price of property (except as described in Clause (3) of the last paragraph of this definition of Indebtedness), which purchase price is due more than six months after such property is acquired, of such Person in accordance with GAAP;

(5) Capitalized Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;

(6) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of the Parent, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, *that* the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons;

(8) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

if and to the extent any of the preceding items (other than Indebtedness described in Clauses (3), (6), (7) and (8) above) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP; *provided*, *however*, *that* any Indebtedness which has been defeased pursuant to the deposit of cash or Cash Equivalents (in an amount sufficient to satisfy all such indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness, and subject to no other Liens, shall not constitute "Indebtedness".

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

Notwithstanding the preceding, "**Indebtedness**" shall not include:

(1) any obligation arising from the honouring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, *provided that* such Indebtedness is extinguished within five Business Days of Incurrence;

(2) in-kind obligations relating to net oil or natural gas balancing positions arising in the ordinary course of business;

(3) accrued expenses and trade payables and other accrued liabilities arising in the ordinary course of business unless they are overdue by 120 days or more past the date for payment (other than those that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted);

(4) any lease of property which would be considered an operating lease under GAAP as of the Existing Notes Issue Date; and

(5) Contingent Obligations.

"**Independent Financial Advisor**" means an investment banking firm, bank, accounting firm or third-party appraiser, in any such case, of international standing; *provided that* such firm is not an Affiliate of the Parent.

"**Interest Rate Agreement**" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"**Investment**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit (other than a time deposit) and advances or extensions of credit to customers in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments (excluding any interest in a crude oil or natural gas leasehold to the extent constituting a security under applicable law) issued or Incurred by, such other Person and all other items that are or would be classified as investments on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP.

If the Parent or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Parent or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time. The acquisition by the Parent or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Parent or such Restricted Subsidiary in such third Person at such time. Except as otherwise provided for herein, the amount of an Investment shall be its Fair Market Value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "**Unrestricted Subsidiary**" and the covenant described under "*Certain covenants—Limitation on Restricted Payments*,"

(1) "**Investment**" will include the portion (proportionate to the Parent's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, *that* upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Parent will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Parent's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Parent's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so redesignated as a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer.

"**Issue Date**" means the first date on which Notes are issued.

"**Issue Date Counterparty**" means Frank Monstrey and any of his Related Parties.

"**Lien**" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"**Moody's**" means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or to holders of royalty or similar interests as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Parent or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**" with respect to any issuance or sale of Capital Stock or any contribution to equity capital, means the cash proceeds of such issuance, sale or contribution net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance, sale or contribution and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"**Non-Financial Indebtedness**" means any Indebtedness incurred under Clauses (1), (7) and (14) of the second paragraph of the covenant under the caption "*Certain covenants—Limitation on Indebtedness*".

"**Non-Recourse Debt**" means Indebtedness of a Person:

(1) as to which neither the Parent nor any Restricted Subsidiary (a) provides any Guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Parent or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) the explicit terms of which provide there is no recourse against any of the assets of the Parent or its Restricted Subsidiaries.

"**Notes Discharge Date**" means the date upon which all outstanding obligations of the Issuer and the Guarantors under the Notes are discharged pursuant to the terms of the Indenture.

"**Notes Documents**" means the Notes and the Indenture.

"**Notes Guarantee**" means, individually, any Guarantee of payment of the Notes by a Guarantor pursuant to the terms of the Indenture and any supplemental indenture thereto, and, collectively, all such Guarantees. Each such Guarantee will be in the form prescribed by the Indenture.

"**Officer**" means the Chairman of the Board of Directors of the Parent or the Chief Executive Officer, the Chief Operating Officer, the Deputy Chief Executive Officer, the Chief Financial Officer or the Group General Counsel of the Parent.

"**Officer's Certificate**" means a certificate signed by an Officer of the Parent, and delivered to the Trustee.

"**Oil and Gas Business**" means:

(1) the business of acquiring, exploring, exploiting, developing, producing, operating and disposing of interests in oil, natural gas, liquid natural gas and other Hydrocarbon and mineral properties or products produced in association with any of the foregoing;

(2) the business of gathering, marketing, distributing, treating, processing, storing, refining, selling and transporting (including by railcars or pipelines) of any production from such interests or properties and products produced in association therewith, including the construction of related infrastructure assets, and the marketing of oil, natural gas, other Hydrocarbons and minerals obtained from unrelated Persons;

(3) any other related energy business, including power generation and electrical transmission business, directly or indirectly, from oil, natural gas and other Hydrocarbons and minerals produced substantially from properties in which the Parent or its Restricted Subsidiaries, directly or indirectly, participates;

(4) any business relating to oil field sales and service; and

(5) any business or activity relating to, arising from, or necessary, appropriate or incidental to the activities described in the foregoing Clauses (1) through (4) of this definition.

"**Oil and Gas Properties**" means all properties, including equity or other ownership interests therein, owned by or licensed to a Person so that such Person can explore and/or exploit them, which contain or are believed to contain oil and gas reserves and all wells, oil or gas treatment facilities, oil or gas transportation and other related assets.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee, and delivered to the Trustee. The counsel may be an employee of or counsel to the Parent.

"**Pari Passu Indebtedness**" means Indebtedness that ranks equally in right of payment to the Notes or the Notes Guarantees.

"**Permitted Investment**" means an Investment by the Parent or any Restricted Subsidiary in:

(1) the Issuer, the Parent, or a Guarantor;

(2) another Person whose primary business is the Oil and Gas Business if as a result of such Investment such other Person becomes a Guarantor or is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Guarantor and, in each case, any Investment held by such Person; *provided that* such Investment was not acquired by such Person in contemplation of such acquisition, merger, consolidation or transfer;

(3) cash and Cash Equivalents;

(4) receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, *that* such trade terms may include such concessionary trade terms as the Parent or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, commission, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees or officers of the Parent or any Restricted Subsidiary or members of the Board of Directors of the Parent or any of the Restricted Subsidiaries not to exceed U.S.$5.0 million in the aggregate outstanding at any time;

(7) Capital Stock, obligations or securities received in settlement of debts (x) created in the ordinary course of business and owing to the Parent or any Restricted Subsidiary or in satisfaction of judgments or (y) pursuant to any plan of reorganization or similar arrangement in a bankruptcy or insolvency proceeding;

(8) Investments made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with the covenant described under "— *Certain covenants—Limitation on sales of assets and Subsidiary stock*;"

(9) Investments in existence on the Existing Notes Issue Date;

(10) Investments represented by Hedging Obligations that are not incurred for speculative purposes;

(11) Guarantees issued in accordance with the covenant described under "— *Certain covenants—Limitation on Indebtedness*;"

(12) any Person where such Investment was acquired by the Parent or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Parent or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by the Parent or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(13) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Parent or any Restricted Subsidiary;

(14) Guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course in the Oil and Gas Business, including obligations under oil and natural gas exploration, development, joint operating, and related agreements and licenses, concessions or operating leases related to the Oil and Gas Business;

(15) acquisitions of assets, Capital Stock or other securities by the Parent or a Restricted Subsidiary for consideration consisting of Capital Stock (other than Disqualified Stock) of the Parent;

(16) Investments in or purchases or repurchases of the Notes or any other Indebtedness of the Parent or any Restricted Subsidiary;

(17) advances to or reimbursements of employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business of the Parent or any of its Restricted Subsidiaries or the General Partner; and

(18) Investments by the Parent or any of its Restricted Subsidiaries, together with all other Investments pursuant to this Clause (18), in an aggregate amount outstanding at the time of such Investment not to exceed 15% of Total Assets (measured at the time of the Investment); *provided that* if an Investment is made pursuant to this Clause (18) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the definition of "Unrestricted Subsidiary," such Investment, if applicable, shall thereafter be deemed to have been made pursuant to Clause (2) of this definition of "Permitted Investment" and not this Clause.

"**Permitted Liens**" means, with respect to any Person:

(1) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws, social security or old age pension laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits (which may be secured by a Lien) to secure public or statutory obligations of such Person including letters of credit and bank guarantees required or requested by any government or any subdivision, department, agency, organization or instrumentality of any of the foregoing in connection with any contract or statute (including lessee or operator obligations under statutes, governmental regulations, contracts or instruments related to the ownership, exploration and production of oil, natural gas, other hydrocarbons and minerals), or deposits of cash or Cash Equivalents to secure indemnity performance or rehabilitation obligations, surety or appeal bonds or other similar bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) statutory and contractual Liens of landlords and Liens imposed by law, including carriers', warehousemen's, mechanics', materialmen's and repairmen's Liens, in each case for sums not yet delinquent or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) Liens for taxes, assessments or other governmental charges or claims not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided that* appropriate reserves, if any, required pursuant to GAAP have been made in respect thereof;

(4) Liens in favour of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided*, *however*, *that* such letters of credit do not constitute Indebtedness;

(5) survey exceptions, encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of the assets of such Person and its Restricted Subsidiaries, taken as a whole, or materially impair their use in the operation of the business of such Person and its Restricted Subsidiaries, taken as a whole;

(6) Liens securing Hedging Obligations not incurred for speculative purposes;

(7) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) which are in the ordinary course of business of the Parent or any of its Restricted Subsidiaries;

(8) prejudgment Liens and judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(9) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, purchase money obligations or other payments Incurred to finance the acquisition, lease,

improvement or construction of or repairs or additions to, assets or property acquired or constructed in the ordinary course of business; *provided that*:

(a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and does not exceed the cost of the assets or property that are the subject of such acquisition, lease, completion of improvements, construction, repairs or additions; and

(b) such Liens are created not later than 120 days after the later of the acquisition, lease, completion of improvements, construction, repairs or additions or commencement of full operation of the assets or property subject to such Lien and do not encumber any other assets or property of the Parent or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(10) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of netting or set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution; *provided that*:

(a) such deposit account is not a dedicated cash collateral account; and

(b) such deposit account is not intended by the Parent or any Restricted Subsidiary to provide collateral to the depository institution;

(11) Liens arising from statutory filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Parent and its Restricted Subsidiaries in the ordinary course of business;

(12) Liens existing on the Existing Notes Issue Date;

(13) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person; *provided*, *however*, *that* such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming a Subsidiary; *provided further*, *however*, *that* any such Lien may not extend to any other property owned by the Parent or any Restricted Subsidiary (other than assets or property affixed or appurtenant thereto);

(14) Liens on property at the time the Parent or any of its Subsidiaries acquired the property, including any acquisition by means of a merger or consolidation with or into the Parent or any of its Subsidiaries; *provided*, *however*, *that* such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided further*, *however*, *that* such Liens may not extend to any other property owned by the Parent or any Restricted Subsidiary (other than assets or property affixed or appurtenant thereto);

(15) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Parent or a Guarantor;

(16) Liens securing the Notes, Notes Guarantees and other obligations under the Indenture;

(17) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, *provided that* any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property or assets that is the security for a Permitted Lien hereunder;

(18) Liens that arise by operation of law or are required by law;

(19) Liens securing Indebtedness in an aggregate principal amount outstanding at any one time, added together with all other Indebtedness secured by Liens Incurred pursuant to this Clause (19), not to exceed the greater of U.S.$50.0 million and 5.0% of Total Assets (measured at the time of incurrence);

(20) Liens in favour of the Parent or any Restricted Subsidiary;

(21) deposits made in the ordinary course of business to secure liability to insurance carriers;

(22) Liens in favour of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(23) Liens deemed to exist in connection with Investments in repurchase agreements permitted under "*—Certain covenants—Limitation on Indebtedness*;" *provided that* such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;

(24) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(25) any (a) interest or title of a lessor or sublessor under any lease, liens reserved in oil, gas or other Hydrocarbons, minerals, leases for bonus, royalty or rental payments and for compliance with the terms of such leases; (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including, without limitation, ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, tax liens, and easements); or (c) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding Clause (b);

(26) Liens (other than Liens securing Indebtedness) on, or related to, assets to secure all or part of the costs incurred in the ordinary course of the Oil and Gas Business for the exploration, drilling, development, production, processing, transportation, marketing, storage or operation thereof;

(27) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(28) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets in each case relating to obligations other than Indebtedness;

(29) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, and pension obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(30) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Parent or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 5.0% of the net proceeds of such disposal;

(31) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(32) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business or for its trading activities on the counterparty's standard or usual terms;

(33) Liens on assets securing any Prepayment Facility, including bank accounts and assignments of contracts of the Restricted Subsidiary entering into the Prepayment Facility, a pledge of shares over the non-Guarantor Restricted Subsidiary incurring the Prepayment Facility or over any assets purchased with the proceeds of such Prepayment Facility, including the Existing Notes;

(34) Liens on Capital Stock of and assets of any Restricted Subsidiary that is not a Guarantor that secure Indebtedness of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor; provided that in the event such Restricted Subsidiary becomes a Guarantor following the Issue Date, such Liens shall remain Permitted Liens provided the Indebtedness the Liens secure was otherwise permitted by the terms of the Indenture;

(35) Liens on assets financed by any Vendor Financing; *provided that*:

   (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture; and

   (b) such Lien does not encumber any other assets or property of the Parent or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto purchased with the proceeds of or pursuant to the Vendor Financing; and

(36) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (35); provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced.

In each case set forth above, notwithstanding any stated limitation on the assets that may be subject to such Lien, a Permitted Lien on a specified asset or group or type of assets may include Liens on all improvements, additions and accessions thereto and all products and proceeds thereof (including dividends, distributions and increases in respect thereof).

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such Person.

"**Prepayment Facilities**" means one or more prepayment contracts, supplements or facilities (and including any Guarantees of obligations thereunder provided by the Parent or any of its Restricted Subsidiaries or loans to the Parent or Restricted Subsidiaries acting as offtaker to fund their prepayment under such facility) for the advance of payments in relation to any offtake contracts for Hydrocarbons or any other products sold by the Parent or any of its Restricted Subsidiaries, under which the purchase price for the Hydrocarbons is paid in advance, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced, in whole or in part from time to time (whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under one or more other credit or other agreements, indentures, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing.

"**Project Debt**" means Indebtedness incurred in connection with a project in the Oil and Gas Business as to which neither the Issuer nor any Guarantor provides a guarantee or security interest and with respect to which creditors have no recourse to any assets of the Issuer or any Guarantor (other than, in the case of any of the foregoing, the shares such entity may own in a non-Guarantor Restricted Subsidiary).

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay, extend, prepay, redeem or retire (including pursuant to any defeasance or discharge mechanism) (collectively, "**refinance**," "**refinances**" and "**refinanced**" shall have correlative meanings) any Indebtedness (excluding Indebtedness of a Restricted Subsidiary that is not a Guarantor or the Issuer that refinances Indebtedness of the Issuer or a Guarantor), including Indebtedness that refinances Refinancing Indebtedness, *provided*, *however*, *that*:

(1) (a) if the Stated Maturity of the Indebtedness being Refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity at least six months later than the Stated Maturity of the Notes;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest, premiums or defeasance costs required by the instruments governing such existing Indebtedness that is being refinanced and fees and expenses Incurred in connection therewith); and

(4) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes or the Notes Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or the Notes Guarantee on terms at least as favourable to the holders as those contained in the documentation governing the Indebtedness being Refinanced.

"**Related Parties**" means, with respect to any Person:

(1) the spouse of such Person; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons directly or indirectly beneficially holding 50.1% or more of the Capital Stock (including Voting Stock) of which consist solely of such Person and/or such other Persons referred to in the immediately preceding Clause (1).

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Parent other than an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

"**Sale/Leaseback Transaction**" means an arrangement relating to property now owned or hereafter acquired by the Parent or a Restricted Subsidiary whereby the Parent or a Restricted Subsidiary transfers such property to a Person and the Parent or a Restricted Subsidiary leases it from such Person.

"**SEC**" means the United States Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Significant Subsidiary**" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Parent within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC, as in effect on the Existing Notes Issue Date and in any event shall include the Guarantors.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Obligation**" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate in right of payment to the Notes pursuant to a written agreement.

"**Subsidiary**" of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of Clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary (other than in this definition) will refer to a Subsidiary of the Parent.

"**Subsidiary Guarantors**" means Zhaikmunai LLP, Nostrum Oil & Gas Coöperatief U.A., Nostrum Oil & Gas B.V. and any other Restricted Subsidiary of the Parent providing a Notes Guarantee pursuant to the covenant described under "—*Certain covenants—Limitation on issuances of guarantees of Indebtedness*" or otherwise

"**Total Assets**" means the consolidated total assets of the Parent and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet (excluding the footnotes thereto) of the Parent.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Parent that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Parent in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Parent may designate any Subsidiary of the Parent (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if at the time of such designation that such Subsidiary:

(1) all the Indebtedness of such Subsidiary and its Subsidiaries shall consist of Non-Recourse Debt;

(2) on the date of such designation, such designation and the Investment of the Parent or a Restricted Subsidiary in such Subsidiary complies with "*—Certain covenants—Limitation on Restricted Payments*;"

(3) such Subsidiary is a Person with respect to which neither the Parent nor any of its Restricted Subsidiaries has any direct or indirect obligation:

    (a) to subscribe for additional Capital Stock of such Person; or

    (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) except as permitted under the covenant described under "*—Certain covenants—Limitation on Affiliate Transactions;*" on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a

party to any agreement, contract, arrangement or understanding with the Parent or any Restricted Subsidiary with terms substantially less favourable to the Parent than those that might have been obtained from Persons who are not Affiliates of the Parent.

Notwithstanding anything else to the contrary, neither the Issuer (nor any successor of the Issuer) nor Zhaikmunai LLP shall be designated as Unrestricted Subsidiaries.

Any such designation by the Board of Directors of the Parent shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Parent giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Parent may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof. The Board of Directors of the Parent may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "*—Limitation on Indebtedness*," calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence immediately following such designation.

"**Vendor Financing**" means any contract or financing entered into by a contractor or seller of assets and/or services (or by an export credit agency or similar) in connection with the financing of either any appraisal, exploration or development activities, any drilling activities or in the planning or construction of any infrastructure assets, in each case entered into in connection with the Oil and Gas Business and entered into by either the Parent and/or any of its Restricted Subsidiaries (or any combination thereof).

"**Voting Stock**" of an entity means all classes of Capital Stock of such entity then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of members of such entity's Board of Directors.

"**Wholly-Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or Capital Stock of Restricted Subsidiaries required to be owned by third parties pursuant to applicable law) is owned by the Parent or another Wholly-Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes will initially be represented by two Notes in global form that together will represent the aggregate principal amount of the Notes (in the case of the Notes sold in reliance on Rule 144A under the Securities Act, the "**Rule 144A Global Note**" and, in the case of the Notes sold in reliance on Regulation S under the Securities Act, the "**Regulation S Global Note**"). When issued, the Rule 144A Global Note and the Regulation S Global Note (together, the "**Global Notes**") will be deposited with the Trustee and registered in the name of Cede & Co., as the nominee for the DTC. Except as set forth below, record ownership of the Global Note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

The Notes will be issued only in registered form and in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be issued on the issue date only against payment in immediately available funds.

Investors who are qualified institutional buyers (as defined in Rule 144A under the Securities Act), and who purchase Notes in reliance on Rule 144A under the Securities Act may hold their interests in the Rule 144A Global Note directly through DTC if they are DTC participants (the "**Participants**") or indirectly through organisations that are DTC participants ("**Indirect Participants**").

Investors who purchase Notes in offshore transactions in reliance on Regulation S under the Securities Act may hold their interests in the Regulation S Global Note directly through Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), or Clearstream Banking S.A. ("**Clearstream Banking**"), if they are participants in these systems, or indirectly through organisations that are participants in these systems. Investors may also hold interests in the Regulation S Global Note through Participants in the DTC system other than Euroclear and Clearstream Banking. Euroclear and Clearstream Banking will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Beneficial interests in the Rule 144A Global Note may be exchanged for beneficial interests in the Regulation S Global Note in the circumstances described below. See "*—Exchanges Between the Global Notes*". In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its Participants or its Indirect Participants (including, if applicable, those of Euroclear and Clearstream Banking), which may change from time to time.

So long as Cede & Co., as the nominee of DTC, is the registered owner of a Global Note, Cede & Co. for all purposes (except with respect to the determination of Additional Amounts payable) will be considered the sole holder of that Global Note. Owners of beneficial interests in a Global Note will be entitled to have certificates registered in their names and to receive physical delivery of Notes only in the limited circumstances described below under "*—Depositary Procedures*" and "*—Exchange of Global Notes for Definitive Notes*".

The Notes will be subject to certain transfer restrictions and restrictive legends as described under "*Notice to Prospective Investors*" and "*Transfer Restrictions*".

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream Banking is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. Neither the Group nor any of the Guarantors take any responsibility for these operations and procedures and the Issuer and the Guarantors urge investors to contact the systems or their participants directly to discuss these matters.

Upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of the Global Notes.

Payment of principal of and premium and interest, if any, on a Global Note will be made to Cede & Co., the nominee for DTC, as registered owner of the Global Note, by wire transfer of immediately available funds on the applicable payment date. Neither us, the Guarantors, the Trustee, nor any agent of any of us, will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

The Issuer and Guarantors have been informed by DTC that, with respect to any payment of principal of, or premium or interest, if any, on a Global Note, DTC's practice is to credit Participants' accounts on the applicable payment date, with payments in amounts proportionate to their respective beneficial interests in the Notes represented by the Global Note as shown on the records of DTC, unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to owners of beneficial interests in the Notes represented by the Global Note held through such Participants will be the responsibility of such Participants, as is now the case with securities held for the accounts of customers registered in “street name”. In particular, payments to owners of beneficial interests in the Notes held through Euroclear and Clearstream Banking will be made in accordance with the rules and operating procedures of Euroclear and Clearstream Banking.

Transfers between Participants will be effected in the ordinary way in accordance with DTC’s rules and will be settled in immediately available funds. Participants in Euroclear and Clearstream Banking will effect transfers with other participants in the ordinary way in accordance with the rules and operating procedures of Euroclear and Clearstream Banking, as applicable. The laws of some states of the United States require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Cross-market transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream Banking participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream Banking, as the case may be, by its respective depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream Banking, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream Banking, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream Banking participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant purchasing an interest in a Global Note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream Banking, as the case may be) immediately following the DTC settlement date, and the credit of any transaction’s interests in the Global Note settled during the processing day will be reported to the relevant Euroclear or Clearstream Banking participant on that day. Cash received in Euroclear or Clearstream Banking as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream Banking participant to a DTC Participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream Banking cash account only as of the business day following settlement in DTC.

Neither us, any of the Guarantors or the Trustee, nor any agent of either of us, will have responsibility for the performance of DTC, Euroclear, Clearstream Banking or their respective participants of their respective obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a holder of the Notes (including, without limitation, the presentation of the Notes for exchange as described below) only at the direction of one or more Participants to whose accounts with DTC interests in a Global Note are credited, and only in respect of the Notes represented by the Global Note as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for Notes in definitive form, which it will distribute to its Participants.

DTC has also advised us that DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the Federal Reserve System, a “**clearing corporation**” within the meaning of the Uniform Commercial Code and a “**clearing agency**” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes to accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organisations such as the Initial Purchasers. Certain of such Participants (or their representatives), together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a Participant, either directly or indirectly.

Although the Issuer and Guarantors expect that DTC, Euroclear and Clearstream Banking will agree to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among their respective participants, DTC, Euroclear and Clearstream Banking are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

Exchange of Global Notes for Definitive Notes

A Global Note is exchangeable for Notes in registered definitive form ("**Definitive Notes**") if:

(a) DTC notifies the Issuer or a Guarantor that it is unwilling or unable to continue as depositary for the Global Notes or has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Issuer or the Guarantor thereupon fails to appoint a successor depositary within 90 days after the date of such notice; or

(b) we, at our option, notify the Trustee in writing that we elect to cause the issuance of Definitive Notes.

In all cases, Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the restrictive legend referred to in "*Notice to Prospective Investors*," unless the Issuer or a Guarantor determines otherwise in compliance with the requirements of the Indenture.

For so long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange so requires, in the case of a transfer or exchange of Definitive Notes, a holder thereof may effect such transfer or exchange by presenting and surrendering such Notes at, and obtaining new Definitive Notes from, the office of the Principal Paying Agent, in the case of a transfer of only a part of a Definitive Note, a new Definitive Note in respect of the balance of the principal amount of the Definitive Note registered and not transferred will be delivered at the office of the Principal Paying Agent, and in the case of any lost, stolen, mutilated or destroyed Definitive Note, a holder thereof may obtain a new Definitive Note from the Principal Paying Agent.

Exchange of Definitive Notes for Global Notes

If issued, Definitive Notes may not be exchanged or transferred for beneficial interests in a Global Note except upon consummation of an exchange offer. See "*Notice to Prospective Investors*".

Exchange of Definitive Notes for Definitive Notes

If issued, Definitive Notes may be exchanged or transferred by presenting or surrendering such Definitive Notes at the office of the registrar with a written instrument of transfer in form satisfactory to such registrar, duly executed by the holder of the Definitive Notes or by its attorney, duly authorised in writing. If the Definitive Notes being exchanged or transferred have restrictive legends, such holder must also provide a written certificate (in the form provided in the Indenture) to the effect that such exchange or transfer will comply with the appropriate transfer restrictions applicable to such Notes.

Exchanges Between the Global Notes

Beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note if such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A and the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a person whom the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A, purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person within the United States and who takes delivery in the form of an interest in the Regulation S Global Note only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving an exchange of a beneficial interest in one of the Global Notes for a beneficial interest in another Global Note will be effected in DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Global Note representing the beneficial interest that is transferred and a corresponding increase in the principal amount of the other Global Note. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

Same-Day Settlement and Payment

The Notes represented by the Global Notes will be eligible to trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer and the Guarantors expect that secondary trading in any Definitive Notes would also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream Banking participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream Banking) immediately following the settlement date of DTC.

DTC has advised us that cash received in Euroclear or Clearstream Banking as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream Banking participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream Banking cash account only as of the business day for Euroclear or Clearstream Banking following DTC's settlement date.

Replacement, Transfer and Exchange

If any note at any time is mutilated, destroyed, stolen or lost, such note may be replaced at the cost of the applicant at the office of the Trustee or the office of the registrar. The applicant for a new note must, in the case of any mutilated note, surrender such note to the Trustee or the registrar, as applicable, and, in the case of any lost, destroyed or stolen note, furnish evidence satisfactory to the Trustee or the registrar, as applicable, of such loss, destruction or theft, together with such indemnity as the Trustee or the registrar, as applicable, and we may require.

Citigroup Global Markets Deutschland AG will act as registrar and Notes may be presented for registration of Transfer and exchange at its office indicated on the back cover page of this Offering Memorandum.

A holder may transfer or exchange Notes in accordance with the Indenture. The registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a holder to pay any transfer tax or similar governmental charge required by law. The Issuer and the registrar are not required to transfer or exchange any note selected for redemption. Also, the Issuer and the registrar are not required to transfer or exchange any note for a period of 15 days before a selection of Notes to be redeemed.

TAXATION

United States Federal Income Tax Considerations

The following is a description of the principal U.S. federal income tax consequences to a U.S. Holder (as defined below) of the acquisition, ownership and disposition of the Notes. This description only applies to Notes held as capital assets and does not discuss all the tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as:

(a) financial institutions;

(b) insurance companies;

(c) tax exempt organisations;

(d) real estate investment trusts;

(e) regulated investment companies;

(f) grantor trusts;

(g) persons that have a functional currency other than the U.S. dollar;

(h) persons that will hold a Note through partnerships or other pass through entity;

(i) dealers or traders in securities or currencies;

(j) certain former citizens or long term residents of the United States;

(k) persons that are accrual method taxpayers that are required to include certain amounts in income no later than the time such amounts are required to be taken into account on certain financial statements; or

(l) persons that will hold the Notes as part of a position in a "**straddle**" or as a part of a "**hedging**", "conversion" or other risk reduction transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or disposition of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their issue price, which will equal the first price at which a substantial amount of Notes is sold for money to the public (not acting in the capacity of underwriters, placement agents or wholesalers). Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This description is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing, proposed and temporary U.S. Treasury Regulations (the "**Regulations**") and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a "**U.S. Holder**" is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

(a) an individual who is a citizen or resident of the United States;

(b) a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) organised in or under the laws of the United States or any political subdivision thereof (including the District of Columbia);

(c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(d) a trust if it (1) (a) is subject to the primary supervision of a U.S. court (b) one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) that was in existence on 20 August 1996 and that validly elected under applicable Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or entity treated as a partnership for U.S. federal income tax purposes should consult its tax advisor as to the tax consequences of holding the Notes.

Persons considering the purchase of the Notes should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdictions.

Certain Contingent Payments

In certain circumstances, the Issuer may be obligated to make contingent payments on the Notes as described under "*Description of Notes—Optional redemption*" and "*Description of Notes—Change of Control*". Under the contingent payment debt instrument Regulations ("**CPDI Regulations**"), the possibility of a contingent payment on a Note may be disregarded if the likelihood of the contingent payment, as of the date the Notes are issued, is remote or the amount is incidental. Nostrum does not intend to treat the possibility of the contingent payments on the Notes as subjecting the Notes to the CPDI Regulations. It is possible, however, that the Internal Revenue Service ("**IRS**") may take a different position regarding the possibility of such contingent payments, in which case, if the position of the IRS were sustained, the timing, amount and character of income recognised with respect to a Note may be different than described herein and a U.S. Holder may be required to recognised income significantly in excess of payments received and may be required to treat as interest income all or a portion of any gain recognised on the disposition of any Note. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. U.S. Holders should consult their tax advisors regarding the potential application of the CPDI Regulations to the Notes.

Interest

Interest paid to you on a Note will be includible in your gross income as ordinary interest income at the time it is received, in accordance with your usual method of tax accounting.

Interest with respect to the Notes (including Additional Amounts and without reduction for any taxes withheld, if any) will be treated as foreign source income for U.S. federal income tax purposes. Subject to certain conditions and limitations, foreign taxes, if any, withheld on interest payments may be treated as foreign taxes eligible for credit or, alternatively, deduction against your U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, the interest should generally constitute "passive category income". As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, Exchange or Disposition of the Notes

A U.S. Holder generally will recognise a gain or loss on the sale, exchange or disposition of the Notes equal to the difference, if any, between the amount realised on such sale, exchange or disposition (less any amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Notes.

Your adjusted tax basis in a Note will be the U.S. dollar value of the purchase price determined on the date of purchase decreased by the amount of any payment other than qualified stated interest with respect to the Note.

Gain or loss recognised by a U.S Holder upon the sale, exchange or disposition of the Notes will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for such Notes exceeds one year (i.e., such gain is long term capital gain). Gain or loss, if any, recognised by a U.S Holder generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations under the Code.

Foreign Asset Reporting

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by financial institutions in which case such accounts may be reportable if maintained by a foreign financial institution). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to the their ownership and disposition of the Notes.

Backup withholding tax and information reporting requirements

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders. Information reporting generally will apply to the distributions on, and to proceeds from the sale or redemption of, Notes made within the United States or by a U.S. payor or U.S. middleman to a holder of Notes, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. A payor will be required to withhold backup withholding tax from any distributions on, or the proceeds from the sale or redemption of, Notes within the United States or by a U.S. payor or

U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a Note that is not a U.S. person will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the holder to the payor, and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is currently 24%.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's "net investment income" (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between U.S.$125,000 and U.S.$250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the Notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the Notes.

The above description is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to the Notes. Prospective purchasers of Notes should consult their tax advisors concerning the tax consequences of their particular situations.

Kazakhstan

The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of the Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Interest

Under Kazakhstan law as presently in effect, payments of interest on the Notes by the Issuer to an individual who is a tax non-resident of Kazakhstan or to a legal entity that is neither established in accordance with Kazakhstan laws, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, Kazakhstan or otherwise has no legal taxable presence in Kazakhstan (together, "**Non-Kazakhstan Holders**") are not subject to taxation in Kazakhstan, and no withholding of any Kazakhstan tax is required on any such payments. Interest paid by the Issuer to residents of Kazakhstan or to tax non-residents who maintain a permanent establishment in Kazakhstan (together, "**Kazakhstan Holders**"), other than to individuals, is subject to Kazakhstan income tax unless the Notes are listed, as at the date of accrual of interest, on the official list of a stock exchange operating in the territory of Kazakhstan.

Gains

Gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes are subject to Kazakhstan income tax. Any gains derived by Kazakhstan Holders in relation to Notes are subject to Kazakhstan income tax unless the Notes are listed as at the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan and are sold through open trades on such stock exchange.

Payments under the Guarantees issued by the Guarantors (other than Zhaikmunai LLP)

Under Kazakhstan law as presently in effect, payments under the Guarantees issued by the Guarantors (other than Zhaikmunai LLP) to Non-Kazakhstan Holders are not be subject to taxation in Kazakhstan, and no withholding of any Kazakhstan tax should be required on any such payments. Payments under the Guarantees issued by the Guarantors (other than Zhaikmunai LLP) to Kazakhstan Holders, other than to individuals, are subject to Kazakhstan income tax at a rate of 20%. Payments under the Guarantees issued by the Guarantors (other than Zhaikmunai LLP) to individual Kazakhstan Holders are subject to income tax at a rate of 10%.

Noteholders should consult with their own tax advisors on the applicability of tax deductions to the payments under the Guarantees.

Payments under the Guarantee issued by Zhaikmunai LLP

Payments to Non-Kazakhstan Holders under the Guarantee issued by Zhaikmunai LLP are subject to withholding tax at a rate of 20% unless reduced by an applicable double taxation treaty.

Payments to Kazakhstan Holders, other than individuals, under the Guarantee issued by Zhaikmunai LLP are subject to withholding tax at a rate of 20%. Payments to individual Kazakhstan Holders under the Guarantee issued by Zhaikmunai LLP are subject to income tax at a rate of 10%.

Zhaikmunai LLP will agree under its Guarantee in the Indenture to pay Additional Amounts (as defined in the Indenture) in respect of any such withholding, subject to certain exceptions set out in full in "*Description of Notes—Taxation*". Payments by Zhaikmunai LLP to a Noteholder entitled to the benefits of an applicable double taxation treaty may be subject to a reduced rate of withholding tax.

Netherlands

General

The following is a general summary of certain Netherlands tax consequences of the acquisition, holding and disposal of the Notes. Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a Holder or prospective Holder of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investors that are subject to taxation in Bonaire, Sint Eustatius and Saba and trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective Holders of Notes should consult with their tax advisers with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only. Except as otherwise indicated, this summary only addresses Netherlands domestic tax legislation and published regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

Withholding tax

All payments of principal and/or interest under the Notes may be made free of withholding or deduction of, for or on account of any taxes, duties or charges of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, *provided that* the Notes will not be regarded nor will be deemed to be regarded under the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) as a loan that in fact functions as equity of the issuer.

Taxes on income and capital gains

Please note that the summary in this section does not describe the Netherlands tax consequences for:

(a) Holders of the Notes if such Holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (in Dutch: "*aanmerkelijk belang*") or deemed substantial interest in the issuer under the Netherlands Income Tax Act 2001 (In Dutch: "*Wet inkomstenbelasting 2001*"). Generally speaking, a holder of securities in a company is considered to hold such a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner and certain relatives by blood in the direct line (as defined in the Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/ or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis as a result of applying a tax facility (rollover facility);

(b) pension funds, investment institutions (in Dutch: "*fiscal beleggingsinstellingen*"), exempt investment institutions (in Dutch: "*vrijgestelde beleggingsinstellingen*") (as defined in the Netherlands Corporate Income Tax Act 1969) and other entities that are exempt from Netherlands corporate income tax;

(c) Holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such Holders or certain individuals related to such Holder (as defined in the Netherlands Income Tax Act 2001);

(d) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands income tax Act 2001 (*Wet inkomstenbelasting* 2001) and the Netherlands gift and inheritance tax Act (*Successiewet* 1956); and

(e) holders of Notes which are not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of these Notes or of the benefits derived from or realised in respect of these Notes.

Residents of the Netherlands

Generally speaking, if the Holder of the Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any income derived from the Notes or any gain or loss realized on the disposal, or deemed disposal, of the Notes is subject to Netherlands corporate income tax at a rate of 25% (a corporate income tax rate of 20% applies with respect to taxable profits up to EUR 200,000, the bracket for 2018).

If a Holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes, any income derived from the Notes or any gain or loss realized on the disposal, or deemed disposal, of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

(a) the Notes are attributable to an enterprise from which the Holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being an entrepreneur or a shareholder (as defined in the Netherlands Income Tax Act 2001); or

(b) the Holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (in Dutch: "*actief vermogensbeheer*") or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (in Dutch: "*resultaat uit overige werkzaamheden*").

If the above-mentioned conditions (i) and (ii) do not apply to the individual Holder of the Notes, such Holder will be taxed annually on a deemed return on income from savings and investments (sparen en beleggen) for the year at an income tax rate of 30%, rather than on the basis of income actually received or gains actually realized. This deemed return on income from savings and investments is fixed at a percentage of the individual's yield basis (rendementsgrondslag) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold (heffingvrij vermogen). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. The deemed return on income from savings and investments is taxed at a rate of 30%.

Non-residents of the Netherlands

A Holder of the Notes that is neither resident nor deemed to be resident of the Netherlands would not be subject to Netherlands taxes on income or capital gains in respect of any income derived from the Notes or in respect of any gain or loss realized on the disposal or deemed disposal of the Notes, *provided that*:

(a) such Holder does not have an interest in an enterprise or deemed enterprise (as defined in the Netherlands Income Tax Act 2001 and the Netherlands Corporate Income Tax Act 1969, including, but not limited to, article 17-3-c) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable;

(b) in the event the Holder is an individual, such Holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands; and

(c) such Holder does not have an interest in an enterprise in the Netherlands and to which enterprise the Notes are attributable other than by way of the holding of securities and is not a managing director or part of a supervisory board of an enterprise in the Netherlands.

A Holder of a Note will not become subject to taxation in the Netherlands by reason only of the execution, delivery, or enforcement of the Notes or the performance by the relevant issuer of its obligations under the Notes.

Gift and inheritance taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a Holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death. For purposes of Netherlands gift and inheritance taxes, an individual holding the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death.

Additionally, for purposes of Netherlands gift tax, an individual not having the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Non-residents of the Netherlands

No Netherlands gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a Holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless at the time of the gift or death of the Holder of Notes, his/her Notes are attributable to an enterprise (or an interest in an enterprise) which is, in whole or in part, carried on through a permanent establishment or permanent representative in the Netherlands, or the Holder of Notes is entitled to a share in the profits of an enterprise managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which the Notes are attributable.

Based on legal fictions in Netherlands tax law certain transactions undertaken during the lifetime of a Holder of Notes, even if such Holder at the time of such a transaction was neither resident nor deemed to be resident in the Netherlands, are taxed with Netherlands inheritance tax when the Holder of Notes dies as a resident or deemed resident of the Netherlands. Examples of such transactions are transfers of ownership under which the Holder of Notes keeps the usufruct, gifts made under condition precedent and gifts made within 180 days before the death of the donor.

Furthermore, under certain circumstances a Holder of Notes will be deemed to be resident in the Netherlands for purposes of Netherlands gift and inheritance tax, if the heirs jointly or the recipient of the gift, as the case may be, so elect.

Value added tax (VAT)

No Netherlands VAT will be payable by the Holders of the Notes on any payment in consideration for the issue or transfer of the Notes or with respect to the payment of interest or principal by the issuer under the Notes.

Other taxes and duties

There is no Netherlands registration tax, capital tax, stamp duty or any other similar tax or duty in connection with (i) the issue of the Notes, (ii) the payment of interest or principal by the issuer under the Notes or (iii) the transfer of the Notes, other than court fees and contributions for the registration with the Trade Register of the Chamber of Commerce, payable by a Holder of a Note in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the Notes or the performance of issuer's obligations under the Notes.

The EU Directive on Administrative Cooperation

The European Union Directive on the taxation of savings income (Council Directive 2003/48/EC, the "**EU Savings Directive**") has been repealed as per 1 January 2016.

The repeal was adopted as a consequence of the adoption of Council Directive 2014/107/EU amending provisions on the mandatory automatic exchange of information between tax administrations (the "**EU Directive on Administrative Cooperation**"). The EU Directive on Administrative Cooperation implements the July 2014 OECD Global Standard on automatic exchange of financial account information within the EU, with a scope covering not only interest income, but also dividends and other types of capital income, and the annual balance of the accounts producing such items of income.

The EU Directive on Administrative Cooperation entered into force on 1 January 2016 and is generally broader in scope than the EU Savings Directive. Under the automatic information exchange system, the Member States collect data on income earned in their territory by non-resident individuals and automatically transmit the collected data to the authorities where the individuals reside.

EU Financial Transactions Tax

On 14 February 2013, the European Commission produced a proposal for a council directive on a common system of financial transaction tax ("**FTT**") to be implemented under enhanced co-operation by eleven Member States, namely Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. The proposal was approved by the European Parliament on 3 July 2013 and must now be unanimously approved by the participating Member States before it comes into force. However, Estonia has since stated it will not participate.

The latest news as regards the FTT is that ten of the original eleven Member States issued a statement setting out areas where agreement had been reached as well as areas that were still open. Estonia has indicated that it no longer supports the proposal. The state of the dossier has been regularly discussed at the ECOFIN. The June 2017 report reiterates that further work at the Council and its preparatory bodies is still required, before a final agreement on this dossier can be reached.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

General

ERISA imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans ("**ERISA Plans**,") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, ("**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**") Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exceptive relief under any such law or regulations.

Prohibited transaction exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person; or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Initial Purchasers, the Trustee, the Transfer Agent or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or Prohibited Transaction Class Exemption ("**PTCE**") 84 14 (relating to transactions effected by a "qualified professional asset manager,") PTCE 90 1 (relating to investments by insurance company pooled separate accounts), PTCE 91 38 (relating to investments by bank collective investment funds), PTCE 95 60 (relating to investments by insurance company general accounts) or PTCE 96 23 (relating to transactions directed by an in house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Representation and warranty

Accordingly, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any Plan or plan subject to Similar Law, or any entity whose underlying assets are considered to include "plan assets" (within the meaning of Section 2510.3 101 of Title 29 of the United States Code of Federal Regulations, as modified by Section 3(42) of ERISA) of any such Plan or plan or (ii) the purchase and holding of the Notes(or any interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

Each purchaser and holder of any Note that is a Plan, at any time when regulation 29 C.F.R. Section 2510.3-21, as modified in 2016, is applicable, will be deemed to represent that none of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, or other persons that provide marketing services, or any of their affiliates (each, an "**ERISA Transaction Party**," and collectively, the "**ERISA Transaction Parties**") has provided or will provide advice with respect to the acquisition of the Notes by the Plan and that the decision to acquire the Notes has been made by the Plan fiduciary which an "independent fiduciary with financial expertise" as described in 29 C.F.R. Sec. 2510.3-21(c)(1), meaning that the Plan and the Plan fiduciary are deemed to represent and warrant that the Plan fiduciary: (a) is (i) a bank, insurance company, registered investment adviser, or broker-dealer, in each case as described in 29 C.F.R. Section 2510.3-21(c)(1)(i), or (ii) an independent fiduciary that holds, or has under its management or control, total assets of at least U.S. $50 million; (b) is an independent plan fiduciary within the meaning of 29 C.F.R. Section 2510.3-21; (c) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies; (d) is responsible for exercising independent judgment in evaluating the transaction and (e) it is not paying any fee or other compensation to an ERISA Transaction Party for investment advice (as opposed to other services) in connection with the transaction. In addition, such fiduciary will be required or deemed to acknowledge and agree that it (i) has been informed (and it is hereby expressly confirmed) that none of the ERISA Transaction Parties, or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, impartial investment advice and they are not giving any advice in a fiduciary capacity, in connection with the investor's acquisition of Notes and (ii) has received and understands the disclosure of the existence and nature of the financial interests contained in this Offering Memorandum and related materials. Notwithstanding the foregoing, any Plan fiduciary which is directing his or her own individual retirement account shall not be deemed to have made the representation in clause (a)(ii) above with respect to a "person with financial expertise."

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that each Plan fiduciary (and each fiduciary for non U.S., governmental or church plans subject to Similar Law) consult with its legal advisor concerning the potential consequences to the Plan or plan under ERISA, the Code or such Similar Laws of an investment in the Notes. The sale of any Notes by or to any Plan or plan is in no respect a representation by the Issuer or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by such Plans or plans generally or any particular Plan or plan, or that such an investment is appropriate for such Plans or plans generally or any particular Plan or plan.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes (including the Guarantees) have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, or in any other jurisdiction, and, unless so registered, may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes (including the Guarantees) are being offered and sold only (i) to persons reasonably believed to be qualified institutional buyers as defined in, and in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or pursuant to another exemption from, or transaction not subject to, such registration requirements; and (ii) outside the United States to non-U.S. persons, in offshore transactions in reliance on Regulation S under the Securities Act. Terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein.

Nostrum uses the terms "**offshore transaction**," "**United States**" and "**U.S. Person**" with the meanings given to them in Regulation S under the Securities Act.

If you purchase Notes (including the Guarantees), you, by acceptance thereof, will be deemed to have represented and agreed with us, the Issuer and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes (including the Guarantees) have not been and will not be registered under the Securities Act or with any securities regulatory authority or any state other jurisdictions, and that the Notes (including the Guarantees) are being offered for resale in a transaction not requiring registration under the Securities Act or any other securities laws, and, unless so registered, may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or acting on the Issuer's behalf and you are either (a) a qualified institutional buyer and are aware that the sale of the Notes to you is being made in reliance on Rule 144A and are acquiring such Notes for your own account or for the account of a qualified institutional buyer, as the case may be, or (b) a non-U.S. Person outside the United States and purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes (including the Guarantees), other than by the Issuer and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor the Trustee makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the Notes and the Guarantees as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer, the Guarantors and the Initial Purchasers.

(4) You are purchasing the Notes (including the Guarantees) for your own account, or for an account with respect to which you exercise sole investment discretion and for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your control and subject to your ability to resell such Notes (including the Guarantees) pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act or pursuant to an effective registration statement under the Securities Act.

(5) You understand and agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes (including the Guarantees), and each subsequent holder of the Notes (including the Guarantees) by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year (in the case of Notes offered or sold in reliance on Rule 144A) or 40 days (in the case of Notes offered or sold in reliance on Regulation S) after the later of the issue date and the last date on which the Issuer or any of its affiliates was the owner of such

Notes (or any predecessor thereto) only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it, or any person acting on its behalf, reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) to non-U.S. Persons outside the United States purchasing in an offshore transaction in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws of any state or territory of the United States or any other jurisdiction, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) You and each subsequent transferee of a Note will be deemed to have represented and warranted that (A) either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or any interest therein constitutes assets of any "employee benefit plan" (as defined in Section 3(3) the Employee Retirement Income Security Act of 1974, as amended, or "**ERISA**") subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Internal Revenue Code of 1986, as amended from time to time, including the regulations promulgated and the rules issued thereunder (the "**Code**"), or provisions under any federal, state, local, non U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Law**"), or any entity whose underlying assets are considered to include "plan assets" (within the meaning of Section 2510.3 101 of Title 29 of the United States Code of Federal Regulations, as modified by Section 3(42) of ERISA) of any such plan, account or other arrangement or (ii) the purchase and holding of the Notes (or any interest therein) by you does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law, and (B) you will not sell or otherwise transfer such Notes (or any interest therein) otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Note (or any interest therein). The purchaser and any fiduciary causing it to purchase any Notes agrees to indemnify and hold harmless the Issuer and the Initial Purchasers, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations, warranties and agreements being or becoming false. Any purported purchase or transfer of any Note by or to a purchaser or transferee that does not comply with the requirements of this paragraph (6) shall be null and void *ab initio*.

(7) You and each subsequent transferee of a Note will be deemed to have represented that at any time when regulation 29 C.F.R. Section 2510.3-21, as modified in 2016, is applicable, that none of the ERISA Transaction Parties has provided or will provide advice with respect to the acquisition of the Notes by the Plan and that the decision to acquire the Notes has been made by the Plan fiduciary which an "independent fiduciary with financial expertise" as described in 29 C.F.R. Sec. 2510.3-21(c)(1), meaning that the Plan and the Plan fiduciary are deemed to represent and warrant that the Plan fiduciary: (a) is (i) a bank, insurance company, registered investment adviser, or broker-dealer, in each case as described in 29 C.F.R. Section 2510.3-21(c)(1)(i), or (ii) an independent fiduciary that holds, or has under its management or control, total assets of at least U.S. $50 million; (b) is an independent plan fiduciary within the meaning of 29 C.F.R. Section 2510.3-21; (c) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies; (d) is responsible for exercising independent judgment in evaluating the transaction and (e) it is not paying any fee or other compensation to an ERISA Transaction Party for investment advice (as opposed to other services) in connection with the transaction. In addition, such fiduciary will be required or deemed to acknowledge and agree that it (i) has been informed (and it is hereby expressly confirmed) that none of the ERISA Transaction Parties, or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, impartial investment advice and they are not giving any advice in a fiduciary capacity, in connection with the investor's acquisition of Notes and (ii) has received and understands the disclosure of the existence and nature of the financial interests contained in this Offering Circular and related materials. Notwithstanding the foregoing, any Plan fiduciary which is directing his or her own individual retirement account shall not be deemed to have made the representation in clause (a)(ii) above with respect to a "person with financial expertise."

(8) The Notes will bear a legend to the following effect, unless Nostrum determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON AND IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED NOTES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS IN THE CASE OF NOTES OFFERED OR SOLD IN RELIANCE ON RULE 144A: ONE YEAR; OR IN THE CASE OF NOTES OFFERED OR SOLD UNDER REGULATION S: 40 DAYS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RELEVANT REGULATION UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO THE ISSUER, A GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT, OR ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES PURCHASING IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

The Notes will be available initially only in book-entry form. The Notes will be issued in the form of one or more global Notes bearing the legend set forth above.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(9) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

(10) You acknowledge that:

(a) the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(11) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(12) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the Distribution Compliance Period, you shall not make any offer or sale of the Notes in the United States or to, or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act, except pursuant to an available exemption from the registration requirements of the Securities Act. The Distribution Compliance Period means the 40-day period following the Issue Date for the Notes.

(13) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth above and/or in this Offering Memorandum under "*Notice to Prospective Investors*" and "*Plan of Distribution*".

(14) You understand that the Issuer shall not recognise any offer, sale, pledge or other transfer of the Notes (including the Guarantees) made other than in compliance with the above stated restrictions.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated as at 8 February 2018, the Initial Purchasers named below have agreed to purchase, and the Issuer and Guarantors have agreed to sell to the Initial Purchasers, the principal amount of the Notes as set forth below:

	Principal Amount of Notes
	U.S.$
Initial Purchasers	
Banca IMI S.p.A	100,000,000
Citigroup Global Markets Limited	100,000,000
Deutsche Bank AG, London Branch	100,000,000
VTB Capital plc	100,000,000
Total	**400,000,000**

The Initial Purchasers shall make any offers or sales into the United States, to the extent necessary, through their U.S. broker dealer affiliates.

The purchase agreement will provide that the obligation of the Initial Purchasers to purchase the Notes is subject to approval of legal matters by counsel and to other conditions. The Initial Purchaser`s must purchase all the Notes if they purchase any of the Notes.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or qualified for sale under the securities laws of any state or jurisdiction outside the United States and may not be offered to, or sold within the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Notice to Prospective Investors*".

The Issuer and Guarantors have been advised that the Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this Offering Memorandum within the United States persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, and outside the United States to non-U.S. persons offshore transactions in reliance on Regulation S. The price at which the Notes are offered may be changed at any time without notice.

In addition, until 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Each Initial Purchaser has represented and agreed that it has not offered or sold and will not offer or sell any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be six business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+6"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next three succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Each Initial Purchaser has represented and warranted that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes will constitute a new class of securities with no established trading market. Application has been made, through our listing agent, for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Irish Stock Exchange's Global Exchange Market. Neither the Issuer or Guarantors, nor the Initial Purchasers can assure you that the Notes will be approved for listing and that such listing can be maintained. In addition, neither the Issuer or Guarantors nor the Initial Purchasers can assure you that the prices at which the Notes will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this Offering. The Initial Purchasers have advised us that they currently intends to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market making activities with respect to the Notes at any time without notice. Please see "*Stabilisation*". In addition, market making activity will be subject to the limits imposed by the Exchange Act, and may be limited. Accordingly, the Issuer and the Guarantors cannot assure you that a liquid market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favourable. See "*Risk Factors—Risks Related to the Notes and Guarantees—There is no established trading market for the Notes and no assurance that holders of the Notes will be able to sell their Notes*".

In connection with this Offering, the Initial Purchasers are not acting for anyone other than us and will not be responsible to anyone other than us for providing the protections afforded to their clients nor for providing advice in relation to this Offering.

Buyers of the Notes sold by the Initial Purchasers may be required to pay stamp duty taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the initial offering price set forth on the cover of this Offering Memorandum.

The Issuer and Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act.

Banca IMI S.p.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and VTB Capital plc and their respective affiliates have performed or may perform various financial advisory, investment banking and commercial banking services, including providing hedging contracts, from time to time for us and our affiliates for which they have received or may receive customary advisory fees and expense reimbursement.

Certain proceeds from the Offering will be used to repay either a portion of or all outstanding amounts due under the Existing Notes due 2019, for which certain of the Initial Purchasers acted as initial purchasers.

Further, an affiliate of Citigroup Global Markets Limited is trustee, paying agent, transfer agent and registrar under the Existing Notes and under the new Notes.

In addition, in the ordinary course of their business activities, such Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade in debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer or the Issuer's affiliates routinely hedge their credit exposure as consistent with their customary risk management policies. Typically, such Initial Purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potential Notes. Any such short position could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

LEGAL MATTERS

Certain legal matters are being passed upon for the Issuer and the Guarantors by White & Case LLP with respect to matters of U.S. federal, New York State, English and Kazakhstan law and by Greenberg Traurig LLP with respect to matters of Dutch law. Certain legal matters will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP with respect to matters of U.S. federal and New York State law and by Zan Hub LLP with respect to matters of Kazakhstan law.

INDEPENDENT AUDITORS

The audited consolidated financial statements of Nostrum Oil & Gas PLC and its subsidiaries as of and for the years ended 31 December 2016, 2015 and 2014 included in this Offering Memorandum have been audited by Ernst & Young LLP, independent auditors, as stated in their reports appearing herein.

The registered address of Ernst & Young LLP is 1 More London Place, London, SE1 2AF. Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first clause above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by either us or the Initial Purchasers.

Upon request, Nostrum will provide you with copies of, the form of the Notes and Guarantee and any security documents. You may request copies of such document by contacting David Ferris at 9th Floor, 20 Eastbourne Terrace, London, W2 6LG.

Nostrum is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, Nostrum will agree to furnish periodic information to the holders of the Notes. See "*Description of Notes—Certain Covenants—Reports to holders*".

So long as the Notes are admitted to trading on Irish Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Principal Paying Agent.

LISTING AND GENERAL INFORMATION

Authorisation of the Issuer

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 31 January 2018.

Admission to Trading and Listing

Application has been made for the Notes to be admitted to trading on the Irish Stock Exchange's Global Exchange Market and to listing on the Official List of the Irish Stock Exchange, in accordance with the rules and regulations of such exchange.

Irish Listing Information

For so long as the Notes are admitted to trading on the Global Exchange Market and to listing on the Official List of the Irish Stock Exchange and the rules and regulations of that exchange require, as well as for the life of the Listing Particulars, physical copies of the following documents may be inspected and obtained at 10 Earlsfort Terrace, Dublin 2, Ireland at the office of the Listing Agent during normal business hours:

- organisational documents of the Issuer and the Guarantors;
- the Financial Statements included in this Offering Memorandum;
- any annual and interim financial statements or accounts of Nostrum Oil & Gas PLC to the extent available;
- the Indenture; and
- the Purchase Agreement.

The Issuer has appointed Arthur Cox Services Limited as Irish listing agent, Citibank N.A., London Branch as principal Paying Agent and Transfer Agent, Citibank N.A. as the New York Paying Agent and Citigroup Global Markets Deutschland AG as registrar to make payments on, when applicable, and transfers of, the Notes. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the notes and is not itself seeking admission of the Notes to trading on the Global Exchange Market of the Irish Stock Exchange.

The Issuer accepts responsibility for the information contained in this Listing Particulars. To the Issuer's best knowledge and belief, having taken all reasonable care to ensure such is the case, the information in these Listing Particulars is in accordance with the facts and contains no omission likely to affect its import.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of DTC and assigned CUSIP numbers N64884 AD6 and 66978C AC6, respectively. The ISIN and Common Code for the Notes sold pursuant to Regulation S are USN64884AD67 and 176959886 respectively, and the ISIN and Common Code for the Notes sold pursuant to Rule 144A are US66978CAC64 and 176959878, respectively.

Legal Information

The Issuer

The Issuer is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or *B.V.*) duly incorporated under the laws of the Netherlands. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands. The Issuer is registered in the Trade Register of the Chamber of Commerce under the number 68446705. For information regarding its shareholders, please see "*The Issuer*". The Issuer has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the issuance of the Notes and was authorised by its board of managing directors on 31 January 2018.

Financial Year and Accounts

The Issuer's financial year begins on 1 January and ends on 31 December of each year. The Issuer's financial information will be consolidated in the audited consolidated financial statements of Nostrum Oil & Gas PLC and its subsidiaries for the year ended 31 December 2017.

Annual General Meeting

The Issuer's annual general meeting of shareholders usually takes place in the commune of the registered office at the place specified in the convening notices before 1 July of each year.

Guarantor Legal Information

The Guarantors

Nostrum Oil & Gas PLC is a public limited company organised and existing under the laws of England and Wales. Its registered office is at 9th Floor, 20 Eastbourne Terrace, London W2 6LG and its principal place of business at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the English Companies Registry under registration number 08717287. For information regarding the equity holding of Nostrum Oil & Gas PLC, please see "*Principal Shareholders*". Nostrum Oil & Gas PLC has obtained all necessary consents, approvals and authorisations in the jurisdiction of its formation in connection with its Guarantee.

Zhaikmunai LLP is a limited liability partnership established under the laws of Kazakhstan. Its registered office is at 43/1 Aleksandr Karev Street, Uralsk, West-Kazakhstan Oblast, 090000 Kazakhstan. It is re-registered on 21 July 2016 and assigned a business identification number: 970340003085. 100% of the participation interests in Zhaikmunai LLP are held by Nostrum Oil & Gas Coöperatief U.A. Zhaikmunai LLP has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with its Guarantee.

Nostrum Oil & Gas Coöperatief U.A. is a cooperative duly incorporated under the laws of the Netherlands on 17 October 2013 for an unlimited duration. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Trade Register of the Chamber of Commerce under number 59017376. Nostrum Oil & Gas PLC has a member's interest of 99.9% and Nostrum Oil & Gas B.V. has a member's interest of 0.1%. The aggregate members account of Nostrum Oil & Gas Coöperatief U.A. amounts to U.S.$106,001,000. Nostrum Oil & Gas Coöperatief U.A. has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with its Guarantee.

Nostrum Oil & Gas B.V. (formally known as Zhaikmunai Netherlands B.V.) is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid or B.V.*) duly incorporated under the laws of the Netherlands on 29 November 1994 for an unlimited duration. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Trade Register of the Chamber of Commerce under number 16032335. Nostrum Oil & Gas B.V. is a direct, wholly-owned subsidiary of Nostrum Oil & Gas PLC. Nostrum Oil & Gas B.V. has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with its Guarantee.

Third Party Information

Ryder Scott has given and not withdrawn its written consent to the inclusion in this Offering Memorandum and these Listing Particulars of its report and references to it in the form and context in which they appear and has authorised the contents of its report and confirms that this information has been accurately reproduced herein.

AMEC LLP incorporated in the Republic of Kazakhstan, address: 78A Azattyk Avenue, 060005, Atyrau, Kazakhstan has prepared the AMEC Reports. The professional qualifications of the personnel involved in the preparation of the AMEC Reports include but are not limited to: over 15 years' experience in environmental consulting, the estimation of oil and gas reserves, the interpretation of contracts, laws and regulations, the valuation of environmental liabilities, and site clean-up costs, Modern Safety Management certifications, Integrated Management Systems certifications, Environmental support of investment and construction projects and Environmental protection certification from the International Academy of Management, Marketing, Engineering of Moscow and EMS Auditor "Internal Auditor, Environmental Management System" certification. AMEC does not have a material interest in the Issuer or any Group company. AMEC has given and not withdrawn its written consent to the inclusion in in this Offering Memorandum and these Listing Particulars of references to its report in the form and context in which they appear and has authorised the contents of its report and confirms that this information has been accurately reproduced herein.

General

Except as disclosed in this Offering Memorandum:

- there has been no significant change in the financial or trading position of the Group since 30 September 2017; and
- the Group (including the Issuer) has not, during the last 12 months, been involved in any litigation, governmental, administrative proceeding or arbitration relating to claims or amounts which are material except as otherwise disclosed in the Offering Memorandum, and, so far as the Group is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

DEFINITIONS

The following definitions apply throughout this Offering Memorandum unless the context requires otherwise:

"**2017 Ryder Scott Report**"	The report prepared by Ryder Scott dated 17 February 2017 relating to the Group's reserves and resources.
"**Affiliate**"	A person or entity that controls, is controlled by, or under common control with another entity or person.
"**AMEC**"	AMEC LLP.
"**AMEC Reports**"	"Zhaikmunai LLP Greenhouse Gas Emissions and Environmental Matters Report for 2016" and the "Report on Health & Safety and Environmental Due Diligence Assessment of LLC "Zhaikmunai" Facilities".
"**Anti-Monopoly Agency**"	The Committee for Regulation of Natural Monopolies, Competition Protection and Consumers' Rights Protection of the Ministry of National Economy of Kazakhstan.
"**Chinarevskoye Field**"	The Chinarevskoye oil and gas condensate field.
"**Claremont**"	Claremont Holdings C.V.
"**Clearstream**"	Clearstream Banking S.A.
"**Competent Authority**"	The State's central executive agency, designated by the Kazakhstan Government to act on behalf of the State to exercise rights relating to the execution and performance of subsoil use contracts in respect of hydrocarbons, which is currently the Ministry of Energy.
"**Controlling Legal Entity**"	A legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user, if the principal activity of such entity is related to subsoil use in the Republic of Kazakhstan.
"**Cost Oil**"	Denotes an amount of crude oil produced in respect of which the market value is equal to Zhaikmunai LLP's monthly expenses that may be deducted pursuant to the PSA.
"**Development Plan**"	The Group's future drilling and infrastructure plans as more fully described in "*Business—Subsoil License and Permits—The License and the PSA—Development Plan*".
"**Directors**" or "**Board**"	The directors of Nostrum.
"**Distribution Compliance Period**"	40-day distribution compliance period (as defined under Regulation S under the Securities Act).
"**DTC**"	The Depository Trust Company.
"**EBIT**"	Earnings before interest and tax.
"**EBITDA**"	Earnings before interest, taxes, depreciation and amortization.
"**ED Resolution 2005**"	Resolution of the Kazakhstan Government "On Export Customs Duties on Crude Oil and Commodities Produced of Oil" (No. 1036, dated 15 October 2005 as amended).
"**ED Resolution 2013**"	Resolution of the Kazakhstan Government "On rates of customs duties of the Republic of Kazakhstan" (No. 1598, dated 31 December 2013, as amended).
"**ED Rules**"	Order of the Minister of National Economy of the Republic of Kazakhstan "The list of goods in respect of which the export customs duties are applied, the amount of rates and the period of their validity and the Rules for calculating the rate of export customs duties on crude oil

	and goods derived from oil" (No. 81, dated 17 February 2016,as amended).
"**EEA**"	European Economic Area.
"**Environmental Code**"	The Kazakhstan Environment Code (No 212-III, dated 9 January 2007, as amended).
"**Euroclear**"	Euroclear Bank SA/NV.
"**Exchange Act**"	The United States Securities Exchange Act of 1934, as amended.
"**Existing Notes**"	Collectively, the Existing Notes due 2019 and the Existing Notes due 2022.
"**Existing Notes due 2019**"	The 7.125% senior notes of Zhaikmunai LLP due 13 November 2019 and the 6.375% senior notes of Zhaikmunai LLP due 14 February 2019.
"**Existing Notes due 2022**"	The 8.000% senior notes of the Issuer due 25 July 2022.
"**Exploration Permit**"	The geological allotment (Annex to the Licence) issued by the Competent Authority to Zhaikmunai LLP.
"**FCA**"	UK Financial Conduct Authority.
"**FEED**"	Front end engineering design.
"**FSMA**"	The Financial Services and Markets Act 2000 (as amended).
"**Gas Law**"	The Kazakhstan Law "On Gas and Gas Supply" (No.532-IV, dated 9 January 2012, as amended).
"**Guarantee**"	A full and unconditional guarantee, subject to local law limitations, of the Notes by the Guarantors.
"**Guarantors**"	Collectively, the guarantors of the Notes, being Nostrum Oil & Gas PLC, Nostrum Oil & Gas B.V. and Zhaikmunai LLP. Each Guarantor, other than Nostrum Oil & Gas PLC, the Group's holding company, is a wholly-owned subsidiary of the Group.
"**Group**"	Nostrum Oil & Gas PLC and, as the context requires, its direct and indirect consolidated subsidiaries.
"**IFRS**"	International Financial Reporting Standards.
"**Independent Director**"	The independent directors of Nostrum.
"**Initial Purchasers**"	Banca IMI S.p.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and VTB Capital plc.
"**Issuer**"	Nostrum Oil & Gas Finance B.V.
"**KASE**"	Kazakhstan Stock Exchange.
"**KSS**"	JSC OGCC KazStroyService.
"**KSS Global**"	KazStroyService Global B.V.
"**KSS Group**"	KSS Global and its Affiliates.
"**Kazakhstan**"	The Republic of Kazakhstan.
"**Kazakhstan Government**"	The government of Kazakhstan.
"**KAZTRANSOIL**"	JSC KazTransOil (a subsidiary of NC KazMunaiGas).
"**KTO pipeline** "	Atyrau-Samara international export pipeline operated by KAZTRANSOIL.

"**Kyoto Protocol**"	The Kyoto Protocol to the United Nations Framework Convention on Climate Change.
"**Licence**"	Licence series MG No. 253-D (Oil) issued to Zhaikmunai LLP by the Government on 26 May 1997.
"**Listing Particulars**"	Application has been to the Irish Stock Exchange for the approval of this Offering Memorandum, referred to as the Listing Particulars.
"**Listing Rules**"	The rules and regulations made by the FCA pursuant to Part IV FSMA, as amended from time to time.
"**Ministry of Energy**"	The State's central executive agency, acting based upon its Regulations approved by the Resolution of the Government (No. 994, dated 19 September 2014), which is currently the Competent Authority in oil and gas.
"**NBK**"	National Bank of the Republic of Kazakhstan.
"**NC KMG**"	JSC National Company KazMunayGas.
"**Nostrum**"	Nostrum Oil & Gas PLC having its principal place of business at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.
"**Offering**"	The issuance of the 7.000% Senior Notes due 2025 by the Issuer.
"**Old Tax Code**"	The Code of the Republic of Kazakhstan "On Taxes and Other Mandatory Payments into the Budget (Tax Code)", No. 99-IV dated 10 December 2008, as amended.
"**Order**"	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
"**Permits and Notifications Law**"	The Kazakhstan Law "On Permits and Notifications" (No. 202-V, dated 16 May 2014, as amended).
"**PRMS**"	2007 Petroleum Resources Management System, which are a set of definitions and guidelines designed to provide a common reference for the international petroleum industry, sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, World Petroleum Council and the Society for Petroleum Evaluation Engineers.
"**Production Permit**"	The mining allotment (Annex to the Licence), issued by the Competent Authority to Zhaikmunai LLP.
"**Profit Oil**"	Profit Oil is the difference between Cost Oil and the total amount of crude oil produced each month, which is shared between the State and Zhaikmunai LLP.
"**Prospectus Directive**"	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, including any relevant implementing measure in each Relevant Member State.
"**PSA**"	Contract for additional exploration, production and production sharing of crude oil hydrocarbons in the Chinarevskoye oil and gas condensate field in the West-Kazakhstan Oblast No. 81, dated October 31, 1997, as amended, between Zhaikmunai LLP and the Competent Authority (currently the MoE), representing Kazakhstan.
"**QIB**"	A qualified institutional buyer as defined in Rule 144A.
"**Regulation S**"	Regulation S under the Securities Act.
"**Relevant Member State**"	A member state of the EEA which has implemented the Prospectus Directive.

"**Rule 144A**"	Rule 144A under the Securities Act.
"**Ryder Scott**"	Ryder Scott Company, LP, 621 Seventeenth Street, Suite 1550, Denver, Colorado, 80293, USA.
"**Saipem**"	Saipem S.p.A.
"**SEC**"	The United States Securities and Exchange Commission.
"**Securities Act**"	The United States Securities Act of 1933, as amended.
"**SPE**"	Society of Petroleum Engineers.
"**SPE-PRMS**"	2007 Petroleum Resources Management System, which are a set of definitions and guidelines designed to provide a common reference for the international petroleum industry, sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, World Petroleum Council and the Society for Petroleum Evaluation Engineers.
"**Subsoil Code**"	The Code of the Republic of Kazakhstan "On Subsoil and Subsoil Use" (No. 125-VI, dated 27 December 2017).
"**Subsoil Law**"	The Kazakhstan Law "On Subsoil and Subsoil Use" (No. 291-IV, dated 24 June 2010, as amended).
"**State**"	Kazakhstan.
"**State Share**"	The share of hydrocarbon production due (in cash or kind) to Kazakhstan under the PSA.
"**Tax Code**"	The Code of the Republic of Kazakhstan "On Taxes and Other Mandatory Payments into the Budget (Tax Code)" No. 120-VI, dated 25 December 2017.
"**TCO**"	A joint venture between Chevron Texaco, Exxon Mobil, Lukarco and NC KMG.
"**Tender Offer**"	The tender offer and consent solicitation in June 2017 for the Existing Notes due 2019 pursuant to which the Issuer purchased U.S.$390,884,000 and U.S.$215,924,000 of the 7.125% Existing Notes due 2019 and 6.375% Existing Notes due 2019, respectively.
"**Tenge**" **or** "**KZT**"	The lawful currency of Kazakhstan.
"**U.K. Corporate Governance Code**"	The UK Code of Corporate Governance, a set of principles of good corporate governance which provides a code of best practice aimed at companies listed on the London Stock Exchange.
"**UNGG**"	AO Uralskneftegazgeologia.
"**U.S. Dollars**" or "**U.S.$**"	The lawful currency of the United States of America.
"**U.S. person**"	Has the meaning given to such term in Regulation S of the Securities Act.
"**Water Code**"	The Water Code of Kazakhstan (No. 481, dated 9 July 2003, as amended).

GLOSSARY OF TECHNICAL AND OTHER TERMS

The following are definitions of certain oil and gas terms and abbreviations used in this Offering Memorandum:

"**3-D seismic survey**"	Seismic survey that is acquired, processed and interpreted to yield a three-dimensional picture of the subsurface.
"**API**"	An indication of density of crude oil or other liquid hydrocarbons as measured by a system recommended by the American Petroleum Institute, API, measured in degrees relative to the specific gravity scale. The higher the API gravity measure, the lighter the compound.
"**associated gas**"	Gas, which occurs in crude oil reservoirs in a gaseous state.
"**bbl**"	Abbreviation for barrel, which is 42 U.S. gallons.
"**boe**"	Barrels of crude oil equivalent.
"**bopd**"	Barrels of crude oil per day.
"**boepd**"	Barrels of crude oil equivalent per day.
"**contingent resources**"	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
"**DAF**"	Sales made on delivery at frontier terms.
"**DAP**"	Sales made on delivery at place terms.
"**FCA**"	Sales made under free carrier terms.
"**FCA Uralsk**"	Sales made under free carrier terms according to which Zhaikmunai LLP delivers to the terminal in Uralsk and transportation risk and risk of loss are transferred to the buyer after delivery to the carrier.
"**field**"	An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structure feature and/or stratigraphic condition.
"**FOB**"	Sales made under free on board terms.
"**gas**"	Petroleum that consists principally of light hydrocarbons. It can be divided into lean gas, primarily methane but often containing some ethane and smaller quantities of heavier hydrocarbons (also called sales gas), and wet gas, primarily ethane, propane and butane as well as smaller amounts of heavier hydrocarbons; partially liquid under atmospheric pressure.
"**gas condensate**"	The mixture of liquid hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir.
"**gross**"	Gross oil and gas wells or gross acres are the total number of wells or acres in which the Group has an interest, without regard to the size of that interest.
"**hydrocarbons**"	Compounds formed from the elements hydrogen (H) and carbon (C), which may be in solid, liquid or gaseous form.
"**LPG**"	Liquefied petroleum gas.
"**m**"	Metre.
"**mboepd**"	Thousands of barrels of crude oil equivalent.
"**mmbbl**"	Millions of barrels.

"**mmboepd**"	Millions of barrels of crude oil equivalent.
"**oil**"	Crude oil and condensate.
"**operator**"	The individual or company responsible for conducting oil and gas exploration, development and production activities on an oil and gas lease or concession on its own behalf and, if applicable, for other working interest owners, generally pursuant to the terms of a joint operating agreement or comparable agreement.
"**petroleum**"	Hydrocarbons, whether solid, liquid or gaseous. The proportion of different compounds in a petroleum find varies from discovery to discovery. If a reservoir primarily contains light hydrocarbons, it is described as a gas field. If heavier hydrocarbons predominate, it is called an oil field. An oil field may feature free gas above the oil and contain a quantity of light hydrocarbons, also called associated gas.
"**probable reserves**"	Those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves.
"**production well**"	A well that is producing oil or gas, or one that is capable of production.
"**prospective resources**"	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
"**proved reserves**"	Those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.
"**recovery**"	The second stage of hydrocarbon production during which an external fluid such as water or gas is injected into the reservoir to maintain reservoir pressure and displace hydrocarbons towards the wellbore.
"**reservoir**"	A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.
"**royalty**"	An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production.
"**seismic**"	The use of shock waves generated by controlled explosions of dynamite or other means to ascertain the nature and contour of underground geological structures.
"**sidetrack well**"	A well or borehole that runs partly to one side of the original line of drilling.
"**SPE**"	Society of Petroleum Engineers.
"**tonne**"	Metric tonne.
"**workover**"	Routine maintenance or remedial operations on a producing well in order to maintain, restore or increase production.

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Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited)

For the nine months ended 30 September 2017

Interim condensed consolidated financial statements

Contents

Interim condensed consolidated financial statements

Interim condensed consolidated statement of financial position

As at 30 September 2017

In thousands of US dollars	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)
ASSETS			
Non-current assets			
Exploration and evaluation assets	**3**	**45,821**	44,271
Goodwill		**32,425**	32,425
Property, plant and equipment	**4**	**1,899,518**	1,807,768
Restricted cash	**8**	**6,360**	5,981
Advances for non-current assets	**5**	**15,138**	28,676
		1,999,262	1,919,121
Current assets			
Inventories		**29,150**	28,326
Trade receivables	**6**	**34,210**	29,052
Prepayments and other current assets	**7**	**23,239**	21,171
Derivative financial instruments	**21**	**31**	6,658
Income tax prepayment		**13**	1,062
Cash and cash equivalents	**8**	**144,390**	101,134
		231,033	187,403
TOTAL ASSETS		**2,230,295**	2,106,524
EQUITY AND LIABILITIES			
Share capital and reserves	**9**		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,846)
Retained earnings and reserves		**668,211**	690,617
		669,754	691,974
Non-current liabilities			
Long-term borrowings	**11**	**1,055,196**	943,534
Abandonment and site restoration provision		**20,909**	19,635
Due to Government of Kazakhstan		**5,466**	5,631
Deferred tax liability		**344,648**	344,689
		1,426,219	1,313,489
Current liabilities			
Current portion of long-term borrowings	**11**	**16,883**	15,518
Employee share option plan liability		**3,553**	4,339
Trade payables	**12**	**59,180**	43,320
Advances received		**893**	1,810
Income tax payable		**17,064**	1,124
Current portion of due to Government of Kazakhstan		**1,031**	1,289
Other current liabilities	**13**	**35,718**	33,661
		134,322	101,061
TOTAL EQUITY AND LIABILITIES		**2,230,295**	2,106,524

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* ________________

Tom Richardson — *Chief Financial Officer* ________________

The accounting policies and explanatory notes are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated financial statements

Interim condensed consolidated statement of comprehensive income

For the nine months ended 30 September 2017

		Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	**Notes**	**2017 (unaudited)**	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Revenue					
Revenue from export sales		**50,009**	36,853	**192,414**	173,722
Revenue from domestic sales		**43,684**	44,752	**111,300**	71,342
	14	**93,693**	81,605	**303,714**	245,064
Cost of sales	**15**	**(47,785)**	(51,333)	**(146,259)**	(145,827)
Gross profit		**45,908**	30,272	**157,455**	99,237
General and administrative expenses	**16**	**(9,451)**	(8,471)	**(27,869)**	(27,933)
Selling and transportation expenses	**17**	**(14,934)**	(18,240)	**(52,016)**	(55,504)
Finance costs	**18**	**(28,142)**	(11,125)	**(49,616)**	(32,315)
Employee share option plan fair value adjustment		**1,305**	340	**632**	2,323
Foreign exchange (loss)/gain, net		**(3,384)**	6,091	**(435)**	(695)
Loss on derivative financial instruments	**21**	**(6,935)**	(6,021)	**(6,627)**	(46,750)
Interest income		**138**	112	**305**	353
Other income		**3,897**	3,223	**9,373**	7,225
Other expenses	**19**	**(13,333)**	(93)	**(21,690)**	(6,416)
(Loss)/profit before income tax		**(24,931)**	(3,912)	**9,512**	(60,475)
Current income tax expense		**(6,233)**	3,127	**(33,418)**	(12,408)
Deferred income tax benefit / (expense)		**(6,165)**	(7,659)	**47**	8,622
Income tax expense	**20**	**(12,398)**	(4,532)	**(33,371)**	(3,786)
Loss for the period		**(37,329)**	(8,444)	**(23,859)**	(64,261)
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		**260**	51	**804**	144
Other comprehensive income		**260**	51	**804**	144
Total comprehensive loss for the period		**(37,069)**	(8,393)	**(23,055)**	(64,117)
Loss for the period attributable to the shareholders (in thousands of US dollars)				**(23,859)**	(64,261)
Weighted average number of shares				**185,068,917**	184,828,819
Basic and diluted earnings per share (in US dollars)				**(0.13)**	(0.35)

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

The accounting policies and explanatory notes are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated financial statements

Interim condensed consolidated statement of cash flows

For the nine months ended 30 September 2017

		Nine months ended 30 September	
In thousands of US dollars	Notes	2017 (unaudited)	2016 (unaudited)
Cash flow from operating activities:			
Profit/(loss) before income tax		**9,512**	(60,475)
Adjustments for:			
Depreciation, depletion and amortisation	**15,16**	**93,967**	99,619
Finance costs	**18**	**49,616**	32,315
Employee share option plan fair value adjustment		**(632)**	(2,323)
Interest income		**(305)**	(353)
Foreign exchange gain on investing and financing activities		**(1,766)**	(1,205)
Loss on disposal of property, plant and equipment		**650**	65
Proceeds from derivative financial instruments	**21**	**–**	27,198
Loss on derivative financial instruments	**21**	**6,627**	46,750
Provision for doubtful debts		**1,751**	–
Accrued expenses		**2,633**	(846)
Operating profit before working capital changes		**162,053**	140,745
Changes in working capital:			
Change in inventories		**(601)**	206
Change in trade receivables		**(5,159)**	(2,749)
Change in prepayments and other current assets		**(1,885)**	4,746
Change in trade payables		**629**	5,434
Change in advances received		**(917)**	414
Change in due to Government of Kazakhstan		**(1,031)**	(773)
Change in other current liabilities		**(1,509)**	(6,879)
Payments under Employee share option plan		**(1,162)**	–
Cash generated from operations		**150,418**	141,144
Income tax paid		**(15,187)**	(8,664)
Net cash flows from operating activities		**135,231**	132,480
Cash flow from investing activities:			
Interest received		**305**	353
Purchase of property, plant and equipment		**(132,074)**	(154,111)
Exploration and evaluation works	**3**	**(1,576)**	(3,610)
Loans granted		**(1,223)**	–
Net cash used in investing activities		**(134,568)**	(157,368)
Cash flow from financing activities:			
Finance costs paid		**(51,018)**	(45,561)
Issue of notes		**725,000**	–
Repayment of notes		**(606,808)**	–
Fees and premium paid for early repayment and on arrangement of notes		**(26,116)**	–
Treasury shares sold/(purchased)		**1,853**	–
Payment of finance lease liabilities		**(616)**	(444)
Transfer to restricted cash		**(379)**	(382)
Net cash from/(used in) financing activities		**41,916**	(46,387)
Effects of exchange rate changes on cash and cash equivalents		**677**	25
Net increase/(decrease) in cash and cash equivalents		**43,256**	(71,250)
Cash and cash equivalents at the beginning of the period	**8**	**101,134**	165,560
Cash and cash equivalents at the end of the period	**8**	**144,390**	94,310

The accounting policies and explanatory notes are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated financial statements

Interim condensed consolidated statement of changes in equity

For the nine months ended 30 September 2017

In thousands of US dollars	Notes	Share capital	Treasury capital	Other reserves	Retained earnings	Total
As at 1 January 2016 (audited)		**3,203**	**(1,888)**	**260,833**	**511,608**	**773,756**
Loss for the period		–	–	–	(64,261)	(64,261)
Other comprehensive income		–	–	144	–	144
Total comprehensive loss for the period		**–**	**–**	**144**	**(64,261)**	**(64,117)**
Transaction costs		–	–	–	(19)	(19)
As at 30 September 2016 (unaudited)		**3,203**	**(1,888)**	**260,977**	**447,328**	**709,620**
Loss for the period		–	–	–	(17,643)	(17,643)
Other comprehensive loss		–	–	(214)	–	(214)
Total comprehensive loss for the period		**–**	**–**	**(214)**	**(17,643)**	**(17,857)**
Sale of treasury capital		–	42	155	–	197
Transaction costs		–	–	–	15	15
As at 31 December 2016 (audited)		**3,203**	**(1,846)**	**260,918**	**429,700**	**691,975**
Loss for the period		–	–	–	(23,859)	(23,859)
Other comprehensive income		–	–	804	–	804
Total comprehensive loss for the period		**–**	**–**	**804**	**(23,859)**	**(23,055)**
Sale of treasury capital		–	186	674	–	860
Transaction costs		–	–	–	(26)	(26)
As at 30 September 2017 (unaudited)		**3,203**	**(1,660)**	**262,396**	**405,815**	**669,754**

The accounting policies and explanatory notes are an integral part of these interim condensed consolidated financial statements

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 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: 9th Floor, 20 Eastbourne Terrace, London, W2 6LG, UK.

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. 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	Registered office	Form of capital	Ownership, %
Grandstil LLC	Tamozhenny lane 6/3 111033 Moscow Russian Federation	Participatory interests	**100**
Nostrum Associated Investments LLP[1]	43/1 Karev street 090000 Uralsk Republic of Kazakhstan	Participatory interests	**100**
Nostrum E&P Services LLC[2]	Liteyniy Prospekt 26 A 191028 St. Petersburg Russian Federation	Participatory interests	**100**
Nostrum Oil & Gas Coöperatief U.A.[3]	Gustav Mahlerplein 23B 1082MS Amsterdam The Netherlands	Members' interests	**100**
Nostrum Oil & Gas BV[4]	Gustav Mahlerplein 23B 1082MS Amsterdam The Netherlands	Ordinary shares	**100**
Nostrum Oil & Gas Finance B.V.	Gustav Mahlerplein 23B 1082MS Amsterdam The Netherlands	Ordinary shares	**100**
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace London W2 6LA United Kingdom	Ordinary shares	**100**
Nostrum Services Central Asia LLP[5]	Aksai 3a, 75/38 050031 Almaty Republic of Kazakhstan	Participatory interests	**100**
Nostrum Services N.V.[6]	Brand Whitlocklaan 42 1200 Brussel Belgium	Ordinary shares	**100**
Zhaikmunai LLP	43/1 Karev street 090000 Uralsk Republic of Kazakhstan	Participatory interests	**100**

[1] *Formerly Condensate Holding LLP*

[2] *Formerly Investprofi LLC*

[3] *Formerly Nostrum Oil Coöperatief U.A.*

[4] *Formerly Zhaikmunai Netherlands B.V, which was also merged with Nostrum Oil & Gas Finance BV and Nostrum Oil BV during 2015*

[5] *Formerly Amersham Oil LLP*

[6] *Formerly Probel Capital Management N.V., which was also merged with Nostrum Services CIS BVBA during 2016*

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 30 September 2017, the Group employed 985 employees (9M 2016: 984).

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 authority now known as the Ministry of Energy (the “MOE”) of the Republic of Kazakhstan.

The term of the Chinarevskoye subsoil use rights originally included a 5-year exploration period and a 25-year production period. Subsequently on 28 December 2016 the thirteenth supplementary agreement to the Contract was signed extending the exploration period for the Bobrikovski reservoir to 26 May 2018.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. Subsequently, the exploration period was extended until 8 February 2017. Zhaikmunai LLP’s application for further extension of the exploration period is under approval by the MOE.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. Subsequently, the exploration period was extended until 31 December 2017.

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field dated 28 July 2006 originally included a 5-year exploration period and a 20-year production period. Subsequently, the exploration period was extended until 31 December 2017.

Royalty payments

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 nine months ended 30 September 2017 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 annual consolidated financial statements for the year ended 31 December 2016 prepared in accordance with IFRS as adopted by the European Union.

The interim financial information for the three and nine months ended 30 September 2017 and 2016 was neither audited nor reviewed by the auditors and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative financial information for the year ended 31 December 2016 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2016 were approved by the Board of directors on 23 March 2017 and filed with the Registrar of Companies. The Independent Auditors’ Report on those accounts was unqualified.

Group reorganisation

The Group has been formed through a reorganisation in which Nostrum Oil & Gas PLC became a new parent entity of the Group. 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 2016, except for the following new standards and interpretations effective as of 1 January 2017, and which did not have an impact on the Group:

- Amendments to IAS 7 *Statement of Cash Flows*: Disclosure Initiative
- Amendments to IAS 12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrecognised Losses
- Amendments to IFRS 12 *Disclosure of Interests in Other Entities*: Clarification of the scope of disclosure requirements in IFRS 12

3. EXPLORATION AND EVALUATION ASSETS

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Subsoil use rights	**15,835**	15,835
Expenditures on geological and geophysical studies	**29,986**	28,436
	45,821	44,271

During the nine months ended 30 September 2017 the Group had additions to exploration and evaluation assets of US$1,550 thousand which mainly includes capitalised expenditures on geological studies and drilling costs (9M 2016: US$3,435 thousand). Interest was not capitalised on exploration and evaluation assets.

4. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2017 the Group had additions of property, plant and equipment of US$186,017 thousand (9M 2016: US$275,071 thousand). These additions are mostly associated with drilling costs, construction of a third unit for the gas treatment facility and capitalised interest of US$23,979 thousand (9M 2016: US$21,986 thousand).

As at 30 September 2017 the net carrying amount of property, plant and equipment held under finance lease was US$12,806 thousand (31 December 2016: 13,327).

See Note 23 for capital commitments.

5. ADVANCES FOR NON-CURRENT ASSETS

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

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Advances for construction services	**7,494**	20,801
Advances for pipes and construction materials	**7,644**	7,875
	15,138	28,676

6. TRADE RECEIVABLES

As at 30 September 2017 and 31 December 2016 trade receivables were not interest-bearing and were mainly denominated in US dollars. Their average collection period is 30 days.
As at 30 September 2017 and 31 December 2016 there were neither past due nor impaired trade receivables.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 30 September 2017 and 31 December 2016 prepayments and other current assets comprised the following:

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
VAT receivable	**12,473**	10,564
Advances paid	**6,896**	6,487
Other taxes receivable	**2,547**	2,322
Other	**1,323**	1,798
	23,239	21,171

Advances paid consist primarily of prepayments made to service providers.

8. CASH AND CASH EQUIVALENTS

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Current accounts in US dollars	**137,423**	72,537
Current accounts in tenge	**2,084**	17,206
Current accounts in other currencies	**4,878**	6,375
Petty cash	**5**	16
Bank deposits with maturity less than three months	**–**	5,000
	144,390	101,134

Bank deposits as at 31 December 2016 were represented by an interest-bearing deposit placed on 19 October 2016 for a three-month period with an interest rate of 0.68% per annum.
In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as liquidation fund deposit in the amount of US$ 562 thousand with Sberbank in Kazakhstan and US$ 5,798 thousand with Halyk bank (31 December 2016: a total of US$5,981 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

9. SHARE CAPITAL AND RESERVES

As at 30 September 2017 the ownership interests in the Parent consist of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01.

