Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited)

For the nine months ended 30 September 2016

Interim condensed consolidated financial statements

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Interim condensed consolidated statement of financial position

As at 30 September 2016

In thousands of US dollars	**Notes**	**30 September 2016 (unaudited)**	31 December 2015 (audited)
ASSETS			
Non-current assets			
Exploration and evaluation assets	**3**	**40,352**	36,917
Goodwill		**32,425**	32,425
Property, plant and equipment	**4**	**1,781,084**	1,605,756
Restricted cash	**8**	**5,757**	5,375
Advances for non-current assets	**5**	**30,480**	130,660
Derivative financial instruments	**21**	**6,190**	43,005
		1,896,288	1,854,138
Current assets			
Inventories		**28,829**	28,951
Trade receivables	**6**	**34,086**	31,337
Prepayments and other current assets	**7**	**38,322**	27,411
Derivative financial instruments	**21**	**16,962**	54,095
Income tax prepayment		**8,687**	26,926
Cash and cash equivalents	**8**	**94,310**	165,560
		221,196	334,280
TOTAL ASSETS		**2,117,484**	2,188,418
EQUITY AND LIABILITIES			
Share capital and reserves	**9**		
Share capital		**3,203**	3,203
Treasury capital		**(1,888)**	(1,888)
Retained earnings and reserves		**708,305**	772,441
		709,620	773,756
Non-current liabilities			
Long-term borrowings	**11**	**941,939**	936,470
Abandonment and site restoration provision		**16,274**	15,928
Due to Government of Kazakhstan		**5,631**	5,777
Deferred tax liability		**339,147**	347,769
		1,302,991	1,305,944
Current liabilities			
Current portion of long-term borrowings	**11**	**19,152**	15,024
Employee share option plan liability	**19**	**1,961**	4,284
Trade payables	**12**	**43,305**	41,463
Advances received		**659**	245
Income tax payable		**1,489**	1,692
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	**13**	**37,276**	44,979
		104,873	108,718
TOTAL EQUITY AND LIABILITIES		**2,117,484**	2,188,418

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 on pages 7 through 23 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 2016

In thousands of US dollars	**Notes**	**Three months ended 30 September 2016 (unaudited)**	Three months ended 30 September 2015 (unaudited)	**Nine months ended 30 September 2016 (unaudited)**	Nine months ended 30 September 2015 (unaudited)
Revenue					
Revenue from export sales		**36,853**	90,283	**173,722**	349,630
Revenue from domestic sales		**44,752**	10,432	**71,342**	25,138
	14	**81,605**	100,715	**245,064**	374,768
Cost of sales	**15**	**(51,333)**	(45,860)	**(145,827)**	(146,626)
Gross profit		**30,272**	54,855	**99,237**	228,142
General and administrative expenses	**16**	**(8,471)**	(11,613)	**(27,933)**	(36,565)
Selling and transportation expenses	**17**	**(18,240)**	(21,904)	**(55,504)**	(74,518)
Finance costs	**18**	**(11,125)**	(11,184)	**(32,315)**	(35,239)
Finance costs - reorganisation		**–**	–	**–**	(1,053)
Employee share option plan fair value adjustment	**19**	**340**	3,418	**2,323**	689
Foreign exchange (loss)/gain, net		**6,091**	(13,438)	**(695)**	(14,682)
(Loss)/gain on derivative financial instrument	**21**	**(6,021)**	27,510	**(46,750)**	23,734
Interest income		**112**	109	**353**	221
Other income		**3,223**	6,499	**7,225**	9,498
Other expenses		**(93)**	(1,465)	**(6,416)**	(15,596)
(Loss)/profit before income tax		**(3,912)**	32,787	**(60,475)**	84,631
Current income tax expense		**3,127**	(5,210)	**(12,408)**	(45,422)
Deferred income tax expense		**(7,659)**	(60,535)	**8,622**	(56,932)
Income tax expense	**20**	**(4,532)**	(65,745)	**(3,786)**	(102,354)
Loss for the period		**(8,444)**	(32,958)	**(64,261)**	(17,723)
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		**51**	–	**144**	–
Other comprehensive income		**51**	–	**144**	–
Total comprehensive loss for the period		**(8,393)**	(32,958)	**(64,117)**	(17,723)
Loss for the period attributable to the shareholders (in thousands of US dollars)				**(64,117)**	(17,723)
Weighted average number of shares				**184,828,819**	184,828,819
Basic and diluted earnings per share (in US dollars)				**(0.35)**	(0.10)

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

The accounting policies and explanatory notes on pages 7 through 23 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated financial statements

Interim condensed consolidated financial statements

Interim condensed consolidated statement of cash flows

For the nine months ended 30 September 2016

		Nine months ended 30 September	
In thousands of US dollars	**Notes**	**2016 (unaudited)**	2015 (unaudited)
Cash flow from operating activities:			
(Loss)/profit before income tax		**(60,475)**	84,631
Adjustments for:			
Depreciation, depletion and amortisation	**15,16**	**99,619**	85,823
Finance costs - reorganisation		**–**	1,053
Finance costs	**18**	**32,315**	35,239
Employee share option plan fair value adjustment		**(2,323)**	(689)
Interest income		**(353)**	(221)
Foreign exchange gain on investing and financing activities		**(1,205)**	(95)
Loss on disposal of property, plant and equipment		**65**	12
Proceeds from derivative financial instruments	**21**	**27,198**	–
Loss/(gain) on derivative financial instruments	**21**	**46,750**	(23,734)
Accrued expenses		**(846)**	950
Operating profit before working capital changes		**140,745**	182,969
Changes in working capital:			
Change in inventories		**206**	(2,928)
Change in trade receivables		**(2,749)**	(18,440)
Change in prepayments and other current assets		**4,746**	8,622
Change