Number of GDRs/shares	In circulation	Treasury capital	Total
As at 1 January 2016 (audited)	**184,828,819**	**3,354,139**	**188,182,958**
Share options exercised	74,935	(74,935)	–
As at 31 December 2016 (audited)	**184,903,754**	**3,279,204**	**188,182,958**
Share options exercised	330,325	(330,325)	–
As at 30 September 2017 (unaudited)	**185,234,079**	**2,948,879**	**188,182,958**

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and are held by Intertrust Employee Benefit Trustee Limited, which upon request from employees to exercise options, sells shares on the market and settles respective obligations under the ESOP. This trust constitutes a special purpose entity under IFRS and therefore, these shares are recorded as treasury capital of the Company.

Other reserves of the Group include foreign currency translation reserve accumulated before 2009, when the functional currency of Zhaikmunai LLP was Kazakhstani Tenge and 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 amounting to US$255,459, that arose during the reorganisation of the Group (Note 2).

Distributions

During the periods ended 30 June 2017 and 2016 there were no distributions made.

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 2017 the book value per share amounted to US$3.39 (31 December 2016: US$3.50).

10. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period by the weighted average number of 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 authorisation of these financial statements.

	Nine months ended 30 September	
In thousands of US dollars	**2017 (unaudited)**	2016 (unaudited)
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(23,859)**	(64,261)
Weighted average number of shares	**185,068,917**	184,828,819
Basic and diluted earnings per share (in US dollars)	**(0.13)**	(0.35)

11. BORROWINGS

Borrowings comprise the following as at 30 September 2017 and 31 December 2016:

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Notes issued in 2012 and maturing in 2019	**170,436**	550,943
Notes issued in 2014 and maturing in 2019	**184,781**	406,931
Notes issued in 2017 and maturing in 2022	**716,049**	–
Finance lease liability	**813**	1,178
	1,072,079	959,052
Less amounts due within 12 months	**(16,883)**	(15,518)
Amounts due after 12 months	**1,055,196**	943,534

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.

On and after 13 November 2016, the 2012 Issuer shall be entitled at its option to redeem all or a portion of the 2012 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2012 Note), plus accrued and unpaid interest on the 2012 Notes, if any, 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), if redeemed during the twelvemonth period commencing on 13 November of the years set forth below:

Period	Redemption Price
2016	103.56250%
2017	101.78125%
2018 and thereafter	100.00%

The 2012 Notes are jointly and severally guaranteed (the "2012 Guarantees") on a senior basis by Nostrum Oil & Gas PLC and all of its subsidiaries other than the 2012 Issuer (the "2012 Guarantors"). The 2012 Notes are the 2012 Issuer's and the 2012 Guarantors' senior obligations and rank equally with all of the 2012 Issuer's and the 2012 Guarantors' other senior indebtedness. The 2012 Notes and the 2012 Guarantees are unsecured. Claims of secured creditors of the 2012 Issuer or the 2012 Guarantors will have priority with respect to their security over the claims of creditors who do not have the benefit of such security, such as the holders of the 2012 Notes.

2014 Notes

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

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

The 2014 Notes bear interest at the rate of 6.375% per annum. Interest on the 2014 Notes is payable on 14 February and 14 August of each year, beginning on 14 August 2014.

On and after 14 February 2017, the 2014 Issuer shall be entitled at its option to redeem all or a portion of the 2014 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2014 Note), plus accrued and unpaid interest on the 2014 Notes, if any, 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), if redeemed during the twelve month period commencing on 14 February of the years set forth below:

Period	Redemption Price
2017	103.1875%
2018 and thereafter	100.00%

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

2017 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2017 Issuer") issued US$ 725,000 thousand notes (the "2017 Notes").
The 2017 Notes bear interest at the rate of 8.00% per year, payable on 25 January and 25 July of each year.
The 2017 Notes may be redeemed, in whole or part, by the 2017 Issuer upon not less than 30 nor more than 60 days' notice, at 106.000% of the principal amount plus accrued interest in the 12 month period beginning on 25 July 2019, at 104.000% of the principal amount plus accrued interest in the 12 month period beginning on 25 July 2020, or at 100.000% of the principal plus accrued interest after 25 July 2021. The 2017 Issuer may also redeem the 2017 Notes in other circumstances as set out in the relevant indenture relating to the 2017 Notes.
The 2017 Notes are jointly and severally guaranteed (the "2017 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2017 Guarantors"). The 2017 Notes are the 2017 Issuer's and the 2017 Guarantors’ senior obligations and rank equally with all of the 2017 Issuer's and the 2017 Guarantors’ other senior indebtedness.
The issue of the 2017 Notes was used primarily to fund the Tender Offer and Consent Solicitation, as described below.
Fees and expenses directly attributable to the 2017 Notes and the Tender and Consent Solicitation amounted to US$ 27,083 thousand.

Tender Offer and Consent Solicitation for the 2012 Notes and the 2014 Notes

On 29 June 2017, Nostrum Oil & Gas Finance B.V., a subsidiary of Nostrum Oil & Gas PLC, announced a tender offer and consent solicitation in respect of the 2012 Notes and the 2014 Notes (the "Tender and Consent"). The Tender and Consent closed at 11:59 NY time on 27 July 2017, and was settled on 31 July 2017.
As a result of the Tender and Consent, on 31 July 2017, Nostrum Oil & Gas Finance B.V. purchased from bondholders US$ 390,884 thousand in principal amount of the outstanding 2012 Notes and US$ 215,924 thousand in principal amount of the outstanding 2014 Notes. Total tender consideration was US$ 102.60 per US$ 100 for the outstanding 2012 Notes and US$ 100.60 per US$ 100 for the outstanding 2014 Notes validly tendered during the Early Bird window. In addition, a consent payment of US$ 40c per US$ 100 was paid for all 2012 Notes and 2014 Notes validly tendered during the Early Bird window or if a Consent Only Instruction was received during the Early Bird window. Both consent solicitations were approved by bondholders such that the covenants contained in the 2012 Notes and the 2014 Notes have been aligned with the 2017 Notes.

Covenants contained in the 2012 Notes, 2014 Notes and the 2017 Notes

Following the consent solicitation discussed above, the 2012 Notes, 2014 Notes and 2017 Notes contain consistent covenants that, among other things, restrict, subject to certain exceptions, the ability of the 2012 Guarantors, the 2014 Guarantors, the 2017 Guarantors, and certain other members of the Group to:

- 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
- 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.

Finance lease

On 12 April 2016 Zhaikmunai LLP entered into a finance lease agreement for the main administrative office in Uralsk for a period of 20 years for a fee of US$ 66 thousand per month. As at 30 September 2017 the finance lease prepayment amounted to US$ 12,042 thousand. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	30 September 2017 (unaudited)		31 December 2016 (audited)	
In thousands of US dollars	**Minimum payments**	**Present value of payments**	**Minimum payments**	**Present value of payments**
No later than one year	**143**	133	**525**	496
Later than one year and no later than five years	**572**	357	**561**	349
Later than five years	**1,921**	323	**2,039**	333
Total minimum lease payments	**2,636**	813	**3,125**	1,178
Less amounts representing finance charges	**(1,823)**		**(1,947)**	
Present value of minimum lease payments	**813**	813	**1,178**	1,178

12. TRADE PAYABLES

Trade payables comprise the following as at 30 September 2017 and 31 December 2016:

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Tenge denominated trade payables	**28,899**	22,315
US dollar denominated trade payables	**24,827**	11,846
Euro denominated trade payables	**3,372**	7,470
Russian rouble denominated trade payables	**1,850**	1,347
Trade payables denominated in other currencies	**232**	342
	59,180	43,320

13. OTHER CURRENT LIABILITIES

Other current liabilities comprise the following as at 30 September 2017 and 31 December 2016:

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Training obligations accrual	**11,833**	12,018
Taxes payable, other than corporate income tax	**6,019**	7,041
Accruals under the subsoil use agreements	**8,273**	6,462
Due to employees	**6,034**	5,495
Other current liabilities	**3,559**	2,645
	35,718	33,661

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.

14. REVENUE

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 nine months ended 30 September 2017 was US$52.5 (9M 2016: US$43.1)

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US dollars	**2017 (unaudited)**	**2016 (unaudited)**	**2017 (unaudited)**	**2016 (unaudited)**
Oil and gas condensate	**57,601**	52,231	**193,720**	158,557
Gas and LPG	**36,092**	29,374	**109,994**	86,507
	93,693	81,605	**303,714**	245,064

During the nine months ended 30 September 2017 the revenue from sales to three major customers amounted to US$139,761 thousand, US$79,280 thousand and US$20,996 thousand respectively (9M 2016: US$74,114 thousand, US$67,657 thousand and US$33,816 thousand respectively). The Group's exports are mainly represented by deliveries to Belarus and the Black Sea ports of Russia.

15. COST OF SALES

In thousands of US dollars	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited)	**2016 (unaudited)**	**2017 (unaudited)**	**2016 (unaudited)**
Depreciation, depletion and amortisation	**29,653**	35,135	**92,196**	98,052
Repair, maintenance and other services	**5,172**	4,774	**15,095**	15,285
Payroll and related taxes	**4,523**	3,515	**13,235**	9,114
Royalties	**3,452**	3,773	**11,275**	7,942
Materials and supplies	**3,270**	924	**6,169**	2,866
Other transportation services	**1,878**	1,735	**5,657**	5,091
Government profit share	**742**	825	**2,632**	1,724
Well workover costs	**182**	1,349	**1,094**	2,692
Change in stock	**697**	(2,182)	**495**	977
Environmental levies	**99**	755	**277**	970
Other	**(1,883)**	730	**(1,866)**	1,114
	47,785	51,333	**146,259**	145,827

16. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US dollars	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited)	**2016 (unaudited)**	**2017 (unaudited)**	**2016 (unaudited)**
Payroll and related taxes	**3,914**	3,135	**11,169**	10,373
Professional services	**2,834**	2,664	**7,833**	6,716
Depreciation and amortisation	**556**	582	**1,771**	1,567
Training	**97**	647	**1,459**	2,565
Insurance fees	**448**	227	**1,192**	848
Business travel	**323**	551	**1,132**	2,901
Lease payments	**200**	186	**616**	552
Sponsorship	**197**	43	**519**	495
Communication	**107**	101	**306**	386
Materials and supplies	**93**	78	**286**	244
Social program	**79**	79	**237**	236
Bank charges	**75**	71	**192**	277
Other taxes	**24**	(48)	**55**	112
Other	**504**	155	**1,102**	661
	9,451	8,471	**27,869**	27,933

17. SELLING AND TRANSPORTATION EXPENSES

In thousands of US dollars	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Loading and storage costs	**5,811**	7,400	**21,447**	25,159
Transportation costs	**4,533**	4,796	**15,956**	19,129
Marketing services	**3,478**	5,144	**11,257**	8,575
Payroll and related taxes	**528**	358	**1,474**	970
Other	**584**	542	**1,882**	1,671
	14,934	18,240	**52,016**	55,504

18. FINANCE COSTS

In thousands of US dollars	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Interest expense on borrowings	**12,059**	10,664	**32,891**	31,218
Transaction costs in relation to the Tender Offer and Consent of the 2012 Notes and 2014 Notes	**15,709**	–	**15,709**	–
Unwinding of discount on amounts due to Government of Kazakhstan	**257**	257	**608**	627
Unwinding of discount on abandonment and site restoration provision	**82**	107	**245**	322
Unwinding of discount on social obligations liability	**–**	–	**40**	–
Finance charges under finance leases	**35**	97	**123**	148
	28,142	11,125	**49,616**	32,315

19. OTHER EXPENSES

In thousands of US dollars	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Business development	**7,500**	–	**7,500**	–
Export customs duty	**320**	1,197	**1,344**	4,314
Compensation	**–**	–	**–**	571
Other expense	**5,513**	(1,104)	**12,846**	1,531
	13,333	93	**21,690**	6,416

Business Development expenses incurred in relation to potential acquisitions of oil and gas exploration and appraisal assets in Kazakhstan.

Export customs duty is comprised of customs duties for export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc.

20. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Corporate income tax	**6,134**	(3,240)	**33,227**	13,365
Withholding tax	**99**	113	**324**	370
Deferred income tax (benefit) / expense	**6,165**	7,659	**(47)**	(8,622)
Adjustment in respect of the current income tax for the prior periods	**–**	–	**(133)**	(1,327)
Total income tax expense	**12,398**	4,532	**33,371**	3,786

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the nine months ended 30 September 2017. Differences between the recognition criteria in IFRS and under the statutory taxation regulations give rise to a temporary difference between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the change in temporary differences is recorded at the applicable statutory rates, including the prevailing Kazakhstani tax rate of 30% applicable to income derived from the Chinarevskoye subsoil use license.

The major part of the Group’s tax bases of non-monetary assets and liabilities is determined in tenge. Therefore, any change in the US dollar/tenge exchange rates results in a change in the temporary difference between the tax bases of non-current assets and their carrying amounts in the financial statements.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The movement in the fair value of derivative financial instruments was presented as follows:

In thousands of US dollars		Derivative financial instruments
As at 1 January 2016 (audited)	**current**	**54,095**
	non-current	**43,005**
Proceeds from sale of hedging contract		(27,198)
Loss on derivative financial instruments		(46,750)
As at 30 September 2016 (unaudited)	**current**	**16,962**
	non-current	**6,190**
Proceeds from sale of hedging contract		–
Loss on derivative financial instruments		(16,494)
As at 31 December 2016 (audited)	**current**	**6,658**
	non-current	**–**
Loss on derivative financial instruments		(6,627)
As at 30 September 2017 (unaudited)	**current**	**31**
	non-current	**–**

On 3 March 2014, in accordance with its hedging policy, Zhaikmunai LLP 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, which was sold before expiration for US$ 92,256 thousand on 14 December 2015.

On 14 December 2015, Zhaikmunai LLP entered, at cost of US$ 92,000 thousand, into a long-term hedging contract covering oil sales of 14,674 bbls/day for the first calculation period and 15,000 bbls/day for the subsequent calculation periods or a total of 10,950,000 bbls running through to 14 December 2017. The counterparty to the hedging agreement is VTB Capital Plc. Based on the hedging contract Zhaikmunai LLP bought a put, which protects it against any fall in the price of oil below US$ 49,16/bbl.
Gains and losses on the derivative financial instruments, which do not qualify for hedge accounting, are taken directly to profit or loss.
An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

22. RELATED PARTY TRANSACTIONS

For the purpose of these interim condensed consolidated financial statements transactions with related parties mainly comprise transactions between subsidiaries of the Company and the shareholders and/or their subsidiaries or associated companies.
Accounts receivable from and advances paid to related parties represented by entities controlled by shareholders with significant influence over the Group as at 30 September 2017 and 31 December 2016 consisted of the following:

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Trade receivables and advances paid		
JSC OGCC KazStroyService	**5,611**	18,063

Accounts payable to related parties represented by entities controlled by shareholders with significant influence over the Group as at 30 September 2017 and 31 December 2016 consisted of the following:

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
Trade payables		
JSC OGCC KazStroyService	**9,428**	6,291

During the nine months ended 30 September 2017 and 2016 the Group had the following transactions with related parties represented by entities controlled by shareholders with significant influence over the Group:

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US dollars	**2017 (unaudited)**	**2016 (unaudited)**	**2017 (unaudited)**	**2016 (unaudited)**
Purchases				
JSC OGCC KazStroyService	**13,633**	16,540	**43,088**	35,863
Management fees and consulting services				
Cervus Business Services	**315**	342	**793**	1,012
VWEW Advocaten VOF	**3**	–	**5**	–

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 (as amended by seven supplemental agreements since 28 July 2014, the "Construction Contract").
The Contractor is an affiliate of Mayfair Investments B.V., which as at 30 September 2017 owned approximately 25.7% of the ordinary shares of Nostrum Oil & Gas PLC.

During the nine months ended 30 September 2017 management and consulting services were provided in accordance with business centre and consultancy agreements signed between members of the Group and Cervus Business Services BVBA and VWEW Advocaten VOF.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$3,956 thousand for the nine months ended 30 September 2017 (9M 2016: US$2,399 thousand). Payments to key management personnel under ESOP for the nine months ended 30 September 2017 amounted to US$531 thousand (9M 2016: 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 2017. As at 30 September 2017 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. Kazakhstan's environmental legislation and regulations are subject to ongoing changes and varying interpretations. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the 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 court decisions with respect to any 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 2017 the Group had contractual capital commitments in the amount of US$132,501 thousand (31 December 2016: US$96,990 thousand) mainly in respect to the Group's oil field exploration and development activities.

Operating lease

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 terminated early 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 lease was represented as follows:

In thousands of US dollars	**30 September 2017 (unaudited)**	31 December 2016 (audited)
No later than one year	**7,283**	9,589
Later than one year and no later than five years	**16,421**	28,795

Lease expenses of railway tank wagons for the nine months ended 30 September 2017 amounted to US$5,883 thousand (9M 2016: US$9,632 thousand).

Social and education commitments

As required by the Contract (as amended by, inter alia, Supplement No. 9), the Group is obliged to:

- spend US$ 300 thousand per annum to finance social infrastructure;
- make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens; and
- 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 26 December 2016) require the subsurface user to:

- spend US$ 1,000 thousand for funding of development of Astana city;
- reimburse historical costs of US$ 383 thousand to the Government upon commencement of production stage;
- fund liquidation expenses equal to US$ 96 thousand; and
- spend US$ 1,250 thousand to finance social infrastructure.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Darjinskoye field (after its amendment on 26 December 2016) require the subsurface user to:

- invest at least US$ 19,643 thousand for exploration of the field during the exploration period;
- fund liquidation expenses equal to US$ 191 thousand;

The outstanding obligations under the contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field (after its amendment on 26 December 2016) require the subsurface user to:

- invest at least US$ 26,427 thousand for exploration of the field during the exploration period;
- fund liquidation expenses equal to US$ 259 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**	
In thousands of US dollars	**30 September 2017 (unaudited)**	**31 December 2016 (audited)**	**30 September 2017 (unaudited)**	**31 December 2016 (audited)**
Financial assets measured at fair value				
Derivative financial instruments	**31**	6,658	**31**	6,658
Financial liabilities measured at amortised cost				
Interest bearing borrowings	**(1,071,266)**	(957,874)	**(1,133,035)**	(955,924)
Finance lease liabilities	**(813)**	(1,178)	**(1,538)**	(1,799)
Total	**(1,072,048)**	(952,394)	**(1,134,542)**	(951,065)

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

The fair value of the financial assets and liabilities represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy. The fair value of derivative financial instruments is categorised as Level 3 within the fair value hierarchy and is calculated using Black-Scholes valuation model based on Brent Crude Futures traded on the Intercontinental Exchange, with the relative expiration dates ranging from the current reporting date until December 2017.

The following table shows ranges of the inputs depending on maturity, which are used in the model for calculation of the fair value of the derivative financial instruments as at 30 September 2017 and 31 December 2016:

	30 September 2017 (unaudited)	31 December 2016 (audited)
Future price at the reporting date (US$)	**56.43–56.79**	56.82–58.84
Expected volatility (%)	**24.47**	27.33
Risk-free interest rate (%)	**0.84**	0.84
Maturity (months)	**1–2**	1–11

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

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

	Increase in the assumption	**Decrease in the assumption**
Increase/(decrease) in gain on derivative financial instruments due to change in oil price assumption (+/-US$2/bbl)	(103)	333
Increase/(decrease) in gain on derivative financial instruments due to change in volatility rate assumption (+/-2%)	**154**	(45)

There were no movements between levels of fair value of derivative instrument during nine months ended 30 September 2017.

25. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period.

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Our opinion on the financial statements

In our opinion:

- Nostrum Oil and Gas PLC's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Nostrum Oil and Gas PLC's financial statements comprise:

Group	**Parent company**
Consolidated statement of financial position	Statement of financial position
Consolidated statement of Comprehensive Income	Statement of changes in equity
Consolidated statement of cash flows	Cash flow statement
Consolidated statement of changes in equity	Related notes 1 to 14 to the financial statements
Related notes 1 to 33 to the financial statements	

Independent auditors' report to the members of Nostrum Oil & Gas PLC

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

Risks of material misstatement	• Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation and decommissioning provision • Impairment of exploration licenses, goodwill and oil & gas development and production fixed assets • Revenue recognition • Completeness of related party transactions and related disclosures • Risk of management override
Audit scope	• We performed a full scope audit of three components across United Kingdom, Belgium and Kazakhstan and audit procedures on specific balances for a further five components across United Kingdom, Kazakhstan, Russia and the Netherlands. • The components where we performed full or specific audit procedures accounted for 99% of Loss before income tax, 100% of EBITDA, 100% of Revenue and 99% of Total assets.
Materiality	• Overall Group materiality of US$3.2m which represents 3% of EBITDA.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation and decommissioning provision *Refer to the Audit Committee Report on page 86; the estimates and judgements on page 144 and the disclosures in note 7 of the Consolidated Financial Statements (page 153)* This was considered to be a significant risk due to the subjective nature of reserves estimates and their pervasive impact on the financial statements through impairment, DD&A calculations and decommissioning provision estimate. Reserves are also considered a fundamental indicator of the future potential of the Group's performance and its ability to continue as going concern. The estimation of oil and gas reserves is a significant area of judgement due to the technical uncertainty in assessing reserves quantities. Consistent with the previous year, management has engaged a third party specialist in connection	Our audit procedures have focused on management's estimation process, including whether bias exists in determination of reserves. We challenged management's assumptions including commercial assumptions to ensure that they are based on supportable evidence. We have: ▪ carried out procedures to walkthrough and understand the Group's internal process and key controls associated with the oil and gas reserves estimation process; ▪ met with management's third party specialist during the planning and execution of the audit and assessed their competence and objectivity by enquiry of their qualifications, practical experience and independence. We have also assessed the competence of internal management's specialists, to satisfy ourselves that they are appropriately qualified to carry out the volumes estimation and prepare the input data used by the third party specialist. We checked the accuracy of the data transfer to the third party specialist; ▪ corroborated management's commercial assumptions by checking they lie within an acceptable range compared to publicly available benchmarks where appropriate. We compared management's internal assumptions to the latest plans and budgets for consistency; we have also challenged management's capabilities to execute on such plans by comparison to prior performance; ▪ reviewed the final oil and gas reserves estimation report prepared by management's third party specialist in light of our understanding of the business and we confirmed with them that all significant changes in reserves were made in the appropriate period, and in compliance with relevant industry standards; and ▪ validated that the updated reserves estimates were included appropriately in the Group's consideration of impairment, in accounting for DD&A and determination of decommissioning	We consider that the reserves estimations are reasonable for use in the impairment testing and management's going concern assessment, calculation of DD&A and the determination of decommissioning dates.

with the estimation of reserves volumes	dates. We performed full scope audit procedures over this risk area in one location (Kazakhstan).	
The risk of Impairment of exploration licenses, goodwill and oil & gas development and production fixed assets *Refer to the Audit Committee Report on page 86; the estimates and judgements on page 146 and the disclosures in notes 5 to 7 of the Consolidated Financial Statements (page 153-155).* *At 31 December 2016 the carrying value of goodwill was US$32,425 thousand (2015: US$32,425 thousand); exploration licenses: US$44,271 thousand (2015: US$36,917 thousand); oil & gas development and production assets, including non-current advances: US$1,787,172 thousand (2015: US$1,697,363 thousand).* A sustained low oil and gas price environment poses a heightened impairment risk for the Group. Management have identified an impairment trigger with respect to the oil & gas development	For exploration licenses we have evaluated management's assessment of each impairment trigger per IFRS 6 'Exploration for and Evaluation of Mineral Resources'. We have: ▪ verified that the Group had the right to explore in the relevant exploration license which included obtaining and reviewing supporting documentation such as license agreements and signed supplemental agreements and communication with relevant government agencies. In the event of non-compliance the Group can evidence that the terms are modified and any relevant penalties and fines accrued; ▪ enquired that management had the intention to carry out exploration and evaluation activity in the relevant exploration area and corroborated these responses by reviewing management's cash-flow forecast models to verify they include further spend on the exploration activities. We discussed the intentions and strategy of the Group with senior management and Directors to confirm our understanding; ▪ validated whether the Group has the ability to finance the planned future exploration and evaluation activity; ▪ assessed the competency of management's experts, and (where applicable), the competency and objectivity of third party specialists engaged for the purposes of assessing the reserves and resources associated with those exploration and evaluation assets; and ▪ corroborated the commercial viability of the exploration fields to the cash flow forecast models.	We consider management's estimates to be reasonable for the current year with assumptions within an acceptable range. The Group's price assumptions are within the range of analyst expectations and other market data, including the range of what we understand other market participants are considering as long-term oil and gas prices. The pre-tax discount rate is within the range of our expectations. We concluded that the related disclosures provided in the Group's financial statements are appropriate.

and production fixed assets in Kazakhstan. We focused on this area due to the significance of the carrying value of the assets being assessed, the current economic environment and the judgement involved in the assessment of the recoverable amount of the Group's Cash Generating Unit ('CGU') around the future prices of oil, natural gas and related products, both in the short and long-term, the discount rate applied to future cash flow forecasts and the assumptions relevant to production volumes.	In addressing the risk of impairment for goodwill and oil & gas development and production fixed assets we utilised our valuation specialists and evaluated management's impairment assessment by testing the key assumptions. We have: ▪ walked through the controls designed by the Group relating to the assessment of the carrying value of goodwill and oil & gas development and production fixed assets; ▪ tested the integrity of models with the assistance of our own specialists; ▪ tested price and discount rate assumptions by comparing forecast oil price assumptions to the latest market evidence available, including forward curves, broker's estimates and other long-term price forecasts; and benchmarking the discount rate to the risks faced by the group; ▪ focused our audit procedures on oil & gas reserves estimates, as described elsewhere in our report; ▪ tested forecast cash flows by comparing the assumptions used within the impairment models to the approved budgets, business plans and other evidence of future intentions. We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance; ▪ compared the inflation and exchange rate assumptions to external market data; ▪ evaluated management's sensitivity analysis of goodwill and oil & gas development and production fixed assets impairment testing in order to assess the potential impact of a range of reasonably possible outcomes. These sensitivities included adjustments to the discount rate, prices, future production volumes, opex and committed capex assumptions; and ▪ evaluated the financial statement disclosures for compliance with the requirements of accounting standards.	
	We performed full scope audit procedures over this risk area at the Group level (goodwill), we also audited the impairment assessment prepared by management for exploration licenses and oil & gas development and production fixed assets in Kazakhstan. By performing these procedures we obtained coverage of 100% of the risk amount.	

Independent auditors' report to the members of Nostrum Oil & Gas PLC

<table>
<tr>
<td rowspan="2">Revenue recognition

Refer to the Audit Committee Report on page 86; The Summary of significant accounting policies in page 152 and the disclosures in note 20 of the Consolidated Financial Statements (page 162)

Revenue for the year ended 31 December 2016 amounts to US$347,983 thousand (2015: US$448,902 thousand). Revenue sales include crude oil, gas condensate, dry gas and liquefied petroleum gas ('LPG').

There exists a risk of management manipulation to overstate or understate revenue. This could be achieved by potentially recording sales in an incorrect period.</td>
<td>Our component team in Kazakhstan performed procedures to walkthrough and understand the process and test key controls associated with the revenue recognition and accounts receivable process.

We made enquiries of management and analysed contracts to evaluate whether revenue was recognised in accordance with their terms. We have:
▪ audited sales agreements to understand the contractual terms and appropriate revenue recognition by inspecting supporting evidence for a sample of revenue transactions and agreeing the period when revenue should be recognised to the contractual terms;
▪ performed substantive test of details on a sample of sales transactions by inspecting delivery documents, delivery terms, volumes and prices;
▪ performed audit procedures on the trade debtors' ageing and collectability to identify any doubtful and or irrecoverable debtors, confirmed the material debtor balances with the relevant counterparties as well as tested that debtor amounts were received subsequent to year-end;
▪ carried out other analytical review procedures on each individual revenue stream using disaggregated volume by product, by customer and by month to assess the respective products' underlying performance and corroborate the appropriateness of the timing of revenue recognition; and
▪ evaluated the financial statement disclosures for compliance with the requirements of accounting standards.</td>
<td rowspan="2">We believe that Revenue is recognised in accordance with sales agreements. We also consider the disclosures with respect to Revenue included in the financial statements are reasonable and adequate.</td>
</tr>
<tr>
<td>We performed full scope audit procedures over this risk area in one location (Kazakhstan), which covered 100% of the risk amount.</td>
</tr>
<tr>
<td>Completeness of related party transactions ("RPT") and related disclosures

Refer to the Audit Committee Report on page 86 and the disclosures of related party transactions in note 29 of the Group Financial Statements (page 167)

Transactions with related parties mainly comprise</td>
<td>Our audit procedures have focused on obtaining evidence over the completeness of related party transactions and the related disclosures. We have:

▪ obtained an understanding of the process that management has established to identify, account for and disclose RPTs and authorise and approve significant RPTs and arrangements outside the normal course of business;
▪ inspected bank and legal confirmations, minutes of meetings and significant agreements with new counterparties;
▪ identified high value and unusual transactions, if any, and if necessary</td>
<td>We have not identified any undisclosed RPTs. We concluded to the Audit Committee that the disclosures of RPTs are complete.</td>
</tr>
</table>

transactions between the subsidiaries of the Parent company and entities controlled by the shareholders with significant influence over the Group. Given the significant amounts involved, we consider RPTs and related disclosures to be a significant risk.	performed further procedures; ▪ obtained an updated list of all related parties to the Group and reviewed the general ledger against this list to ensure completeness of the disclosure of RPTs; ▪ made enquiries of management in order to identify if any RPTs outside the normal course of business have taken place; and ▪ verified the completeness of disclosures in the financial statements. In addressing this risk, audit procedures were performed by the component team in Kazakhstan, Belgium and the Group engagement team.	
Risk of management override We consider the likelihood of management override occurring. We base our consideration on our understanding of the nature and risk of both management's opportunity and incentive to manipulate accounting records and earnings or financial ratios or to misappropriate assets given the sizable shareholdings of senior executives. Specifically we considered the heightened impairment risks, the risk of overstatement of the hedge instruments' valuation, and compliance with bank covenants in the light of a sustained low oil and gas price environment.	We considered whether there was evidence of bias by the Directors and senior management in significant accounting estimates and judgements relevant to the financial statements. This included performing procedures with a particular focus on those key judgements and estimates which relate to the risks of estimation of oil and gas reserves, impairment of non-current assets, revenue recognition and related parties transactions as highlighted above. Using our analytics tools we tested manual and automated journal entries and included a selection of journals, with a focus on those journal entries that may impact the carrying value of the long term assets, related to other significant risks identified as part of our audit engagement. As part of our audit procedures to address this fraud risk, we assessed the overall control environment and interviewed senior management and the Group's internal audit function to understand whether there had been any reported actual or alleged instances of fraudulent activity during the year. In addressing this risk, audit procedures were performed by component teams in Kazakhstan and Belgium and the Group engagement team. We tested manual and automated journal entries for all 8 components where we performed full or specific scope audit.	We have not identified any instances of management override or bias in significant estimates and judgements.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 16 reporting components of the Group, we selected 8 components covering entities within the Netherlands, Belgium, Russia, United Kingdom and Kazakhstan, which represent the principal business units within the Group. The Group engagement team performed the audit of the consolidation in the United Kingdom.

Of the eight components selected, we performed a full scope audit of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining five components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The three full scope components account for 100% of the Group's revenue and 108% of the Group's EBITDA. The EBITDA coverage of 108% represents one full scope component having a positive contribution of 122% offset by two full scope components having a negative contribution of 14%. The specific scope locations do not have income generating activities and we audited cash, payroll, general and administrative costs, the employee share option plan and other current liabilities.

Of the remaining eight components having together a negative contribution of 1% of the Group's EBITDA, none are individually greater than 1% of the Group's EBITDA. For these components, we performed other procedures, including analytical review, inquiry procedures and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Involvement with component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. For the two full scope components in Kazakhstan and Belgium, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle we held a global audit team event led by the Senior Statutory Auditor, where the primary audit team and the component teams met in London, United Kingdom, to consider the audit risk and strategy. The Senior Statutory Auditor and key members of the primary team visited the component team in Kazakhstan to attend the component closing meeting with local management, visited the operating field and the third unit of the gas treatment facility construction site and reviewed key working papers. The primary team was ultimately responsible for the scope and direction of the audit process. Video and telephone conference meetings were also held with the component teams in Kazakhstan and Belgium throughout the current year's audit cycle. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$3.2 million (2015: US$3.6 million), which is 3% of

EBITDA (2015: 5% of profit before tax). We have used an earnings based measure as our basis of materiality. For the current year audit it was considered inappropriate to calculate materiality using Group profit or loss before tax due to the recent volatility of this metric following significant decline in oil and gas prices. EBITDA is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We therefore considered EBITDA to be the most appropriate performance metric on which to base our materiality calculation as we evaluated that to be the most relevant performance measure to the stakeholders of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2015: 50%) of our planning materiality, namely US$1.6m (2015: US$1.8m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a higher risk of misstatements, both corrected and uncorrected.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US$0.2m to US$1.2m (2015: US$0.2m to US$1.4m).

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$0.2m (2015: US$0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 119, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not	We have no exceptions to report.

	been received from branches not visited by us; or • the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 117, and longer-term viability, set out on page 60; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Signature
Richard Addison (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 March 2017

Notes:
1. The maintenance and integrity of the Nostrum Oil and Gas PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated financial statements
Consolidated statement of financial position

As at 31 December 2016

In thousands of US dollars	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Exploration and evaluation assets	**6**	**44,271**	36,917
Goodwill	**5**	**32,425**	32,425
Property, plant and equipment	**7**	**1,807,768**	1,605,756
Restricted cash	**12**	**5,981**	5,375
Advances for non-current assets	**8**	**28,676**	130,660
Derivative financial instruments	**28**	**–**	43,005
		1,919,121	1,854,138
Current assets			
Inventories	**9**	**28,326**	28,951
Trade receivables	**10**	**29,052**	31,337
Prepayments and other current assets	**11**	**21,171**	27,411
Derivative financial instruments	**28**	**6,658**	54,095
Income tax prepayment		**1,062**	26,926
Cash and cash equivalents	**12**	**101,134**	165,560
		187,403	334,280
TOTAL ASSETS		**2,106,524**	2,188,418
EQUITY AND LIABILITIES			
Share capital and reserves	**13**		
Share capital		**3,203**	3,203
Treasury capital		**(1,846)**	(1,888)
Retained earnings and reserves		**690,617**	772,441
		691,974	773,756
Non-current liabilities			
Long-term borrowings	**15**	**943,534**	936,470
Abandonment and site restoration provision		**19,635**	15,928
Due to Government of Kazakhstan		**5,631**	5,777
Deferred tax liability		**344,689**	347,769
		1,313,489	1,305,944
Current liabilities			
Current portion of long-term borrowings	**15**	**15,518**	15,024
Employee share option plan liability	**25**	**4,339**	4,284
Trade payables	**18**	**43,320**	41,463
Advances received		**1,810**	245
Income tax payable		**1,124**	1,692
Current portion of due to Government of Kazakhstan		**1,289**	1,031
Other current liabilities	**19**	**33,661**	44,979
		101,061	108,718
TOTAL EQUITY AND LIABILITIES		**2,106,524**	2,188,418

The 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 _______________

Tom Richardson

Chief Financial Officer _______________

Consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2016

In thousands of US dollars	**Notes**	**2016**	2015
Revenue			
Revenue from export sales		**244,586**	426,764
Revenue from domestic sales		**103,397**	22,138
	20	**347,983**	448,902
Cost of sales	**21**	**(199,455)**	(186,567)
Gross profit		**148,528**	262,335
General and administrative expenses	**22**	**(37,982)**	(49,309)
Selling and transportation expenses	**23**	**(75,681)**	(92,970)
Finance costs	**24**	**(44,474)**	(45,998)
Finance costs - reorganisation		**–**	(1,053)
Employee share option plan fair value adjustment	**25**	**99**	2,165
Foreign exchange loss, net		**(390)**	(21,200)
(Loss)/gain on derivative financial instrument	**28**	**(63,244)**	37,055
Interest income		**461**	515
Other income		**9,841**	11,296
Other expenses	**26**	**(1,656)**	(30,560)
(Loss)/profit before income tax		**(64,498)**	72,276
Current income tax expense		**(20,502)**	(25,656)
Deferred income tax gain / (expense)		**3,095**	(140,985)
Income tax expense	**27**	**(17,407)**	(166,641)
Loss for the year		**(81,905)**	(94,365)
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		**(70)**	(456)
Other comprehensive loss		**(70)**	(456)
Total comprehensive loss for the year		**(81,975)**	(94,821)
Loss for the year attributable to the shareholders (in thousands of US dollars)		**(81,975)**	(94,821)
Weighted average number of shares		**184,866,287**	184,828,819
Basic and diluted earnings per share (in US dollars)		**(0.44)**	(0.51)

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

Consolidated financial statements
Consolidated statement of cash flows

For the year ended 31 December 2016

In thousands of US dollars	Notes	2016	2015
Cash flow from operating activities:			
(Loss)/profit before income tax		**(64,498)**	72,276
Adjustments for:			
Depreciation, depletion and amortisation	**21,22**	**132,203**	109,351
Finance costs - reorganisation		**–**	1,053
Finance costs	**24**	**43,624**	45,998
Employee share option plan fair value adjustment		**(99)**	(2,165)
Interest income		**(461)**	(515)
Foreign exchange gain on investing and financing activities		**(1,329)**	(3,003)
Loss on disposal of property, plant and equipment		**95**	39
Proceeds from derivative financial instruments	**28**	**27,198**	92,255
Purchase of derivative financial instruments	**28**	**–**	(92,000)
Loss/(gain) on derivative financial instruments	**28**	**63,244**	(37,055)
Accrued expenses		**243**	(1,098)
Operating profit before working capital changes		**200,220**	185,136
Changes in working capital:			
Change in inventories		**708**	(3,508)
Change in trade receivables		**2,285**	(1,227)
Change in prepayments and other current assets		**22,204**	12,231
Change in trade payables		**2,028**	7,337
Change in advances received		**1,566**	(2,426)
Change in due to Government of Kazakhstan		**(773)**	(1,031)
Change in other current liabilities		**(12,250)**	(2,090)
Cash generated from operations		**215,988**	194,422
Income tax paid		**(9,457)**	(41,165)
Net cash flows from operating activities		**206,531**	153,257
Cash flow from investing activities:			
Interest received		**461**	515
Purchase of property, plant and equipment		**(197,250)**	(256,136)
Sale of property, plant and equipment		**–**	543
Exploration and evaluation works	**6**	**(7,475)**	(12,943)
Acquisition of subsidiaries		**–**	(2,296)
Placement of bank deposits		**–**	(17,000)
Redemption of bank deposits		**–**	42,000
Loans granted		**(496)**	(5,000)
Repayment of loans granted		**–**	5,000
Net cash used in investing activities		**(204,760)**	(245,317)
Cash flow from financing activities:			
Finance costs paid		**(65,400)**	(65,400)
Payment of finance lease liabilities		**(669)**	–
Transfer to restricted cash		**(606)**	(351)
Treasury shares sold/(purchased)		**352**	–
Distributions paid	**13**	**–**	(49,060)
Finance costs - reorganisation		**–**	(1,053)
Net cash used in financing activities		**(66,323)**	(115,864)
Effects of exchange rate changes on cash and cash equivalents		**126**	(1,959)
Net decrease in cash and cash equivalents		**(64,426)**	(209,883)
Cash and cash equivalents at the beginning of the year	**12**	**165,560**	375,443
Cash and cash equivalents at the end of the year	**12**	**101,134**	165,560

The accounting policies and explanatory notes are an integral part of these consolidated financial statements

Consolidated financial statements
Consolidated statement of changes in equity

For the year ended 31 December 2016

In thousands of US dollars	Notes	Share capital	Treasury capital	Other reserves	Retained earnings	Total
As at 1 January 2015		**3,203**	**(1,888)**	**261,289**	**655,076**	**917,680**
Loss for the year		–	–	–	(94,365)	(94,365)
Other comprehensive loss		–	–	(456)	–	(456)
Total comprehensive loss for the year		**–**	**–**	**(456)**	**(94,365)**	**(94,821)**
Profit distribution		–	–	–	(49,060)	(49,060)
Transaction costs		–	–	–	(43)	(43)
As at 31 December 2015		**3,203**	**(1,888)**	**260,833**	**511,608**	**773,756**
Loss for the year		–	–	–	(81,905)	(81,905)
Other comprehensive loss		–	–	(70)	–	(70)
Total comprehensive loss for the year		**–**	**–**	**(70)**	**(81,905)**	**(81,975)**
Sale of treasury capital		–	42	155	–	197
Transaction costs		–	–	–	(4)	(4)
As at 31 December 2016		**3,203**	**(1,846)**	**260,918**	**429,699**	**691,974**

Consolidated financial statements

Notes to the 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. 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 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	Registered office	Form of capital	Ownership, %
Grandstil LLC	Tamozhenny Lane 6/3 111033 Moscow Russian Federation	Participatory interests	**100**
Nostrum Associated Investments LLP[1]	43/1 Karev street 090000 Uralsk Republic of Kazakhstan	Participatory interests	**100**
Nostrum E&P Services LLC[2]	Liteyniy Prospekt 26 A 191028 St. Petersburg Russian Federation	Participatory interests	**100**
Nostrum Oil & Gas Coöperatief U.A.[3]	Gustav Mahlerplein 23B 1082MS Amsterdam The Netherlands	Members' interests	**100**
Nostrum Oil & Gas BV[4]	Gustav Mahlerplein 23B 1082MS Amsterdam The Netherlands	Ordinary shares	**100**
Nostrum Oil & Gas UK Ltd.	Grosvenor Street 53-54 London W1K 3HU United Kingdom	Ordinary shares	**100**
Nostrum Services Central Asia LLP[5]	Aksai 3a, 75/38 050031 Almaty Republic of Kazakhstan	Participatory interests	**100**
Nostrum Services N.V.[6]	Brand Whitlocklaan 42 1200 Brussel Belgium	Ordinary shares	**100**
Zhaikmunai LLP	43/1 Karev street 090000 Uralsk Republic of Kazakhstan	Participatory interests	**100**

[1] *Formerly Condensate Holding LLP*
[2] *Formerly Investprofi LLC*
[3] *Formerly Nostrum Oil Coöperatief U.A.*
[4] *Formerly Zhaikmunai Netherlands B.V, which was also merged with Nostrum Oil & Gas Finance BV and Nostrum Oil BV during 2015*
[5] *Formerly Amersham Oil LLP*
[6] *Formerly Probel Capital Management N.V., which was also merged with Nostrum Services CIS BVBA during 2016*

Jubilata Investments Limited and Claydon Industrial Limited were liquidated as of 5 October 2016

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 December 2016, the Group employed 989 employees (FY 2015: 1,063).

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 authority now known as the Ministry of Energy (the "MOE") of the Republic of Kazakhstan.

The term of the Chinarevskoye subsoil use rights originally included a 5-year exploration period and a 25-year production period. The exploration period was initially extended for additional 4 years and then for further 2 years according to the supplements to the Contract dated 12 January 2004 and 23 June 2005, respectively. In accordance with the supplement dated 5 June 2008, Tournaisian North reservoir entered into production period as at 1 January 2007. Following additional commercial discoveries during 2008, the exploration period under the Chinarevskoye subsoil use rights, other than for the Tournaisian horizons, was extended for an additional 3-year period, which expired on 26 May 2011. A further extension to 26 May 2014 was made under the supplement dated 28 October 2013. The extensions to the exploration periods have not changed the Chinarevskoye subsoil use rights term, which expires in 2031. On 28 July 2015 the eleventh supplementary agreement to the Contract was signed extending the exploration period to 26 May 2016. On 28 December 2016 the thirteenth supplementary agreement to the Contract was signed extending the exploration period for the Bobrikovski reservoir to 26 May 2018.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. On 27 April 2009 the exploration period was extended so as to have a total duration of 6 years. Subsequently, the exploration period was extended until 8 February 2017. Zhaikmunai LLP's application for further extension of the exploration period is under approval by the MOE.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. Subsequently, the exploration period was extended until 31 December 2017.

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field dated 28 July 2006 originally included a 5-year exploration period and a 20-year production period. Subsequently, the exploration period was extended until 31 December 2017.

Royalty payments

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 consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") 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 annual financial statements.

The consolidated financial statements have been prepared based on a historical cost basis, except for certain financial instruments which are carried at fair value as stated in the accounting policies (Note 4). The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires from management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Group reorganisation

The Group has been formed through a reorganisation that took place in June 2014 in which Nostrum Oil & Gas PLC became a new parent entity of the Group (Note 14). 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 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 consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as at 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment which is applicable to the consolidated financial statements of the Group is described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

These amendments do not have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

IFRS 7 Financial Instruments: Disclosures

Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. This amendment does not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact of IFRS 9 on its balance sheet and equity.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It will continue measuring at fair value derivative financial instruments.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity due to the average short collection period of trade receivables as well as anticipation of low trade impairment losses on trade receivables based on the historical data, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarification issued by the IASB in April 2016 and will monitor any further developments.

(a) Sale of goods

The Group's revenue is driven by sale of crude oil, gas condensate and LPG. The goods are sold on their own in separate identified contracts with customers. Therefore, contracts with customers of the sale of goods is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on the delivery of the goods.

(b) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. Many of the disclosure requirements in IFRS 15 are completely new. In 2016 the Group started to develop appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor').

All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. A lessee can chose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its financial statements but in broad terms, the impact will be to recognise a lease liability and a corresponding asset for most of the operating lease commitments disclosed in Note 31.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Exploration expenditure

Costs directly associated with exploration wells are capitalised within exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration and materials and fuel used, rig costs and payments made to contractors and asset retirement obligation fees.

Significant accounting judgments, estimates and assumptions: Exploration expenditure

If hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Subsoil use rights acquisition costs are initially capitalised in exploration and evaluation assets. Subsoil use rights acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the subsoil use rights have been relinquished or has expired, the carrying value of the subsoil use rights acquisition costs is written off through profit or loss.

The Group owns licenses in the Western Kazakhstan region, including the Rostoshinskoye, Yuzhno-Gremyachenskoye and Darjinskoye fields where the exploration period will expire in 2017. The Group's application for extension of the exploration period on the Rostoshinskoye field is under approval by the MOE and will seek extension on the terms for the

Yuzhno-Gremyachenskoye and Darjinskoye fields in 2017. The Group remains committed to developing its exploration assets and based on the past history of the Group's ability to obtain extension, therefore, continues to carry the capitalized costs on its balance sheet. For more detailed information in relation to the subsoil use rights terms, please see Note 1.

Judgement is also required when determining the appropriate grouping of the exploration assets into a CGU when assessing their recoverable amounts. The management has determined all three exploration fields as a single cash generating unit.

Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

For more detailed information in relation to exploration and evaluation assets, please see Note 6.

Property, plant and equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalised within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments

All capitalised costs of oil and gas properties are depleted using the unit-of-production method based on estimated proved developed reserves of the field, except the Group depreciates its oil pipeline and oil loading terminal on a straight line basis over the life of the relevant subsoil use rights. In the case of assets that have a useful life shorter than the lifetime of the field the straight line method is applied.

Other properties

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	7-15
Vehicles	8
Machinery and equipment	3-13
Other	3-10

For more detailed information in relation to property plant and equipment, please refer to Note 7.

Significant accounting judgments, estimates and assumptions: oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortisation (the "DD&A"). These reserve quantities are used for calculating the unit of production depletion rate as it reflects the expected pattern of consumption of future economic benefits by the Group.

The Group uses the internal estimates confirmed by independent reserve engineers on an annual basis to assess the oil and gas reserves of its oil and gas fields. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (the "SPE"). In estimating its reserves under the SPE methodology, the Group uses long-term planning prices which are also used by management to make investment decisions about development of a field.

Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves. All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually.

Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A, whereby changes in proved reserves are dealt with prospectively by amortizing the remaining carrying value of the asset over the expected future production. Downward revision of the proved reserves estimates in the future could lead to relative increase in depreciation expense. Estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the Group. Details on carrying values of oil and gas properties and related depreciation, depletion and amortization are shown in Note 7.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are subsumed in goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a Cash Generating Unit ("CGU") and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Impairment of property, plant and equipment, exploration and evaluation assets and goodwill

The Group assesses assets or groups of assets, called cash-generating units (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; for example, changes in the Group's business plans, significant decreases in the market commodity prices, low plant utilisation, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the Group makes an estimate of the asset's recoverable amount. Individual assets are grouped into CGU for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. For more detailed information in relation to goodwill, please refer to Note 5.

The business cash flow internal model, which is approved on an annual basis by senior management, is the primary source of information for the determination of value in use. It contains forecasts for oil and gas production, sales volumes for various types of products, revenues, costs and capital expenditure. As an initial step in the preparation of this model, various assumptions are set by senior management. These assumptions take account of commodity prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax rate.

Significant accounting judgments, estimates and assumptions: impairment of property, plant and equipment, exploration and evaluation assets and goodwill

Management has determined a single cash-generating unit within the Group's non-current assets consisting of all Group's assets related to its Chinarevskoye and exploration fields and gas treatment facility.

Determination as to whether, and by how much, the CGU containing goodwill is impaired involves management's best estimates on highly uncertain matters such as future commodity prices, operating expenses and capital expenditures estimates, discount rate, future production volumes and fiscal regimes.

The recoverable amount is determined by calculation of the value-in-use based on the discounted cash flow model as no recent third party transactions exist on which a reliable market-based fair value can be established. The value-in-use calculation model takes into consideration cashflows, which are expected to arise until 2032, i.e. during the license term of the Chinarevskoye field. The period exceeding five years is believed to be appropriate based on the proved and probable reserves audited by independent engineers and respective past history of the Group's ability to transfer probable reserves into proved.

The recoverability of exploration assets is covered under Exploration expenditure above.

The key assumptions used in the Group's discounted cash flow model reflecting past experience and taking in account of external factors are subject to periodic review. These assumptions are:

- Oil prices (in real terms): US$55/bbl for 2017 and US$60/bbl for 2018-2032;
- Proved and probable hydrocarbon reserves confirmed by independent reserve engineers;
- Production profiles based on Group's internal estimates confirmed by independent reserve engineers;
- All cash flows are projected on the basis of stable prices, i.e. inflation/growth rates are ignored;
- Cost profiles for the development of the fields and subsequent operating costs consistent with reserves estimates and production profiles; and
- Pre-tax discount rate of 14.1% (2015: 14.0%);
- Completion of the third unit for the gas treatment facility in 2017 resulting in gradual increase in the annual production volumes from 40,351 boepd in 2016 to approximately 100,000 boepd by the end of 2019.

These estimates may have a material impact on the value in use and, respective impairment, e.g. low oil prices for an extended period might lead to impairment charges. Even though the Group recognised a loss during the current year, mainly caused by the low oil prices, its operating cash flow remained strong. Short-term fluctuations in the oil prices are not considered to be indicative taking into account the long-lived nature of the Group's assets.

A 100 basis points increase in the pre-tax rate to 15% would result in no additional impairment charges. None of the reasonably possible changes in other key assumptions causes the cash generating unit's carrying amount to exceed its recoverable amount. More detailed information related to carrying values of oil and gas properties and related depreciation, depletion and amortisation are shown in Note 7. For information related to goodwill, please refer to Note 5.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax bases of income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that apply to the relevant taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For more detailed information in current and deferred income tax disclosure as at 31 December 2016 and 2015, please see Note 27.

Significant accounting judgments, estimates and assumptions: 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. 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 December 2016.

The Group is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for taxes for which it is considered probable will be payable, based on professional advice and consideration of the nature of current discussions with the tax authority.

As at 31 December 2016 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. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. For more information, see Note 27.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

The functional currency of the Company is the United States dollar (the "US dollar" or "US$"). The functional currencies of the Group's subsidiaries are as follows:

Company	**Functional currency**
Grandstil LLC	Russian rouble
Nostrum Associated Investments LLP	Tenge
Nostrum E&P Services LLC	Russian rouble
Nostrum Oil & Gas Coöperatief U.A.	US dollar
Nostrum Oil & Gas BV	US dollar
Nostrum Oil & Gas UK Ltd.	British Pound
Nostrum Services Central Asia LLP	Tenge
Nostrum Services N.V.	Euro
Zhaikmunai LLP	US dollar

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In the consolidated financial statements, the assets and liabilities of non-US dollar functional currency subsidiaries are translated into US dollars at the spot exchange rate on the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries are translated into US dollars using average rates of exchange. In the consolidated financial statements, exchange adjustments arising when the opening net assets and the profits for the year retained by non-US dollar functional currency subsidiaries are translated into US dollars are reported in the statement of comprehensive income.

Advances for non-current assets

Advances paid for capital investments/acquisition of non-current assets are qualified as advances for non-current assets regardless of the period of supplies of relevant assets or the supply of work or services to close advances. Advances paid for the purchase of non-current assets are recognised by the Group as non-current assets and are not discounted.

For more detailed information in relation to advances for non-current assets, please refer to Note 8.

Borrowing costs

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortised, provided that work is in progress at that time. Qualifying assets mostly include wells and other operations field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

For more detailed information in relation to capitalisation of borrowing costs, please refer to Note 7.

Inventories

Inventories are stated at the lower of cost or net realisable value ("NRV"). Cost of oil, gas condensate and liquefied petroleum gas ("LPG") is determined on the weighted-average method based on the production cost including the relevant expenses on depreciation, depletion and impairment and overhead costs based on production volume. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

For more information in relation to the breakdown of inventories as at 31 December 2016 and 2015, please see Note 9.

Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed by the Group at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group classifies as contingent liabilities those possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise and the present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognise contingent liabilities but discloses contingent liabilities in Note 31, unless the possibility of an outflow of resources embodying economic benefits is remote.

Decommissioning

Provision for decommissioning is recognised in full, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The Group estimates future dismantlement and site restoration costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the obligation at current year prices adjusted for expected long-term inflation rate and discounted at applicable rate.

The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas properties. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit-of-production basis.

The Group reviews site restoration provisions at each financial reporting date and adjusts them to reflect current best estimates in accordance with IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

- are added to, or deducted from, the cost of the related asset in the current period. If deducted from the cost of the asset the amount deducted shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately in the profit or loss; and
- if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Movements in the abandonment and site restoration provision are disclosed in Note 16.

Significant accounting judgments, estimates and assumptions: provisions and contingencies

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

Significant management judgment is required to evaluate any claims and actions to determine whether a provision relating to a specific litigation should be recognized or revised, or a contingent liability is required to be disclosed, since the outcome of litigation is difficult to predict.

The Group holds provision for the future decommissioning of oil and gas properties and site restoration. The estimation of the future dismantlement and site restoration costs involves significant estimates and judgments by management. Significant judgments in making such estimates include estimates of future cash outflows timing and discount rate.

Management made its estimates based on the assumption that cash flow will take place at the expected end of the subsoil use rights. Therefore, the most decommissioning events are many years in the future and the precise date of wells abandonment and site restoration may change with the relative impact on the cash outflows. Management of the Group believes that the long-term interest rates on the Eurobonds issued by the Ministry of Finance of the Republic of Kazakhstan provides the best estimates of applicable risk uncorrected discount rate. Any changes in the expected future costs are reflected in both the provision and the asset. Moreover, actual decommissioning costs can differ from estimates because of constantly changing decommissioning technologies as well as changes in environmental laws and regulations and public expectations.

The Group believes that the impact of any reasonably foreseeable change to these provisions on the Group's results of operations, financial position or liquidity will not be material. For more details on abandonment and site restoration provision please refer to Note 16.

Other current liabilities

The Group makes accruals for liabilities related to the underperformance and/or adjustments of work programs under subsoil use agreements (SUA) on a regular basis. When evaluating the adequacy of an accrual, management bases its estimates on the latest work program included in the SUA, and relevant signed supplements and potential future changes in payment terms (including the currency in which these liabilities are to be settled). Future changes in the work programs may require adjustments to the accrual recorded in the consolidated financial statements.

Financial assets

Initial recognition, measurement and derecognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, long-term and short-term deposits, trade and other receivables.

Financial assets are de-recognised when the rights to receive cash flows from the asset have expired.

Loans and receivables are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost the Group assesses individually whether objective evidence of impairment exists. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Financial liabilities

Initial recognition, measurement and derecognition

All financial liabilities are recorded initially at fair value. The Group's financial liabilities include trade and other payables and borrowings.

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, the difference in the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedging

The Group uses hedging contracts for oil export sales to cover part of its risks associated with oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

For more detailed information in relation to derivative financial instruments, please refer to Note 28

Significant accounting judgments, estimates and assumptions: fair value of financial instruments

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.

The fair value of derivative financial instruments is calculated using Black-Scholes valuation model based on Brent Crude Futures traded on the Intercontinental Exchange. Significant management judgment is required to estimate expected volatility used in the internal valuation model. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Changes in the key assumptions may have a material impact on the fair value gains and losses on derivatives recognised in the future reporting periods.

The detail information on the derivative financial instruments and their fair value sensitivity to changes in volatilities and oil price assumptions is provided in Note 32.

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover decommissioning obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

For more detailed information in relation to cash and cash equivalents as at 31 December 2016 and 2015, please see Note 12.

Revenue recognition

The Group sells crude oil, gas condensate and LPG under agreements priced by reference to Platt's and/or Argus' index quotations and adjusted for freight, insurance and quality differentials where applicable. The Group sells gas under agreements at fixed prices.

Revenue from the sale of crude oil, gas condensate, gas and LPG is recognised when delivery has taken place and the risks and rewards of ownership have passed to the customer.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other reserves. Voting rights related to treasury shares are nullified for the Group and no distributions are accepted in relation to them. Share options exercised during the reporting period are satisfied with treasury shares.

Share-based payments

The Group measures the cost of cash-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 25.

5. GOODWILL

As at 31 December 2016 and 31 December 2015, goodwill comprised the following due to business combinations:

In thousands of US dollars	**2016**	2015
Balance as at 1 January	**32,425**	32,425
Goodwill addition	**–**	–
Balance as at 31 December	**32,425**	32,425

The goodwill arises from the purchase of Nostrum Services CIS BVBA and Nostrum Services Central Asia LLP and is annually tested for impairment.

For information in relation to goodwill impairment testing, please see Note 4.

6. EXPLORATION AND EVALUATION ASSETS

In thousands of US dollars	**31 December 2016**	31 December 2015
Subsoil use rights	**15,835**	15,835
Expenditures on geological and geophysical studies	**28,436**	21,082
	44,271	36,917

During the year ended 31 December 2016 the Group had additions to exploration and evaluation assets of US$7,354 thousand which mainly includes capitalised expenditures on geological studies and drilling costs (FY 2015: US$12,537 thousand). Interest was not capitalised on exploration and evaluation assets.

7. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016 and 31 December 2015 property, plant and equipment comprised the following:

In thousands of US dollars	**31 December 2016**	31 December 2015
Oil and gas properties	**1,758,496**	1,566,703
Other property, plant and equipment	**49,272**	39,053
	1,807,768	1,605,756

Oil and gas properties

The category “Oil and Gas properties” represents mainly wells, oil and gas treatment facilities, oil transportation and other related assets. The movement of oil and gas properties for the years ended 31 December 2016 and 2015 was as follows:

In thousands of US dollars	**Working assets**	**Construction in progress**	**Total**
Balance at 1 January 2015, net of accumulated depreciation and depletion	**1,032,888**	**368,959**	**1,401,847**
Additions	(1,131)	265,569	264,438
Transfers	101,481	(99,369)	2,112
Depreciation and depletion charge	(101,694)	–	(101,694)
Balance at 31 December 2015, net of accumulated depreciation and depletion	**1,031,544**	**535,159**	**1,566,703**
Additions	5,646	311,285	316,931
Transfers	219,674	(220,492)	(818)
Depreciation and depletion charge	(124,320)	–	(124,320)
Balance at 31 December 2016, net of accumulated depreciation and depletion	**1,132,544**	**625,952**	**1,758,496**
As at 31 December 2014			
Cost	1,459,457	368,959	1,828,416
Accumulated depreciation and depletion	(426,569)	–	(426,569)
Balance, net of accumulated depreciation and depletion	**1,032,888**	**368,959**	**1,401,847**
As at 31 December 2015			
Cost	1,559,807	535,159	2,094,966
Accumulated depreciation and depletion	(528,263)	–	(528,263)
Balance, net of accumulated depreciation and depletion	**1,031,544**	**535,159**	**1,566,703**
As at 31 December 2016			
Cost	1,785,127	625,952	2,411,079
Accumulated depreciation and depletion	(652,583)	–	(652,583)
Balance, net of accumulated depreciation and depletion	**1,132,544**	**625,952**	**1,758,496**

The category “Construction in progress” is represented by employee remuneration, materials and fuel used, rig costs, payments made to contractors, and asset retirement obligation fees directly associated with development of wells until the drilling of the well is complete and results have been evaluated.

The depletion rate for oil and gas working assets was 11.95% and 10.2% in 2016 and 2015, respectively.

The Group engaged independent petroleum engineers to perform a reserves evaluation as at 31 December 2016. Depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the long-term inflation rate and discount rate used to determine the abandonment and site restoration provision (Note 16) in the year ended 31 December 2016 resulted in the increase of the oil and gas properties by US$ 2,399 thousand (31 December 2015: a decrease of US$ 5,622 thousand).The Group incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2016 and 31 December 2015:

In thousands of US dollars	**31 December 2016**	31 December 2015
Borrowing costs including amortisation of arrangement fee	**72,630**	71,782
Capitalisation rate	**6.98%**	7.01%
Capitalised borrowing costs	**29,569**	27,112

Other property, plant and equipment

In thousands of US dollars	Buildings	Machinery & equipment	Vehicles	Others	Construction in progress	Total
Balance at 1 January 2015, net of accumulated depreciation	**23,768**	**5,850**	**1,645**	**8,742**	**305**	**40,310**
Additions	1,101	1,699	268	6,126	231	9,425
Transfers	270	912	(6)	(3,071)	(217)	(2,112)
Disposals	–	(24)	(1,933)	(285)	–	(2,242)
Disposals depreciation	–	22	1,370	57	–	1,449
Depreciation	(3,213)	(2,535)	(363)	(1,549)	–	(7,660)
Translation difference	–	–	(4)	(113)	–	(117)
Balance at 31 December 2015, net of accumulated depreciation	**21,926**	**5,924**	**977**	**9,907**	**319**	**39,053**
Additions	14,593	318	387	2,035	112	17,445
Transfers	1,759	216	104	(875)	(386)	818
Disposals	(62)	(97)	(49)	(507)	–	(715)
Disposals depreciation	58	70	31	367	–	526
Depreciation	(3,746)	(2,176)	(239)	(1,724)	–	(7,885)
Translation difference	–	–	–	30	–	30
Balance at 31 December 2016, net of accumulated depreciation	**34,528**	**4,255**	**1,211**	**9,233**	**45**	**49,272**
As at 31 December 2014						
Cost	31,497	15,068	4,167	12,270	305	63,307
Accumulated depreciation	(7,729)	(9,218)	(2,522)	(3,528)	–	(22,997)
Balance, net of accumulated depreciation	**23,768**	**5,850**	**1,645**	**8,742**	**305**	**40,310**
As at 31 December 2015						
Cost	32,868	17,655	2,461	14,895	319	68,198
Accumulated depreciation	(10,942)	(11,731)	(1,484)	(4,988)	–	(29,145)
Balance, net of accumulated depreciation	**21,926**	**5,924**	**977**	**9,907**	**319**	**39,053**
As at 31 December 2016						
Cost	49,159	18,094	2,900	15,587	45	85,785
Accumulated depreciation	(14,631)	(13,839)	(1,689)	(6,354)	–	(36,513)
Balance, net of accumulated depreciation	**34,528**	**4,255**	**1,211**	**9,233**	**45**	**49,272**

8. ADVANCES FOR NON-CURRENT ASSETS

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

In thousands of US dollars	**31 December 2016**	31 December 2015
Advances for pipes and construction materials	**7,875**	76,806
Advances for construction services	**20,801**	53,854
	28,676	130,660

9. INVENTORIES

As at 31 December 2016 and 31 December 2015 inventories comprised the following:

In thousands of US dollars	**31 December 2016**	31 December 2015
Spare parts and other inventories	**21,789**	20,368
Gas condensate	**4,914**	5,684
Crude oil	**1,488**	2,528
LPG	**125**	371
Gas	**10**	–
	28,326	28,951

As at 31 December 2016 and 31 December 2015 inventories are carried at cost.

10. TRADE RECEIVABLES

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

As at 31 December 2016 and 31 December 2015 there were neither past due nor impaired trade receivables.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

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

In thousands of US dollars	**31 December 2016**	31 December 2015
VAT receivable	**10,564**	18,709
Advances paid	**6,487**	4,254
Other taxes receivable	**2,322**	2,888
Other	**1,798**	1,560
	21,171	27,411

Advances paid consist primarily of prepayments made to service providers.

12. CASH AND CASH EQUIVALENTS

In thousands of US dollars	**31 December 2016**	31 December 2015
Current accounts in US dollars	**72,537**	114,346
Current accounts in tenge	**17,206**	2,038
Current accounts in other currencies	**6,375**	7,167
Petty cash	**16**	9
Bank deposits with maturity less than three months	**5,000**	42,000
	101,134	165,560

Bank deposits as at 31 December 2016 were represented by an interest-bearing deposit placed on 19 October 2016 for a three-month period with an interest rate of 0.68% per annum.

In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as liquidation fund deposit in the amount of US$ 521 thousand with Sberbank in Kazakhstan, US$3,404 thousand with Kazkommertsbank and US$ 2,055 thousand with Halyk bank (31 December 2015: US$5,375 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

13. SHARE CAPITAL AND RESERVES

As at 31 December 2016 the ownership interests in the Parent consist of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01.

Number of GDRs/shares	**In circulation**	**Treasury capital**	**Total**
As at 1 January 2015	**184,828,819**	**3,354,139**	**188,182,958**
As at 31 December 2015	**184,828,819**	**3,354,139**	**188,182,958**
Share options exercised	74,935	(74,935)	–
As at 31 December 2016	**184,903,754**	**3,279,204**	**188,182,958**

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and are held by Elian Employee Benefit Trustee Limited, which upon request from employees to exercise options, sells shares on the market and settles respective obligations under the ESOP. This trust constitutes a special purpose entity under IFRS and therefore, these shares are recorded as treasury capital of the Company.

Other reserves of the Group include foreign currency translation reserve accumulated before 2009, when the functional currency of Zhaikmunai LLP was Kazakhstani Tenge and 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 amounting to US$255,459, that arose during the reorganisation of the Group (Note 2).

Distributions

There were no distributions made during the year ended 31 December 2016. During the year ended 31 December 2015 Nostrum Oil & Gas PLC made a distribution of US$ 0.27 per share to the shareholders which amounted to a total of US$ 49,060 thousand and was paid in full on 26 June 2015.

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 December 2016 the book value per share amounted to US$3.50 (31 December 2015: US$3.94).

14. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period by the weighted average number of 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 authorisation of these financial statements.

In thousands of US dollars	**2016**	2015
Loss for the year attributable to the shareholders (in thousands of US dollars)	**(81,975)**	(94,821)
Weighted average number of shares	**184,866,287**	184,828,819
Basic and diluted earnings per share (in US dollars)	**(0.44)**	(0.51)

15. BORROWINGS

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

In thousands of US dollars	**31 December 2016**	31 December 2015
Notes issued in 2012 and maturing in 2019	**550,943**	545,868
Notes issued in 2014 and maturing in 2019	**406,931**	405,626
Finance lease liability	**1,178**	–
	959,052	951,494
Less amounts due within 12 months	**(15,518)**	(15,024)
Amounts due after 12 months	**943,534**	936,470

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.

On and after 13 November 2016, the 2012 Issuer shall be entitled at its option to redeem all or a portion of the 2012 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2012 Note), plus accrued and unpaid interest on the 2012 Notes, if any, 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), if redeemed during the twelvemonth period commencing on 13 November of the years set forth below:

Period	**Redemption Price**
2016	103.56250%
2017	101.78125%
2018 and thereafter	100.00%

The 2012 Notes are jointly and severally guaranteed (the "2012 Guarantees") on a senior basis by Nostrum Oil & Gas PLC and all of its subsidiaries other than the 2012 Issuer (the "2012 Guarantors"). The 2012 Notes are the 2012 Issuer's and the 2012 Guarantors' senior obligations and rank equally with all of the 2012 Issuer's and the 2012 Guarantors' other senior indebtedness. The 2012 Notes and the 2012 Guarantees are unsecured. Claims of secured creditors of the 2012 Issuer or the 2012 Guarantors will have priority with respect to their security over the claims of creditors who do not have the benefit of such security, such as the holders of the 2012 Notes.

2014 Notes

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

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

The 2014 Notes bear interest at the rate of 6.375% per annum. Interest on the 2014 Notes is payable on 14 February and 14 August of each year, beginning on 14 August 2014.

On and after 14 February 2017, the 2014 Issuer shall be entitled at its option to redeem all or a portion of the 2014 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2014 Note), plus accrued and unpaid interest on the 2014 Notes, if any, 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), if redeemed during the twelve month period commencing on 14 February of the years set forth below:

Period	Redemption Price
2017	103.1875%
2018 and thereafter	100.00%

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

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

Covenants contained in the 2012 Notes and the 2014 Notes

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

- 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 Nostrum Oil & Gas PLC 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
- 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.

Finance lease

On 12 April 2016 Zhaikmunai LLP entered into a finance lease agreement for the main administrative office in Uralsk for a period of 20 years for a fee of US$ 66 thousand per month. As at 31 December 2016 the finance lease prepayment amounted to US$ 12,151 thousand. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

In thousands of US dollars	31 December 2016 Minimum payments	Present value of payments	31 December 2015 Minimum payments	Present value of payments
No later than one year	**525**	496	**–**	–
Later than one year and no later than five years	**561**	349	**–**	–
Later than five years	**2,039**	333	**–**	–
Total minimum lease payments	**3,125**	1,178	**–**	–
Less amounts representing finance charges	**(1,947)**	–	**–**	–
Present value of minimum lease payments	**1,178**	1,178	**–**	–

16. ABANDONMENT AND SITE RESTORATION PROVISION

The summary of changes in abandonment and site restoration provision during years ended 31 December 2016 and 2015 is as follows:

In thousands of US dollars	**2016**	2015
Abandonment and site restoration provision as at 1 January	**15,928**	20,877
Unwinding of discount	**331**	426
Additional provision	**977**	247
Change in estimates	**2,399**	(5,622)
Abandonment and site restoration provision as at 31 December	**19,635**	15,928

Management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2033. There are uncertainties in estimation of future costs as Kazakh laws and regulations concerning site restoration evolve.

The long-term inflation and discount rates used to determine the abandonment and site restoration provision at 31 December 2016 were 2.5% and 4.28%, respectively (31 December 2015: 2.49% and 5.54%).

The change in the long-term inflation rate and discount rate in the year ended 31 December 2016 resulted in the increase of the abandonment and site restoration provision by US$ 2,399 thousand (31 December 2015: the decrease by US$ 5,622 thousand).

17. DUE TO GOVERNMENT OF KAZAKHSTAN

The amount due to Government of the Republic of Kazakhstan has been recorded to reflect the present value of a liability in relation to the expenditures made by the Government in the time period prior to signing the Contract that were related to exploration of the Contract territory and the construction of surface facilities in fields discovered therein and that are reimbursable by the Group to the Government during the production period. The total amount of liability due to Government as stipulated by the Contract is US$ 25,000 thousand.

Repayment of this liability commenced in 2008 with the first payment of US$ 1,030 thousand in March 2008 and with further payments by equal quarterly instalments of US$ 258 thousand until 26 May 2031. The liability was discounted at 13%.

The summary of the changes in the amounts due to Government of Kazakhstan during the years ended 31 December 2016 and 31 December 2015 is as follows:

In thousands of US dollars	**2016**	2015
Due to Government of Kazakhstan as at 1 January	**6,808**	6,937
Unwinding of discount	**885**	902
Paid during the year	**(773)**	(1,031)
	6,920	6,808
Less: current portion of due to Government of Kazakhstan	**(1,289)**	(1,031)
Due to Government of Kazakhstan as at 31 December	**5,631**	5,777

18. TRADE PAYABLES

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

In thousands of US dollars	**31 December 2016**	31 December 2015
Tenge denominated trade payables	**22,315**	22,364
US dollar denominated trade payables	**11,846**	14,032
Euro denominated trade payables	**7,470**	2,875
Russian rouble denominated trade payables	**1,347**	1,928
Trade payables denominated in other currencies	**342**	264
	43,320	41,463

19. OTHER CURRENT LIABILITIES

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

In thousands of US dollars	**31 December 2016**	31 December 2015
Training obligations accrual	**12,018**	11,443
Taxes payable, other than corporate income tax	**7,041**	9,748
Accruals under the subsoil use agreements	**6,462**	16,902
Due to employees	**5,495**	3,992
Other current liabilities	**2,645**	2,894
	33,661	44,979

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.

The changes in the supplements to the subsoil use agreements and the adjusted work programs led to a reversal of the liability in amount of US$ 10,698 thousand during the year ended 31 December 2016, which was accrued during prior year.

20. REVENUE

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 year ended 31 December 2016 was US$45.1 (FY 2015: US$53.6)

In thousands of US dollars	**2016**	2015
Oil and gas condensate	**226,357**	297,777
Gas and LPG	**121,626**	151,125
	347,983	448,902

During the year ended 31 December 2016 the revenue from sales to three major customers amounted to US$109,499 thousand, US$92,885 thousand and US$38,053 thousand respectively (FY 2015: US$141,359 thousand, US$104,978 thousand and US$85,954 thousand respectively). The Group's exports are mainly represented by deliveries to Finland, the Black Sea ports of Russia and the United Arab Emirates.

21. COST OF SALES

In thousands of US dollars	**2016**	2015
Depreciation, depletion and amortisation	**130,043**	107,678
Repair, maintenance and other services	**21,097**	26,557
Payroll and related taxes	**13,290**	18,682
Royalties	**11,910**	14,364
Other transportation services	**6,843**	3,049
Materials and supplies	**4,649**	7,838
Well workover costs	**3,928**	5,182
Government profit share	**2,582**	1,880
Change in stock	**2,047**	(3,613)
Environmental levies	**1,071**	1,391
Other	**1,995**	3,559
	199,455	186,567

22. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US dollars	**2016**	2015
Payroll and related taxes	**13,313**	16,636
Professional services	**11,868**	13,997
Business travel	**3,695**	6,091
Training	**2,185**	3,110
Depreciation and amortisation	**2,160**	1,673
Insurance fees	**1,129**	1,715
Lease payments	**694**	1,012
Sponsorship	**574**	1,314
Communication	**484**	766
Materials and supplies	**353**	635
Bank charges	**346**	607
Social program	**315**	302
Other taxes	**150**	339
Other	**716**	1,112
	37,982	49,309

23. SELLING AND TRANSPORTATION EXPENSES

In thousands of US dollars	**2016**	2015
Loading and storage costs	**33,219**	41,229
Transportation costs	**24,861**	45,071
Marketing services	**14,138**	159
Payroll and related taxes	**1,234**	1,901
Other	**2,229**	4,610
	75,681	92,970

24. FINANCE COSTS

In thousands of US dollars	**2016**	2015
Interest expense on borrowings	**42,211**	44,670
Unwinding of discount on amounts due to Government of Kazakhstan	**885**	902
Unwinding of discount on abandonment and site restoration provision	**327**	426
Unwinding of discount on social obligations liability	**850**	–
Finance charges under finance leases	**201**	–
	44,474	45,998

25. EMPLOYEES' REMUNERATION

The average monthly number of employees (including Executive Directors) employed was as follows:

	2016	2015
Management and administrative	**294**	303
Technical and operational	**664**	765
	958	1,068

Their aggregate remuneration comprised:

In thousands of US dollars	**2016**	2015
Wages and salaries	**27,789**	35,092
Social security costs	**4,452**	5,757
Share-based payments	**–**	–
Other pension costs	**–**	–
	32,241	40,849

Part of the Group's staff costs shown above is capitalised into the cost of intangible and tangible oil and gas assets under the Group's accounting policy for exploration, evaluation and oil and gas assets.

The amount ultimately remaining in the income statement was US$28,486 thousand (FY 2015: US$38,789 thousand).

Key management personnel remuneration

In thousands of US dollars	**2016**	2015
Short-term employee benefits	**4,742**	4,703
Share-based payments	**–**	–
	4,742	4,703

Directors' remuneration

In thousands of US dollars	**2016**	2015
Short-term employees benefits	**3,234**	3,328
Share-based payments	**–**	–
Pension and other post-retirement benefits	**–**	–
	3,234	3,328

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 to allow for the continuation of the option plan previously maintained by Nostrum Oil & Gas LP. 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).

Employees (including senior executives and executive directors) of members of the Group or their associates receive remuneration in the form of equity-based payment transactions, whereby employees render services as consideration for share appreciation rights, which can only be settled in cash ("cash-settled transactions").

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The equity-based payment plan is described below.

During 2008-2015, 4,297,958 equity appreciation rights (SARs) which can only be settled in cash were granted to senior employees and executive directors of members of the Group or their associates. These generally vest over a five year period from the date of grant, so that one fifth of granted SARs vests on each of the five anniversaries from the date of grant. The contractual life of the SARs is ten years. The fair value of the SARs is measured at the grant date using a trinomial lattice valuation option pricing model taking into account the terms and conditions upon which the instruments were granted. SARs are exercisable at any time after vesting till the end of the contractual life and give its holder a right to a difference between the market value of the Group's ordinary shares at the date of exercise and a stated base value. The services received and a liability to pay for those services are recognised over the expected vesting period.

Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss as part of the employee benefit expenses arising from cash-settled share-based payment transactions.

The carrying value of the liability relating to 2,536,478 of SARs at 31 December 2016 is US$ 4,339 thousand (31 December 2015: 2,611,413 SARs with carrying value of US$ 4,284 thousand). During the year ended 31 December 2016 252,000 SARs were fully vested (FY 2015:302,000).

The following table illustrates the number ("No.") and exercise prices ("EP") of, and movements in, SARs during the year:

	2016		2015	
	No.	**EP,US$**	No.	EP,US$
Total outstanding at the beginning of the year (with EP of US$ 4)	**1,351,413**	**4**	1,351,413	4
Total outstanding at the beginning of the year (with EP of US$ 10)	**1,260,000**	**10**	1,260,000	10
Total outstanding at the beginning of the year	**2,611,413**		2,611,413	
Share options exercised	**(74,935)**	**4**	–	4
Total outstanding at the end of the year	**2,536,478**		2,611,413	
Total exercisable at the end of the year	**2,294,478**		2,117,413	

There were no SARs granted during the years ended 31 December 2016 and 2015. The weighted average price at the date of exercise for SARs exercised during the year ended 31 December 2016 amounted to US$ 2.06 per SAR. The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for the plan for the years ended 31 December 2016 and 2015:

	2016	2015
Price at the reporting date (US$)	**4.7**	6.0
Distribution yield (%)	**0%**	3.0%
Expected volatility (%)	**45.0%**	45.0%
Risk-free interest rate (%)	**1.2%**	2.5%
Expected life (years)	**10**	10
Option turnover (%)	**10.0%**	10.0%
Price trigger	**2.0**	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and is may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

26. OTHER EXPENSES

In thousands of US dollars	**2016**	2015
Export customs duty	**5,534**	14,163
Compensation	**571**	2,482
Accruals under subsoil use agreements (Note 19)	**(9,808)**	6,903
Other expense	**5,359**	7,012
	1,656	30,560

Export customs duty is comprised of customs duties for export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc. Based on their interpretation of CIS free-trade legislation the Kazakhstan customs authorities imposed customs duties on oil exports from Kazakhstan to Ukraine starting from December 2012.

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

27. INCOME TAX

The income tax expense comprised the following:

In thousands of US dollars	**2016**	2015
Deferred income tax expense	**(3,095)**	140,985
Corporate income tax	**21,328**	24,219
Withholding tax	**482**	2,821
Adjustment in respect of the current income tax for the prior periods	**(1,308)**	(1,384)
Total income tax expense	**17,407**	166,641

The Group's profits are assessed for income taxes mainly in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US dollars	**2016**	2015
(Loss)/Profit before income tax	**(64,497)**	72,275
Tax rate applicable to the suboil use rights	**30%**	30%
Expected tax provision	**(19,349)**	21,682
Effect of exchange rate on the tax base	**(2,423)**	101,043
Adjustments in respect of current income tax of previous years	**(1,308)**	(1,384)
Effect of loss / (income) taxed at different rate[1]	**8,219**	(2,921)
Non-deductible interest expense on borrowings	**22,864**	20,698
Deferred tax asset not recognised	**3,537**	5,297
Non-deductible penalties	**(1,343)**	3,656
Non-deductible compensation for gas	**36**	–
Net foreign exchange loss	**2,828**	12,086
Non-deductible social expenditures	**–**	1,021
Non-deductible cost of technological loss	**–**	141
Non-deductible training expenditures	**181**	561
Other non-deductible expenses	**4,165**	4,761
Income tax expenses reported in the consolidated financial statements	**17,407**	166,641

[1] *Jurisdictions which contribute significantly to this item are Republic of Kazakhstan with an applicable statutory tax rate of 20% (for activities not related to the Contract), and the Netherlands with an applicable statutory tax rate of 25%.*

The Group's effective tax rate for the year ended 31 December 2016 is negative 27.0% (2015: 230.6%). The Group's effective tax rate, excluding effect of movements in exchange rates and non-deductible interest expense on borrowings, for the year ended 31 December 2016 is 9.1% (2015: 45.4%).

In addition the effective tax rate was impacted by the effect of losses and gains taxed at different rate mainly including loss and gain on derivative financial instruments taxed at underlying tax rate of 20% which increased effective tax rate by 12.7% for the year ended 31 December 2016 (2015: decreased by 4.0%).

As at 31 December 2016 the Group has tax losses of US$71,051 thousand (2015: US$21,233 thousand) that are available to offset against future taxable profits in the companies in which the losses arose within 9 years after generation and will expire in the period 2023-2025. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

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

In thousands of US dollars	**31 December 2016**	31 December 2015
Deferred tax asset		
Accounts payable and provisions	**4,954**	4,486
Deferred tax liability		
Property, plant and equipment	**(348,311)**	(332,835)
Derivative financial instruments	**(1,332)**	(19,420)
Net deferred tax liability	**(344,689)**	(347,769)

The movements in the deferred tax liability were as follows:

In thousands of US dollars	**2016**	2015
Balance as at 1 January	**347,769**	206,784
Current period charge to statement of income	**(3,080)**	140,985
Balance as at 31 December	**344,689**	347,769

28. DERIVATIVE FINANCIAL INSTRUMENTS

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

In thousands of US dollars	**2016**	2015
Derivative financial instruments at fair value at 1 January	**97,100**	60,301
Proceeds from sale of hedging contract	**(27,198)**	(92,256)
Purchase of hedging contract	**–**	92,000
(Loss)/gain on derivative financial instruments	**(63,244)**	37,055
Derivative financial instruments	**6,658**	97,100
Less current portion of derivative financial instruments	**6,658**	54,095
Long-term derivative financial instruments at fair value at 31 December	**–**	43,005

On 3 March 2014, in accordance with its hedging policy, Zhaikmunai LLP 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, which was sold before expiration for US$ 92,256 thousand on 14 December 2015.

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

29. RELATED PARTY TRANSACTIONS

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

Accounts receivable from and advances paid to related parties represented by entities controlled by shareholders with significant influence over the Group as at 31 December 2016 and 31 December 2015 consisted of the following:

In thousands of US dollars	**31 December 2016**	31 December 2015
Trade receivables and advances paid		
JSC OGCC KazStroyService	**18,063**	35,832
Cervus Business Services	**–**	132

Accounts payable to related parties represented by entities controlled by shareholders with significant influence over the Group as at 31 December 2016 and 31 December 2015 consisted of the following:

In thousands of US dollars	**31 December 2016**	31 December 2015
Trade payables		
JSC OGCC KazStroyService	**6,291**	4,144

During the years ended 31 December 2016 and 2015 the Group had the following transactions with related parties represented by entities controlled by shareholders with significant influence over the Group:

In thousands of US dollars	**2016**	2015
Purchases		
JSC OGCC KazStroyService	**40,746**	29,906
Management fees and consulting services		
Cervus Business Services	**1,341**	1,392
VWEW Advocaten VOF	**7**	–

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, which was amended with effect from 10 August 2015 by a supplementary agreement increasing that consideration to US$ 160 million. The technical support and service agreement with the Contractor that was originally valid until 31 December 2015 was extended until 30 September 2016.

The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 December 2016 owned approximately 25.7% of the ordinary shares of Nostrum Oil & Gas PLC.

During the year ended 31 December 2016 management and consulting services were provided in accordance with business centre and consultancy agreements signed between members of the Group and Cervus Business Services BVBA and VWEW Advocaten VOF.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$4,742 thousand for the year ended 31 December 2016 (FY 2015: US$4,703 thousand). There were no payments made under the ESOP during the years ended 31 December 2016 and 2015.

30. AUDIT AND NON-AUDIT FEES

During the years ended 31 December 2016 and 2015 audit and non-audit fees comprise the following:

In thousands of US dollars	**2016**	2015
Audit of the financial statements	**309**	358
Total audit services	**309**	358
Audit-related assurance services	**149**	180
Other non-audit services	**19**	23
Total non-audit services	**168**	203
Total fees	**477**	561

The audit fees in the table above include the audit fees of US$10 thousand in relation to the Parent.

31. 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 December 2016. As at 31 December 2016 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. Kazakhstan's environmental legislation and regulations are subject to ongoing changes and varying interpretations. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the 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 court decisions with respect to any 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 December 2016 the Group had contractual capital commitments in the amount of US$96,990 thousand (31 December 2015: US$123,529 thousand) mainly in respect to the Group's oil field exploration and development activities.

Operating lease

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 terminated early 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 lease was represented as follows:

In thousands of US dollars	**31 December 2016**	31 December 2015
No later than one year	**9,589**	12,471
Later than one year and no later than five years	**28,795**	4,623

Lease expenses of railway tank wagons for the year ended 31 December 2016 amounted to US$12,285 thousand (FY 2015: US$15,690 thousand).

Social and education commitments

As required by the Contract (as amended by, inter alia, Supplement No. 9), the Group is obliged to:

- spend US$ 300 thousand per annum to finance social infrastructure;
- make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens; and

- 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 26 December 2016) require the subsurface user to:

- spend US$ 1,000 thousand for funding of development of Astana city;
- invest at least US$ 20,694 thousand for exploration of the field during the exploration period;
- reimburse historical costs of US$ 383 thousand to the Government upon commencement of production stage;
- fund liquidation expenses equal to US$ 147 thousand; and
- spend US$ 1,250 thousand to finance social infrastructure.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Darjinskoye field (after its amendment on 26 December 2016) require the subsurface user to:

- invest at least US$ 21,770 thousand for exploration of the field during the exploration period;
- fund liquidation expenses 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 26 December 2016) require the subsurface user to:

- invest at least US$ 27,910 thousand for exploration of the field during the exploration period;
- fund liquidation expenses equal to US$ 271 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, payables to Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the development of the Chinarevskoye oil and gas condensate field and its operations as well as exploration of the three new oil and gas fields – Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye. The Group's financial assets consist of trade and other receivables, non-current investments, current investments and cash and cash equivalents.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk, credit risk and commodity price risk. The Group's management reviews and agrees policies for managing each of these risks, which are summarized below.

Commodity price risk

The Group is exposed to the effect of fluctuations in price of crude oil, which is quoted in US dollar on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

Interest rate risk

The Group is not exposed to interest rate risk in 2016 and 2015 as the Group had no financial instruments with floating rates as at years ended 31 December 2016 and 2015.

Foreign currency risk

As a significant portion of the Group's operation is the tenge denominated, the Group's statement of financial position can be affected by movements in the US dollar / tenge exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in US dollars and denominating sales in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax. The impact on equity is the same as the impact on profit before tax.

	Change in tenge to US dollar exchange rate	Effect on profit before tax
2016		
US dollar thousand	+ 20.00%	508
US dollar thousand	- 20.00%	(508)
2015		
US dollar thousand	+ 60.00%	18,250
US dollar thousand	- 20.00%	(6,083)

The Group's foreign currency denominated monetary assets and liabilities were as follows:

As at 31 December 2016	Tenge	Russian rouble	Euro	Other	Total
Cash and cash equivalents	17,223	212	5,368	795	23,598
Trade receivables	11,540	–	1,668	–	13,208
Trade payables	(22,315)	(1,347)	(7,471)	(342)	(31,475)
Other current liabilities	(8,986)	(241)	(1,100)	(1,432)	(11,759)
	(2,538)	**(1,376)**	**(1,535)**	**(979)**	**(6,428)**

As at 31 December 2015	Tenge	Russian rouble	Euro	Other	Total
Cash and cash equivalents	2,047	70	6,472	626	9,215
Trade receivables	1,455	–	–	–	1,455
Trade payables	(22,364)	(1,928)	(2,876)	(264)	(27,432)
Other current liabilities	(11,554)	(159)	(855)	(1,783)	(14,351)
	(30,416)	**(2,017)**	**2,741**	**(1,421)**	**(31,113)**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The tool allows selecting severe stress test scenarios. To ensure an adequate level of liquidity a minimum cash balance has been defined as a cushion of liquid assets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, loans, hedges, export financing and financial leases.

The Group's policy is that, while it has an investment program on-going: a) not more than 25% of borrowings should mature in the next twelve-month period and b) a minimum balance of US$ 50 million is retained on the balance sheet post repayment or refinancing of any debt due in the next twelve-month period.

The Group's total outstanding debt consists of two notes: US$ 560 million issued in 2012 and maturing in 2019 and US$ 400 million issued in 2014 and maturing in 2019. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2016 and 31 December 2015 based on contractual undiscounted payments:

As at 31 December 2016	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	–	16,499	49,225	1,063,544	2,039	**1,131,307**
Trade payables	34,959	–	8,361	–	–	**43,320**
Other current liabilities	18,344	–	–	–	–	**18,344**
Due to Government of Kazakhstan	–	258	773	4,124	9,536	**14,691**
	53,303	**16,757**	**58,359**	**1,067,668**	**11,575**	**1,207,662**

As at 31 December 2015	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	–	12,750	52,650	1,156,200	–	**1,221,600**
Trade payables	37,934	–	3,529	–	–	**41,463**
Other current liabilities	17,554	–	–	–	–	**17,554**
Due to Government of Kazakhstan	–	258	773	4,124	10,567	**15,722**
	55,488	**13,008**	**56,952**	**1,160,324**	**10,567**	**1,296,339**

Credit risk

Financial instruments, which potentially subject the Group to credit risk, consist primarily of derivative financial instruments, accounts receivable and cash in banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Group considers that its maximum exposure is reflected by the amount of trade accounts receivable, cash and cash equivalents and derivative financial instruments.

The Group places its tenge denominated cash with SB Sberbank JSC, which has a credit rating of Ba3 (negative) from Moody's rating agency and ING with a credit rating of A1 (stable) from Moody's rating agency at 31 December 2016. The Group does not guarantee obligations of other parties.

The Group sells its products and makes advance payments only to recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low.

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Financial assets measured at fair value				
Derivative financial instruments	**6,658**	97,100	**6,658**	97,100
Financial liabilities measured at amortised cost				
Interest bearing borrowings	**(959,052)**	(951,494)	**(955,924)**	(809,824)
Total	**(952,394)**	(854,394)	**(949,266)**	(712,724)

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

The fair value of the financial assets and liabilities represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy. The fair value of derivative financial instruments is categorised as Level 3 within the fair value hierarchy and is calculated using Black-Scholes valuation model based on Brent Crude Futures traded on the Intercontinental Exchange, with the relative expiration dates ranging from the current reporting date until December 2017.

The following table shows ranges of the inputs depending on maturity, which are used in the model for calculation of the fair value of the derivative financial instruments as at 31 December 2016 and 31 December 2015:

	31 December 2016	31 December 2015
Future price at the reporting date (US$)	**56.82–58.84**	37.19-48.75
Expected volatility (%)	**27.33**	30
Risk-free interest rate (%)	**0.84**	0.32-0.69
Maturity (months)	**1–11**	1-23

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

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

	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)	(1,523)	1,976
Increase/(decrease) in gain on derivative financial instruments due to change in volatility rate assumption (+/-2%)	**1,203**	(1,143)

Movement in the derivative financial instruments is disclosed in Note 28.

During the years ended 31 December 2016 and 2015 there were no transfers between the levels of fair value hierarchy of the Group's financial instruments.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, additional paid-in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the notes that define capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. There have been no breaches in the financial covenants of the notes in the current period nor the prior period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or increase share capital. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, less cash, short-term deposits and long-term deposits.

In thousands of US dollars	**2016**	2015
Interest bearing borrowings	**959,052**	951,494
Less: cash and cash equivalents, restricted cash and current and non-current investments	**(107,115)**	(170,935)
Net debt	**851,937**	780,559
Equity	**691,974**	773,756
Total capital	**691,974**	773,756
Capital and net debt	**1,543,911**	1,554,315
Gearing ratio	**55%**	50%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

33. EVENTS AFTER THE REPORTING PERIOD

There were no significant events between the reporting date and the date of publication.

Nostrum Oil & Gas PLC

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Consolidated financial statements

Independent auditors' report to the members of Nostrum Oil & Gas PLC

We present our audit report on the Group and Parent company financial statements of Nostrum Oil & Gas PLC (the 'financial statements'), which comprise the Group and Parent primary statements and related notes.

Our opinion on the financial statements

In our opinion:

► Nostrum Oil & Gas PLC's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;

► the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

► the Parent company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and

► the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Nostrum Oil & Gas PLC's financial statements comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2015	Statement of financial position as at 31 December 2015
Consolidated statement of Comprehensive Income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 14 to the financial statements
Related notes 1 to 36 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Consolidated financial statements

Independent auditors' report to the members of Nostrum Oil & Gas PLC

Overview of our audit approach

Risks of material misstatement	▪ Estimation of oil and gas reserves and its impact on the impairment testing, depreciation, depletion and amortisation and decommissioning provision ▪ Impairment of exploration licenses, goodwill and oil & gas development and production fixed assets ▪ Revenue recognition ▪ Completeness of related party transactions and related disclosures ▪ Risk of management override
Audit scope	▪ We performed an audit of the complete financial information of 3 components across United Kingdom, Kazakhstan and Belgium and audit procedures on specific balances for a further 5 components across United Kingdom, Kazakhstan, Russia and the Netherlands. ▪ The components where we performed full or specific audit procedures accounted for approximately 100% of Profit before tax, Revenue and Total assets.
Materiality	▪ Overall Group materiality of US$3.6m which represents 5% of Profit before tax.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Estimation of oil and gas reserves and its impact on the impairment testing, depreciation, depletion and amortisation and decommissioning provision *Refer to the Audit Committee Report on page 82; the estimates and judgements on page 123 and the disclosures in note 8 of the Consolidated Financial Statements (page 133)* This was considered to be a significant risk due to the subjective nature of reserves estimates and their pervasive impact on the financial statements through impairment, DD&A calculations and decommissioning provision estimate. Reserves are also considered a fundamental indicator of the future potential of the Group's performance. The estimation of oil and gas reserves is a significant area of judgement due to the technical uncertainty in assessing reserves quantities. Consistent with the previous year, management has engaged a third party specialist in connection with the estimation of reserves volumes.	Our audit procedures have focused on management's estimation process, including whether bias exists in determination of reserves. We challenged management's assumptions including commercial assumptions to ensure that they are based on supportable evidence. We have: ▪ carried out procedures to walkthrough and understand the Group's internal process and key controls associated with the oil and gas reserves estimation process. ▪ met with management's third party specialist during the planning and execution of the audit and assessed their competence and objectivity by inquiring their qualifications, practical experience and independence. We have also assessed the competence of internal management's specialists, to satisfy ourselves they are appropriately qualified to carry out the volumes estimation and prepare the input data used by the third party specialist. We checked the accuracy of the data transfer to the third party specialist. ▪ corroborated management's commercial assumptions by checking they lie within an acceptable range compared to publicly available benchmarks where appropriate. We compared management's internal assumptions to the latest plans and budgets for consistency; we have also challenged management's capabilities to execute on such plans by comparison to prior performance. ▪ reviewed the final oil and gas reserves estimation report prepared by management's third party specialist in light of our understanding of the business and we confirmed with them that all significant changes in reserves were made in appropriate period, and in compliance with relevant industry standards. ▪ validated that the updated reserves	Based on our procedures we consider that the reserves estimations are reasonable for use in the impairment testing, calculation of DD&A and the determination of decommissioning dates.

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>What we concluded to the Audit Committee</th></tr>
<tr><td></td><td>estimates were included appropriately in the Group's consideration of impairment, in accounting for DD&A and determination of decommissioning dates.

We performed full scope audit procedures over this risk area in one location (Kazakhstan), which covered 100% of the risk.</td><td></td></tr>
<tr><td>The risk of Impairment of exploration licenses, goodwill and oil & gas development and production fixed assets

Refer to the Audit Committee Report on page 82; the estimates and judgements on page 123 and the disclosures in notes 6 to 8 of the Consolidated Financial Statements (page 132-134).

At 31 December 2015 the carrying value of goodwill was US$32,425 thousand (2014: US$32,425 thousand); exploration licenses: US$36,917 thousand (2014: US$24,380 thousand); oil & gas development and production assets, including non-current advances: US$1,697,363 thousand (2014: US$1,536,196 thousand).

The continued decline in worldwide crude oil prices and the prices of related refined products over the current year pose a heightened impairment risk for the Group. Management have identified an impairment trigger with respect to the oil & gas development and production fixed assets in Kazakhstan.

We focused on this area due to the significance of the carrying value of the assets being assessed, the current economic environment and the judgement involved in the assessment of the recoverable amount of the Group's Cash Generating Unit ('CGU') around the future prices of oil, natural gas and related products, both in the short and long-term, the discount rate applied to future cash flow forecasts and the assumptions relevant to production volumes.</td><td>For exploration licenses we have evaluated management's assessment of each impairment trigger per IFRS 6 'Exploration for and Evaluation of Mineral Resources'. We have:

▪ verified that the Group had the right to explore in the relevant exploration licence which included obtaining and reviewing supporting documentation such as license agreements and signed supplemental agreements and communication with relevant government agencies. In the event of non-compliance the Group can evidence that the terms are modified and any relevant penalties and fines accrued.
▪ inquired that management had the intention to carry out exploration and evaluation activity in the relevant exploration area and corroborated these responses by reviewing management's cash-flow forecast models to verify they include further spend on the exploration activities. We discussed the intentions and strategy of the Group with senior management and Directors to confirm our understanding.
▪ validated whether the Group has the ability to finance any planned future exploration and evaluation activity.
▪ assessed the competency of management's experts, and (where applicable), the competency and objectivity of third party specialists engaged for the purposes of assessing the reserves and resources associated with those exploration and evaluation assets.
▪ corroborated the commercial viability of the exploration fields to the cash-flow forecast models.

In addressing the risk of impairment for</td><td>The Group's price assumptions are within the range of analyst expectations and other market data, including the range of what we understand other market participants are considering as a long-term oil and gas prices. The pre-tax discount rate of 14% is within the range of our expectations.

Based on our procedures, we believe that the cash flow projections estimated are reasonable, the assumptions are supportable and the range of economic conditions that could exist over the remaining useful lives of the assets have been considered appropriately.</td></tr>
</table>

Risk	Our response to the risk	What we concluded to the Audit Committee
	Goodwill and oil & gas development and production fixed assets we utilised our valuation specialists and challenged management's impairment assessment by evaluating the key assumptions. We have: ▪ walked through the controls designed by the Group relating to the assessment of the carrying value of goodwill and oil & gas development and production fixed assets. ▪ tested the integrity of models with the assistance of our own specialists. ▪ tested price and discount rate assumptions by comparing forecast oil price assumptions to the latest market evidence available, including forward curves, broker's estimates and other long-term price forecasts; and benchmarking the discount rate to the risks faced by the group. ▪ focused our audit procedures on oil & gas reserves estimates, as described elsewhere in our report. ▪ tested forecast cash flows by comparing the assumptions used within the impairment models to the approved budgets, business plans and other evidence of future intentions. We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance. ▪ compared the inflation and exchange rate assumptions to external market data. ▪ evaluated management's sensitivity analysis of goodwill and oil & gas development and production fixed assets impairment testing in order to assess the potential impact of a range of reasonably possible outcomes. These sensitivities included adjustments to the discount rate, prices, future production volumes, opex and capex assumptions. ▪ evaluated the financial statement disclosures for compliance with the requirements of accounting standards.	
	We performed full scope audit procedures over this risk area at the Group level (Goodwill), we also audited the impairment assessment prepared by management for exploration licenses and oil & gas development and production fixed assets in Kazakhstan. By performing these procedures we obtained coverage of 100%	

Risk	Our response to the risk	What we concluded to the Audit Committee
	of the risk amount.	
Revenue recognition *Refer to the Audit Committee Report on page 82; The Summary of significant accounting policies in page 123and the disclosures in note 22 of the Consolidated Financial Statements (page 141)* Revenue for the year ended 31 December 2015 amounts to US$ 448,902 thousand (2014: US$ 781,878 thousand). Revenue sales include crude oil, gas condensate, dry gas and liquefied petroleum gas ('LPG'). There exists a risk of management manipulation to overstate or understate revenue. This could be achieved by potentially recording sales in an incorrect period.	Our component team in Kazakhstan performed procedures to walkthrough and understand the process and test key controls associated with the revenue recognition and accounts receivable process. We made enquiries of management and analysed contracts to evaluate whether revenue was recognised in accordance with the terms. We have: ▪ audited sales agreements to understand the contractual terms and appropriate revenue recognition by inspecting supporting evidence for a sample of revenue transactions and agreeing the period when revenue should be recognised to the contractual terms. ▪ performed substantive test of details on a sample of sales transactions by inspecting delivery documents, delivery terms, volumes and prices. ▪ performed audit procedures on the trade debtors' ageing and collectability to identify any doubtful and or irrecoverable debtors, confirmed the material debtor balances with the relevant counterparties as well as tested that debtor amounts were received subsequent to year-end. ▪ carried out other analytical review procedures on each individual revenue stream using disaggregated volume by product, by customer and by month to assess the respective products' underlying performance and corroborate the appropriateness of the timing of revenue recognition. ▪ evaluated the financial statement disclosures for compliance with the requirements of accounting standards. We performed full scope audit procedures over this risk area in one location (Kazakhstan), which covered 100% of the risk amount.	We believe that Revenue is recognised in accordance with sales agreements. We also consider the disclosures with respect to Revenue included in the financial statements are reasonable and adequate.
Completeness of related party transactions ("RPT") and related disclosures *Refer to the Audit Committee Report on*	Our audit procedures have focused on obtaining evidence over the completeness of related party transactions and the related disclosures. We have: ▪ obtained an understanding of the	Based on the procedures performed, we have not noted any undisclosed related party transactions that may result in a material misstatement. We believe that the disclosures of related

Risk	Our response to the risk	What we concluded to the Audit Committee
page 82 and the disclosures of related party transactions in note 32 of the Group Financial Statements (page 147) Transactions with related parties mainly comprise transactions between the subsidiaries of the Company and entities controlled by the shareholders with significant influence of the Group. Given the number of related parties and the significant monetary amounts involved we consider RPTs and related disclosures to be a significant risk.	process that management has established to identify, account for and disclose RPTs and authorise and approve significant RPTs and arrangements outside the normal course of business. ▪ inspected bank and legal confirmations, minutes of meetings and significant agreements with new counterparties. ▪ identified high value and unusual transactions, if any, and if necessary performed further procedures. ▪ obtained an updated list of all related parties to the Group and reviewed the general ledger against this list to ensure completeness of transactions; ▪ made enquiries of management in order to identify if any related party transactions outside the normal course of business have taken place. ▪ verified the completeness of disclosures in the financial statements. In addressing this risk, audit procedures were performed by component team in Kazakhstan and the Group engagement team.	party transactions are complete.
Risk of management override We consider the likelihood of management override occurring. We base our consideration on our understanding of the nature and risk of both management's opportunity and incentive to manipulate accounting records and earnings or financial ratios or to misappropriate assets given the sizable shareholdings of senior executives. Specifically we considered the heightened impairment risks, the risk of overstatement of the hedge instruments' valuation, and compliance with bank covenants in the light of the continued decline in worldwide crude oil prices and the prices of related refined products over the current year.	We considered whether there was evidence of bias by the Directors and senior management in significant accounting estimates and judgements relevant to the financial statements. This included performing procedures with a particular focus on those key judgements and estimates which relate to the risks of estimation of oil and gas reserves, impairment of non-current assets, revenue recognition and related parties transactions as highlighted above. We tested manual and automated journal entries and included a selection of journals, with a focus on those journal entries that may impact the carrying value of the long term assets, related to other significant risks identified as part of our audit engagement. As part of our audit procedures to address this fraud risk, we assessed the overall control environment and interviewed senior management and the Group's internal audit function to understand whether there had been any reported actual or alleged instances of fraudulent activity during the year.	We have not identified any instances of management override or bias in significant estimates and judgements.

Risk	Our response to the risk	What we concluded to the Audit Committee
	In addressing this risk, audit procedures were performed by component team in Kazakhstan and the Group engagement team. We tested manual and automated journal entries for all 3 components where we performed full scope audit.	

Our audit approach and assessment of the risks of material misstatements change in response to changes in circumstances affecting the Group financial statements. The continued decline in worldwide crude oil prices and the prices of related refined products over the current year has resulted in the deterioration of the recoverable amount of oil & gas development and production fixed assets and an increased potential impact of this risk on the Group's financial statements. This has led us to an increased focus on this area, unlike the 2014 audit where the primarily focus of our audit effort was on the risk of impairment of exploration licenses and goodwill.

The scope of our audit

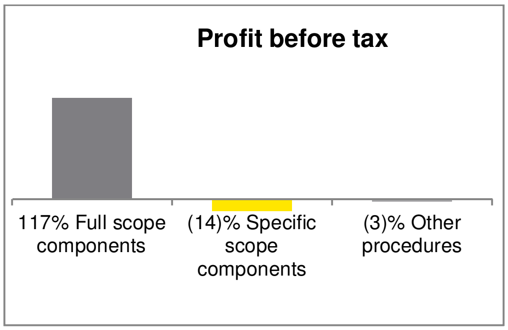
our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements under International Standards on Auditing (UK and Ireland). We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

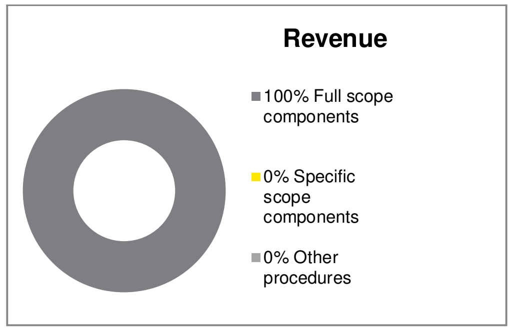
Tailoring the scope

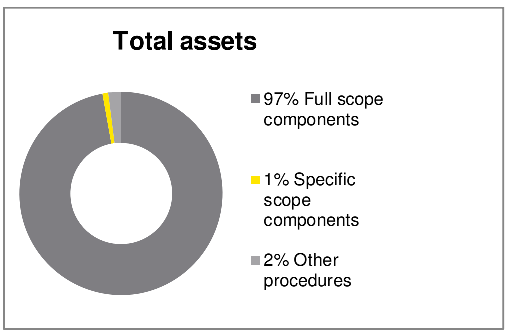
In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the Group engagement team, or by component auditors from another EY global network firm operating under our instructions. The Group engagement team performed the audit of the consolidation in the United Kingdom. In assessing the risk of material misstatement to the Group financial statements, our Group audit scope focused on the Group's main operating locations. Of the 16 reporting components of the Group, we selected eight components covering entities within the Netherlands, Belgium, Russia, United Kingdom and Kazakhstan, which represent the principal business units within the Group and account for approximately 100% of the Group's profit before tax. Of the eight components selected, we performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining five components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The three full scope components account for 85% of the Group net assets, 100% of the Group's revenue and 117% of the Group's profit before tax. The profit before tax coverage of 117% represents one full scope components having a positive contribution of 133% offset by two full scope components having a negative contribution of 16%. The specific scope locations do not have income generating activities and we audited cash, payroll, general and administrative costs, the employee share option plan and other current liabilities.

Of the remaining 8 components having together a negative contribution of 3% of the Group's Profit before tax, none are individually greater than 1% of the Group's Profit before tax. For these components, we performed other procedures, including analytical review, inquiry procedures and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.







Changes from the prior year

Our scope allocation in the current year is broadly consistent with 2014 in terms of overall coverage of the Group. However we have made some changes in the number of components subject to full and specific scope procedures. In particular, we changed our scope to include three service entities which are now considered significant based on materiality of payroll and general and administrative costs.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. For the one full scope component in Kazakhstan, where the work was performed by the component auditor, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. The work on the Group consolidation and remaining 7 full and specific scope components in Russia, the Netherland and Belgium was performed by the primary audit team.

During the 2015 audit cycle the primary audit team continued to have close interactions with the component audit team in Kazakhstan. The primary audit team held a global audit team event in the year led by the Senior Statutory Auditor, where both teams came together in Almaty, Kazakhstan, to consider the audit risk and strategy. The primary team visited the component team in Kazakhstan to attend the component closing meeting with local management, visited the operating field, reviewed key working papers and was responsible for the scope and direction of the audit process. Video and telephone conference meetings were also held with the component team in Kazakhstan throughout the current year's audit cycle. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Consolidated financial statements

Independent auditors' report to the members of Nostrum Oil & Gas PLC

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$3.6 million (2014: US$17 million), which is approximately 5% (2014: 5%) of Profit before tax (2014: adjusted Profit before tax. In 2014 profit before tax was adjusted by US$29 million mainly relating to the costs associated with the reorganisation of the Group that we concluded are non-recurring and therefore added back when calculating materiality. We believe this provides us with a consistent year on year basis for determining planning materiality and the most relevant performance measure for the stakeholders of the group. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Performance materiality

Application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2014: 50%) of our planning materiality, namely US$1.8m (2014: US$8.5m). We have set performance materiality at this percentage due to our past experience of the audit that indicate a higher risk of misstatements, both corrected and uncorrected.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US$0.2m to US$1.4m (2014: US$1.7m to US$6.4m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all audit differences in excess of US0.2m (2014: US0.85m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 111, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

► the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

► the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: ▪ materially inconsistent with the information in the audited financial statements; or ▪ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ▪ otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: ▪ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or ▪ certain disclosures of directors' remuneration specified by law are not made; or ▪ we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	▪ We are required to review: ▪ the directors' statement in relation to going concern, set out on page 108, and longer-term viability, set out on page 60; and ▪ the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Consolidated financial statements

Independent auditors' report to the members of Nostrum Oil & Gas PLC

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: ▪ the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; ▪ the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; ▪ the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and ▪ the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Signature

Richard Addison (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

29 March 2016

Notes:

1. The maintenance and integrity of the Nostrum Oil&Gas PLC's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated financial statements
Consolidated statement of financial position

As at 31 December 2015

In thousands of US dollars	Notes	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Exploration and evaluation assets	7	36,917	24,380
Goodwill	6	32,425	32,425
Property, plant and equipment	8	1,605,756	1,442,157
Restricted cash	14	5,375	5,024
Advances for non-current assets	9	130,660	134,355
Derivative financial instruments	29	43,005	60,301
		1,854,138	1,698,642
Current assets			
Inventories	10	28,951	25,443
Trade receivables	11	31,337	30,110
Prepayments and other current assets	12	27,411	39,642
Derivative financial instruments	29	54,095	–
Income tax prepayment		26,926	13,925
Current investments	13	–	25,000
Cash and cash equivalents	14	165,560	375,443
		334,280	509,563
TOTAL ASSETS		2,188,418	2,208,205
EQUITY AND LIABILITIES			
Share capital and reserves	15		
Share capital		3,203	3,203
Treasury capital		(1,888)	(1,888)
Retained earnings and reserves		772,441	916,365
		773,756	917,680
Non-current liabilities			
Long-term borrowings	17	936,470	930,090
Abandonment and site restoration provision	18	15,928	20,877
Due to Government of Kazakhstan	19	5,777	5,906
Deferred tax liability	31	347,769	206,784
		1,305,944	1,163,657
Current liabilities			
Current portion of long-term borrowings	17	15,024	15,024
Employee share option plan liability	28	4,284	6,449
Trade payables	20	41,463	49,619
Advances received		245	2,670
Income tax payable		1,692	1,459
Current portion of due to Government of Kazakhstan	19	1,031	1,031
Other current liabilities	21	44,979	50,616
		108,718	126,868
TOTAL EQUITY AND LIABILITIES		2,188,418	2,208,205

The 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* ______________

Consolidated financial statements
Consolidated statement of comprehensive income

For the year ended 31 December 2015

In thousands of US dollars	Notes	2015	2014
Revenue			
Revenue from export sales		426,764	676,064
Revenue from domestic sales		22,138	105,814
	22	448,902	781,878
Cost of sales	23	(186,567)	(221,921)
Gross profit		262,335	559,957
General and administrative expenses	24	(49,309)	(54,878)
Selling and transportation expenses	25	(92,970)	(122,254)
Finance costs	26	(45,998)	(61,939)
Finance costs - reorganisation	27	(1,053)	(29,572)
Employee share option plan fair value adjustment	28	2,165	3,092
Foreign exchange loss, net		(21,200)	(4,235)
Gain on derivative financial instruments	29	37,055	60,301
Interest income		515	986
Other income		11,296	10,086
Other expenses	30	(30,560)	(49,844)
Profit before income tax		72,276	311,700
Current income tax expense		(25,656)	(111,042)
Deferred income tax expense		(140,985)	(54,233)
Income tax expense	31	(166,641)	(165,275)
(Loss)/profit for the year		(94,365)	146,425
Currency translation difference		(456)	–
Other comprehensive loss		(456)	–
Total comprehensive (loss)/income for the year		(94,821)	146,425
(Loss)/profit for the year attributable to the shareholders (in thousands of US dollars)		(94,821)	146,425
Weighted average number of Common Units/shares		184,828,819	184,678,352
Basic and diluted earnings per share (in US dollars)		(0.51)	0.79

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

Consolidated financial statements
Consolidated statement of cash flows
For the year ended 31 December 2015

In thousands of US dollars	Notes	2015	2014
Cash flow from operating activities:			
Profit before income tax		72,276	311,700
Adjustments for:			
Depreciation, depletion and amortisation	23,24	109,351	111,869
Finance costs - reorganisation	27	1,053	29,572
Finance costs	26	45,998	61,939
Employee share option plan fair value adjustment		(2,165)	(3,093)
Interest income		(515)	(986)
Foreign exchange gain on investing and financing activities		(3,003)	(574)
Loss on disposal of property, plant and equipment		39	–
Proceeds from derivative financial instruments		92,255	–
Purchase of derivative financial instruments		(92,000)	–
Gain on derivative financial instruments	29	(37,055)	(60,301)
Accrued expenses		(1,098)	(2,296)
Operating profit before working capital changes		185,136	447,830
Changes in working capital:			
Change in inventories		(3,508)	(3,358)
Change in trade receivables		(1,227)	36,455
Change in prepayments and other current assets		12,231	(7,714)
Change in trade payables		7,337	(5,633)
Change in advances received		(2,426)	2,921
Change in due to Government of Kazakhstan		(1,031)	(1,032)
Change in other current liabilities		(2,090)	341
Payments under Employee share option plan		–	(2,475)
Cash generated from operations		194,422	467,335
Income tax paid		(41,165)	(118,213)
Net cash flows from operating activities		153,257	349,122
Cash flow from investing activities:			
Interest received		515	986
Purchase of property, plant and equipment		(256,136)	(325,462)
Sale of property, plant and equipment		543	–
Exploration and evaluation works	7	(12,943)	(10,445)
Acquisition of subsidiaries	5	(2,296)	372
Placement of bank deposits		(17,000)	(25,000)
Redemption of bank deposits		42,000	55,000
Loans granted		(5,000)	–
Repayment of loans granted		5,000	–
Net cash used in investing activities		(245,317)	(304,549)
Cash flow from financing activities:			
Finance costs paid		(65,400)	(62,229)
Issue of notes	17	–	400,000
Expenses paid on arrangement of notes		–	(6,525)
Repayment of notes		–	(92,505)
Transfer to restricted cash		(351)	(807)
Treasury shares sold/(purchased)		–	3,715
Distributions paid	15	(49,060)	(64,615)
Funds borrowed - reorganisation	27	–	2,350,405
Funds repaid - reorganisation		–	(2,350,405)
Finance costs - reorganisation		(1,053)	(29,572)
		–	–
Net cash (used in)/from financing activities		(115,864)	147,462
Effects of exchange rate changes on cash and cash equivalents		(1,959)	(1,506)
Net (decrease)/increase in cash and cash equivalents		(209,883)	190,529
Cash and cash equivalents at the beginning of the year	14	375,443	184,914
Cash and cash equivalents at the end of the year	14	165,560	375,443

The accounting policies and explanatory notes are an integral part of these consolidated financial statements

Consolidated financial statements
Consolidated statement of changes in equity

For the year ended 31 December 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		–	–	380,874	(30,751)	8,126	3,437	470,765	832,451
Profit for the year		–	–	–	–	–	–	146,425	146,425
Total comprehensive income for the year		–	–	–	–	–	–	146,425	146,425
Sale of treasury capital (GDRs)		–	–	–	440	769	–	–	1,209
Profit distribution		–	–	–	–	–	–	(64,615)	(64,615)
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	15	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		3,203	–	–	(1,888)	–	261,289	655,076	917,680
Loss for the year		–	–	–	–	–	–	(94,365)	(94,365)
Other comprehensive loss		–	–	–	–	–	(456)	–	(456)
Total comprehensive loss for the year		–	–	–	–	–	(456)	(94,365)	(94,821)
Profit distribution		–	–	–	–	–	–	(49,060)	(49,060)
Transaction costs		–	–	–	–	–	–	(43)	(43)
As at 31 December 2015		3,203	–	–	(1,888)	–	260,833	511,608	773,756

The accounting policies and explanatory notes are an integral part of these 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 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, %
Claydon Industrial Limited	British Virgin Islands	Ordinary shares	100
Grandstil LLC	Russian Federation	Participatory interests	100
Jubilata Investments Limited	British Virgin Islands	Ordinary shares	100
Nostrum Associated Investments LLP[1]	Republic of Kazakhstan	Participatory interests	100
Nostrum E&P Services LLC[2]	Russian Federation	Participatory interests	100
Nostrum Oil & Gas Coöperatief U.A.[3]	Netherlands	Members' interests	100
Nostrum Oil & Gas BV[4]	Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	England and Wales	Ordinary shares	100
Nostrum Services Central Asia LLP[5]	Republic of Kazakhstan	Participatory interests	100
Nostrum Services CIS BVBA[6]	Belgium	Ordinary shares	100
Nostrum Services N.V.[7]	Belgium	Ordinary shares	100
Zhaikmunai LLP	Republic of Kazakhstan	Participatory interests	100

[1] *Formerly Condensate Holding LLP*
[2] *Formerly Investprofi LLC*
[3] *Formerly Nostrum Oil Coöperatief U.A.*
[4] *Formerly Zhaikmunai Netherlands B.V, which was also merged with Nostrum Oil & Gas Finance BV and Nostrum Oil BV during 2015*
[5] *Formerly Amersham Oil LLP*
[6] *Formerly Prolag BVBA*
[7] *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 December 2015, the Group employed 1,063 employees (2014: 1,010).

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 authority now known as the Ministry of Energy (the "MOE") of the Republic of Kazakhstan.

The term of the Chinarevskoye subsoil use rights originally included a 5-year exploration period and a 25-year production period. The exploration period was initially extended for additional 4 years and then for further 2 years according to the supplements to the Contract dated 12 January 2004 and 23 June 2005, respectively. In accordance with the supplement dated 5 June 2008, Tournaisian North reservoir entered into production period as at 1 January 2007. Following additional commercial discoveries during 2008, the exploration period under the Chinarevskoye subsoil use rights, other than for the Tournaisian horizons, was extended for an additional 3-year period, which expired on 26 May 2011. A further extension to 26 May 2014 was made under the supplement dated 28 October 2013. The extensions to the exploration periods have not changed the Chinarevskoye subsoil use rights term, which expires in 2031. On 28 July 2015 the eleventh supplementary agreement to the Contract was signed extending the exploration period to 26 May 2016. Zhaikmunai LLP's application for further extension of the Chinarevskoye exploration period is under approval at the MOE.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. On 27 April 2009 the exploration period was extended so as to have a total duration of 6 years. Subsequently, the exploration period was extended until 8 February 2017.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. Subsequently, the exploration period was extended until 31 December 2017.

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field dated 28 July 2006 originally included a 5-year exploration period and a 20-year production period. Subsequently, the exploration period was extended until 31 December 2017.

Royalty payments

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 consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") 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 annual financial statements.

The consolidated financial statements have been prepared based on a historical cost basis, except for certain financial instruments which are carried at fair value as stated in the accounting policies (Note 4). The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires from management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Group reorganisation

The Group has been formed through a reorganisation that took place in June 2014 in which Nostrum Oil & Gas PLC became a new parent entity of the Group (Note 15). 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 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 consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as at 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment which is applicable to the consolidated financial statements of the Group is described below:

Annual improvements 2010-2012 Cycle

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Group had not granted any awards during 2014 and 2015. Thus, these amendments did not impact the Group's financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the financial statements of the Group considering that the Group's property, plant and equipment are stated at historical cost.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. These amendments did not have impact on the Group's consolidated financial statements, since the Group always disclosed the companies providing management services as related parties.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

These amendments did not have any impact on the Group's consolidated financial statements, since the Group has no joint arrangements.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The amendment did not have material effect on the Group's financial position or performance.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 is not expected to have an effect on the classification and measurement of the Group's financial assets and the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

IFRS 7 Financial Instruments: Disclosures

Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group will apply those amendments from the effective date.

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor').

All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers.

IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

The amendments are not yet endorsed for use in the EU, expected endorsement is not yet determined. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material change to the carrying amounts of assets and liabilities are discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortisation (the "DD&A"). These reserve quantities are used for calculating the unit of production depletion rate as it reflects the expected pattern of consumption of future economic benefits by the Group.

The Group uses the reserve estimates provided by an independent appraiser on an annual basis to assess the oil and gas reserves of its oil and gas fields. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (the "SPE"). In estimating its reserves under the SPE methodology, the Group uses long-term planning prices which are also used by management to make investment decisions about development of a field. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions (Note 6) are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves. All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually.

Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A. Estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the Group.

Fair value of financial instruments

The fair value measurement of the *Group*'s financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: quoted prices in active markets for identical items (unadjusted)
- Level 2: observable direct or indirect inputs other than Level 1 inputs
- Level 3: unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The financial statements for the years ended 31 December 2015 and 2014 include derivative financial instruments recognised at fair value. For more detailed information in relation to the derivative financial instruments, please refer to Note 29.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

Abandonment and site restoration (decommissioning)

Provision for decommissioning is recognised in full, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. Estimating the future closure costs involves significant estimates and judgments by management. Significant judgments in making such estimates include estimates of timing of cash flow and discount rate. The management made its estimates based on the assumption that cash flow will take place at the expected end of the subsoil use rights.

The Group estimates future dismantlement and site restoration costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the obligation at current year prices adjusted for expected long-term inflation rate and discounted at applicable rate. The management of the Group believes that the long-term interest rates on the Eurobonds issued by the Ministry of Finance of the Republic of Kazakhstan provide the best estimates of applicable risk uncorrected discount rate.

The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas properties. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit-of-production basis.

The Group reviews site restoration provisions at each financial reporting date and adjusts them to reflect current best estimates in accordance with IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

- are added to, or deducted from, the cost of the related asset in the current period. If deducted from the cost of the asset the amount deducted shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately in the profit or loss; and
- if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Movements in the provision for decommissioning liabilities are disclosed in Note 18.

Other current liabilities

The Group makes accruals for liabilities related to the underperformance and or adjustments of work programs under subsoil use agreements (SUA) on a regular basis. When evaluating the adequacy of an accrual, management bases its estimates on the latest work program included in the SUA and relevant signed supplements and potential future changes in payment terms (including the currency in which these liabilities are to be settled). Future changes in the work programs may require adjustments to the accrual recorded in the consolidated financial statements.

For more detailed information in relation to the accruals under the subsoil use agreements instruments, please refer to Note 21.

Impairment of Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

For more detailed information in relation to goodwill, please refer to Note 6.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax bases of income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that apply to the relevant taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For more detailed information in current and deferred income tax disclosure as at 31 December 2015 and 2014, please see Note 31.

Significant accounting policies

Property, plant and equipment

Exploration expenditure

Costs directly associated with exploration wells are capitalised within exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration and materials and fuel used, rig costs and payments made to contractors and asset retirement obligation fees. If hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

Subsoil use rights acquisition costs are initially capitalised in exploration and evaluation assets. Subsoil use rights acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the subsoil use rights have been relinquished or has expired, the carrying value of the subsoil use rights acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

For more detailed information in relation to exploration and evaluation assets, please see Note 7.

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalised within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments

All capitalised costs of oil and gas properties are depleted using the unit-of-production method based on estimated proved developed reserves of the field, except the Group depreciates its oil pipeline and oil loading terminal on a straight line basis over the life of the relevant subsoil use rights. In the case of assets that have a useful life shorter than the lifetime of the field the straight line method is applied.

Other properties

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	7-15
Vehicles	8
Machinery and equipment	3-13
Other	3-10

For more detailed information in relation to property plant and equipment, please refer to Note 8.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

The functional currency of the Company is the United States dollar (the “US dollar” or “US$”). The functional currencies of the Group’s subsidiaries are as follows:

Company	Functional currency
Claydon Industrial Limited	US dollar
Grandstil LLC	Russian rouble
Jubilata Investments Limited	US dollar
Nostrum Associated Investments LLP	Tenge
Nostrum E&P Services LLC	Russian rouble
Nostrum Oil & Gas Coöperatief U.A.	US dollar
Nostrum Oil & Gas BV	US dollar
Nostrum Oil & Gas UK Ltd.	British Pound
Nostrum Services Central Asia LLP	Tenge
Nostrum Services CIS BVBA	Euro
Nostrum Services N.V.	Euro
Zhaikmunai LLP	US dollar

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In the consolidated financial statements, the assets and liabilities of non-US dollar functional currency subsidiaries are translated into US dollars at the spot exchange rate on the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries are translated into US dollars using average rates of exchange. In the consolidated financial statements, exchange adjustments arising when the opening net assets and the profits for the year retained by non-US dollar functional currency subsidiaries are translated into US dollars are reported in the statement of comprehensive income.

Advances for non-current assets

Advances paid for capital investments/acquisition of non-current assets are qualified as advances for non-current assets regardless of the period of supplies of relevant assets or the supply of work or services to close advances. Advances paid for the purchase of non-current assets are recognised by the Group as non-current assets and are not discounted.

For more detailed information in relation to advances for non-current assets, please refer to Note 9.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are subsumed in goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a Cash Generating Unit ("CGU") and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Impairment of non-financial assets

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses of continuing operations, including impairment of inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

Borrowing costs

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortised, provided that work is in progress at that time. Qualifying assets mostly include wells and other operations field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

For more detailed information in relation to capitalisation of borrowing costs, please refer to Note 8.

Inventories

Inventories are stated at the lower of cost or net realisable value ("NRV"). Cost of oil, gas condensate and liquefied petroleum gas ("LPG") is determined on the weighted-average method based on the production cost including the relevant expenses on depreciation, depletion and impairment and overhead costs based on production volume. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

For more information in relation to the breakdown of inventories as at 31 December 2015 and 2014, please see Note 10.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed by the Group at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingent liabilities

The Group classifies as contingent liabilities those possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise and the present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognise contingent liabilities but discloses contingent liabilities in *Note 34*, unless the possibility of an outflow of resources embodying economic benefits is remote.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, long-term and short-term deposits, trade and other receivables.

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Derecognition

Financial assets are de-recognised when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group assesses individually whether objective evidence of impairment exists. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recorded initially at fair value. The Group's financial liabilities include trade and other payables and borrowings .

Subsequent measurement

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedging

The Group uses hedging contracts for oil export sales to cover part of its risks associated with oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

For more detailed information in relation to derivative financial instruments, please refer to Note 29

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover decommissioning obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

For more detailed information in relation to cash and cash equivalents as at 31 December 2015 and 2015, please see Note 14.

Revenue recognition

The Group sells crude oil, gas condensate and LPG under agreements priced by reference to Platt's and/or Argus' index quotations and adjusted for freight, insurance and quality differentials where applicable. The Group sells gas under agreements at fixed prices.

Revenue from the sale of crude oil, gas condensate, gas and LPG is recognised when delivery has taken place and risks and rewards of ownership have passed to the customer.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other reserves. Voting rights related to treasury shares are nullified for the Group and no distributions are accepted in relation to them. Share options exercised during the reporting period are satisfied with treasury shares.

Share-based payments

The Group measures the cost of cash-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

5. BUSINESS COMBINATIONS

On 19 May 2014 the Group agreed to acquire 100% of the share capital of Nostrum Services CIS BVBA (formerly Prolag BVBA) and Nostrum Services Central Asia LLP (formerly Amersham Oil LLP), companies providing management and consulting services to the Group, from related parties of the Group, in connection with the premium listing on the London Stock Exchange of the Group's listed entity, so as to comply with certain exchange requirements that listed companies be managed by persons employed by entities within the listed company's group.

A cash consideration consisting of initial purchase price of US$1 and a price adjustment of US$212 thousand was agreed and paid with respect to the acquisition of Nostrum Services CIS BVBA during the year ended 31 December 2014. Historically, it provided consulting services to the Group on certain marketing, transportation and logistics matters.

Nostrum Services Central Asia LLP was acquired in exchange for a cash consideration consisting of initial purchase price of US$1,915 thousand and a price adjustment of US$381 thousand which were paid by the Group during the year ended 31 December 2015. Certain managers of the Group historically provided services to the Group pursuant to a service agreement between Nostrum Services Central Asia LLP and the Group.

The goodwill arising on acquisition represents the savings of the Group on management fees and is not expected to be deductible for tax purposes.

There were no significant revenues or profits/losses of the acquired subsidiaries since the respective acquisition dates included in the consolidated statements of comprehensive income for the year ended 31 December 2014.

The fair values of the identifiable assets and liabilities of Nostrum Services CIS BVBA and Nostrum Services Central Asia LLP as at the date of acquisition were:

In thousands of US dollars	Nostrum Services CIS BVBA	Nostrum Services Central Asia LLP	Total
Assets			
Property, plant and equipment	15	2	17
Advances for non-current assets	287	–	287
Prepayments and other current assets	721	15	736
Cash and cash equivalents	219	365	584
	1,242	382	1,624
Liabilities			
Trade payables	496	7	503
Other current liabilities	427	12	439
	923	19	942
Total identifiable net assets at fair value	319	363	682
Goodwill arising on acquisition		2,039	2,039
Gain arising on acquisition	(107)	–	(107)
Total purchase consideration	212	2,402	2,614

The purchase consideration comprised of:

In thousands of US dollars	2015	2014
Consideration satisfied by cash	2,296	212
Working capital adjustment	106	2,402
Total purchase consideration	2,402	2,614
Consideration satisfied by cash	(2,296)	(212)
Cash and cash equivalents acquired	–	584
Purchase of subsidiaries per the cash flow statement	(2,296)	372

6. GOODWILL

As at 31 December 2015 and 31 December 2014, goodwill comprised the following due to business combinations:

In thousands of US dollars	2015	2014
Balance as at 1 January	32,425	30,386
Goodwill addition	–	2,039
Balance as at 31 December	32,425	32,425

Impairment testing

The goodwill arising from the purchase of Nostrum Services CIS BVBA and Nostrum Services Central Asia LLP (Note 5) relates to a single cash-generating unit. Respectively, goodwill is tested for impairment by comparing the recoverable amount against the carrying value of the underlying cash generating unit.

The management has determined a single cash-generating unit within the Group's non-current assets consisting of all Group's assets related to its Chinarevskoye and exploration fields and gas treatment facility. Impairment testing is performed by comparing the recoverable amount against the carrying value of the cash generating unit. The recoverable amount is determined by calculation of the value-in-use based on the discounted cash flow model as no recent third party transactions exist on which a reliable market-based fair value can be established. The value-in-use calculation model, which formally approved by the management, takes into consideration cashflows, which are expected to arise until 2032, i.e. during the license term of the Chinarevskoye field. The period exceeding five years is believed to be appropriate based on the proved and probable reserves audited by independent engineers and respective past history of the Group's ability to transfer probable reserves into proved.

The key assumptions used in the Group's discounted cash flow models reflect past experience and take account of external factors. These assumptions are:

- Oil prices (in real terms): US$30/bbl for 2016-2017 and US$60/bbl for 2018-2032;
- Proved and probable hydrocarbon reserves confirmed by independent reserve engineers;
- Production profiles based on Group's internal estimates confirmed by independent reserve engineers;
- All cash flows are projected on the basis of stable prices, i.e. inflation/growth rates are ignored;
- Cost profiles for the development of the fields and subsequent operating costs consistent with reserves estimates and production profiles; and
- Pre-tax discount rate of 14% (2014: 14%).

None of the reasonably possible changes in key assumptions causes the cash generating unit's carrying amount to exceed its recoverable amount.

7. EXPLORATION AND EVALUATION ASSETS

In thousands of US dollars	31 December 2015	31 December 2014
Subsoil use rights	15,835	15,835
Expenditures on geological and geophysical studies	21,082	8,545
	36,917	24,380

During the year ended 31 December 2015 the Group had additions to exploration and evaluation assets of US$12,537 thousand which mainly includes capitalised expenditures on geological studies and drilling costs (FY 2014: US$3,946 thousand). Interest was not capitalised on exploration and evaluation assets. During the year ended 31 December 2014 the Group repaid capitalised contingent consideration under the acquisition agreements for the Darjinskoye and Yuzhno-Gremyachinskoye oil and gas fields in the amount of US$ 5,300 thousand.

8. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2015 and 31 December 2014 property, plant and equipment comprised the following:

In thousands of US dollars	31 December 2015	31 December 2014
Oil and gas properties	1,566,703	1,401,847
Other property, plant and equipment	39,053	40,310
	1,605,756	1,442,157

Oil and gas properties

The category "Oil and Gas properties" represents mainly wells, oil and gas treatment facilities, oil transportation and other related assets. The movement of oil and gas properties for the years ended 31 December 2015 and 2014 was as follows:

In thousands of US dollars	Working assets	Construction in progress	Total
Balance at 1 January 2014, net of accumulated depreciation and depletion	1,089,822	202,251	1,292,073
Additions	9,730	205,153	214,883
Transfers	38,640	(38,445)	195
Disposals	(666)	–	(666)
Disposals depreciation	214	–	214
Depreciation and depletion charge	(104,852)	–	(104,852)
Balance at 31 December 2014, net of accumulated depreciation and depletion	1,032,888	368,959	1,401,847
Additions	(1,131)	265,569	264,438
Transfers	101,481	(99,369)	2,112
Depreciation and depletion charge	(101,694)	–	(101,694)
Balance at 31 December 2015, net of accumulated depreciation and depletion	1,031,544	535,159	1,566,703
As at 31 December 2013			
Cost	1,411,752	202,251	1,614,003
Accumulated depreciation and depletion	(321,930)	–	(321,930)
Balance, net of accumulated depreciation and depletion	1,089,822	202,251	1,292,073
As at 31 December 2014			
Cost	1,459,457	368,959	1,828,416
Accumulated depreciation and depletion	(426,569)	–	(426,569)
Balance, net of accumulated depreciation and depletion	1,032,888	368,959	1,401,847
As at 31 December 2015			
Cost	1,559,807	535,159	2,094,966
Accumulated depreciation and depletion	(528,263)	–	(528,263)
Balance, net of accumulated depreciation and depletion	1,031,544	535,159	1,566,703

The category “Construction in progress” is represented by employee remuneration, materials and fuel used, rig costs, payments made to contractors, and asset retirement obligation fees directly associated with development of wells until the drilling of the well is complete and results have been evaluated.

The depletion rate for oil and gas working assets was 10.20% and 10.02% in 2015 and 2014, respectively.

The Group engaged independent petroleum engineers to perform a reserves evaluation as at 31 December 2015 and 2014. Starting from 1 October 2015 and 2014 the depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the long-term inflation rate and discount rate used to determine the abandonment and site restoration provision (Note 18) in the year ended 31 December 2015 resulted in the decrease of the oil and gas properties by US$ 5,622 thousand (31 December 2014: an increase of US$ 4,306 thousand).The Group incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2015 and 31 December 2014:

In thousands of US dollars	31 December 2015	31 December 2014
Borrowing costs including amortisation of arrangement fee	71,782	77,959
Capitalisation rate	7.01%	7.28%
Capitalised borrowing costs	27,112	17,134

Other property, plant and equipment

In thousands of US dollars	Buildings	Machinery & equipment	Vehicles	Others	Construction in progress	Total
Balance at 1 January 2014, net of accumulated depreciation	26,296	6,478	1,395	4,614	47	38,830
Additions	585	1,501	324	6,279	258	8,947
Transfers	24	309	412	(940)	–	(195)
Disposals	(6)	(24)	(159)	(244)	–	(433)
Disposals depreciation	5	16	157	193	–	371
Depreciation	(3,136)	(2,430)	(484)	(1,160)	–	(7,210)
Balance at 31 December 2014, net of accumulated depreciation	23,768	5,850	1,645	8,742	305	40,310
Additions	1,101	1,699	268	6,126	231	9,425
Transfers	270	912	(6)	(3,071)	(217)	(2,112)
Disposals	–	(24)	(1,933)	(285)	–	(2,242)
Disposals depreciation	–	22	1,370	57	–	1,449
Depreciation	(3,213)	(2,535)	(363)	(1,549)	–	(7,660)
Translation difference	–	–	(4)	(113)	–	(117)
Balance at 31 December 2015, net of accumulated depreciation	21,926	5,924	977	9,907	319	39,053
As at 31 December 2013						
Cost	30,887	13,285	3,513	7,166	47	54,898
Accumulated depreciation	(4,591)	(6,807)	(2,118)	(2,552)	–	(16,068)
Balance, net of accumulated depreciation	26,296	6,478	1,395	4,614	47	38,830
As at 31 December 2014						
Cost	31,497	15,068	4,167	12,270	305	63,307
Accumulated depreciation	(7,729)	(9,218)	(2,522)	(3,528)	–	(22,997)
Balance, net of accumulated depreciation	23,768	5,850	1,645	8,742	305	40,310
As at 31 December 2015						
Cost	32,868	17,655	2,461	14,895	319	68,198
Accumulated depreciation	(10,942)	(11,731)	(1,484)	(4,988)	–	(29,145)
Balance, net of accumulated depreciation	21,926	5,924	977	9,907	319	39,053

9. ADVANCES FOR NON-CURRENT ASSETS

In thousands of US dollars	31 December 2015	31 December 2014
Advances for pipes and construction materials	76,806	67,465
Advances for construction services	53,854	66,884
Advances for purchase of software licenses	–	6
	130,660	134,355

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

10. INVENTORIES

As at 31 December 2015 and 31 December 2014 inventories comprised the following:

In thousands of US dollars	31 December 2015	31 December 2014
Materials and supplies	20,368	20,472
Gas condensate	5,684	3,383
Crude oil	2,528	1,262
LPG	371	326
	28,951	25,443

As at 31 December 2015 and 31 December 2014 inventories are carried at cost.

11. TRADE RECEIVABLES

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

12. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 31 December 2015 and 31 December 2014 prepayments and other current assets comprised the following:

In thousands of US dollars	31 December 2015	31 December 2014
VAT receivable	18,709	22,581
Other taxes receivable	2,888	5,921
Advances paid	4,254	9,184
Other	1,560	1,956
	27,411	39,642

Advances paid consist primarily of prepayments made to service providers.

13. CURRENT INVESTMENTS

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

14. CASH AND CASH EQUIVALENTS

In thousands of US dollars	31 December 2015	31 December 2014
Current accounts in US dollars	114,346	356,316
Current accounts in tenge	2,038	8,709
Current accounts in other currencies	7,167	10,413
Petty cash	9	5
Bank deposits with maturity less than three months	42,000	–
	165,560	375,443

Bank deposits were represented by an interest-bearing deposit placed on 30 December 2015 for a one-month period with an interest rate of 0.25% per annum and an interest-bearing deposit placed on 23 June 2015 for a six-month period with an interest rate of 0.45% per annum.

In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as liquidation fund deposit in the amount of US$5,375 thousand with Sberbank in Kazakhstan (31 December 2014: US$5,023 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

15. SHARE CAPITAL AND RESERVES

As at 31 December 2015 the ownership interests in the Parent consist of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01.

Number of GDRs/shares	In circulation	Treasury capital	Total
As at 1 January 2014	184,527,884	3,655,074	188,182,958
Share options exercised	300,935	(300,935)	–
As at 31 December 2014	184,828,819	3,354,139	188,182,958
As at 31 December 2015	184,828,819	3,354,139	188,182,958

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and are held by Elian Employee Benefit Trustee Limited, which upon request from employees to exercise options, sells shares on the market and settles respective obligations under the ESOP. This trust constitutes a special purpose entity under IFRS and therefore, these shares are recorded as treasury capital of the Company.

Other reserves of the Group include foreign currency translation reserve accumulated before 2009, when the functional currency of Zhaikmunai ZLLP was Kazakhstani Tenge and 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 amounting to US$255,459, that arose during the reorganisation of the Group (Note 2).

Distributions

During the year ended 31 December 2015 Nostrum Oil & Gas PLC made a distribution of US$ 0.27 per share to the shareholders which amounted to a total of US$ 49,060 thousand and was paid in full on 26 June 2015.

During the year ended 31 December 2014 Nostrum Oil & Gas LP made a distribution of US$ 0.35 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.

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 December 2015 the book value per share amounted to US$3.94 (31 December 2014: US$4.70).

16. 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 authorisation of these financial statements.

In thousands of US dollars	2015	2014
(Loss)/profit for the year attributable to the shareholders (in thousands of US dollars)	(94,821)	146,425
Weighted average number of Common Units/shares	184,828,819	184,678,352
Basic and diluted earnings per share (in US dollars)	(0.51)	0.79

17. BORROWINGS

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

In thousands of US dollars	31 December 2015	31 December 2014
Notes issued in 2012 and maturing in 2019	545,868	540,793
Notes issued in 2014 and maturing in 2019	405,626	404,321
	951,494	945,114
Less amounts due within 12 months	(15,024)	(15,024)
Amounts due after 12 months	936,470	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").

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

- 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
- 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.

18. ABANDONMENT AND SITE RESTORATION PROVISION

The summary of changes in abandonment and site restoration provision during years ended 31 December 2015 and 2014 is as follows:

In thousands of US dollars	2015	2014
Abandonment and site restoration provision as at 1 January	20,877	13,874
Unwinding of discount	426	197
Additional provision	247	2,500
Change in estimates	(5,622)	4,306
Abandonment and site restoration provision as at 31 December	15,928	20,877

The management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2033. There are uncertainties in estimation of future costs as Kazakh laws and regulations concerning site restoration evolve.

The long-term inflation and discount rates used to determine the abandonment and site restoration provision at 31 December 2015 were 2.49% and 5.54%, respectively (31 December 2014: 3.75% and 4.88%).

The change in the long-term inflation rate, discount rate and liquidation cost estimates in the year ended 31 December 2015 resulted in the decrease of the abandonment and site restoration provision by US$ 5,622 thousand (31 December 2014: the increase by US$ 4,306 thousand).

19. DUE TO GOVERNMENT OF KAZAKHSTAN

The amount due to Government of the Republic of Kazakhstan has been recorded to reflect the present value of a liability in relation to the expenditures made by the Government in the time period prior to signing the Contract that were related to exploration of the Contract territory and the construction of surface facilities in fields discovered therein and that are reimbursable by the Group to the Government during the production period. The total amount of liability due to Government as stipulated by the Contract is US$ 25,000 thousand.

Repayment of this liability commenced in 2008 with the first payment of US$ 1,030 thousand in March 2008 and with further payments by equal quarterly instalments of US$ 258 thousand until 26 May 2031. The liability was discounted at 13%.

The summary of the changes in the amounts due to Government of Kazakhstan during the years ended 31 December 2015 and 31 December 2014 is as follows:

In thousands of US dollars	2015	2014
Due to Government of Kazakhstan as at 1 January	6,937	7,052
Unwinding of discount	902	917
Paid during the year	(1,031)	(1,032)
	6,808	6,937
Less: current portion of due to Government of Kazakhstan	(1,031)	(1,031)
Due to Government of Kazakhstan as at 31 December	5,777	5,906

20. TRADE PAYABLES

Trade payables comprise the following as at 31 December 2015 and 31 December 2014:

In thousands of US dollars	31 December 2015	31 December 2014
Tenge denominated trade payables	22,364	27,030
US dollar denominated trade payables	14,032	17,889
Euro denominated trade payables	2,875	3,479
Russian rouble denominated trade payables	1,928	965
Trade payables denominated in other currencies	264	256
	41,463	49,619

21. OTHER CURRENT LIABILITIES

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

In thousands of US dollars	31 December 2015	31 December 2014
Accruals under the subsoil use agreements	16,902	14,435
Training obligations accrual	11,443	9,686
Due to employees	3,992	4,605
Taxes payable, other than corporate income tax	9,748	17,191
Liability accrued with respect to acquisitions	–	2,402
Other current liabilities	2,894	2,297
	44,979	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.

The changes in the adjusted work programs in the supplements to the subsoil use agreements lead to an overall increase of the accrued liability of US$ 2,467 thousand compared to the previous year, predominantly due to SUA amendments and the occurred underperformance per license as well as the statute of limitations.

22. REVENUE

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 year ended 31 December 2015 was US$53.6 (FY 2014: US$99.7)

In thousands of US dollars	2015	2014
Oil and gas condensate	297,777	620,164
Gas and LPG	151,125	161,714
	448,902	781,878

During the year ended 31 December 2015 the revenue from sales to three major customers amounted to US$141,359 thousand, US$104,978 thousand and US$85,954 thousand respectively (FY 2014: US$321,755 thousand, US$124,823 thousand and US$77,113 thousand respectively). The Group's exports are mainly represented by deliveries to Finland, the Black Sea ports of Russia and the United Arab Emirates.

23. COST OF SALES

In thousands of US dollars	2015	2014
Depreciation, depletion and amortisation	107,678	110,460
Repair, maintenance and other services	26,557	35,818
Payroll and related taxes	18,682	21,560
Royalties	14,364	24,330
Materials and supplies	7,838	10,929
Well workover costs	5,182	6,296
Other transportation services	3,049	2,929
Government profit share	1,880	4,594
Environmental levies	1,391	1,098
Change in stock	(3,613)	376
Other	3,559	3,531
	186,567	221,921

24. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US dollars	2015	2014
Payroll and related taxes	16,636	15,668
Professional services	13,997	19,776
Business travel	6,091	4,786
Training	3,110	2,535
Insurance fees	1,715	1,768
Depreciation and amortisation	1,673	1,409
Sponsorship	1,314	1,826
Lease payments	1,012	895
Communication	766	1,195
Materials and supplies	635	626
Bank charges	607	813
Other taxes	339	1,006
Social program	302	300
Management fees	–	605
Other	1,112	1,670
	49,309	54,878

25. SELLING AND TRANSPORTATION EXPENSES

In thousands of US dollars	2015	2014
Transportation costs	45,071	54,878
Loading and storage costs	41,229	56,351
Payroll and related taxes	1,901	2,211
Management fees	159	183
Other	4,610	8,631
	92,970	122,254

26. FINANCE COSTS

In thousands of US dollars	2015	2014
Interest expense on borrowings	44,670	60,825
Unwinding of discount on amounts due to Government of Kazakhstan	902	917
Unwinding of discount on abandonment and site restoration provision	426	197
	45,998	61,939

27. 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 that took place in June 2014. In 2014 these costs included 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), US$7,193 thousand related to the new listing and the cancellation of the GDR program and US$7,990 thousand financing costs related to advisory and other services incurred in relation to the reorganisation. During the year ended 31 December 2015 additional costs related to advisory and other services in amount of US$1,053 thousand were incurred by the Group with regard to reorganisation.

28. EMPLOYEES' REMUNERATION

The average monthly number of employees (including Executive Directors) employed was as follows:

	2015	2014
Management and administrative	303	289
Technical and operational	765	721
	1,068	1,010

Their aggregate remuneration comprised:

In thousands of US dollars	2015	2014
Wages and salaries	35,092	36,025
Social security costs	5,757	4,333
Share-based payments	–	2,475
	40,849	42,833

Part of the Group's staff costs shown above is capitalised into the cost of intangible and tangible oil and gas assets under the Group's accounting policy for exploration, evaluation and oil and gas assets.

The amount ultimately remaining in the income statement was US$38,789 thousand (FY 2014: US$39,440 thousand).

Key management personnel remuneration

In thousands of US dollars	2015	2014
Short-term employee benefits	4,703	5,273
Share-based payments	–	2,475
	4,703	7,748

Directors' remuneration

In thousands of US dollars	2015	2014
Short-term employees benefits	3,328	3,767
Share-based payments	–	1,750
	3,328	5,517

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 to allow for the continuation of the option plan previously maintained by Nostrum Oil & Gas LP. 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).

Employees (including senior executives and executive directors) of members of the Group or their associates receive remuneration in the form of equity-based payment transactions, whereby employees render services as consideration for share appreciation rights, which can only be settled in cash ("cash-settled transactions").

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The equity-based payment plan is described below.

During 2008-2015, 4,297,958 equity appreciation rights (SARs) which can only be settled in cash were granted to senior employees and executive directors of members of the Group or their associates. These generally vest over a five year period from the date of grant, so that one fifth of granted SARs vests on each of the five anniversaries from the date of grant. The contractual life of the SARs is ten years. The fair value of the SARs is measured at the grant date using a trinomial lattice valuation option pricing model taking into account the terms and conditions upon which the instruments were granted. SARs are exercisable at any time after vesting till the end of the contractual life and give its holder a right to a difference between the market value of the Group's ordinary shares at the date of exercise and a stated base value. The services received and a liability to pay for those services are recognised over the expected vesting period.

Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss as part of the employee benefit expenses arising from cash-settled share-based payment transactions.

The carrying value of the liability relating to 2,611,413 of SARs at 31 December 2015 is US$ 4,284 thousand (31 December 2014: 2,611,413 SARs with carrying value of US$ 6,449 thousand). During the year ended 31 December 2015 302,000 SARs were fully vested (FY 2014:302,000).

The following table illustrates the number ("No.") and exercise prices ("EP") of, and movements in, SARs during the year:

	2015		2014	
	No.	EP,US$	No.	EP,US$
Total outstanding at the beginning of the year (with EP of US$ 4)	1,351,413	4	1,646,348	4
Total outstanding at the beginning of the year (with EP of US$ 10)	1,260,000	10	1,266,000	10
Total outstanding at the beginning of the year	2,611,413		2,912,348	
Share options exercised	–	4	(294,935)	4
Share options exercised	–	10	(6,000)	10
Total outstanding at the end of the year	2,611,413		2,611,413	
Total exercisable at the end of the year	2,117,413		1,815,413	

There were no SARs granted during the years ended 31 December 2015 and 2014. The weighted average price at the date of exercise for SARs exercised during the year ended 31 December 2014 amounted to US$ 8.22 per SAR. The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for the plan for the years ended 31 December 2015 and 2014:

	2015	2014
Price at the reporting date (US$)	6.0	6.6
Distribution yield (%)	3.0%	3.0%
Expected volatility (%)	45.0%	85.0%
Risk-free interest rate (%)	2.5%	1.0%
Expected life (years)	10	10
Option turnover (%)	10.0%	10.0%
Price trigger	2.0	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and is may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

29. DERIVATIVE FINANCIAL INSTRUMENTS

On 3 March 2014, in accordance with its hedging policy, Zhaikmunai LLP 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, which was sold for US$ 92,256 thousand before expiration on 14 December 2015.

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

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

In thousands of US dollars	2015	2014
Derivative financial instruments at fair value at 1 January	60,301	–
Proceeds from sale of hedging contract	(92,256)	–
Purchase of hedging contract	92,000	–
Gain on derivative financial instruments	37,055	60,301
Derivative financial instruments at fair value at 31 December	97,100	60,301
Less current portion of derivative financial instruments	(54,095)	–
Derivative financial instruments at fair value as at 31 December	43,005	60,301

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

30. OTHER EXPENSES

In thousands of US dollars	2015	2014
Export customs duty	14,669	19,733
Compensation	2,531	10,116
Accruals under subsoil use agreements	2,156	16,083
Other expense	11,204	3,912
	30,560	49,844

Export customs duty is comprised of customs duties for export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc. Based on their interpretation of CIS free-trade legislation the Kazakhstan customs authorities imposed customs duties on oil exports from Kazakhstan to Ukraine starting from December 2012.

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

31. INCOME TAX

The income tax expense comprised the following:

In thousands of US dollars	2015	2014
Deferred income tax expense	140,985	54,233
Corporate income tax	24,219	116,948
Withholding tax	2,821	879
Adjustment in respect of the current income tax for the prior periods	(1,384)	(6,785)
Total income tax expense	166,641	165,275

The Group’s profits are assessed for income taxes mainly in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US dollars	2015	2014
Profit before income tax	72,275	311,700
Tax rate applicable to the suboil use rights	30%	30%
Expected tax provision	21,682	93,510
Effect of exchange rate on the tax base	101,043	34,533
Adjustments in respect of current income tax of previous years	(1,384)	(6,785)
Effect of income taxed at different rate[1]	(2,921)	(3,790)
Non-deductible interest expense on borrowings	20,698	23,390
Deferred tax asset not recognised	5,297	10,384
Non-deductible penalties	3,656	4,556
Non-deductible compensation for gas	–	2,813
Net foreign exchange loss	12,086	1,020
Non-deductible social expenditures	1,021	886
Non-deductible cost of technological loss	141	192
Non-deductible training expenditures	561	–
Other non-deductible expenses	4,761	4,566
Income tax expenses reported in the consolidated financial statements	166,641	165,275

[1]*Jurisdictions which contribute significantly to this item are Republic of Kazakhstan with an applicable statutory tax rate of 20% (for activities not related to the Contract), and the Netherlands with an applicable statutory tax rate of 20%.*

As at 31 December 2015 the Group has tax losses of US$21,233 thousand that are available to offset against future taxable profits in the companies in which the losses arose within 9 years after generation and will expire in the period 2023-2024. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

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

In thousands of US dollars	31 December 2015	31 December 2014
Deferred tax asset		
Accounts payable and provisions	4,486	3,616
Deferred tax liability		
Property, plant and equipment	(332,835)	(196,855)
Derivative financial instruments	(19,420)	(12,060)
Other	–	(1,485)
Net deferred tax liability	(347,769)	(206,784)

The movements in the deferred tax liability were as follows:

In thousands of US dollars	2015	2014
Balance as at 1 January	206,784	152,545
Current period charge to statement of comprehensive income	140,985	54,239
Balance as at 31 December	347,769	206,784

32. RELATED PARTY TRANSACTIONS

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

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

In thousands of US dollars	31 December 2015	31 December 2014
Trade receivables and advances paid		
KazStroyService JSC	35,832	36,915
Cervus Business Services	132	–
Crest Capital Management N.V.	78	–
Telco B.V.	4	–

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

In thousands of US dollars	31 December 2015	31 December 2014
Trade payables		
KazStroyService JSC	4,144	2,753
Telco B.V.	–	29

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

In thousands of US dollars	2015	2014
Purchases		
KazStroyService JSC	29,906	6,538
Management fees and consulting services		
Cervus Business Services	1,392	1,981
Crest Capital Management N.V.	990	824
Telco B.V.	499	744
Nostrum Services Central Asia LLP	–	455
Nostrum Services CIS BVBA	–	668

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

With effect from 1 August 2015 the Group entered into a technical support & service agreement with the Contractor for an initial term ending on 31 December 2015 and an initial consideration of US$ 3,375 thousand.

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

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

Management fees are payable in accordance with the Technical Assistance Agreements signed between Zhaikmunai LLP and Nostrum Services Central Asia LLP (formerly 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 Nostrum Services Central Asia LLP and Nostrum Services CIS BVBA, these management fees were eliminated as intercompany transactions.

During the year ended 31 December 2015 management and consulting services were provided in accordance with business centre 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$4,703 thousand for the year ended 31 December 2015 (FY 2014: US$5,273 thousand). There were no payments made under the ESOP during the year ended 31 December 2015 (FY 2014: US$2,475).

33. AUDIT AND NON-AUDIT FEES

During the years ended 31 December 2015 and 2014 audit and non-audit fees comprise the following:

In thousands of US dollars	2015	2014
Audit of the financial statements	358	684
Total audit services	358	684
Audit-related assurance services	180	319
Taxation compliance services	–	40
Services relating to corporate finance transactions	–	730
Other non-audit services	23	–
Total non-audit services	203	1,089
Total fees	561	1,773

The audit fees in the table above include the audit fees of US$10 thousand in relation to the Parent.

34. 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 December 2015. As at 31 December 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.

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. Kazakhstan's environmental legislation and regulations are subject to ongoing changes and varying interpretations. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the 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 court decisions with respect to any 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 December 2015 the Group had contractual capital commitments in the amount of US$123,529 thousand (31 December 2014: US$248,644 thousand) mainly in respect to the Group's oil field exploration and 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 December 2015	31 December 2014
No later than one year	12,471	14,788
Later than one year and no later than five years	4,623	17,671
Later than five years	–	–

Lease expenses of railway tank wagons for the year ended 31 December 2015 amounted to US$15,690 thousand (FY 2014: US$14,622 thousand).

Social and education commitments

As required by the Contract (as amended by, inter alia, Supplement No. 9), the Group is obliged to:

- spend US$ 300 thousand per annum to finance social infrastructure;
- make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens; and
- adhere to a spending schedule on education which lasts until (and including) 2020.

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

The outstanding obligations under the contract for exploration and production of hydrocarbons from Rostoshinskoye field (as amended on 3 July 2015) require the subsurface user to:

- spend US$ 1,000 thousand for funding of development of Astana city in case of commercial discovery;

- invest at least US$ 5,888 thousand for exploration of the field during the exploration period;
- reimburse historical costs of US$ 383 thousand to the Government upon commencement of production stage; and
- fund liquidation expenses equal to US$ 35 thousand.

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

- invest at least US$ 18,976 thousand for exploration of the field during the exploration period;
- fund liquidation expenses equal to US$ 130 thousand.

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

- invest at least US$ 30,453 thousand for exploration of the field during the exploration period;
- fund liquidation expenses equal to US$ 154 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial liabilities comprise borrowings, payables to Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the development of the Chinarevskoye oil and gas condensate field and its operations as well as exploration of the three new oil and gas fields – Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye. The Group's financial assets consist of trade and other receivables, non-current investments, current investments and cash and cash equivalents.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign exchange risk, liquidity risk, credit risk and commodity price risk. The Group’s management reviews and agrees policies for managing each of these risks, which are summarized below.

Commodity price risk

The Group is exposed to the effect of fluctuations in price of crude oil, which is quoted in US dollar on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

Interest rate risk

The Group is not exposed to interest rate risk in 2015 and 2014 as the Group had no financial instruments with floating rates as at years ended 31 December 2015 and 2014.

Foreign currency risk

As a significant portion of the Group’s operation is the tenge denominated, the Group’s statement of financial position can be affected by movements in the US dollar / tenge exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in US dollars and denominating sales in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group’s profit before tax. The impact on equity is the same as the impact on profit before tax.

	Change in tenge to US dollar exchange rate	Effect on profit before tax
2015		
US dollar thousand	+ 60.00%	18,250
US dollar thousand	- 20.00%	(6,083)
2014		
US dollar thousand	+ 17.37%	(1,168)
US dollar thousand	- 17.37%	1,168

The Group's foreign currency denominated monetary assets and liabilities were as follows:

As at 31 December 2015	Tenge	Russian rouble	Euro	Other	Total
Cash and cash equivalents	2,047	70	6,472	626	9,215
Trade receivables	1,455	–	–	–	1,455
Trade payables	(22,364)	(1,928)	(2,876)	(264)	(27,432)
Other current liabilities	(11,554)	(159)	(855)	(1,783)	(14,351)
	(30,416)	(2,017)	2,741	(1,421)	(31,113)

As at 31 December 2014	Tenge	Russian rouble	Euro	Other	Total
Cash and cash equivalents	8,713	–	10,307	106	19,126
Trade receivables	12,331	–	–	–	12,331
Trade payables	(27,030)	(965)	(3,479)	(256)	(31,730)
Other current liabilities	(19,331)	(115)	(7,010)	(7)	(26,463)
	(25,317)	(1,080)	(182)	(157)	(26,736)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The tool allows selecting severe stress test scenarios. To ensure an adequate level of liquidity a minimum cash balance has been defined as a cushion of liquid assets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, loans, hedges, export financing and financial leases.

The Group's policy is that, while it has an investment program on-going: a) not more than 25% of borrowings should mature in the next twelve-month period and b) a minimum balance of US$ 50 million is retained on the balance sheet post repayment or refinancing of any debt due in the next twelve-month period.

The Group's total outstanding debt consists of two notes: US$ 560 million issued in 2012 and maturing in 2019 and US$ 400 million issued in 2014 and maturing in 2019. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2015 and 31 December 2014 based on contractual undiscounted payments:

As at 31 December 2015	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	–	12,750	52,650	1,156,200	–	1,221,600
Trade payables	37,934	–	3,529	–	–	41,463
Other current liabilities	17,554	–	–	–	–	17,554
Due to Government of Kazakhstan	–	258	773	4,124	10,567	15,722
	55,488	13,008	56,952	1,160,324	10,567	1,296,339

As at 31 December 2014	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	–	12,750	52,650	1,221,600	–	1,287,000
Trade payables	48,095	–	1,524	–	–	49,619
Other current liabilities	18,126	–	–	–	–	18,126
Due to Government of Kazakhstan	–	258	773	4,124	11,340	16,495
	66,221	13,008	54,947	1,225,724	11,340	1,371,240

Credit risk

Financial instruments, which potentially subject the Group to credit risk, consist primarily of derivative financial instruments, accounts receivable and cash in banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Group considers that its maximum exposure is reflected by the amount of trade accounts receivable, cash and cash equivalents and derivative financial instruments.

The Group places its tenge denominated cash with SB Sberbank JSC, which has a credit rating of Ba3 (stable) from Moody's rating agency and ING with a credit rating of A1 (stable) from Moody's rating agency at 31 December 2015. The Group does not guarantee obligations of other parties.

The Group sells its products and makes advance payments only to recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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:

In thousands of US dollars	Carrying amount 31 December 2015	Carrying amount 31 December 2014	Fair value 31 December 2015	Fair value 31 December 2014
Derivative financial instruments	97,100	60,301	97,100	60,301
Interest bearing borrowings	(951,494)	(945,114)	(809,824)	(1,037,320)
Total	(854,394)	(884,813)	(712,724)	(977,019)

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

The fair value of the financial assets and liabilities represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy. The fair value of derivative financial instruments is categorised as Level 3 within the fair value hierarchy and is calculated using Black-Scholes valuation model based on Brent Crude Futures traded on the Intercontinental Exchange, with the relative expiration dates ranging from the current reporting date until December 2017.

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

	31 December 2015	31 December 2014
Future price at the reporting date (US$)	37.19-48.75	59.2-67.9
Historical volatility (%)	30.31	16.02-17.73
Risk-free interest rate (%)	0.32-0.69	0.25-0.67
Maturity (months)	1-23	3-15

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

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

	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)	(12,857)	15,521
Increase/(decrease) in gain on derivative financial instruments due to change in volatility rate assumption (+/-2%)	3,590	(3,561)

Movement in the derivative financial instruments is disclosed in Note 29.

During the years ended 31 December 2015 and 2014 there were no transfers between the levels of fair value hierarchy of the Group's financial instruments.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, additional paid-in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the notes that define capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. There have been no breaches in the financial covenants of the notes in the current period nor the prior period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the distribution payment to participants, return capital to participants or increase partnership capital. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, less cash, short-term deposits and long-term deposits.

In thousands of US dollars	2015	2014
Interest bearing borrowings	951,494	945,114
Less: cash and cash equivalents, restricted cash and current and non-current investments	(170,935)	(405,467)
Net debt	780,559	539,647
Equity	773,756	917,680
Total capital	773,756	917,680
Capital and net debt	1,554,315	1,457,327
Gearing ratio	50%	37%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

36. EVENTS AFTER THE REPORTING PERIOD

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

With effect from 1 January 2016 Kazakhstan reduced export duties for crude oil from US$60 to US$40 per tonne.

With effect from 1 February 2016 Kazakhstan introduced floating rates of export duties for crude oil based on average market prices.

Nostrum Oil & Gas plc

Consolidated financial statements

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOSTRUM OIL & GAS PLC

Dear members

We present our audit report on the Group and Parent company financial statements of Nostrum Oil & Gas PLC (the 'financial statements'), which comprise the Group and Parent primary statements and related notes.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related group Notes 1 to 36 and Parent company notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Our application of materiality

Materiality is a key part of planning and executing our audit strategy. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. As we develop our audit strategy, we determine materiality at the overall financial statement level and at the individual account level. Performance materiality is the application of materiality at the individual account level. In assessing whether errors are material, either individually or in aggregate, we consider qualitative as well as quantitative factors.

Planning Materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected and undetected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be US$ 17.0 million (2013: US$ 18.4 million) which is approximately 5% (2013: 5%) of adjusted pre-tax profit which is explained below. We believe this provides us with a consistent year on year basis for determining planning materiality and the most relevant performance measure for the stakeholders of the group. In 2014 profit before tax was adjusted by US$29 million mainly relating to the costs associated with the reorganisation of the Group that we concluded are non-recurring and therefore added back when calculating materiality. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Performance Materiality

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 50% (2013:50%) of planning materiality, namely US$ 8.5 million (2013: US$ 9.2 million). Our objective in adopting this approach was to ensure that the total uncorrected and undetected audit differences did not exceed our planning materiality of US$17 million for the financial statements as a whole.

Reporting Threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$ 0.85 million (2013: US$ 0.92 million), which is set at 5% of planning materiality. We report all corrected audit differences that in our view warrant reporting on qualitative grounds or where the corrected difference exceeds performance materiality. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accountings policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

An overview of the scope of our audit

For the Parent company – our assessment of audit risk and our evaluation of materiality determines our audit scope for the Parent company financial statements. This helps us to form an opinion on the company financial statements under the International Standards on Auditing (UK and Ireland).

For the Group - our assessment of audit risk, our evaluation of materiality and our allocation of that materiality determine our audit scope for each entity within the Group which, when taken together, enable us to form an opinion on the consolidated financial statements under International Standards on Auditing (UK and Ireland). We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each entity. The range of performance materiality allocated to components in 2014 was US$ 1.7 million to US$ 6.4 million.

In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the Group engagement team, or by component auditors from another EY global network firm operating under our instructions. The Group engagement team performed the audit of the consolidation in Amsterdam. In assessing the risk of material misstatement to the Group financial statements, our Group audit scope focused on the Group's main operating locations. We selected five components covering entities within the Netherlands, Belgium, and Kazakhstan, which represent the principal business units within the Group and account for 99% of the Group's profit before tax. Two of these components were subject to a full scope audit, whereas the remaining three were subject to audit procedures on specific accounts based on our risk assessment. The two full scope components account for 97% of the Group net assets, 99% of the Group's revenue and 99% of the Group's profit before tax. The specific scope locations do not have operating activities and we audited cash, payroll, the employee share option plan, other current liabilities and the costs associated with the reorganisation of the Group.

We are satisfied that the components selected have provided an appropriate basis for undertaking audit work to address the risks of material misstatement identified below. The audit work performed at the five components was executed based on levels of materiality applicable to each individual entity. These materiality thresholds were lower than Group materiality. For the remaining components we assessed group wide controls and performed analytical reviews and enquiry procedures to address the residual risk of material misstatement.

The Group audit team followed a programme of planned site visits that was designed to ensure that a senior member of the team visited each of the three audit locations at least once a year. In 2014, the Group audit team including the Senior Statutory Auditor, who leads the audit, visited Kazakhstan where the operations of the Group take place. These visits involved discussing the audit approach and any issues arising from the work with the component team. The Group audit team interacted regularly with the component team during various stages of the audit, reviewed key working papers and were responsible for the scope and the direction of the audit process. This, together with the additional procedures performed at Group level in Amsterdam, gave us appropriate audit evidence for our opinion on the Group financial statements.

Our assessment of risks of material misstatement

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considered future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

We have identified the risks of material misstatement which had the greatest effect on the audit strategy and directed the efforts and resources of the engagement team to:

- Impairment of exploration licenses and goodwill
- Estimation of oil and gas reserves and its impact of the estimation of DDA expense
- Revenue recognition
- Completeness of related party transactions and the related disclosures
- Risk of management override

Our responses to the risk of material misstatement identified

AREA OF FOCUS	AUDIT APPROACH
Impairment of exploration licenses and goodwill ***Refer to the Group Audit Committee report on page 78, the estimates and judgments on page 123 and the disclosures in note 6 of the Group Financial Statements***	
The potential impairment of goodwill and exploration licenses is a key area of audit focus due to their value. Further, management are required to make a number of significant judgements in determining the recognition of, and the carrying value of these assets and in determining whether there are any indicators of impairment. The fall in oil prices will impact financial performance, as well as increase the risk of uncommercial exploration activities and potential non-renewal of exploration licenses.	We focused on this area as it involves complex and subjective judgements about forecasts. In evaluating whether any impairment was necessary to the remaining carrying value of goodwill and other assets, our audit work involved obtaining evidence regarding their recoverable amount. We utilised our valuation specialists and challenged management's impairment assessment by evaluating the following key assumptions: • forecast cash flows by comparing the assumptions used within the impairment model to the approved budgets, business plans and other evidence of future intentions; • forecast oil prices were compared to independent external sources; and • the discount rate was benchmarked to the risks faced by the group. We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance. We evaluated management's sensitivity analysis of goodwill impairment testing in order to assess the potential impact of a range of reasonably possible outcomes. We evaluated the financial statement disclosures for compliance with the requirements of accounting standards.
Estimation of oil and gas reserves and its impact of the estimation of depreciation, depletion and amortisation ("DDA") expense ***Refer to the Group Audit Committee report on page 78, the estimates and judgments on page 122 and the disclosures in note 8 of the Group Financial Statements***	
This was considered to be a significant risk due to the subjective nature of reserves estimates and their impact on the financial statements through impairment and DD&A calculations. Management has engaged a third party expert in connection with the estimation of reserves.	We gained an understanding of the Group's internal process for reserves estimation and challenged management's assumptions including commercial assumptions to ensure that they are based on supportable evidence. In doing so, we have: • met with management's third party expert during

	the planning and execution of the audit and assessed their competence as well as that of internal specialists involved in due diligence procedures over oil and gas reserves; • reviewed the final oil and gas reserves estimation report prepared by management's third party expert in light of our understanding of the business and agreed key financial inputs to corroborative evidence; and • assessed the reasonableness of key assumptions (such as oil price, gas and LPG price, opex and capex per barrel) by comparing them to external data.
Revenue recognition ***Refer to the Group Audit Committee report on page 78,and the disclosures of revenue in note 22 of the Group Financial Statements***	
The risk of recognising revenue in the wrong period is heightened due to the complexity of the Production Sharing Agreement ("the PSA") and the point at which title passes to the customer and therefore revenue can be recognised.	We identified and tested controls over the sales process, made enquiries of management and analysed contracts to evaluate whether revenue was recognised in accordance with the terms. We specifically: • audited sales agreements to understand the contractual terms and checked compliance with the PSA and appropriate revenue recognition; • performed analytical procedures, test of details, cut-off testing on customer delivery notes around period end and tested a sample of journals relating to revenue; and • ensured that the financial statement disclosures were in accordance with accounting standards.
Completeness of related party transactions ("RPT") and the related disclosures ***Refer to the Group Audit Committee report on page 78 and the disclosures of related party transactions in note 32 of the Group Financial Statements***	
As part of the premium listing on the LSE, the Group undertook restructuring activities and has entered into material contracts with related parties. Therefore RPTs and the related disclosures are considered to be a significant risk.	In order to obtain evidence over the completeness of related party transactions and the related disclosures, we have: • obtained an understanding of the process that management has established to identify, account for and disclose RPTs and authorise and approve significant RPTs and arrangements outside the normal course of business; • inspected bank and legal confirmations, minutes of meetings and significant agreements with new counterparties; • obtained sufficient evidence that RPTs were conducted on terms equivalent to an arm's length transaction; • obtained an updated list of all related parties to the Group and reviewed the general ledger against this list to ensure completeness of transactions; • investigated any unusual or high value transactions; • made enquiries of management in order to identify if any related party transactions outside the normal course of business have taken place; and

	• verified the completeness of disclosures in the financial statements.
Risk of management override	
We consider the likelihood of management override occurring. We base our consideration on our understanding of the nature and risk of both management's opportunity and incentive to manipulate earnings or financial ratios or to misappropriate assets. **Specifically we considered the heightened expectations following the premium listing of the Group on the LSE and the sizable shareholdings of senior executives.**	We considered whether there was evidence of bias by the Directors in significant accounting estimates and judgements. We tested journal entries and also assessed the control environment and interviewed internal audit.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 97, the directors are responsible for the preparation of the group and parent financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group and parent financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

► materially inconsistent with the information in the audited financial statements; or

► apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

► is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

► adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

► the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

► certain disclosures of directors' remuneration specified by law are not made; or

► we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 95, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Richard Addison (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

In thousands of US Dollars	**Notes**	**31 December 2014**	31 December 2013
ASSETS			
Non-current assets			
Exploration and evaluation assets	**7**	**24,380**	20,434
Goodwill	**6**	**32,425**	30,386
Property, plant and equipment	**8**	**1,442,157**	1,330,903
Restricted cash	**14**	**5,024**	4,217
Advances for non-current assets	**9**	**134,355**	10,037
Derivative financial instruments	**29**	**60,301**	–
Non-current investments	**13**	**–**	30,000
		1,698,642	1,425,977
Current assets			
Inventories	**10**	**25,443**	22,085
Trade receivables	**11**	**30,110**	66,565
Prepayments and other current assets	**12**	**39,642**	31,192
Income tax prepayment		**13,925**	5,042
Current investments	**13**	**25,000**	25,000
Cash and cash equivalents	**14**	**375,443**	184,914
		509,563	334,798
TOTAL ASSETS		**2,208,205**	1,760,775
EQUITY AND LIABILITIES			
Share capital and reserves	**15**		
Share capital		**3,203**	–
Treasury capital		**(1,888)**	(30,751)
Partnership capital		**–**	380,874
Additional paid-in capital		**–**	8,126
Retained earnings and reserves		**916,365**	474,202
		917,680	832,451
Non-current liabilities			
Long-term borrowings	**17**	**930,090**	621,160
Abandonment and site restoration provision	**18**	**20,877**	13,874
Due to Government of Kazakhstan	**19**	**5,906**	6,021
Deferred tax liability	**31**	**206,784**	152,545
		1,163,657	793,600
Current liabilities			
Current portion of long-term borrowings	**17**	**15,024**	7,263
Employee share option plan liability	**28**	**6,449**	12,016
Trade payables	**20**	**49,619**	58,518
Advances received		**2,670**	36
Income tax payable		**1,459**	1,232
Current portion of Due to Government of Kazakhstan	**19**	**1,031**	1,031
Other current liabilities	**21**	**50,616**	54,628
		126,868	134,724
TOTAL EQUITY AND LIABILITIES		**2,208,205**	1,760,775

The 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

In thousands of US Dollars	Notes	2014	2013
Revenue			
Revenue from export sales		**676,064**	765,029
Revenue from domestic sales		**105,814**	129,985
	22	**781,878**	895,014
Cost of sales	23	**(221,921)**	(286,222)
Gross profit		**559,957**	608,792
General and administrative expenses	24	**(54,878)**	(56,019)
Selling and transportation expenses	25	**(122,254)**	(121,674)
Finance costs	26	**(61,939)**	(43,615)
Finance costs - reorganisation	27	**(29,572)**	–
Employee share option plan fair value adjustment		**3,092**	(4,430)
Foreign exchange loss		**(4,235)**	(636)
Gain on derivative financial instruments	29	**60,301**	–
Interest income		**986**	764
Other expenses	30	**(49,844)**	(25,593)
Other income		**10,086**	4,426
Profit before income tax		**311,700**	362,015
Income tax expense	31	**(165,275)**	(142,496)
Profit for the year		**146,425**	219,519
Total comprehensive income for the year		**146,425**	219,519
Profit for the year attributable to the holders of Common Units/shares (in thousands of US Dollars)		**146,425**	219,519
Weighted average number of Common Units/shares		**184,678,352**	185,289,560
Basic and diluted earnings per Common Unit/share (in US Dollars)		**0.79**	1.18

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

In thousands of US Dollars	Notes	2014	2013
Cash flow from operating activities:			
Profit before income tax		**311,700**	362,015
Adjustments for:			
Depreciation, depletion and amortisation	**23,24**	**111,869**	120,370
Finance costs - reorganisation	**27**	**29,572**	–
Finance costs	**26**	**61,939**	43,615
Employee share option plan fair value adjustment		**(3,093)**	4,430
Interest income		**(986)**	(764)
Foreign exchange (gain)/loss on investing and financing activities		**(574)**	48
Gain on derivative financial instruments	**29**	**(60,301)**	–
Accrued liabilities		**(2,296)**	–
Operating profit before working capital changes		**447,830**	529,714
Changes in working capital:			
Change in inventories		**(3,358)**	2,879
Change in trade receivables		**36,455**	(12,561)
Change in prepayments and other current assets		**(7,714)**	(6,823)
Change in trade payables		**(5,633)**	(5,747)
Change in advances received		**2,921**	(23)
Change in due to Government of Kazakhstan		**(1,032)**	(1,031)
Change in other current liabilities		**341**	8,803
Payments under Employee share option plan		**(2,475)**	(2,202)
Cash generated from operations		**467,335**	513,009
Income tax paid		**(118,213)**	(154,455)
Net cash flows from operating activities		**349,122**	358,554
Cash flow from investing activities:			
Interest received		**986**	764
Purchase of property, plant and equipment		**(325,462)**	(201,306)
Purchase of exploration and evaluation assets	**7**	**(10,445)**	(5,045)
Acquisition of subsidiaries		**372**	(28,433)
Placement of bank deposits		**(25,000)**	(30,000)
Redemption of bank deposits		**55,000**	25,000
Net cash used in investing activities		**(304,549)**	(239,020)
Cash flow from financing activities:			
Finance costs paid		**(62,229)**	(49,613)
Issue of notes	**17**	**400,000**	–
Expenses paid on arrangement of notes		**(6,525)**	–
Repayment of notes		**(92,505)**	–
Transfer to restricted cash		**(807)**	(565)
Treasury shares sold/(purchased)		**3,715**	(18,993)
Distributions paid	**15**	**(64,615)**	(63,179)
Funds borrowed - reorganisation	**27**	**2,350,405**	–
Funds repaid - reorganisation		**(2,350,405)**	–
Finance costs - reorganisation		**(29,572)**	–
Net cash from / (used in) financing activities		**147,462**	(132,350)
Effects of exchange rate changes on cash and cash equivalents		**(1,506)**	–
Net increase/(decrease) in cash and cash equivalents		**190,529**	(12,816)
Cash and cash equivalents at the beginning of the year	**14**	**184,914**	197,730
Cash and cash equivalents at the end of the year	**14**	**375,443**	184,914

During the year ended 31 December 2014, non-cash transactions included offset of tax liabilities in the amount of US$9,426 thousand, including corporate income tax liabilities in the amount of US$2,480 thousand with value added tax receivables.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

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 2013		**–**	**–**	**380,874**	**(9,727)**	**6,095**	**3,437**	**314,425**	**695,104**
Profit for the year		–	–	–	–	–	–	219,519	219,519
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**219,519**	**219,519**
Buyback of GDRs		–	–	–	(22,165)	–	–	–	(22,165)
Sale of treasury capital		–	–	–	1,141	2,031	–	–	3,172
Profit distribution		–	–	–	–	–	–	(63,179)	(63,179)
As at 31 December 2013		**–**	**–**	**380,874**	**(30,751)**	**8,126**	**3,437**	**470,765**	**832,451**
Profit for the year		–	–	–	–	–	–	146,425	146,425
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**146,425**	**146,425**
Sale of treasury capital		–	–	–	440	769	–	–	1,209
Profit distribution	**15**	–	–	–	–	–	–	(64,615)	(64,615)
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	**15**	**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		**3,203**	**–**	**–**	**(1,888)**	**–**	**261,289**	**655,076**	**917,680**

The accounting policies and explanatory notes are an integral part of these consolidated financial statements

NOTES TO THE 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 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, %
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
Investprofi LLC	Russian Federation	Participatory interests	100
Jubilata Investments Limited	British Virgin Islands	Ordinary shares	100
Nostrum Oil & Gas Finance B.V.	Netherlands	Ordinary shares	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
Probel Capital Management N.V.	Belgium	Ordinary shares	100
Prolag BVBA	Belgium	Ordinary shares	100
Zhaikmunai LLP	Republic of Kazakhstan	Participatory interests	100
Zhaikmunai Netherlands B.V.	Netherlands	Ordinary shares	100

Nostrum Oil & Gas plc, its wholly-owned subsidiaries and Amersham Oil LLP 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 December 2014, the Group employed 1005 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 Coöperatief U.A. 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 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 (Note 36).

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

The volumes of hydrocarbons extracted and the sales prices of the products form the basis of the royalty and government profit share calculations. During the year ended 31 December 2014 Zhaikmunai LLP changed the calculation of the coefficient of natural gas equivalent from density ratio used in the prior periods to compression ratio based on newly received researches on the conversion coefficient conducted by independent consultants.

As a result Zhaikmunai LLP revised the calculations of the royalty and government profit share for the prior periods. This change in estimate was applied prospectively since updated information on composition of the natural gas became available only in 2014. Also during the year ended 31 December 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.

This change in estimate was applied prospectively since updated information on composition of the natural gas became available only in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

These consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") 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 annual financial statements.

The consolidated financial statements have been prepared based on a historical cost basis, except for certain financial instruments which are carried at fair value as stated in the accounting policies (Note 4). The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires from management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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 15). 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 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 consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as at 1 January 2014:

Amendments to IFRS 10, IFRS12 and IAS 27 – Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Amendments to IAS 36 – Disclosures on Recoverable Amount for Non-financial Assets

These amendments eliminate unintended consequences of IFRS 13 Fair Value Measurement in part of information disclosure according to IAS 36 Asset Impairment. Besides, these amendments require disclosing the recoverable amount of assets or cash generation unit (“CGU”) on which the impairment loss was recognized or recovered during the reporting period. These amendments had no impact on the consolidated financial statements of the Group.

Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of *IFRIC 21* in prior years.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 is not expected to have an effect on the classification and measurement of the Group's financial assets and the Group's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard does not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

It is not expected that this amendment would have impact on the Group's future consolidated financial statements.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). It is not expected that this amendment would have any impact on the Group's future consolidated financial statements.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

These amendments are not expected to have any impact on the Group's financial position or performance.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. These amendments are not expected to have any impact on the Group's future consolidated financial statements considering that the Group's property, plant and equipment are stated at historical cost.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. These amendments are not expected to have effect on the Group's future consolidated financial statements, since the Group always disclosed the companies providing management services as related parties.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

These amendments are not expected to have impact on the Group's future consolidated financial statements, since the Group has no joint arrangements.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). It is not expected that the amendment will have material effect on the Group's financial position or performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

These amendments are not expected to have any impact on the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material change to the carrying amounts of assets and liabilities are discussed below:

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization (the "DD&A"). The Group estimates its reserves of oil and gas in accordance with the methodology of the Society of Petroleum Engineers (the "SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices which are also used by management to make investment decisions about development of a field. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions (Note 6) are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves. All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually.

Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A. The estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the Group.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Abandonment and site restoration provision

The Group estimates future dismantlement and site restoration costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted at applicable rate. The Group reviews site restoration provisions at each date of financial position and adjusts it to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". Estimating the future closure costs involves significant estimates and judgments by management. Significant judgments in making such estimates include estimate of discount rate and timing of cash flow. The management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights.

Management of the Group believes that the long term interest rates on the Eurobonds issued by the Ministry of Finance of the Republic of Kazakhstan shall provide best estimates of applicable risk uncorrected discount rate. The discount rate shall be applied to the nominal risk adjusted amounts the management expects to spend on site restoration in the future. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

Due to fact that cash outflows related to abandonment and site restoration cost are mainly denominated in USD, during the year ended 31 December 2014 the Group revisited the assumptions used, including abandonment cost, US$ inflation rate and discount rates. All these changes resulted in increase of abandonment and site restoration provision and respective asset in the amount of US$ 4,306 thousand. These changes were accounted for prospectively.

The long term inflation and discount rates used to determine the balance sheet obligation at 31 December 2014 were 3.75% and 4.88% respectively. Movements in the provision for decommissioning liability are disclosed in Note 18.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax bases of income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

The functional currency of the Company is the United States dollar (the "US dollar" or "US$"). The functional currency of the Group's subsidiaries is the US dollar, except for Condensate (functional currency of which is Kazakhstani Tenge (the "Tenge").

Transactions and balances denominated in foreign currencies

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value, and any resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration arrangements classified as liabilities or assets arising from a business combination are subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a Cash Generating Unit ("CGU") and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Property, plant and equipment

Exploration expenditure

Geological and geophysical exploration costs are charged to profit or loss as incurred. Costs directly associated with exploration wells are capitalised within exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration and materials and fuel used, rig costs and payments made to contractors and asset retirement obligation fees. If hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. The exploration expenditure expensed to profit or loss during 2014 amounted to nil (2013: US$ 3,810 thousand).

Subsoil use rights acquisition costs are initially capitalised in exploration and evaluation assets. Subsoil use rights acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the subsoil use rights have been relinquished or has expired, the carrying value of the subsoil use rights acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalised within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments

All capitalised costs of oil and gas properties are amortised using the unit-of-production method based on estimated proved developed reserves of the field, except the Group depreciates its oil pipeline and oil loading terminal on a straight line basis over the life of the relevant subsoil use rights. In the case of assets that have a useful life shorter than the lifetime of the field the straight line method is applied.

Oil and gas reserves

Proved oil and gas reserves are estimated quantities of commercially viable hydrocarbons which existing geological, geophysical and engineering data show to be recoverable in future years from known reservoirs.

The Group uses the reserve estimates provided by an independent appraiser on an annual basis to assess the oil and gas reserves of its oil and gas fields. These reserve quantities are used for calculating the unit of production depreciation rate as it reflects the expected pattern of consumption of future economic benefits by the Group.

Advances for non-current assets

Advances paid for capital investments/acquisition of non-current assets shall be qualified as advances for non-current assets regardless of the period of supplies of relevant assets or the supply of work or services to close advances. Advances paid for the purchase of non-current assets are recognised by the Group as non-current assets and are not discounted.

Other properties

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	7-15
Vehicles	8
Machinery and equipment	3-13
Other	3-10

Impairment of non-financial assets

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses of continuing operations, including impairment of inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Borrowing costs

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortized, provided that work is in progress at that time. Qualifying assets mostly include wells and other operations field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost or net realizable value ("NRV"). Cost of oil, gas condensate and liquefied petroleum gas ("LPG") is determined on the weighted-average method based on the production cost including the relevant expenses on depreciation, depletion and impairment and overhead costs based on production volume. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Abandonment and site restoration (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted at applicable rate. The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related oil and gas properties. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit-of-production basis.

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

a) are added to, or deducted from, the cost of the related asset in the current period. If deducted from the cost of the asset the amount deducted shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the profit or loss; and

b) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, long-term and short-term deposits, trade and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Accounts receivable

Accounts receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for uncollectible amounts is made when collection of the full amount is no longer probable. These estimates are reviewed periodically, and as adjustments become necessary, they are reported as expense (credit) in the period in which they become known.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and borrowings.

Subsequent measurement

After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

Derivative financial instruments and hedging

The Group uses hedging contracts for oil export sales to cover part of its risks associated with oil price fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of financial instruments is determined by reference to market values for similar instruments.

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover decommissioning obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that apply to the relevant taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

The Group sells crude oil, gas condensate and LPG under agreements priced by reference to Platt's and/or Argus' index quotations and adjusted for freight, insurance and quality differentials where applicable. The Group sells gas under agreements at fixed prices.

Revenue from the sale of crude oil, gas condensate, gas and LPG is recognized when delivery has taken place and risks and rewards of ownership have passed to the customer.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other reserves. Voting rights related to treasury shares are nullified for the Group and no distributions are accepted in relation to them. Share options exercised during the reporting period are satisfied with treasury shares.

Share-based payments

The Group measures the cost of cash-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

5. BUSINESS COMBINATIONS

On 19 May 2014 the Group agreed to acquire 100% of the share capital of Prolag BVBA (Prolag) and Amersham Oil LLP (Amersham), companies providing management and consulting services to the Group, from related parties of the Group, in connection with the premium listing on the London Stock Exchange of the Group's listed entity, so as to comply with certain exchange requirements that listed companies be managed by persons employed by entities within the listed company's group.

A cash consideration consisting of initial purchase price of US$1 and a price adjustment of US$212 thousand was agreed and paid with respect to the acquisition of Prolag. Historically, Prolag provided consulting services to the Group on certain marketing, transportation and logistics matters.

It was agreed that Amersham be acquired in exchange for a cash consideration consisting of initial purchase price of US$1,915 thousand, subject to a price adjustment based on accounts of Amersham at 31 December 2014. The amount of the price adjustment with respect to the acquisition of Amersham has not yet been agreed or paid as at the date of the authorisation of the financial statements for issue, but it is estimated at US$487 thousand. Respective liability for this amount has been recognised within other current liabilities (Note 21) as at 31 December 2014. Certain managers of the Group historically provided services to the Group pursuant to a service agreement between Amersham and the Group.

The goodwill arising on acquisition represents the savings of the Group on management fees and is not expected to be deductible for tax purposes.

There were no significant revenues or profits/losses of the acquired subsidiaries since the respective acquisition dates included in the consolidated statements of comprehensive income for the years ended 31 December 2014 and 2013.

The provisional fair values of the identifiable assets and liabilities of Amersham and Prolag as at the date of acquisition were:

In thousands of US Dollars	**Prolag BVBA**	**Amersham Oil**	**Total**
Assets			
Property, plant and equipment	15	2	17
Advances for non-current assets	287	–	287
Prepayments and other current assets	721	15	736
Cash and cash equivalents	219	365	584
	1,242	**382**	**1,624**
Liabilities			
Trade payables	496	7	503
Other current liabilities	427	12	439
	923	**19**	**942**
Total identifiable net assets at fair value	**319**	**363**	**682**
Goodwill arising on acquisition		2,039	2,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Gain arising on acquisition	(106)		(106)
Total purchase consideration	**212**	**2,402**	**2,615**

The purchase consideration comprised of:

In thousands of US Dollars	
Consideration satisfied by cash	212
Working capital adjustment	2,402
Total purchase consideration	**2,615**
Consideration satisfied by cash	(212)
Cash and cash equivalents acquired	584
Purchase of subsidiaries per the cash flow statement	**372**

On 30 December 2013 the Group has acquired 100% of the share capital of Probel Capital Management N.V. ("Probel"), a company providing management and consulting services to the Group, from Group's related parties, in exchange for a cash consideration consisting of initial purchase price of US$28,836 thousand and a price adjustment of US$4,598 thousand estimated as at the acquisition date based on accounts of Probel at 30 December 2013. The actual amount of price adjustment agreed was US$3,631 thousand and paid on 18 June 2014.

Historically, certain senior managers of the Group have provided their services to the Group pursuant to a service agreement between Probel and the Group. The Probel acquisition was agreed upon in connection with the premium listing on the London Stock Exchange of the Group's listed entity, so as to comply with certain exchange requirements that listed companies be managed by persons employed by entities within the listed company's group. The goodwill arising on acquisition represents the savings of the Group on management fees.

The provisional fair values of the identifiable assets and liabilities of Probel as at the date of acquisition were:

In thousands of US Dollars	**Probel Capital Management N.V.**
Assets	
Property, plant and equipment	32
Prepayments and other current assets	2,554
Cash and cash equivalents	1,953
	4,539
Liabilities	
Trade payables	1,021
Other current liabilities	470
	1,491
Total identifiable net assets at fair value	3,048
Goodwill arising on acquisition	30,386
Total purchase consideration	**33,434**

The purchase consideration comprised of:

In thousands of US Dollars	
Consideration satisfied by cash	28,836
Working capital adjustment	4,598
Total purchase consideration	**33,434**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consideration satisfied by cash	(28,836)
Cash and cash equivalents acquired	1,953
Purchase of subsidiaries per the cash flow statement	**(26,883)**

6. GOODWILL

As at 31 December 2014 and 2013, goodwill comprised the following due to business combinations:

In thousands of US Dollars	**31 December 2014**	31 December 2013
Balance at the beginning of the period	**30,386**	–
Goodwill addition	**2,039**	30,386
Balance at the end of the period	**32,425**	30,386

Impairment testing

The goodwill arising from the purchase of Probel and Amersham relates to a single cash-generating unit. Respectively, goodwill is tested for impairment by comparing the recoverable amount against the carrying value of the underlying cash generating unit.

The management has determined a single cash-generating unit within the Group's non-current assets consisting of all Group's assets related to its Chinarevskoye and exploration fields and gas treatment facility. Impairment testing is performed by comparing the recoverable amount against the carrying value of the cash generating unit. The recoverable amount is determined by calculation of the value-in-use based on discounted cash flow model as no recent third party transactions exist on which a reliable market-based fair value can be established. The value-in-use calculation model, which formally approved by the management, takes into consideration cashflows, which are expected to arise until 2032, i.e. during the license term of the Chinarevskoye field. The period exceeding five years is believed to be appropriate based on the proved and probable reserves audited by independent engineers and respective past history of the Group's ability to transfer probable reserves into proved.

The key assumptions used in the Group's discounted cash flow models reflect past experience and take account of external factors. These assumptions are:

- Oil prices for 2015-2022 are based on the forward curve of the ICE Brent Oil Futures, and for 2023-2032 are kept constant at the level applied for 2022;
- Proved and probable hydrocarbon reserves confirmed by independent reserve engineers;
- Production profiles based on Group's internal estimates confirmed by independent reserve engineers;
- All cashflows are projected on the basis of stable prices, i.e. inflation/growth rates are ignored;
- Cost profiles for the development of the fields and subsequent operating costs consistent with reserves estimates and production profiles; and
- Pre-tax discount rate of 14%.

None of the reasonably possible changes in key assumptions causes the cash generating unit's carrying amount to exceed its recoverable amount.

7. EXPLORATION AND EVALUATION ASSETS

In thousands of US Dollars	**31 December 2014**	31 December 2013
Subsoil use rights	**15,835**	15,835
Expenditures on geological and geophysical studies	**8,545**	4,599
	24,380	20,434

During the year ended 31 December 2014 the Group had additions to exploration and evaluation assets of US$3,946 thousand which includes capitalised expenditures on geological and geophysical studies (2013: US$20,434 thousand, mainly represented by capitalised consideration under the acquisition agreements for the Darjinskoye, Rostoshinskoye and Yuzhno-Gremyachinskoye oilfields). Interest was not capitalised in exploration and evaluation assets. During the year ended 31 December 2014; the Group repaid capitalised contingent consideration under the acquisition agreements for the Darjinskoye and Yuzhno-Gremyachinskoye oil and gas fields in the amount of US$ 5,300 thousand.

8. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2014 and 2013 property, plant and equipment comprised the following:

In thousands of US Dollars	**31 December 2014**	31 December 2013
Oil and gas properties	**1,401,847**	1,292,073
Other property, plant and equipment	**40,310**	38,830
	1,442,157	1,330,903

Oil and gas properties

The category "Oil and Gas properties" represents mainly wells, oil and gas treatment facilities, oil transportation and other related assets. The movement of oil and gas properties for the years ended 31 December 2014 and 2013 was as follows:

In thousands of US Dollars	**Working assets**	**Construction in progress**	**Total**
Balance at 1 January 2013, net of accumulated depreciation and depletion	**1,002,602**	**189,446**	**1,192,048**
Additions	5,108	210,076	215,184
Transfers	197,271	(197,271)	–
Depreciation and depletion charge	(115,159)	–	(115,159)
Balance at 31 December 2013, net of accumulated depreciation and depletion	**1,089,822**	**202,251**	**1,292,073**
Additions	9,730	205,153	214,883
Transfers	38,640	(38,445)	195
Disposals	(666)	–	(666)
Disposals depreciation	214	–	214
Depreciation and depletion charge	(104,852)	–	(104,852)
Balance at 31 December 2014, net of accumulated depreciation and depletion	**1,032,888**	**368,959**	**1,401,847**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2012			
Cost	1,209,373	189,446	1,398,819
Accumulated depreciation	(206,771)	–	(206,771)
Balance, net of accumulated depreciation and depletion	**1,002,602**	**189,446**	**1,192,048**
As at 31 December 2013			
Cost	1,411,752	202,251	1,614,003
Accumulated depreciation	(321,930)	–	(321,930)
Balance, net of accumulated depreciation and depletion	**1,089,822**	**202,251**	**1,292,073**
As at 31 December 2014			
Cost	1,459,457	368,959	1,828,416
Accumulated depreciation	(426,569)	–	(426,569)
Balance, net of accumulated depreciation and depletion	**1,032,888**	**368,959**	**1,401,847**

The category "Oil and Gas properties" represents mainly wells, oil and gas treatment facilities, oil transportation and other related assets. The subcategory “Construction in progress” is represented by employee remuneration, materials and fuel used, rig costs, payments made to contractors, and asset retirement obligation fees directly associated with development of wells until the drilling of the well is complete and results have been evaluated.

The depletion rate for oil and gas working assets was 10.02% and 12.14% in 2014 and 2013, respectively.

The Group incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2014 and 2013:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In thousands of US Dollars	**31 December 2014**	31 December 2013
Borrowing costs including amortisation of arrangement fee	**77,959**	56,023
Capitalisation rate	**7.28%**	8.95%
Capitalised borrowing costs	**17,134**	14,609

Other property, plant and equipment

In thousands of US Dollars	**Buildings**	**Machinery & Equipment**	**Vehicles**	**Others**	**Construction in progress**	**Total**
Balance at 1 January 2013, net of accumulated depreciation	**5,607**	**6,496**	**1,170**	**4,002**	**13,342**	**30,617**
Additions	562	2,410	560	1,217	8,654	13,403
Transfers	21,799	–	–	150	(21,949)	–
Disposals	(35)	(102)	(50)	(44)	–	(231)
Disposals depreciation	16	52	49	30	–	147
Depreciation	(1,653)	(2,378)	(334)	(741)	–	(5,106)
Balance at 31 December 2013, net of accumulated depreciation	**26,296**	**6,478**	**1,395**	**4,614**	**47**	**38,830**
Additions	585	1,501	324	6,279	258	8,947
Transfers	24	309	412	(940)	–	(195)
Disposals	(6)	(24)	(159)	(244)	–	(433)
Disposals depreciation	5	16	157	193	–	371
Depreciation	(3,136)	(2,430)	(484)	(1,160)	–	(7,210)
Balance at 31 December 2014, net of accumulated depreciation	**23,768**	**5,850**	**1,645**	**8,742**	**305**	**40,310**
As at 31 December 2012						
Cost	8,561	10,977	3,003	5,853	13,342	41,736
Accumulated depreciation	(2,954)	(4,481)	(1,833)	(1,851)	–	(11,119)
Balance, net of accumulated depreciation	**5,607**	**6,496**	**1,170**	**4,002**	**13,342**	**30,617**
As at 31 December 2013						
Cost	30,887	13,285	3,513	7,166	47	54,898
Accumulated depreciation	(4,591)	(6,807)	(2,118)	(2,552)	–	(16,068)
Balance, net of accumulated depreciation	**26,296**	**6,478**	**1,395**	**4,614**	**47**	**38,830**
As at 31 December 2014						
Cost	31,497	15,068	4,167	12,270	305	63,307
Accumulated depreciation	(7,729)	(9,218)	(2,522)	(3,528)	–	(22,997)
Balance, net of accumulated depreciation	**23,768**	**5,850**	**1,645**	**8,742**	**305**	**40,310**

9. ADVANCES FOR NON-CURRENT ASSETS

As at 31 December 2014 and 2013, advances for non-current assets comprised the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In thousands of US Dollars	**31 December 2014**	31 December 2013
Advances for pipes and construction materials	**67,465**	6,241
Advances for construction services	**66,884**	3,796
Advances for purchase of software licenses	**6**	–
	134,355	10,037

During the year ended 31 December 2014 the Group made significant advances for construction services and related materials for the construction of the third unit of the Group's gas treatment facility.

10. INVENTORIES

As at 31 December 2014 and 2013 inventories comprised the following:

In thousands of US Dollars	**31 December 2014**	31 December 2013
Materials and supplies	**20,472**	16,739
Gas condensate	**3,383**	2,986
Crude oil	**1,262**	1,754
LPG	**326**	606
	25,443	22,085

As at 31 December 2014 and 2013 inventories are carried at cost.

11. TRADE RECEIVABLES

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

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

			Past due but not impaired			
In thousands of US Dollars	**Total**	**Neither past due nor impaired**	**<30 days**	**60-90 days**	**90-120 days**	**>120 days**
31 December 2014	**30,110**	**30,110**	**–**	**–**	**–**	**–**
31 December 2013	66,565	66,561	–	–	–	4

12. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 31 December 2014 and 2013 prepayments and other current assets comprised the following:

In thousands of US Dollars	**31 December 2014**	31 December 2013
VAT receivable	**28,502**	17,192
Advances paid	**9,184**	7,817
Other	**1,956**	6,183
	39,642	31,192

Advances paid consist primarily of prepayments made to service providers.

13. CURRENT AND NON-CURRENT INVESTMENTS

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. As at 31 December 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.

14. CASH AND CASH EQUIVALENTS

In thousands of US Dollars	**31 December 2014**	31 December 2013
Current accounts in US Dollars	**356,316**	150,931
Current accounts in tenge	**8,709**	5,485
Current accounts in other currencies	**10,413**	3,492
Petty cash	**5**	6
Bank deposits with maturity less than three months	**–**	25,000
	375,443	184,914

The Group has restricted cash accounts as liquidation fund deposit in the amount of US$5,023 thousand with Kazkommertsbank JSC and Sberbank in Kazakhstan (31 December 2013: US$4,217 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liability of the Group.

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

15. 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.

Distributions

During the year ended 31 December 2014 Nostrum Oil & Gas LP made a distribution of US$0.35 per Common Unit (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 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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$255,459 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.

The following table represents the movement of GDRs/shares:

Number of GDRs/shares	**In circulation**	**Treasury capital**	**Total**
As at 1 January 2013	**186,051,235**	**2,131,723**	**188,182,958**
Buyback of GDRs	(1,808,726)	1,808,726	–
Share options exercised	285,375	(285,375)	–
As at 31 December 2013	**184,527,884**	**3,655,074**	**188,182,958**
Share options exercised	100,935	(100,935)	–
Replacement of GDRs	(184,628,819)	(3,554,139)	(188,182,958)
Shares issued	184,628,819	3,554,139	188,182,958
Share options exercised	200,000	(200,000)	–
As at 31 December 2014	**184,828,819**	**3,354,139**	**188,182,958**

Please refer to Note 27 for information on the costs related to the reorganisation.

Share capital of Nostrum Oil & Gas plc

As at 31 December 2014 the ownership interests in the Parent consist of issued and fully paid 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 reorganisation the share capital of the Group comprised of the share capital of Nostrum Oil & Gas Plc:

		31 December 2014
Number of shares	**Subscriber and redeemable preference shares**	Ordinary shares
Balance at the 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.

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 December 2014 the book value per share amounted to US$4.70 (31 December 2013: US$4.26).

16. 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.

	2014	2013
Profit for the year attributable to the holders of Common Units/shares (in thousands of US Dollars)	**146,425**	219,519
Weighted average number of Common Units/shares	**184,678,352**	185,289,560
Basic and diluted earnings per Common Unit/share (in US Dollars)	**0.79**	1.18

17. BORROWINGS

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

In thousands of US Dollars	**31 December 2014**	31 December 2013
Notes issued in 2012 and maturing in 2019	**540,793**	536,301
Notes issued in 2014 and maturing in 2019	**404,321**	–
Notes issued in 2010 and maturing in 2015	**–**	92,122
	945,114	628,423
Less amounts due within 12 months	**(15,024)**	(7,263)
Amounts due after 12 months	**930,090**	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").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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 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.

Covenants contained in the 2010 Notes, 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
- 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.

18. ABANDONMENT AND SITE RESTORATION PROVISION

The summary of changes in abandonment and site restoration provision during years ended 31 December 2014 and 2013 is as follows:

In thousands of US Dollars	**2014**	2013
Abandonment and site restoration provision as at 1 January	**13,874**	11,064
Unwinding of discount	**197**	1,034
Additional provision	**2,500**	2,500
Change in estimates	**4,306**	(724)
Abandonment and site restoration provision as at 31 December	**20,877**	13,874

The management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2033. There are uncertainties in estimation of future costs as Kazakh laws and regulations concerning site restoration evolve.

The long-term inflation and discount rates used to determine the abandonment and site restoration provision at 31 December 2014 were 3.75% and 4.88%, respectively (31 December 2013: 7% and 10%). Change in the discount rate resulted in the increase of the provision by US$19,068 thousand which was offset by a decrease of the provision by US$14,762 thousand due to change in the inflation rate and other assumptions.

19. DUE TO GOVERNMENT OF KAZAKHSTAN

The amount due to Government of the Republic of Kazakhstan has been recorded to reflect the present value of a liability in relation to the expenditures made by the Government in the time period prior to signing the Contract that were related to exploration of the Contract territory and the construction of surface facilities in fields discovered therein and that are reimbursable by the Group to the Government during the production period. The total amount of liability due to Government as stipulated by the Contract is US$ 25,000 thousand.

Repayment of this liability commenced in 2008 with the first payment of US$ 1,030 thousand in March 2008 and with further payments by equal quarterly instalments of US$ 258 thousand until May 26, 2031. The liability was discounted at 13%.

The summary of the changes in the amounts due to Government of Kazakhstan during the years ended 31 December 2014 and 2013 is as follows:

In thousands of US Dollars	**2014**	2013
Due to Government of Kazakhstan as at 1 January	**7,052**	7,153
Unwinding of discount	**917**	930
Paid during the year	**(1,032)**	(1,031)
	6,937	7,052
Less: current portion of due to Government of Kazakhstan	**(1,031)**	(1,031)
Due to Government of Kazakhstan as at 31 December	**5,906**	6,021

20. TRADE PAYABLES

Trade payables comprise the following as at 31 December 2014 and 2013:

In thousands of US Dollars	**31 December 2014**	31 December 2013
Tenge denominated trade payables	**27,030**	42,950
US dollar denominated trade payables	**17,889**	12,719
Trade payables denominated in other currencies	**4,700**	2,849
	49,619	58,518

21. OTHER CURRENT LIABILITIES

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

In thousands of US Dollars	**31 December 2014**	31 December 2013
Taxes payable, other than corporate income tax	**17,191**	32,110
Accruals under the subsoil use agreements	**14,435**	–
Training obligations accrual	**9,686**	8,986
Due to employees	**4,605**	3,227
Liability accrued with respect to acquisitions	**2,402**	1,953
Production bonus	**449**	–
Pension obligations	**314**	204
Contingent consideration	**–**	5,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other current liabilities	**1,534**	2,848
	50,616	54,628

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.

22. REVENUE

In thousands of US Dollars	**2014**	2013
Oil and gas condensate	**620,164**	709,107
Gas and LPG	**161,714**	185,907
	781,878	895,014

The Group's exports are mainly represented by deliveries to Finland and the Black Sea ports of Russia.

During the year ended 31 December 2014 the revenue from sales to three major customers amounted to US$321,755 thousand, US$124,823 thousand and US$77,113 thousand respectively (2013: two major customers: US$202,945 thousand and US$173,440 thousand respectively).

23. COST OF SALES

In thousands of US Dollars	**2014**	2013
Depreciation, depletion and amortisation	**110,460**	118,957
Repair, maintenance and other services	**35,818**	52,361
Royalties	**24,330**	39,356
Payroll and related taxes	**21,560**	17,240
Materials and supplies	**10,929**	12,262
Well workover costs	**6,296**	2,794
Government profit share	**4,594**	30,747
Other transportation services	**2,929**	4,306
Environmental levies	**1,098**	1,029
Management fees	**–**	3,558
Change in stock	**376**	2,490
Other	**3,531**	1,122
	221,921	286,222

The change in the structure of cost of sales is driven by the acquisition of Probel Capital Management N.V. on 30 December 2013 and agreement on 19 May 2014 to acquire Prolag BVBA and Amersham Oil LLP, which led to the elimination of intercompany management fees, and recognition of those expenses as payroll and related taxes.

Besides that 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$17,846 thousand and in the total reversal of the royalties in the amount of US$5,451 thousand related to prior periods.

24. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US Dollars	**2014**	2013
Professional services	**19,776**	9,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Payroll and related taxes	**15,668**	7,576
Business travel	**4,786**	4,089
Training	**2,535**	2,736
Sponsorship	**1,826**	2,919
Insurance fees	**1,768**	2,050
Depreciation and amortization	**1,409**	1,413
Communication	**1,195**	1,010
Other taxes	**1,006**	4,839
Lease payments	**895**	585
Bank charges	**813**	1,100
Materials and supplies	**626**	664
Management fees	**605**	16,006
Social program	**300**	300
Other	**1,670**	1,660
	54,878	56,019

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 and agreement on 19 May 2014 to acquire Prolag BVBA and Amersham Oil LLP, which led to the elimination of intercompany management fees, and recognition of those expenses as professional services and payroll and related taxes.

25. SELLING AND TRANSPORTATION EXPENSES

In thousands of US Dollars	**2014**	2013
Loading and storage costs	**56,351**	36,991
Transportation costs	**54,878**	72,229
Payroll and related taxes	**2,211**	2,486
Management fees	**183**	701
Other	**8,631**	9,267
	122,254	121,674

The transportation costs for the year ended 31 December 2013 also included certain loading and storage costs provided by the transportation companies, which are included in loading and storage costs for the year ended 31 December 2014.

26. FINANCE COSTS

In thousands of US Dollars	**2014**	2013
Interest expense on borrowings	**60,825**	41,651
Unwinding of discount on amounts Due to Government	**917**	930
Unwinding of discount on Abandonment and site restoration provision	**197**	1,034
	61,939	43,615

27. 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), US$7,193 thousand related to the new listing and the cancellation of the

GDR program and US$7,990 thousand financing costs related to advisory and other services incurred in relation to the reorganisation.

28. EMPLOYEES' REMUNERATION

The average monthly number of employees (including Executive Directors) employed was as follows:

	2014	**2013**
Management and administrative	**289**	259
Technical and operational	**721**	702
	1,010	961

Their aggregate remuneration comprised:

In thousands of US Dollars	**2014**	2013
Wages and salaries	**36,025**	24,545
Share-based payments	**2,475**	2,346
Social security costs	**4,333**	3,906
	42,833	30,797

Part of the Group's staff costs shown above is capitalised into the cost of intangible and tangible oil and gas assets under the Group's accounting policy for exploration, evaluation and oil and gas assets.

The amount ultimately remaining in the income statement was US$39,440 thousand (2013: US$27,302 thousand).

Key management personnel remuneration

In thousands of US Dollars	**2014**	2013
Short-term employee benefits	**1,506**	634
Share-based payments	**725**	2,202
	2,231	2,836

During the year ended 31 December 2013 certain key management personnel were employed and paid by Amersham Oil LLP and Probel Capital Management N.V. and their remuneration formed part of management fees and consulting services rendered to the Group. During 2014 all key management personnel are employed and paid by the Group.

Directors' remuneration

In thousands of US Dollars	**2014**	2013
Short-term employees benefits	**3,242**	2,899
Share-based payments	**1,750**	–
	4,992	2,899

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 to allow for the continuation of the option plan previously maintained by Nostrum Oil & Gas LP. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Employees (including senior executives and executive directors) of members of the Group or their associates receive remuneration in the form of equity-based payment transactions, whereby employees render services as consideration for share appreciation rights, which can only be settled in cash ("cash-settled transactions").

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The equity-based payment plan is described below.

During 2008-2014, 4,297,958 equity appreciation rights (SARs) which can only be settled in cash were granted to senior employees and executive directors of members of the Group or their associates. These generally vest over a five year period from the date of grant, so that one fifth of granted SARs vests on each of the five anniversaries from the date of grant. The contractual life of the SARs is ten years. The fair value of the SARs is measured at the grant date using a trinomial lattice valuation option pricing model taking into account the terms and conditions upon which the instruments were granted. SARs are exercisable at any time after vesting till the end of the contractual life and give its holder a right to a difference between the market value of the Group's ordinary shares at the date of exercise and a stated base value. The services received and a liability to pay for those services are recognised over the expected vesting period.

Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss as part of the employee benefit expenses arising from cash-settled share-based payment transactions.

The carrying value of the liability relating to 2,611,413 of SARs at 31 December 2014 is US$ 6,449 thousand (31 December 2013: 2,912,348 SARs with carrying value of US$ 12,016 thousand). During the year ended 31 December 2014 302,000 SARs were fully vested (2013:728,487).

The following table illustrates the number ("No.") and exercise prices ("EP") of, and movements in, SARs during the year:

	2014		2013	
	No.	**EP,US$**	No.	EP,US$
Total outstanding at the beginning of the year (with EP of US$ 4)	**1,646,348**	**4**	1,931,723	4
Total outstanding at the beginning of the year (with EP of US$ 10)	**1,266,000**	**10**	200,000	10
Total outstanding at the beginning of the year	**2,912,348**		2,131,723	
Share option granted	**–**	**10**	1,115,000	10
Share option exercised	**(294,935)**	**4**	(285,375)	4
Share option exercised	**(6,000)**	**10**	–	–
Share options lapsed	**–**	**10**	(49,000)	10
Total outstanding at the end of the year	**2,611,413**		2,912,348	
Total exercisable at the end of the year	**1,815,413**		1,808,348	

There were no SARs granted during the year ended 31 December 2014. The weighted average fair value of SARs granted during the year ended 31 December 2013 amounted to US$ 6.22 per SAR. The weighted average price at the date of exercise for SARs exercised during the year ended 31 December 2014 amounted to US$ 8.22 per SAR (2013: US$ 8.22 per SAR). The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for the plan for the years ended 31 December 2014 and 2013:

	2014	2013
GDR (2013) or ordinary share (2014) price at the reporting date (US$)	**6.6**	13.0
Distribution yield (%)	**3.0%**	3.0%
Expected volatility (%)	**85.0%**	85.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Risk-free interest rate (%)	**1.0%**	2.0%
Expected life (years)	**10.0**	10.0
Option turnover (%)	**10.0%**	10.0%
Price trigger	**2.0**	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and is may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

29. 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.

During the years ended 31 December 2014 and 2013 the movement in the fair value of derivative financial instruments was presented as follows:

In thousands of US Dollars	**2014**	2013
Derivative financial instruments at fair value at 1 January	**–**	–
Gain on derivative financial instruments	**60,301**	–
Derivative financial instruments at fair value at 31 December	**60,301**	–

The Group classifies the asset constituted by the hedging contract as non-current since no settlement is expected to occur under or in respect of the hedging contract until 29 February 2016.

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

30. OTHER EXPENSES

In thousands of US Dollars	**2014**	2013
Export customs duty	**19,733**	12,268
Accruals under subsoil use agreements	**16,083**	–
Compensation	**10,116**	6,387
Other	**3,912**	6,938
	49,844	25,593

Export customs duty is comprised of customs duties for export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc. Based on their interpretation of CIS free-trade legislation the Kazakhstan customs authorities imposed customs duties on oil exports from Kazakhstan to Ukraine starting from December 2012.

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.

31. INCOME TAX

The income tax expense comprised the following:

In thousands of US Dollars	**2014**	2013
Corporate income tax	**117,827**	138,883
Adjustment in respect of the current income tax for the prior periods	**(6,785)**	–
Deferred income tax expense /(benefit)	**54,233**	3,613
Total income tax expense	**165,275**	142,496

The Group's profits are assessed for income taxes mainly in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US Dollars	**2014**	2013
Profit before income tax	**311,700**	362,015
Tax rate applicable to the suboil use rights	**30%**	30%
Expected tax provision	**93,510**	108,605
Effect of exchange rate on the tax base	**34,533**	2,836
Adjustments in respect of current income tax of previous years	**(6,785)**	–
Effect of income taxed at different rate[1]	**(3,790)**	31
Non-deductible interest expense on borrowings	**23,390**	19,084
Deferred tax asset not recognised	**10,384**	–
Non-deductible penalties	**4,556**	2,037
Non-deductible compensation for gas	**2,813**	1,711
Net foreign exchange loss	**1,020**	1,624
Non-deductible social expenditures	**886**	890
Non-deductible cost of technological loss	**192**	1,850
Other non-deductible expenses	**4,566**	3,828
Income tax expenses reported in the consolidated financial statements	**165,275**	142,496

[1]*Jurisdictions which contribute significantly to this item are Republic of Kazakhstan with an applicable statutory tax rate of 20% (for activities not related to the Contract), and the Netherlands with an applicable statutory tax rate of 20%.*

As at 31 December 2014 the Group has tax losses of US$41,643 thousand (mainly originated from the Group reorganisation costs) that are available to offset against future taxable profits in the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In thousands of US Dollars	**31 December 2014**	31 December 2013
Deferred tax asset:		
Accounts payable and provisions	**3,616**	2,811
Deferred tax liability:		
Property, plant and equipment	**(196,855)**	(155,356)
Derivative financial instruments	**(12,060)**	
Other	**(1,485)**	
Net deferred tax liability	**(206,784)**	(152,545)

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	**2014**	2013
Balance at 1 January	**152,545**	148,932
Current period charge to statement of income	**54,239**	3,613
Balance at 31 December	**206,784**	152,545

32. RELATED PARTY TRANSACTIONS

For the purpose of these 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 December 2014 and 2013 consisted of the following:

In thousands of US Dollars	**31 December 2014**	31 December 2013
Trade receivables and advances paid		
KazStroyService JSC	**36,915**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

In thousands of US Dollars	**31 December 2014**	31 December 2013
Trade payables		
KazStroyService JSC	**2,753**	50
Telco B.V.	**29**	–
Prolag BVBA	**–**	240
Amersham Oil LLP	**–**	52

During the years ended 31 December 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:

In thousands of US Dollars	**2014**	2013
Purchases		
KazStroyService JSC	**6,538**	–
Management fees and consulting services		
Cervus Business Services	**1,981**	–
Amersham Oil LLP	**455**	1,506
Prolag BVBA	**668**	1,253
Probel Capital Management N.V.	**–**	17,507
Crest Capital Management N.V.	**824**	–
Telco B.V.	**744**	–

On 19 May 2014, SEPOL AG and Nostrum Oil 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 an initial consideration of US$1,915 thousand.

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 an initial consideration of US$1, as all services previously provided by Prolag to the Group were internalised within Probel prior to the acquisition of Probel. A price adjustment of US$212 thousand was agreed and paid with respect to the acquisition of Prolag BVBA.

On 28 July 2014 Zhaikmunai LLP 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 KazStroyService B.V., which as at 31 December 2014 owned approximately 26.6% of the Company's ordinary shares.

On 30 December 2013 ELATA Burgerlijke Maatschap, Petra Noé, Frank Monstrey and Co-op entered into a purchase agreement for the acquisition by Co-op of the entire issued share capital of Probel Capital Management NV for an initial consideration of US$28,836 thousand, and a price adjustment of US$3,631 thousand.

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.

During the year ended 31 December 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. AUDIT AND NON-AUDIT FEES

During the years ended 31 December 2014 and 2013 audit and non-audit fees comprise the following:

In thousands of US Dollars	**2014**	2013
Audit of the financial statements	**684**	314
Total audit services	**684**	314
Audit-related assurance services	**319**	105
Taxation compliance services	**40**	40
Services relating to corporate finance transactions	**730**	252
Total non-audit services	**1,089**	397
Total fees	**1,773**	711

The audit fees in the table above include the audit fees of US$12 thousand in relation to parent company.

34. 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 December 2014. As at 31 December 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 31 December 2014 the Group had contractual capital commitments in the amount of US$248,644 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. 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 December 2014**	31 December 2013
No later than one year	**14,788**	12,501
Later than one year and no later than five years	**17,671**	23,846
Later than five years	**–**	–

Lease expenses of railway tank wagons for the year ended 31 December 2014 amounted to US$14,622 thousand (FY 2013: US$12,628 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 US$1,196 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);

ii. invest at least US$16,820 thousand for exploration of the field during the exploration period;

iii. reimburse historical costs of US$372 thousand to the Government upon commencement of production stage;

iv. 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$52 thousand for education of personnel engaged to work under the contract during the exploration stage;

ii. spend US$73 thousand to finance social infrastructure of the region;

iii. invest at least US$19,392 thousand for exploration of the field during the exploration period;

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

The 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$101 thousand for education of personnel engaged to work under the contract during the exploration stage;

ii. spend US$74 thousand to finance social infrastructure of the region;

iii. invest at least US$32,298 thousand for exploration of the field during the exploration period;

iv. create a liquidation fund (special deposit account with local bank) equal to US$342 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings, payables to Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the development of the Chinarevskoye oil and gas condensate field and its operations as well as exploration of the three new oil and gas fields – Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye. The Group's financial assets consist of trade and other receivables, non-current investments, current investments and cash and cash equivalents.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk, credit risk and commodity price risk. The Group's management reviews and agrees policies for managing each of these risks, which are summarized below.

Commodity price risk

The Group is exposed to the effect of fluctuations in price of crude oil, which is quoted in US Dollar on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

Interest rate risk

The Group is not exposed to interest rate risk in 2014 and 2013 as the Group had no financial instruments with floating rates as at years ended 31 December 2014 and 2013.

Foreign currency risk

As a significant portion of the Group's operation is the Tenge denominated, the Group's statement of financial position can be affected by movements in the US dollar / Tenge exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in US dollars and denominating sales in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollars exchange rate, with all other variables held constant, of the Group's profit before tax. The impact on equity is the same as the impact on profit before tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Change in Tenge to US Dollar exchange rate	Effect on profit before tax
2014		
US Dollar thousand	+ 17.37%	(1,168)
US Dollar thousand	- 17.37%	1,168
2013		
US Dollar thousand	+ 30.00%	(3,294)
US Dollar thousand	+ 10.00%	(1,098)

During the year ended 31 December 2014 a significant drop in oil prices and some other non-economic factors were observed which caused increase in volatility of Tenge exchange rates and overall market volatility. Statistics for the year ended 31 December 2014 reflect the expected behaviour of market in 2015. The ranges of reasonably possible changes in market risk variables were estimated by analysing annual standard deviations based on the historical market data for the year ended 31 December 2014.

The Group's foreign currency denominated monetary assets and liabilities were as follows:

As at 31 December 2014	Tenge	Russian Roubles	Euro	Other	Total
Cash and cash equivalents	8,713	–	10,307	106	19,126
Trade receivables	12,331	–	–	–	12,331
Trade payables	(27,030)	(965)	(3,479)	(256)	(31,730)
Other current liabilities	(19,331)	(115)	(7,010)	(7)	(26,463)
	(25,317)	**(1,080)**	**(182)**	**(157)**	**(26,736)**

As at 31 December 2013	Tenge	Russian Roubles	Euro	Other	Total
Cash and cash equivalents	5,491	–	3,492	–	8,983
Trade receivables	27,619	–	1	–	27,620
Trade payables	(42,950)	(372)	(2,472)	(5)	(45,799)
Other current liabilities	(257)	–	(7,173)	–	(7,430)
	(10,097)	**(372)**	**(6,152)**	**(5)**	**(16,626)**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group monitors its risk to a shortage of funds using a liquidity planning tool. The tool allows selecting severe stress test scenarios. To ensure an adequate level of liquidity a minimum cash balance has been defined as a cushion of liquid assets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, loans, hedges, export financing and financial leases.

The Group's policy is that, while it has an investment program on-going: a) not more than 25% of borrowings should mature in the next twelve-month period and b) a minimum balance of US$ 50 million is retained on the balance sheet post repayment or refinancing of any debt due in the next twelve-month period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Group's total outstanding debt consists of two notes: US$ 560 million issued in 2012 and maturing in 2019 and US$ 400 million issued in 2014 and maturing in 2019. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2014 and 2013 based on contractual undiscounted payments:

As at 31 December 2014	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**more than 5 years**	**Total**
Borrowings	–	12,750	52,650	1,221,600	–	**1,287,000**
Trade payables	48,095	–	1,524	–	–	**49,619**
Other current liabilities	18,126	–	–	–	–	**18,126**
Due to the government of Kazakhstan	–	258	773	4,124	11,340	**16,495**
	66,221	**13,008**	**54,947**	**1,225,724**	**11,340**	**1,371,240**

As at 31 December 2013	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**more than 5 years**	**Total**
Borrowings	–	–	43,613	259,902	594,691	**898,206**
Trade payables	58,518	–	–	–	–	**58,518**
Other current liabilities	20,571	–	–	–	–	**20,571**
Due to the government of Kazakhstan	–	258	773	4,124	12,371	**17,526**
	79,089	**258**	**44,386**	**264,026**	**607,062**	**994,821**

Credit risk

Financial instruments, which potentially subject the Group to credit risk, consist primarily of derivative financial instruments, accounts receivable and cash in banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Group considers that its maximum exposure is reflected by the amount of trade accounts receivable, cash and cash equivalents and derivative financial instruments.

The Group places its Tenge denominated cash with SB Sberbank JSC, which has a credit rating of Ba3 (stable) from Moody's rating agency and its US Dollar denominated cash with BNP Paribas with a credit rating of A1 (negative) and ING with a credit rating of A2 (negative) from Moody's rating agency at 31 December 2014. The Group does not guarantee obligations of other parties.

The Group sells its products and makes advance payments only to recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low.

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Fair values of financial instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Financial instruments measured at fair value				
Derivative financial instruments	**60,301**	–	**60,301**	–
Financial liabilities measured at amortised cost				
Interest bearing borrowings	**945,114**	628,423	**1,037,320**	686,795
Total	**1,005,415**	628,423	**1,097,621**	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 31 December 2014 and 31 December 2013:

	31 December 2014	31 December 2013
Future price at the reporting date (US$)	**59.2-67.9**	–
Historical volatility (%)	**16.02-17.73**	–
Risk-free interest rate (%)	**0.25-0.67**	–
Maturity (months)	**3-15**	–

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

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

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)	(4,959)	5,165
Increase/(decrease) in gain on derivative financial instruments due to change in discount rate assumption (+/-2%)	808	(664)

The contingent consideration liability under acquisition agreement of Darjinskoye and Yuzhno-Gremyachenskoye oil and gas fields (Note 7 and 21) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

During the years ended 31 December 2014 and 2013 there were no transfers between the levels of fair value hierarchy of the Groups' financial instruments.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, additional paid-in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the notes that define capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. There have been no breaches in the financial covenants of the notes in the current period nor the prior period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the distribution payment to participants, return capital to participants or increase partnership capital. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, less cash, short-term deposits and long-term deposits.

In thousands of US Dollars	**2014**	2013
Interest bearing borrowings	**945,114**	628,423
Less: cash and cash equivalents, restricted cash and current and non-current investments	**(405,467)**	(244,131)
Net debt	**539,647**	384,292
Equity	**917,680**	832,451
Total capital	**917,680**	832,451
Capital and net debt	**1,457,327**	1,216,743
Gearing ratio	**37%**	32%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

36. EVENTS AFTER THE REPORTING PERIOD

The initial purchase price of US$1,915 thousand with respect to the acquisition of Amersham Oil LLP was paid on 28 January 2015. The amount of the price adjustment with respect to the acquisition of Amersham Oil LLP has not yet been agreed or paid as at the date of the authorisation of the financial statements for issue, but it is estimated at US$487 thousand. Respective liability for this amount has been recognised within other current liabilities (Note 21) as at 31 December 2014.

The contract for exploration and production of hydrocarbons from Darjinskoye field and the contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field were both amended on 24 February 2015 to reduce the obligations referred to in note 33 above in relation to those fields.

On 11 March 2015 the Group received the written permission on extension of the exploration period for the Rostoshinskoye field to 8 February 2017. The supplementary agreement is expected to be signed soon.

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

NOSTRUM OIL & GAS PLC

Estimated

Future Reserves and Income

Attributable to the Terms of the Production

Sharing Agreement and Subsoil Use Contracts

Between The Republic of Kazakhstan

and Zhaikmunai LLP

As of

January 1, 2017

James L. Baird, P.E.
Colorado License No. 41521
Managing Senior Vice President

Richard J. Marshall, P.E.
Colorado License No. 23260
Vice President

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
TBPE REGISTERED ENGINEERING FIRM F-1580
621 SEVENTEENTH STREET SUITE 1550 DENVER, COLORADO 80293 TELEPHONE (303) 623-9147
FAX (303) 623-4258

February 17, 2017

The Directors
Nostrum Oil & Gas LP
General Partner: Nostrum Oil & Gas Group Limited
Gustav Mahlerplein 23 B
1082 MS Amsterdam
The Netherlands

Gentlemen:

At the request of Nostrum Oil & Gas LP, Ryder Scott Company, L.P (Ryder Scott) has prepared an estimate of the proved and probable hydrocarbon reserves, future production and income of the proved and probable hydrocarbon reserves derived through certain Production Sharing Agreements (PSA) for four license areas between the Republic of Kazakhstan and Zhaikmunai LLP (Zhaikmunai) as of January 1, 2017. Finally, we have prepared an estimate of the recoverable contingent resource potential in the Chinarevskoye and Trident License areas. The reserves and contingent resource volumes included herein were estimated based on the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) 2007 Petroleum Resources Management System (SPE-PRMS) based on escalated price and cost parameters (SPE-PRMS escalated case). The income data were estimated using Zhaikmunai's corporate price policy of future price and cost parameters as noted herein. The results of our third party study, completed on February 17, 2017, are presented herein.

The properties evaluated by Ryder Scott represent 100 percent of the total net proved and probable liquid hydrocarbon reserves and 100 percent of the total net proved and probable gas reserves of Zhaikmunai as of January 1, 2017. This estimate also represents 100 percent of the total liquid hydrocarbon contingent resource volumes and 100 percent of the total gas contingent resource volumes of Zhaikmunai as of January 1, 2017.

Zhaikmunai holds an interest in certain oil and gas properties in the Chinarevskoye field located in the Republic of Kazakhstan. Zhaikmunai entered into both a License and Production Sharing Agreement (PSA) with the Republic of Kazakhstan in May 1997 and in October 1997, respectively. The PSA sets out the parameters for the exploration and development of the field and the fees, basis for production sharing, and the taxes payable to the Republic of Kazakhstan.

Zhaikmunai holds an interest in certain oil and gas properties recently acquired licenses, the Rostoshinskoye, Yuzhno-Gremyachinskoye and Darinskoye fields, located in the Republic of Kazakhstan. The combined field areas are known as the Trident Project (Trident). Zhaikmunai entered into both a License and Production Sharing Agreement (PSA) with the Republic of Kazakhstan in March 2013. The PSA sets out the parameters for the exploration and development of the field and the fees, basis for production sharing, and the taxes payable to the Republic of Kazakhstan.

The income data were estimated using Nostrum Oil & Gas LP's corporate price policy. As a

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result of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. The recoverable reserves and the income attributable thereto have a direct relationship to the hydrocarbon prices actually received; therefore, volumes of reserves actually recovered and amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarized below:

Zhaikmunai LLP
Estimated Future Reserves and Income Derived
Through the Terms of the Production Sharing Agreements
Between the Republic of Kazakhstan and Zhaikmunai LLP
Chinarevskoye and Trident Fields
As of January 1, 2017

	Proved			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved
Net Remaining Reserves				
Oil/Condensate – Barrels	31,008,155	2,222,521	19,923,092	53,153,768
Plant Products – Barrels	10,905,100	861,333	5,202,255	16,968,688
Gas – MMCF	224,219	21,408	93,566	339,193
Income Data ($M)				
Future Gross Revenue	$2,365,812	$190,417	$1,398,047	$3,954,276
Deductions	1,311,922	110,644	674,183	2,096,749
Future Net Income (FNI)	$1,053,890	$ 79,773	$ 723,864	$1,857,527
Discounted FNI @ 10%	$ 637,059	$ 54,733	$ 370,631	$1,062,423

Zhaikmunai LLP
Estimated Future Reserves and Income Derived
Through the Terms of the Production Sharing Agreements
Between the Republic of Kazakhstan and Zhaikmunai LLP
Chinarevskoye and Trident Fields
As of January 1, 2017

	Probable			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Probable
Net Remaining Reserves				
Oil/Condensate – Barrels	0	11,260,232	69,494,191	80,754,423
Plant Products – Barrels	0	3,181,729	31,307,480	34,489,209
Gas – MMCF	0	63,425	903,107	966,532
Income Data ($M)				
Future Gross Revenue	$0	$808,581	$6,716,103	$7,524,684
Deductions	0	507,336	3,229,823	3,737,159
Future Net Income (FNI)	$0	$301,245	$3,486,280	$3,787,525
Discounted FNI @ 10%	$0	$ 97,411	$1,850,008	$1,947,419

Zhaikmunai LLP
Estimated Future Reserves and Income Derived
Through the Terms of the Production Sharing Agreements
Between the Republic of Kazakhstan and Zhaikmunai LLP
Chinarevskoye and Trident Fields
As of January 1, 2017

	Proved + Probable			
	Developed			Total Proved + Probable
	Producing	Non-Producing	Undeveloped	
Net Remaining Reserves				
Oil/Condensate – Barrels	31,008,155	13,482,753	89,417,283	133,908,191
Plant Products – Barrels	10,905,100	4,043,062	36,509,735	51,457,897
Gas – MMCF	224,219	84,833	996,673	1,305,725
Income Data ($M)				
Future Gross Revenue	$2,365,812	$998,998	$8,114,151	$11,478,961
Deductions	1,311,922	617,980	3,904,008	5,833,910
Future Net Income (FNI)	$1,053,890	$381,018	$4,210,143	$ 5,645,051
Discounted FNI @ 10%	$ 637,059	$152,144	$2,220,640	$ 3,009,843

Liquid hydrocarbons are expressed in standard 42 gallon barrels. All gas volumes are reported on an "as sold" basis expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. The net remaining reserves and contingent resource volumes are also shown in this report on an equivalent unit basis wherein natural gas is converted to oil equivalent using a factor of 6,000 cubic feet of natural gas per one barrel of oil equivalent. BOE means barrels of oil equivalent. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars ($M).

The future gross revenue is after the deduction of royalties due to the Republic of Kazakhstan under the Chinarevskoye Production Sharing Agreement and the Trident Subsoil Use Contract. The deductions comprise the normal direct costs of operating the wells, recompletion costs, drilling and completion costs, gas processing plant, other infrastructure costs, production bonus payments and abandonment costs. The future net income is before the deduction of income taxes by the Republic of Kazakhstan and general administrative overhead, and has not been adjusted for outstanding loans that may exist nor does it include any adjustment for cash on hand or undistributed income.

Liquid hydrocarbon reserves account for approximately 76 percent of the total future gross revenue from proved reserves and gas reserves account for the remaining 24 percent of total future gross revenue from the proved reserves reported herein. Liquid hydrocarbon reserves account for approximately 64 percent of the total future gross revenue from probable reserves and gas reserves account for the remaining 36 percent of total future gross revenue from the probable reserves reported herein.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary form as follows:

Zhaikmunai LLP
Discounted Future Net Income ($M)
As of January 1, 2017

Discount Rate Percent	Total Proved	Total Probable	Total Proved + Probable
12	$ 963,188	$1,713,388	$2,676,576
15	$ 838,031	$1,417,733	$2,255,764
20	$ 677,741	$1,040,150	$1,717,891
25	$ 560,500	$ 767,451	$1,327,951

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Chinarevskoye Field
Estimated Future Reserves and Income Derived
Through the Terms of the Production Sharing Agreements
Between the Republic of Kazakhstan and Zhaikmunai LLP
As of January 1, 2017

	Proved			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved
Net Remaining Reserves				
Oil/Condensate – Barrels	31,008,155	2,222,521	19,923,092	53,153,768
Plant Products – Barrels	10,905,100	861,333	5,202,255	16,968,688
Gas – MMCF	224,219	21,408	93,566	339,193
Income Data ($M)				
Future Gross Revenue	$2,365,812	$190,417	$1,398,047	$3,954,276
Deductions	1,311,922	110,644	674,183	2,096,749
Future Net Income (FNI)	$1,053,890	$ 79,773	$ 723,864	$1,857,527
Discounted FNI @ 10%	$ 637,059	$ 54,733	$ 370,631	$1,062,423

Chinarevskoye Field
Estimated Future Reserves and Income Derived
Through the Terms of the Production Sharing Agreements
Between the Republic of Kazakhstan and Zhaikmunai LLP
As of January 1, 2017

	Probable			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Probable
Net Remaining Reserves				
Oil/Condensate – Barrels	0	9,092,163	68,022,729	77,114,892
Plant Products – Barrels	0	2,729,385	31,296,854	34,026,239
Gas – MMCF	0	48,378	475,626	524,004
Income Data ($M)				
Future Gross Revenue	$0	$645,707	$5,574,478	$6,220,185
Deductions	0	399,754	2,273,672	2,673,426
Future Net Income (FNI)	$0	$245,953	$3,300,806	$3,546,759
Discounted FNI @ 10%	$0	$ 80,481	$1,820,328	$1,900,809

Chinarevskoye Field
Estimated Future Reserves and Income Derived
Through the Terms of the Production Sharing Agreements
Between the Republic of Kazakhstan and Zhaikmunai LLP
As of January 1, 2017

	Proved + Probable			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved + Probable
Net Remaining Reserves				
Oil/Condensate – Barrels	31,008,155	11,314,684	87,945,821	130,268,660
Plant Products – Barrels	10,905,100	3,590,718	36,499,109	50,994,927
Gas – MMCF	224,219	69,786	569,192	863,197
Income Data ($M)				
Future Gross Revenue	$2,365,812	$836,123	$6,972,526	$10,174,461
Deductions	1,311,922	510,398	2,947,857	4,770,177
Future Net Income (FNI)	$1,053,890	$325,725	$4,024,669	$ 5,404,284
Discounted FNI @ 10%	$ 637,059	$135,215	$2,190,958	$ 2,963,232

The following tables present the gross remaining reserves of the Chinarevskoye field before the terms of the production sharing agreement terms as of January 1, 2017 through the end of the license term.

Chinarevskoye Field
Estimated Gross Reserves
As of January 1, 2017

	Proved			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved
Oil/Condensate – Barrels	33,853,498	2,428,950	21,979,821	58,262,269
Plant Products – Barrels	11,918,027	942,219	5,732,850	18,593,096
Gas – MMCF (after shrink)	245,037	23,415	103,170	371,622

Chinarevskoye Field
Estimated Gross Reserves
As of January 1, 2017

	Probable			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Probable
Oil/Condensate – Barrels	0	9,859,549	76,010,360	85,869,909
Plant Products – Barrels	0	2,962,256	34,778,099	37,740,355
Gas – MMCF (after shrink)	0	52,522	528,417	580,939

Chinarevskoye Field
Estimated Gross Reserves
As of January 1, 2017

	Proved + Probable			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved + Probable
Oil/Condensate – Barrels	33,853,498	12,288,499	97,990,181	144,132,178
Plant Products – Barrels	11,918,027	3,904,475	40,510,949	56,333,451
Gas – MMCF (after shrink)	245,037	75,937	631,587	952,561

Trident Fields
Estimated Future Reserves and Income Derived
Through the Terms of the Production Sharing Agreements
Between the Republic of Kazakhstan and Zhaikmunai LLP
As of January 1, 2017

	Probable		
	Non-Producing	Undeveloped	Total Probable
Net Remaining Reserves			
Oil/Condensate – Barrels	2,168,069	1,471,462	3,639,531
Plant Products – Barrels	452,344	10,626	462,970
Gas – MMCF	15,047	427,481	442,528
Income Data ($M)			
Future Gross Revenue	$162,874	$1,141,625	$1,304,499
Deductions	107,582	956,151	1,063,733
Future Net Income (FNI)	$ 55,292	$ 185,474	$ 240,766
Discounted FNI @ 10%	$ 16,929	$ 29,681	$ 46,610

Reserves and Resources Included in This Report

The proved and probable reserves and contingent resources included herein conform to the definitions of reserves and contingent resources sponsored and approved by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE) as set forth in the 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE-PRMS). An abridged version of the SPE/WPC/AAPG/SPEE reserves and contingent resources terms and definitions used herein are included as attachments to this report and entitled "Petroleum Reserves Definitions" and "Petroleum Resource Classification and Definitions."

The various reserve and contingent resources development and production status categories are defined in the attachment to this report entitled "Petroleum Reserves and Resources Status Definitions and Guidelines." The developed proved and probable non-producing reserves included herein consist of the shut-in and behind pipe categories.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The gas volumes presented herein do not include volumes of gas consumed in operations as reserves.

Reserves and Resources Classification

Recoverable petroleum resources may be classified according to the SPE-PRMS into one of three principal resource classifications: prospective resources, contingent resources, or reserves. The distinction between prospective and contingent resources depends on whether or not there exist one or more wells and other data indicating the potential for moveable hydrocarbons (e.g. the discovery status). Discovered petroleum resources may be classified as either contingent resources or as reserves depending on the chance that if a project is implemented it will reach commercial producing status (e.g. chance of commerciality). The distinction between various "classifications" of resources and reserves relates to their discovery status and increasing chance of commerciality. Commerciality is not solely determined based on the economic status of a project which refers to the situation where the income from an operation exceeds the expenses involved in, or attributable to, that operation. Conditions addressed in the determination of commerciality also include technological, economic, legal, environmental, social, and governmental factors. While economic factors are generally related to costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms and taxes.

Certain estimated recoverable volumes have been classified as contingent resources in this report due to one or more contingencies. These contingencies are related to geologic uncertainty, adequate seismic to interpret the reservoir area, drilling to determine reservoir properties, production tests of sufficient time to determine commerciality and reserve potential.

Reserves and Resources Uncertainty

All reserve and resource estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. Estimates will generally be revised only as additional geologic or engineering data becomes available or as economic conditions change.

Reserves are "those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions." The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved.

Proved oil and gas reserves are "those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations."

Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Probable reserves are "those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves." For probable reserves, it is "equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves" (cumulative 2P volumes). Possible reserves are "those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves." For possible reserves, the "total quantities ultimately recovered from the project have a low probability to exceed the sum of the proved plus probable plus possible reserves" (cumulative 3P volumes).

The reserves included herein were estimated using deterministic methods and presented as incremental quantities. Under the deterministic incremental approach, discrete quantities of reserves are estimated and assigned separately as proved, probable or possible based on their individual level of uncertainty.

Contingent resources are "those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies." The contingent resources included herein were estimated using deterministic methods and presented as incremental quantities.

The reserves volumes and income quantities attributable to the different reserve classifications that are included herein have not been adjusted to reflect these varying degrees of risk associated with them and thus are not comparable. Petroleum quantities classified as reserves or contingent resources should not be aggregated with each other without due consideration of the significant differences in the criteria associated with their classification. In particular, there may be a significant risk that accumulations containing contingent resources will not achieve commercial production. Moreover, estimates of reserves and resources may increase or decrease as a result of future operations, effects of regulation by governmental agencies or geopolitical risks. As a result, the estimates of oil and gas reserves and resources have an intrinsic uncertainty. The reserves and contingent resources included in this report are therefore estimates only and should not be construed as being exact quantities. They may or may not be actually recovered, and if recovered, the revenues therefrom and the actual costs related thereto could be more or less than the estimated amounts.

Reserves and Resources Derived Through Certain Production Sharing Contracts

The reserves reported herein are limited to the period prior to expiration of current contracts providing the legal right to produce or a revenue interest in such production unless there is a reasonable expectation that an extension, a renewal or a new contract will be granted. The contingent resources reported herein may be subject to a contract providing the legal right to produce or a revenue interest in such production which is subject to negotiations. Recoverable hydrocarbon volumes are classified as contingent resources when such negotiations have yet to establish that there is a reasonable expectation that a new contract or contract renewal will be granted. A reasonable expectation is noted as representing a high degree of confidence that an extension, a renewal or new contract will be granted.

Furthermore, properties in the different countries may be subjected to significantly varying contractual fiscal terms that affect the net revenue to Zhaikmunai for the production of these volumes. The prices and economic return received for these net volumes can vary significantly based on the terms of these contracts. Therefore, when applicable, Ryder Scott reviewed the fiscal terms of such existing or proposed contracts and discussed with Zhaikmunai the net economic benefit attributed to such operations for the determination of the net hydrocarbon volumes and income thereof. Ryder Scott has not conducted an exhaustive audit or verification of such contractual information. Neither our review of such contractual information or our acceptance of Zhaikmunai's representations regarding such contractual information should be construed as a legal opinion on this matter.

Possible Effects of Regulation

Ryder Scott did not evaluate country and geopolitical risks in the country where Zhaikmunai operates or has interests. Zhaikmunai's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include matters relating to land tenure and leasing, the legal rights to produce hydrocarbons including the granting, extension or termination of production sharing contracts, the fiscal terms or various production sharing contracts, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax, and foreign trade and investment and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of reserves and contingent resources actually recovered and amounts of income actually received to differ significantly from the estimated quantities.

The estimates of reserves and contingent resources presented herein were based upon a detailed study of the properties in which Zhaikmunai owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liability to restore and clean up damages, if any, caused by past operating practices.

Methodology Employed for Estimates of Reserves and Resources

The estimation of reserve and resource quantities involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities. The process of estimating the quantities of recoverable oil and gas reserves and resources relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods, (2) volumetric-based methods and (3) analogy. These methods may be used individually or in combination by the reserve evaluator in the process of estimating the quantities of reserves and/or resources. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated, and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of recoverable hydrocarbons is identified, the evaluator must determine the uncertainty associated with the incremental quantities of those recoverable hydrocarbons. If the quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity is addressed by the reserve or resource category assigned by the evaluator. Therefore, it is the categorization of incremental recoverable quantities that addresses the inherent uncertainty in the estimated quantities reported.

Estimates of reserve and resource quantities and their associated categories or classifications may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of the recoverable quantities and their associated categories or classifications may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The reserves and contingent resources for the properties included herein were estimated by performance methods, the volumetric method, analogy, or a combination of methods. In general, reserves attributable to producing wells and/or reservoirs were estimated by performance methods or a combination of methods. These performance methods include, but may not be limited to, decline curve analysis, material balance and/or reservoir simulation which utilized extrapolations of historical production and pressure data available through December 2016 in those cases where such data were considered to be definitive. The data used in this analysis were furnished to Ryder Scott by Zhaikmunai and were considered sufficient for the purpose thereof. In certain cases, producing reserves were estimated by the volumetric method, analogy, or a combination of methods. These methods were used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the estimates was considered to be inappropriate.

Reserves and contingent resources attributable to non-producing and undeveloped reserves included herein were estimated by the volumetric method, analogy, or a combination of methods. The volumetric analysis utilized pertinent well and seismic data furnished to Ryder Scott by Zhaikmunai. The data utilized from the analogues as well as well and seismic data incorporated into our volumetric analysis were considered sufficient for the purpose thereof.

Assumptions and Data Considered for Estimates of Reserves and Resources

To estimate recoverable oil and gas reserves and resources and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on the cost and price assumptions as noted herein, and forecasts of future production rates. Under the SPE-PRMS Section 2.2.2 and Table 3, proved reserves must be demonstrated to be commercially recoverable under defined economic conditions, operating methods and governmental regulations from a given date forward. We have applied the same criteria for economic producibility to the probable reserves included in this report.

Zhaikmunai has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecasts of future production and income, we have relied upon data furnished by Zhaikmunai with respect to property interests owned or derived, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, production taxes, recompletion and development costs, abandonment costs after salvage, product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data supplied by Zhaikmunai.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves and contingent resources herein.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Zhaikmunai. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

Zhaikmunai provided us with the future hydrocarbon price parameters to be used in this report. Estimates of future price parameters have been revised in the past because of changes in governmental policies, changes in hydrocarbon supply and demand, and variations in general economic conditions. The price parameters used in this report may be revised in the future for similar reasons.

As of January 1, 2017 the initial price for natural gas is $2.49/Mcf for 2017, $2.49 for 2018 and held constant after that. The weighted average initial price for natural gas liquids (NGL) is $21.71/bbl for 2017, $26.71 for 2018, $26.71 for 2019 and held constant thereafter. The weighted average initial price for condensate is $41.50/bbl for 2017, $56.50 for 2018, $56.50 for 2019 and held constant thereafter. The weighted average initial oil price is $39.22/bbl for 2017, $52.27 for 2018, $52.27 for 2019 and held constant thereafter. The weighted average prices are based on the hydrocarbon reference prices for the domestic and export markets for the various production streams and the percentage of production or sales volumes sold in the domestic or export markets.

Product prices which were actually used for each property reflect adjustments for gravity, quality, local conditions, gathering and transportation fees and/or distance from market, referred to herein as "differentials." The differentials used in the preparation of this report were furnished to us by Zhaikmunai.

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in Zhaikmunai's individual property evaluations.

Costs

Operating costs for the leases and wells in this report were furnished by Zhaikmunai and are based on the operating expense reports of Zhaikmunai and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. Operating costs were on both a fixed and variable basis and in our opinion represent the expected increased costs as production increased.

Transportation costs for oil, condensate and LPG ("plant products" or "LPG") were supplied by Zhaikmunai.

No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Zhaikmunai and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The costs for infrastructure were based on current estimates and/or the actual costs of similar projects. Development costs include costs associated with well drilling and completion, gas and oil pipeline construction, other infrastructure costs, costs for oil treatment facilities, gas processing plant, LPG terminal, LPG trucks for transportation, costs for camp construction, water injection and power generation, as well as facility and well abandonment costs. The development cost also includes commissioning, management costs, insurances and contingencies. The estimated net cost of abandonment after salvage was included for properties where abandonment costs net of salvage were significant. The estimates of the net abandonment costs furnished by Zhaikmunai were accepted without independent verification.

Because of the direct relationship between volumes of undeveloped reserves and resources and development plans, we include in the undeveloped category only reserves and resources assigned to undeveloped locations that we have been assured will definitely be drilled and reserves and resources assigned to the undeveloped portions of secondary or tertiary projects which we have been assured will definitely be developed. Zhaikmunai has assured us of their intent and ability to proceed with the development activities included in this report, and that they are not aware of any legal, regulatory or political obstacles that would significantly alter their plans.

Current costs used by Zhaikmunai were held constant throughout the life of the properties.

Contingent Resources

In addition to the estimated 2P reserves, contingent and prospective resources have been identified in the Chinarevskoye License.

The contingent resources can be divided into two main groups:

1. Contingent resources which can be mapped – but which are not considered in the drilling program of the business plan, mainly due to the low oil price scenario.
2. Contingent resources which cannot be mapped – remaining volumes beyond current license term. These resources were calculated as the difference of the final project recoverable volumes and the expected cumulative production until end of current license term.

Chinarevskoye Contingent Resources as of January 1, 2017

Group 1:

- Tournaisian South –Tournaisian T1gas, T1 oil and T2 horizons – HC bearing proved by test in well #23
- Tournaisian North (pool well #40) - Tournaisian T1gas, T1 oil, T2 and T3 horizons – HC bearing proved by test in well #40
- Tournaisian North (pool well #33) - Tournaisian T1gas, T1 oil, T2 and T3 horizons – HC bearing proved by test and production from well #33
- Ardatovski South
- Mullinski South
- Bashkirian areas well # 52 and well #45

Group 2:

- Biski-Afoninski Northeast
- Biski-Afoninski Northwest
- Mullinski Northeast and Northwest

Based on the results of the deterministic calculations, the contingent resources amount to 175 million barrels of oil equivalent.

The 1C+2C contingent resources estimated as of January 1, 2017 amount to 105.4 million barrels of liquids and 419.5 billion cubic feet of sales gas. A breakdown of the 1C+2C contingent resources is provided in the table below.

Chinarevskoye Contingent Resources as of January 1, 2017

	Sales Gas	Plant Products	Oil/Condensate	TOTAL
	(MMcf)	(Bbls)	(Bbls)	(BOE)
Bashkirian, East	5,862	1,509,368	3,080,318	5,566,686
Bashkirian, Central	0	0	0	0
Bashkirian, West	3,743	992,648	2,590,238	4,206,719
Tournaisian, South (gas)	102,236	7,394,453	9,776,500	34,210,286
Tournaisian, South (oil)	10,100	1,332,928	5,231,903	8,248,164
Tournaisian, North	15,256	1,359,615	4,019,167	7,921,449
Tournaisian, Well 33	6,816	649,817	1,277,325	3,063,142
Tournaisian, West	0	0	0	0
Tournaisian, Northwest	0	0	0	0
Mullinski, Northeast	51,877	13,192,379	3,604,668	25,443,214
Mullinski, West	0	0	0	0
Mullinski, South	89,523	10,836,137	15,700,981	41,457,618
Ardatovski, South	104,179	3,925,071	3,452,427	24,740,665
Ardatovski, West	0	0	0	0
Biski/Afoninski, Northeast	18,011	7,423,332	4,019,051	14,444,216
Biski/Afoninski, Northwest	11,936	1,223,483	2,788,964	6,001,780
Total	419,539	49,839,231	55,541,542	175,303,940

Trident Fields Contingent Resources as of January 1, 2017

The contingent resources estimated as of January 1, 2017 amount to 12.7 million barrels of liquids and 202.5 billion cubic feet of sales gas. A breakdown of the contingent resources is provided in the table below.

Trident Fields Contingent Resources as of January 1, 2017

Contingent 1C+2C resources in the Trident Area as of January 1, 2017				
Field Area	Sales Gas	Plant Products	Oil/Condensate	Total
	(MMcf)	(Bbls)	(Bbls)	(BOE)
Daryinskoye	10,626	91,972	954,561	2,817,533
Rostoshinskoye	154,305	0	698,943	26,416,443
Yuzhno-Gremyachenskoye	37,582	2,364,937	8,569,342	17,197,946
Total	202,513	2,456,909	10,222,846	46,431,922

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1937. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Zhaikmunai LLP. Neither we nor any of our employees have any financial interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves and resources for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for overseeing, reviewing and approving the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

General

This report reflects the terms of the Production Sharing Agreement between the Republic of Kazakhstan and Zhaikmunai LLP. This report reflects the royalty payment to the Republic of Kazakhstan, the cost oil provisions, profit oil provisions and production bonus payments as set out in the Production Sharing Agreement.

Terms of Usage

This report was prepared for the exclusive use and sole benefit of Nostrum Oil & Gas LP as described in the first paragraph of this letter and may not be put to other use without our prior written consent for such use. The data, work papers, and maps used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

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JAMES LARRY BAIRD
41521
2/17/2017
PROFESSIONAL ENGINEER

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Colorado License No. 41521
Managing Senior Vice President

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RICHARD J. MARSHALL
23260
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Richard J. Marshall, P.E.
Colorado License No. 23260
Vice President

JLB (DPR)/pl

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. James Larry Baird was the primary technical person responsible for overseeing the estimate of the reserves.

Mr. Baird, an employee of Ryder Scott Company, L.P. (Ryder Scott) since 2006, is a Managing Senior Vice President and also serves as Manager of the Denver office, responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Baird served in a number of engineering positions with Gulf Oil Corporation (1970-1973), Northern Natural Gas (1973-1975) and Questar Exploration & Production (1975-2006). For more information regarding Mr. Baird's geographic and job specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Experience/Employees.

Mr. Baird earned a Bachelor of Science degree in Petroleum Engineering from the University of Missouri at Rolla in 1970 and is a registered Professional Engineer in the States of Colorado and Utah. He is also a member of the Society of Petroleum Engineers.

In addition to gaining experience and competency through prior work experience, several State Boards of Professional Engineers require a minimum number of hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Baird fulfills as part of his registration in two states. As part of his continuing education, Mr. Baird attends internally presented training as well as public forums relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, and Final Rule released January 14, 2009 in the Federal Register. Mr. Baird attends additional hours of formalized external training covering such topics as the SPE/WPC/AAPG/SPEE Petroleum Resources Management System, reservoir engineering and petroleum economics evaluation methods, procedures and software and ethics for consultants.

Based on his educational background, professional training and more than 45 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Baird has attained the professional qualifications as a Reserves Estimator and Reserves Auditor set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Richard J. Marshall was the primary technical person responsible for overseeing the estimate of the future net reserves and income.

Mr. Marshall, an employee of Ryder Scott Company L.P. (Ryder Scott) beginning in 1981, is a Vice President responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies. Before joining Ryder Scott, Mr. Marshall served in a number of engineering positions with Texaco, Phillips Petroleum, and others. For more information regarding Mr. Marshall's geographic and job specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Experience/Employees.

Mr. Marshall earned a B.S. in Geology from the University of Missouri in 1974 and a M.S. in Geological Engineering from the University of Missouri at Rolla in 1976. Mr. Marshall is a registered Professional Engineer in the State of Colorado. He is a member of the Society of Petroleum Engineers, Wyoming Geological Association, Rocky Mountain Association of Geologists and the Society of Petroleum Evaluation Engineers.

Based on Mr. Marshall's educational background, professional training and more than 30 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Marshall has attained the professional qualifications as a Reserves Estimator and Reserves Auditor as set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

PETROLEUM RESERVES DEFINITIONS

As Adapted From:
PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE),
WORLD PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

PREAMBLE

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward under defined conditions. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of the differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

Reserves estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations under the SPE-PRMS. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale. The SPE-PRMS acknowledges unconventional petroleum accumulations as reserves regardless of their in-place characteristics, the extraction method applied, or the degree of processing required.

Reserves do not include quantities of petroleum being held in inventory and may be reduced for usage, processing losses and/or non-hydrocarbons that must be removed prior to sale.

SPE-PRMS RESERVES DEFINITIONS

In March 2007, the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) jointly approved the "Petroleum Resources Management System" ("SPE-PRMS"). The SPE-PRMS consolidates, builds on, and replaces guidance previously contained in the 2000 "Petroleum Resources Classification and Definitions" and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources" publications.

The intent of the SPE, WPC, AAPG and SPEE in approving additional classifications beyond proved reserves is to facilitate consistency among professionals using such terms. In presenting these definitions, none of these organizations are recommending public disclosure of reserves classified as unproved. Public disclosure of the quantities classified as unproved reserves is left to the discretion of the countries or companies involved and should not be construed as replacing guidelines for public disclosures under the guidelines established by regulatory and/or other governmental agencies.

Reference should be made to the full SPE-PRMS for the complete definitions and guidelines as the following definitions, descriptions and explanations rely wholly or in part on excerpts from the SPE-PRMS document (direct passages excerpted from the SPE-PRMS document are denoted in italics herein).

RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 1.1 and Table 1 define reserves as follows:

Reserves. *Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.*

ADDITIONAL TERMS USED IN RESERVES EVALUATIONS (SPE-PRMS DEFINITIONS)

The SPE-PRMS Sections 2.3, 2.3.4, 2.4 and Appendix A define the following terms as follows:

Improved recovery. *Improved Recovery is the extraction of additional petroleum, beyond Primary Recovery, from naturally occurring reservoirs by supplementing the natural forces in the reservoir. It includes waterflooding and gas injection for pressure maintenance, secondary processes, tertiary processes and any other means of supplementing natural reservoir recovery processes. Improved recovery also includes thermal and chemical processes to improve the in-situ mobility of viscous forms of petroleum. (Also called Enhanced Recovery.)*

Improved recovery projects must meet the same Reserves commerciality criteria as primary recovery projects. There should be an expectation that the project will be economic and that the entity has committed to implement the project in a reasonable time frame (generally within 5 years; further *delays should be clearly justified). If there is significant project risk, forecast incremental recoveries may be similarly categorized but should be classified as Contingent Resources.*

The judgment on commerciality is based on pilot testing within the subject reservoir or by comparison to a reservoir with analogous rock and fluid properties and where a similar established improved recovery project has been successfully applied.

Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program, where the response provides support for the analysis on which the project is based.

Similar to improved recovery projects applied to conventional reservoirs, successful pilots or operating projects in the subject reservoir or successful projects in analogous reservoirs may be required to establish a distribution of recovery efficiencies for non-conventional accumulations. Such pilot projects may evaluate both the extraction efficiency and the efficiency of unconventional processing facilities to derive sales products prior to custody transfer.

These incremental recoveries in commercial projects are categorized into Proved, Probable, and Possible Reserves based on certainty derived from engineering analysis and analogous applications in similar reservoirs.

Commercial. *When a project is commercial, this implies that the essential social, environmental and economic conditions are met, including political, legal, regulatory and contractual conditions. In addition, a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time frame. While 5 years is recommended as a benchmark, a longer time frame could be applied where for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.*

PROVED RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Table 3 define proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.*

The area of the reservoir considered as Proved includes:

(1) the area delineated by drilling and defined by fluid contacts, if any, and

(2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines", Chapter 8).

Reserves in undeveloped locations may be classified as Proved provided that:

- *The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive.*

- *Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with the drilled Proved locations.*

For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

UNPROVED RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Appendix A define unproved oil and gas reserves as follows:

***Unproved oil and gas reserves**. Unproved Reserves are based on geoscience and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves or Possible Reserves. Based on additional data and updated interpretations that indicate increased certainty, portions of Possible and Probable Reserves may be re-categorized as Probable and Proved Reserves.*

PROBABLE RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Table 3 define probable oil and gas reserves as follows:

***Probable oil and gas reserves**. Probable Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.*

Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

POSSIBLE RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Table 3 define possible oil and gas reserves as follows:

Possible oil and gas reserves*. Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.*

Possible Reserves may be assigned to areas of a reservoir adjacent to Probable Reserves where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

PETROLEUM RESOURCES CLASSIFICATION AND DEFINITIONS

As Adapted From:
2007 PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)[1]
Sponsored by:
SOCIETY OF PETROLEUM ENGINEERS (SPE),
WORLD PETROLEUM CONGRESS (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
AND
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

PREAMBLE

Reserve and resource classification systems are intended to allow the evaluator to follow the progression of changes in the exploration and production life cycle of a reservoir, field, or project that arise as a result of obtaining more technical information or as a result of a change in the economic status. Most systems incorporate terminology to describe the progression of a project from the delineation of an initial prospect, to the confirmation of the prospect through exploration drilling, onto the appraisal and development phase, and finally from initial production through depletion. These reserve and resource definitions thus provide the decision making framework to manage risk and uncertainty through the classification and categorization of the recoverable hydrocarbon volumes.

The term “resources” is generally applied to “all quantities of petroleum (recoverable and unrecoverable) naturally occurring on or within the Earth’s crust, discovered and undiscovered, plus those quantities already produced”.

The term “reserves” is a subset of resources generally applied to the discovered “quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under defined conditions”.

All reserve and resource estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. Estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change.

Estimation of reserves and resources is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves and resources is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves and/or resource classifications.

Reserves and resources may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves and resources may be attributed to either conventional or unconventional petroleum accumulations under the SPE-PRMS. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale. The SPE-PRMS acknowledges unconventional petroleum accumulations as reserves and resources regardless of their in-place characteristics, the extraction method applied, or the degree of processing required.

Reserves and resources do not include quantities of petroleum being held in inventory and may be reduced for usage, processing losses and/or non-hydrocarbons that must be removed prior to sale.

SPE-PRMS

In March 2007, the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) jointly approved the “Petroleum Resources Management System” (SPE-PRMS). The SPE-PRMS consolidates, builds on, and replaces guidance previously contained in the 2000 “Petroleum Resources Classification and Definitions” and the 2001 “Guidelines for the Evaluation of Petroleum Reserves and Resources” publications.

Reference should be made to the full SPE-PRMS for the complete definitions and guidelines as the following definitions, descriptions and explanations rely wholly or in part on excerpts from the SPE-PRMS document (passages excerpted in their entirety from the SPE-PRMS document are denoted in italics herein). For convenience, Table 1: “Recoverable Resources Classes and Sub-Classes” from the SPE-PRMS has been reproduced in full and included as an attachment to this document.

The SPE-PRMS incorporates the petroleum initially-in-place as well as the recoverable and unrecoverable petroleum quantities into a common resource classification framework. *Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase.*

The SPE-PRMS defines the major resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum. The basic classification scheme requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial (Reserves) and sub-commercial projects (Contingent Resources) in known accumulations. Under this classification scheme, estimated recoverable quantities from accumulations that have yet to be discovered are termed Prospective Resources. Further, the SPE-PRMS includes all types of petroleum whether currently considered “conventional” or “unconventional”.

Figure 1 shown at the end of this document is a graphical representation of the SPE, WPC, AAPG and SPEE resources classification system. The SPE-PRMS “classifies” reserves and resources according to project maturity and increasing chance of commerciality (vertical axis) and “categorizes” reserves and resources according to the *range of uncertainty* (horizontal axis) *of the estimated quantities potentially recoverable from an accumulation by a project*. The following definitions apply to the major subdivisions within the resources classification:

RESOURCES CLASSIFICATION (SPE-PRMS)

Recoverable petroleum resources as described herein may be classified into one of three principal resource classifications: Prospective Resources, Contingent Resources, or Reserves. The distinction between Prospective and Contingent Resources depends on whether or not there exists one or more wells and other data indicating the potential for moveable hydrocarbons (e.g. the discovery status). Discovered petroleum resources may be classified as either Contingent Resources or as Reserves depending on the chance that if a project is implemented it will reach commercial producing status (e.g. chance of commerciality). The distinction between various “classifications” of Resources and Reserves relates to their discovery status and increasing chance of commerciality as described herein.

The SPE-PRMS Section 1.1 and Appendix A define the following terms:

TOTAL PETROLEUM-INITIALLY-IN-PLACE

Total Petroleum-Initially-in-Place is that quantity of petroleum which is estimated to exist originally in naturally occurring accumulations. Total Petroleum-Initially-in-Place is, therefore, that quantity of petroleum which is estimated, as of a given date, to be contained in known accumulations, plus those quantities already produced therefrom, plus those estimated quantities in accumulations yet to be discovered.

Total Petroleum-Initially-in-Place may be subdivided into Discovered Petroleum-Initially-in-Place and Undiscovered Petroleum-Initially-in-Place, with Discovered Petroleum-Initially-in-Place being limited to known accumulations.

It is recognized that not all of the Petroleum-Initially-in-Place quantities may constitute potentially recoverable resources since the estimation of the proportion which may be recoverable can be subject to significant uncertainty and will change with variations in commercial circumstances, technological developments and data availability.

Given the aforementioned constraints, a portion of the Petroleum-Initially-in-Place may need to be classified as Unrecoverable.

DISCOVERED PETROLEUM-INITIALLY-IN-PLACE

Discovered Petroleum-Initially-in-Place is that quantity of petroleum which is estimated, as of a given date, to be contained in known accumulations prior to production.

Discovered Petroleum-Initially-in-Place may be subdivided into Commercial and Sub-commercial categories, with the estimated potentially recoverable portion being classified as Reserves and Contingent Resources respectively, as defined below.

KNOWN ACCUMULATION

The SPE-PRMS defines an accumulation as *an individual body of petroleum-in-place*. For an accumulation to be considered as “known”, it must have been discovered. A discovery is defined as *one petroleum accumulation or several petroleum accumulations collectively, which have been penetrated by one or several exploratory wells which have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons*. The SPE-PRMS states in this context, *“significant” implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the* *potential for economic recovery.* Known accumulations may contain Reserves and/or Contingent Resources.

RESERVES

Reserves are defined as those quantities of petroleum which are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy the following criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied.

Reserves are categorized in *accordance with the level of certainty associated with the estimates* (horizontal axis shown in Figure 1) *and may be further sub-classified based on project maturity and/or characterized by development and production status* (Refer to Figure 2 at the end of this document). Reference should be made to the full SPE-PRMS for the complete definitions and guidelines.

CONTINGENT RESOURCES

Contingent Resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there is currently no viable market, or where commercial recovery is dependent on the development of new technology, or where evaluation of the accumulation is insufficient to assess commerciality.

Contingent Resources are categorized according to the range of technical uncertainty associated with the estimates (horizontal axis shown in Figure 1) may be further sub-classified based on project maturity and/or characterized by their economic status (Refer to Figure 2 at the end of this document). Reference should be made to the full SPE-PRMS for the complete definitions and guidelines.

UNDISCOVERED PETROLEUM-INITIALLY-IN-PLACE

Undiscovered Petroleum-Initially-in-Place is that quantity of petroleum which is estimated, as of a given date, to be contained in accumulations yet to be discovered.

The estimated potentially recoverable portion of Undiscovered Petroleum-Initially-in-Place is classified as Prospective Resources, as defined below.

PROSPECTIVE RESOURCES

Prospective Resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future projects. Prospective Resources have both an associated chance of discovery and a chance of development.

Prospective Resources are categorized in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be further sub-classified based on project maturity (Refer to Figure 2 at the end of this document). Reference should be made to the full SPE-PRMS for the complete definitions and guidelines.

UNRECOVERABLE

Unrecoverable is a term that refers to that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

ADDITIONAL TERMS USED IN RESOURCES CLASSIFICATION (SPE-PRMS)

CHANCE OF COMMERCIALITY

The SPE-PRMS Section 2.1, Table 1 and Appendix A define the following terms relating to commerciality:

The “Chance of Commerciality”, as denoted in the SPE-PRMS and as shown in Figure 1, *is the chance that the project will be developed and reach commercial producing status*.

The chance of commerciality is determined by the probability of a discrete event occurring. In the context of the SPE-PRMS, the discrete event is comprised of one of several conditions, as noted below, which impact the project’s commercial viability.

The commercial viability of a development project is dependent on a forecast of the conditions that will exist during the time period encompassed by the project’s activities. Commerciality is not solely determined based on the economic status of a project which refers to the situation where the income from an operation exceeds the expenses involved in, or attributable to, that operation. Conditions as noted in the SPE-PRMS include *technological, economic, legal, environmental, social, and governmental factors. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms and taxes.*

A development project *may include one or many wells and associated production and processing facilities. One project may develop many reservoirs, or many projects may be applied to one reservoir. An accumulation or potential accumulation may be subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resource classes simultaneously.*

COMMERCIALITY APPLIED TO RESERVES

Commerciality as applied to Reserves must be based upon all of the following criteria:

- *Evidence to support a reasonable timetable for development.*
- *A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.*
- *A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.*
- *Evidence that the necessary production and transportation facilities are available or can be made available.*
- *Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.*
- *High confidence in the commercial producibility of the reservoir.*

To be included in a Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming.

In general, quantities should not be classified as Reserves unless there is *evidence of firm intention that the accumulation will be developed and placed on production within a reasonable time frame.* In certain circumstances, reserves may be assigned even though development may not occur for some time. *A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project.* The SPE-PRMS recommends *five years as a benchmark, but notes that a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives.*

For a project to be included in a Reserves class *there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.*

COMMERCIALITY APPLIED TO CONTINGENT RESOURCES

Estimated recoverable quantities from known accumulations that are not yet considered mature enough for commercial development as denoted by meeting all of the aforementioned conditions should be classified as Contingent Resources.

Based on assumptions regarding future conditions and their impact on economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

- ***Marginal Contingent Resources** are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.*

- ***Sub-Marginal Contingent Resource**s are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonable forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.*

Those discovered in-place volumes for which a feasible development project cannot be defined using current or reasonably forecast improvements in technology are classified as Unrecoverable.

RESOURCES CATEGORIZATION (SPE-PRMS)

All estimates of the quantities of petroleum potentially recoverable from an accumulation classified as having Prospective or Contingent Resources or Reserves involve uncertainty. The relative degree of uncertainty may be conveyed by placing the estimated quantities into one of several "categories" as described herein.

The SPE-PRMS Section 2.2 and Appendix A define the following terms:

RANGE OF UNCERTAINTY

The Range of Uncertainty, as denoted in the SPE-PRMS and as shown in Figure 1, reflects a range of estimated quantities potentially recoverable from an accumulation by a project. *Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental (risk-based) approach, the deterministic scenario (cumulative) approach, or probabilistic methods.*

DETERMINISTIC METHODS (SPE-PRMS)

RESERVES

For reserves, the range of uncertainty can be reflected as discrete incremental quantities termed Proved, Probable and Possible or expressed in cumulative terms as 1P (Proved), 2P (Proved plus Probable), and 3P (Proved plus Probable plus Possible), respectively.

CONTINGENT RESOURCES

For Contingent Resources, the range of uncertainty is generally expressed in deterministic scenario (cumulative) terms as 1C, 2C, 3C, respectively or in terms of probability using probabilistic methods. While the SPE-PRMS categorization scheme does not specifically prohibit the use of discrete incremental quantities for Contingent Resources, the SPE-PRMS does not denote the terms to be applied to these discrete incremental quantities.

PROSPECTIVE RESOURCES

For Prospective Resources, the range of uncertainty is generally expressed in deterministic scenario (cumulative) terms as low, best and high estimates or in terms of probability using probabilistic methods. As in the case of Contingent Resources, the SPE-PRMS categorization scheme does not specifically denote terms to be applied to discrete incremental quantities for Prospective Resources.

INCREMENTAL TERMS FOR CONTINGENT AND PROSPECTIVE RESOURCES (RYDER SCOTT)

Should evaluators choose to characterize the range of uncertainty for Contingent Resources or Prospective Resources in discrete incremental quantities, they should denote such quantities as such and provide sufficient detail in their report to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of the recoverable quantities. For reports prepared by Ryder Scott Company (Ryder Scott), the range of uncertainty for discrete incremental quantities of Contingent Resources shall be termed 1C Incremental (1Ci), 2C Incremental (2Ci) and 3C Incremental (3Ci) and in the case of Prospective Resources shall be termed Low Estimate Incremental (LEi), Best Estimate Incremental (BEi) and High Estimate Incremental (HEi) where (i) denotes a specific incremental quantity.

BEST ESTIMATE

Uncertainty in resource estimates is best communicated by reporting a range of potential results. However, if it is required to report a single representative result, the "best estimate" is considered the most realistic assessment of recoverable quantities. The term "best estimate" is used here as a generic expression for the estimate considered being closest to the quantity that will actually be recovered from the accumulation between the date of the estimate and the time of abandonment. In the case of reserves, the best estimate is generally considered to represent *the sum of Proved and Probable estimates (2P). It should be noted that under the incremental (risk-based) approach for Reserves, discrete estimates are made for the quantities in each category for Proved and Probable, and they should not be aggregated without due consideration of their associated risk.* In the case of Contingent Resources and Prospective Resources, the best estimate would be represented by the 2C and Best Estimate, respectively. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely/mode, median/P50 or mean). The terms "Low Estimate" and "High Estimate" should provide a reasonable assessment of the range of uncertainty in the Best Estimate.

PROBABILISTIC METHODS (SPE-PRMS)

If probabilistic methods are used, these estimated quantities should be based on methodologies analogous to those applicable to the definitions of Reserves, Contingent Resources and Prospective Resources; therefore, in general, the resulting probabilities should correspond to the deterministic terms as follows:

- There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the 1P, 1C or Low Estimate.
- There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the 2P, 2C or Best Estimate.
- There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the 3P, 3C or High Estimate.

COMPARABILITY OF SIMILAR RESERVES AND RESOURCE CATEGORIES

As indicated in Figure 1, the 1C, 2C and 3C Contingent Resource estimates and the Low, Best and High Prospective Resource estimates of potentially recoverable volumes should reflect some comparability with the reserves categories of Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P), respectively. *While there may be a significant risk that sub-commercial or undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable volumes independently of such a risk.*

Without new technical information, there should be no change in the distribution of technically recoverable volumes and their categorization boundaries when conditions are satisfied sufficiently to reclassify a project from Contingent Resources to Reserves.

AGGREGATION

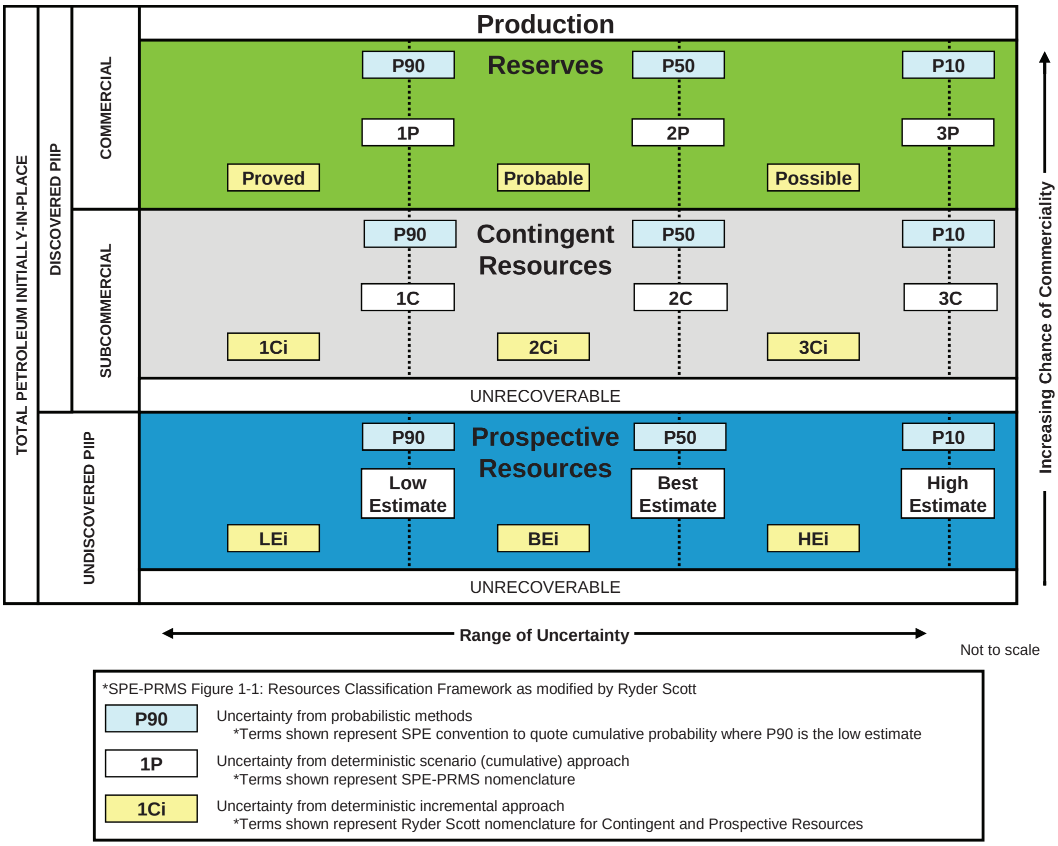
Petroleum quantities classified as Reserves, Contingent Resources or Prospective Resources should not be aggregated with each other without due consideration of the significant differences in the criteria associated with their classification. In particular, there may be a significant risk that accumulations containing Contingent Resources or Prospective Resources will not achieve commercial production. Similarly, reserves and resources of different categories should not be aggregated with each other without due consideration of the significant differences in the criteria associated with their categorization.

RESOURCES CLASSIFICATION SYSTEM (SPE-PRMS)

GRAPHICAL REPRESENTATION

Figure 1 is a graphical representation of the SPE, WPC, AAPG, SPEE resources classification system. The horizontal axis represents the "Range of Uncertainty" in the estimated potentially recoverable volume for an accumulation by a project, whereas the vertical axis represents the "Chance of Commerciality", that is, the chance that the project will be developed and reach commercial producing status.

Figure 1
SPE, WPC, AAPG, SPEE
RESOURCES CLASSIFICATION SYSTEM*



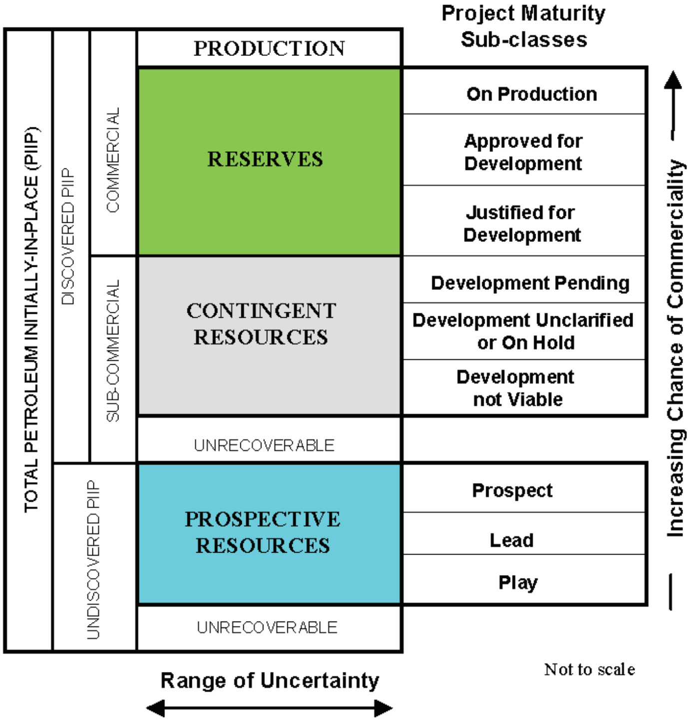
INCREMENTAL TERMS FOR CONTINGENT AND PROSPECTIVE RESOURCES AS DEFINED BY RYDER SCOTT

Should evaluators choose to characterize the range of uncertainty for Contingent Resources or Prospective Resources in discrete incremental quantities, they should denote such quantities as such and provide sufficient detail in their report to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of the recoverable quantities. For reports prepared by Ryder Scott Company (Ryder Scott), the range of uncertainty for discrete incremental quantities of Contingent Resources shall be termed 1C Incremental (1Ci), 2C Incremental (2Ci) and 3C Incremental (3Ci) and in the case of Prospective Resources shall be termed Low Estimate Incremental (LEi), Best Estimate Incremental (BEi) and High Estimate Incremental (HEi) where (i) denotes a specific incremental quantity.

RESOURCES CLASSIFICATION SYSTEM (SPE-PRMS)

GRAPHICAL REPRESENTATION

Figure 2
SPE, WPC, AAPG, SPEE
PROJECT MATURITY SUB-CLASSES



[1] Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE); reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE), March 2007.

Table 1: Recoverable Resources Classes and Sub-Classes

Class/ Sub-Class	Definition	Guidelines
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	Reserves must satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests
On Production	The development project is currently producing and selling petroleum to market.	The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project “chance of commerciality” can be said to be 100%. The project “decision gate” is the decision to initiate commercial production from the project.
Approved for Development	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way.	At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity’s current or following year’s approved budget. The project “decision gate” is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Class/ Sub-Class	**Definition**	**Guidelines**
Justified for Development	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.	Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.
Development Pending	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status. The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Class/ Sub-Class	Definition	Guidelines
Development Unclarified or on Hold	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a re-classification of the project to "Not Viable" status. The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.
Development Not Viable	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
Play	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

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PETROLEUM RESERVES and RESOURCES STATUS DEFINITIONS and GUIDELINES

As Adapted From:
PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE),
WORLD PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

RESERVES

Reserves status categories define the development and producing status of wells and reservoirs. The SPE-PRMS Table 2 defines the reserves status categories as follows:

DEVELOPED RESERVES (SPE-PRMS DEFINITIONS)

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing
Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing
Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.

Shut-In
Shut-in Reserves are expected to be recovered from:
(1) completion intervals which are open at the time of the estimate but which have not yet started producing;
(2) wells which were shut-in for market conditions or pipeline connections; or
(3) wells not capable of production for mechanical reasons.

Behind-Pipe
Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SPE-PRMS DEFINITIONS)

Undeveloped Reserves are quantities expected to be recovered through future investments.

Undeveloped Reserves are expected to be recovered from:

(1) new wells on undrilled acreage in known accumulations;
(2) deepening existing wells to a different (but known) reservoir;
(3) infill wells that will increase recovery; or
(4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to
(a) recomplete an existing well; or
(b) install production or transportation facilities for primary or improved recovery projects.

CONTINGENT RESOURCES

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent resource status categories may address the development and producing status of wells and reservoirs or may reflect the project maturity and/or be characterized by their economic status as noted in the SPE-PRMS Table 1 and Figure 2.

PROSPECTIVE RESOURCES

Prospective resources are by definition undeveloped as they are potentially recoverable from undiscovered accumulations. Prospective resource status categories reflect project maturity as noted in the SPE-PRMS Table 1 and Figure 2.

PETROLEUM RESERVES and RESOURCES STATUS DEFINITIONS and GUIDELINES

As Adapted From:
PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE),
WORLD PETROLEUM COUNCIL (WPC)
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- *(1) completion intervals which are open at the time of the estimate but which have not yet started producing;*
- *(2) wells which were shut-in for market conditions or pipeline connections; or*
- *(3) wells not capable of production for mechanical reasons.*

Behind-Pipe
Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SPE-PRMS DEFINITIONS)

Undeveloped Reserves are quantities expected to be recovered through future investments.

Undeveloped Reserves are expected to be recovered from:
(1) new wells on undrilled acreage in known accumulations;
(2) deepening existing wells to a different (but known) reservoir;
(3) infill wells that will increase recovery; or
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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 1

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROVED AND PROBABLE

TOTAL
PV & PB

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CONTAINS PRODUCTION BONUS PAYMENT						

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	3,009,843
12.00% -	2,676,576
15.00% -	2,255,764
20.00% -	1,717,891
25.00% -	1,327,951

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	50	6,527,123	2,048,062	45,496	6,145,917	1,927,137	37,851	40.90	2.49
2018	67	8,705,823	2,872,702	65,377	8,248,853	2,724,747	54,514	55.60	2.49
2019	84	11,962,579	4,094,274	81,240	11,193,907	3,845,143	66,635	55.71	2.49
2020	104	17,365,742	6,067,386	110,415	15,957,067	5,576,399	89,749	55.80	2.49
2021	134	20,514,046	7,103,556	187,448	17,615,041	6,072,440	151,987	55.68	2.49
2022	136	18,830,770	6,930,600	182,484	15,857,741	5,807,883	146,141	55.72	2.49
2023	136	14,357,688	5,696,045	159,946	12,680,945	5,009,914	133,042	55.60	2.49
2024	136	11,002,967	4,638,189	140,847	9,921,139	4,168,189	119,400	55.45	2.49
2025	136	8,622,585	3,800,036	123,137	8,110,904	3,566,416	107,360	55.29	2.49
2026	136	6,932,142	3,135,257	106,321	6,672,001	3,011,824	93,931	55.12	2.49
2027	136	5,693,248	2,601,380	92,290	5,693,259	2,601,373	83,275	54.95	2.49
2028	135	4,751,622	2,168,016	80,469	4,474,987	2,041,532	70,411	54.79	2.49
2029	135	4,001,414	1,811,198	70,348	3,670,657	1,659,529	60,825	54.66	2.49
2030	135	3,288,469	1,493,907	61,045	2,915,696	1,320,826	52,150	54.63	2.49
2031	127	2,709,893	1,233,895	24,642	2,406,598	1,093,149	19,140	54.63	2.49
Sub-Total		145,266,111	55,694,503	1,531,505	131,564,712	50,426,501	1,286,411	54.80	2.49
Remainder		2,505,598	1,101,918	23,323	2,343,479	1,031,396	19,314	54.32	2.49
Total Future		147,771,709	56,796,421	1,554,828	133,908,191	51,457,897	1,305,725	54.79	2.49
Cumulative		49,344,152	0	284,951					
Ultimate		197,115,861	56,796,421	1,839,779					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	251,351	41,838	94,245	0	387,434	12,639	5,559	369,236
2018	458,665	72,778	135,747	0	667,190	19,604	8,556	639,030
2019	623,666	102,704	165,922	0	892,292	19,985	10,297	862,010
2020	890,470	148,945	223,456	0	1,262,871	35,159	15,425	1,212,287
2021	980,763	162,195	378,463	0	1,521,421	54,243	17,351	1,449,827
2022	883,520	155,129	363,890	0	1,402,539	48,758	16,726	1,337,055
2023	705,039	133,815	331,285	0	1,170,139	36,680	14,171	1,119,288
2024	550,110	111,332	297,302	0	958,744	26,562	9,891	922,291
2025	448,467	95,259	267,305	0	811,031	20,451	9,893	780,687
2026	367,763	80,446	233,899	0	682,108	15,675	8,254	658,179
2027	312,859	69,483	207,363	0	589,705	12,327	6,574	570,804
2028	245,188	54,529	175,314	0	475,031	9,027	5,585	460,419
2029	200,641	44,326	151,454	0	396,421	7,015	4,557	384,849
2030	159,281	35,279	129,870	0	324,430	5,426	3,630	315,374
2031	131,463	29,198	47,665	0	208,326	4,355	3,007	200,964
Sub-Total	7,209,246	1,337,256	3,203,180	0	11,749,682	327,906	139,476	11,282,300
Remainder	127,301	27,549	48,068	0	202,918	3,624	2,633	196,661
Total Future	7,336,547	1,364,805	3,251,248	0	11,952,600	331,530	142,109	11,478,961

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	98,496	0	204,067	67,334	369,897	-661	-661	130
2018	117,013	0	283,455	95,083	495,551	143,479	142,818	123,065
2019	119,072	0	404,943	128,222	652,237	209,773	352,591	163,584
2020	122,154	329	424,811	182,755	730,049	482,238	834,829	340,585
2021	163,245	24,350	196,346	222,040	605,981	843,846	1,678,675	538,262
2022	159,035	21,203	32,691	207,023	419,952	917,103	2,595,778	531,603
2023	151,360	19,177	13,996	173,473	358,006	761,282	3,357,060	399,628
2024	146,011	17,730	9,898	142,459	316,098	606,193	3,963,253	288,005
2025	141,758	14,283	7,497	120,383	283,921	496,766	4,460,019	213,642
2026	137,618	14,740	9,297	100,721	262,376	395,803	4,855,822	154,066
2027	132,370	30,706	7,498	86,435	257,009	313,795	5,169,617	110,583
2028	128,586	26,931	7,298	69,267	232,082	228,337	5,397,954	72,844
2029	125,215	23,701	5,348	57,523	211,787	173,062	5,571,016	49,980
2030	122,310	21,168	7,098	47,305	197,881	117,493	5,688,509	30,727
2031	103,769	19,162	5,548	28,465	156,944	44,020	5,732,529	10,448
Sub-Total	1,968,012	233,480	1,619,791	1,728,488	5,549,771	5,732,529		3,027,152
Remainder	115,200	24,196	117,783	26,960	284,139	-87,478	5,645,051	-17,309
Total Future	2,083,212	257,676	1,737,574	1,755,448	5,833,910	5,645,051		3,009,843

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 2

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PV & PB PRODUCING

PV&PB
PRODUCING

	REVENUE INTERESTS				PRODUCT PRICES			DISCOUNTED FUTURE NET INCOME - $M	
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	COMPOUNDED	MONTHLY
INITIAL								10.00% -	637,059
FINAL								12.00% -	584,107
REMARKS								15.00% -	516,841
								20.00% -	429,655
								25.00% -	364,841

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	Number of Wells	Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	Oil/Cond. $/bbl.	Gas $/MCF
2017	43	5,694,814	1,734,568	40,819	5,368,506	1,635,321	33,939	40.82	2.49
2018	43	4,819,652	1,515,451	35,565	4,538,675	1,427,021	29,525	55.31	2.49
2019	43	3,967,512	1,312,290	30,679	3,585,392	1,185,766	24,474	55.32	2.49
2020	43	3,229,858	1,129,644	26,329	2,956,551	1,034,044	21,296	55.29	2.49
2021	43	2,695,732	976,389	22,699	2,327,253	842,945	17,322	55.27	2.49
2022	43	2,281,118	847,468	19,654	1,922,063	714,078	14,658	55.25	2.49
2023	43	1,947,871	738,147	17,090	1,728,126	654,892	13,408	55.24	2.49
2024	43	1,674,349	644,871	14,905	1,509,729	581,475	11,899	55.21	2.49
2025	43	1,446,698	564,801	13,040	1,363,531	532,334	10,885	55.19	2.49
2026	43	1,255,290	495,722	11,427	1,213,061	479,055	9,779	55.17	2.49
2027	43	1,093,367	435,949	10,040	1,093,370	435,945	8,893	55.15	2.49
2028	42	955,703	384,068	8,835	892,874	358,817	7,312	55.13	2.49
2029	42	837,757	338,932	7,793	764,335	309,222	6,301	55.11	2.49
2030	42	735,859	299,562	6,882	651,222	265,105	5,396	55.09	2.49
2031	42	647,439	265,152	6,080	573,677	234,947	4,775	55.06	2.49
Sub-Total		33,283,019	11,683,014	271,837	30,488,365	10,690,967	219,862	52.71	2.49
Remainder		570,479	235,013	5,391	519,790	214,133	4,357	55.04	2.49
Total Future		33,853,498	11,918,027	277,228	31,008,155	10,905,100	224,219	52.75	2.49
Cumulative		39,950,814	0	246,892					
Ultimate		73,804,312	11,918,027	524,120					

	COMPANY FUTURE GROSS REVENUE (FGR) - $M					ROYALTY		FGR AFTER ROYALTY
Period	From Oil/Cond.	From Plant Products	From Gas	Other	Total	Oil/Cond. - $M	Gas/P.P. - $	$M
2017	219,135	35,503	84,503	0	339,141	11,242	4,908	322,991
2018	251,036	38,116	73,529	0	362,681	13,053	4,622	345,006
2019	198,352	31,671	60,935	0	290,958	10,136	3,779	277,043
2020	163,479	27,620	53,020	0	244,119	8,223	3,258	232,638
2021	128,637	22,515	43,138	0	194,290	6,458	2,652	185,180
2022	106,203	19,073	36,482	0	161,758	5,193	2,222	154,343
2023	95,453	17,492	33,409	0	146,354	4,477	2,036	139,841
2024	83,359	15,531	29,626	0	128,516	3,718	1,806	122,992
2025	75,258	14,219	27,092	0	116,569	3,168	1,653	111,748
2026	66,927	12,795	24,356	0	104,078	2,637	1,486	99,955
2027	60,301	11,644	22,144	0	94,089	2,207	1,351	90,531
2028	49,224	9,584	18,211	0	77,019	1,777	1,112	74,130
2029	42,121	8,260	15,682	0	66,063	1,500	958	63,605
2030	35,873	7,081	13,436	0	56,390	1,255	821	54,314
2031	31,590	6,275	11,900	0	49,765	1,087	727	47,951
Sub-Total	1,606,948	277,379	547,463	0	2,431,790	76,131	33,391	2,322,268
Remainder	28,611	5,720	10,839	0	45,170	964	662	43,544
Total Future	1,635,559	283,099	558,302	0	2,476,960	77,095	34,053	2,365,812

	DEDUCTIONS - $M					FUTURE NET INCOME BEFORE INCOME TAXES-$M		
						Undiscounted		Discounted
Period	Operating Costs	Other Taxes	Development Costs	Transportation	Total	Annual	Cumulative	@ 10.00 %
2017	79,471	0	105,981	57,971	243,423	79,568	79,568	76,349
2018	59,631	0	98,161	50,075	207,867	137,139	216,707	118,576
2019	35,965	0	124,865	40,512	201,342	75,701	292,408	59,647
2020	21,729	0	81,315	34,183	137,227	95,411	387,819	67,765
2021	16,931	0	53,420	27,299	97,650	87,530	475,349	56,201
2022	15,301	0	9,034	22,777	47,112	107,231	582,580	62,154
2023	16,776	0	3,892	20,635	41,303	98,538	681,118	51,696
2024	17,762	0	2,787	18,132	38,681	84,311	765,429	40,037
2025	18,924	0	2,100	16,452	37,476	74,272	839,701	31,927
2026	19,686	0	2,634	14,689	37,009	62,946	902,647	24,495
2027	20,367	0	2,267	13,274	35,908	54,623	957,270	19,245
2028	20,801	0	2,041	10,860	33,702	40,428	997,698	12,894
2029	21,584	0	1,472	9,307	32,363	31,242	1,028,940	9,021
2030	22,614	0	1,991	7,939	32,544	21,770	1,050,710	5,693
2031	24,112	0	1,422	6,999	32,533	15,418	1,066,128	3,652
Sub-Total	411,654	0	493,382	351,104	1,256,140	1,066,128		639,352
Remainder	24,161	0	25,273	6,348	55,782	-12,238	1,053,890	-2,293
Total Future	435,815	0	518,655	357,452	1,311,922	1,053,890		637,059

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 3

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PV & PD NON PRODUCING

PV&PB
NON PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	152,144
12.00% -	125,385
15.00% -	92,465
20.00% -	52,002
25.00% -	24,033

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	4	463,013	198,714	3,063	429,247	183,603	2,552	41.50	2.49
2018	11	1,566,205	573,912	13,714	1,496,379	548,329	11,023	55.75	2.49
2019	12	1,228,811	445,568	10,269	1,160,439	420,728	8,146	55.35	2.49
2020	12	993,398	360,742	8,244	912,900	331,495	6,377	54.82	2.49
2021	15	1,285,872	423,368	11,283	1,162,071	378,982	8,998	53.54	2.49
2022	15	1,083,498	320,533	8,157	958,070	277,371	6,132	53.31	2.49
2023	15	991,906	276,736	6,972	900,209	247,202	5,276	53.08	2.49
2024	15	942,543	251,532	6,353	865,398	228,206	4,800	52.88	2.49
2025	15	901,805	235,552	6,022	854,896	222,148	4,686	52.74	2.49
2026	15	891,502	227,330	5,884	859,949	218,833	4,633	52.62	2.49
2027	15	878,245	219,243	5,734	878,248	219,240	4,649	52.54	2.49
2028	15	845,941	208,188	5,484	803,743	197,448	4,217	52.48	2.49
2029	15	782,858	191,627	5,082	724,115	177,066	3,808	52.45	2.49
2030	15	599,144	149,359	3,994	536,036	133,633	2,919	52.45	2.49
2031	15	438,855	112,441	3,038	394,393	101,153	2,252	52.47	2.49
Sub-Total		13,893,596	4,194,845	103,293	12,936,093	3,885,437	80,468	53.17	2.49
Remainder		562,972	161,974	5,061	546,660	157,625	4,365	52.39	2.49
Total Future		14,456,568	4,356,819	108,354	13,482,753	4,043,062	84,833	53.14	2.49
Cumulative		9,393,338	0	38,059					
Ultimate		23,849,906	4,356,819	146,413					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	17,814	3,986	6,355	0	28,155	659	416	27,080
2018	83,420	14,646	27,443	0	125,509	2,559	1,716	121,234
2019	64,228	11,238	20,288	0	95,754	1,770	1,201	92,783
2020	50,047	8,854	15,879	0	74,780	1,972	1,022	71,786
2021	62,214	10,122	22,403	0	94,739	2,254	823	91,662
2022	51,075	7,409	15,274	0	73,758	1,999	711	71,048
2023	47,786	6,603	13,140	0	67,529	1,941	677	64,911
2024	45,766	6,095	11,945	0	63,806	1,848	535	61,423
2025	45,086	5,934	11,663	0	62,683	1,817	627	60,239
2026	45,251	5,845	11,536	0	62,632	1,783	614	60,235
2027	46,141	5,856	11,583	0	63,580	1,737	554	61,289
2028	42,179	5,273	10,504	0	57,956	1,464	551	55,941
2029	37,976	4,730	9,475	0	52,181	1,236	494	50,451
2030	28,116	3,569	7,269	0	38,954	872	363	37,719
2031	20,694	2,702	5,612	0	29,008	601	266	28,141
Sub-Total	687,793	102,862	200,369	0	991,024	24,512	10,570	955,942
Remainder	28,641	4,210	10,863	0	43,714	447	211	43,056
Total Future	716,434	107,072	211,232	0	1,034,738	24,959	10,781	998,998

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	14,410	0	93,045	5,552	113,007	-85,927	-85,927	-81,469
2018	23,863	0	71,114	18,367	113,344	7,890	-78,037	6,909
2019	13,278	0	42,536	13,498	69,312	23,471	-54,566	18,554
2020	7,407	0	14,704	10,049	32,160	39,626	-14,940	28,087
2021	12,152	2,973	7,976	11,159	34,260	57,402	42,462	36,816
2022	9,373	2,104	1,272	8,140	20,889	50,159	92,621	29,077
2023	9,278	1,605	625	7,106	18,614	46,297	138,918	24,282
2024	10,040	1,264	520	6,444	18,268	43,155	182,073	20,482
2025	11,629	1,039	476	6,175	19,319	40,920	222,993	17,578
2026	13,583	868	722	6,027	21,200	39,035	262,028	15,178
2027	15,733	735	690	6,006	23,164	38,125	300,153	13,418
2028	17,717	620	810	5,403	24,550	31,391	331,544	10,003
2029	18,967	508	712	4,837	25,024	25,427	356,971	7,336
2030	17,579	432	868	3,647	22,526	15,193	372,164	3,970
2031	15,500	377	624	2,758	19,259	8,882	381,046	2,103
Sub-Total	210,509	12,525	236,694	115,168	574,896	381,046		152,324
Remainder	26,771	1,871	10,002	4,440	43,084	-28	381,018	-180
Total Future	237,280	14,396	246,696	119,608	617,980	381,018		152,144

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 4

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PV & PB UNDEVELOPED

PV&PB
UNDEVELOPED

	REVENUE INTERESTS				PRODUCT PRICES		
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	2,220,639
12.00% -	1,967,084
15.00% -	1,646,458
20.00% -	1,236,234
25.00% -	939,077

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	Number of Wells	Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	Oil/Cond. $/bbl.	Gas $/MCF
2017	3	369,296	114,780	1,614	348,164	108,213	1,360	41.37	2.49
2018	13	2,319,966	783,339	16,098	2,213,799	749,397	13,966	56.11	2.49
2019	29	6,766,256	2,336,416	40,292	6,448,076	2,238,649	34,015	56.00	2.49
2020	49	13,142,486	4,577,000	75,842	12,087,616	4,210,860	62,076	56.00	2.49
2021	76	16,532,442	5,703,799	153,466	14,125,717	4,850,513	125,667	55.92	2.49
2022	78	15,466,154	5,762,599	154,673	12,977,608	4,816,434	125,351	55.96	2.49
2023	78	11,417,911	4,681,162	135,884	10,052,610	4,107,820	114,358	55.89	2.49
2024	78	8,386,075	3,741,786	119,589	7,546,012	3,358,508	102,701	55.79	2.49
2025	78	6,274,082	2,999,683	104,075	5,892,477	2,811,934	91,789	55.68	2.49
2026	78	4,785,350	2,412,205	89,010	4,598,991	2,313,936	79,519	55.57	2.49
2027	78	3,721,636	1,946,188	76,516	3,721,641	1,946,188	69,733	55.46	2.49
2028	78	2,949,978	1,575,760	66,150	2,778,370	1,485,267	58,882	55.35	2.49
2029	78	2,380,799	1,280,639	57,473	2,182,207	1,173,241	50,716	55.24	2.49
2030	78	1,953,466	1,044,986	50,169	1,728,438	922,088	43,835	55.13	2.49
2031	70	1,623,599	856,302	15,524	1,438,528	757,049	12,113	55.04	2.49
Sub-Total		98,089,496	39,816,644	1,156,375	88,140,254	35,850,097	986,081	55.76	2.49
Remainder		1,372,147	704,931	12,871	1,277,029	659,638	10,592	54.85	2.49
Total Future		99,461,643	40,521,575	1,169,246	89,417,283	36,509,735	996,673	55.74	2.49
Cumulative		0	0	0					
Ultimate		99,461,643	40,521,575	1,169,246					

	COMPANY FUTURE GROSS REVENUE (FGR) - $M					ROYALTY		FGR AFTER ROYALTY
Period	From Oil/Cond.	From Plant Products	From Gas	Other	Total	Oil/Cond. - $M	Gas/P.P. - $	$M
2017	14,402	2,349	3,386	0	20,137	739	235	19,163
2018	124,210	20,017	34,776	0	179,003	3,991	2,218	172,794
2019	361,085	59,794	84,698	0	505,577	8,078	5,318	492,181
2020	676,944	112,472	154,559	0	943,975	24,964	11,144	907,867
2021	789,912	129,557	312,922	0	1,232,391	45,533	13,876	1,172,982
2022	726,243	128,647	312,133	0	1,167,023	41,566	13,793	1,111,664
2023	561,799	109,720	284,737	0	956,256	30,261	11,459	914,536
2024	420,985	89,706	255,730	0	766,421	20,996	7,549	737,876
2025	328,123	75,107	228,550	0	631,780	15,466	7,612	608,702
2026	255,584	61,805	198,006	0	515,395	11,255	6,156	497,984
2027	206,419	51,983	173,637	0	432,039	8,383	4,668	418,988
2028	153,785	39,671	146,600	0	340,056	5,786	3,922	330,348
2029	120,543	31,337	126,296	0	278,176	4,280	3,105	270,791
2030	95,292	24,629	109,165	0	229,086	3,298	2,447	223,341
2031	79,179	20,221	30,153	0	129,553	2,667	2,014	124,872
Sub-Total	4,914,505	957,015	2,455,348	0	8,326,868	227,263	95,516	8,004,089
Remainder	70,049	17,619	26,366	0	114,034	2,213	1,759	110,062
Total Future	4,984,554	974,634	2,481,714	0	8,440,902	229,476	97,275	8,114,151

	DEDUCTIONS - $M					FUTURE NET INCOME BEFORE INCOME TAXES-$M		
						Undiscounted		Discounted
Period	Operating Costs	Other Taxes	Development Costs	Transportation	Total	Annual	Cumulative	@ 10.00 %
2017	4,615	0	5,042	3,811	13,468	5,695	5,695	5,251
2018	33,519	0	114,180	26,641	174,340	-1,546	4,149	-2,421
2019	69,829	0	237,541	74,212	381,582	110,599	114,748	85,383
2020	93,019	329	328,792	138,524	560,664	347,203	461,951	244,734
2021	134,160	21,377	134,950	183,581	474,068	698,914	1,160,865	445,244
2022	134,362	19,099	22,385	176,106	351,952	759,712	1,920,577	440,371
2023	125,306	17,572	9,479	145,733	298,090	616,446	2,537,023	323,651
2024	118,209	16,466	6,590	117,882	259,147	478,729	3,015,752	227,486
2025	111,205	13,245	4,922	97,756	227,128	381,574	3,397,326	164,137
2026	104,349	13,872	5,940	80,005	204,166	293,818	3,691,144	114,393
2027	96,270	29,969	4,541	67,154	197,934	221,054	3,912,198	77,920
2028	90,068	26,312	4,447	53,006	173,833	156,515	4,068,713	49,947
2029	84,664	23,193	3,166	43,378	154,401	116,390	4,185,103	33,622
2030	82,117	20,736	4,238	35,719	142,810	80,531	4,265,634	21,065
2031	64,157	18,785	3,501	18,708	105,151	19,721	4,285,355	4,693
Sub-Total	1,345,849	220,955	889,714	1,262,216	3,718,734	4,285,355		2,235,476
Remainder	64,267	22,325	82,509	16,172	185,273	-75,211	4,210,144	-14,837
Total Future	1,410,116	243,280	972,223	1,278,388	3,904,007	4,210,144		2,220,639

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 5

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROVED RESERVES

TOTAL PROVED

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/Condensate	Plant Products	Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CONTAINS PRODUCTION BONUS PAYMENT						

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	1,062,423
12.00% -	963,188
15.00% -	838,031
20.00% -	677,741
25.00% -	560,500

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017	48	6,213,318	1,886,670	43,285	5,857,340	1,778,720	36,021	40.87	2.49
2018	55	6,751,907	2,115,487	49,211	6,358,183	1,992,044	40,473	55.52	2.49
2019	57	6,033,043	1,847,449	42,090	5,451,773	1,669,328	33,323	55.32	2.49
2020	60	5,555,911	1,710,862	38,805	5,085,759	1,566,079	31,149	55.23	2.49
2021	63	5,471,309	1,690,567	38,344	4,723,501	1,459,517	29,058	55.23	2.49
2022	63	4,858,696	1,535,400	34,767	4,093,942	1,293,729	25,759	55.23	2.49
2023	63	4,098,876	1,325,542	29,991	3,636,506	1,176,031	23,380	55.17	2.49
2024	63	3,495,952	1,149,932	26,008	3,152,245	1,036,884	20,611	55.12	2.49
2025	63	3,008,398	1,001,767	22,662	2,835,470	944,181	18,769	55.07	2.49
2026	63	2,607,787	875,887	19,823	2,520,076	846,445	16,820	55.03	2.49
2027	63	2,274,408	768,403	17,402	2,274,414	768,392	15,276	54.99	2.49
2028	62	1,993,971	676,165	15,326	1,862,868	631,708	12,567	54.95	2.49
2029	62	1,755,486	596,686	13,546	1,601,621	544,382	10,838	54.91	2.49
2030	62	1,550,618	527,916	11,996	1,372,278	467,195	9,309	54.88	2.49
2031	62	1,373,389	468,202	10,644	1,216,928	414,869	8,269	54.85	2.49
Sub-Total		57,043,069	18,176,935	413,900	52,042,904	16,589,504	331,622	53.58	2.49
Remainder		1,219,200	416,161	9,479	1,110,864	379,184	7,571	54.81	2.49
Total Future		58,262,269	18,593,096	423,379	53,153,768	16,968,688	339,193	53.61	2.49
Cumulative		49,313,152	0	284,940					
Ultimate		107,575,421	18,593,096	708,319					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	239,375	38,616	89,688	0	367,679	12,280	5,248	350,151
2018	353,031	53,208	100,785	0	507,024	18,358	6,375	482,291
2019	301,580	44,587	82,975	0	429,142	15,410	5,204	408,528
2020	280,882	41,830	77,550	0	400,262	14,129	4,823	381,310
2021	260,866	38,984	72,360	0	372,210	13,095	4,499	354,616
2022	226,098	34,556	64,132	0	324,786	11,056	3,947	309,783
2023	200,626	31,411	58,234	0	290,271	9,410	3,586	277,275
2024	173,745	27,695	51,317	0	252,757	7,749	3,161	241,847
2025	156,150	25,220	46,721	0	228,091	6,574	2,877	218,640
2026	138,671	22,608	41,890	0	203,169	5,463	2,580	195,126
2027	125,062	20,524	38,042	0	183,628	4,578	2,343	176,707
2028	102,363	16,873	31,291	0	150,527	3,695	1,926	144,906
2029	87,950	14,540	26,984	0	129,474	3,131	1,661	124,682
2030	75,309	12,479	23,176	0	110,964	2,636	1,426	106,902
2031	66,744	11,081	20,598	0	98,423	2,296	1,268	94,859
Sub-Total	2,788,452	434,212	825,743	0	4,048,407	129,860	50,924	3,867,623
Remainder	60,891	10,128	18,844	0	89,863	2,052	1,158	86,653
Total Future	2,849,343	444,340	844,587	0	4,138,270	131,912	52,082	3,954,276

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	86,007	0	113,562	63,382	262,951	87,200	87,200	83,464
2018	82,438	0	141,111	71,283	294,832	187,459	274,659	161,818
2019	53,181	0	183,708	58,943	295,832	112,696	387,355	88,793
2020	35,616	0	135,764	54,547	225,927	155,383	542,738	110,181
2021	33,325	0	109,340	50,745	193,410	161,206	703,944	103,279
2022	30,854	0	18,205	44,429	93,488	216,295	920,239	125,387
2023	33,438	0	7,745	39,630	80,813	196,462	1,116,701	103,077
2024	35,128	0	5,511	34,429	75,068	166,779	1,283,480	79,202
2025	37,263	0	4,126	30,990	72,379	146,261	1,429,741	62,873
2026	38,693	0	5,178	27,531	71,402	123,724	1,553,465	48,148
2027	40,045	0	4,263	24,813	69,121	107,586	1,661,051	37,901
2028	40,973	0	4,015	20,281	65,269	79,637	1,740,688	25,399
2029	42,650	0	2,901	17,393	62,944	61,738	1,802,426	17,826
2030	44,884	0	3,952	14,864	63,700	43,202	1,845,628	11,297
2031	48,116	0	2,839	13,146	64,101	30,758	1,876,386	7,285
Sub-Total	682,611	0	742,220	566,406	1,991,237	1,876,386		1,065,930
Remainder	50,925	0	42,617	11,970	105,512	-18,859	1,857,527	-3,507
Total Future	733,536	0	784,837	578,376	2,096,749	1,857,527		1,062,423

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROVED PRODUCING

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	REVENUE INTERESTS: Plant Products	REVENUE INTERESTS: Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	PRODUCT PRICES: Plt. Prod. $/bbl.	PRODUCT PRICES: Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M: COMPOUNDED	MONTHLY
10.00% -	637,059
12.00% -	584,107
15.00% -	516,841
20.00% -	429,655
25.00% -	364,841

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017	43	5,694,814	1,734,568	40,819	5,368,506	1,635,321	33,939	40.82	2.49
2018	43	4,819,652	1,515,451	35,565	4,538,675	1,427,021	29,525	55.31	2.49
2019	43	3,967,512	1,312,290	30,679	3,585,392	1,185,766	24,474	55.32	2.49
2020	43	3,229,858	1,129,644	26,329	2,956,551	1,034,044	21,296	55.29	2.49
2021	43	2,695,732	976,389	22,699	2,327,253	842,945	17,322	55.27	2.49
2022	43	2,281,118	847,468	19,654	1,922,063	714,078	14,658	55.25	2.49
2023	43	1,947,871	738,147	17,090	1,728,126	654,892	13,408	55.24	2.49
2024	43	1,674,349	644,871	14,905	1,509,729	581,475	11,899	55.21	2.49
2025	43	1,446,698	564,801	13,040	1,363,531	532,334	10,885	55.19	2.49
2026	43	1,255,290	495,722	11,427	1,213,061	479,055	9,779	55.17	2.49
2027	43	1,093,367	435,949	10,040	1,093,370	435,945	8,893	55.15	2.49
2028	42	955,703	384,068	8,835	892,874	358,817	7,312	55.13	2.49
2029	42	837,757	338,932	7,793	764,335	309,222	6,301	55.11	2.49
2030	42	735,859	299,562	6,882	651,222	265,105	5,396	55.09	2.49
2031	42	647,439	265,152	6,080	573,677	234,947	4,775	55.06	2.49
Sub-Total		33,283,019	11,683,014	271,837	30,488,365	10,690,967	219,862	52.71	2.49
Remainder		570,479	235,013	5,391	519,790	214,133	4,357	55.04	2.49
Total Future		33,853,498	11,918,027	277,228	31,008,155	10,905,100	224,219	52.75	2.49
Cumulative		39,950,814	0	246,892					
Ultimate		73,804,312	11,918,027	524,120					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	219,135	35,503	84,503	0	339,141	11,242	4,908	322,991
2018	251,036	38,116	73,529	0	362,681	13,053	4,622	345,006
2019	198,352	31,671	60,935	0	290,958	10,136	3,779	277,043
2020	163,479	27,620	53,020	0	244,119	8,223	3,258	232,638
2021	128,637	22,515	43,138	0	194,290	6,458	2,652	185,180
2022	106,203	19,073	36,482	0	161,758	5,193	2,222	154,343
2023	95,453	17,492	33,409	0	146,354	4,477	2,036	139,841
2024	83,359	15,531	29,626	0	128,516	3,718	1,806	122,992
2025	75,258	14,219	27,092	0	116,569	3,168	1,653	111,748
2026	66,927	12,795	24,356	0	104,078	2,637	1,486	99,955
2027	60,301	11,644	22,144	0	94,089	2,207	1,351	90,531
2028	49,224	9,584	18,211	0	77,019	1,777	1,112	74,130
2029	42,121	8,260	15,682	0	66,063	1,500	958	63,605
2030	35,873	7,081	13,436	0	56,390	1,255	821	54,314
2031	31,590	6,275	11,900	0	49,765	1,087	727	47,951
Sub-Total	1,606,948	277,379	547,463	0	2,431,790	76,131	33,391	2,322,268
Remainder	28,611	5,720	10,839	0	45,170	964	662	43,544
Total Future	1,635,559	283,099	558,302	0	2,476,960	77,095	34,053	2,365,812

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	79,471	0	105,981	57,971	243,423	79,568	79,568	76,349
2018	59,631	0	98,161	50,075	207,867	137,139	216,707	118,576
2019	35,965	0	124,865	40,512	201,342	75,701	292,408	59,647
2020	21,729	0	81,315	34,183	137,227	95,411	387,819	67,765
2021	16,931	0	53,420	27,299	97,650	87,530	475,349	56,201
2022	15,301	0	9,034	22,777	47,112	107,231	582,580	62,154
2023	16,776	0	3,892	20,635	41,303	98,538	681,118	51,696
2024	17,762	0	2,787	18,132	38,681	84,311	765,429	40,037
2025	18,924	0	2,100	16,452	37,476	74,272	839,701	31,927
2026	19,686	0	2,634	14,689	37,009	62,946	902,647	24,495
2027	20,367	0	2,267	13,274	35,908	54,623	957,270	19,245
2028	20,801	0	2,041	10,860	33,702	40,428	997,698	12,894
2029	21,584	0	1,472	9,307	32,363	31,242	1,028,940	9,021
2030	22,614	0	1,991	7,939	32,544	21,770	1,050,710	5,693
2031	24,112	0	1,422	6,999	32,533	15,418	1,066,128	3,652
Sub-Total	411,654	0	493,382	351,104	1,256,140	1,066,128		639,352
Remainder	24,161	0	25,273	6,348	55,782	-12,238	1,053,890	-2,293
Total Future	435,815	0	518,655	357,452	1,311,922	1,053,890		637,059

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 7

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROVED NON PRODUCING

PROVED
NON PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	54,733
12.00% –	51,184
15.00% –	46,502
20.00% –	40,078
25.00% –	34,972

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017	2	149,208	37,322	852	140,670	35,186	722	41.50	2.49
2018	5	736,282	269,611	8,290	693,319	253,878	6,484	56.50	2.49
2019	5	455,745	165,980	4,989	411,805	149,978	3,764	56.50	2.49
2020	5	300,042	113,155	3,349	274,650	103,581	2,571	56.50	2.49
2021	5	205,851	81,732	2,397	177,721	70,559	1,737	56.50	2.49
2022	5	145,751	61,227	1,785	122,807	51,590	1,265	56.50	2.49
2023	5	105,973	47,038	1,370	94,021	41,732	1,023	56.50	2.49
2024	5	78,915	36,827	1,075	71,156	33,208	816	56.50	2.49
2025	5	60,089	29,275	854	56,635	27,593	678	56.50	2.49
2026	5	46,722	23,574	692	45,152	22,783	562	56.50	2.49
2027	5	37,052	19,200	569	37,053	19,198	474	56.50	2.49
2028	5	29,935	15,803	470	27,965	14,764	369	56.50	2.49
2029	5	24,598	13,137	395	22,441	11,985	301	56.50	2.49
2030	5	20,527	11,023	334	18,168	9,757	247	56.50	2.49
2031	5	17,372	9,338	283	15,394	8,275	210	56.50	2.49
Sub-Total		2,414,062	934,242	27,704	2,208,957	854,067	21,223	55.54	2.49
Remainder		14,888	7,977	244	13,564	7,266	185	56.50	2.49
Total Future		2,428,950	942,219	27,948	2,222,521	861,333	21,408	55.55	2.49
Cumulative		9,362,338	0	38,048					
Ultimate		11,791,288	942,219	65,996					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	5,838	764	1,799	0	8,401	299	105	7,997
2018	39,172	6,781	16,141	0	62,094	2,037	949	59,108
2019	23,267	4,006	9,375	0	36,648	1,189	546	34,913
2020	15,518	2,767	6,400	0	24,685	781	370	23,534
2021	10,041	1,884	4,328	0	16,253	504	251	15,498
2022	6,939	1,378	3,152	0	11,469	339	181	10,949
2023	5,312	1,115	2,547	0	8,974	249	147	8,578
2024	4,020	887	2,028	0	6,935	180	116	6,639
2025	3,200	737	1,689	0	5,626	134	97	5,395
2026	2,551	608	1,399	0	4,558	101	81	4,376
2027	2,094	513	1,185	0	3,792	77	68	3,647
2028	1,580	394	916	0	2,890	57	52	2,781
2029	1,268	321	748	0	2,337	45	43	2,249
2030	1,026	260	613	0	1,899	36	35	1,828
2031	870	221	522	0	1,613	30	29	1,554
Sub-Total	122,696	22,636	52,842	0	198,174	6,058	3,070	189,046
Remainder	766	194	463	0	1,423	25	27	1,371
Total Future	123,462	22,830	53,305	0	199,597	6,083	3,097	190,417

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	1,921	0	2,540	1,600	6,061	1,936	1,936	1,864
2018	10,161	0	15,934	9,723	35,818	23,290	25,226	20,238
2019	4,475	0	15,136	5,732	25,343	9,570	34,796	7,573
2020	2,164	0	7,942	3,874	13,980	9,554	44,350	6,806
2021	1,391	0	4,325	2,563	8,279	7,219	51,569	4,646
2022	1,059	0	620	1,819	3,498	7,451	59,020	4,324
2023	1,003	0	232	1,432	2,667	5,911	64,931	3,104
2024	934	0	146	1,113	2,193	4,446	69,377	2,114
2025	890	0	99	906	1,895	3,500	72,877	1,506
2026	839	0	112	738	1,689	2,687	75,564	1,047
2027	798	0	80	615	1,493	2,154	77,718	759
2028	759	0	76	470	1,305	1,476	79,194	471
2029	742	0	53	381	1,176	1,073	80,267	310
2030	741	0	65	309	1,115	713	80,980	187
2031	760	0	44	263	1,067	487	81,467	115
Sub-Total	28,637	0	47,404	31,538	107,579	81,467		55,064
Remainder	623	0	2,210	232	3,065	−1,694	79,773	−331
Total Future	29,260	0	49,614	31,770	110,644	79,773		54,733

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 8

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVOSKOYE AND TRIDENT
TOTAL PROVED UNDEVELOPED

PROVED
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	DISCOUNTED FUTURE NET INCOME - $M: COMPOUNDED	MONTHLY
INITIAL								10.00% -	370,631
FINAL								12.00% -	327,898
REMARKS								15.00% -	274,689
								20.00% -	208,008
								25.00% -	160,687

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017	3	369,296	114,780	1,614	348,164	108,213	1,360	41.37	2.49
2018	7	1,195,973	330,425	5,356	1,126,189	311,145	4,464	55.78	2.49
2019	9	1,609,786	369,179	6,422	1,454,576	333,584	5,085	54.97	2.49
2020	12	2,026,011	468,063	9,127	1,854,558	428,454	7,282	54.94	2.49
2021	15	2,569,726	632,446	13,248	2,218,527	546,013	9,999	55.08	2.49
2022	15	2,431,827	626,705	13,328	2,049,072	528,061	9,836	55.13	2.49
2023	15	2,045,032	540,357	11,531	1,814,359	479,407	8,949	55.04	2.49
2024	15	1,742,688	468,234	10,028	1,571,360	422,201	7,896	54.96	2.49
2025	15	1,501,611	407,691	8,768	1,415,304	384,254	7,206	54.89	2.49
2026	15	1,305,775	356,591	7,704	1,261,863	344,607	6,479	54.83	2.49
2027	15	1,143,989	313,254	6,793	1,143,991	313,249	5,909	54.78	2.49
2028	15	1,008,333	276,294	6,021	942,029	258,127	4,886	54.73	2.49
2029	15	893,131	244,617	5,358	814,845	223,175	4,236	54.69	2.49
2030	15	794,232	217,331	4,780	702,888	192,333	3,666	54.64	2.49
2031	15	708,578	193,712	4,281	627,857	171,647	3,284	54.61	2.49
Sub-Total		21,345,988	5,559,679	114,359	19,345,582	5,044,470	90,537	54.73	2.49
Remainder		633,833	173,171	3,844	577,510	157,785	3,029	54.57	2.49
Total Future		21,979,821	5,732,850	118,203	19,923,092	5,202,255	93,566	54.73	2.49
Cumulative		0	0	0					
Ultimate		21,979,821	5,732,850	118,203					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	14,402	2,349	3,386	0	20,137	739	235	19,163
2018	62,823	8,311	11,115	0	82,249	3,267	804	78,178
2019	79,960	8,910	12,664	0	101,534	4,086	880	96,568
2020	101,886	11,444	18,132	0	131,462	5,124	1,195	125,143
2021	122,188	14,584	24,894	0	161,666	6,134	1,595	153,937
2022	112,957	14,105	24,498	0	151,560	5,524	1,544	144,492
2023	99,860	12,804	22,278	0	134,942	4,683	1,403	128,856
2024	86,366	11,277	19,662	0	117,305	3,852	1,238	112,215
2025	77,692	10,264	17,940	0	105,896	3,271	1,128	101,497
2026	69,193	9,204	16,135	0	94,532	2,726	1,013	90,793
2027	62,667	8,367	14,712	0	85,746	2,294	924	82,528
2028	51,559	6,895	12,164	0	70,618	1,861	762	67,995
2029	44,561	5,961	10,554	0	61,076	1,587	661	58,828
2030	38,409	5,137	9,128	0	52,674	1,344	570	50,760
2031	34,285	4,585	8,176	0	47,046	1,179	511	45,356
Sub-Total	1,058,808	134,197	225,438	0	1,418,443	47,671	14,463	1,356,309
Remainder	31,514	4,214	7,543	0	43,271	1,062	470	41,739
Total Future	1,090,322	138,411	232,981	0	1,461,714	48,733	14,933	1,398,048

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	4,615	0	5,042	3,811	13,468	5,695	5,695	5,251
2018	12,646	0	27,014	11,485	51,145	27,033	32,728	23,004
2019	12,741	0	43,707	12,698	69,146	27,422	60,150	21,572
2020	11,723	0	46,507	16,492	74,722	50,421	110,571	35,611
2021	15,002	0	51,597	20,882	87,481	66,456	177,027	42,432
2022	14,495	0	8,550	19,833	42,878	101,614	278,641	58,909
2023	15,658	0	3,621	17,563	36,842	92,014	370,655	48,277
2024	16,434	0	2,578	15,184	34,196	78,019	448,674	37,051
2025	17,448	0	1,927	13,632	33,007	68,490	517,164	29,441
2026	18,168	0	2,431	12,104	32,703	58,090	575,254	22,605
2027	18,879	0	1,916	10,924	31,719	50,809	626,063	17,898
2028	19,413	0	1,897	8,951	30,261	37,734	663,797	12,033
2029	20,324	0	1,378	7,705	29,407	29,421	693,218	8,495
2030	21,530	0	1,897	6,616	30,043	20,717	713,935	5,417
2031	23,244	0	1,371	5,884	30,499	14,857	728,792	3,518
Sub-Total	242,320	0	201,433	183,764	627,517	728,792		371,514
Remainder	26,141	0	15,136	5,390	46,667	-4,928	723,864	-883
Total Future	268,461	0	216,569	189,154	674,184	723,864		370,631

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 9

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CONTAINS PRODUCTION BONUS PAYMENTS						

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	1,947,419
12.00% -	1,713,387
15.00% -	1,417,733
20.00% -	1,040,149
25.00% -	767,451

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	313,805	161,392	2,211	288,577	148,417	1,830	41.50	2.49
2018	12	1,953,916	757,215	16,166	1,890,670	732,703	14,041	55.87	2.49
2019	27	5,929,536	2,246,825	39,150	5,742,134	2,175,815	33,312	56.09	2.49
2020	44	11,809,831	4,356,524	71,610	10,871,308	4,010,320	58,600	56.07	2.49
2021	71	15,042,737	5,412,989	149,104	12,891,540	4,612,923	122,929	55.84	2.49
2022	73	13,972,074	5,395,200	147,717	11,763,799	4,514,154	120,382	55.89	2.49
2023	73	10,258,812	4,370,503	129,955	9,044,439	3,833,883	109,662	55.77	2.49
2024	73	7,507,015	3,488,257	114,839	6,768,894	3,131,305	98,789	55.60	2.49
2025	73	5,614,187	2,798,269	100,475	5,275,434	2,622,235	88,591	55.41	2.49
2026	73	4,324,355	2,259,370	86,498	4,151,925	2,165,379	77,111	55.18	2.49
2027	73	3,418,840	1,832,977	74,888	3,418,845	1,832,981	67,999	54.93	2.49
2028	73	2,757,651	1,491,851	65,143	2,612,119	1,409,824	57,844	54.68	2.49
2029	73	2,245,928	1,214,512	56,802	2,069,036	1,115,147	49,987	54.47	2.49
2030	73	1,737,851	965,991	49,049	1,543,418	853,631	42,841	54.41	2.49
2031	65	1,336,504	765,693	13,998	1,189,670	678,280	10,871	54.40	2.49
Sub-Total		88,223,042	37,517,568	1,117,605	79,521,808	33,836,997	954,789	55.59	2.49
Remainder		1,286,398	685,757	13,844	1,232,615	652,212	11,743	53.88	2.49
Total Future		89,509,440	38,203,325	1,131,449	80,754,423	34,489,209	966,532	55.57	2.49
Cumulative		31,000	0	11					
Ultimate		89,540,440	38,203,325	1,131,460					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	11,976	3,222	4,557	0	19,755	359	311	19,085
2018	105,635	19,571	34,962	0	160,168	1,247	2,181	156,740
2019	322,085	58,116	82,947	0	463,148	4,573	5,093	453,482
2020	609,588	107,115	145,906	0	862,609	21,031	10,601	830,977
2021	719,897	123,212	306,103	0	1,149,212	41,148	12,853	1,095,211
2022	657,422	120,573	299,758	0	1,077,753	37,702	12,779	1,027,272
2023	504,413	102,403	273,051	0	879,867	27,270	10,585	842,012
2024	376,365	83,637	245,986	0	705,988	18,814	6,731	680,443
2025	292,317	70,040	220,583	0	582,940	13,877	7,015	562,048
2026	229,092	57,837	192,009	0	478,938	10,210	5,674	463,054
2027	187,797	48,959	169,322	0	406,078	7,750	4,231	394,097
2028	142,826	37,656	144,023	0	324,505	5,333	3,659	315,513
2029	112,690	29,786	124,469	0	266,945	3,884	2,896	260,165
2030	83,972	22,800	106,694	0	213,466	2,790	2,204	208,472
2031	64,719	18,117	27,068	0	109,904	2,059	1,740	106,105
Sub-Total	4,420,794	903,044	2,377,438	0	7,701,276	198,047	88,553	7,414,676
Remainder	66,410	17,421	29,223	0	113,054	1,572	1,474	110,008
Total Future	4,487,204	920,465	2,406,661	0	7,814,330	199,619	90,027	7,524,684

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	12,489	0	90,505	3,952	106,946	-87,861	-87,861	-83,333
2018	34,575	0	142,345	23,800	200,720	-43,980	-131,841	-38,754
2019	65,891	0	221,234	69,279	356,404	97,078	-34,763	74,792
2020	86,538	329	289,048	128,208	504,123	326,854	292,091	230,403
2021	129,920	24,350	87,005	171,296	412,571	682,640	974,731	434,983
2022	128,180	21,203	14,486	162,593	326,462	700,810	1,675,541	406,216
2023	117,923	19,177	6,251	133,843	277,194	564,818	2,240,359	296,551
2024	110,883	17,730	4,386	108,030	241,029	439,414	2,679,773	208,803
2025	104,495	14,283	3,372	89,392	211,542	350,506	3,030,279	150,768
2026	98,925	14,740	4,120	73,191	190,976	272,078	3,302,357	105,919
2027	92,325	30,706	3,234	61,622	187,887	206,210	3,508,567	72,682
2028	87,613	26,931	3,283	48,987	166,814	148,699	3,657,266	47,445
2029	82,565	23,701	2,447	40,129	148,842	111,323	3,768,589	32,154
2030	77,426	21,168	3,146	32,441	134,181	74,291	3,842,880	19,430
2031	55,653	19,162	2,709	15,319	92,843	13,262	3,856,142	3,162
Sub-Total	1,285,401	233,480	877,571	1,162,082	3,558,534	3,856,142		1,961,221
Remainder	64,274	24,196	75,165	14,990	178,625	-68,617	3,787,525	-13,802
Total Future	1,349,675	257,676	952,736	1,177,072	3,737,159	3,787,525		1,947,419

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 10

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROBABLE

PROBABLE
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	0
12.00% -	0
15.00% -	0
20.00% -	0
25.00% -	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		0	0	0					
Ultimate		0	0	0					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 11

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROBABLE NON PRODUCING

PROBABLE
NON PRODUCING

	REVENUE INTERESTS				PRODUCT PRICES			DISCOUNTED FUTURE NET INCOME - $M	
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	COMPOUNDED	MONTHLY
INITIAL								10.00% -	97,411
FINAL								12.00% -	74,201
REMARKS								15.00% -	45,964
								20.00% -	11,924
								25.00% -	-10,938

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	Number of Wells	Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	Oil/Cond. $/bbl.	Gas $/MCF
2017	2	313,805	161,392	2,211	288,577	148,417	1,830	41.50	2.49
2018	6	829,923	304,301	5,424	803,060	294,451	4,539	55.10	2.49
2019	7	773,066	279,588	5,280	748,634	270,750	4,382	54.72	2.49
2020	7	693,356	247,587	4,895	638,250	227,914	3,806	54.10	2.49
2021	10	1,080,021	341,636	8,886	984,350	308,423	7,261	53.00	2.49
2022	10	937,747	259,306	6,372	835,263	225,781	4,867	52.84	2.49
2023	10	885,933	229,698	5,602	806,188	205,470	4,253	52.69	2.49
2024	10	863,628	214,705	5,278	794,242	194,998	3,984	52.56	2.49
2025	10	841,716	206,277	5,168	798,261	194,555	4,008	52.47	2.49
2026	10	844,780	203,756	5,192	814,797	196,050	4,071	52.41	2.49
2027	10	841,193	200,043	5,165	841,195	200,042	4,175	52.36	2.49
2028	10	816,006	192,385	5,014	775,778	182,684	3,848	52.33	2.49
2029	10	758,260	178,490	4,687	701,674	165,081	3,507	52.32	2.49
2030	10	578,617	138,336	3,660	517,868	123,876	2,672	52.31	2.49
2031	10	421,483	103,103	2,755	378,999	92,878	2,042	52.31	2.49
Sub-Total		11,479,534	3,260,603	75,589	10,727,136	3,031,370	59,245	52.68	2.49
Remainder		548,084	153,997	4,817	533,096	150,359	4,180	52.29	2.49
Total Future		12,027,618	3,414,600	80,406	11,260,232	3,181,729	63,425	52.66	2.49
Cumulative									
Ultimate									

	COMPANY FUTURE GROSS REVENUE (FGR) - $M					ROYALTY		FGR AFTER ROYALTY $M
Period	From Oil/Cond.	From Plant Products	From Gas	Other	Total	Oil/Cond. - $M	Gas/P.P. - $	
2017	11,976	3,222	4,557	0	19,755	359	311	19,085
2018	44,247	7,865	11,301	0	63,413	522	767	62,124
2019	40,962	7,232	10,913	0	59,107	582	655	57,870
2020	34,529	6,087	9,479	0	50,095	1,191	652	48,252
2021	52,173	8,238	18,075	0	78,486	1,750	572	76,164
2022	44,136	6,031	12,122	0	62,289	1,659	530	60,100
2023	42,474	5,488	10,593	0	58,555	1,692	530	56,333
2024	41,746	5,208	9,918	0	56,872	1,669	418	54,785
2025	41,886	5,197	9,973	0	57,056	1,683	531	54,842
2026	42,700	5,236	10,137	0	58,073	1,682	533	55,858
2027	44,047	5,344	10,398	0	59,789	1,660	486	57,643
2028	40,599	4,879	9,587	0	55,065	1,408	499	53,158
2029	36,708	4,409	8,727	0	49,844	1,190	452	48,202
2030	27,090	3,309	6,657	0	37,056	836	328	35,892
2031	19,824	2,481	5,090	0	27,395	572	235	26,588
Sub-Total	565,097	80,226	147,527	0	792,850	18,455	7,499	766,896
Remainder	27,875	4,016	10,400	0	42,291	421	185	41,685
Total Future	592,972	84,242	157,927	0	835,141	18,876	7,684	808,581

	DEDUCTIONS - $M					FUTURE NET INCOME BEFORE INCOME TAXES-$M		
						Undiscounted		Discounted
Period	Operating Costs	Other Taxes	Development Costs	Transportation	Total	Annual	Cumulative	@ 10.00 %
2017	12,489	0	90,505	3,952	106,946	-87,861	-87,861	-83,333
2018	13,702	0	55,179	8,644	77,525	-15,401	-103,262	-13,329
2019	8,803	0	27,400	7,766	43,969	13,901	-89,361	10,980
2020	5,243	0	6,763	6,176	18,182	30,070	-59,291	21,282
2021	10,761	2,973	3,652	8,595	25,981	50,183	-9,108	32,170
2022	8,313	2,104	650	6,320	17,387	42,713	33,605	24,754
2023	8,275	1,605	395	5,675	15,950	40,383	73,988	21,176
2024	9,107	1,264	374	5,331	16,076	38,709	112,697	18,369
2025	10,739	1,039	376	5,268	17,422	37,420	150,117	16,072
2026	12,744	868	611	5,290	19,513	36,345	186,462	14,131
2027	14,934	735	609	5,391	21,669	35,974	222,436	12,659
2028	16,959	620	734	4,933	23,246	29,912	252,348	9,532
2029	18,225	508	659	4,456	23,848	24,354	276,702	7,026
2030	16,838	432	803	3,338	21,411	14,481	291,183	3,783
2031	14,740	377	580	2,495	18,192	8,396	299,579	1,988
Sub-Total	181,872	12,525	189,290	83,630	467,317	299,579		97,260
Remainder	26,148	1,871	7,792	4,208	40,019	1,666	301,245	151
Total Future	208,020	14,396	197,082	87,838	507,336	301,245		97,411

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 12

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE AND TRIDENT
TOTAL PROBABLE UNDEVELOPED

PROBABLE
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	1,850,009
12.00% -	1,639,187
15.00% -	1,371,769
20.00% -	1,028,226
25.00% -	778,389

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	6	1,123,993	452,914	10,742	1,087,610	438,252	9,502	56.44	2.49
2019	20	5,156,470	1,967,237	33,870	4,993,500	1,905,065	28,930	56.30	2.49
2020	37	11,116,475	4,108,937	66,715	10,233,058	3,782,406	54,794	56.20	2.49
2021	61	13,962,716	5,071,353	140,218	11,907,190	4,304,500	115,668	56.08	2.49
2022	63	13,034,327	5,135,894	141,345	10,928,536	4,288,373	115,515	56.12	2.49
2023	63	9,372,879	4,140,805	124,353	8,238,251	3,628,413	105,409	56.07	2.49
2024	63	6,643,387	3,273,552	109,561	5,974,652	2,936,307	94,805	56.01	2.49
2025	63	4,772,471	2,591,992	95,307	4,477,173	2,427,680	84,583	55.93	2.49
2026	63	3,479,575	2,055,614	81,306	3,337,128	1,969,329	73,040	55.85	2.49
2027	63	2,577,647	1,632,934	69,723	2,577,650	1,632,939	63,824	55.77	2.49
2028	63	1,941,645	1,299,466	60,129	1,836,341	1,227,140	53,996	55.67	2.49
2029	63	1,487,668	1,036,022	52,115	1,367,362	950,066	46,480	55.57	2.49
2030	63	1,159,234	827,655	45,389	1,025,550	729,755	40,169	55.47	2.49
2031	55	915,021	662,590	11,243	810,671	585,402	8,829	55.38	2.49
Sub-Total		76,743,508	34,256,965	1,042,016	68,794,672	30,805,627	895,544	56.05	2.49
Remainder		738,314	531,760	9,027	699,519	501,853	7,563	55.09	2.49
Total Future		77,481,822	34,788,725	1,051,043	69,494,191	31,307,480	903,107	56.04	2.49
Cumulative									
Ultimate									

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	61,387	11,706	23,661	0	96,754	724	1,415	94,615
2019	281,124	50,884	72,034	0	404,042	3,992	4,437	395,613
2020	575,059	101,028	136,427	0	812,514	19,840	9,949	782,725
2021	667,724	114,973	288,028	0	1,070,725	39,398	12,281	1,019,046
2022	613,287	114,543	287,635	0	1,015,465	36,043	12,249	967,173
2023	461,938	96,915	262,459	0	821,312	25,578	10,055	785,679
2024	334,620	78,428	236,068	0	649,116	17,144	6,313	625,659
2025	250,430	64,844	210,610	0	525,884	12,195	6,484	507,205
2026	186,392	52,600	181,872	0	420,864	8,529	5,141	407,194
2027	143,751	43,616	158,924	0	346,291	6,089	3,745	336,457
2028	102,226	32,777	134,435	0	269,438	3,925	3,160	262,353
2029	75,982	25,376	115,742	0	217,100	2,693	2,444	211,963
2030	56,882	19,492	100,038	0	176,412	1,954	1,876	172,582
2031	44,895	15,636	21,978	0	82,509	1,488	1,505	79,516
Sub-Total	3,855,697	822,818	2,229,911	0	6,908,426	179,592	81,054	6,647,780
Remainder	38,535	13,405	18,823	0	70,763	1,151	1,288	68,324
Total Future	3,894,232	836,223	2,248,734	0	6,979,189	180,743	82,342	6,716,104

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	20,873	0	87,165	15,157	123,195	-28,580	-28,580	-25,425
2019	57,088	0	193,835	61,513	312,436	83,177	54,597	63,811
2020	81,296	329	282,284	122,032	485,941	296,784	351,381	209,122
2021	119,158	21,377	83,354	162,700	386,589	632,457	983,838	402,813
2022	119,867	19,099	13,836	156,273	309,075	658,098	1,641,936	381,462
2023	109,648	17,572	5,858	128,169	261,247	524,432	2,166,368	275,375
2024	101,776	16,466	4,011	102,698	224,951	400,708	2,567,076	190,434
2025	93,756	13,245	2,995	84,124	194,120	313,085	2,880,161	134,696
2026	86,181	13,872	3,509	67,901	171,463	235,731	3,115,892	91,789
2027	77,390	29,969	2,625	56,231	166,215	170,242	3,286,134	60,022
2028	70,655	26,312	2,550	44,054	143,571	118,782	3,404,916	37,913
2029	64,340	23,193	1,787	35,673	124,993	86,970	3,491,886	25,128
2030	60,588	20,736	2,343	29,103	112,770	59,812	3,551,698	15,646
2031	40,913	18,785	2,129	12,824	74,651	4,865	3,556,563	1,175
Sub-Total	1,103,529	220,955	688,281	1,078,452	3,091,217	3,556,563		1,863,961
Remainder	38,126	22,325	67,373	10,781	138,605	-70,281	3,486,282	-13,952
Total Future	1,141,655	243,280	755,654	1,089,233	3,229,822	3,486,282		1,850,009

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 13

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CONTAINS PRODUCTION BONUS PAYMENTS						

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	2,963,232
12.00% -	2,650,837
15.00% -	2,254,333
20.00% -	1,743,068
25.00% -	1,367,944

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	50	6,527,123	2,048,062	45,496	6,145,917	1,927,137	37,851	40.90	2.49
2018	67	8,705,823	2,872,702	65,377	8,248,853	2,724,747	54,514	55.60	2.49
2019	84	11,962,579	4,094,274	81,240	11,193,907	3,845,143	66,635	55.71	2.49
2020	104	17,365,742	6,067,386	110,415	15,957,067	5,576,399	89,749	55.80	2.49
2021	120	19,689,070	6,978,374	129,069	16,790,065	5,947,258	97,695	55.85	2.49
2022	122	18,234,940	6,872,185	126,498	15,261,911	5,749,468	94,073	55.85	2.49
2023	122	13,908,955	5,660,487	104,772	12,232,212	4,974,356	81,730	55.72	2.49
2024	122	10,658,242	4,613,620	86,069	9,576,414	4,143,620	68,457	55.56	2.49
2025	122	8,350,574	3,777,802	71,062	7,838,893	3,544,182	58,930	55.40	2.49
2026	122	6,714,427	3,114,469	59,175	6,454,286	2,991,036	50,084	55.22	2.49
2027	122	5,516,710	2,581,858	49,573	5,516,721	2,581,851	43,552	55.04	2.49
2028	121	4,608,350	2,149,636	41,728	4,331,715	2,023,152	34,380	54.87	2.49
2029	121	3,886,859	1,794,023	35,195	3,556,102	1,642,354	28,132	54.74	2.49
2030	121	3,194,170	1,477,651	29,110	2,821,397	1,304,570	22,450	54.71	2.49
2031	121	2,633,749	1,218,474	24,089	2,330,454	1,077,728	18,628	54.70	2.49
Sub-Total		141,957,313	55,321,003	1,058,868	128,255,914	50,053,001	846,860	54.86	2.49
Remainder		2,174,865	1,012,448	20,121	2,012,746	941,926	16,337	54.66	2.49
Total Future		144,132,178	56,333,451	1,078,989	130,268,660	50,994,927	863,197	54.86	2.49
Cumulative		49,313,152	0	284,940					
Ultimate		193,445,330	56,333,451	1,363,929					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	251,351	41,838	94,245	0	387,434	12,639	5,559	369,236
2018	458,665	72,778	135,747	0	667,190	19,604	8,556	639,030
2019	623,666	102,704	165,922	0	892,292	19,985	10,297	862,010
2020	890,470	148,945	223,456	0	1,262,871	35,159	15,425	1,212,287
2021	937,641	158,852	243,279	0	1,339,772	54,243	17,351	1,268,178
2022	852,377	153,568	234,235	0	1,240,180	48,758	16,726	1,174,696
2023	681,583	132,865	203,524	0	1,017,972	36,680	14,171	967,121
2024	532,092	110,676	170,451	0	813,219	26,562	9,891	776,766
2025	434,248	94,665	146,714	0	675,627	20,451	9,893	645,283
2026	356,383	79,891	124,722	0	560,996	15,675	8,254	537,067
2027	303,632	68,961	108,445	0	481,038	12,327	6,574	462,137
2028	237,699	54,039	85,603	0	377,341	9,027	5,585	362,729
2029	194,653	43,867	70,047	0	308,567	7,015	4,557	296,995
2030	154,352	34,845	55,918	0	245,115	5,426	3,630	236,059
2031	127,483	28,786	46,389	0	202,658	4,355	3,007	195,296
Sub-Total	7,036,295	1,327,280	2,108,697	0	10,472,272	327,906	139,476	10,004,890
Remainder	110,013	25,159	40,656	0	175,828	3,624	2,633	169,571
Total Future	7,146,308	1,352,439	2,149,353	0	10,648,100	331,530	142,109	10,174,461

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	98,496	0	204,067	67,334	369,897	-661	-661	130
2018	117,013	0	253,455	95,083	465,551	173,479	172,818	148,795
2019	119,072	0	329,943	128,222	577,237	284,773	457,591	221,655
2020	122,154	0	243,811	182,755	548,720	663,567	1,121,158	468,022
2021	125,405	0	196,346	195,087	516,838	751,340	1,872,498	480,256
2022	124,265	0	32,691	182,076	339,032	835,664	2,708,162	484,448
2023	117,895	0	13,996	149,384	281,275	685,846	3,394,008	360,103
2024	113,548	0	9,897	118,865	242,310	534,456	3,928,464	253,984
2025	110,241	0	7,498	98,101	215,840	429,443	4,357,907	184,720
2026	108,728	0	9,297	80,615	198,640	338,427	4,696,334	131,754
2027	105,753	0	7,498	68,263	181,514	280,623	4,976,957	98,896
2028	104,177	0	7,298	52,826	164,301	198,428	5,175,385	63,307
2029	102,900	0	5,298	42,637	150,835	146,160	5,321,545	42,215
2030	101,733	0	7,098	33,803	142,634	93,425	5,414,970	24,440
2031	100,776	0	5,098	27,944	133,818	61,478	5,476,448	14,567
Sub-Total	1,672,156	0	1,333,291	1,522,995	4,528,442	5,476,448		2,977,292
Remainder	100,040	0	117,483	24,212	241,735	-72,164	5,404,284	-14,060
Total Future	1,772,196	0	1,450,774	1,547,207	4,770,177	5,404,284		2,963,232

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 14

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROVED AND PROBABLE

PV AND PB
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS			PRODUCT PRICES		
		Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	637,059
12.00% -	584,107
15.00% -	516,841
20.00% -	429,655
25.00% -	364,841

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	Number of Wells	Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	Oil/Cond. $/bbl.	Gas $/MCF
2017	43	5,694,814	1,734,568	40,819	5,368,506	1,635,321	33,939	40.82	2.49
2018	43	4,819,652	1,515,451	35,565	4,538,675	1,427,021	29,525	55.31	2.49
2019	43	3,967,512	1,312,290	30,679	3,585,392	1,185,766	24,474	55.32	2.49
2020	43	3,229,858	1,129,644	26,329	2,956,551	1,034,044	21,296	55.29	2.49
2021	43	2,695,732	976,389	22,699	2,327,253	842,945	17,322	55.27	2.49
2022	43	2,281,118	847,468	19,654	1,922,063	714,078	14,658	55.25	2.49
2023	43	1,947,871	738,147	17,090	1,728,126	654,892	13,408	55.24	2.49
2024	43	1,674,349	644,871	14,905	1,509,729	581,475	11,899	55.21	2.49
2025	43	1,446,698	564,801	13,040	1,363,531	532,334	10,885	55.19	2.49
2026	43	1,255,290	495,722	11,427	1,213,061	479,055	9,779	55.17	2.49
2027	43	1,093,367	435,949	10,040	1,093,370	435,945	8,893	55.15	2.49
2028	42	955,703	384,068	8,835	892,874	358,817	7,312	55.13	2.49
2029	42	837,757	338,932	7,793	764,335	309,222	6,301	55.11	2.49
2030	42	735,859	299,562	6,882	651,222	265,105	5,396	55.09	2.49
2031	42	647,439	265,152	6,080	573,677	234,947	4,775	55.06	2.49
Sub-Total		33,283,019	11,683,014	271,837	30,488,365	10,690,967	219,862	52.71	2.49
Remainder		570,479	235,013	5,391	519,790	214,133	4,357	55.04	2.49
Total Future		33,853,498	11,918,027	277,228	31,008,155	10,905,100	224,219	52.75	2.49
Cumulative		39,950,814	0	246,892					
Ultimate		73,804,312	11,918,027	524,120					

	COMPANY FUTURE GROSS REVENUE (FGR) - $M					ROYALTY		FGR AFTER ROYALTY
Period	From Oil/Cond.	From Plant Products	From Gas	Other	Total	Oil/Cond. - $M	Gas/P.P. - $	$M
2017	219,135	35,503	84,503	0	339,141	11,242	4,908	322,991
2018	251,036	38,116	73,529	0	362,681	13,053	4,622	345,006
2019	198,352	31,671	60,935	0	290,958	10,136	3,779	277,043
2020	163,479	27,620	53,020	0	244,119	8,223	3,258	232,638
2021	128,637	22,515	43,138	0	194,290	6,458	2,652	185,180
2022	106,203	19,073	36,482	0	161,758	5,193	2,222	154,343
2023	95,453	17,492	33,409	0	146,354	4,477	2,036	139,841
2024	83,359	15,531	29,626	0	128,516	3,718	1,806	122,992
2025	75,258	14,219	27,092	0	116,569	3,168	1,653	111,748
2026	66,927	12,795	24,356	0	104,078	2,637	1,486	99,955
2027	60,301	11,644	22,144	0	94,089	2,207	1,351	90,531
2028	49,224	9,584	18,211	0	77,019	1,777	1,112	74,130
2029	42,121	8,260	15,682	0	66,063	1,500	958	63,605
2030	35,873	7,081	13,436	0	56,390	1,255	821	54,314
2031	31,590	6,275	11,900	0	49,765	1,087	727	47,951
Sub-Total	1,606,948	277,379	547,463	0	2,431,790	76,131	33,391	2,322,268
Remainder	28,611	5,720	10,839	0	45,170	964	662	43,544
Total Future	1,635,559	283,099	558,302	0	2,476,960	77,095	34,053	2,365,812

	DEDUCTIONS - $M					FUTURE NET INCOME BEFORE INCOME TAXES-$M		
						Undiscounted		Discounted
Period	Operating Costs	Other Taxes	Development Costs	Transportation	Total	Annual	Cumulative	@ 10.00 %
2017	79,471	0	105,981	57,971	243,423	79,568	79,568	76,349
2018	59,631	0	98,161	50,075	207,867	137,139	216,707	118,576
2019	35,965	0	124,865	40,512	201,342	75,701	292,408	59,647
2020	21,729	0	81,315	34,183	137,227	95,411	387,819	67,765
2021	16,931	0	53,420	27,299	97,650	87,530	475,349	56,201
2022	15,301	0	9,034	22,777	47,112	107,231	582,580	62,154
2023	16,776	0	3,892	20,635	41,303	98,538	681,118	51,696
2024	17,762	0	2,787	18,132	38,681	84,311	765,429	40,037
2025	18,924	0	2,100	16,452	37,476	74,272	839,701	31,927
2026	19,686	0	2,634	14,689	37,009	62,946	902,647	24,495
2027	20,367	0	2,267	13,274	35,908	54,623	957,270	19,245
2028	20,801	0	2,041	10,860	33,702	40,428	997,698	12,894
2029	21,584	0	1,472	9,307	32,363	31,242	1,028,940	9,021
2030	22,614	0	1,991	7,939	32,544	21,770	1,050,710	5,693
2031	24,112	0	1,422	6,999	32,533	15,418	1,066,128	3,652
Sub-Total	411,654	0	493,382	351,104	1,256,140	1,066,128		639,352
Remainder	24,161	0	25,273	6,348	55,782	-12,238	1,053,890	-2,293
Total Future	435,815	0	518,655	357,452	1,311,922	1,053,890		637,059

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 15

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROVED AND PROBABLE

PV AND PB
NON PRODUCING

	REVENUE INTERESTS				PRODUCT PRICES		
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	135,215
12.00% –	112,658
15.00% –	84,792
20.00% –	50,293
25.00% –	26,187

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	4	463,013	198,714	3,063	429,247	183,603	2,552	41.50	2.49
2018	11	1,566,205	573,912	13,714	1,496,379	548,329	11,023	55.75	2.49
2019	12	1,228,811	445,568	10,269	1,160,439	420,728	8,146	55.35	2.49
2020	12	993,398	360,742	8,244	912,900	331,495	6,377	54.82	2.49
2021	12	838,190	301,239	6,914	714,389	256,853	4,935	54.33	2.49
2022	12	766,532	264,301	6,148	641,104	221,139	4,263	53.82	2.49
2023	12	750,182	242,740	5,754	658,485	213,206	4,145	53.38	2.49
2024	12	752,173	228,085	5,515	675,028	204,759	4,019	53.06	2.49
2025	12	745,410	214,125	5,256	698,501	200,721	3,972	52.84	2.49
2026	12	760,788	207,124	5,160	729,235	198,627	3,962	52.68	2.49
2027	12	767,476	200,141	5,050	767,479	200,138	4,015	52.58	2.49
2028	12	752,614	190,112	4,838	710,416	179,372	3,615	52.51	2.49
2029	12	706,402	174,675	4,477	647,659	160,114	3,244	52.47	2.49
2030	12	534,035	133,264	3,419	470,927	117,538	2,383	52.48	2.49
2031	12	382,043	97,106	2,488	337,581	85,818	1,743	52.50	2.49
Sub-Total		12,007,272	3,831,848	90,309	11,049,769	3,522,440	68,394	53.32	2.49
Remainder		281,227	72,627	1,864	264,915	68,278	1,392	52.52	2.49
Total Future		12,288,499	3,904,475	92,173	11,314,684	3,590,718	69,786	53.30	2.49
Cumulative		9,362,338	0	38,048					
Ultimate		21,650,837	3,904,475	130,221					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	17,814	3,986	6,355	0	28,155	659	416	27,080
2018	83,420	14,646	27,443	0	125,509	2,559	1,716	121,234
2019	64,228	11,238	20,288	0	95,754	1,770	1,201	92,783
2020	50,047	8,854	15,879	0	74,780	1,972	1,022	71,786
2021	38,814	6,860	12,288	0	57,962	2,254	823	54,885
2022	34,506	5,907	10,616	0	51,029	1,999	711	48,319
2023	35,152	5,695	10,324	0	51,171	1,941	677	48,553
2024	35,815	5,469	10,004	0	51,288	1,848	535	48,905
2025	36,912	5,361	9,887	0	52,160	1,817	627	49,716
2026	38,418	5,305	9,863	0	53,586	1,783	614	51,189
2027	40,351	5,346	10,001	0	55,698	1,737	554	53,407
2028	37,301	4,791	9,006	0	51,098	1,464	551	49,083
2029	33,980	4,277	8,070	0	46,327	1,236	494	44,597
2030	24,712	3,139	5,936	0	33,787	872	363	32,552
2031	17,725	2,292	4,343	0	24,360	601	266	23,493
Sub-Total	589,195	93,166	170,303	0	852,664	24,512	10,570	817,582
Remainder	13,914	1,824	3,461	0	19,199	447	211	18,541
Total Future	603,109	94,990	173,764	0	871,863	24,959	10,781	836,123

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	14,410	0	93,045	5,552	113,007	-85,927	-85,927	-81,469
2018	23,863	0	51,114	18,367	93,344	27,890	-58,037	24,063
2019	13,278	0	32,536	13,498	59,312	33,471	-24,566	26,317
2020	7,407	0	14,704	10,049	32,160	39,626	15,060	28,087
2021	5,528	0	7,976	7,417	20,921	33,964	49,024	21,768
2022	5,268	0	1,272	6,140	12,680	35,639	84,663	20,651
2023	6,218	0	625	5,773	12,616	35,937	120,600	18,843
2024	7,565	0	520	5,465	13,550	35,355	155,955	16,777
2025	9,024	0	476	5,325	14,825	34,891	190,846	14,987
2026	10,983	0	722	5,267	16,972	34,217	225,063	13,304
2027	13,073	0	690	5,319	19,082	34,325	259,388	12,080
2028	15,122	0	810	4,782	20,714	28,369	287,757	9,038
2029	16,531	0	662	4,281	21,474	23,123	310,880	6,671
2030	15,161	0	868	3,139	19,168	13,384	324,264	3,498
2031	13,032	0	574	2,287	15,893	7,600	331,864	1,799
Sub-Total	176,463	0	206,594	102,661	485,718	331,864		136,414
Remainder	13,012	0	9,852	1,816	24,680	-6,139	325,725	-1,199
Total Future	189,475	0	216,446	104,477	510,398	325,725		135,215

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 16

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROVED AND PROBABLE

PV AND PB
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	2,190,959
12.00% -	1,954,072
15.00% -	1,652,701
20.00% -	1,263,120
25.00% -	976,916

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	369,296	114,780	1,614	348,164	108,213	1,360	41.37	2.49
2018	13	2,319,966	783,339	16,098	2,213,799	749,397	13,966	56.11	2.49
2019	29	6,766,256	2,336,416	40,292	6,448,076	2,238,649	34,015	56.00	2.49
2020	49	13,142,486	4,577,000	75,842	12,087,616	4,210,860	62,076	56.00	2.49
2021	65	16,155,148	5,700,746	99,456	13,748,423	4,847,460	75,438	56.02	2.49
2022	67	15,187,290	5,760,416	100,696	12,698,744	4,814,251	75,152	56.04	2.49
2023	67	11,210,902	4,679,600	81,928	9,845,601	4,106,258	64,177	55.96	2.49
2024	67	8,231,720	3,740,664	65,649	7,391,657	3,357,386	52,539	55.86	2.49
2025	67	6,158,466	2,998,876	52,766	5,776,861	2,811,127	44,073	55.75	2.49
2026	67	4,698,349	2,411,623	42,588	4,511,990	2,313,354	36,343	55.64	2.49
2027	67	3,655,867	1,945,768	34,483	3,655,872	1,945,768	30,644	55.52	2.49
2028	67	2,900,033	1,575,456	28,055	2,728,425	1,484,963	23,453	55.41	2.49
2029	67	2,342,700	1,280,416	22,925	2,144,108	1,173,018	18,587	55.29	2.49
2030	67	1,924,276	1,044,825	18,809	1,699,248	921,927	14,671	55.18	2.49
2031	67	1,604,267	856,216	15,521	1,419,196	756,963	12,110	55.08	2.49
Sub-Total		96,667,022	39,806,141	696,722	86,717,780	35,839,594	558,604	55.81	2.49
Remainder		1,323,159	704,808	12,866	1,228,041	659,515	10,588	54.96	2.49
Total Future		97,990,181	40,510,949	709,588	87,945,821	36,499,109	569,192	55.80	2.49
Cumulative		0	0	0					
Ultimate		97,990,181	40,510,949	709,588					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	14,402	2,349	3,386	0	20,137	739	235	19,163
2018	124,210	20,017	34,776	0	179,003	3,991	2,218	172,794
2019	361,085	59,794	84,698	0	505,577	8,078	5,318	492,181
2020	676,944	112,472	154,559	0	943,975	24,964	11,144	907,867
2021	770,191	129,476	187,853	0	1,087,520	45,533	13,876	1,028,111
2022	711,667	128,588	187,136	0	1,027,391	41,566	13,793	972,032
2023	550,978	109,679	159,791	0	820,448	30,261	11,459	778,728
2024	412,918	89,675	130,821	0	633,414	20,996	7,549	604,869
2025	322,078	75,086	109,734	0	506,898	15,466	7,612	483,820
2026	251,038	61,789	90,504	0	403,331	11,255	6,156	385,920
2027	202,981	51,972	76,300	0	331,253	8,383	4,668	318,202
2028	151,174	39,663	58,386	0	249,223	5,786	3,922	239,515
2029	118,551	31,331	46,294	0	196,176	4,280	3,105	188,791
2030	93,767	24,625	36,547	0	154,939	3,298	2,447	149,194
2031	78,168	20,219	30,146	0	128,533	2,667	2,014	123,852
Sub-Total	4,840,152	956,735	1,390,931	0	7,187,818	227,263	95,516	6,865,039
Remainder	67,489	17,615	26,356	0	111,460	2,213	1,759	107,488
Total Future	4,907,641	974,350	1,417,287	0	7,299,278	229,476	97,275	6,972,527

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	4,615	0	5,042	3,811	13,468	5,695	5,695	5,251
2018	33,519	0	104,180	26,641	164,340	8,454	14,149	6,156
2019	69,829	0	172,541	74,212	316,582	175,599	189,748	135,690
2020	93,019	0	147,792	138,524	379,335	528,532	718,280	372,171
2021	102,944	0	134,950	160,370	398,264	629,847	1,348,127	402,286
2022	103,696	0	22,385	153,158	279,239	692,793	2,040,920	401,643
2023	94,902	0	9,479	122,977	227,358	551,370	2,592,290	289,564
2024	88,221	0	6,590	95,267	190,078	414,791	3,007,081	197,170
2025	82,293	0	4,922	76,325	163,540	320,280	3,327,361	137,806
2026	78,058	0	5,940	60,659	144,657	241,263	3,568,624	93,955
2027	72,314	0	4,541	49,670	126,525	191,677	3,760,301	67,572
2028	68,254	0	4,447	37,184	109,885	129,630	3,889,931	41,374
2029	64,785	0	3,166	29,049	97,000	91,791	3,981,722	26,523
2030	63,957	0	4,238	22,726	90,921	58,273	4,039,995	15,249
2031	63,633	0	3,101	18,658	85,392	38,460	4,078,455	9,117
Sub-Total	1,084,039	0	633,314	1,069,231	2,786,584	4,078,455		2,201,527
Remainder	62,867	0	82,359	16,047	161,273	-53,785	4,024,670	-10,568
Total Future	1,146,906	0	715,673	1,085,278	2,947,857	4,024,670		2,190,959

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 17

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROVED RESERVES

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CONTAINS PRODUCTION BONUS PAYMENT						

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	1,062,423
12.00% -	963,188
15.00% -	838,031
20.00% -	677,741
25.00% -	560,500

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	48	6,213,318	1,886,670	43,285	5,857,340	1,778,720	36,021	40.87	2.49
2018	55	6,751,907	2,115,487	49,211	6,358,183	1,992,044	40,473	55.52	2.49
2019	57	6,033,043	1,847,449	42,090	5,451,773	1,669,328	33,323	55.32	2.49
2020	60	5,555,911	1,710,862	38,805	5,085,759	1,566,079	31,149	55.23	2.49
2021	63	5,471,309	1,690,567	38,344	4,723,501	1,459,517	29,058	55.23	2.49
2022	63	4,858,696	1,535,400	34,767	4,093,942	1,293,729	25,759	55.23	2.49
2023	63	4,098,876	1,325,542	29,991	3,636,506	1,176,031	23,380	55.17	2.49
2024	63	3,495,952	1,149,932	26,008	3,152,245	1,036,884	20,611	55.12	2.49
2025	63	3,008,398	1,001,767	22,662	2,835,470	944,181	18,769	55.07	2.49
2026	63	2,607,787	875,887	19,823	2,520,076	846,445	16,820	55.03	2.49
2027	63	2,274,408	768,403	17,402	2,274,414	768,392	15,276	54.99	2.49
2028	62	1,993,971	676,165	15,326	1,862,868	631,708	12,567	54.95	2.49
2029	62	1,755,486	596,686	13,546	1,601,621	544,382	10,838	54.91	2.49
2030	62	1,550,618	527,916	11,996	1,372,278	467,195	9,309	54.88	2.49
2031	62	1,373,389	468,202	10,644	1,216,928	414,869	8,269	54.85	2.49
Sub-Total		57,043,069	18,176,935	413,900	52,042,904	16,589,504	331,622	53.58	2.49
Remainder		1,219,200	416,161	9,479	1,110,864	379,184	7,571	54.81	2.49
Total Future		58,262,269	18,593,096	423,379	53,153,768	16,968,688	339,193	53.61	2.49
Cumulative		49,313,152	0	284,940					
Ultimate		107,575,421	18,593,096	708,319					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	239,375	38,616	89,688	0	367,679	12,280	5,248	350,151
2018	353,031	53,208	100,785	0	507,024	18,358	6,375	482,291
2019	301,580	44,587	82,975	0	429,142	15,410	5,204	408,528
2020	280,882	41,830	77,550	0	400,262	14,129	4,823	381,310
2021	260,866	38,984	72,360	0	372,210	13,095	4,499	354,616
2022	226,098	34,556	64,132	0	324,786	11,056	3,947	309,783
2023	200,626	31,411	58,234	0	290,271	9,410	3,586	277,275
2024	173,745	27,695	51,317	0	252,757	7,749	3,161	241,847
2025	156,150	25,220	46,721	0	228,091	6,574	2,877	218,640
2026	138,671	22,608	41,890	0	203,169	5,463	2,580	195,126
2027	125,062	20,524	38,042	0	183,628	4,578	2,343	176,707
2028	102,363	16,873	31,291	0	150,527	3,695	1,926	144,906
2029	87,950	14,540	26,984	0	129,474	3,131	1,661	124,682
2030	75,309	12,479	23,176	0	110,964	2,636	1,426	106,902
2031	66,744	11,081	20,598	0	98,423	2,296	1,268	94,859
Sub-Total	2,788,452	434,212	825,743	0	4,048,407	129,860	50,924	3,867,623
Remainder	60,891	10,128	18,844	0	89,863	2,052	1,158	86,653
Total Future	2,849,343	444,340	844,587	0	4,138,270	131,912	52,082	3,954,276

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	86,007	0	113,562	63,382	262,951	87,200	87,200	83,464
2018	82,438	0	141,111	71,283	294,832	187,459	274,659	161,818
2019	53,181	0	183,708	58,943	295,832	112,696	387,355	88,793
2020	35,616	0	135,764	54,547	225,927	155,383	542,738	110,181
2021	33,325	0	109,340	50,745	193,410	161,206	703,944	103,279
2022	30,854	0	18,205	44,429	93,488	216,295	920,239	125,387
2023	33,438	0	7,745	39,630	80,813	196,462	1,116,701	103,077
2024	35,128	0	5,511	34,429	75,068	166,779	1,283,480	79,202
2025	37,263	0	4,126	30,990	72,379	146,261	1,429,741	62,873
2026	38,693	0	5,178	27,531	71,402	123,724	1,553,465	48,148
2027	40,045	0	4,263	24,813	69,121	107,586	1,661,051	37,901
2028	40,973	0	4,015	20,281	65,269	79,637	1,740,688	25,399
2029	42,650	0	2,901	17,393	62,944	61,738	1,802,426	17,826
2030	44,884	0	3,952	14,864	63,700	43,202	1,845,628	11,297
2031	48,116	0	2,839	13,146	64,101	30,758	1,876,386	7,285
Sub-Total	682,611	0	742,220	566,406	1,991,237	1,876,386		1,065,930
Remainder	50,925	0	42,617	11,970	105,512	-18,859	1,857,527	-3,507
Total Future	733,536	0	784,837	578,376	2,096,749	1,857,527		1,062,423

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 18

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE FIELD
TOTAL PROVED PRODUCING

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	637,059
12.00% –	584,107
15.00% –	516,841
20.00% –	429,655
25.00% –	364,841

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	43	5,694,814	1,734,568	40,819	5,368,506	1,635,321	33,939	40.82	2.49
2018	43	4,819,652	1,515,451	35,565	4,538,675	1,427,021	29,525	55.31	2.49
2019	43	3,967,512	1,312,290	30,679	3,585,392	1,185,766	24,474	55.32	2.49
2020	43	3,229,858	1,129,644	26,329	2,956,551	1,034,044	21,296	55.29	2.49
2021	43	2,695,732	976,389	22,699	2,327,253	842,945	17,322	55.27	2.49
2022	43	2,281,118	847,468	19,654	1,922,063	714,078	14,658	55.25	2.49
2023	43	1,947,871	738,147	17,090	1,728,126	654,892	13,408	55.24	2.49
2024	43	1,674,349	644,871	14,905	1,509,729	581,475	11,899	55.21	2.49
2025	43	1,446,698	564,801	13,040	1,363,531	532,334	10,885	55.19	2.49
2026	43	1,255,290	495,722	11,427	1,213,061	479,055	9,779	55.17	2.49
2027	43	1,093,367	435,949	10,040	1,093,370	435,945	8,893	55.15	2.49
2028	42	955,703	384,068	8,835	892,874	358,817	7,312	55.13	2.49
2029	42	837,757	338,932	7,793	764,335	309,222	6,301	55.11	2.49
2030	42	735,859	299,562	6,882	651,222	265,105	5,396	55.09	2.49
2031	42	647,439	265,152	6,080	573,677	234,947	4,775	55.06	2.49
Sub-Total		33,283,019	11,683,014	271,837	30,488,365	10,690,967	219,862	52.71	2.49
Remainder		570,479	235,013	5,391	519,790	214,133	4,357	55.04	2.49
Total Future		33,853,498	11,918,027	277,228	31,008,155	10,905,100	224,219	52.75	2.49
Cumulative		39,950,814	0	246,892					
Ultimate		73,804,312	11,918,027	524,120					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	219,135	35,503	84,503	0	339,141	11,242	4,908	322,991
2018	251,036	38,116	73,529	0	362,681	13,053	4,622	345,006
2019	198,352	31,671	60,935	0	290,958	10,136	3,779	277,043
2020	163,479	27,620	53,020	0	244,119	8,223	3,258	232,638
2021	128,637	22,515	43,138	0	194,290	6,458	2,652	185,180
2022	106,203	19,073	36,482	0	161,758	5,193	2,222	154,343
2023	95,453	17,492	33,409	0	146,354	4,477	2,036	139,841
2024	83,359	15,531	29,626	0	128,516	3,718	1,806	122,992
2025	75,258	14,219	27,092	0	116,569	3,168	1,653	111,748
2026	66,927	12,795	24,356	0	104,078	2,637	1,486	99,955
2027	60,301	11,644	22,144	0	94,089	2,207	1,351	90,531
2028	49,224	9,584	18,211	0	77,019	1,777	1,112	74,130
2029	42,121	8,260	15,682	0	66,063	1,500	958	63,605
2030	35,873	7,081	13,436	0	56,390	1,255	821	54,314
2031	31,590	6,275	11,900	0	49,765	1,087	727	47,951
Sub-Total	1,606,948	277,379	547,463	0	2,431,790	76,131	33,391	2,322,268
Remainder	28,611	5,720	10,839	0	45,170	964	662	43,544
Total Future	1,635,559	283,099	558,302	0	2,476,960	77,095	34,053	2,365,812

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	79,471	0	105,981	57,971	243,423	79,568	79,568	76,349
2018	59,631	0	98,161	50,075	207,867	137,139	216,707	118,576
2019	35,965	0	124,865	40,512	201,342	75,701	292,408	59,647
2020	21,729	0	81,315	34,183	137,227	95,411	387,819	67,765
2021	16,931	0	53,420	27,299	97,650	87,530	475,349	56,201
2022	15,301	0	9,034	22,777	47,112	107,231	582,580	62,154
2023	16,776	0	3,892	20,635	41,303	98,538	681,118	51,696
2024	17,762	0	2,787	18,132	38,681	84,311	765,429	40,037
2025	18,924	0	2,100	16,452	37,476	74,272	839,701	31,927
2026	19,686	0	2,634	14,689	37,009	62,946	902,647	24,495
2027	20,367	0	2,267	13,274	35,908	54,623	957,270	19,245
2028	20,801	0	2,041	10,860	33,702	40,428	997,698	12,894
2029	21,584	0	1,472	9,307	32,363	31,242	1,028,940	9,021
2030	22,614	0	1,991	7,939	32,544	21,770	1,050,710	5,693
2031	24,112	0	1,422	6,999	32,533	15,418	1,066,128	3,652
Sub-Total	411,654	0	493,382	351,104	1,256,140	1,066,128		639,352
Remainder	24,161	0	25,273	6,348	55,782	-12,238	1,053,890	-2,293
Total Future	435,815	0	518,655	357,452	1,311,922	1,053,890		637,059

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 19

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROVED NON PRODUCING

PROVED
NON PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
INITIAL								10.00% -	54,733
FINAL								12.00% -	51,184
REMARKS								15.00% -	46,502
								20.00% -	40,078
								25.00% -	34,972

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	149,208	37,322	852	140,670	35,186	722	41.50	2.49
2018	5	736,282	269,611	8,290	693,319	253,878	6,484	56.50	2.49
2019	5	455,745	165,980	4,989	411,805	149,978	3,764	56.50	2.49
2020	5	300,042	113,155	3,349	274,650	103,581	2,571	56.50	2.49
2021	5	205,851	81,732	2,397	177,721	70,559	1,737	56.50	2.49
2022	5	145,751	61,227	1,785	122,807	51,590	1,265	56.50	2.49
2023	5	105,973	47,038	1,370	94,021	41,732	1,023	56.50	2.49
2024	5	78,915	36,827	1,075	71,156	33,208	816	56.50	2.49
2025	5	60,089	29,275	854	56,635	27,593	678	56.50	2.49
2026	5	46,722	23,574	692	45,152	22,783	562	56.50	2.49
2027	5	37,052	19,200	569	37,053	19,198	474	56.50	2.49
2028	5	29,935	15,803	470	27,965	14,764	369	56.50	2.49
2029	5	24,598	13,137	395	22,441	11,985	301	56.50	2.49
2030	5	20,527	11,023	334	18,168	9,757	247	56.50	2.49
2031	5	17,372	9,338	283	15,394	8,275	210	56.50	2.49
Sub-Total		2,414,062	934,242	27,704	2,208,957	854,067	21,223	55.54	2.49
Remainder		14,888	7,977	244	13,564	7,266	185	56.50	2.49
Total Future		2,428,950	942,219	27,948	2,222,521	861,333	21,408	55.55	2.49
Cumulative		9,362,338	0	38,048					
Ultimate		11,791,288	942,219	65,996					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	5,838	764	1,799	0	8,401	299	105	7,997
2018	39,172	6,781	16,141	0	62,094	2,037	949	59,108
2019	23,267	4,006	9,375	0	36,648	1,189	546	34,913
2020	15,518	2,767	6,400	0	24,685	781	370	23,534
2021	10,041	1,884	4,328	0	16,253	504	251	15,498
2022	6,939	1,378	3,152	0	11,469	339	181	10,949
2023	5,312	1,115	2,547	0	8,974	249	147	8,578
2024	4,020	887	2,028	0	6,935	180	116	6,639
2025	3,200	737	1,689	0	5,626	134	97	5,395
2026	2,551	608	1,399	0	4,558	101	81	4,376
2027	2,094	513	1,185	0	3,792	77	68	3,647
2028	1,580	394	916	0	2,890	57	52	2,781
2029	1,268	321	748	0	2,337	45	43	2,249
2030	1,026	260	613	0	1,899	36	35	1,828
2031	870	221	522	0	1,613	30	29	1,554
Sub-Total	122,696	22,636	52,842	0	198,174	6,058	3,070	189,046
Remainder	766	194	463	0	1,423	25	27	1,371
Total Future	123,462	22,830	53,305	0	199,597	6,083	3,097	190,417

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	1,921	0	2,540	1,600	6,061	1,936	1,936	1,864
2018	10,161	0	15,934	9,723	35,818	23,290	25,226	20,238
2019	4,475	0	15,136	5,732	25,343	9,570	34,796	7,573
2020	2,164	0	7,942	3,874	13,980	9,554	44,350	6,806
2021	1,391	0	4,325	2,563	8,279	7,219	51,569	4,646
2022	1,059	0	620	1,819	3,498	7,451	59,020	4,324
2023	1,003	0	232	1,432	2,667	5,911	64,931	3,104
2024	934	0	146	1,113	2,193	4,446	69,377	2,114
2025	890	0	99	906	1,895	3,500	72,877	1,506
2026	839	0	112	738	1,689	2,687	75,564	1,047
2027	798	0	80	615	1,493	2,154	77,718	759
2028	759	0	76	470	1,305	1,476	79,194	471
2029	742	0	53	381	1,176	1,073	80,267	310
2030	741	0	65	309	1,115	713	80,980	187
2031	760	0	44	263	1,067	487	81,467	115
Sub-Total	28,637	0	47,404	31,538	107,579	81,467		55,064
Remainder	623	0	2,210	232	3,065	-1,694	79,773	-331
Total Future	29,260	0	49,614	31,770	110,644	79,773		54,733

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 20

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROVED UNDEVELOPED

PROVED
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	370,631
12.00% -	327,898
15.00% -	274,689
20.00% -	208,008
25.00% -	160,687

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	369,296	114,780	1,614	348,164	108,213	1,360	41.37	2.49
2018	7	1,195,973	330,425	5,356	1,126,189	311,145	4,464	55.78	2.49
2019	9	1,609,786	369,179	6,422	1,454,576	333,584	5,085	54.97	2.49
2020	12	2,026,011	468,063	9,127	1,854,558	428,454	7,282	54.94	2.49
2021	15	2,569,726	632,446	13,248	2,218,527	546,013	9,999	55.08	2.49
2022	15	2,431,827	626,705	13,328	2,049,072	528,061	9,836	55.13	2.49
2023	15	2,045,032	540,357	11,531	1,814,359	479,407	8,949	55.04	2.49
2024	15	1,742,688	468,234	10,028	1,571,360	422,201	7,896	54.96	2.49
2025	15	1,501,611	407,691	8,768	1,415,304	384,254	7,206	54.89	2.49
2026	15	1,305,775	356,591	7,704	1,261,863	344,607	6,479	54.83	2.49
2027	15	1,143,989	313,254	6,793	1,143,991	313,249	5,909	54.78	2.49
2028	15	1,008,333	276,294	6,021	942,029	258,127	4,886	54.73	2.49
2029	15	893,131	244,617	5,358	814,845	223,175	4,236	54.69	2.49
2030	15	794,232	217,331	4,780	702,888	192,333	3,666	54.64	2.49
2031	15	708,578	193,712	4,281	627,857	171,647	3,284	54.61	2.49
Sub-Total		21,345,988	5,559,679	114,359	19,345,582	5,044,470	90,537	54.73	2.49
Remainder		633,833	173,171	3,844	577,510	157,785	3,029	54.57	2.49
Total Future		21,979,821	5,732,850	118,203	19,923,092	5,202,255	93,566	54.73	2.49
Cumulative		0	0	0					
Ultimate		21,979,821	5,732,850	118,203					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	14,402	2,349	3,386	0	20,137	739	235	19,163
2018	62,823	8,311	11,115	0	82,249	3,267	804	78,178
2019	79,960	8,910	12,664	0	101,534	4,086	880	96,568
2020	101,886	11,444	18,132	0	131,462	5,124	1,195	125,143
2021	122,188	14,584	24,894	0	161,666	6,134	1,595	153,937
2022	112,957	14,105	24,498	0	151,560	5,524	1,544	144,492
2023	99,860	12,804	22,278	0	134,942	4,683	1,403	128,856
2024	86,366	11,277	19,662	0	117,305	3,852	1,238	112,215
2025	77,692	10,264	17,940	0	105,896	3,271	1,128	101,497
2026	69,193	9,204	16,135	0	94,532	2,726	1,013	90,793
2027	62,667	8,367	14,712	0	85,746	2,294	924	82,528
2028	51,559	6,895	12,164	0	70,618	1,861	762	67,995
2029	44,561	5,961	10,554	0	61,076	1,587	661	58,828
2030	38,409	5,137	9,128	0	52,674	1,344	570	50,760
2031	34,285	4,585	8,176	0	47,046	1,179	511	45,356
Sub-Total	1,058,808	134,197	225,438	0	1,418,443	47,671	14,463	1,356,309
Remainder	31,514	4,214	7,543	0	43,271	1,062	470	41,739
Total Future	1,090,322	138,411	232,981	0	1,461,714	48,733	14,933	1,398,048

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	4,615	0	5,042	3,811	13,468	5,695	5,695	5,251
2018	12,646	0	27,014	11,485	51,145	27,033	32,728	23,004
2019	12,741	0	43,707	12,698	69,146	27,422	60,150	21,572
2020	11,723	0	46,507	16,492	74,722	50,421	110,571	35,611
2021	15,002	0	51,597	20,882	87,481	66,456	177,027	42,432
2022	14,495	0	8,550	19,833	42,878	101,614	278,641	58,909
2023	15,658	0	3,621	17,563	36,842	92,014	370,655	48,277
2024	16,434	0	2,578	15,184	34,196	78,019	448,674	37,051
2025	17,448	0	1,927	13,632	33,007	68,490	517,164	29,441
2026	18,168	0	2,431	12,104	32,703	58,090	575,254	22,605
2027	18,879	0	1,916	10,924	31,719	50,809	626,063	17,898
2028	19,413	0	1,897	8,951	30,261	37,734	663,797	12,033
2029	20,324	0	1,378	7,705	29,407	29,421	693,218	8,495
2030	21,530	0	1,897	6,616	30,043	20,717	713,935	5,417
2031	23,244	0	1,371	5,884	30,499	14,857	728,792	3,518
Sub-Total	242,320	0	201,433	183,764	627,517	728,792		371,514
Remainder	26,141	0	15,136	5,390	46,667	-4,928	723,864	-883
Total Future	268,461	0	216,569	189,154	674,184	723,864		370,631

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 21

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CONTAINS PRODUCTION BONUS PAYMENTS						

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	1,900,809
12.00% -	1,687,649
15.00% -	1,416,302
20.00% -	1,065,326
25.00% -	807,444

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	313,805	161,392	2,211	288,577	148,417	1,830	41.50	2.49
2018	12	1,953,916	757,215	16,166	1,890,670	732,703	14,041	55.87	2.49
2019	27	5,929,536	2,246,825	39,150	5,742,134	2,175,815	33,312	56.09	2.49
2020	44	11,809,831	4,356,524	71,610	10,871,308	4,010,320	58,600	56.07	2.49
2021	57	14,217,761	5,287,807	90,725	12,066,564	4,487,741	68,637	56.09	2.49
2022	59	13,376,244	5,336,785	91,731	11,167,969	4,455,739	68,314	56.08	2.49
2023	59	9,810,079	4,334,945	74,781	8,595,706	3,798,325	58,350	55.95	2.49
2024	59	7,162,290	3,463,688	60,061	6,424,169	3,106,736	47,846	55.78	2.49
2025	59	5,342,176	2,776,035	48,400	5,003,423	2,600,001	40,161	55.58	2.49
2026	59	4,106,640	2,238,582	39,352	3,934,210	2,144,591	33,264	55.34	2.49
2027	59	3,242,302	1,813,455	32,171	3,242,307	1,813,459	28,276	55.07	2.49
2028	59	2,614,379	1,473,471	26,402	2,468,847	1,391,444	21,813	54.82	2.49
2029	59	2,131,373	1,197,337	21,649	1,954,481	1,097,972	17,294	54.59	2.49
2030	59	1,643,552	949,735	17,114	1,449,119	837,375	13,141	54.55	2.49
2031	59	1,260,360	750,272	13,445	1,113,526	662,859	10,359	54.55	2.49
Sub-Total		84,914,244	37,144,068	644,968	76,213,010	33,463,497	515,238	55.74	2.49
Remainder		955,665	596,287	10,642	901,882	562,742	8,766	54.47	2.49
Total Future		85,869,909	37,740,355	655,610	77,114,892	34,026,239	524,004	55.72	2.49
Cumulative		0	0	0					
Ultimate		85,869,909	37,740,355	655,610					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	11,976	3,222	4,557	0	19,755	359	311	19,085
2018	105,635	19,571	34,962	0	160,168	1,247	2,181	156,740
2019	322,085	58,116	82,947	0	463,148	4,573	5,093	453,482
2020	609,588	107,115	145,906	0	862,609	21,031	10,601	830,977
2021	676,776	119,868	170,919	0	967,563	41,148	12,853	913,562
2022	626,278	119,013	170,103	0	915,394	37,702	12,779	864,913
2023	480,957	101,453	145,290	0	727,700	27,270	10,585	689,845
2024	358,347	82,981	119,134	0	560,462	18,814	6,731	534,917
2025	278,098	69,446	99,993	0	447,537	13,877	7,015	426,645
2026	217,712	57,282	82,832	0	357,826	10,210	5,674	341,942
2027	178,570	48,437	70,403	0	297,410	7,750	4,231	285,429
2028	135,337	37,166	54,312	0	226,815	5,333	3,659	217,823
2029	106,702	29,327	43,063	0	179,092	3,884	2,896	172,312
2030	79,043	22,366	32,742	0	134,151	2,790	2,204	129,157
2031	60,739	17,705	25,791	0	104,235	2,059	1,740	100,436
Sub-Total	4,247,843	893,068	1,282,954	0	6,423,865	198,047	88,553	6,137,265
Remainder	49,123	15,031	21,812	0	85,966	1,572	1,474	82,920
Total Future	4,296,966	908,099	1,304,766	0	6,509,831	199,619	90,027	6,220,185

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	12,489	0	90,505	3,952	106,946	-87,861	-87,861	-83,333
2018	34,575	0	112,345	23,800	170,720	-13,980	-101,841	-13,024
2019	65,891	0	146,234	69,279	281,404	172,078	70,237	132,863
2020	86,538	0	108,048	128,208	322,794	508,183	578,420	357,840
2021	92,080	0	87,005	144,342	323,427	590,135	1,168,555	376,977
2022	93,410	0	14,486	137,647	245,543	619,370	1,787,925	359,061
2023	84,458	0	6,251	109,754	200,463	489,382	2,277,307	257,026
2024	78,419	0	4,386	84,436	167,241	367,676	2,644,983	174,782
2025	72,979	0	3,372	67,110	143,461	283,184	2,928,167	121,846
2026	70,034	0	4,120	53,085	127,239	214,703	3,142,870	83,607
2027	65,709	0	3,234	43,450	112,393	173,036	3,315,906	60,995
2028	63,204	0	3,283	32,545	99,032	118,791	3,434,697	37,909
2029	60,250	0	2,397	25,244	87,891	84,421	3,519,118	24,388
2030	56,849	0	3,146	18,939	78,934	50,223	3,569,341	13,143
2031	52,660	0	2,259	14,798	69,717	30,719	3,600,060	7,282
Sub-Total	989,545	0	591,071	956,589	2,537,205	3,600,060		1,911,362
Remainder	49,115	0	74,865	12,241	136,221	-53,301	3,546,759	-10,553
Total Future	1,038,660	0	665,936	968,830	2,673,426	3,546,759		1,900,809

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 22

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAREVSKOYE FIELD
TOTAL PROBABLE PRODUCING

PROBABLE
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	0
12.00% -	0
15.00% -	0
20.00% -	0
25.00% -	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		0	0	0					
Ultimate		0	0	0					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 23

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROBABLE NON PRODUCING

PROBABLE
NON PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	80,481
12.00% -	61,474
15.00% -	38,290
20.00% -	10,215
25.00% -	-8,785

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017	2	313,805	161,392	2,211	288,577	148,417	1,830	41.50	2.49
2018	6	829,923	304,301	5,424	803,060	294,451	4,539	55.10	2.49
2019	7	773,066	279,588	5,280	748,634	270,750	4,382	54.72	2.49
2020	7	693,356	247,587	4,895	638,250	227,914	3,806	54.10	2.49
2021	7	632,339	219,507	4,517	536,668	186,294	3,198	53.61	2.49
2022	7	620,781	203,074	4,363	518,297	169,549	2,998	53.19	2.49
2023	7	644,209	195,702	4,384	564,464	171,474	3,122	52.86	2.49
2024	7	673,258	191,258	4,440	603,872	171,551	3,203	52.65	2.49
2025	7	685,321	184,850	4,402	641,866	173,128	3,294	52.52	2.49
2026	7	714,066	183,550	4,468	684,083	175,844	3,400	52.43	2.49
2027	7	730,424	180,941	4,481	730,426	180,940	3,541	52.38	2.49
2028	7	722,679	174,309	4,368	682,451	164,608	3,246	52.34	2.49
2029	7	681,804	161,538	4,082	625,218	148,129	2,943	52.32	2.49
2030	7	513,508	122,241	3,085	452,759	107,781	2,136	52.32	2.49
2031	7	364,671	87,768	2,205	322,187	77,543	1,533	52.31	2.49
Sub-Total		9,593,210	2,897,606	62,605	8,840,812	2,668,373	47,171	52.77	2.49
Remainder		266,339	64,650	1,620	251,351	61,012	1,207	52.31	2.49
Total Future		9,859,549	2,962,256	64,225	9,092,163	2,729,385	48,378	52.75	2.49
Cumulative		0	0	0					
Ultimate		9,859,549	2,962,256	64,225					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	11,976	3,222	4,557	0	19,755	359	311	19,085
2018	44,247	7,865	11,301	0	63,413	522	767	62,124
2019	40,962	7,232	10,913	0	59,107	582	655	57,870
2020	34,529	6,087	9,479	0	50,095	1,191	652	48,252
2021	28,773	4,976	7,960	0	41,709	1,750	572	39,387
2022	27,568	4,529	7,464	0	39,561	1,659	530	37,372
2023	29,839	4,580	7,778	0	42,197	1,692	530	39,975
2024	31,795	4,582	7,975	0	44,352	1,669	418	42,265
2025	33,711	4,624	8,199	0	46,534	1,683	531	44,320
2026	35,868	4,697	8,463	0	49,028	1,682	533	46,813
2027	38,257	4,833	8,816	0	51,906	1,660	486	49,760
2028	35,721	4,397	8,090	0	48,208	1,408	499	46,301
2029	32,712	3,956	7,322	0	43,990	1,190	452	42,348
2030	23,686	2,879	5,324	0	31,889	836	328	30,725
2031	16,855	2,071	3,819	0	22,745	572	235	21,938
Sub-Total	466,499	70,530	117,460	0	654,489	18,455	7,499	628,535
Remainder	13,148	1,630	3,000	0	17,778	421	185	17,172
Total Future	479,647	72,160	120,460	0	672,267	18,876	7,684	645,707

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	12,489	0	90,505	3,952	106,946	-87,861	-87,861	-83,333
2018	13,702	0	35,179	8,644	57,525	4,599	-83,262	3,825
2019	8,803	0	17,400	7,766	33,969	23,901	-59,361	18,744
2020	5,243	0	6,763	6,176	18,182	30,070	-29,291	21,281
2021	4,137	0	3,652	4,853	12,642	26,745	-2,546	17,122
2022	4,209	0	650	4,321	9,180	28,192	25,646	16,327
2023	5,215	0	395	4,341	9,951	30,024	55,670	15,739
2024	6,631	0	374	4,353	11,358	30,907	86,577	14,663
2025	8,134	0	376	4,417	12,927	31,393	117,970	13,481
2026	10,144	0	611	4,530	15,285	31,528	149,498	12,257
2027	12,274	0	609	4,704	17,587	32,173	181,671	11,321
2028	14,364	0	734	4,312	19,410	26,891	208,562	8,568
2029	15,789	0	609	3,901	20,299	22,049	230,611	6,360
2030	14,420	0	803	2,829	18,052	12,673	243,284	3,311
2031	12,272	0	530	2,023	14,825	7,113	250,397	1,684
Sub-Total	147,826	0	159,190	71,122	378,138	250,397		81,350
Remainder	12,389	0	7,642	1,585	21,616	-4,444	245,953	-869
Total Future	160,215	0	166,832	72,707	399,754	245,953		80,481

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 24

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
CHINAVERSKOYE FIELD
TOTAL PROBABLE UNDEVELOPED

PROBABLE
UNDEVELOPED

	REVENUE INTERESTS				PRODUCT PRICES		
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	1,820,328
12.00% -	1,626,175
15.00% -	1,378,012
20.00% -	1,055,111
25.00% -	816,229

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	6	1,123,993	452,914	10,742	1,087,610	438,252	9,502	56.44	2.49
2019	20	5,156,470	1,967,237	33,870	4,993,500	1,905,065	28,930	56.30	2.49
2020	37	11,116,475	4,108,937	66,715	10,233,058	3,782,406	54,794	56.20	2.49
2021	50	13,585,422	5,068,300	86,208	11,529,896	4,301,447	65,439	56.20	2.49
2022	52	12,755,463	5,133,711	87,368	10,649,672	4,286,190	65,316	56.22	2.49
2023	52	9,165,870	4,139,243	70,397	8,031,242	3,626,851	55,228	56.17	2.49
2024	52	6,489,032	3,272,430	55,621	5,820,297	2,935,185	44,643	56.11	2.49
2025	52	4,656,855	2,591,185	43,998	4,361,557	2,426,873	36,867	56.03	2.49
2026	52	3,392,574	2,055,032	34,884	3,250,127	1,968,747	29,864	55.95	2.49
2027	52	2,511,878	1,632,514	27,690	2,511,881	1,632,519	24,735	55.86	2.49
2028	52	1,891,700	1,299,162	22,034	1,786,396	1,226,836	18,567	55.76	2.49
2029	52	1,449,569	1,035,799	17,567	1,329,263	949,843	14,351	55.66	2.49
2030	52	1,130,044	827,494	14,029	996,360	729,594	11,005	55.56	2.49
2031	52	895,689	662,504	11,240	791,339	585,316	8,826	55.46	2.49
Sub-Total		75,321,034	34,246,462	582,363	67,372,198	30,795,124	468,067	56.13	2.49
Remainder		689,326	531,637	9,022	650,531	501,730	7,559	55.30	2.49
Total Future		76,010,360	34,778,099	591,385	68,022,729	31,296,854	475,626	56.12	2.49
Cumulative		0	0	0					
Ultimate		76,010,360	34,778,099	591,385					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	61,387	11,706	23,661	0	96,754	724	1,415	94,615
2019	281,124	50,884	72,034	0	404,042	3,992	4,437	395,613
2020	575,059	101,028	136,427	0	812,514	19,840	9,949	782,725
2021	648,003	114,892	162,959	0	925,854	39,398	12,281	874,175
2022	598,710	114,484	162,638	0	875,832	36,043	12,249	827,540
2023	451,118	96,873	137,513	0	685,504	25,578	10,055	649,871
2024	326,552	78,399	111,159	0	516,110	17,144	6,313	492,653
2025	244,387	64,822	91,794	0	401,003	12,195	6,484	382,324
2026	181,844	52,585	74,369	0	308,798	8,529	5,141	295,128
2027	140,313	43,604	61,588	0	245,505	6,089	3,745	235,671
2028	99,616	32,769	46,222	0	178,607	3,925	3,160	171,522
2029	73,990	25,370	35,740	0	135,100	2,693	2,444	129,963
2030	55,357	19,488	27,419	0	102,264	1,954	1,876	98,434
2031	43,885	15,634	21,971	0	81,490	1,488	1,505	78,497
Sub-Total	3,781,345	822,538	1,165,494	0	5,769,377	179,592	81,054	5,508,731
Remainder	35,974	13,401	18,812	0	68,187	1,151	1,288	65,748
Total Future	3,817,319	835,939	1,184,306	0	5,837,564	180,743	82,342	5,574,479

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	20,873	0	77,165	15,157	113,195	-18,580	-18,580	-16,848
2019	57,088	0	128,835	61,513	247,436	148,177	129,597	114,118
2020	81,296	0	101,284	122,032	304,612	478,113	607,710	336,559
2021	87,942	0	83,354	139,488	310,784	563,391	1,171,101	359,855
2022	89,201	0	13,836	133,326	236,363	591,177	1,762,278	342,734
2023	79,244	0	5,858	105,413	190,515	459,356	2,221,634	241,287
2024	71,787	0	4,011	80,084	155,882	336,771	2,558,405	160,119
2025	64,845	0	2,995	62,692	130,532	251,792	2,810,197	108,365
2026	59,890	0	3,509	48,554	111,953	183,175	2,993,372	71,350
2027	53,434	0	2,625	38,747	94,806	140,865	3,134,237	49,674
2028	48,841	0	2,550	28,234	79,625	91,897	3,226,134	29,341
2029	44,462	0	1,787	21,343	67,592	62,371	3,288,505	18,028
2030	42,428	0	2,343	16,110	60,881	37,553	3,326,058	9,832
2031	40,388	0	1,729	12,774	54,891	23,606	3,349,664	5,598
Sub-Total	841,719	0	431,881	885,467	2,159,067	3,349,664		1,830,012
Remainder	36,725	0	67,223	10,656	114,604	-48,856	3,300,808	-9,684
Total Future	878,444	0	499,104	896,123	2,273,671	3,300,808		1,820,328

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 25

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NORTH TOURNAISIAN
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	673,528
12.00% -	600,574
15.00% -	511,296
20.00% -	401,680
25.00% -	325,045

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	16	1,360,518	216,180	5,688	1,282,667	203,813	4,172	39.22	2.49
2018	18	1,537,060	253,493	6,671	1,454,519	240,232	4,912	52.27	2.49
2019	20	1,569,981	256,230	6,745	1,443,250	236,593	4,842	52.27	2.49
2020	23	1,824,322	295,030	7,763	1,672,710	270,611	5,538	52.27	2.49
2021	25	2,090,429	334,950	8,818	1,793,847	287,120	5,871	52.27	2.49
2022	25	2,048,975	330,099	8,682	1,720,130	276,945	5,673	52.27	2.49
2023	25	1,964,478	320,269	8,431	1,733,379	282,317	5,772	52.27	2.49
2024	25	1,888,813	311,788	8,203	1,698,851	280,309	5,736	52.27	2.49
2025	25	1,801,244	300,254	7,904	1,692,318	281,934	5,770	52.27	2.49
2026	25	1,736,557	293,119	7,711	1,670,391	281,729	5,765	52.27	2.49
2027	25	1,666,182	284,284	7,479	1,666,181	284,281	5,814	52.27	2.49
2028	25	1,578,459	271,265	7,141	1,483,912	255,280	5,222	52.27	2.49
2029	25	1,464,138	252,108	6,637	1,339,824	230,812	4,726	52.27	2.49
2030	25	1,228,505	206,553	5,433	1,084,965	182,348	3,731	52.27	2.49
2031	25	1,018,004	166,032	4,368	900,689	146,860	3,003	52.27	2.49
Sub-Total		24,777,665	4,091,654	107,674	22,637,633	3,741,184	76,547	51.53	2.49
Remainder		863,260	137,127	3,611	799,949	127,515	2,610	52.27	2.49
Total Future		25,640,925	4,228,781	111,285	23,437,582	3,868,699	79,157	51.56	2.49
Cumulative		24,221,698	0	61,741					
Ultimate		49,862,623	4,228,781	173,026					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	50,306	4,425	10,383	0	65,114	2,581	606	61,927
2018	76,028	6,416	12,240	0	94,684	3,394	766	90,524
2019	75,439	6,320	12,053	0	93,812	3,145	722	89,945
2020	87,432	7,228	13,787	0	108,447	3,989	860	103,598
2021	93,765	7,669	14,628	0	116,062	5,057	936	110,069
2022	89,911	7,397	14,109	0	111,417	4,803	903	105,711
2023	90,603	7,541	14,383	0	112,527	4,638	909	106,980
2024	88,799	7,487	14,281	0	110,567	4,294	790	105,483
2025	88,458	7,530	14,364	0	110,352	4,071	893	105,388
2026	87,311	7,525	14,353	0	109,189	3,789	882	104,518
2027	87,092	7,593	14,483	0	109,168	3,520	820	104,828
2028	77,564	6,819	13,006	0	97,389	2,949	793	93,647
2029	70,032	6,165	11,759	0	87,956	2,526	717	84,713
2030	56,711	4,870	9,290	0	70,871	1,995	566	68,310
2031	47,079	3,923	7,482	0	58,484	1,607	456	56,421
Sub-Total	1,166,530	98,908	190,601	0	1,456,039	52,358	11,619	1,392,062
Remainder	41,814	3,406	6,497	0	51,717	1,375	396	49,946
Total Future	1,208,344	102,314	197,098	0	1,507,756	53,733	12,015	1,442,008

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	6,423	6,423	55,504	55,504	52,886
2018	0	0	0	7,428	7,428	83,096	138,600	71,210
2019	0	0	0	7,342	7,342	82,603	221,203	64,379
2020	0	0	0	8,453	8,453	95,145	316,348	67,090
2021	0	0	0	9,016	9,016	101,053	417,401	64,551
2022	0	0	0	8,671	8,671	97,040	514,441	56,175
2023	0	0	0	8,789	8,789	98,191	612,632	51,450
2024	0	0	0	8,671	8,671	96,812	709,444	45,918
2025	0	0	0	8,681	8,681	96,707	806,151	41,517
2026	0	0	0	8,623	8,623	95,895	902,046	37,266
2027	0	0	0	8,653	8,653	96,175	998,221	33,831
2028	0	0	0	7,740	7,740	85,907	1,084,128	27,353
2029	0	0	0	6,993	6,993	77,720	1,161,848	22,402
2030	0	0	0	5,591	5,591	62,719	1,224,567	16,364
2031	0	0	0	4,569	4,569	51,852	1,276,419	12,247
Sub-Total	0	0	0	115,643	115,643	1,276,419		664,639
Remainder	0	0	4,800	4,012	8,812	41,134	1,317,553	8,889
Total Future	0	0	4,800	119,655	124,455	1,317,553		673,528

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 26

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NORTH TOURNAISIAN
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	417,933
12.00% -	379,802
15.00% -	332,296
20.00% -	272,269
25.00% -	228,733

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	16	1,360,518	216,180	5,688	1,282,667	203,813	4,172	39.22	2.49
2018	17	1,262,060	194,534	5,119	1,188,420	183,182	3,745	52.27	2.49
2019	18	1,189,767	178,087	4,689	1,075,054	160,919	3,293	52.27	2.49
2020	20	1,286,552	188,730	4,966	1,177,676	172,758	3,536	52.27	2.49
2021	21	1,346,549	194,969	5,133	1,162,517	168,320	3,441	52.27	2.49
2022	21	1,223,975	174,380	4,585	1,031,330	146,931	3,011	52.27	2.49
2023	21	1,098,774	154,129	4,059	974,839	136,745	2,795	52.27	2.49
2024	21	989,233	136,829	3,598	891,978	123,380	2,525	52.27	2.49
2025	21	892,582	121,916	3,212	841,277	114,905	2,352	52.27	2.49
2026	21	806,879	108,956	2,864	779,746	105,297	2,155	52.27	2.49
2027	21	730,589	97,641	2,568	730,589	97,639	1,996	52.27	2.49
2028	21	662,460	87,705	2,310	618,901	81,940	1,676	52.27	2.49
2029	21	601,423	78,950	2,079	548,708	72,023	1,476	52.27	2.49
2030	21	546,504	71,192	1,872	483,648	63,001	1,288	52.27	2.49
2031	21	496,940	64,307	1,691	440,330	56,986	1,165	52.27	2.49
Sub-Total		14,494,805	2,068,505	54,433	13,227,680	1,887,839	38,626	51.00	2.49
Remainder		452,116	58,170	1,533	411,940	53,001	1,086	52.27	2.49
Total Future		14,946,921	2,126,675	55,966	13,639,620	1,940,840	39,712	51.04	2.49
Cumulative		24,221,698	0	61,741					
Ultimate		39,168,619	2,126,675	117,707					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	50,306	4,425	10,383	0	65,114	2,581	606	61,927
2018	62,119	4,893	9,333	0	76,345	3,230	589	72,526
2019	56,193	4,298	8,198	0	68,689	2,871	509	65,309
2020	61,557	4,614	8,802	0	74,973	3,097	542	71,334
2021	60,765	4,496	8,575	0	73,836	3,050	529	70,257
2022	53,908	3,924	7,486	0	65,318	2,636	456	62,226
2023	50,954	3,653	6,967	0	61,574	2,390	425	58,759
2024	46,624	3,295	6,285	0	56,204	2,079	383	53,742
2025	43,974	3,070	5,854	0	52,898	1,852	357	50,689
2026	40,757	2,812	5,365	0	48,934	1,605	327	47,002
2027	38,188	2,608	4,974	0	45,770	1,398	303	44,069
2028	32,350	2,188	4,175	0	38,713	1,168	255	37,290
2029	28,681	1,924	3,669	0	34,274	1,021	223	33,030
2030	25,280	1,683	3,210	0	30,173	885	196	29,092
2031	23,016	1,522	2,903	0	27,441	792	177	26,472
Sub-Total	674,672	49,405	96,179	0	820,256	30,655	5,877	783,724
Remainder	21,532	1,416	2,701	0	25,649	725	165	24,759
Total Future	696,204	50,821	98,880	0	845,905	31,380	6,042	808,483

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	6,423	6,423	55,504	55,504	52,886
2018	0	0	0	5,862	5,862	66,664	122,168	57,463
2019	0	0	0	5,226	5,226	60,083	182,251	46,882
2020	0	0	0	5,670	5,670	65,664	247,915	46,307
2021	0	0	0	5,561	5,561	64,696	312,611	41,358
2022	0	0	0	4,896	4,896	57,330	369,941	33,196
2023	0	0	0	4,594	4,594	54,165	424,106	28,390
2024	0	0	0	4,176	4,176	49,566	473,672	23,516
2025	0	0	0	3,915	3,915	46,774	520,446	20,088
2026	0	0	0	3,610	3,610	43,392	563,838	16,868
2027	0	0	0	3,366	3,366	40,703	604,541	14,323
2028	0	0	0	2,840	2,840	34,450	638,991	10,974
2029	0	0	0	2,507	2,507	30,523	669,514	8,801
2030	0	0	0	2,203	2,203	26,889	696,403	7,019
2031	0	0	0	1,999	1,999	24,473	720,876	5,782
Sub-Total	0	0	0	62,848	62,848	720,876		413,853
Remainder	0	0	4,200	1,865	6,065	18,694	739,570	4,080
Total Future	0	0	4,200	64,713	68,913	739,570		417,933

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 27

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NORTH TOURNAISIAN
TOTAL PROVED PRODUCING

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	264,381
12.00% -	245,388
15.00% -	221,214
20.00% -	189,614
25.00% -	165,694

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017	15	1,338,670	212,859	5,601	1,262,069	200,682	4,108	39.22	2.49
2018	15	1,104,503	170,586	4,488	1,040,056	160,631	3,283	52.27	2.49
2019	15	928,978	138,447	3,646	839,410	125,100	2,561	52.27	2.49
2020	15	791,803	113,529	2,988	724,797	103,921	2,127	52.27	2.49
2021	15	681,847	93,935	2,472	588,657	81,093	1,657	52.27	2.49
2022	15	592,066	78,329	2,059	498,880	66,000	1,355	52.27	2.49
2023	15	517,419	65,762	1,733	459,058	58,346	1,191	52.27	2.49
2024	15	454,387	55,533	1,459	409,714	50,075	1,025	52.27	2.49
2025	15	400,522	47,122	1,244	377,499	44,412	909	52.27	2.49
2026	15	354,184	40,148	1,052	342,275	38,800	794	52.27	2.49
2027	15	314,111	34,335	904	314,112	34,335	702	52.27	2.49
2028	15	279,300	29,464	777	260,934	27,529	561	52.27	2.49
2029	15	248,915	25,368	667	227,097	23,138	477	52.27	2.49
2030	15	222,196	21,897	576	196,641	19,378	396	52.27	2.49
2031	15	198,578	18,957	498	175,955	16,799	342	52.27	2.49
Sub-Total		8,427,479	1,146,271	30,164	7,717,154	1,050,239	21,488	50.14	2.49
Remainder		177,622	16,448	435	161,840	14,987	308	52.27	2.49
Total Future		8,605,101	1,162,719	30,599	7,878,994	1,065,226	21,796	50.18	2.49
Cumulative		18,055,057	0	46,664					
Ultimate		26,660,158	1,162,719	77,263					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	49,498	4,357	10,224	0	64,079	2,539	596	60,944
2018	54,364	4,290	8,184	0	66,838	2,827	517	63,494
2019	43,876	3,342	6,373	0	53,591	2,242	396	50,953
2020	37,885	2,775	5,295	0	45,955	1,906	326	43,723
2021	30,769	2,166	4,131	0	37,066	1,544	255	35,267
2022	26,077	1,763	3,363	0	31,203	1,276	205	29,722
2023	23,995	1,559	2,972	0	28,526	1,125	181	27,220
2024	21,415	1,337	2,551	0	25,303	955	155	24,193
2025	19,732	1,186	2,263	0	23,181	831	138	22,212
2026	17,891	1,037	1,976	0	20,904	705	121	20,078
2027	16,419	917	1,750	0	19,086	601	107	18,378
2028	13,639	735	1,402	0	15,776	492	85	15,199
2029	11,870	618	1,179	0	13,667	423	72	13,172
2030	10,279	518	988	0	11,785	359	60	11,366
2031	9,197	448	855	0	10,500	317	52	10,131
Sub-Total	386,906	27,048	53,506	0	467,460	18,142	3,266	446,052
Remainder	8,459	401	764	0	9,624	285	47	9,292
Total Future	395,365	27,449	54,270	0	477,084	18,427	3,313	455,344

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	0	0	0	6,322	6,322	54,622	54,622	52,079
2018	0	0	0	5,135	5,135	58,359	112,981	50,360
2019	0	0	0	4,072	4,072	46,881	159,862	36,615
2020	0	0	0	3,451	3,451	40,272	200,134	28,470
2021	0	0	0	2,751	2,751	32,516	232,650	20,806
2022	0	0	0	2,288	2,288	27,434	260,084	15,890
2023	0	0	0	2,067	2,067	25,153	285,237	13,186
2024	0	0	0	1,814	1,814	22,379	307,616	10,620
2025	0	0	0	1,644	1,644	20,568	328,184	8,836
2026	0	0	0	1,467	1,467	18,611	346,795	7,236
2027	0	0	0	1,326	1,326	17,052	363,847	6,002
2028	0	0	0	1,086	1,086	14,113	377,960	4,496
2029	0	0	0	932	932	12,240	390,200	3,530
2030	0	0	0	796	796	10,570	400,770	2,759
2031	0	0	0	705	705	9,426	410,196	2,228
Sub-Total	0	0	0	35,856	35,856	410,196		263,113
Remainder	0	0	3,000	640	3,640	5,652	415,848	1,268
Total Future	0	0	3,000	36,496	39,496	415,848		264,381

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 28

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NORTH TOURNAISIAN
TOTAL PROVED NON PRODUCING

PROVED
NON PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	0
12.00% -	0
15.00% -	0
20.00% -	0
25.00% -	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		6,166,641	0	15,077					
Ultimate		6,166,641	0	15,077					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 29

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NORTH TOURNAISIAN
TOTAL PROVED UNDEVELOPED

PROVED
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	153,553
12.00% -	134,414
15.00% -	111,082
20.00% -	82,655
25.00% -	63,039

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	1	21,848	3,321	87	20,598	3,131	64	39.22	2.49
2018	2	157,557	23,948	631	148,364	22,551	462	52.27	2.49
2019	3	260,789	39,640	1,043	235,644	35,819	732	52.27	2.49
2020	5	494,749	75,201	1,978	452,879	68,837	1,409	52.27	2.49
2021	6	664,702	101,034	2,661	573,860	87,227	1,784	52.27	2.49
2022	6	631,909	96,051	2,526	532,450	80,931	1,656	52.27	2.49
2023	6	581,355	88,367	2,326	515,781	78,399	1,604	52.27	2.49
2024	6	534,846	81,296	2,139	482,264	73,305	1,500	52.27	2.49
2025	6	492,060	74,794	1,968	463,778	70,493	1,443	52.27	2.49
2026	6	452,695	68,808	1,812	437,471	66,497	1,361	52.27	2.49
2027	6	416,478	63,306	1,664	416,477	63,304	1,294	52.27	2.49
2028	6	383,160	58,241	1,533	357,967	54,411	1,115	52.27	2.49
2029	6	352,508	53,582	1,412	321,611	48,885	999	52.27	2.49
2030	6	324,308	49,295	1,296	287,007	43,623	892	52.27	2.49
2031	6	298,362	45,350	1,193	264,375	40,187	823	52.27	2.49
Sub-Total		6,067,326	922,234	24,269	5,510,526	837,600	17,138	52.22	2.49
Remainder		274,494	41,722	1,098	250,100	38,014	778	52.27	2.49
Total Future		6,341,820	963,956	25,367	5,760,626	875,614	17,916	52.22	2.49
Cumulative		0	0	0					
Ultimate		6,341,820	963,956	25,367					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	808	68	160	0	1,036	41	9	986
2018	7,755	602	1,148	0	9,505	404	73	9,028
2019	12,317	957	1,825	0	15,099	629	113	14,357
2020	23,672	1,839	3,507	0	29,018	1,191	216	27,611
2021	29,996	2,329	4,444	0	36,769	1,506	274	34,989
2022	27,831	2,162	4,123	0	34,116	1,361	251	32,504
2023	26,960	2,094	3,995	0	33,049	1,264	244	31,541
2024	25,208	1,958	3,734	0	30,900	1,124	228	29,548
2025	24,241	1,883	3,592	0	29,716	1,021	219	28,476
2026	22,867	1,776	3,387	0	28,030	901	206	26,923
2027	21,769	1,691	3,226	0	26,686	797	197	25,692
2028	18,711	1,453	2,772	0	22,936	675	169	22,092
2029	16,811	1,306	2,490	0	20,607	598	152	19,857
2030	15,002	1,165	2,223	0	18,390	525	135	17,730
2031	13,818	1,074	2,047	0	16,939	476	125	16,338
Sub-Total	287,766	22,357	42,673	0	352,796	12,513	2,611	337,672
Remainder	13,073	1,015	1,937	0	16,025	440	118	15,467
Total Future	300,839	23,372	44,610	0	368,821	12,953	2,729	353,139

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	101	101	885	885	807
2018	0	0	0	727	727	8,301	9,186	7,103
2019	0	0	0	1,154	1,154	13,203	22,389	10,267
2020	0	0	0	2,218	2,218	25,393	47,782	17,837
2021	0	0	0	2,811	2,811	32,178	79,960	20,551
2022	0	0	0	2,608	2,608	29,896	109,856	17,307
2023	0	0	0	2,527	2,527	29,014	138,870	15,204
2024	0	0	0	2,362	2,362	27,186	166,056	12,896
2025	0	0	0	2,272	2,272	26,204	192,260	11,252
2026	0	0	0	2,143	2,143	24,780	217,040	9,632
2027	0	0	0	2,040	2,040	23,652	240,692	8,322
2028	0	0	0	1,753	1,753	20,339	261,031	6,478
2029	0	0	0	1,575	1,575	18,282	279,313	5,270
2030	0	0	0	1,406	1,406	16,324	295,637	4,260
2031	0	0	0	1,295	1,295	15,043	310,680	3,554
Sub-Total	0	0	0	26,992	26,992	310,680		150,740
Remainder	0	0	1,200	1,225	2,425	13,042	323,722	2,813
Total Future	0	0	1,200	28,217	29,417	323,722		153,553

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 30

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NORTH TOURNAISIAN
TOTAL PROBABLE

TOTAL
PROBABLE

	REVENUE INTERESTS				PRODUCT PRICES			DISCOUNTED FUTURE NET INCOME - $M	
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	COMPOUNDED	MONTHLY
INITIAL								10.00% -	255,595
FINAL								12.00% -	220,772
REMARKS								15.00% -	179,000
								20.00% -	129,411
								25.00% -	96,312

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	1	275,000	58,959	1,552	266,099	57,050	1,167	52.27	2.49
2019	2	380,214	78,143	2,056	368,196	75,674	1,549	52.27	2.49
2020	3	537,770	106,300	2,797	495,034	97,853	2,002	52.27	2.49
2021	4	743,880	139,981	3,685	631,330	118,800	2,430	52.27	2.49
2022	4	825,000	155,719	4,097	688,800	130,014	2,662	52.27	2.49
2023	4	865,704	166,140	4,372	758,540	145,572	2,977	52.27	2.49
2024	4	899,580	174,959	4,605	806,873	156,929	3,211	52.27	2.49
2025	4	908,662	178,338	4,692	851,041	167,029	3,418	52.27	2.49
2026	4	929,678	184,163	4,847	890,645	176,432	3,610	52.27	2.49
2027	4	935,593	186,643	4,911	935,592	186,642	3,818	52.27	2.49
2028	4	915,999	183,560	4,831	865,011	173,340	3,546	52.27	2.49
2029	4	862,715	173,158	4,558	791,116	158,789	3,250	52.27	2.49
2030	4	682,001	135,361	3,561	601,317	119,347	2,443	52.27	2.49
2031	4	521,064	101,725	2,677	460,359	89,874	1,838	52.27	2.49
Sub-Total		10,282,860	2,023,149	53,241	9,409,953	1,853,345	37,921	52.27	2.49
Remainder		411,144	78,957	2,078	388,009	74,514	1,524	52.27	2.49
Total Future		10,694,004	2,102,106	55,319	9,797,962	1,927,859	39,445	52.27	2.49
Cumulative		0	0	0					
Ultimate		10,694,004	2,102,106	55,319					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	13,909	1,524	2,907	0	18,340	164	177	17,999
2019	19,246	2,021	3,855	0	25,122	273	212	24,637
2020	25,875	2,614	4,985	0	33,474	893	319	32,262
2021	33,000	3,173	6,053	0	42,226	2,006	408	39,812
2022	36,003	3,472	6,623	0	46,098	2,168	446	43,484
2023	39,649	3,889	7,417	0	50,955	2,248	485	48,222
2024	42,175	4,191	7,995	0	54,361	2,214	406	51,741
2025	44,484	4,462	8,509	0	57,455	2,220	537	54,698
2026	46,554	4,712	8,989	0	60,255	2,183	554	57,518
2027	48,904	4,985	9,509	0	63,398	2,123	516	60,759
2028	45,214	4,630	8,831	0	58,675	1,781	539	56,355
2029	41,351	4,242	8,090	0	53,683	1,505	493	51,685
2030	31,431	3,187	6,080	0	40,698	1,110	371	39,217
2031	24,063	2,401	4,579	0	31,043	816	279	29,948
Sub-Total	491,858	49,503	94,422	0	635,783	21,704	5,742	608,337
Remainder	20,281	1,990	3,796	0	26,067	649	231	25,187
Total Future	512,139	51,493	98,218	0	661,850	22,353	5,973	633,524

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	1,566	1,566	16,433	16,433	13,747
2019	0	0	0	2,116	2,116	22,521	38,954	17,497
2020	0	0	0	2,783	2,783	29,479	68,433	20,783
2021	0	0	0	3,455	3,455	36,357	104,790	23,193
2022	0	0	0	3,775	3,775	39,709	144,499	22,979
2023	0	0	0	4,195	4,195	44,027	188,526	23,061
2024	0	0	0	4,495	4,495	47,246	235,772	22,401
2025	0	0	0	4,766	4,766	49,932	285,704	21,430
2026	0	0	0	5,013	5,013	52,505	338,209	20,397
2027	0	0	0	5,287	5,287	55,472	393,681	19,507
2028	0	0	0	4,900	4,900	51,455	445,136	16,380
2029	0	0	0	4,486	4,486	47,199	492,335	13,600
2030	0	0	0	3,388	3,388	35,829	528,164	9,347
2031	0	0	0	2,570	2,570	27,378	555,542	6,464
Sub-Total	0	0	0	52,795	52,795	555,542		250,786
Remainder	0	0	600	2,147	2,747	22,440	577,982	4,809
Total Future	0	0	600	54,942	55,542	577,982		255,595

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 31

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST TOURNAISIAN
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% −	3,805
12.00% −	3,503
15.00% −	3,121
20.00% −	2,627
25.00% −	2,258

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	1	16,921	1,757	46	15,953	1,656	34	39.22	2.49
2018	1	15,073	1,563	41	14,193	1,472	30	52.27	2.49
2019	1	13,551	1,391	37	12,245	1,257	26	52.27	2.49
2020	1	12,197	1,239	33	11,164	1,134	23	52.27	2.49
2021	1	10,976	1,102	29	9,477	952	19	52.27	2.49
2022	1	9,879	981	25	8,324	826	17	52.27	2.49
2023	1	8,891	873	23	7,888	775	16	52.27	2.49
2024	1	8,002	777	21	7,215	700	14	52.27	2.49
2025	1	7,202	691	18	6,788	652	14	52.27	2.49
2026	1	6,482	616	16	6,264	595	12	52.27	2.49
2027	1	5,833	547	15	5,833	547	11	52.27	2.49
2028	1	5,250	488	12	4,905	456	10	52.27	2.49
2029	1	4,725	434	12	4,311	396	8	52.27	2.49
2030	1	4,253	386	10	3,764	341	7	52.27	2.49
2031	1	3,827	344	9	3,391	305	6	52.27	2.49
Sub-Total		133,062	13,189	347	121,715	12,064	247	50.56	2.49
Remainder		3,445	305	8	3,138	279	6	52.27	2.49
Total Future		136,507	13,494	355	124,853	12,343	253	50.60	2.49
Cumulative		425,801	0	822					
Ultimate		562,308	13,494	1,177					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	626	36	84	0	746	32	5	709
2018	742	39	75	0	856	39	5	812
2019	640	34	64	0	738	32	4	702
2020	583	30	58	0	671	30	3	638
2021	495	26	49	0	570	25	3	542
2022	436	22	42	0	500	21	3	476
2023	412	20	39	0	471	19	2	450
2024	377	19	36	0	432	17	2	413
2025	355	17	33	0	405	15	2	388
2026	327	16	30	0	373	13	2	358
2027	305	15	28	0	348	11	2	335
2028	257	12	24	0	293	9	1	283
2029	225	11	20	0	256	8	2	246
2030	197	9	17	0	223	7	1	215
2031	177	8	16	0	201	6	1	194
Sub-Total	6,154	314	615	0	7,083	284	38	6,761
Remainder	164	7	14	0	185	6	0	179
Total Future	6,318	321	629	0	7,268	290	38	6,940

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	66	66	643	643	613
2018	0	0	0	59	59	753	1,396	650
2019	0	0	0	50	50	652	2,048	508
2020	0	0	0	46	46	592	2,640	419
2021	0	0	0	38	38	504	3,144	321
2022	0	0	0	34	34	442	3,586	256
2023	0	0	0	32	32	418	4,004	220
2024	0	0	0	29	29	384	4,388	182
2025	0	0	0	27	27	361	4,749	155
2026	0	0	0	26	26	332	5,081	130
2027	0	0	0	23	23	312	5,393	109
2028	0	0	0	19	19	264	5,657	83
2029	0	0	0	17	17	229	5,886	67
2030	0	0	0	15	15	200	6,086	52
2031	0	0	0	13	13	181	6,267	43
Sub-Total	0	0	0	494	494	6,267		3,808
Remainder	0	0	200	12	212	−33	6,234	−3
Total Future	0	0	200	506	706	6,234		3,805

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 32

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST TOURNAISIAN
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	3,805
12.00% –	3,503
15.00% –	3,121
20.00% –	2,627
25.00% –	2,258

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	1	16,921	1,757	46	15,953	1,656	34	39.22	2.49
2018	1	15,073	1,563	41	14,193	1,472	30	52.27	2.49
2019	1	13,551	1,391	37	12,245	1,257	26	52.27	2.49
2020	1	12,197	1,239	33	11,164	1,134	23	52.27	2.49
2021	1	10,976	1,102	29	9,477	952	19	52.27	2.49
2022	1	9,879	981	25	8,324	826	17	52.27	2.49
2023	1	8,891	873	23	7,888	775	16	52.27	2.49
2024	1	8,002	777	21	7,215	700	14	52.27	2.49
2025	1	7,202	691	18	6,788	652	14	52.27	2.49
2026	1	6,482	616	16	6,264	595	12	52.27	2.49
2027	1	5,833	547	15	5,833	547	11	52.27	2.49
2028	1	5,250	488	12	4,905	456	10	52.27	2.49
2029	1	4,725	434	12	4,311	396	8	52.27	2.49
2030	1	4,253	386	10	3,764	341	7	52.27	2.49
2031	1	3,827	344	9	3,391	305	6	52.27	2.49
Sub-Total		133,062	13,189	347	121,715	12,064	247	50.56	2.49
Remainder		3,445	305	8	3,138	279	6	52.27	2.49
Total Future		136,507	13,494	355	124,853	12,343	253	50.60	2.49
Cumulative		425,801	0	822					
Ultimate		562,308	13,494	1,177					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	626	36	84	0	746	32	5	709
2018	742	39	75	0	856	39	5	812
2019	640	34	64	0	738	32	4	702
2020	583	30	58	0	671	30	3	638
2021	495	26	49	0	570	25	3	542
2022	436	22	42	0	500	21	3	476
2023	412	20	39	0	471	19	2	450
2024	377	19	36	0	432	17	2	413
2025	355	17	33	0	405	15	2	388
2026	327	16	30	0	373	13	2	358
2027	305	15	28	0	348	11	2	335
2028	257	12	24	0	293	9	1	283
2029	225	11	20	0	256	8	2	246
2030	197	9	17	0	223	7	1	215
2031	177	8	16	0	201	6	1	194
Sub-Total	6,154	314	615	0	7,083	284	38	6,761
Remainder	164	7	14	0	185	6	0	179
Total Future	6,318	321	629	0	7,268	290	38	6,940

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	66	66	643	643	613
2018	0	0	0	59	59	753	1,396	650
2019	0	0	0	50	50	652	2,048	508
2020	0	0	0	46	46	592	2,640	419
2021	0	0	0	38	38	504	3,144	321
2022	0	0	0	34	34	442	3,586	256
2023	0	0	0	32	32	418	4,004	220
2024	0	0	0	29	29	384	4,388	182
2025	0	0	0	27	27	361	4,749	155
2026	0	0	0	26	26	332	5,081	130
2027	0	0	0	23	23	312	5,393	109
2028	0	0	0	19	19	264	5,657	83
2029	0	0	0	17	17	229	5,886	67
2030	0	0	0	15	15	200	6,086	52
2031	0	0	0	13	13	181	6,267	43
Sub-Total	0	0	0	494	494	6,267		3,808
Remainder	0	0	200	12	212	–33	6,234	–3
Total Future	0	0	200	506	706	6,234		3,805

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 33

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST TOURNAISIAN
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	0
12.00% -	0
15.00% -	0
20.00% -	0
25.00% -	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		0	0	0					
Ultimate		0	0	0					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 34

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SOUTH TOURNAISIAN
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	16,177
12.00% -	15,019
15.00% -	13,532
20.00% -	11,568
25.00% -	10,064

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	4	29,213	32,293	850	27,541	30,446	635	39.22	2.49
2018	4	38,024	46,465	1,222	35,805	43,753	913	52.27	2.49
2019	4	28,320	35,786	942	25,591	32,336	676	52.27	2.49
2020	4	22,104	29,075	766	20,231	26,614	555	52.27	2.49
2021	4	17,818	24,463	644	15,383	21,120	441	52.27	2.49
2022	4	14,718	21,105	555	12,403	17,783	371	52.27	2.49
2023	4	12,391	18,551	488	10,993	16,458	343	52.27	2.49
2024	4	10,588	16,537	436	9,549	14,911	311	52.27	2.49
2025	4	9,166	14,842	389	8,637	13,991	293	52.27	2.49
2026	4	8,017	13,336	352	7,748	12,887	268	52.27	2.49
2027	4	7,075	11,987	314	7,075	11,985	251	52.27	2.49
2028	4	6,291	10,777	284	5,877	10,069	210	52.27	2.49
2029	4	5,616	9,694	255	5,124	8,845	185	52.27	2.49
2030	4	5,024	8,722	231	4,446	7,718	160	52.27	2.49
2031	4	4,503	7,848	206	3,989	6,954	145	52.27	2.49
Sub-Total		218,868	301,481	7,934	200,392	275,870	5,757	50.48	2.49
Remainder		4,042	7,062	186	3,685	6,436	135	52.27	2.49
Total Future		222,910	308,543	8,120	204,077	282,306	5,892	50.51	2.49
Cumulative		1,107,727	0	12,553					
Ultimate		1,330,637	308,543	20,673					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	1,080	661	1,582	0	3,323	55	92	3,176
2018	1,872	1,169	2,274	0	5,315	98	142	5,075
2019	1,337	863	1,681	0	3,881	68	104	3,709
2020	1,058	711	1,383	0	3,152	53	85	3,014
2021	804	564	1,097	0	2,465	41	67	2,357
2022	648	475	924	0	2,047	31	56	1,960
2023	575	440	856	0	1,871	27	52	1,792
2024	499	398	775	0	1,672	23	46	1,603
2025	451	374	727	0	1,552	19	45	1,488
2026	405	344	669	0	1,418	16	40	1,362
2027	370	320	623	0	1,313	13	38	1,262
2028	307	269	524	0	1,100	11	31	1,058
2029	268	236	459	0	963	10	28	925
2030	233	207	401	0	841	8	25	808
2031	208	185	362	0	755	7	21	727
Sub-Total	10,115	7,216	14,337	0	31,668	480	872	30,316
Remainder	193	172	334	0	699	6	21	672
Total Future	10,308	7,388	14,671	0	32,367	486	893	30,988

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	556	556	2,620	2,620	2,464
2018	0	0	0	791	791	4,284	6,904	3,700
2019	0	0	0	582	582	3,127	10,031	2,445
2020	0	0	0	477	477	2,537	12,568	1,794
2021	0	0	0	376	376	1,981	14,549	1,268
2022	0	0	0	316	316	1,644	16,193	952
2023	0	0	0	291	291	1,501	17,694	786
2024	0	0	0	263	263	1,340	19,034	636
2025	0	0	0	246	246	1,242	20,276	534
2026	0	0	0	226	226	1,136	21,412	442
2027	0	0	0	209	209	1,053	22,465	370
2028	0	0	0	176	176	882	23,347	281
2029	0	0	0	155	155	770	24,117	222
2030	0	0	0	135	135	673	24,790	176
2031	0	0	0	121	121	606	25,396	143
Sub-Total	0	0	0	4,920	4,920	25,396		16,213
Remainder	0	0	800	112	912	-240	25,156	-36
Total Future	0	0	800	5,032	5,832	25,156		16,177

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 35

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SOUTH TOURNAISIAN
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	16,177
12.00% -	15,019
15.00% -	13,532
20.00% -	11,568
25.00% -	10,064

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	4	29,213	32,293	850	27,541	30,446	635	39.22	2.49
2018	4	38,024	46,465	1,222	35,805	43,753	913	52.27	2.49
2019	4	28,320	35,786	942	25,591	32,336	676	52.27	2.49
2020	4	22,104	29,075	766	20,231	26,614	555	52.27	2.49
2021	4	17,818	24,463	644	15,383	21,120	441	52.27	2.49
2022	4	14,718	21,105	555	12,403	17,783	371	52.27	2.49
2023	4	12,391	18,551	488	10,993	16,458	343	52.27	2.49
2024	4	10,588	16,537	436	9,549	14,911	311	52.27	2.49
2025	4	9,166	14,842	389	8,637	13,991	293	52.27	2.49
2026	4	8,017	13,336	352	7,748	12,887	268	52.27	2.49
2027	4	7,075	11,987	314	7,075	11,985	251	52.27	2.49
2028	4	6,291	10,777	284	5,877	10,069	210	52.27	2.49
2029	4	5,616	9,694	255	5,124	8,845	185	52.27	2.49
2030	4	5,024	8,722	231	4,446	7,718	160	52.27	2.49
2031	4	4,503	7,848	206	3,989	6,954	145	52.27	2.49
Sub-Total		218,868	301,481	7,934	200,392	275,870	5,757	50.48	2.49
Remainder		4,042	7,062	186	3,685	6,436	135	52.27	2.49
Total Future		222,910	308,543	8,120	204,077	282,306	5,892	50.51	2.49
Cumulative		1,107,727	0	12,553					
Ultimate		1,330,637	308,543	20,673					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	1,080	661	1,582	0	3,323	55	92	3,176
2018	1,872	1,169	2,274	0	5,315	98	142	5,075
2019	1,337	863	1,681	0	3,881	68	104	3,709
2020	1,058	711	1,383	0	3,152	53	85	3,014
2021	804	564	1,097	0	2,465	41	67	2,357
2022	648	475	924	0	2,047	31	56	1,960
2023	575	440	856	0	1,871	27	52	1,792
2024	499	398	775	0	1,672	23	46	1,603
2025	451	374	727	0	1,552	19	45	1,488
2026	405	344	669	0	1,418	16	40	1,362
2027	370	320	623	0	1,313	13	38	1,262
2028	307	269	524	0	1,100	11	31	1,058
2029	268	236	459	0	963	10	28	925
2030	233	207	401	0	841	8	25	808
2031	208	185	362	0	755	7	21	727
Sub-Total	10,115	7,216	14,337	0	31,668	480	872	30,316
Remainder	193	172	334	0	699	6	21	672
Total Future	10,308	7,388	14,671	0	32,367	486	893	30,988

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	556	556	2,620	2,620	2,464
2018	0	0	0	791	791	4,284	6,904	3,700
2019	0	0	0	582	582	3,127	10,031	2,445
2020	0	0	0	477	477	2,537	12,568	1,794
2021	0	0	0	376	376	1,981	14,549	1,268
2022	0	0	0	316	316	1,644	16,193	952
2023	0	0	0	291	291	1,501	17,694	786
2024	0	0	0	263	263	1,340	19,034	636
2025	0	0	0	246	246	1,242	20,276	534
2026	0	0	0	226	226	1,136	21,412	442
2027	0	0	0	209	209	1,053	22,465	370
2028	0	0	0	176	176	882	23,347	281
2029	0	0	0	155	155	770	24,117	222
2030	0	0	0	135	135	673	24,790	176
2031	0	0	0	121	121	606	25,396	143
Sub-Total	0	0	0	4,920	4,920	25,396		16,213
Remainder	0	0	800	112	912	-240	25,156	-36
Total Future	0	0	800	5,032	5,832	25,156		16,177

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 36

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SOUTH TOURNAISIAN
TOTAL PROVED PRODUCING

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	16,177
12.00% -	15,019
15.00% -	13,532
20.00% -	11,568
25.00% -	10,064

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	4	29,213	32,293	850	27,541	30,446	635	39.22	2.49
2018	4	38,024	46,465	1,222	35,805	43,753	913	52.27	2.49
2019	4	28,320	35,786	942	25,591	32,336	676	52.27	2.49
2020	4	22,104	29,075	766	20,231	26,614	555	52.27	2.49
2021	4	17,818	24,463	644	15,383	21,120	441	52.27	2.49
2022	4	14,718	21,105	555	12,403	17,783	371	52.27	2.49
2023	4	12,391	18,551	488	10,993	16,458	343	52.27	2.49
2024	4	10,588	16,537	436	9,549	14,911	311	52.27	2.49
2025	4	9,166	14,842	389	8,637	13,991	293	52.27	2.49
2026	4	8,017	13,336	352	7,748	12,887	268	52.27	2.49
2027	4	7,075	11,987	314	7,075	11,985	251	52.27	2.49
2028	4	6,291	10,777	284	5,877	10,069	210	52.27	2.49
2029	4	5,616	9,694	255	5,124	8,845	185	52.27	2.49
2030	4	5,024	8,722	231	4,446	7,718	160	52.27	2.49
2031	4	4,503	7,848	206	3,989	6,954	145	52.27	2.49
Sub-Total		218,868	301,481	7,934	200,392	275,870	5,757	50.48	2.49
Remainder		4,042	7,062	186	3,685	6,436	135	52.27	2.49
Total Future		222,910	308,543	8,120	204,077	282,306	5,892	50.51	2.49
Cumulative		1,046,036	0	11,993					
Ultimate		1,268,946	308,543	20,113					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	1,080	661	1,582	0	3,323	55	92	3,176
2018	1,872	1,169	2,274	0	5,315	98	142	5,075
2019	1,337	863	1,681	0	3,881	68	104	3,709
2020	1,058	711	1,383	0	3,152	53	85	3,014
2021	804	564	1,097	0	2,465	41	67	2,357
2022	648	475	924	0	2,047	31	56	1,960
2023	575	440	856	0	1,871	27	52	1,792
2024	499	398	775	0	1,672	23	46	1,603
2025	451	374	727	0	1,552	19	45	1,488
2026	405	344	669	0	1,418	16	40	1,362
2027	370	320	623	0	1,313	13	38	1,262
2028	307	269	524	0	1,100	11	31	1,058
2029	268	236	459	0	963	10	28	925
2030	233	207	401	0	841	8	25	808
2031	208	185	362	0	755	7	21	727
Sub-Total	10,115	7,216	14,337	0	31,668	480	872	30,316
Remainder	193	172	334	0	699	6	21	672
Total Future	10,308	7,388	14,671	0	32,367	486	893	30,988

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	556	556	2,620	2,620	2,464
2018	0	0	0	791	791	4,284	6,904	3,700
2019	0	0	0	582	582	3,127	10,031	2,445
2020	0	0	0	477	477	2,537	12,568	1,794
2021	0	0	0	376	376	1,981	14,549	1,268
2022	0	0	0	316	316	1,644	16,193	952
2023	0	0	0	291	291	1,501	17,694	786
2024	0	0	0	263	263	1,340	19,034	636
2025	0	0	0	246	246	1,242	20,276	534
2026	0	0	0	226	226	1,136	21,412	442
2027	0	0	0	209	209	1,053	22,465	370
2028	0	0	0	176	176	882	23,347	281
2029	0	0	0	155	155	770	24,117	222
2030	0	0	0	135	135	673	24,790	176
2031	0	0	0	121	121	606	25,396	143
Sub-Total	0	0	0	4,920	4,920	25,396		16,213
Remainder	0	0	800	112	912	-240	25,156	-36
Total Future	0	0	800	5,032	5,832	25,156		16,177

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 37

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SOUTH TOURNAISIAN
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	0
12.00% –	0
15.00% –	0
20.00% –	0
25.00% –	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		0	0	0					
Ultimate		0	0	0					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 38

GRAND SUMMARY
SOUTH BOBRIKOVSKI
TOTAL PROVED

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	842
12.00% –	792
15.00% –	725
20.00% –	634
25.00% –	563

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	1	19,012	0	26	17,484	0	18	39.22	2.49
2018	1	9,442	0	13	9,136	0	10	52.27	2.49
2019	1	6,334	0	9	6,134	0	6	52.27	2.49
2020	1	4,774	0	7	4,394	0	5	52.27	2.49
2021	1	3,831	0	6	3,252	0	4	52.27	2.49
2022	1	3,201	0	4	2,672	0	3	52.27	2.49
2023	1	2,749	0	4	2,409	0	2	52.27	2.49
2024	1	2,409	0	4	2,160	0	3	52.27	2.49
2025	1	2,143	0	3	2,008	0	2	52.27	2.49
2026	1	1,927	0	3	1,845	0	2	52.27	2.49
2027	1	1,733	0	3	1,734	0	2	52.27	2.49
2028	1	1,561	0	2	1,474	0	2	52.27	2.49
2029	1	1,404	0	2	1,288	0	1	52.27	2.49
2030	1	1,264	0	2	1,114	0	1	52.27	2.49
2031	1	1,138	0	1	1,005	0	1	52.27	2.49
Sub-Total		62,922	0	89	58,109	0	62	48.34	2.49
Remainder		1,023	0	2	933	0	1	52.27	2.49
Total Future		63,945	0	91	59,042	0	63	48.41	2.49
Cumulative		135,328	0	152					
Ultimate		199,273	0	243					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	686	0	45	0	731	35	2	694
2018	477	0	24	0	501	25	1	475
2019	321	0	17	0	338	16	1	321
2020	230	0	12	0	242	12	0	230
2021	170	0	8	0	178	8	0	170
2022	139	0	8	0	147	7	1	139
2023	126	0	6	0	132	6	0	126
2024	113	0	6	0	119	5	0	114
2025	105	0	6	0	111	5	0	106
2026	96	0	5	0	101	3	1	97
2027	91	0	5	0	96	4	0	92
2028	77	0	4	0	81	3	0	78
2029	67	0	4	0	71	2	0	69
2030	59	0	3	0	62	2	0	60
2031	52	0	2	0	54	2	0	52
Sub-Total	2,809	0	155	0	2,964	135	6	2,823
Remainder	49	0	3	0	52	1	0	51
Total Future	2,858	0	158	0	3,016	136	6	2,874

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	195	0	233	51	479	215	215	208
2018	92	0	145	28	265	210	425	184
2019	46	0	157	18	221	100	525	77
2020	24	0	89	13	126	104	629	75
2021	17	0	54	10	81	89	718	57
2022	15	0	9	8	32	107	825	62
2023	17	0	4	7	28	98	923	52
2024	18	0	3	6	27	87	1,010	41
2025	20	0	2	6	28	78	1,088	33
2026	22	0	3	6	31	66	1,154	27
2027	22	0	2	5	29	63	1,217	21
2028	25	0	2	4	31	47	1,264	15
2029	25	0	2	4	31	38	1,302	11
2030	28	0	2	3	33	27	1,329	7
2031	29	0	2	3	34	18	1,347	4
Sub-Total	595	0	709	172	1,476	1,347		874
Remainder	0	0	217	3	220	−169	1,178	−32
Total Future	595	0	926	175	1,696	1,178		842

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 39

GRAND SUMMARY
BASHKIRIAN
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	100,601
12.00% -	90,876
15.00% -	78,413
20.00% -	62,108
25.00% -	49,931

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	5	295,614	8,574	173	278,698	8,084	134	39.22	2.49
2018	7	246,153	7,713	140	232,187	7,275	106	52.27	2.49
2019	9	637,890	19,646	281	588,846	18,118	192	52.27	2.49
2020	12	996,152	30,341	411	915,225	27,873	275	52.27	2.49
2021	12	910,252	27,794	374	776,414	23,717	234	52.27	2.49
2022	12	717,657	22,041	297	600,782	18,457	180	52.27	2.49
2023	12	567,050	17,504	234	498,667	15,400	151	52.27	2.49
2024	12	448,852	13,925	189	403,218	12,510	123	52.27	2.49
2025	12	355,848	11,091	148	333,904	10,409	102	52.27	2.49
2026	12	282,368	8,843	122	271,215	8,498	85	52.27	2.49
2027	12	224,404	7,068	97	224,406	7,067	71	52.27	2.49
2028	11	178,712	5,659	79	168,209	5,326	55	52.27	2.49
2029	11	142,522	4,542	63	130,484	4,158	41	52.27	2.49
2030	11	113,833	3,654	52	100,486	3,225	35	52.27	2.49
2031	11	91,072	2,948	41	80,539	2,606	27	52.27	2.49
Sub-Total		6,208,379	191,343	2,701	5,603,280	172,723	1,811	51.62	2.49
Remainder		72,987	2,383	34	68,074	2,220	23	52.27	2.49
Total Future		6,281,366	193,726	2,735	5,671,354	174,943	1,834	51.63	2.49
Cumulative		1,103,654	0	818					
Ultimate		7,385,020	193,726	3,553					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	10,931	175	335	0	11,441	561	21	10,859
2018	12,136	195	262	0	12,593	600	19	11,974
2019	30,779	484	479	0	31,742	1,214	38	30,490
2020	47,839	744	686	0	49,269	1,908	59	47,302
2021	40,583	634	579	0	41,796	2,341	52	39,403
2022	31,403	493	450	0	32,346	1,787	40	30,519
2023	26,065	411	376	0	26,852	1,403	33	25,416
2024	21,076	334	307	0	21,717	1,057	23	20,637
2025	17,453	278	257	0	17,988	831	22	17,135
2026	14,177	227	211	0	14,615	633	18	13,964
2027	11,730	189	177	0	12,096	485	13	11,598
2028	8,792	142	134	0	9,068	338	11	8,719
2029	6,820	111	106	0	7,037	246	9	6,782
2030	5,253	86	83	0	5,422	185	7	5,230
2031	4,210	70	68	0	4,348	143	5	4,200
Sub-Total	289,247	4,573	4,510	0	298,330	13,732	370	284,228
Remainder	3,558	59	59	0	3,676	116	5	3,555
Total Future	292,805	4,632	4,569	0	302,006	13,848	375	287,783

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	3,025	0	3,931	808	7,764	3,095	3,095	2,987
2018	2,264	0	2,780	674	5,718	6,256	9,351	5,337
2019	4,557	0	12,978	1,675	19,210	11,280	20,631	8,832
2020	5,325	0	12,091	2,590	20,006	27,296	47,927	19,228
2021	4,321	0	6,488	2,197	13,006	26,397	74,324	16,927
2022	3,568	0	979	1,701	6,248	24,271	98,595	14,075
2023	3,462	0	414	1,413	5,289	20,127	118,722	10,566
2024	3,367	0	287	1,143	4,797	15,840	134,562	7,527
2025	3,264	0	213	948	4,425	12,710	147,272	5,468
2026	3,120	0	254	771	4,145	9,819	157,091	3,824
2027	2,948	0	391	638	3,977	7,621	164,712	2,689
2028	2,778	0	183	479	3,440	5,279	169,991	1,686
2029	2,599	0	127	371	3,097	3,685	173,676	1,065
2030	2,503	0	164	287	2,954	2,276	175,952	596
2031	2,404	0	115	231	2,750	1,450	177,402	343
Sub-Total	49,505	0	41,395	15,926	106,826	177,402		101,150
Remainder	1,227	0	5,035	195	6,457	-2,902	174,500	-549
Total Future	50,732	0	46,430	16,121	113,283	174,500		100,601

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 40

GRAND SUMMARY
BASHKIRIAN
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% −	35,770
12.00% −	32,829
15.00% −	29,036
20.00% −	24,016
25.00% −	20,202

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	5	295,614	8,574	173	278,698	8,084	134	39.22	2.49
2018	6	230,858	7,262	134	217,387	6,838	102	52.27	2.49
2019	7	445,683	13,973	208	402,713	12,624	141	52.27	2.49
2020	7	341,829	11,029	162	312,902	10,097	111	52.27	2.49
2021	7	265,605	8,768	128	229,305	7,569	84	52.27	2.49
2022	7	208,386	7,010	103	175,586	5,907	64	52.27	2.49
2023	7	164,724	5,631	81	146,144	4,997	55	52.27	2.49
2024	7	131,016	4,543	67	118,136	4,096	45	52.27	2.49
2025	7	104,757	3,682	54	98,736	3,468	38	52.27	2.49
2026	7	84,007	2,988	46	81,183	2,890	33	52.27	2.49
2027	7	67,699	2,442	38	67,699	2,441	28	52.27	2.49
2028	6	54,914	2,005	31	51,302	1,875	22	52.27	2.49
2029	6	44,721	1,656	25	40,802	1,511	17	52.27	2.49
2030	6	36,572	1,374	23	32,366	1,215	16	52.27	2.49
2031	6	30,035	1,146	18	26,612	1,016	12	52.27	2.49
Sub-Total		2,506,420	82,083	1,291	2,279,571	74,628	902	50.67	2.49
Remainder		24,767	961	15	22,567	876	11	52.27	2.49
Total Future		2,531,187	83,044	1,306	2,302,138	75,504	913	50.69	2.49
Cumulative		1,103,654	0	818					
Ultimate		3,634,841	83,044	2,124					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	10,931	175	335	0	11,441	561	21	10,859
2018	11,362	183	252	0	11,797	591	18	11,188
2019	21,050	337	352	0	21,739	1,075	28	20,636
2020	16,356	270	277	0	16,903	823	22	16,058
2021	11,985	202	206	0	12,393	602	17	11,774
2022	9,178	158	161	0	9,497	448	12	9,037
2023	7,639	133	136	0	7,908	359	11	7,538
2024	6,175	110	113	0	6,398	275	9	6,114
2025	5,161	92	97	0	5,350	217	8	5,125
2026	4,244	78	82	0	4,404	168	6	4,230
2027	3,538	65	70	0	3,673	129	5	3,539
2028	2,682	50	55	0	2,787	97	5	2,685
2029	2,132	40	44	0	2,216	76	3	2,137
2030	1,692	33	37	0	1,762	59	3	1,700
2031	1,391	27	31	0	1,449	48	2	1,399
Sub-Total	115,516	1,953	2,248	0	119,717	5,528	170	114,019
Remainder	1,180	23	28	0	1,231	40	2	1,189
Total Future	116,696	1,976	2,276	0	120,948	5,568	172	115,208

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	3,025	0	3,931	808	7,764	3,095	3,095	2,987
2018	2,125	0	2,780	633	5,538	5,650	8,745	4,840
2019	2,970	0	10,248	1,151	14,369	6,267	15,012	4,944
2020	1,663	0	6,184	897	8,744	7,314	22,326	5,201
2021	1,194	0	3,743	659	5,596	6,178	28,504	3,972
2022	990	0	583	505	2,078	6,959	35,463	4,035
2023	1,000	0	231	423	1,654	5,884	41,347	3,090
2024	976	0	153	342	1,471	4,643	45,990	2,206
2025	960	0	106	286	1,352	3,773	49,763	1,623
2026	920	0	123	236	1,279	2,951	52,714	1,149
2027	880	0	289	198	1,367	2,172	54,886	769
2028	833	0	82	150	1,065	1,620	56,506	517
2029	802	0	55	120	977	1,160	57,666	336
2030	781	0	69	95	945	755	58,421	197
2031	777	0	45	79	901	498	58,919	118
Sub-Total	19,896	0	28,622	6,582	55,100	58,919		35,984
Remainder	212	0	2,063	67	2,342	−1,153	57,766	−214
Total Future	20,108	0	30,685	6,649	57,442	57,766		35,770

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 41

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
BASHKIRIAN
TOTAL PROVED PRODUCING

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	13,706
12.00% -	12,882
15.00% -	11,805
20.00% -	10,348
25.00% -	9,207

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	5	295,614	8,574	173	278,698	8,084	134	39.22	2.49
2018	5	185,859	5,934	117	175,014	5,587	90	52.27	2.49
2019	5	124,881	4,504	86	112,841	4,069	62	52.27	2.49
2020	5	88,394	3,549	65	80,914	3,250	48	52.27	2.49
2021	5	65,393	2,860	52	56,456	2,468	36	52.27	2.49
2022	5	50,217	2,342	42	42,312	1,974	29	52.27	2.49
2023	5	39,772	1,943	34	35,286	1,724	24	52.27	2.49
2024	5	32,303	1,629	29	29,128	1,469	20	52.27	2.49
2025	5	26,774	1,380	25	25,235	1,300	18	52.27	2.49
2026	5	22,401	1,170	22	21,648	1,132	17	52.27	2.49
2027	5	19,029	1,006	19	19,029	1,005	15	52.27	2.49
2028	4	16,466	870	17	15,382	814	12	52.27	2.49
2029	4	14,346	760	14	13,090	693	10	52.27	2.49
2030	4	12,577	666	13	11,130	589	10	52.27	2.49
2031	4	11,077	586	11	9,815	520	8	52.27	2.49
Sub-Total		1,005,103	37,773	719	925,978	34,678	533	48.34	2.49
Remainder		9,792	520	10	8,922	473	7	52.27	2.49
Total Future		1,014,895	38,293	729	934,900	35,151	540	48.38	2.49
Cumulative		1,103,654	0	818					
Ultimate		2,118,549	38,293	1,547					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	10,931	175	335	0	11,441	561	21	10,859
2018	9,148	150	223	0	9,521	475	15	9,031
2019	5,898	108	155	0	6,161	302	11	5,848
2020	4,229	87	119	0	4,435	213	8	4,214
2021	2,951	66	88	0	3,105	148	7	2,950
2022	2,212	53	71	0	2,336	108	5	2,223
2023	1,844	46	61	0	1,951	86	4	1,861
2024	1,523	39	52	0	1,614	68	3	1,543
2025	1,319	35	47	0	1,401	56	4	1,341
2026	1,131	30	41	0	1,202	44	3	1,155
2027	995	27	37	0	1,059	37	2	1,020
2028	804	22	30	0	856	29	2	825
2029	684	18	26	0	728	24	2	702
2030	582	16	23	0	621	21	2	598
2031	513	14	19	0	546	17	1	528
Sub-Total	44,764	886	1,327	0	46,977	2,189	90	44,698
Remainder	466	12	19	0	497	16	1	480
Total Future	45,230	898	1,346	0	47,474	2,205	91	45,178

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	3,025	0	3,931	808	7,764	3,095	3,095	2,987
2018	1,743	0	2,780	514	5,037	3,994	7,089	3,464
2019	843	0	2,878	336	4,057	1,791	8,880	1,417
2020	436	0	1,611	245	2,292	1,922	10,802	1,369
2021	298	0	932	173	1,403	1,547	12,349	994
2022	243	0	143	131	517	1,706	14,055	989
2023	246	0	57	110	413	1,448	15,503	760
2024	246	0	39	92	377	1,166	16,669	554
2025	250	0	27	80	357	984	17,653	423
2026	251	0	33	69	353	802	18,455	313
2027	253	0	226	61	540	480	18,935	172
2028	255	0	26	49	330	495	19,430	158
2029	262	0	18	42	322	380	19,810	110
2030	274	0	24	35	333	265	20,075	69
2031	292	0	17	32	341	187	20,262	44
Sub-Total	8,917	0	12,742	2,777	24,436	20,262		13,823
Remainder	0	0	1,089	29	1,118	-638	19,624	-117
Total Future	8,917	0	13,831	2,806	25,554	19,624		13,706

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 42

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
BASHKIRIAN
TOTAL PROVED UNDEVELOPED

PROVED
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
INITIAL								10.00% -	22,064
FINAL								12.00% -	19,947
REMARKS								15.00% -	17,231
								20.00% -	13,668
								25.00% -	10,995

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	1	44,999	1,328	17	42,373	1,251	12	52.27	2.49
2019	2	320,802	9,469	122	289,872	8,555	79	52.27	2.49
2020	2	253,435	7,480	97	231,988	6,847	63	52.27	2.49
2021	2	200,212	5,908	76	172,849	5,101	48	52.27	2.49
2022	2	158,169	4,668	61	133,274	3,933	35	52.27	2.49
2023	2	124,952	3,688	47	110,858	3,273	31	52.27	2.49
2024	2	98,713	2,914	38	89,008	2,627	25	52.27	2.49
2025	2	77,983	2,302	29	73,501	2,168	20	52.27	2.49
2026	2	61,606	1,818	24	59,535	1,758	16	52.27	2.49
2027	2	48,670	1,436	19	48,670	1,436	13	52.27	2.49
2028	2	38,448	1,135	14	35,920	1,061	10	52.27	2.49
2029	2	30,375	896	11	27,712	818	7	52.27	2.49
2030	2	23,995	708	10	21,236	626	6	52.27	2.49
2031	2	18,958	560	7	16,797	496	4	52.27	2.49
Sub-Total		1,501,317	44,310	572	1,353,593	39,950	369	52.27	2.49
Remainder		14,975	441	5	13,645	403	4	52.27	2.49
Total Future		1,516,292	44,751	577	1,367,238	40,353	373	52.27	2.49
Cumulative		0	0	0					
Ultimate		1,516,292	44,751	577					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	2,215	33	29	0	2,277	115	3	2,159
2019	15,151	229	197	0	15,577	774	17	14,786
2020	12,126	183	158	0	12,467	610	14	11,843
2021	9,035	136	118	0	9,289	454	10	8,825
2022	6,966	105	90	0	7,161	341	8	6,812
2023	5,795	88	76	0	5,959	271	6	5,682
2024	4,653	70	60	0	4,783	208	6	4,569
2025	3,841	58	50	0	3,949	162	4	3,783
2026	3,112	47	41	0	3,200	122	3	3,075
2027	2,544	38	33	0	2,615	93	3	2,519
2028	1,878	28	24	0	1,930	68	2	1,860
2029	1,448	22	19	0	1,489	52	2	1,435
2030	1,110	17	15	0	1,142	38	1	1,103
2031	878	13	11	0	902	31	1	870
Sub-Total	70,752	1,067	921	0	72,740	3,339	80	69,321
Remainder	714	11	9	0	734	24	1	709
Total Future	71,466	1,078	930	0	73,474	3,363	81	70,030

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	383	0	0	119	502	1,657	1,657	1,376
2019	2,126	0	7,370	815	10,311	4,475	6,132	3,527
2020	1,227	0	4,573	652	6,452	5,391	11,523	3,832
2021	895	0	2,811	486	4,192	4,633	16,156	2,978
2022	748	0	440	375	1,563	5,249	21,405	3,045
2023	754	0	174	311	1,239	4,443	25,848	2,331
2024	731	0	114	251	1,096	3,473	29,321	1,652
2025	709	0	79	206	994	2,789	32,110	1,200
2026	670	0	90	168	928	2,147	34,257	836
2027	627	0	63	136	826	1,693	35,950	597
2028	577	0	56	101	734	1,126	37,076	359
2029	540	0	37	78	655	780	37,856	226
2030	507	0	45	60	612	491	38,347	128
2031	485	0	28	47	560	310	38,657	74
Sub-Total	10,979	0	15,880	3,805	30,664	38,657		22,161
Remainder	211	0	974	39	1,224	-515	38,142	-97
Total Future	11,190	0	16,854	3,844	31,888	38,142		22,064

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 43

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
BASHKIRIAN
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	64,831
12.00% -	58,046
15.00% -	49,377
20.00% -	38,092
25.00% -	29,729

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	1	15,295	451	6	14,800	437	4	52.27	2.49
2019	2	192,207	5,673	73	186,133	5,494	51	52.27	2.49
2020	5	654,323	19,312	249	602,323	17,776	164	52.27	2.49
2021	5	644,647	19,026	246	547,109	16,148	150	52.27	2.49
2022	5	509,271	15,031	194	425,196	12,550	116	52.27	2.49
2023	5	402,326	11,873	153	352,523	10,403	96	52.27	2.49
2024	5	317,836	9,382	122	285,082	8,414	78	52.27	2.49
2025	5	251,091	7,409	94	235,168	6,941	64	52.27	2.49
2026	5	198,361	5,855	76	190,032	5,608	52	52.27	2.49
2027	5	156,705	4,626	59	156,707	4,626	43	52.27	2.49
2028	5	123,798	3,654	48	116,907	3,451	33	52.27	2.49
2029	5	97,801	2,886	38	89,682	2,647	24	52.27	2.49
2030	5	77,261	2,280	29	68,120	2,010	19	52.27	2.49
2031	5	61,037	1,802	23	53,927	1,590	15	52.27	2.49
Sub-Total		3,701,959	109,260	1,410	3,323,709	98,095	909	52.27	2.49
Remainder		48,220	1,422	19	45,507	1,344	12	52.27	2.49
Total Future		3,750,179	110,682	1,429	3,369,216	99,439	921	52.27	2.49
Cumulative		0	0	0					
Ultimate		3,750,179	110,682	1,429					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	774	12	10	0	796	9	1	786
2019	9,729	146	127	0	10,002	138	10	9,854
2020	31,483	475	410	0	32,368	1,086	37	31,245
2021	28,598	432	372	0	29,402	1,739	35	27,628
2022	22,225	335	289	0	22,849	1,338	28	21,483
2023	18,426	278	240	0	18,944	1,045	22	17,877
2024	14,901	224	194	0	15,319	782	14	14,523
2025	12,292	186	160	0	12,638	614	14	12,010
2026	9,933	150	129	0	10,212	465	12	9,735
2027	8,191	123	107	0	8,421	356	8	8,057
2028	6,111	92	80	0	6,283	241	7	6,035
2029	4,688	71	61	0	4,820	170	5	4,645
2030	3,561	54	46	0	3,661	126	4	3,531
2031	2,818	42	37	0	2,897	96	3	2,798
Sub-Total	173,730	2,620	2,262	0	178,612	8,205	200	170,207
Remainder	2,379	36	31	0	2,446	76	3	2,367
Total Future	176,109	2,656	2,293	0	181,058	8,281	203	172,574

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	139	0	0	42	181	605	605	497
2019	1,587	0	2,730	523	4,840	5,014	5,619	3,888
2020	3,662	0	5,907	1,693	11,262	19,983	25,602	14,027
2021	3,128	0	2,745	1,538	7,411	20,217	45,819	12,955
2022	2,577	0	396	1,195	4,168	17,315	63,134	10,040
2023	2,462	0	183	991	3,636	14,241	77,375	7,476
2024	2,391	0	134	802	3,327	11,196	88,571	5,321
2025	2,304	0	108	661	3,073	8,937	97,508	3,845
2026	2,200	0	131	534	2,865	6,870	104,378	2,675
2027	2,067	0	102	441	2,610	5,447	109,825	1,921
2028	1,946	0	100	328	2,374	3,661	113,486	1,168
2029	1,798	0	72	252	2,122	2,523	116,009	729
2030	1,721	0	95	192	2,008	1,523	117,532	399
2031	1,627	0	69	152	1,848	950	118,482	225
Sub-Total	29,609	0	12,772	9,344	51,725	118,482		65,166
Remainder	1,015	0	2,974	127	4,116	-1,749	116,733	-335
Total Future	30,624	0	15,746	9,471	55,841	116,733		64,831

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 44

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST BASHKIRIAN
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	4,356
12.00% –	4,101
15.00% –	3,767
20.00% –	3,316
25.00% –	2,963

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	99,732	0	63	94,025	0	59	39.22	2.49
2018	2	61,360	0	40	57,780	0	39	52.27	2.49
2019	2	39,605	0	27	35,786	0	24	52.27	2.49
2020	2	27,054	0	20	24,765	0	18	52.27	2.49
2021	2	19,623	0	15	16,942	0	13	52.27	2.49
2022	2	15,064	0	11	12,692	0	10	52.27	2.49
2023	2	12,127	0	10	10,758	0	8	52.27	2.49
2024	2	10,128	0	8	9,133	0	7	52.27	2.49
2025	2	8,684	0	7	8,185	0	7	52.27	2.49
2026	2	7,431	0	7	7,181	0	6	52.27	2.49
2027	2	6,483	0	6	6,483	0	6	52.27	2.49
2028	1	5,835	0	5	5,451	0	4	52.27	2.49
2029	1	5,251	0	4	4,791	0	4	52.27	2.49
2030	1	4,727	0	4	4,183	0	4	52.27	2.49
2031	1	4,253	0	4	3,769	0	3	52.27	2.49
Sub-Total		327,357	0	231	301,924	0	212	48.21	2.49
Remainder		3,828	0	3	3,488	0	3	52.27	2.49
Total Future		331,185	0	234	305,412	0	215	48.25	2.49
Cumulative		707,161	0	636					
Ultimate		1,038,346	0	870					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	3,688	0	148	0	3,836	189	6	3,641
2018	3,020	0	95	0	3,115	157	4	2,954
2019	1,870	0	61	0	1,931	96	2	1,833
2020	1,295	0	44	0	1,339	65	2	1,272
2021	885	0	32	0	917	44	2	871
2022	664	0	24	0	688	33	1	654
2023	562	0	22	0	584	26	0	558
2024	478	0	18	0	496	21	1	474
2025	427	0	17	0	444	18	1	425
2026	376	0	15	0	391	15	0	376
2027	339	0	14	0	353	13	1	339
2028	284	0	11	0	295	10	0	285
2029	251	0	10	0	261	9	1	251
2030	219	0	9	0	228	8	0	220
2031	197	0	8	0	205	6	0	199
Sub-Total	14,555	0	528	0	15,083	710	21	14,352
Remainder	182	0	7	0	189	6	1	182
Total Future	14,737	0	535	0	15,272	716	22	14,534

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	1,017	0	1,325	260	2,602	1,039	1,039	1,002
2018	573	0	910	161	1,644	1,310	2,349	1,138
2019	265	0	901	100	1,266	567	2,916	448
2020	132	0	487	70	689	583	3,499	415
2021	89	0	276	47	412	459	3,958	295
2022	72	0	42	36	150	504	4,462	293
2023	74	0	17	31	122	436	4,898	228
2024	76	0	12	26	114	360	5,258	171
2025	79	0	9	23	111	314	5,572	135
2026	82	0	11	21	114	262	5,834	102
2027	85	0	208	19	312	27	5,861	13
2028	89	0	10	15	114	171	6,032	55
2029	94	0	6	14	114	137	6,169	40
2030	101	0	9	12	122	98	6,267	25
2031	110	0	7	11	128	71	6,338	17
Sub-Total	2,938	0	4,230	846	8,014	6,338		4,377
Remainder	0	0	291	10	301	-119	6,219	-21
Total Future	2,938	0	4,521	856	8,315	6,219		4,356

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 45

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST BASHKIRIAN
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	4,356
12.00% -	4,101
15.00% -	3,767
20.00% -	3,316
25.00% -	2,963

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	99,732	0	63	94,025	0	59	39.22	2.49
2018	2	61,360	0	40	57,780	0	39	52.27	2.49
2019	2	39,605	0	27	35,786	0	24	52.27	2.49
2020	2	27,054	0	20	24,765	0	18	52.27	2.49
2021	2	19,623	0	15	16,942	0	13	52.27	2.49
2022	2	15,064	0	11	12,692	0	10	52.27	2.49
2023	2	12,127	0	10	10,758	0	8	52.27	2.49
2024	2	10,128	0	8	9,133	0	7	52.27	2.49
2025	2	8,684	0	7	8,185	0	7	52.27	2.49
2026	2	7,431	0	7	7,181	0	6	52.27	2.49
2027	2	6,483	0	6	6,483	0	6	52.27	2.49
2028	1	5,835	0	5	5,451	0	4	52.27	2.49
2029	1	5,251	0	4	4,791	0	4	52.27	2.49
2030	1	4,727	0	4	4,183	0	4	52.27	2.49
2031	1	4,253	0	4	3,769	0	3	52.27	2.49
Sub-Total		327,357	0	231	301,924	0	212	48.21	2.49
Remainder		3,828	0	3	3,488	0	3	52.27	2.49
Total Future		331,185	0	234	305,412	0	215	48.25	2.49
Cumulative		707,161	0	636					
Ultimate		1,038,346	0	870					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	3,688	0	148	0	3,836	189	6	3,641
2018	3,020	0	95	0	3,115	157	4	2,954
2019	1,870	0	61	0	1,931	96	2	1,833
2020	1,295	0	44	0	1,339	65	2	1,272
2021	885	0	32	0	917	44	2	871
2022	664	0	24	0	688	33	1	654
2023	562	0	22	0	584	26	0	558
2024	478	0	18	0	496	21	1	474
2025	427	0	17	0	444	18	1	425
2026	376	0	15	0	391	15	0	376
2027	339	0	14	0	353	13	1	339
2028	284	0	11	0	295	10	0	285
2029	251	0	10	0	261	9	1	251
2030	219	0	9	0	228	8	0	220
2031	197	0	8	0	205	6	0	199
Sub-Total	14,555	0	528	0	15,083	710	21	14,352
Remainder	182	0	7	0	189	6	1	182
Total Future	14,737	0	535	0	15,272	716	22	14,534

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	1,017	0	1,325	260	2,602	1,039	1,039	1,002
2018	573	0	910	161	1,644	1,310	2,349	1,138
2019	265	0	901	100	1,266	567	2,916	448
2020	132	0	487	70	689	583	3,499	415
2021	89	0	276	47	412	459	3,958	295
2022	72	0	42	36	150	504	4,462	293
2023	74	0	17	31	122	436	4,898	228
2024	76	0	12	26	114	360	5,258	171
2025	79	0	9	23	111	314	5,572	135
2026	82	0	11	21	114	262	5,834	102
2027	85	0	208	19	312	27	5,861	13
2028	89	0	10	15	114	171	6,032	55
2029	94	0	6	14	114	137	6,169	40
2030	101	0	9	12	122	98	6,267	25
2031	110	0	7	11	128	71	6,338	17
Sub-Total	2,938	0	4,230	846	8,014	6,338		4,377
Remainder	0	0	291	10	301	-119	6,219	-21
Total Future	2,938	0	4,521	856	8,315	6,219		4,356

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 46

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST BASHKIRIAN
TOTAL PROVED PRODUCING

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED
FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	4,356
12.00% -	4,101
15.00% -	3,767
20.00% -	3,316
25.00% -	2,963

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	99,732	0	63	94,025	0	59	39.22	2.49
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2022	2	15,064	0	11	12,692	0	10	52.27	2.49
2023	2	12,127	0	10	10,758	0	8	52.27	2.49
2024	2	10,128	0	8	9,133	0	7	52.27	2.49
2025	2	8,684	0	7	8,185	0	7	52.27	2.49
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2027	2	6,483	0	6	6,483	0	6	52.27	2.49
2028	1	5,835	0	5	5,451	0	4	52.27	2.49
2029	1	5,251	0	4	4,791	0	4	52.27	2.49
2030	1	4,727	0	4	4,183	0	4	52.27	2.49
2031	1	4,253	0	4	3,769	0	3	52.27	2.49
Sub-Total		327,357	0	231	301,924	0	212	48.21	2.49
Remainder		3,828	0	3	3,488	0	3	52.27	2.49
Total Future		331,185	0	234	305,412	0	215	48.25	2.49
Cumulative		707,161	0	636					
Ultimate		1,038,346	0	870					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	3,688	0	148	0	3,836	189	6	3,641
2018	3,020	0	95	0	3,115	157	4	2,954
2019	1,870	0	61	0	1,931	96	2	1,833
2020	1,295	0	44	0	1,339	65	2	1,272
2021	885	0	32	0	917	44	2	871
2022	664	0	24	0	688	33	1	654
2023	562	0	22	0	584	26	0	558
2024	478	0	18	0	496	21	1	474
2025	427	0	17	0	444	18	1	425
2026	376	0	15	0	391	15	0	376
2027	339	0	14	0	353	13	1	339
2028	284	0	11	0	295	10	0	285
2029	251	0	10	0	261	9	1	251
2030	219	0	9	0	228	8	0	220
2031	197	0	8	0	205	6	0	199
Sub-Total	14,555	0	528	0	15,083	710	21	14,352
Remainder	182	0	7	0	189	6	1	182
Total Future	14,737	0	535	0	15,272	716	22	14,534

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	1,017	0	1,325	260	2,602	1,039	1,039	1,002
2018	573	0	910	161	1,644	1,310	2,349	1,138
2019	265	0	901	100	1,266	567	2,916	448
2020	132	0	487	70	689	583	3,499	415
2021	89	0	276	47	412	459	3,958	295
2022	72	0	42	36	150	504	4,462	293
2023	74	0	17	31	122	436	4,898	228
2024	76	0	12	26	114	360	5,258	171
2025	79	0	9	23	111	314	5,572	135
2026	82	0	11	21	114	262	5,834	102
2027	85	0	208	19	312	27	5,861	13
2028	89	0	10	15	114	171	6,032	55
2029	94	0	6	14	114	137	6,169	40
2030	101	0	9	12	122	98	6,267	25
2031	110	0	7	11	128	71	6,338	17
Sub-Total	2,938	0	4,230	846	8,014	6,338		4,377
Remainder	0	0	291	10	301	-119	6,219	-21
Total Future	2,938	0	4,521	856	8,315	6,219		4,356

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 47

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST BASHKIRIAN
TOTAL PROVED UNDEVELOPED

PROVED
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	0
12.00% -	0
15.00% -	0
20.00% -	0
25.00% -	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		0	0	0					
Ultimate		0	0	0					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 48

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
WEST BASHKIRIAN
TOTAL PROBABLE

TOTAL
PROBABLE

	REVENUE INTERESTS				PRODUCT PRICES		
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	0
12.00% -	0
15.00% -	0
20.00% -	0
25.00% -	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		0	0	0					
Ultimate		0	0	0					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 49

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NE BASHKIRIAN
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	31,413
12.00% -	28,729
15.00% -	25,269
20.00% -	20,699
25.00% -	17,239

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	195,882	8,574	110	184,673	8,084	75	39.22	2.49
2018	4	169,498	7,262	94	159,607	6,838	63	52.27	2.49
2019	5	406,078	13,973	181	366,927	12,624	117	52.27	2.49
2020	5	314,775	11,029	142	288,137	10,097	93	52.27	2.49
2021	5	245,982	8,768	113	212,363	7,569	71	52.27	2.49
2022	5	193,322	7,010	92	162,894	5,907	54	52.27	2.49
2023	5	152,597	5,631	71	135,386	4,997	47	52.27	2.49
2024	5	120,888	4,543	59	109,003	4,096	38	52.27	2.49
2025	5	96,073	3,682	47	90,551	3,468	31	52.27	2.49
2026	5	76,576	2,988	39	74,002	2,890	27	52.27	2.49
2027	5	61,216	2,442	32	61,216	2,441	22	52.27	2.49
2028	5	49,079	2,005	26	45,851	1,875	18	52.27	2.49
2029	5	39,470	1,656	21	36,011	1,511	13	52.27	2.49
2030	5	31,845	1,374	19	28,183	1,215	12	52.27	2.49
2031	5	25,782	1,146	14	22,843	1,016	9	52.27	2.49
Sub-Total		2,179,063	82,083	1,060	1,977,647	74,628	690	51.05	2.49
Remainder		20,939	961	12	19,079	876	8	52.27	2.49
Total Future		2,200,002	83,044	1,072	1,996,726	75,504	698	51.06	2.49
Cumulative		396,493	0	182					
Ultimate		2,596,495	83,044	1,254					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	7,243	175	186	0	7,604	372	15	7,217
2018	8,343	183	158	0	8,684	433	14	8,237
2019	19,179	337	291	0	19,807	980	26	18,801
2020	15,061	270	233	0	15,564	758	20	14,786
2021	11,100	202	174	0	11,476	557	15	10,904
2022	8,514	158	137	0	8,809	417	12	8,380
2023	7,077	133	115	0	7,325	331	10	6,984
2024	5,698	110	94	0	5,902	255	8	5,639
2025	4,733	92	80	0	4,905	199	7	4,699
2026	3,868	78	67	0	4,013	152	6	3,855
2027	3,200	65	56	0	3,321	117	4	3,200
2028	2,396	50	43	0	2,489	87	4	2,398
2029	1,882	40	35	0	1,957	67	3	1,887
2030	1,474	33	28	0	1,535	51	3	1,481
2031	1,194	27	24	0	1,245	42	2	1,201
Sub-Total	100,962	1,953	1,721	0	104,636	4,818	149	99,669
Remainder	997	23	20	0	1,040	33	1	1,006
Total Future	101,959	1,976	1,741	0	105,676	4,851	150	100,675

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	2,008	0	2,606	548	5,162	2,055	2,055	1,985
2018	1,552	0	1,871	472	3,895	4,342	6,397	3,702
2019	2,705	0	9,346	1,051	13,102	5,699	12,096	4,497
2020	1,531	0	5,697	827	8,055	6,731	18,827	4,785
2021	1,105	0	3,467	611	5,183	5,721	24,548	3,677
2022	919	0	541	470	1,930	6,450	30,998	3,742
2023	926	0	214	392	1,532	5,452	36,450	2,862
2024	900	0	141	315	1,356	4,283	40,733	2,035
2025	879	0	96	264	1,239	3,460	44,193	1,488
2026	839	0	112	215	1,166	2,689	46,882	1,047
2027	795	0	81	179	1,055	2,145	49,027	756
2028	744	0	73	135	952	1,446	50,473	462
2029	708	0	49	106	863	1,024	51,497	296
2030	680	0	60	83	823	658	52,155	172
2031	667	0	39	68	774	427	52,582	101
Sub-Total	16,958	0	24,393	5,736	47,087	52,582		31,607
Remainder	211	0	1,771	57	2,039	-1,033	51,549	-194
Total Future	17,169	0	26,164	5,793	49,126	51,549		31,413

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 50

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NE BASHKIRIAN
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED
FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	64,831
12.00% -	58,046
15.00% -	49,377
20.00% -	38,092
25.00% -	29,729

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	1	15,295	451	6	14,800	437	4	52.27	2.49
2019	2	192,207	5,673	73	186,133	5,494	51	52.27	2.49
2020	5	654,323	19,312	249	602,323	17,776	164	52.27	2.49
2021	5	644,647	19,026	246	547,109	16,148	150	52.27	2.49
2022	5	509,271	15,031	194	425,196	12,550	116	52.27	2.49
2023	5	402,326	11,873	153	352,523	10,403	96	52.27	2.49
2024	5	317,836	9,382	122	285,082	8,414	78	52.27	2.49
2025	5	251,091	7,409	94	235,168	6,941	64	52.27	2.49
2026	5	198,361	5,855	76	190,032	5,608	52	52.27	2.49
2027	5	156,705	4,626	59	156,707	4,626	43	52.27	2.49
2028	5	123,798	3,654	48	116,907	3,451	33	52.27	2.49
2029	5	97,801	2,886	38	89,682	2,647	24	52.27	2.49
2030	5	77,261	2,280	29	68,120	2,010	19	52.27	2.49
2031	5	61,037	1,802	23	53,927	1,590	15	52.27	2.49
Sub-Total		3,701,959	109,260	1,410	3,323,709	98,095	909	52.27	2.49
Remainder		48,220	1,422	19	45,507	1,344	12	52.27	2.49
Total Future		3,750,179	110,682	1,429	3,369,216	99,439	921	52.27	2.49
Cumulative		0	0	0					
Ultimate		3,750,179	110,682	1,429					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	774	12	10	0	796	9	1	786
2019	9,729	146	127	0	10,002	138	10	9,854
2020	31,483	475	410	0	32,368	1,086	37	31,245
2021	28,598	432	372	0	29,402	1,739	35	27,628
2022	22,225	335	289	0	22,849	1,338	28	21,483
2023	18,426	278	240	0	18,944	1,045	22	17,877
2024	14,901	224	194	0	15,319	782	14	14,523
2025	12,292	186	160	0	12,638	614	14	12,010
2026	9,933	150	129	0	10,212	465	12	9,735
2027	8,191	123	107	0	8,421	356	8	8,057
2028	6,111	92	80	0	6,283	241	7	6,035
2029	4,688	71	61	0	4,820	170	5	4,645
2030	3,561	54	46	0	3,661	126	4	3,531
2031	2,818	42	37	0	2,897	96	3	2,798
Sub-Total	173,730	2,620	2,262	0	178,612	8,205	200	170,207
Remainder	2,379	36	31	0	2,446	76	3	2,367
Total Future	176,109	2,656	2,293	0	181,058	8,281	203	172,574

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	139	0	0	42	181	605	605	497
2019	1,587	0	2,730	523	4,840	5,014	5,619	3,888
2020	3,662	0	5,907	1,693	11,262	19,983	25,602	14,027
2021	3,128	0	2,745	1,538	7,411	20,217	45,819	12,955
2022	2,577	0	396	1,195	4,168	17,315	63,134	10,040
2023	2,462	0	183	991	3,636	14,241	77,375	7,476
2024	2,391	0	134	802	3,327	11,196	88,571	5,321
2025	2,304	0	108	661	3,073	8,937	97,508	3,845
2026	2,200	0	131	534	2,865	6,870	104,378	2,675
2027	2,067	0	102	441	2,610	5,447	109,825	1,921
2028	1,946	0	100	328	2,374	3,661	113,486	1,168
2029	1,798	0	72	252	2,122	2,523	116,009	729
2030	1,721	0	95	192	2,008	1,523	117,532	399
2031	1,627	0	69	152	1,848	950	118,482	225
Sub-Total	29,609	0	12,772	9,344	51,725	118,482		65,166
Remainder	1,015	0	2,974	127	4,116	-1,749	116,733	-335
Total Future	30,624	0	15,746	9,471	55,841	116,733		64,831

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 51

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NE ARDATOVSKI
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	109,075
12.00% -	99,079
15.00% -	86,102
20.00% -	68,787
25.00% -	55,548

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	47,922	92,115	3,071	45,179	86,845	2,663	41.50	2.49
2018	5	578,583	299,694	9,990	558,997	288,210	8,839	56.50	2.49
2019	5	859,829	399,623	13,320	831,128	383,616	11,764	56.50	2.49
2020	5	669,535	304,310	10,144	616,237	279,920	8,586	56.50	2.49
2021	5	521,717	232,154	7,738	442,969	197,487	6,054	56.50	2.49
2022	5	406,762	177,412	5,914	339,687	148,315	4,549	56.50	2.49
2023	5	317,288	135,812	4,526	278,096	119,220	3,654	56.50	2.49
2024	5	247,601	104,153	3,473	222,113	93,494	2,869	56.50	2.49
2025	5	193,300	80,025	2,667	181,072	75,027	2,301	56.50	2.49
2026	5	150,965	61,611	2,054	144,661	59,114	1,813	56.50	2.49
2027	5	117,956	47,544	1,584	117,955	47,546	1,458	56.50	2.49
2028	5	92,202	36,782	1,226	87,043	34,658	1,063	56.50	2.49
2029	5	72,106	28,532	953	66,107	26,136	801	56.50	2.49
2030	5	56,420	22,206	740	49,754	19,596	601	56.50	2.49
2031	5	44,172	17,340	577	39,030	15,330	470	56.50	2.49
Sub-Total		4,376,358	2,039,313	67,977	4,020,028	1,874,514	57,485	56.33	2.49
Remainder		34,598	13,593	453	32,602	12,705	389	56.50	2.49
Total Future		4,410,956	2,052,906	68,430	4,052,630	1,887,219	57,874	56.33	2.49
Cumulative		2,054,819	0	58,254					
Ultimate		6,465,775	2,052,906	126,684					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	1,875	1,885	6,631	0	10,391	96	348	9,947
2018	31,583	7,698	22,008	0	61,289	444	1,198	59,647
2019	46,959	10,247	29,293	0	86,499	711	1,450	84,338
2020	34,817	7,477	21,375	0	63,669	1,215	1,203	61,251
2021	25,028	5,274	15,080	0	45,382	1,515	889	42,978
2022	19,192	3,962	11,325	0	34,479	1,150	667	32,662
2023	15,713	3,184	9,104	0	28,001	887	522	26,592
2024	12,549	2,497	7,139	0	22,185	657	331	21,197
2025	10,231	2,004	5,729	0	17,964	508	318	17,138
2026	8,173	1,579	4,514	0	14,266	382	246	13,638
2027	6,665	1,270	3,631	0	11,566	288	179	11,099
2028	4,917	926	2,646	0	8,489	193	143	8,153
2029	3,736	698	1,996	0	6,430	136	107	6,187
2030	2,811	524	1,496	0	4,831	99	81	4,651
2031	2,205	409	1,171	0	3,785	75	63	3,647
Sub-Total	226,454	49,634	143,138	0	419,226	8,356	7,745	403,125
Remainder	1,842	339	970	0	3,151	59	53	3,039
Total Future	228,296	49,973	144,108	0	422,377	8,415	7,798	406,164

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	2,355	0	3,119	2,103	7,577	2,370	2,370	2,280
2018	12,460	0	41,621	10,006	64,087	-4,440	-2,070	-4,274
2019	12,268	0	25,243	13,963	51,474	32,864	30,794	25,796
2020	6,308	0	9,058	10,261	25,627	35,624	66,418	25,240
2021	4,245	0	4,361	7,300	15,906	27,072	93,490	17,355
2022	3,422	0	629	5,534	9,585	23,077	116,567	13,385
2023	3,212	0	279	4,486	7,977	18,615	135,182	9,772
2024	3,068	0	196	3,547	6,811	14,386	149,568	6,839
2025	2,891	0	151	2,868	5,910	11,228	160,796	4,830
2026	2,706	0	179	2,274	5,159	8,479	169,275	3,302
2027	2,506	0	135	1,842	4,483	6,616	175,891	2,333
2028	2,311	0	134	1,350	3,795	4,358	180,249	1,392
2029	2,107	0	93	1,021	3,221	2,966	183,215	857
2030	1,988	0	117	767	2,872	1,779	184,994	465
2031	1,862	0	83	601	2,546	1,101	186,095	262
Sub-Total	63,709	0	85,398	67,923	217,030	186,095		109,834
Remainder	1,495	0	4,862	500	6,857	-3,818	182,277	-759
Total Future	65,204	0	90,260	68,423	223,887	182,277		109,075

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 52

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NE ARDATOVSKI
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	11,636
12.00% -	10,878
15.00% -	9,891
20.00% -	8,564
25.00% -	7,536

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	47,922	92,115	3,071	45,179	86,845	2,663	41.50	2.49
2018	3	33,073	68,611	2,287	31,145	64,608	1,982	56.50	2.49
2019	3	23,556	52,105	1,737	21,284	47,080	1,443	56.50	2.49
2020	3	17,241	40,197	1,340	15,782	36,795	1,130	56.50	2.49
2021	3	12,929	31,427	1,047	11,162	27,132	831	56.50	2.49
2022	3	9,906	24,860	829	8,348	20,947	643	56.50	2.49
2023	3	7,741	19,873	661	6,867	17,632	539	56.50	2.49
2024	3	6,155	16,038	535	5,549	14,462	444	56.50	2.49
2025	3	4,971	13,058	436	4,686	12,306	378	56.50	2.49
2026	3	4,070	10,717	357	3,933	10,356	318	56.50	2.49
2027	3	3,376	8,864	295	3,376	8,866	272	56.50	2.49
2028	3	2,830	7,385	246	2,645	6,898	211	56.50	2.49
2029	3	2,397	6,191	208	2,184	5,649	173	56.50	2.49
2030	3	2,046	5,226	174	1,812	4,625	142	56.50	2.49
2031	3	1,761	4,435	147	1,560	3,929	120	56.50	2.49
Sub-Total		179,974	401,102	13,370	165,512	368,130	11,289	52.41	2.49
Remainder		1,517	3,785	126	1,383	3,449	106	56.50	2.49
Total Future		181,491	404,887	13,496	166,895	371,579	11,395	52.44	2.49
Cumulative		2,054,819	0	58,254					
Ultimate		2,236,310	404,887	71,750					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	1,875	1,885	6,631	0	10,391	96	348	9,947
2018	1,760	1,726	4,934	0	8,420	92	276	8,052
2019	1,202	1,258	3,595	0	6,055	61	198	5,796
2020	892	982	2,810	0	4,684	45	153	4,486
2021	630	725	2,071	0	3,426	32	113	3,281
2022	472	560	1,600	0	2,632	23	87	2,522
2023	388	471	1,346	0	2,205	18	72	2,115
2024	314	386	1,105	0	1,805	14	60	1,731
2025	264	328	939	0	1,531	11	51	1,469
2026	223	277	791	0	1,291	9	42	1,240
2027	190	237	677	0	1,104	7	37	1,060
2028	150	184	527	0	861	5	28	828
2029	123	151	431	0	705	5	24	676
2030	103	124	353	0	580	3	19	558
2031	88	105	300	0	493	3	16	474
Sub-Total	8,674	9,399	28,110	0	46,183	424	1,524	44,235
Remainder	78	92	264	0	434	3	14	417
Total Future	8,752	9,491	28,374	0	46,617	427	1,538	44,652

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	2,355	0	3,119	2,103	7,577	2,370	2,370	2,280
2018	1,324	0	2,147	1,546	5,017	3,035	5,405	2,630
2019	713	0	2,460	1,116	4,289	1,507	6,912	1,188
2020	397	0	1,476	867	2,740	1,746	8,658	1,243
2021	285	0	891	635	1,811	1,470	10,128	946
2022	236	0	139	488	863	1,659	11,787	961
2023	239	0	56	410	705	1,410	13,197	740
2024	236	0	37	336	609	1,122	14,319	533
2025	236	0	25	285	546	923	15,242	398
2026	230	0	31	240	501	739	15,981	287
2027	225	0	23	205	453	607	16,588	214
2028	219	0	22	161	402	426	17,014	136
2029	217	0	14	131	362	314	17,328	91
2030	219	0	19	107	345	213	17,541	55
2031	225	0	14	92	331	143	17,684	34
Sub-Total	7,356	0	10,473	8,722	26,551	17,684		11,736
Remainder	17	0	854	80	951	-534	17,150	-100
Total Future	7,373	0	11,327	8,802	27,502	17,150		11,636

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 53

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NE ARDATOVSKI
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	97,439
12.00% -	88,201
15.00% -	76,211
20.00% -	60,223
25.00% -	48,013

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	2	545,510	231,083	7,703	527,852	223,602	6,857	56.50	2.49
2019	2	836,273	347,518	11,583	809,844	336,536	10,321	56.50	2.49
2020	2	652,294	264,113	8,804	600,455	243,125	7,456	56.50	2.49
2021	2	508,788	200,727	6,691	431,807	170,355	5,223	56.50	2.49
2022	2	396,856	152,552	5,085	331,339	127,368	3,906	56.50	2.49
2023	2	309,547	115,939	3,865	271,229	101,588	3,115	56.50	2.49
2024	2	241,446	88,115	2,938	216,564	79,032	2,425	56.50	2.49
2025	2	188,329	66,967	2,231	176,386	62,721	1,923	56.50	2.49
2026	2	146,895	50,894	1,697	140,728	48,758	1,495	56.50	2.49
2027	2	114,580	38,680	1,289	114,579	38,680	1,186	56.50	2.49
2028	2	89,372	29,397	980	84,398	27,760	852	56.50	2.49
2029	2	69,709	22,341	745	63,923	20,487	628	56.50	2.49
2030	2	54,374	16,980	566	47,942	14,971	459	56.50	2.49
2031	2	42,411	12,905	430	37,470	11,401	350	56.50	2.49
Sub-Total		4,196,384	1,638,211	54,607	3,854,516	1,506,384	46,196	56.50	2.49
Remainder		33,081	9,808	327	31,219	9,256	283	56.50	2.49
Total Future		4,229,465	1,648,019	54,934	3,885,735	1,515,640	46,479	56.50	2.49
Cumulative		0	0	0					
Ultimate		4,229,465	1,648,019	54,934					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	29,824	5,972	17,074	0	52,870	352	922	51,596
2019	45,756	8,989	25,698	0	80,443	650	1,252	78,541
2020	33,926	6,494	18,565	0	58,985	1,170	1,050	56,765
2021	24,397	4,550	13,008	0	41,955	1,483	776	39,696
2022	18,720	3,402	9,726	0	31,848	1,127	580	30,141
2023	15,325	2,714	7,757	0	25,796	869	450	24,477
2024	12,236	2,111	6,035	0	20,382	643	271	19,468
2025	9,965	1,675	4,790	0	16,430	497	267	15,666
2026	7,952	1,302	3,723	0	12,977	373	204	12,400
2027	6,473	1,033	2,954	0	10,460	281	142	10,037
2028	4,769	742	2,119	0	7,630	188	114	7,328
2029	3,611	547	1,565	0	5,723	131	85	5,507
2030	2,709	400	1,143	0	4,252	96	62	4,094
2031	2,117	305	871	0	3,293	72	47	3,174
Sub-Total	217,780	40,236	115,028	0	373,044	7,932	6,222	358,890
Remainder	1,764	247	706	0	2,717	56	38	2,623
Total Future	219,544	40,483	115,734	0	375,761	7,988	6,260	361,513

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	11,136	0	39,475	8,460	59,071	-7,475	-7,475	-6,904
2019	11,555	0	22,782	12,846	47,183	31,358	23,883	24,607
2020	5,911	0	7,582	9,395	22,888	33,877	57,760	23,998
2021	3,960	0	3,470	6,665	14,095	25,601	83,361	16,410
2022	3,186	0	490	5,046	8,722	21,419	104,780	12,422
2023	2,973	0	224	4,075	7,272	17,205	121,985	9,033
2024	2,831	0	158	3,213	6,202	13,266	135,251	6,306
2025	2,656	0	126	2,582	5,364	10,302	145,553	4,432
2026	2,477	0	148	2,035	4,660	7,740	153,293	3,015
2027	2,280	0	112	1,635	4,027	6,010	159,303	2,119
2028	2,092	0	112	1,190	3,394	3,934	163,237	1,256
2029	1,889	0	78	890	2,857	2,650	165,887	766
2030	1,770	0	98	660	2,528	1,566	167,453	411
2031	1,636	0	70	509	2,215	959	168,412	227
Sub-Total	56,352	0	74,925	59,201	190,478	168,412		98,098
Remainder	1,479	0	4,009	420	5,908	-3,285	165,127	-659
Total Future	57,831	0	78,934	59,621	196,386	165,127		97,439

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 54

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SO ARDATOVSKI
TOTAL PROVED

TOTAL PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	36,403
12.00% -	33,942
15.00% -	30,715
20.00% -	26,321
25.00% -	22,853

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	1	487,132	203,271	6,776	458,707	191,410	5,200	56.50	2.49
2019	1	288,861	114,402	3,813	261,011	103,372	2,808	56.50	2.49
2020	1	188,264	73,053	2,435	172,332	66,871	1,817	56.50	2.49
2021	1	130,981	50,550	1,685	113,081	43,641	1,185	56.50	2.49
2022	1	95,601	36,983	1,233	80,553	31,162	847	56.50	2.49
2023	1	72,383	28,190	940	64,219	25,010	679	56.50	2.49
2024	1	56,417	22,173	739	50,870	19,994	544	56.50	2.49
2025	1	45,019	17,881	596	42,431	16,853	458	56.50	2.49
2026	1	36,628	14,714	490	35,396	14,219	386	56.50	2.49
2027	1	30,292	12,312	411	30,293	12,312	334	56.50	2.49
2028	1	25,405	10,447	348	23,735	9,760	265	56.50	2.49
2029	1	21,564	8,973	299	19,673	8,187	223	56.50	2.49
2030	1	18,497	7,787	260	16,370	6,891	187	56.50	2.49
2031	1	16,012	6,820	227	14,188	6,043	164	56.50	2.49
Sub-Total		1,513,056	607,556	20,252	1,382,859	555,725	15,097	56.50	2.49
Remainder		13,976	6,019	200	12,734	5,484	149	56.50	2.49
Total Future		1,527,032	613,575	20,452	1,395,593	561,209	15,246	56.50	2.49
Cumulative		56,141	0	226					
Ultimate		1,583,173	613,575	20,678					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	25,917	5,113	12,948	0	43,978	1,348	748	41,882
2019	14,747	2,761	6,993	0	24,501	753	398	23,350
2020	9,737	1,786	4,523	0	16,046	490	255	15,301
2021	6,389	1,165	2,952	0	10,506	321	166	10,019
2022	4,551	833	2,108	0	7,492	222	118	7,152
2023	3,628	668	1,692	0	5,988	170	94	5,724
2024	2,875	534	1,352	0	4,761	129	75	4,557
2025	2,397	450	1,140	0	3,987	101	64	3,822
2026	2,000	380	962	0	3,342	78	54	3,210
2027	1,711	329	833	0	2,873	63	46	2,764
2028	1,341	260	660	0	2,261	48	37	2,176
2029	1,112	219	554	0	1,885	40	31	1,814
2030	925	184	466	0	1,575	32	26	1,517
2031	802	161	409	0	1,372	28	23	1,321
Sub-Total	78,132	14,843	37,592	0	130,567	3,823	2,135	124,609
Remainder	719	147	371	0	1,237	24	20	1,193
Total Future	78,851	14,990	37,963	0	131,804	3,847	2,155	125,802

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	7,202	0	11,169	6,996	25,367	16,515	16,515	14,364
2019	2,991	0	10,057	3,876	16,924	6,426	22,941	5,088
2020	1,406	0	5,148	2,534	9,088	6,213	29,154	4,427
2021	899	0	2,795	1,658	5,352	4,667	33,821	3,004
2022	693	0	406	1,182	2,281	4,871	38,692	2,826
2023	671	0	155	946	1,772	3,952	42,644	2,075
2024	644	0	101	752	1,497	3,060	45,704	1,455
2025	633	0	71	631	1,335	2,487	48,191	1,070
2026	618	0	82	530	1,230	1,980	50,171	770
2027	608	0	62	456	1,126	1,638	51,809	578
2028	597	0	58	359	1,014	1,162	52,971	370
2029	602	0	42	300	944	870	53,841	252
2030	617	0	54	250	921	596	54,437	155
2031	649	0	39	219	907	414	54,851	99
Sub-Total	18,830	0	30,239	20,689	69,758	54,851		36,533
Remainder	623	0	1,032	197	1,852	-659	54,192	-130
Total Future	19,453	0	31,271	20,886	71,610	54,192		36,403

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 55

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NE MULLINSKI
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED MONTHLY	
10.00% -	392,352
12.00% -	352,860
15.00% -	302,745
20.00% -	238,033
25.00% -	190,334

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	487,428	155,990	2,137	459,536	147,065	1,814	41.50	2.49
2018	6	1,074,134	344,239	4,715	1,016,077	325,634	4,014	56.50	2.49
2019	10	2,363,675	757,949	10,384	2,236,264	717,105	8,841	56.50	2.49
2020	12	2,683,123	860,456	11,790	2,466,306	790,927	9,755	56.50	2.49
2021	12	2,353,705	754,808	10,343	2,006,324	643,405	7,934	56.50	2.49
2022	12	2,005,241	643,050	8,811	1,678,143	538,150	6,634	56.50	2.49
2023	12	1,708,592	547,906	7,506	1,501,917	481,630	5,941	56.50	2.49
2024	12	1,456,020	466,906	6,396	1,307,761	419,361	5,168	56.50	2.49
2025	12	1,240,963	397,932	5,450	1,164,193	373,316	4,604	56.50	2.49
2026	12	1,057,833	339,201	4,650	1,015,747	325,705	4,015	56.50	2.49
2027	12	901,870	289,184	3,960	901,872	289,181	3,569	56.50	2.49
2028	12	769,028	246,581	3,379	724,141	232,194	2,862	56.50	2.49
2029	12	655,871	210,294	2,882	600,613	192,575	2,375	56.50	2.49
2030	12	559,467	179,381	2,458	493,784	158,320	1,948	56.50	2.49
2031	12	477,328	153,037	2,095	422,057	135,315	1,670	56.50	2.49
Sub-Total		19,794,278	6,346,914	86,956	17,994,735	5,769,883	71,144	56.12	2.49
Remainder		407,329	130,590	1,787	380,709	122,060	1,507	56.50	2.49
Total Future		20,201,607	6,477,504	88,743	18,375,444	5,891,943	72,651	56.12	2.49
Cumulative		85,036	0	398					
Ultimate		20,286,643	6,477,504	89,141					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	19,071	3,193	4,515	0	26,779	978	315	25,486
2018	57,408	8,697	9,998	0	76,103	2,595	770	72,738
2019	126,349	19,154	22,017	0	167,520	3,326	1,550	162,644
2020	139,346	21,126	24,284	0	184,756	5,377	1,885	177,494
2021	113,358	17,185	19,754	0	150,297	6,583	1,596	142,118
2022	94,815	14,374	16,523	0	125,712	5,432	1,333	118,947
2023	84,858	12,865	14,788	0	112,511	4,596	1,165	106,750
2024	73,888	11,201	12,875	0	97,964	3,727	844	93,393
2025	65,778	9,971	11,462	0	87,211	3,148	879	83,184
2026	57,389	8,700	10,000	0	76,089	2,577	755	72,757
2027	50,956	7,724	8,879	0	67,559	2,120	611	64,828
2028	40,914	6,202	7,129	0	54,245	1,576	533	52,136
2029	33,935	5,143	5,912	0	44,990	1,228	442	43,320
2030	27,898	4,229	4,861	0	36,988	982	364	35,642
2031	23,846	3,614	4,155	0	31,615	812	310	30,493
Sub-Total	1,009,809	153,378	177,152	0	1,340,339	45,057	13,352	1,281,930
Remainder	21,511	3,260	3,747	0	28,518	698	281	27,539
Total Future	1,031,320	156,638	180,899	0	1,368,857	45,755	13,633	1,309,469

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	6,070	0	7,387	5,201	18,658	6,828	6,828	6,363
2018	12,063	0	17,828	11,505	41,396	31,342	38,170	26,759
2019	22,921	0	59,774	25,328	108,023	54,621	92,791	42,605
2020	18,027	0	34,346	27,933	80,306	97,188	189,979	68,724
2021	13,917	0	19,825	22,724	56,466	85,652	275,631	54,879
2022	12,429	0	3,235	19,007	34,671	84,276	359,907	48,841
2023	12,979	0	1,490	17,010	31,479	75,271	435,178	39,488
2024	13,607	0	1,115	14,811	29,533	63,860	499,038	30,328
2025	14,145	0	893	13,186	28,224	54,960	553,998	23,628
2026	14,521	0	1,148	11,504	27,173	45,584	599,582	17,742
2027	14,724	0	927	10,214	25,865	38,963	638,545	13,727
2028	14,848	0	944	8,201	23,993	28,143	666,688	8,978
2029	14,843	0	697	6,802	22,342	20,978	687,666	6,059
2030	15,269	0	976	5,592	21,837	13,805	701,471	3,612
2031	15,626	0	738	4,780	21,144	9,349	710,820	2,215
Sub-Total	215,989	0	151,323	203,798	571,110	710,820		393,948
Remainder	16,877	0	14,588	4,312	35,777	-8,238	702,582	-1,596
Total Future	232,866	0	165,911	208,110	606,887	702,582		392,352

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 56

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
NE MULLINSKI
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	111,063
12.00% –	100,970
15.00% –	88,160
20.00% –	71,591
25.00% –	59,316

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	487,428	155,990	2,137	459,536	147,065	1,814	41.50	2.49
2018	4	896,394	287,221	3,934	844,090	270,462	3,334	56.50	2.49
2019	4	813,226	260,575	3,571	734,818	235,451	2,903	56.50	2.49
2020	4	696,911	223,293	3,060	637,935	204,397	2,520	56.50	2.49
2021	4	597,476	191,422	2,623	515,820	165,260	2,039	56.50	2.49
2022	4	512,448	164,169	2,249	431,792	138,329	1,705	56.50	2.49
2023	4	439,713	140,858	1,930	390,114	124,971	1,541	56.50	2.49
2024	4	377,476	120,915	1,655	340,366	109,026	1,344	56.50	2.49
2025	4	324,201	103,841	1,423	305,567	97,872	1,207	56.50	2.49
2026	4	278,585	89,222	1,224	269,215	86,223	1,064	56.50	2.49
2027	4	239,508	76,703	1,049	239,509	76,702	946	56.50	2.49
2028	4	206,023	65,973	905	192,476	61,637	759	56.50	2.49
2029	4	177,315	56,776	778	161,772	51,798	639	56.50	2.49
2030	4	152,694	48,890	669	135,135	43,267	533	56.50	2.49
2031	4	131,571	42,121	577	116,581	37,323	460	56.50	2.49
Sub-Total		6,330,969	2,027,969	27,784	5,774,726	1,849,783	22,808	55.31	2.49
Remainder		113,435	36,311	497	103,356	33,085	409	56.50	2.49
Total Future		6,444,404	2,064,280	28,281	5,878,082	1,882,868	23,217	55.33	2.49
Cumulative		85,036	0	398					
Ultimate		6,529,440	2,064,280	28,679					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	19,071	3,193	4,515	0	26,779	978	315	25,486
2018	47,691	7,224	8,304	0	63,219	2,480	643	60,096
2019	41,517	6,289	7,229	0	55,035	2,122	552	52,361
2020	36,043	5,459	6,276	0	47,778	1,813	474	45,491
2021	29,144	4,414	5,074	0	38,632	1,463	383	36,786
2022	24,396	3,695	4,247	0	32,338	1,193	318	30,827
2023	22,042	3,338	3,837	0	29,217	1,034	287	27,896
2024	19,231	2,912	3,347	0	25,490	857	250	24,383
2025	17,264	2,614	3,005	0	22,883	727	225	21,931
2026	15,211	2,303	2,648	0	20,162	599	198	19,365
2027	13,532	2,049	2,354	0	17,935	496	176	17,263
2028	10,875	1,646	1,893	0	14,414	392	142	13,880
2029	9,140	1,384	1,590	0	12,114	326	119	11,669
2030	7,635	1,155	1,329	0	10,119	267	99	9,753
2031	6,587	997	1,146	0	8,730	226	86	8,418
Sub-Total	319,379	48,672	56,794	0	424,845	14,973	4,267	405,605
Remainder	5,840	884	1,015	0	7,739	197	76	7,466
Total Future	325,219	49,556	57,809	0	432,584	15,170	4,343	413,071

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	6,070	0	7,387	5,201	18,658	6,828	6,828	6,363
2018	10,057	0	17,828	9,557	37,442	22,654	29,482	19,514
2019	6,684	0	23,342	8,320	38,346	14,015	43,497	11,032
2020	4,187	0	15,711	7,224	27,122	18,369	61,866	13,043
2021	3,319	0	10,481	5,840	19,640	17,146	79,012	11,008
2022	3,016	0	1,782	4,889	9,687	21,140	100,152	12,254
2023	3,304	0	765	4,416	8,485	19,411	119,563	10,182
2024	3,477	0	546	3,854	7,877	16,506	136,069	7,839
2025	3,667	0	407	3,459	7,533	14,398	150,467	6,191
2026	3,766	0	504	3,048	7,318	12,047	162,514	4,688
2027	3,836	0	389	2,711	6,936	10,327	172,841	3,639
2028	3,846	0	376	2,179	6,401	7,479	180,320	2,385
2029	3,910	0	266	1,831	6,007	5,662	185,982	1,635
2030	4,008	0	353	1,530	5,891	3,862	189,844	1,010
2031	4,178	0	246	1,320	5,744	2,674	192,518	634
Sub-Total	67,325	0	80,383	65,379	213,087	192,518		111,417
Remainder	4,309	0	3,849	1,170	9,328	–1,862	190,656	–354
Total Future	71,634	0	84,232	66,549	222,415	190,656		111,063

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 57

GRAND SUMMARY
NE MULLINSKI
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	281,288
12.00% -	251,890
15.00% -	214,585
20.00% -	166,442
25.00% -	131,018

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	2	177,740	57,018	781	171,987	55,172	680	56.50	2.49
2019	6	1,550,449	497,374	6,813	1,501,446	481,654	5,938	56.50	2.49
2020	8	1,986,212	637,163	8,730	1,828,371	586,530	7,235	56.50	2.49
2021	8	1,756,229	563,386	7,720	1,490,504	478,145	5,895	56.50	2.49
2022	8	1,492,793	478,881	6,562	1,246,351	399,821	4,929	56.50	2.49
2023	8	1,268,879	407,048	5,576	1,111,803	356,659	4,400	56.50	2.49
2024	8	1,078,544	345,991	4,741	967,395	310,335	3,824	56.50	2.49
2025	8	916,762	294,091	4,027	858,626	275,444	3,397	56.50	2.49
2026	8	779,248	249,979	3,426	746,532	239,482	2,951	56.50	2.49
2027	8	662,362	212,481	2,911	662,363	212,479	2,623	56.50	2.49
2028	8	563,005	180,608	2,474	531,665	170,557	2,103	56.50	2.49
2029	8	478,556	153,518	2,104	438,841	140,777	1,736	56.50	2.49
2030	8	406,773	130,491	1,789	358,649	115,053	1,415	56.50	2.49
2031	8	345,757	110,916	1,518	305,476	97,992	1,210	56.50	2.49
Sub-Total		13,463,309	4,318,945	59,172	12,220,009	3,920,100	48,336	56.50	2.49
Remainder		293,894	94,279	1,290	277,353	88,975	1,098	56.50	2.49
Total Future		13,757,203	4,413,224	60,462	12,497,362	4,009,075	49,434	56.50	2.49
Cumulative		0	0	0					
Ultimate		13,757,203	4,413,224	60,462					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	9,717	1,474	1,694	0	12,885	115	127	12,643
2019	84,832	12,865	14,788	0	112,485	1,204	998	110,283
2020	103,303	15,666	18,008	0	136,977	3,564	1,411	132,002
2021	84,213	12,771	14,681	0	111,665	5,120	1,213	105,332
2022	70,419	10,679	12,275	0	93,373	4,240	1,015	88,118
2023	62,817	9,527	10,951	0	83,295	3,561	878	78,856
2024	54,658	8,289	9,528	0	72,475	2,870	594	69,011
2025	48,512	7,357	8,457	0	64,326	2,421	654	61,251
2026	42,179	6,396	7,353	0	55,928	1,978	557	53,393
2027	37,424	5,676	6,523	0	49,623	1,624	435	47,564
2028	30,039	4,555	5,237	0	39,831	1,184	391	38,256
2029	24,794	3,760	4,322	0	32,876	902	323	31,651
2030	20,264	3,073	3,533	0	26,870	715	265	25,890
2031	17,259	2,618	3,008	0	22,885	585	225	22,075
Sub-Total	690,430	104,706	120,358	0	915,494	30,083	9,086	876,325
Remainder	15,671	2,376	2,732	0	20,779	502	204	20,073
Total Future	706,101	107,082	123,090	0	936,273	30,585	9,290	896,398

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	2,006	0	0	1,948	3,954	8,689	8,689	7,245
2019	16,237	0	36,431	17,007	69,675	40,608	49,297	31,572
2020	13,840	0	18,635	20,711	53,186	78,816	128,113	55,682
2021	10,598	0	9,345	16,883	36,826	68,506	196,619	43,870
2022	9,412	0	1,453	14,118	24,983	63,135	259,754	36,589
2023	9,676	0	724	12,594	22,994	55,862	315,616	29,305
2024	10,130	0	569	10,958	21,657	47,354	362,970	22,488
2025	10,478	0	487	9,726	20,691	40,560	403,530	17,438
2026	10,754	0	644	8,456	19,854	33,539	437,069	13,054
2027	10,889	0	538	7,503	18,930	28,634	465,703	10,089
2028	11,002	0	568	6,022	17,592	20,664	486,367	6,592
2029	10,933	0	430	4,971	16,334	15,317	501,684	4,424
2030	11,261	0	624	4,062	15,947	9,943	511,627	2,601
2031	11,448	0	492	3,460	15,400	6,675	518,302	1,583
Sub-Total	148,664	0	70,940	138,419	358,023	518,302		282,532
Remainder	12,568	0	10,739	3,142	26,449	-6,376	511,926	-1,244
Total Future	161,232	0	81,679	141,561	384,472	511,926		281,288

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 58

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SO MULLINSKI
TOTAL PROVED AND PROBABLE

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	52,595
12.00% -	47,921
15.00% -	41,853
20.00% -	33,741
25.00% -	27,510

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019	1	607,587	275,890	3,780	588,384	267,171	2,515	56.50	2.49
2020	1	425,182	200,090	2,741	391,393	184,188	1,733	56.50	2.49
2021	1	291,180	139,462	1,911	247,123	118,362	1,114	56.50	2.49
2022	1	211,903	102,170	1,400	176,921	85,302	803	56.50	2.49
2023	1	161,123	77,721	1,064	141,178	68,100	641	56.50	2.49
2024	1	126,644	60,894	835	113,592	54,619	514	56.50	2.49
2025	1	102,161	48,856	669	95,683	45,757	431	56.50	2.49
2026	1	84,153	39,969	548	80,620	38,292	360	56.50	2.49
2027	1	70,521	33,238	455	70,520	33,238	313	56.50	2.49
2028	1	59,952	28,027	384	56,615	26,466	249	56.50	2.49
2029	1	51,594	23,915	328	47,313	21,931	207	56.50	2.49
2030	1	44,871	20,620	282	39,562	18,181	171	56.50	2.49
2031	1	39,380	17,942	246	34,792	15,850	149	56.50	2.49
Sub-Total		2,276,251	1,068,794	14,643	2,083,696	977,457	9,200	56.50	2.49
Remainder		3,068	15,734	216	2,896	14,850	140	56.50	2.49
Total Future		2,279,319	1,084,528	14,859	2,086,592	992,307	9,340	56.50	2.49
Cumulative		0	0	0					
Ultimate		2,279,319	1,084,528	14,859					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	33,244	7,136	6,262	0	46,642	472	484	45,686
2020	22,113	4,920	4,316	0	31,349	763	387	30,199
2021	13,963	3,161	2,774	0	19,898	849	262	18,787
2022	9,996	2,279	1,999	0	14,274	602	189	13,483
2023	7,976	1,819	1,596	0	11,391	452	147	10,792
2024	6,418	1,458	1,281	0	9,157	337	91	8,729
2025	5,406	1,223	1,072	0	7,701	270	95	7,336
2026	4,556	1,022	897	0	6,475	213	78	6,184
2027	3,984	888	779	0	5,651	173	59	5,419
2028	3,199	707	621	0	4,527	126	53	4,348
2029	2,673	586	514	0	3,773	98	44	3,631
2030	2,235	486	426	0	3,147	78	36	3,033
2031	1,966	423	371	0	2,760	67	32	2,661
Sub-Total	117,729	26,108	22,908	0	166,745	4,500	1,957	160,288
Remainder	163	397	348	0	908	5	30	873
Total Future	117,892	26,505	23,256	0	167,653	4,505	1,987	161,161

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	6,709	0	14,537	7,279	28,525	17,161	17,161	13,407
2020	3,162	0	3,993	4,914	12,069	18,130	35,291	12,863
2021	1,879	0	1,633	3,124	6,636	12,151	47,442	7,794
2022	1,426	0	219	2,244	3,889	9,594	57,036	5,567
2023	1,312	0	99	1,790	3,201	7,591	64,627	3,986
2024	1,270	0	71	1,439	2,780	5,949	70,576	2,826
2025	1,245	0	58	1,209	2,512	4,824	75,400	2,074
2026	1,236	0	74	1,016	2,326	3,858	79,258	1,502
2027	1,232	0	61	885	2,178	3,241	82,499	1,142
2028	1,242	0	66	709	2,017	2,331	84,830	743
2029	1,247	0	50	590	1,887	1,744	86,574	504
2030	1,310	0	72	492	1,874	1,159	87,733	303
2031	1,373	0	59	431	1,863	798	88,531	189
Sub-Total	24,643	0	20,992	26,122	71,757	88,531		52,900
Remainder	401	0	1,815	184	2,400	-1,527	87,004	-305
Total Future	25,044	0	22,807	26,306	74,157	87,004		52,595

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 59

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SO MULLINSKI
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	0
12.00% -	0
15.00% -	0
20.00% -	0
25.00% -	0

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021		0	0	0	0	0	0	0.00	0.00
2022		0	0	0	0	0	0	0.00	0.00
2023		0	0	0	0	0	0	0.00	0.00
2024		0	0	0	0	0	0	0.00	0.00
2025		0	0	0	0	0	0	0.00	0.00
2026		0	0	0	0	0	0	0.00	0.00
2027		0	0	0	0	0	0	0.00	0.00
2028		0	0	0	0	0	0	0.00	0.00
2029		0	0	0	0	0	0	0.00	0.00
2030		0	0	0	0	0	0	0.00	0.00
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	0	0	0	0	0.00	0.00
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	0	0	0	0	0.00	0.00
Cumulative		0	0	0					
Ultimate		0	0	0					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0	0	0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0	0	0

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0
2025	0	0	0	0	0	0	0	0
2026	0	0	0	0	0	0	0	0
2027	0	0	0	0	0	0	0	0
2028	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	0	0	0	0		0
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	0	0	0	0		0

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 60

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
SO MULLINSKI
TOTAL PROBABLE

TOTAL
PROBABLE

	REVENUE INTERESTS				PRODUCT PRICES		
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	52,595
12.00% –	47,921
15.00% –	41,853
20.00% –	33,741
25.00% –	27,510

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019	1	607,587	275,890	3,780	588,384	267,171	2,515	56.50	2.49
2020	1	425,182	200,090	2,741	391,393	184,188	1,733	56.50	2.49
2021	1	291,180	139,462	1,911	247,123	118,362	1,114	56.50	2.49
2022	1	211,903	102,170	1,400	176,921	85,302	803	56.50	2.49
2023	1	161,123	77,721	1,064	141,178	68,100	641	56.50	2.49
2024	1	126,644	60,894	835	113,592	54,619	514	56.50	2.49
2025	1	102,161	48,856	669	95,683	45,757	431	56.50	2.49
2026	1	84,153	39,969	548	80,620	38,292	360	56.50	2.49
2027	1	70,521	33,238	455	70,520	33,238	313	56.50	2.49
2028	1	59,952	28,027	384	56,615	26,466	249	56.50	2.49
2029	1	51,594	23,915	328	47,313	21,931	207	56.50	2.49
2030	1	44,871	20,620	282	39,562	18,181	171	56.50	2.49
2031	1	39,380	17,942	246	34,792	15,850	149	56.50	2.49
Sub-Total		2,276,251	1,068,794	14,643	2,083,696	977,457	9,200	56.50	2.49
Remainder		3,068	15,734	216	2,896	14,850	140	56.50	2.49
Total Future		2,279,319	1,084,528	14,859	2,086,592	992,307	9,340	56.50	2.49
Cumulative		0	0	0					
Ultimate		2,279,319	1,084,528	14,859					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	33,244	7,136	6,262	0	46,642	472	484	45,686
2020	22,113	4,920	4,316	0	31,349	763	387	30,199
2021	13,963	3,161	2,774	0	19,898	849	262	18,787
2022	9,996	2,279	1,999	0	14,274	602	189	13,483
2023	7,976	1,819	1,596	0	11,391	452	147	10,792
2024	6,418	1,458	1,281	0	9,157	337	91	8,729
2025	5,406	1,223	1,072	0	7,701	270	95	7,336
2026	4,556	1,022	897	0	6,475	213	78	6,184
2027	3,984	888	779	0	5,651	173	59	5,419
2028	3,199	707	621	0	4,527	126	53	4,348
2029	2,673	586	514	0	3,773	98	44	3,631
2030	2,235	486	426	0	3,147	78	36	3,033
2031	1,966	423	371	0	2,760	67	32	2,661
Sub-Total	117,729	26,108	22,908	0	166,745	4,500	1,957	160,288
Remainder	163	397	348	0	908	5	30	873
Total Future	117,892	26,505	23,256	0	167,653	4,505	1,987	161,161

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	6,709	0	14,537	7,279	28,525	17,161	17,161	13,407
2020	3,162	0	3,993	4,914	12,069	18,130	35,291	12,863
2021	1,879	0	1,633	3,124	6,636	12,151	47,442	7,794
2022	1,426	0	219	2,244	3,889	9,594	57,036	5,567
2023	1,312	0	99	1,790	3,201	7,591	64,627	3,986
2024	1,270	0	71	1,439	2,780	5,949	70,576	2,826
2025	1,245	0	58	1,209	2,512	4,824	75,400	2,074
2026	1,236	0	74	1,016	2,326	3,858	79,258	1,502
2027	1,232	0	61	885	2,178	3,241	82,499	1,142
2028	1,242	0	66	709	2,017	2,331	84,830	743
2029	1,247	0	50	590	1,887	1,744	86,574	504
2030	1,310	0	72	492	1,874	1,159	87,733	303
2031	1,373	0	59	431	1,863	798	88,531	189
Sub-Total	24,643	0	20,992	26,122	71,757	88,531		52,900
Remainder	401	0	1,815	184	2,400	–1,527	87,004	–305
Total Future	25,044	0	22,807	26,306	74,157	87,004		52,595

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 61

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
BISKI & AFONINSKI
TOTAL PROVED & PROBABLE RESERVES

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	1,852,405
12.00% -	1,653,878
15.00% -	1,400,892
20.00% -	1,073,129
25.00% -	831,784

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	16	4,267,625	1,541,153	33,503	4,016,153	1,449,228	28,380	41.50	2.49
2018	23	4,717,839	1,716,264	35,808	4,466,988	1,626,761	30,489	56.50	2.49
2019	31	5,584,510	2,233,357	41,928	5,199,210	2,085,575	34,965	56.50	2.49
2020	43	10,538,302	4,273,792	74,325	9,685,439	3,928,261	61,461	56.50	2.49
2021	57	13,356,589	5,413,091	97,520	11,380,821	4,611,454	74,839	56.50	2.49
2022	59	12,719,572	5,538,344	99,577	10,641,090	4,632,528	74,996	56.50	2.49
2023	59	9,092,723	4,513,661	81,555	7,992,324	3,965,446	64,530	56.50	2.49
2024	59	6,411,737	3,616,467	65,773	5,760,040	3,247,722	53,175	56.50	2.49
2025	59	4,592,485	2,906,230	53,218	4,310,876	2,726,243	44,955	56.50	2.49
2026	59	3,348,558	2,343,060	43,229	3,219,492	2,249,997	37,378	56.50	2.49
2027	59	2,489,999	1,895,694	35,255	2,490,007	1,895,694	31,729	56.50	2.49
2028	59	1,890,730	1,539,610	28,872	1,775,094	1,448,943	24,442	56.50	2.49
2029	59	1,466,635	1,255,531	23,764	1,340,740	1,149,314	19,565	56.50	2.49
2030	59	1,161,420	1,028,342	19,642	1,026,607	907,950	15,609	56.50	2.49
2031	59	937,758	846,163	16,319	830,283	748,465	12,993	56.50	2.49
Sub-Total		82,576,482	40,660,759	750,288	74,135,164	36,673,581	609,506	55.69	2.49
Remainder		770,639	699,635	13,624	707,572	650,377	11,377	56.50	2.49
Total Future		83,347,121	41,360,394	763,912	74,842,736	37,323,958	620,883	55.70	2.49
Cumulative		20,086,683	0	149,645					
Ultimate		103,433,804	41,360,394	913,557					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	166,670	31,463	70,666	0	268,799	8,295	4,170	256,334
2018	252,385	43,451	75,917	0	371,753	11,057	4,908	355,788
2019	293,755	55,705	87,063	0	436,523	10,241	5,547	420,735
2020	547,228	104,924	153,030	0	805,182	21,318	10,687	773,177
2021	643,016	123,172	186,356	0	952,544	37,501	13,378	901,665
2022	601,222	123,735	186,746	0	911,703	34,698	13,419	863,586
2023	451,566	105,917	160,684	0	718,167	24,479	11,245	682,443
2024	325,443	86,746	132,399	0	544,588	16,316	7,689	520,583
2025	243,564	72,819	111,924	0	428,307	11,482	7,574	409,251
2026	181,901	60,097	93,080	0	335,078	7,966	6,179	320,933
2027	140,685	50,634	79,007	0	270,326	5,649	4,807	259,870
2028	100,294	38,701	60,857	0	199,852	3,773	3,982	192,097
2029	75,752	30,698	48,722	0	155,172	2,720	3,177	149,275
2030	58,002	24,252	38,874	0	121,128	2,036	2,525	116,567
2031	46,912	19,991	32,353	0	99,256	1,607	2,093	95,556
Sub-Total	4,128,395	972,305	1,517,678	0	6,618,378	199,138	101,380	6,317,860
Remainder	39,978	17,372	28,313	0	85,663	1,332	1,828	82,503
Total Future	4,168,373	989,677	1,545,991	0	6,704,041	200,470	103,208	6,400,363

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	69,156	0	166,547	52,118	287,821	-31,487	-31,487	-29,246
2018	65,333	0	156,623	57,591	279,547	76,241	44,754	65,893
2019	56,032	0	167,062	68,104	291,198	129,537	174,291	100,205
2020	76,749	0	146,635	125,532	348,916	424,261	598,552	298,796
2021	87,584	0	133,868	148,639	370,091	531,574	1,130,126	339,436
2022	89,728	0	22,336	143,376	255,440	608,146	1,738,272	352,604
2023	81,888	0	9,236	114,617	205,741	476,702	2,214,974	250,394
2024	74,606	0	6,290	88,199	169,095	351,488	2,566,462	167,108
2025	68,239	0	4,574	70,297	143,110	266,141	2,832,603	114,531
2026	62,536	0	5,409	55,639	123,584	197,349	3,029,952	76,876
2027	57,496	0	4,043	45,335	106,874	152,996	3,182,948	53,946
2028	53,059	0	3,866	33,787	90,712	101,385	3,284,333	32,364
2029	49,549	0	2,692	26,382	78,623	70,652	3,354,985	20,417
2030	47,942	0	3,485	20,669	72,096	44,471	3,399,456	11,639
2031	47,075	0	2,456	16,975	66,506	29,050	3,428,506	6,886
Sub-Total	986,972	0	835,122	1,067,260	2,889,354	3,428,506		1,861,849
Remainder	45,803	0	69,901	14,683	130,387	-47,884	3,380,622	-9,444
Total Future	1,032,775	0	905,023	1,081,943	3,019,741	3,380,622		1,852,405

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 62

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
BISKI & AFONINSKI
TOTAL PROVED RESERVES

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	DISCOUNTED FUTURE NET INCOME - $M: COMPOUNDED MONTHLY	
INITIAL								10.00% -	627,572
FINAL								12.00% -	568,881
REMARKS								15.00% -	494,873
								20.00% -	400,141
								25.00% -	330,925

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017	14	3,953,820	1,379,761	31,292	3,727,576	1,300,811	26,550	41.50	2.49
2018	17	3,777,468	1,306,560	29,684	3,557,056	1,230,319	25,156	56.50	2.49
2019	17	3,221,704	1,191,130	27,083	2,911,079	1,076,289	22,027	56.50	2.49
2020	18	2,984,252	1,144,246	26,036	2,731,707	1,047,413	21,451	56.50	2.49
2021	20	3,083,552	1,187,866	27,048	2,662,130	1,025,523	21,014	56.50	2.49
2022	20	2,779,151	1,105,912	25,184	2,341,728	931,844	19,098	56.50	2.49
2023	20	2,290,223	957,437	21,804	2,031,891	849,443	17,409	56.50	2.49
2024	20	1,913,497	832,120	18,953	1,725,377	750,315	15,381	56.50	2.49
2025	20	1,617,314	725,856	16,531	1,524,357	684,134	14,027	56.50	2.49
2026	20	1,380,253	635,338	14,471	1,333,839	613,978	12,582	56.50	2.49
2027	20	1,187,458	557,907	12,709	1,187,461	557,900	11,436	56.50	2.49
2028	20	1,028,477	491,385	11,187	960,843	459,073	9,412	56.50	2.49
2029	20	895,637	434,012	9,888	817,134	395,973	8,116	56.50	2.49
2030	20	783,148	384,339	8,755	693,078	340,137	6,975	56.50	2.49
2031	20	687,047	341,181	7,768	608,781	302,313	6,196	56.50	2.49
Sub-Total		31,583,001	12,675,050	288,393	28,814,037	11,565,465	236,830	54.56	2.49
Remainder		604,381	303,548	6,912	550,674	276,574	5,668	56.50	2.49
Total Future		32,187,382	12,978,598	295,305	29,364,711	11,842,039	242,498	54.60	2.49
Cumulative		20,086,683	0	149,645					
Ultimate		52,274,065	12,978,598	444,950					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	154,695	28,241	66,109	0	249,045	7,936	3,859	237,250
2018	200,973	32,861	62,640	0	296,474	10,450	3,954	282,070
2019	164,476	28,748	54,845	0	248,069	8,405	3,410	236,254
2020	154,342	27,977	53,410	0	235,729	7,764	3,288	224,677
2021	150,410	27,391	52,325	0	230,126	7,550	3,221	219,355
2022	132,308	24,890	47,556	0	204,754	6,470	2,898	195,386
2023	114,801	22,688	43,354	0	180,843	5,384	2,641	172,818
2024	97,484	20,041	38,297	0	155,822	4,348	2,334	149,140
2025	86,126	18,274	34,919	0	139,319	3,626	2,128	133,565
2026	75,362	16,399	31,338	0	123,099	2,969	1,909	118,221
2027	67,092	14,901	28,477	0	110,470	2,456	1,735	106,279
2028	54,287	12,262	23,432	0	89,981	1,959	1,428	86,594
2029	46,168	10,577	20,210	0	76,955	1,644	1,231	74,080
2030	39,159	9,085	17,360	0	65,604	1,371	1,058	63,175
2031	34,396	8,075	15,430	0	57,901	1,183	940	55,778
Sub-Total	1,572,079	302,410	589,702	0	2,464,191	73,515	36,034	2,354,642
Remainder	31,114	7,387	14,115	0	52,616	1,048	860	50,708
Total Future	1,603,193	309,797	603,817	0	2,516,807	74,563	36,894	2,405,350

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	56,667	0	76,042	48,165	180,874	56,376	56,376	54,087
2018	47,128	0	83,753	45,808	176,689	105,381	161,757	90,920
2019	30,083	0	104,158	38,597	172,838	63,416	225,173	49,991
2020	20,438	0	79,297	36,818	136,553	88,124	313,297	62,502
2021	19,419	0	68,201	35,962	123,582	95,773	409,070	61,268
2022	18,982	0	11,193	32,108	62,283	133,103	542,173	77,171
2023	20,299	0	4,698	28,508	53,505	119,313	661,486	62,605
2024	21,077	0	3,306	24,669	49,052	100,088	761,574	47,537
2025	22,124	0	2,448	22,131	46,703	86,862	848,436	37,342
2026	22,764	0	3,044	19,609	45,417	72,804	921,240	28,333
2027	23,367	0	2,371	17,636	43,374	62,905	984,145	22,161
2028	23,736	0	2,326	14,391	40,453	46,141	1,030,286	14,716
2029	24,546	0	1,669	12,327	38,542	35,538	1,065,824	10,261
2030	25,675	0	2,261	10,524	38,460	24,715	1,090,539	6,464
2031	27,366	0	1,614	9,300	38,280	17,498	1,108,037	4,144
Sub-Total	403,671	0	446,381	396,553	1,246,605	1,108,037		629,502
Remainder	30,547	0	21,876	8,461	60,884	-10,176	1,097,861	-1,930
Total Future	434,218	0	468,257	405,014	1,307,489	1,097,861		627,572

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 63

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

GRAND SUMMARY
BISKI & AFONINSKI
TOTAL PROBABLE RESERVES

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	1,224,833
12.00% -	1,084,997
15.00% -	906,018
20.00% -	672,988
25.00% -	500,860

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	313,805	161,392	2,211	288,577	148,417	1,830	41.50	2.49
2018	6	940,371	409,704	6,124	909,932	396,442	5,333	56.50	2.49
2019	14	2,362,806	1,042,227	14,845	2,288,131	1,009,286	12,938	56.50	2.49
2020	25	7,554,050	3,129,546	48,289	6,953,732	2,880,848	40,010	56.50	2.49
2021	37	10,273,037	4,225,225	70,472	8,718,691	3,585,931	53,825	56.50	2.49
2022	39	9,940,421	4,432,432	74,393	8,299,362	3,700,684	55,898	56.50	2.49
2023	39	6,802,500	3,556,224	59,751	5,960,433	3,116,003	47,121	56.50	2.49
2024	39	4,498,240	2,784,347	46,820	4,034,663	2,497,407	37,794	56.50	2.49
2025	39	2,975,171	2,180,374	36,687	2,786,519	2,042,109	30,928	56.50	2.49
2026	39	1,968,305	1,707,722	28,758	1,885,653	1,636,019	24,796	56.50	2.49
2027	39	1,302,541	1,337,787	22,546	1,302,546	1,337,794	20,293	56.50	2.49
2028	39	862,253	1,048,225	17,685	814,251	989,870	15,030	56.50	2.49
2029	39	570,998	821,519	13,876	523,606	753,341	11,449	56.50	2.49
2030	39	378,272	644,003	10,887	333,529	567,813	8,634	56.50	2.49
2031	39	250,711	504,982	8,551	221,502	446,152	6,797	56.50	2.49
Sub-Total		50,993,481	27,985,709	461,895	45,321,127	25,108,116	372,676	56.40	2.49
Remainder		166,258	396,087	6,712	156,898	373,803	5,709	56.50	2.49
Total Future		51,159,739	28,381,796	468,607	45,478,025	25,481,919	378,385	56.40	2.49
Cumulative		0	0	0					
Ultimate		51,159,739	28,381,796	468,607					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	11,976	3,222	4,557	0	19,755	359	311	19,085
2018	51,411	10,589	13,278	0	75,278	607	955	73,716
2019	129,279	26,958	32,217	0	188,454	1,836	2,136	184,482
2020	392,886	76,948	99,620	0	569,454	13,554	7,398	548,502
2021	492,606	95,780	134,032	0	722,418	29,951	10,158	682,309
2022	468,914	98,845	139,189	0	706,948	28,228	10,521	668,199
2023	336,765	83,229	117,330	0	537,324	19,095	8,604	509,625
2024	227,959	66,705	94,102	0	388,766	11,968	5,355	371,443
2025	157,437	54,545	77,005	0	288,987	7,856	5,446	275,685
2026	106,540	43,698	61,741	0	211,979	4,997	4,270	202,712
2027	73,594	35,732	50,531	0	159,857	3,194	3,071	153,592
2028	46,005	26,440	37,425	0	109,870	1,812	2,555	105,503
2029	29,584	20,122	28,511	0	78,217	1,077	1,945	75,195
2030	18,844	15,166	21,514	0	55,524	665	1,467	53,392
2031	12,515	11,917	16,925	0	41,357	424	1,154	39,779
Sub-Total	2,556,315	669,896	927,977	0	4,154,188	125,623	65,346	3,963,219
Remainder	8,865	9,984	14,198	0	33,047	284	967	31,796
Total Future	2,565,180	679,880	942,175	0	4,187,235	125,907	66,313	3,995,015

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	12,489	0	90,505	3,952	106,946	-87,861	-87,861	-83,333
2018	18,206	0	72,870	11,784	102,860	-29,144	-117,005	-25,026
2019	25,948	0	62,904	29,507	118,359	66,123	-50,882	50,212
2020	56,311	0	67,337	88,713	212,361	336,141	285,259	236,295
2021	68,165	0	65,668	112,677	246,510	435,799	721,058	278,168
2022	70,746	0	11,143	111,269	193,158	475,041	1,196,099	275,433
2023	61,588	0	4,537	86,109	152,234	357,391	1,553,490	187,789
2024	53,530	0	2,986	63,530	120,046	251,397	1,804,887	119,572
2025	46,115	0	2,126	48,166	96,407	179,278	1,984,165	77,188
2026	39,772	0	2,364	36,031	78,167	124,545	2,108,710	48,543
2027	34,129	0	1,672	27,699	63,500	90,092	2,198,802	31,785
2028	29,323	0	1,541	19,395	50,259	55,244	2,254,046	17,648
2029	25,003	0	1,021	14,055	40,079	35,116	2,289,162	10,156
2030	22,267	0	1,225	10,145	33,637	19,755	2,308,917	5,175
2031	19,709	0	841	7,675	28,225	11,554	2,320,471	2,742
Sub-Total	583,301	0	388,740	670,707	1,642,748	2,320,471		1,232,347
Remainder	15,256	0	48,026	6,222	69,504	-37,708	2,282,763	-7,514
Total Future	598,557	0	436,766	676,929	1,712,252	2,282,763		1,224,833

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 64

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

BISKI & AFONINSKI SUMMARY
WEST AREA
TOTAL PROVED & PROBABLE RESERVES

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	688,209
12.00% -	608,259
15.00% -	505,666
20.00% -	371,546
25.00% -	271,977

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	3	350,860	181,420	2,485	323,511	167,299	2,063	41.50	2.49
2018	4	739,999	366,796	5,026	715,438	354,583	4,372	56.50	2.49
2019	11	2,154,678	989,361	13,553	2,085,518	957,488	11,806	56.50	2.49
2020	15	5,428,156	2,542,190	34,831	4,996,720	2,340,130	28,857	56.50	2.49
2021	20	5,579,932	2,849,429	39,038	4,735,811	2,418,379	29,817	56.50	2.49
2022	21	5,276,605	2,936,864	40,236	4,405,547	2,452,054	30,237	56.50	2.49
2023	21	3,599,702	2,349,069	32,184	3,154,173	2,058,323	25,379	56.50	2.49
2024	21	2,377,489	1,835,894	25,152	2,132,497	1,646,711	20,306	56.50	2.49
2025	21	1,570,536	1,434,882	19,659	1,470,976	1,343,907	16,571	56.50	2.49
2026	21	1,037,741	1,121,511	15,368	994,199	1,074,442	13,249	56.50	2.49
2027	21	685,923	876,621	12,007	685,926	876,621	10,807	56.50	2.49
2028	21	453,602	685,250	9,389	428,317	647,083	7,980	56.50	2.49
2029	21	300,160	535,684	7,340	275,239	491,222	6,055	56.50	2.49
2030	21	198,812	418,802	5,736	175,299	369,261	4,552	56.50	2.49
2031	21	131,836	327,454	4,487	116,484	289,310	3,566	56.50	2.49
Sub-Total		29,886,031	19,451,227	266,491	26,695,655	17,486,813	215,617	56.32	2.49
Remainder		87,568	256,061	3,510	82,574	241,611	2,984	56.50	2.49
Total Future		29,973,599	19,707,288	270,001	26,778,229	17,728,424	218,601	56.32	2.49
Cumulative		32,360	0	242					
Ultimate		30,005,959	19,707,288	270,243					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	13,426	3,632	5,137	0	22,195	434	352	21,409
2018	40,422	9,471	10,886	0	60,779	527	815	59,437
2019	117,832	25,574	29,398	0	172,804	1,704	1,987	169,113
2020	282,314	62,505	71,848	0	416,667	9,750	5,629	401,288
2021	267,574	64,595	74,252	0	406,421	16,263	6,136	384,022
2022	248,913	65,495	75,285	0	389,693	14,981	6,221	368,491
2023	178,211	54,977	63,196	0	296,384	10,101	5,069	281,214
2024	120,486	43,984	50,559	0	215,029	6,324	3,150	205,555
2025	83,110	35,896	41,261	0	160,267	4,145	3,194	152,928
2026	56,172	28,698	32,989	0	117,859	2,633	2,498	112,728
2027	38,755	23,415	26,915	0	89,085	1,680	1,792	85,613
2028	24,200	17,283	19,867	0	61,350	953	1,486	58,911
2029	15,551	13,121	15,082	0	43,754	566	1,128	42,060
2030	9,905	9,863	11,337	0	31,105	350	848	29,907
2031	6,581	7,727	8,883	0	23,191	223	665	22,303
Sub-Total	1,503,452	466,236	536,895	0	2,506,583	70,634	40,970	2,394,979
Remainder	4,665	6,454	7,418	0	18,537	149	555	17,833
Total Future	1,508,117	472,690	544,313	0	2,525,120	70,783	41,525	2,412,812

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	13,041	0	91,221	4,442	108,704	-87,295	-87,295	-82,786
2018	14,603	0	60,519	9,635	84,757	-25,320	-112,615	-21,801
2019	23,629	0	58,609	27,155	109,393	59,720	-52,895	45,182
2020	41,699	0	53,204	65,625	160,528	240,760	187,865	170,235
2021	38,245	0	38,799	64,651	141,695	242,327	430,192	154,621
2022	38,846	0	6,131	62,620	107,597	260,894	691,086	151,278
2023	33,835	0	2,507	48,540	84,882	196,332	887,418	103,160
2024	29,487	0	1,650	35,940	67,077	138,478	1,025,896	65,862
2025	25,455	0	1,182	27,338	53,975	98,953	1,124,849	42,604
2026	22,003	0	1,313	20,511	43,827	68,901	1,193,750	26,854
2027	18,921	0	930	15,808	35,659	49,954	1,243,704	17,623
2028	16,283	0	863	11,091	28,237	30,674	1,274,378	9,799
2029	13,906	0	574	8,051	22,531	19,529	1,293,907	5,648
2030	12,399	0	685	5,817	18,901	11,006	1,304,913	2,884
2031	10,985	0	470	4,404	15,859	6,444	1,311,357	1,529
Sub-Total	353,337	0	318,657	411,628	1,083,622	1,311,357		692,692
Remainder	8,397	0	28,329	3,569	40,295	-22,462	1,288,895	-4,483
Total Future	361,734	0	346,986	415,197	1,123,917	1,288,895		688,209

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 65

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

BISKI & AFONINSKI SUMMARY
WEST AREA
TOTAL PROVED RESERVES

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% –	2,777
12.00% –	2,589
15.00% –	2,346
20.00% –	2,024
25.00% –	1,778

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	1	37,055	20,028	274	34,934	18,882	233	41.50	2.49
2018	1	23,440	13,075	180	22,073	12,312	152	56.50	2.49
2019	1	16,389	9,322	127	14,809	8,423	103	56.50	2.49
2020	1	12,215	7,039	97	11,181	6,444	80	56.50	2.49
2021	1	9,517	5,537	76	8,216	4,780	59	56.50	2.49
2022	1	7,661	4,490	61	6,455	3,783	47	56.50	2.49
2023	1	6,323	3,727	51	5,611	3,307	40	56.50	2.49
2024	1	5,325	3,153	43	4,801	2,843	35	56.50	2.49
2025	1	4,556	2,708	37	4,294	2,552	32	56.50	2.49
2026	1	3,951	2,355	33	3,819	2,276	28	56.50	2.49
2027	1	3,466	2,072	28	3,465	2,072	25	56.50	2.49
2028	1	3,068	1,838	25	2,866	1,717	22	56.50	2.49
2029	1	2,740	1,645	23	2,500	1,501	18	56.50	2.49
2030	1	2,461	1,481	20	2,178	1,311	16	56.50	2.49
2031	1	2,216	1,343	18	1,964	1,190	15	56.50	2.49
Sub-Total		140,383	79,813	1,093	129,166	73,393	905	52.44	2.49
Remainder		1,994	1,225	17	1,816	1,115	14	56.50	2.49
Total Future		142,377	81,038	1,110	130,982	74,508	919	52.50	2.49
Cumulative		32,360	0	242					
Ultimate		174,737	81,038	1,352					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	1,450	410	580	0	2,440	74	40	2,326
2018	1,247	329	378	0	1,954	65	30	1,859
2019	837	225	258	0	1,320	43	19	1,258
2020	631	172	198	0	1,001	32	15	954
2021	465	128	147	0	740	23	12	705
2022	364	101	116	0	581	18	8	555
2023	317	88	102	0	507	15	8	484
2024	272	76	87	0	435	12	6	417
2025	242	68	78	0	388	10	6	372
2026	216	61	70	0	347	9	5	333
2027	196	55	64	0	315	7	5	303
2028	162	46	53	0	261	6	4	251
2029	141	40	46	0	227	5	4	218
2030	123	35	40	0	198	4	3	191
2031	111	32	36	0	179	4	2	173
Sub-Total	6,774	1,866	2,253	0	10,893	327	167	10,399
Remainder	102	30	35	0	167	3	3	161
Total Future	6,876	1,896	2,288	0	11,060	330	170	10,560

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	552	0	716	490	1,758	568	568	547
2018	316	0	505	314	1,135	724	1,292	628
2019	160	0	548	212	920	338	1,630	267
2020	87	0	323	162	572	382	2,012	273
2021	63	0	197	119	379	326	2,338	209
2022	53	0	31	94	178	377	2,715	218
2023	57	0	13	82	152	332	3,047	174
2024	58	0	9	71	138	279	3,326	132
2025	62	0	7	63	132	240	3,566	104
2026	64	0	9	56	129	204	3,770	80
2027	66	0	6	51	123	180	3,950	63
2028	69	0	7	42	118	133	4,083	42
2029	72	0	6	37	115	103	4,186	30
2030	78	0	7	32	117	74	4,260	20
2031	84	0	5	29	118	55	4,315	13
Sub-Total	1,841	0	2,389	1,854	6,084	4,315		2,800
Remainder	0	0	261	27	288	−127	4,188	−23
Total Future	1,841	0	2,650	1,881	6,372	4,188		2,777

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 66

BISKI & AFONINSKI SUMMARY
WEST AREA
TOTAL PROBABLE RESERVES

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
INITIAL								10.00% -	685,432
FINAL								12.00% -	605,671
REMARKS								15.00% -	503,320
								20.00% -	369,523
								25.00% -	270,199

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	313,805	161,392	2,211	288,577	148,417	1,830	41.50	2.49
2018	3	716,559	353,721	4,846	693,365	342,271	4,220	56.50	2.49
2019	10	2,138,289	980,039	13,426	2,070,709	949,065	11,703	56.50	2.49
2020	14	5,415,941	2,535,151	34,734	4,985,539	2,333,686	28,777	56.50	2.49
2021	19	5,570,415	2,843,892	38,962	4,727,595	2,413,599	29,758	56.50	2.49
2022	20	5,268,944	2,932,374	40,175	4,399,092	2,448,271	30,190	56.50	2.49
2023	20	3,593,379	2,345,342	32,133	3,148,562	2,055,016	25,339	56.50	2.49
2024	20	2,372,164	1,832,741	25,109	2,127,696	1,643,868	20,271	56.50	2.49
2025	20	1,565,980	1,432,174	19,622	1,466,682	1,341,355	16,539	56.50	2.49
2026	20	1,033,790	1,119,156	15,335	990,380	1,072,166	13,221	56.50	2.49
2027	20	682,457	874,549	11,979	682,461	874,549	10,782	56.50	2.49
2028	20	450,534	683,412	9,364	425,451	645,366	7,958	56.50	2.49
2029	20	297,420	534,039	7,317	272,739	489,721	6,037	56.50	2.49
2030	20	196,351	417,321	5,716	173,121	367,950	4,536	56.50	2.49
2031	20	129,620	326,111	4,469	114,520	288,120	3,551	56.50	2.49
Sub-Total		29,745,648	19,371,414	265,398	26,566,489	17,413,420	214,712	56.34	2.49
Remainder		85,574	254,836	3,493	80,758	240,496	2,970	56.50	2.49
Total Future		29,831,222	19,626,250	268,891	26,647,247	17,653,916	217,682	56.34	2.49
Cumulative		0	0	0					
Ultimate		29,831,222	19,626,250	268,891					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	11,976	3,222	4,557	0	19,755	359	311	19,085
2018	39,175	9,142	10,509	0	58,826	463	786	57,577
2019	116,995	25,350	29,138	0	171,483	1,661	1,967	167,855
2020	281,683	62,332	71,651	0	415,666	9,718	5,614	400,334
2021	267,109	64,468	74,105	0	405,682	16,240	6,125	383,317
2022	248,549	65,393	75,169	0	389,111	14,963	6,213	367,935
2023	177,894	54,890	63,094	0	295,878	10,086	5,061	280,731
2024	120,215	43,907	50,472	0	214,594	6,312	3,143	205,139
2025	82,867	35,828	41,183	0	159,878	4,135	3,188	152,555
2026	55,957	28,637	32,919	0	117,513	2,624	2,493	112,396
2027	38,559	23,360	26,851	0	88,770	1,674	1,788	85,308
2028	24,038	17,237	19,814	0	61,089	947	1,482	58,660
2029	15,409	13,081	15,036	0	43,526	561	1,125	41,840
2030	9,782	9,828	11,297	0	30,907	345	845	29,717
2031	6,470	7,695	8,846	0	23,011	219	661	22,131
Sub-Total	1,496,678	464,370	534,641	0	2,495,689	70,307	40,802	2,384,580
Remainder	4,563	6,424	7,384	0	18,371	146	553	17,672
Total Future	1,501,241	470,794	542,025	0	2,514,060	70,453	41,355	2,402,252

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	12,489	0	90,505	3,952	106,946	-87,861	-87,861	-83,333
2018	14,287	0	60,014	9,322	83,623	-26,046	-113,907	-22,429
2019	23,469	0	58,062	26,942	108,473	59,382	-54,525	44,915
2020	41,612	0	52,881	65,463	159,956	240,378	185,853	169,962
2021	38,183	0	38,602	64,532	141,317	242,000	427,853	154,412
2022	38,791	0	6,098	62,526	107,415	260,520	688,373	151,060
2023	33,779	0	2,493	48,458	84,730	196,001	884,374	102,985
2024	29,429	0	1,642	35,869	66,940	138,199	1,022,573	65,731
2025	25,393	0	1,176	27,275	53,844	98,711	1,121,284	42,500
2026	21,939	0	1,304	20,455	43,698	68,698	1,189,982	26,775
2027	18,855	0	924	15,757	35,536	49,772	1,239,754	17,560
2028	16,214	0	855	11,049	28,118	30,542	1,270,296	9,756
2029	13,834	0	569	8,014	22,417	19,423	1,289,719	5,618
2030	12,321	0	678	5,785	18,784	10,933	1,300,652	2,864
2031	10,901	0	465	4,375	15,741	6,390	1,307,042	1,516
Sub-Total	351,496	0	316,268	409,774	1,077,538	1,307,042		689,892
Remainder	8,396	0	28,069	3,542	40,007	-22,335	1,284,707	-4,460
Total Future	359,892	0	344,337	413,316	1,117,545	1,284,707		685,432

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 67

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

BISKI & AFONINSKI SUMMARY
NORTHEAST AREA
TOTAL PROVED & PROBABLE RESERVES

PROVED AND PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	1,164,196
12.00% -	1,045,618
15.00% -	895,225
20.00% -	701,582
25.00% -	559,807

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	13	3,916,765	1,359,733	31,018	3,692,642	1,281,929	26,317	41.50	2.49
2018	19	3,977,840	1,349,468	30,782	3,751,550	1,272,178	26,117	56.50	2.49
2019	20	3,429,832	1,243,996	28,375	3,113,692	1,128,087	23,159	56.50	2.49
2020	28	5,110,146	1,731,602	39,494	4,688,719	1,588,131	32,604	56.50	2.49
2021	37	7,776,657	2,563,662	58,482	6,645,010	2,193,075	45,022	56.50	2.49
2022	38	7,442,967	2,601,480	59,341	6,235,543	2,180,474	44,759	56.50	2.49
2023	38	5,493,021	2,164,592	49,371	4,838,151	1,907,123	39,151	56.50	2.49
2024	38	4,034,248	1,780,573	40,621	3,627,543	1,601,011	32,869	56.50	2.49
2025	38	3,021,949	1,471,348	33,559	2,839,900	1,382,336	28,384	56.50	2.49
2026	38	2,310,817	1,221,549	27,861	2,225,293	1,175,555	24,129	56.50	2.49
2027	38	1,804,076	1,019,073	23,248	1,804,081	1,019,073	20,922	56.50	2.49
2028	38	1,437,128	854,360	19,483	1,346,777	801,860	16,462	56.50	2.49
2029	38	1,166,475	719,847	16,424	1,065,501	658,092	13,510	56.50	2.49
2030	38	962,608	609,540	13,906	851,308	538,689	11,057	56.50	2.49
2031	38	805,922	518,709	11,832	713,799	459,155	9,427	56.50	2.49
Sub-Total		52,690,451	21,209,532	483,797	47,439,509	19,186,768	393,889	55.33	2.49
Remainder		683,071	443,574	10,114	624,998	408,766	8,393	56.50	2.49
Total Future		53,373,522	21,653,106	493,911	48,064,507	19,595,534	402,282	55.35	2.49
Cumulative		20,054,323	0	149,403					
Ultimate		73,427,845	21,653,106	643,314					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	153,245	27,831	65,529	0	246,605	7,861	3,818	234,926
2018	211,962	33,980	65,031	0	310,973	10,531	4,094	296,348
2019	175,924	30,131	57,665	0	263,720	8,536	3,560	251,624
2020	264,913	42,419	81,182	0	388,514	11,568	5,057	371,889
2021	375,443	58,577	112,105	0	546,125	21,238	7,242	517,645
2022	352,308	58,240	111,461	0	522,009	19,718	7,198	495,093
2023	273,355	50,939	97,487	0	421,781	14,377	6,176	401,228
2024	204,957	42,763	81,840	0	329,560	9,992	4,539	315,029
2025	160,454	36,923	70,662	0	268,039	7,337	4,380	256,322
2026	125,729	31,399	60,092	0	217,220	5,333	3,682	208,205
2027	101,930	27,219	52,093	0	181,242	3,969	3,013	174,260
2028	76,093	21,418	40,989	0	138,500	2,819	2,497	133,184
2029	60,201	17,577	33,640	0	111,418	2,155	2,048	107,215
2030	48,099	14,389	27,536	0	90,024	1,686	1,677	86,661
2031	40,330	12,264	23,472	0	76,066	1,384	1,430	73,252
Sub-Total	2,624,943	506,069	980,784	0	4,111,796	128,504	60,411	3,922,881
Remainder	35,312	10,918	20,894	0	67,124	1,183	1,272	64,669
Total Future	2,660,255	516,987	1,001,678	0	4,178,920	129,687	61,683	3,987,550

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	56,115	0	75,326	47,675	179,116	55,810	55,810	53,541
2018	50,730	0	96,104	47,957	194,791	101,557	157,367	87,693
2019	32,403	0	108,453	40,949	181,805	69,819	227,186	55,023
2020	35,050	0	93,430	59,907	188,387	183,502	410,688	128,561
2021	49,338	0	95,070	83,987	228,395	289,250	699,938	184,815
2022	50,883	0	16,205	80,757	147,845	347,248	1,047,186	201,326
2023	48,053	0	6,729	66,077	120,859	280,369	1,327,555	147,234
2024	45,119	0	4,640	52,259	102,018	213,011	1,540,566	101,246
2025	42,784	0	3,392	42,959	89,135	167,187	1,707,753	71,927
2026	40,534	0	4,097	35,128	79,759	128,446	1,836,199	50,021
2027	38,573	0	3,112	29,528	71,213	103,047	1,939,246	36,323
2028	36,777	0	3,003	22,695	62,475	70,709	2,009,955	22,565
2029	35,643	0	2,118	18,331	56,092	51,123	2,061,078	14,770
2030	35,543	0	2,801	14,851	53,195	33,466	2,094,544	8,755
2031	36,089	0	1,985	12,571	50,645	22,607	2,117,151	5,357
Sub-Total	633,634	0	516,465	655,631	1,805,730	2,117,151		1,169,157
Remainder	37,407	0	41,570	11,114	90,091	-25,422	2,091,729	-4,961
Total Future	671,041	0	558,035	666,745	1,895,821	2,091,729		1,164,196

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 68

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

BISKI & AFONINSKI SUMMARY
NORTHEAST AREA
TOTAL PROVED

TOTAL
PROVED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	624,795
12.00% -	566,292
15.00% -	492,527
20.00% -	398,117
25.00% -	329,147

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	13	3,916,765	1,359,733	31,018	3,692,642	1,281,929	26,317	41.50	2.49
2018	16	3,754,028	1,293,485	29,504	3,534,983	1,218,007	25,004	56.50	2.49
2019	16	3,205,315	1,181,808	26,956	2,896,270	1,067,866	21,924	56.50	2.49
2020	17	2,972,037	1,137,207	25,939	2,720,526	1,040,969	21,371	56.50	2.49
2021	19	3,074,035	1,182,329	26,972	2,653,914	1,020,743	20,955	56.50	2.49
2022	19	2,771,490	1,101,422	25,123	2,335,273	928,061	19,051	56.50	2.49
2023	19	2,283,900	953,710	21,753	2,026,280	846,136	17,369	56.50	2.49
2024	19	1,908,172	828,967	18,910	1,720,576	747,472	15,346	56.50	2.49
2025	19	1,612,758	723,148	16,494	1,520,063	681,582	13,995	56.50	2.49
2026	19	1,376,302	632,983	14,438	1,330,020	611,702	12,554	56.50	2.49
2027	19	1,183,992	555,835	12,681	1,183,996	555,828	11,411	56.50	2.49
2028	19	1,025,409	489,547	11,162	957,977	457,356	9,390	56.50	2.49
2029	19	892,897	432,367	9,865	814,634	394,472	8,098	56.50	2.49
2030	19	780,687	382,858	8,735	690,900	338,826	6,959	56.50	2.49
2031	19	684,831	339,838	7,750	606,817	301,123	6,181	56.50	2.49
Sub-Total		31,442,618	12,595,237	287,300	28,684,871	11,492,072	235,925	54.57	2.49
Remainder		602,387	302,323	6,895	548,858	275,459	5,654	56.50	2.49
Total Future		32,045,005	12,897,560	294,195	29,233,729	11,767,531	241,579	54.61	2.49
Cumulative		20,054,323	0	149,403					
Ultimate		52,099,328	12,897,560	443,598					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	153,245	27,831	65,529	0	246,605	7,861	3,818	234,926
2018	199,726	32,533	62,262	0	294,521	10,386	3,925	280,210
2019	163,639	28,522	54,587	0	246,748	8,362	3,391	234,995
2020	153,710	27,805	53,212	0	234,727	7,732	3,273	223,722
2021	149,946	27,264	52,178	0	229,388	7,527	3,209	218,652
2022	131,943	24,788	47,440	0	204,171	6,452	2,889	194,830
2023	114,485	22,600	43,253	0	180,338	5,369	2,635	172,334
2024	97,213	19,965	38,209	0	155,387	4,336	2,327	148,724
2025	85,883	18,206	34,841	0	138,930	3,616	2,121	133,193
2026	75,146	16,338	31,268	0	122,752	2,961	1,905	117,886
2027	66,896	14,846	28,413	0	110,155	2,448	1,730	105,977
2028	54,126	12,216	23,379	0	89,721	1,954	1,424	86,343
2029	46,027	10,537	20,165	0	76,729	1,638	1,228	73,863
2030	39,035	9,050	17,320	0	65,405	1,367	1,055	62,983
2031	34,286	8,043	15,392	0	57,721	1,179	937	55,605
Sub-Total	1,565,306	300,544	587,448	0	2,453,298	73,188	35,867	2,344,243
Remainder	31,010	7,357	14,081	0	52,448	1,045	858	50,545
Total Future	1,596,316	307,901	601,529	0	2,505,746	74,233	36,725	2,394,788

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	56,115	0	75,326	47,675	179,116	55,810	55,810	53,541
2018	46,811	0	83,247	45,495	175,553	104,657	160,467	90,290
2019	29,924	0	103,612	38,384	171,920	63,075	223,542	49,725
2020	20,351	0	78,974	36,656	135,981	87,741	311,283	62,229
2021	19,356	0	68,003	35,843	123,202	95,450	406,733	61,059
2022	18,928	0	11,161	32,014	62,103	132,727	539,460	76,953
2023	20,243	0	4,685	28,426	53,354	118,980	658,440	62,430
2024	21,018	0	3,296	24,598	48,912	99,812	758,252	47,405
2025	22,063	0	2,442	22,068	46,573	86,620	844,872	37,239
2026	22,700	0	3,037	19,553	45,290	72,596	917,468	28,254
2027	23,300	0	2,363	17,585	43,248	62,729	980,197	22,097
2028	23,668	0	2,319	14,349	40,336	46,007	1,026,204	14,674
2029	24,474	0	1,665	12,290	38,429	35,434	1,061,638	10,231
2030	25,597	0	2,254	10,492	38,343	24,640	1,086,278	6,444
2031	27,282	0	1,609	9,270	38,161	17,444	1,103,722	4,132
Sub-Total	401,830	0	443,993	394,698	1,240,521	1,103,722		626,703
Remainder	30,546	0	21,614	8,434	60,594	-10,049	1,093,673	-1,908
Total Future	432,376	0	465,607	403,132	1,301,115	1,093,673		624,795

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 69

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

BISKI & AFONINSKI SUMMARY
NORTHEAST AREA
TOTAL PROVED PRODUCING

PROVED
PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	446,991
12.00% -	409,716
15.00% -	362,360
20.00% -	300,966
25.00% -	255,308

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	11	3,767,557	1,322,411	30,166	3,551,972	1,246,743	25,595	41.50	2.49
2018	11	3,281,873	1,169,139	26,667	3,090,378	1,100,918	22,599	56.50	2.49
2019	11	2,710,078	1,034,665	23,600	2,448,782	934,909	19,195	56.50	2.49
2020	11	2,177,298	902,552	20,588	1,993,042	826,170	16,961	56.50	2.49
2021	11	1,799,988	787,848	17,972	1,553,987	680,176	13,964	56.50	2.49
2022	11	1,509,382	689,066	15,718	1,271,816	580,609	11,919	56.50	2.49
2023	11	1,276,907	603,753	13,771	1,132,872	535,653	10,994	56.50	2.49
2024	11	1,087,069	529,904	12,086	980,198	477,810	9,810	56.50	2.49
2025	11	930,064	465,831	10,626	876,608	439,054	9,016	56.50	2.49
2026	11	799,088	410,128	9,355	772,215	396,337	8,134	56.50	2.49
2027	11	689,091	361,611	8,250	689,093	361,608	7,424	56.50	2.49
2028	11	596,250	319,272	7,279	557,042	298,278	6,123	56.50	2.49
2029	11	517,396	282,263	6,440	472,047	257,526	5,287	56.50	2.49
2030	11	449,841	249,864	5,701	398,103	221,125	4,541	56.50	2.49
2031	11	391,761	221,452	5,050	347,132	196,223	4,027	56.50	2.49
Sub-Total		21,983,643	9,349,759	213,269	20,135,287	8,553,139	175,589	53.85	2.49
Remainder		341,725	196,500	4,482	311,359	179,041	3,677	56.50	2.49
Total Future		22,325,368	9,546,259	217,751	20,446,646	8,732,180	179,266	53.89	2.49
Cumulative		17,023,347	0	127,454					
Ultimate		39,348,715	9,546,259	345,205					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	147,407	27,067	63,731	0	238,205	7,562	3,714	226,929
2018	174,606	29,405	56,276	0	260,287	9,079	3,547	247,661
2019	138,356	24,972	47,790	0	211,118	7,071	2,969	201,078
2020	112,607	22,067	42,232	0	176,906	5,664	2,597	168,645
2021	87,801	18,167	34,769	0	140,737	4,407	2,139	134,191
2022	71,857	15,508	29,680	0	117,045	3,514	1,807	111,724
2023	64,008	14,308	27,381	0	105,697	3,002	1,668	101,027
2024	55,381	12,762	24,425	0	92,568	2,470	1,487	88,611
2025	49,528	11,727	22,443	0	83,698	2,085	1,367	80,246
2026	43,630	10,586	20,260	0	74,476	1,719	1,234	71,523
2027	38,934	9,659	18,485	0	67,078	1,425	1,126	64,527
2028	31,473	7,967	15,247	0	54,687	1,136	928	52,623
2029	26,670	6,878	13,164	0	46,712	950	802	44,960
2030	22,493	5,907	11,303	0	39,703	787	688	38,228
2031	19,613	5,241	10,031	0	34,885	675	611	33,599
Sub-Total	1,084,364	222,221	437,217	0	1,743,802	51,546	26,684	1,665,572
Remainder	17,592	4,782	9,152	0	31,526	593	558	30,375
Total Future	1,101,956	227,003	446,369	0	1,775,328	52,139	27,242	1,695,947

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	54,194	0	72,786	46,076	173,056	53,873	53,873	51,677
2018	41,865	0	69,128	40,345	151,338	96,323	150,196	83,256
2019	25,565	0	88,715	32,962	147,242	53,836	204,032	42,420
2020	15,415	0	57,679	27,864	100,958	67,687	271,719	48,075
2021	12,000	0	37,859	22,297	72,156	62,035	333,754	39,832
2022	10,827	0	6,392	18,628	35,847	75,877	409,631	43,982
2023	11,840	0	2,747	16,886	31,473	69,554	479,185	36,490
2024	12,495	0	1,961	14,839	29,295	59,316	538,501	28,169
2025	13,262	0	1,470	13,457	28,189	52,057	590,558	22,377
2026	13,741	0	1,839	12,006	27,586	43,937	634,495	17,100
2027	14,152	0	1,436	10,839	26,427	38,100	672,595	13,421
2028	14,388	0	1,412	8,857	24,657	27,966	700,561	8,919
2029	14,858	0	1,014	7,581	23,453	21,507	722,068	6,211
2030	15,491	0	1,364	6,457	23,312	14,916	736,984	3,901
2031	16,436	0	969	5,683	23,088	10,511	747,495	2,489
Sub-Total	286,529	0	346,771	284,777	918,077	747,495		448,319
Remainder	18,053	0	14,115	5,147	37,315	-6,940	740,555	-1,328
Total Future	304,582	0	360,886	289,924	955,392	740,555		446,991

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 70

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

BISKI & AFONINSKI SUMMARY
NORTHEAST AREA
TOTAL PROVED NON-PRODUCING

PROVED
NON PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	18,330
12.00% -	17,242
15.00% -	15,787
20.00% -	13,757
25.00% -	12,119

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	2	149,208	37,322	852	140,670	35,186	722	41.50	2.49
2018	4	249,150	66,340	1,514	234,612	62,468	1,284	56.50	2.49
2019	4	166,884	51,578	1,176	150,794	46,606	956	56.50	2.49
2020	4	111,778	40,102	914	102,318	36,710	754	56.50	2.49
2021	4	74,870	31,182	712	64,640	26,918	552	56.50	2.49
2022	4	50,150	24,244	552	42,254	20,428	418	56.50	2.49
2023	4	33,590	18,848	430	29,802	16,722	344	56.50	2.49
2024	4	22,498	14,654	336	20,286	13,214	272	56.50	2.49
2025	4	15,070	11,394	258	14,204	10,740	220	56.50	2.49
2026	4	10,094	8,860	202	9,756	8,564	176	56.50	2.49
2027	4	6,760	6,888	158	6,760	6,886	140	56.50	2.49
2028	4	4,530	5,356	122	4,230	5,004	104	56.50	2.49
2029	4	3,034	4,164	96	2,768	3,798	78	56.50	2.49
2030	4	2,030	3,236	74	1,798	2,866	60	56.50	2.49
2031	4	1,360	2,518	56	1,206	2,232	46	56.50	2.49
Sub-Total		901,006	326,686	7,452	826,098	298,342	6,126	53.95	2.49
Remainder		912	1,958	44	830	1,782	36	56.50	2.49
Total Future		901,918	328,644	7,496	826,928	300,124	6,162	53.95	2.49
Cumulative		3,030,976	0	21,949					
Ultimate		3,932,894	328,644	29,445					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	5,838	764	1,799	0	8,401	299	105	7,997
2018	13,255	1,668	3,193	0	18,116	690	201	17,225
2019	8,520	1,245	2,382	0	12,147	435	148	11,564
2020	5,781	981	1,877	0	8,639	291	116	8,232
2021	3,652	719	1,376	0	5,747	183	84	5,480
2022	2,388	545	1,044	0	3,977	117	64	3,796
2023	1,684	447	855	0	2,986	79	52	2,855
2024	1,146	353	675	0	2,174	51	41	2,082
2025	802	287	549	0	1,638	34	33	1,571
2026	551	229	438	0	1,218	22	27	1,169
2027	382	184	352	0	918	14	21	883
2028	239	133	256	0	628	8	16	604
2029	157	102	194	0	453	6	12	435
2030	101	76	146	0	323	3	9	311
2031	68	60	114	0	242	3	7	232
Sub-Total	44,564	7,793	15,250	0	67,607	2,235	936	64,436
Remainder	47	47	92	0	186	1	5	180
Total Future	44,611	7,840	15,342	0	67,793	2,236	941	64,616

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	1,921	0	2,540	1,600	6,061	1,936	1,936	1,864
2018	2,959	0	4,765	2,727	10,451	6,774	8,710	5,874
2019	1,484	0	5,079	1,856	8,419	3,145	11,855	2,485
2020	758	0	2,794	1,340	4,892	3,340	15,195	2,379
2021	491	0	1,530	906	2,927	2,553	17,748	1,642
2022	367	0	214	637	1,218	2,578	20,326	1,497
2023	332	0	77	486	895	1,960	22,286	1,030
2024	291	0	45	359	695	1,387	23,673	660
2025	256	0	29	276	561	1,010	24,683	435
2026	221	0	30	208	459	710	25,393	277
2027	190	0	19	159	368	515	25,908	181
2028	162	0	16	111	289	315	26,223	101
2029	141	0	9	81	231	204	26,427	58
2030	123	0	11	59	193	118	26,545	32
2031	111	0	7	44	162	70	26,615	17
Sub-Total	9,807	0	17,165	10,849	37,821	26,615		18,532
Remainder	0	0	1,177	35	1,212	-1,032	25,583	-202
Total Future	9,807	0	18,342	10,884	39,033	25,583		18,330

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

TABLE 71

BISKI & AFONINSKI SUMMARY
NORTHEAST AREA
TOTAL PROVED UNDEVELOPED

PROVED
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	159,474
12.00% -	139,335
15.00% -	114,381
20.00% -	83,394
25.00% -	61,720

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	1	223,005	58,006	1,323	209,993	54,621	1,121	56.50	2.49
2019	1	328,353	95,565	2,180	296,694	86,351	1,773	56.50	2.49
2020	2	682,961	194,553	4,437	625,166	178,089	3,656	56.50	2.49
2021	4	1,199,177	363,299	8,288	1,035,287	313,649	6,439	56.50	2.49
2022	4	1,211,958	388,112	8,853	1,021,203	327,024	6,714	56.50	2.49
2023	4	973,403	331,109	7,552	863,606	293,761	6,031	56.50	2.49
2024	4	798,605	284,409	6,488	720,092	256,448	5,264	56.50	2.49
2025	4	667,624	245,923	5,610	629,251	231,788	4,759	56.50	2.49
2026	4	567,120	213,995	4,881	548,049	206,801	4,244	56.50	2.49
2027	4	488,141	187,336	4,273	488,143	187,334	3,847	56.50	2.49
2028	4	424,629	164,919	3,761	396,705	154,074	3,163	56.50	2.49
2029	4	372,467	145,940	3,329	339,819	133,148	2,733	56.50	2.49
2030	4	328,816	129,758	2,960	290,999	114,835	2,358	56.50	2.49
2031	4	291,710	115,868	2,644	258,479	102,668	2,108	56.50	2.49
Sub-Total		8,557,969	2,918,792	66,579	7,723,486	2,640,591	54,210	56.50	2.49
Remainder		259,750	103,865	2,369	236,669	94,636	1,941	56.50	2.49
Total Future		8,817,719	3,022,657	68,948	7,960,155	2,735,227	56,151	56.50	2.49
Cumulative		0	0	0					
Ultimate		8,817,719	3,022,657	68,948					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	11,865	1,459	2,792	0	16,116	617	176	15,323
2019	16,763	2,306	4,414	0	23,483	857	274	22,352
2020	35,322	4,757	9,104	0	49,183	1,776	560	46,847
2021	58,493	8,378	16,033	0	82,904	2,937	986	78,981
2022	57,698	8,735	16,716	0	83,149	2,821	1,018	79,310
2023	48,794	7,846	15,017	0	71,657	2,288	915	68,454
2024	40,685	6,850	13,109	0	60,644	1,815	798	58,031
2025	35,553	6,191	11,848	0	53,592	1,497	722	51,373
2026	30,965	5,523	10,571	0	47,059	1,220	644	45,195
2027	27,580	5,004	9,577	0	42,161	1,009	583	40,569
2028	22,414	4,115	7,876	0	34,405	809	479	33,117
2029	19,199	3,557	6,806	0	29,562	684	415	28,463
2030	16,442	3,067	5,870	0	25,379	575	357	24,447
2031	14,604	2,742	5,248	0	22,594	503	320	21,771
Sub-Total	436,377	70,530	134,981	0	641,888	19,408	8,247	614,233
Remainder	13,372	2,528	4,838	0	20,738	450	295	19,993
Total Future	449,749	73,058	139,819	0	662,626	19,858	8,542	634,226

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	1,988	0	9,354	2,421	13,763	1,560	1,560	1,161
2019	2,874	0	9,818	3,566	16,258	6,094	7,654	4,818
2020	4,178	0	18,500	7,454	30,132	16,715	24,369	11,776
2021	6,865	0	28,615	12,640	48,120	30,861	55,230	19,585
2022	7,735	0	4,554	12,748	25,037	54,273	109,503	31,474
2023	8,071	0	1,863	11,054	20,988	47,466	156,969	24,910
2024	8,232	0	1,290	9,400	18,922	39,109	196,078	18,577
2025	8,544	0	942	8,336	17,822	33,551	229,629	14,426
2026	8,738	0	1,168	7,338	17,244	27,951	257,580	10,878
2027	8,958	0	909	6,586	16,453	24,116	281,696	8,495
2028	9,118	0	890	5,382	15,390	17,727	299,423	5,653
2029	9,475	0	642	4,628	14,745	13,718	313,141	3,961
2030	9,983	0	879	3,976	14,838	9,609	322,750	2,513
2031	10,735	0	633	3,543	14,911	6,860	329,610	1,625
Sub-Total	105,494	0	80,057	99,072	284,623	329,610		159,852
Remainder	12,494	0	6,321	3,253	22,068	-2,075	327,535	-378
Total Future	117,988	0	86,378	102,325	306,691	327,535		159,474

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 72

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

BISKI & AFONINSKI SUMMARY
NORTHEAST AREA
TOTAL PROBABLE RESERVES

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS: Oil/ Condensate	REVENUE INTERESTS: Plant Products	REVENUE INTERESTS: Gas	PRODUCT PRICES: Oil/Cond. $/bbl.	PRODUCT PRICES: Plt. Prod. $/bbl.	PRODUCT PRICES: Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	539,401
12.00% -	479,326
15.00% -	402,698
20.00% -	303,465
25.00% -	230,661

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION: Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES: Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES: Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018	3	223,812	55,983	1,278	216,567	54,171	1,113	56.50	2.49
2019	4	224,517	62,188	1,419	217,422	60,221	1,235	56.50	2.49
2020	11	2,138,109	594,395	13,555	1,968,193	547,162	11,233	56.50	2.49
2021	18	4,702,622	1,381,333	31,510	3,991,096	1,172,332	24,067	56.50	2.49
2022	19	4,671,477	1,500,058	34,218	3,900,270	1,252,413	25,708	56.50	2.49
2023	19	3,209,121	1,210,882	27,618	2,811,871	1,060,987	21,782	56.50	2.49
2024	19	2,126,076	951,606	21,711	1,906,967	853,539	17,523	56.50	2.49
2025	19	1,409,191	748,200	17,065	1,319,837	700,754	14,389	56.50	2.49
2026	19	934,515	588,566	13,423	895,273	563,853	11,575	56.50	2.49
2027	19	620,084	463,238	10,567	620,085	463,245	9,511	56.50	2.49
2028	19	411,719	364,813	8,321	388,800	344,504	7,072	56.50	2.49
2029	19	273,578	287,480	6,559	250,867	263,620	5,412	56.50	2.49
2030	19	181,921	226,682	5,171	160,408	199,863	4,098	56.50	2.49
2031	19	121,091	178,871	4,082	106,982	158,032	3,246	56.50	2.49
Sub-Total		21,247,833	8,614,295	196,497	18,754,638	7,694,696	157,964	56.50	2.49
Remainder		80,684	141,251	3,219	76,140	133,307	2,739	56.50	2.49
Total Future		21,328,517	8,755,546	199,716	18,830,778	7,828,003	160,703	56.50	2.49
Cumulative		0	0	0					
Ultimate		21,328,517	8,755,546	199,716					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M: From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY: Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	12,236	1,447	2,769	0	16,452	144	169	16,139
2019	12,284	1,608	3,078	0	16,970	175	169	16,626
2020	111,203	14,615	27,970	0	153,788	3,836	1,784	148,168
2021	225,497	31,313	59,927	0	316,737	13,711	4,033	298,993
2022	220,365	33,452	64,020	0	317,837	13,266	4,308	300,263
2023	158,871	28,339	54,236	0	241,446	9,007	3,543	228,896
2024	107,744	22,798	43,631	0	174,173	5,657	2,212	166,304
2025	74,570	18,717	35,821	0	129,108	3,721	2,258	123,129
2026	50,584	15,061	28,823	0	94,468	2,372	1,777	90,319
2027	35,034	12,373	23,679	0	71,086	1,521	1,283	68,282
2028	21,968	9,202	17,611	0	48,781	865	1,073	46,843
2029	14,174	7,041	13,475	0	34,690	516	821	33,353
2030	9,062	5,338	10,217	0	24,617	320	622	23,675
2031	6,045	4,221	8,078	0	18,344	205	492	17,647
Sub-Total	1,059,637	205,525	393,335	0	1,658,497	55,316	24,544	1,578,637
Remainder	4,302	3,561	6,814	0	14,677	138	415	14,124
Total Future	1,063,939	209,086	400,149	0	1,673,174	55,454	24,959	1,592,761

Period	DEDUCTIONS - $M: Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M: Undiscounted Annual	Undiscounted Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	3,919	0	12,856	2,463	19,238	-3,099	-3,099	-2,597
2019	2,479	0	4,842	2,564	9,885	6,741	3,642	5,297
2020	14,699	0	14,457	23,251	52,407	95,761	99,403	66,333
2021	29,982	0	27,066	48,144	105,192	193,801	293,204	123,756
2022	31,955	0	5,044	48,743	85,742	214,521	507,725	124,373
2023	27,809	0	2,044	37,651	67,504	161,392	669,117	84,804
2024	24,102	0	1,344	27,661	53,107	113,197	782,314	53,841
2025	20,721	0	950	20,891	42,562	80,567	862,881	34,688
2026	17,834	0	1,060	15,576	34,470	55,849	918,730	21,768
2027	15,273	0	748	11,942	27,963	40,319	959,049	14,225
2028	13,109	0	685	8,346	22,140	24,703	983,752	7,891
2029	11,170	0	453	6,041	17,664	15,689	999,441	4,538
2030	9,945	0	547	4,360	14,852	8,823	1,008,264	2,312
2031	8,808	0	375	3,300	12,483	5,164	1,013,428	1,225
Sub-Total	231,805	0	72,471	260,933	565,209	1,013,428		542,454
Remainder	6,860	0	19,957	2,680	29,497	-15,373	998,055	-3,053
Total Future	238,665	0	92,428	263,613	594,706	998,055		539,401

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 73

ZHAIKMUNAI LLP
ESTIMATED FUTURE RESERVES AND INCOME
ATTRIBUTABLE TO TERMS OF THE PRODUCTION SHARING AGREEMENT
BETWEEN THE REPUBLIC OF KAZAKHSTAN AND ZHAIKMUNAI LLP
AS OF JANUARY 1, 2017

PERMIAN SUMMARY

TOTAL PROVED RESERVES

TOTAL PROVED

	REVENUE INTERESTS				PRODUCT PRICES		
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% –	233
12.00% –	218
15.00% –	197
20.00% –	166
25.00% –	141

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017	1	2,870	0	2	2,706	0	1	39.22	2.49
2018	1	2,383	0	1	2,244	0	1	52.27	2.49
2019	1	2,041	0	1	1,844	0	0	52.27	2.49
2020	1	1,787	0	0	1,636	0	1	52.27	2.49
2021	1	1,592	0	1	1,374	0	0	52.27	2.49
2022	1	1,431	0	0	1,206	0	0	52.27	2.49
2023	1	1,287	0	1	1,142	0	1	52.27	2.49
2024	1	1,159	0	0	1,045	0	0	52.27	2.49
2025	1	1,043	0	0	983	0	0	52.27	2.49
2026	1	939	0	0	907	0	0	52.27	2.49
2027	1	845	0	0	845	0	0	52.27	2.49
2028	1	760	0	1	710	0	0	52.27	2.49
2029	1	684	0	0	625	0	0	52.27	2.49
2030	1	616	0	0	545	0	0	52.27	0.00
2031	1	555	0	0	491	0	0	52.27	0.00
Sub-Total		19,992	0	7	18,303	0	4	50.34	2.49
Remainder		498	0	0	454	0	0	52.27	0.00
Total Future		20,490	0	7	18,757	0	4	50.39	2.49
Cumulative		36,265	0	331					
Ultimate		56,755	0	338					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	106	0	3	0	109	5	0	104
2018	117	0	2	0	119	7	0	112
2019	97	0	1	0	98	4	0	94
2020	85	0	1	0	86	5	0	81
2021	72	0	1	0	73	3	0	70
2022	63	0	0	0	63	3	0	60
2023	60	0	1	0	61	3	0	58
2024	54	0	0	0	54	3	0	51
2025	52	0	1	0	53	2	0	51
2026	47	0	0	0	47	2	0	45
2027	44	0	0	0	44	1	0	43
2028	38	0	1	0	39	2	0	37
2029	32	0	0	0	32	1	0	31
2030	29	0	0	0	29	1	0	28
2031	25	0	0	0	25	1	0	24
Sub-Total	921	0	11	0	932	43	0	889
Remainder	24	0	0	0	24	1	0	23
Total Future	945	0	11	0	956	44	0	912

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	29	0	39	7	75	29	29	28
2018	22	0	35	6	63	49	78	43
2019	13	0	47	5	65	29	107	22
2020	8	0	32	4	44	37	144	26
2021	7	0	22	4	33	37	181	24
2022	7	0	4	3	14	46	227	27
2023	8	0	2	3	13	45	272	23
2024	8	0	1	3	12	39	311	19
2025	10	0	1	2	13	38	349	16
2026	10	0	1	2	13	32	381	13
2027	10	0	1	2	13	30	411	10
2028	12	0	1	2	15	22	433	7
2029	12	0	1	2	15	16	449	5
2030	12	0	1	1	14	14	463	3
2031	14	0	1	1	16	8	471	2
Sub-Total	182	0	189	47	418	471		268
Remainder	0	0	204	2	206	−183	288	−35
Total Future	182	0	393	49	624	288		233

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

TABLE 74

GRAND SUMMARY
TRIDENT PROJECT
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CIT & EPT CALCULATED ON TOTAL BASIS SHOWN ON PROJECT LEVEL SUMMARY ONLY						

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	46,610
12.00% -	25,739
15.00% -	1,431
20.00% -	-25,177
25.00% -	-39,993

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	14	824,976	125,182	58,379	824,976	125,182	54,292	52.27	2.49
2022	14	595,830	58,415	55,986	595,830	58,415	52,068	52.27	2.49
2023	14	448,733	35,558	55,174	448,733	35,558	51,312	52.27	2.49
2024	14	344,725	24,569	54,778	344,725	24,569	50,943	52.27	2.49
2025	14	272,011	22,234	52,075	272,011	22,234	48,430	52.27	2.49
2026	14	217,715	20,788	47,146	217,715	20,788	43,847	52.27	2.49
2027	14	176,538	19,522	42,717	176,538	19,522	39,723	52.27	2.49
2028	14	143,272	18,380	38,741	143,272	18,380	36,031	52.27	2.49
2029	14	114,555	17,175	35,153	114,555	17,175	32,693	52.27	2.49
2030	14	94,299	16,256	31,935	94,299	16,256	29,700	52.27	2.49
2031	6	76,144	15,421	553	76,144	15,421	512	52.27	2.49
Sub-Total		3,308,798	373,500	472,637	3,308,798	373,500	439,551	52.27	2.49
Remainder		330,733	89,470	3,202	330,733	89,470	2,977	52.27	2.49
Total Future		3,639,531	462,970	475,839	3,639,531	462,970	442,528	52.27	2.49
Cumulative		31,000	0	11					
Ultimate		3,670,531	462,970	475,850					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	43,121	3,344	135,184	0	181,649	0	0	181,649
2022	31,145	1,560	129,655	0	162,360	0	0	162,360
2023	23,455	950	127,761	0	152,166	0	0	152,166
2024	18,019	656	126,852	0	145,527	0	0	145,527
2025	14,218	594	120,591	0	135,403	0	0	135,403
2026	11,380	555	109,175	0	121,110	0	0	121,110
2027	9,227	521	98,919	0	108,667	0	0	108,667
2028	7,489	491	89,711	0	97,691	0	0	97,691
2029	5,988	459	81,407	0	87,854	0	0	87,854
2030	4,929	434	73,951	0	79,314	0	0	79,314
2031	3,980	412	1,278	0	5,670	0	0	5,670
Sub-Total	172,951	9,976	1,094,484	0	1,277,411	0	0	1,277,411
Remainder	17,287	2,390	7,411	0	27,088	0	0	27,088
Total Future	190,238	12,366	1,101,895	0	1,304,499	0	0	1,304,499

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	30,000	0	30,000	-30,000	-30,000	-25,730
2019	0	0	75,000	0	75,000	-75,000	-105,000	-58,071
2020	0	329	181,000	0	181,329	-181,329	-286,329	-127,437
2021	37,840	24,350	0	26,954	89,144	92,505	-193,824	58,006
2022	34,770	21,203	0	24,947	80,920	81,440	-112,384	47,155
2023	33,465	19,177	0	24,088	76,730	75,436	-36,948	39,525
2024	32,464	17,730	0	23,593	73,787	71,740	34,792	34,021
2025	31,516	14,283	0	22,283	68,082	67,321	102,113	28,922
2026	28,890	14,740	0	20,107	63,737	57,373	159,486	22,313
2027	26,617	30,706	0	18,171	75,494	33,173	192,659	11,686
2028	24,409	26,931	0	16,442	67,782	29,909	222,568	9,536
2029	22,315	23,701	50	14,884	60,950	26,904	249,472	7,765
2030	20,577	21,168	0	13,502	55,247	24,067	273,539	6,288
2031	2,993	19,162	450	522	23,127	-17,457	256,082	-4,119
Sub-Total	295,856	233,480	286,500	205,493	1,021,329	256,082		49,860
Remainder	15,160	24,196	300	2,748	42,404	-15,316	240,766	-3,250
Total Future	311,016	257,676	286,800	208,241	1,063,733	240,766		46,610

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

TABLE 75

GRAND SUMMARY
TRIDENT PROJECT
PROBABLE

PROBABLE
NON-PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CIT & EPT CALCULATED ON TOTAL BASIS SHOWN ON PROJECT LEVEL SUMMARY ONLY						

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	16,929
12.00% -	12,727
15.00% -	7,674
20.00% -	1,709
25.00% -	-2,153

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	3	447,682	122,129	4,369	447,682	122,129	4,063	52.27	2.49
2022	3	316,966	56,232	2,009	316,966	56,232	1,869	52.27	2.49
2023	3	241,724	33,996	1,218	241,724	33,996	1,131	52.27	2.49
2024	3	190,370	23,447	838	190,370	23,447	781	52.27	2.49
2025	3	156,395	21,427	766	156,395	21,427	714	52.27	2.49
2026	3	130,714	20,206	724	130,714	20,206	671	52.27	2.49
2027	3	110,769	19,102	684	110,769	19,102	634	52.27	2.49
2028	3	93,327	18,076	646	93,327	18,076	602	52.27	2.49
2029	3	76,456	16,952	605	76,456	16,952	564	52.27	2.49
2030	3	65,109	16,095	575	65,109	16,095	536	52.27	2.49
2031	3	56,812	15,335	550	56,812	15,335	509	52.27	2.49
Sub-Total		1,886,324	362,997	12,984	1,886,324	362,997	12,074	52.27	2.49
Remainder		281,745	89,347	3,197	281,745	89,347	2,973	52.27	2.49
Total Future		2,168,069	452,344	16,181	2,168,069	452,344	15,047	52.27	2.49
Cumulative		31,000	0	11					
Ultimate		2,199,069	452,344	16,192					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	23,400	3,262	10,115	0	36,777	0	0	36,777
2022	16,568	1,502	4,658	0	22,728	0	0	22,728
2023	12,635	908	2,815	0	16,358	0	0	16,358
2024	9,951	626	1,943	0	12,520	0	0	12,520
2025	8,175	573	1,775	0	10,523	0	0	10,523
2026	6,832	539	1,673	0	9,044	0	0	9,044
2027	5,790	511	1,583	0	7,884	0	0	7,884
2028	4,878	482	1,497	0	6,857	0	0	6,857
2029	3,996	453	1,404	0	5,853	0	0	5,853
2030	3,404	430	1,333	0	5,167	0	0	5,167
2031	2,969	410	1,270	0	4,649	0	0	4,649
Sub-Total	98,598	9,696	30,066	0	138,360	0	0	138,360
Remainder	14,727	2,386	7,401	0	24,514	0	0	24,514
Total Future	113,325	12,082	37,467	0	162,874	0	0	162,874

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	20,000	0	20,000	-20,000	-20,000	-17,154
2019	0	0	10,000	0	10,000	-10,000	-30,000	-7,763
2020	0	0	0	0	0	0	-30,000	0
2021	6,624	2,973	0	3,742	13,339	23,438	-6,562	15,048
2022	4,104	2,104	0	2,000	8,208	14,520	7,958	8,427
2023	3,061	1,605	0	1,333	5,999	10,359	18,317	5,438
2024	2,475	1,264	0	978	4,717	7,803	26,120	3,705
2025	2,605	1,039	0	851	4,495	6,028	32,148	2,591
2026	2,600	868	0	760	4,228	4,816	36,964	1,874
2027	2,660	735	0	687	4,082	3,802	40,766	1,338
2028	2,595	620	0	621	3,836	3,021	43,787	965
2029	2,436	508	50	555	3,549	2,304	46,091	665
2030	2,418	432	0	509	3,359	1,808	47,899	472
2031	2,468	377	50	471	3,366	1,283	49,182	305
Sub-Total	34,046	12,525	30,100	12,507	89,178	49,182		15,911
Remainder	13,759	1,871	150	2,624	18,404	6,110	55,292	1,018
Total Future	47,805	14,396	30,250	15,131	107,582	55,292		16,929

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 76

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

GRAND SUMMARY
TRIDENT PROJECT
PROBABLE

PROBABLE
UNDEVELOPED

	REVENUE INTERESTS				PRODUCT PRICES		
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							

REMARKS: CIT & EPT CALCULATED ON TOTAL BASIS
SHOWN ON PROJECT LEVEL SUMMARY ONLY

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	29,681
12.00% -	13,012
15.00% -	-6,243
20.00% -	-26,886
25.00% -	-37,840

		ESTIMATED 8/8 THS PRODUCTION			COMPANY NET SALES			AVERAGE PRICES	
Period	Number of Wells	Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	11	377,294	3,053	54,010	377,294	3,053	50,229	52.27	2.49
2022	11	278,864	2,183	53,977	278,864	2,183	50,199	52.27	2.49
2023	11	207,009	1,562	53,956	207,009	1,562	50,181	52.27	2.49
2024	11	154,355	1,122	53,940	154,355	1,122	50,162	52.27	2.49
2025	11	115,616	807	51,309	115,616	807	47,716	52.27	2.49
2026	11	87,001	582	46,422	87,001	582	43,176	52.27	2.49
2027	11	65,769	420	42,033	65,769	420	39,089	52.27	2.49
2028	11	49,945	304	38,095	49,945	304	35,429	52.27	2.49
2029	11	38,099	223	34,548	38,099	223	32,129	52.27	2.49
2030	11	29,190	161	31,360	29,190	161	29,164	52.27	2.49
2031	3	19,332	86	3	19,332	86	3	52.27	2.49
Sub-Total		1,422,474	10,503	459,653	1,422,474	10,503	427,477	52.27	2.49
Remainder		48,988	123	5	48,988	123	4	52.27	2.49
Total Future		1,471,462	10,626	459,658	1,471,462	10,626	427,481	52.27	2.49
Cumulative		0	0	0					
Ultimate		1,471,462	10,626	459,658					

	COMPANY FUTURE GROSS REVENUE (FGR) - $M					ROYALTY		FGR AFTER ROYALTY
Period	From Oil/Cond.	From Plant Products	From Gas	Other	Total	Oil/Cond. - $M	Gas/P.P. - $	$M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	19,721	82	125,069	0	144,872	0	0	144,872
2022	14,576	58	124,997	0	139,631	0	0	139,631
2023	10,821	42	124,946	0	135,809	0	0	135,809
2024	8,068	30	124,909	0	133,007	0	0	133,007
2025	6,043	21	118,816	0	124,880	0	0	124,880
2026	4,548	16	107,502	0	112,066	0	0	112,066
2027	3,437	11	97,337	0	100,785	0	0	100,785
2028	2,611	8	88,213	0	90,832	0	0	90,832
2029	1,991	6	80,003	0	82,000	0	0	82,000
2030	1,526	4	72,618	0	74,148	0	0	74,148
2031	1,011	3	7	0	1,021	0	0	1,021
Sub-Total	74,353	281	1,064,417	0	1,139,051	0	0	1,139,051
Remainder	2,560	3	10	0	2,573	0	0	2,573
Total Future	76,913	284	1,064,427	0	1,141,624	0	0	1,141,624

	DEDUCTIONS - $M					FUTURE NET INCOME BEFORE INCOME TAXES-$M		
						Undiscounted		Discounted
Period	Operating Costs	Other Taxes	Development Costs	Transportation	Total	Annual	Cumulative	@ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	10,000	0	10,000	-10,000	-10,000	-8,577
2019	0	0	65,000	0	65,000	-65,000	-75,000	-50,307
2020	0	329	181,000	0	181,329	-181,329	-256,329	-127,437
2021	31,216	21,377	0	23,211	75,804	69,068	-187,261	42,958
2022	30,666	19,099	0	22,948	72,713	66,918	-120,343	38,728
2023	30,404	17,572	0	22,755	70,731	65,078	-55,265	34,088
2024	29,988	16,466	0	22,615	69,069	63,938	8,673	30,315
2025	28,912	13,245	0	21,432	63,589	61,291	69,964	26,331
2026	26,290	13,872	0	19,347	59,509	52,557	122,521	20,439
2027	23,957	29,969	0	17,484	71,410	29,375	151,896	10,347
2028	21,814	26,312	0	15,820	63,946	26,886	178,782	8,573
2029	19,879	23,193	0	14,330	57,402	24,598	203,380	7,099
2030	18,159	20,736	0	12,993	51,888	22,260	225,640	5,815
2031	525	18,785	400	50	19,760	-18,739	206,901	-4,423
Sub-Total	261,810	220,955	256,400	192,985	932,150	206,901		33,949
Remainder	1,401	22,325	150	125	24,001	-21,428	185,473	-4,268
Total Future	263,211	243,280	256,550	193,110	956,151	185,473		29,681

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 77

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

GRAND SUMMARY
DARYINSKOYE
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CIT & EPT CALCULATED ON TOTAL BASIS NOT SHOWN ON FIELD SUMMARY						

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	-18,277
12.00% -	-21,324
15.00% -	-24,502
20.00% -	-27,183
25.00% -	-27,795

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	6	824,976	125,182	4,479	824,976	125,182	4,164	52.27	2.49
2022	6	595,830	58,415	2,086	595,830	58,415	1,942	52.27	2.49
2023	6	448,733	35,558	1,274	448,733	35,558	1,184	52.27	2.49
2024	6	344,725	24,569	878	344,725	24,569	817	52.27	2.49
2025	6	272,011	22,234	795	272,011	22,234	740	52.27	2.49
2026	6	217,715	20,788	744	217,715	20,788	691	52.27	2.49
2027	6	176,538	19,522	699	176,538	19,522	649	52.27	2.49
2028	6	143,272	18,380	657	143,272	18,380	613	52.27	2.49
2029	6	114,555	17,175	613	114,555	17,175	569	52.27	2.49
2030	6	94,299	16,256	581	94,299	16,256	542	52.27	2.49
2031	6	76,144	15,421	553	76,144	15,421	512	52.27	2.49
Sub-Total		3,308,798	373,500	13,359	3,308,798	373,500	12,423	52.27	2.49
Remainder		330,733	89,470	3,202	330,733	89,470	2,977	52.27	2.49
Total Future		3,639,531	462,970	16,561	3,639,531	462,970	15,400	52.27	2.49
Cumulative		31,000	0	11					
Ultimate		3,670,531	462,970	16,572					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	43,121	3,344	10,368	0	56,833	0	0	56,833
2022	31,145	1,560	4,839	0	37,544	0	0	37,544
2023	23,455	950	2,945	0	27,350	0	0	27,350
2024	18,019	656	2,035	0	20,710	0	0	20,710
2025	14,218	594	1,842	0	16,654	0	0	16,654
2026	11,380	555	1,721	0	13,656	0	0	13,656
2027	9,227	521	1,617	0	11,365	0	0	11,365
2028	7,489	491	1,523	0	9,503	0	0	9,503
2029	5,988	459	1,423	0	7,870	0	0	7,870
2030	4,929	434	1,346	0	6,709	0	0	6,709
2031	3,980	412	1,278	0	5,670	0	0	5,670
Sub-Total	172,951	9,976	30,937	0	213,864	0	0	213,864
Remainder	17,287	2,390	7,411	0	27,088	0	0	27,088
Total Future	190,238	12,366	38,348	0	240,952	0	0	240,952

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	20,000	0	20,000	-20,000	-20,000	-17,154
2019	0	0	20,000	0	20,000	-20,000	-40,000	-15,527
2020	0	147	72,000	0	72,147	-72,147	-112,147	-50,705
2021	9,890	5,597	0	4,748	20,235	36,598	-75,549	23,481
2022	6,624	4,159	0	2,740	13,523	24,021	-51,528	13,937
2023	5,026	3,580	0	1,882	10,488	16,862	-34,666	8,852
2024	4,025	2,870	0	1,387	8,282	12,428	-22,238	5,905
2025	4,094	2,208	0	1,156	7,458	9,196	-13,042	3,954
2026	3,907	1,721	0	990	6,618	7,038	-6,004	2,740
2027	3,826	1,339	0	859	6,024	5,341	-663	1,883
2028	3,585	1,024	0	752	5,361	4,142	3,479	1,321
2029	3,263	761	50	655	4,729	3,141	6,620	907
2030	3,119	626	0	585	4,330	2,379	8,999	622
2031	2,993	506	50	521	4,070	1,600	10,599	380
Sub-Total	50,352	24,538	112,100	16,275	203,265	10,599		-19,404
Remainder	15,159	2,196	300	2,749	20,404	6,684	17,283	1,127
Total Future	65,511	26,734	112,400	19,024	223,669	17,283		-18,277

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 78

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

GRAND SUMMARY
DARYINSKOYE
TOTAL PROBABLE

PROBABLE
NON-PRODUCING

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CIT & EPT CALCULATED ON TOTAL BASIS NOT SHOWN ON FIELD SUMMARY						

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	16,929
12.00% -	12,727
15.00% -	7,674
20.00% -	1,709
25.00% -	-2,153

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	3	447,682	122,129	4,369	447,682	122,129	4,063	52.27	2.49
2022	3	316,966	56,232	2,009	316,966	56,232	1,869	52.27	2.49
2023	3	241,724	33,996	1,218	241,724	33,996	1,131	52.27	2.49
2024	3	190,370	23,447	838	190,370	23,447	781	52.27	2.49
2025	3	156,395	21,427	766	156,395	21,427	714	52.27	2.49
2026	3	130,714	20,206	724	130,714	20,206	671	52.27	2.49
2027	3	110,769	19,102	684	110,769	19,102	634	52.27	2.49
2028	3	93,327	18,076	646	93,327	18,076	602	52.27	2.49
2029	3	76,456	16,952	605	76,456	16,952	564	52.27	2.49
2030	3	65,109	16,095	575	65,109	16,095	536	52.27	2.49
2031	3	56,812	15,335	550	56,812	15,335	509	52.27	2.49
Sub-Total		1,886,324	362,997	12,984	1,886,324	362,997	12,074	52.27	2.49
Remainder		281,745	89,347	3,197	281,745	89,347	2,973	52.27	2.49
Total Future		2,168,069	452,344	16,181	2,168,069	452,344	15,047	52.27	2.49
Cumulative		31,000	0	11					
Ultimate		2,199,069	452,344	16,192					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	23,400	3,262	10,115	0	36,777	0	0	36,777
2022	16,568	1,502	4,658	0	22,728	0	0	22,728
2023	12,635	908	2,815	0	16,358	0	0	16,358
2024	9,951	626	1,943	0	12,520	0	0	12,520
2025	8,175	573	1,775	0	10,523	0	0	10,523
2026	6,832	539	1,673	0	9,044	0	0	9,044
2027	5,790	511	1,583	0	7,884	0	0	7,884
2028	4,878	482	1,497	0	6,857	0	0	6,857
2029	3,996	453	1,404	0	5,853	0	0	5,853
2030	3,404	430	1,333	0	5,167	0	0	5,167
2031	2,969	410	1,270	0	4,649	0	0	4,649
Sub-Total	98,598	9,696	30,066	0	138,360	0	0	138,360
Remainder	14,727	2,386	7,401	0	24,514	0	0	24,514
Total Future	113,325	12,082	37,467	0	162,874	0	0	162,874

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	20,000	0	20,000	-20,000	-20,000	-17,154
2019	0	0	10,000	0	10,000	-10,000	-30,000	-7,763
2020	0	0	0	0	0	0	-30,000	0
2021	6,624	2,973	0	3,742	13,339	23,438	-6,562	15,048
2022	4,104	2,104	0	2,000	8,208	14,520	7,958	8,427
2023	3,061	1,605	0	1,333	5,999	10,359	18,317	5,438
2024	2,475	1,264	0	978	4,717	7,803	26,120	3,705
2025	2,605	1,039	0	851	4,495	6,028	32,148	2,591
2026	2,600	868	0	760	4,228	4,816	36,964	1,874
2027	2,660	735	0	687	4,082	3,802	40,766	1,338
2028	2,595	620	0	621	3,836	3,021	43,787	965
2029	2,436	508	50	555	3,549	2,304	46,091	665
2030	2,418	432	0	509	3,359	1,808	47,899	472
2031	2,468	377	50	471	3,366	1,283	49,182	305
Sub-Total	34,046	12,525	30,100	12,507	89,178	49,182		15,911
Remainder	13,759	1,871	150	2,624	18,404	6,110	55,292	1,018
Total Future	47,805	14,396	30,250	15,131	107,582	55,292		16,929

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

TABLE 79

GRAND SUMMARY
DARYINSKOYE
TOTAL PROBABLE

PROBABLE
UNDEVELOPED

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS	CIT & EPT CALCULATED ON TOTAL BASIS NOT SHOWN ON FIELD SUMMARY						

DISCOUNTED FUTURE NET INCOME - $M

COMPOUNDED	MONTHLY
10.00% -	-35,207
12.00% -	-34,051
15.00% -	-32,176
20.00% -	-28,892
25.00% -	-25,641

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	3	377,294	3,053	110	377,294	3,053	101	52.27	2.49
2022	3	278,864	2,183	77	278,864	2,183	73	52.27	2.49
2023	3	207,009	1,562	56	207,009	1,562	53	52.27	2.49
2024	3	154,355	1,122	40	154,355	1,122	36	52.27	2.49
2025	3	115,616	807	29	115,616	807	26	52.27	2.49
2026	3	87,001	582	20	87,001	582	20	52.27	2.49
2027	3	65,769	420	15	65,769	420	15	52.27	2.49
2028	3	49,945	304	11	49,945	304	11	52.27	2.49
2029	3	38,099	223	8	38,099	223	5	52.27	2.49
2030	3	29,190	161	6	29,190	161	6	52.27	2.49
2031	3	19,332	86	3	19,332	86	3	52.27	2.49
Sub-Total		1,422,474	10,503	375	1,422,474	10,503	349	52.27	2.49
Remainder		48,988	123	5	48,988	123	4	52.27	2.49
Total Future		1,471,462	10,626	380	1,471,462	10,626	353	52.27	2.49
Cumulative		0	0	0					
Ultimate		1,471,462	10,626	380					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	19,721	82	253	0	20,056	0	0	20,056
2022	14,576	58	181	0	14,815	0	0	14,815
2023	10,821	42	129	0	10,992	0	0	10,992
2024	8,068	30	93	0	8,191	0	0	8,191
2025	6,043	21	67	0	6,131	0	0	6,131
2026	4,548	16	48	0	4,612	0	0	4,612
2027	3,437	11	35	0	3,483	0	0	3,483
2028	2,611	8	25	0	2,644	0	0	2,644
2029	1,991	6	19	0	2,016	0	0	2,016
2030	1,526	4	13	0	1,543	0	0	1,543
2031	1,011	3	7	0	1,021	0	0	1,021
Sub-Total	74,353	281	870	0	75,504	0	0	75,504
Remainder	2,560	3	10	0	2,573	0	0	2,573
Total Future	76,913	284	880	0	78,077	0	0	78,077

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	10,000	0	10,000	-10,000	-10,000	-7,764
2020	0	147	72,000	0	72,147	-72,147	-82,147	-50,704
2021	3,266	2,625	0	1,005	6,896	13,160	-68,987	8,432
2022	2,520	2,053	0	742	5,315	9,500	-59,487	5,511
2023	1,965	1,975	0	549	4,489	6,503	-52,984	3,414
2024	1,549	1,607	0	408	3,564	4,627	-48,357	2,200
2025	1,490	1,170	0	305	2,965	3,166	-45,191	1,362
2026	1,307	852	0	229	2,388	2,224	-42,967	866
2027	1,166	604	0	173	1,943	1,540	-41,427	544
2028	990	404	0	131	1,525	1,119	-40,308	357
2029	827	253	0	100	1,180	836	-39,472	242
2030	701	194	0	76	971	572	-38,900	150
2031	525	129	0	50	704	317	-38,583	75
Sub-Total	16,306	12,013	82,000	3,768	114,087	-38,583		-35,315
Remainder	1,400	325	150	125	2,000	573	-38,010	108
Total Future	17,706	12,338	82,150	3,893	116,087	-38,010		-35,207

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

TABLE 80

GRAND SUMMARY
ROSTOSHINSKOYE
TOTAL PROBABLE UNDEVELOPED

TOTAL
PROBABLE

	REVENUE INTERESTS				PRODUCT PRICES			DISCOUNTED FUTURE NET INCOME - $M	
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	COMPOUNDED	MONTHLY
INITIAL								10.00% -	148,726
FINAL								12.00% -	117,017
REMARKS	CIT & EPT CALCULATED ON TOTAL BASIS							15.00% -	79,760
	NOT SHOWN ON FIELD SUMMARY							20.00% -	37,634
								25.00% -	12,044

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	8	0	0	53,900	0	0	50,128	0.00	2.49
2022	8	0	0	53,900	0	0	50,126	0.00	2.49
2023	8	0	0	53,900	0	0	50,128	0.00	2.49
2024	8	0	0	53,900	0	0	50,126	0.00	2.49
2025	8	0	0	51,280	0	0	47,690	0.00	2.49
2026	8	0	0	46,402	0	0	43,156	0.00	2.49
2027	8	0	0	42,018	0	0	39,074	0.00	2.49
2028	8	0	0	38,084	0	0	35,418	0.00	2.49
2029	8	0	0	34,540	0	0	32,124	0.00	2.49
2030	8	0	0	31,354	0	0	29,158	0.00	2.49
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	459,278	0	0	427,128	0.00	2.49
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	459,278	0	0	427,128	0.00	2.49
Cumulative		0	0	0					
Ultimate		0	0	459,278					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	124,816	0	124,816	0	0	124,816
2022	0	0	124,816	0	124,816	0	0	124,816
2023	0	0	124,817	0	124,817	0	0	124,817
2024	0	0	124,816	0	124,816	0	0	124,816
2025	0	0	118,749	0	118,749	0	0	118,749
2026	0	0	107,454	0	107,454	0	0	107,454
2027	0	0	97,302	0	97,302	0	0	97,302
2028	0	0	88,188	0	88,188	0	0	88,188
2029	0	0	79,984	0	79,984	0	0	79,984
2030	0	0	72,605	0	72,605	0	0	72,605
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	1,063,547	0	1,063,547	0	0	1,063,547
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	1,063,547	0	1,063,547	0	0	1,063,547

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	10,000	0	10,000	-10,000	-10,000	-8,577
2019	0	0	55,000	0	55,000	-55,000	-65,000	-42,543
2020	0	182	109,000	0	109,182	-109,182	-174,182	-76,732
2021	27,950	150	0	22,206	50,306	74,510	-99,672	46,414
2022	28,146	407	0	22,207	50,760	74,056	-25,616	42,842
2023	28,439	1,144	0	22,206	51,789	73,028	47,412	38,242
2024	28,439	1,323	0	22,206	51,968	72,848	120,260	34,532
2025	27,422	1,318	0	21,127	49,867	68,882	189,142	29,584
2026	24,983	936	0	19,117	45,036	62,418	251,560	24,266
2027	22,791	594	0	17,311	40,696	56,606	308,166	19,921
2028	20,824	249	0	15,690	36,763	51,425	359,591	16,382
2029	19,052	0	0	14,230	33,282	46,702	406,293	13,467
2030	17,458	0	0	12,917	30,375	42,230	448,523	11,023
2031	0	0	400	0	400	-400	448,123	-95
Sub-Total	245,504	6,303	174,400	189,217	615,424	448,123		148,726
Remainder	0	0	0	0	0	0	448,123	0
Total Future	245,504	6,303	174,400	189,217	615,424	448,123		148,726

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 81

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

GRAND SUMMARY
ROSTOSHINSKOYE
TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/ Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	150,601
12.00% -	118,383
15.00% -	80,567
20.00% -	37,874
25.00% -	11,995

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	8	0	0	53,900	0	0	50,128	0.00	2.49
2022	8	0	0	53,900	0	0	50,126	0.00	2.49
2023	8	0	0	53,900	0	0	50,128	0.00	2.49
2024	8	0	0	53,900	0	0	50,126	0.00	2.49
2025	8	0	0	51,280	0	0	47,690	0.00	2.49
2026	8	0	0	46,402	0	0	43,156	0.00	2.49
2027	8	0	0	42,018	0	0	39,074	0.00	2.49
2028	8	0	0	38,084	0	0	35,418	0.00	2.49
2029	8	0	0	34,540	0	0	32,124	0.00	2.49
2030	8	0	0	31,354	0	0	29,158	0.00	2.49
2031		0	0	0	0	0	0	0.00	0.00
Sub-Total		0	0	459,278	0	0	427,128	0.00	2.49
Remainder		0	0	0	0	0	0	0.00	0.00
Total Future		0	0	459,278	0	0	427,128	0.00	2.49
Cumulative		0	0	0					
Ultimate		0	0	459,278					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	0	0	124,816	0	124,816	0	0	124,816
2022	0	0	124,816	0	124,816	0	0	124,816
2023	0	0	124,817	0	124,817	0	0	124,817
2024	0	0	124,816	0	124,816	0	0	124,816
2025	0	0	118,749	0	118,749	0	0	118,749
2026	0	0	107,454	0	107,454	0	0	107,454
2027	0	0	97,302	0	97,302	0	0	97,302
2028	0	0	88,188	0	88,188	0	0	88,188
2029	0	0	79,984	0	79,984	0	0	79,984
2030	0	0	72,605	0	72,605	0	0	72,605
2031	0	0	0	0	0	0	0	0
Sub-Total	0	0	1,063,547	0	1,063,547	0	0	1,063,547
Remainder	0	0	0	0	0	0	0	0
Total Future	0	0	1,063,547	0	1,063,547	0	0	1,063,547

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	10,000	129	10,129	-10,129	-10,129	-8,688
2019	0	0	55,000	364	55,364	-55,364	-65,493	-42,827
2020	0	182	109,000	300	109,482	-109,482	-174,975	-76,944
2021	26,950	150	0	23,020	50,120	74,696	-100,279	46,533
2022	26,950	407	0	24,494	51,851	72,965	-27,314	42,211
2023	26,950	1,144	0	24,059	52,153	72,664	45,350	38,052
2024	26,950	1,323	0	23,627	51,900	72,916	118,266	34,564
2025	25,640	1,318	0	21,768	48,726	70,023	188,289	30,074
2026	23,201	936	0	19,389	43,526	63,928	252,217	24,852
2027	21,009	594	0	17,583	39,186	58,116	310,333	20,452
2028	19,042	249	0	15,690	34,981	53,207	363,540	16,949
2029	17,270	0	0	14,230	31,500	48,484	412,024	13,980
2030	15,676	0	0	12,917	28,593	44,012	456,036	11,488
2031	0	0	400	0	400	-400	455,636	-95
Sub-Total	229,638	6,303	174,400	197,570	607,911	455,636		150,601
Remainder	0	0	0	0	0	0	455,636	0
Total Future	229,638	6,303	174,400	197,570	607,911	455,636		150,601

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

TABLE 82

GRAND SUMMARY

TOTAL PROBABLE

TOTAL
PROBABLE

	EXPENSE INTEREST	REVENUE INTERESTS Oil/Condensate	Plant Products	Gas	PRODUCT PRICES Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF
INITIAL							
FINAL							
REMARKS							

DISCOUNTED FUTURE NET INCOME - $M COMPOUNDED	MONTHLY
10.00% -	-104,229
12.00% -	-99,961
15.00% -	-95,187
20.00% -	-89,129
25.00% -	-83,584

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	14	824,976	125,182	58,379	824,976	125,182	54,292	52.27	2.49
2022	14	595,830	58,415	55,986	595,830	58,415	52,068	52.27	2.49
2023	14	448,733	35,558	55,174	448,733	35,558	51,312	52.27	2.49
2024	14	344,725	24,569	54,778	344,725	24,569	50,943	52.27	2.49
2025	14	272,011	22,234	52,075	272,011	22,234	48,430	52.27	2.49
2026	14	217,715	20,788	47,146	217,715	20,788	43,847	52.27	2.49
2027	14	176,538	19,522	42,717	176,538	19,522	39,723	52.27	2.49
2028	14	143,272	18,380	38,741	143,272	18,380	36,031	52.27	2.49
2029	14	114,555	17,175	35,153	114,555	17,175	32,693	52.27	2.49
2030	14	94,299	16,256	31,935	94,299	16,256	29,700	52.27	2.49
2031	6	76,144	15,421	553	76,144	15,421	512	52.27	2.49
Sub-Total		3,308,798	373,500	472,637	3,308,798	373,500	439,551	52.27	2.49
Remainder		330,733	89,470	3,202	330,733	89,470	2,977	52.27	2.49
Total Future		3,639,531	462,970	475,839	3,639,531	462,970	442,528	52.27	2.49
Cumulative		31,000	0	11					
Ultimate		3,670,531	462,970	475,850					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	43,121	3,344	135,184	0	181,649	0	0	181,649
2022	31,145	1,560	129,655	0	162,360	0	0	162,360
2023	23,455	950	127,761	0	152,166	0	0	152,166
2024	18,019	656	126,852	0	145,527	0	0	145,527
2025	14,218	594	120,591	0	135,403	0	0	135,403
2026	11,380	555	109,175	0	121,110	0	0	121,110
2027	9,227	521	98,919	0	108,667	0	0	108,667
2028	7,489	491	89,711	0	97,691	0	0	97,691
2029	5,988	459	81,407	0	87,854	0	0	87,854
2030	4,929	434	73,951	0	79,314	0	0	79,314
2031	3,980	412	1,278	0	5,670	0	0	5,670
Sub-Total	172,951	9,976	1,094,484	0	1,277,411	0	0	1,277,411
Remainder	17,287	2,390	7,411	0	27,088	0	0	27,088
Total Future	190,238	12,366	1,101,895	0	1,304,499	0	0	1,304,499

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	0	0	0	0	0
2018	0	0	30,000	0	30,000	-30,000	-30,000	-25,730
2019	0	0	75,000	0	75,000	-75,000	-105,000	-58,071
2020	0	329	181,000	0	181,329	-181,329	-286,329	-127,437
2021	37,840	24,350	0	62,454	124,644	57,005	-229,324	35,319
2022	34,770	21,203	0	55,162	111,135	51,225	-178,099	29,675
2023	33,465	19,177	0	49,660	102,302	49,864	-128,235	26,134
2024	32,464	17,730	0	46,766	96,960	48,567	-79,668	23,036
2025	31,516	14,283	0	40,334	86,133	49,270	-30,398	21,176
2026	28,890	14,740	0	40,522	84,152	36,958	6,560	14,383
2027	26,617	30,706	0	67,109	124,432	-15,765	-9,205	-5,521
2028	24,409	26,931	0	60,625	111,965	-14,274	-23,479	-4,525
2029	22,315	23,701	50	54,999	101,065	-13,211	-36,690	-3,793
2030	20,577	21,168	0	50,001	91,746	-12,432	-49,122	-3,232
2031	2,993	19,162	450	34,114	56,719	-51,049	-100,171	-12,049
Sub-Total	295,856	233,480	286,500	561,746	1,377,582	-100,171		-90,635
Remainder	15,160	24,196	300	56,560	96,216	-69,128	-169,299	-13,594
Total Future	311,016	257,676	286,800	618,306	1,473,798	-169,299		-104,229

THESE DATA ARE PART OF A RYDER SCOTT REPORT AND ARE SUBJECT TO THE CONDITIONS IN THE TEXT OF THE REPORT.

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TABLE 83

ZHAIKMUNAI LLP
ESTIMATED FUTURE PRODUCTION AND INCOME
ATTRIBUTABLE TO CERTAIN INTEREST IN TRIDENT
UNESCALATED CASE
AS OF JANUARY 1, 2017

GRAND SUMMARY
DARYINSKOYE
TOTAL PROBABLE

TOTAL
PROBABLE

	REVENUE INTERESTS				PRODUCT PRICES			DISCOUNTED FUTURE NET INCOME - $M	
	EXPENSE INTEREST	Oil/ Condensate	Plant Products	Gas	Oil/Cond. $/bbl.	Plt. Prod. $/bbl.	Gas $/MCF	COMPOUNDED	MONTHLY
INITIAL								10.00% -	-13,096
FINAL								12.00% -	-17,553
REMARKS	CIT & EPT CALCULATED ON TOTAL BASIS							15.00% -	-22,229
	NOT SHOWN ON FIELD SUMMARY							20.00% -	-26,372
								25.00% -	-27,727

Period	Number of Wells	ESTIMATED 8/8 THS PRODUCTION Oil/Cond. Barrels	Plant Products Barrels	Gas MMCF	COMPANY NET SALES Oil/Cond. Barrels	Plant Products Barrels	Sales Gas MMCF	AVERAGE PRICES Oil/Cond. $/bbl.	Gas $/MCF
2017		0	0	0	0	0	0	0.00	0.00
2018		0	0	0	0	0	0	0.00	0.00
2019		0	0	0	0	0	0	0.00	0.00
2020		0	0	0	0	0	0	0.00	0.00
2021	6	824,976	125,182	4,479	824,976	125,182	4,164	52.27	2.49
2022	6	595,830	58,415	2,086	595,830	58,415	1,942	52.27	2.49
2023	6	448,733	35,558	1,274	448,733	35,558	1,184	52.27	2.49
2024	6	344,725	24,569	878	344,725	24,569	817	52.27	2.49
2025	6	272,011	22,234	795	272,011	22,234	740	52.27	2.49
2026	6	217,715	20,788	744	217,715	20,788	691	52.27	2.49
2027	6	176,538	19,522	699	176,538	19,522	649	52.27	2.49
2028	6	143,272	18,380	657	143,272	18,380	613	52.27	2.49
2029	6	114,555	17,175	613	114,555	17,175	569	52.27	2.49
2030	6	94,299	16,256	581	94,299	16,256	542	52.27	2.49
2031	6	76,144	15,421	553	76,144	15,421	512	52.27	2.49
Sub-Total		3,308,798	373,500	13,359	3,308,798	373,500	12,423	52.27	2.49
Remainder		330,733	89,470	3,202	330,733	89,470	2,977	52.27	2.49
Total Future		3,639,531	462,970	16,561	3,639,531	462,970	15,400	52.27	2.49
Cumulative		31,000	0	11					
Ultimate		3,670,531	462,970	16,572					

Period	COMPANY FUTURE GROSS REVENUE (FGR) - $M From Oil/Cond.	From Plant Products	From Gas	Other	Total	ROYALTY Oil/Cond. - $M	Gas/P.P. - $	FGR AFTER ROYALTY $M
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0
2021	43,121	3,344	10,368	0	56,833	0	0	56,833
2022	31,145	1,560	4,839	0	37,544	0	0	37,544
2023	23,455	950	2,945	0	27,350	0	0	27,350
2024	18,019	656	2,035	0	20,710	0	0	20,710
2025	14,218	594	1,842	0	16,654	0	0	16,654
2026	11,380	555	1,721	0	13,656	0	0	13,656
2027	9,227	521	1,617	0	11,365	0	0	11,365
2028	7,489	491	1,523	0	9,503	0	0	9,503
2029	5,988	459	1,423	0	7,870	0	0	7,870
2030	4,929	434	1,346	0	6,709	0	0	6,709
2031	3,980	412	1,278	0	5,670	0	0	5,670
Sub-Total	172,951	9,976	30,937	0	213,864	0	0	213,864
Remainder	17,287	2,390	7,411	0	27,088	0	0	27,088
Total Future	190,238	12,366	38,348	0	240,952	0	0	240,952

Period	DEDUCTIONS - $M Operating Costs	Other Taxes	Development Costs	Transportation	Total	FUTURE NET INCOME BEFORE INCOME TAXES-$M Undiscounted Annual	Cumulative	Discounted @ 10.00 %
2017	0	0	0	239	239	-239	-239	-227
2018	0	0	20,000	404	20,404	-20,404	-20,643	-17,502
2019	0	0	20,000	404	20,404	-20,404	-41,047	-15,843
2020	0	147	72,000	1,201	73,348	-73,348	-114,395	-51,552
2021	8,890	5,597	0	5,709	20,196	36,637	-77,758	23,505
2022	5,624	4,159	0	3,462	13,245	24,299	-53,459	14,099
2023	4,026	3,580	0	2,400	10,006	17,344	-36,115	9,104
2024	3,025	2,870	0	1,720	7,615	13,095	-23,020	6,221
2025	2,457	2,208	0	1,304	5,969	10,685	-12,335	4,593
2026	2,041	1,721	0	990	4,752	8,904	-3,431	3,465
2027	1,722	1,339	0	859	3,920	7,445	4,014	2,622
2028	1,460	1,024	0	752	3,236	6,267	10,281	1,997
2029	1,229	761	50	655	2,695	5,175	15,456	1,494
2030	1,065	626	0	585	2,276	4,433	19,889	1,157
2031	917	506	50	521	1,994	3,676	23,565	871
Sub-Total	32,456	24,538	112,100	21,205	190,299	23,565		-15,996
Remainder	4,541	2,196	300	2,749	9,786	17,302	40,867	2,900
Total Future	36,997	26,734	112,400	23,954	200,085	40,867		-13,096

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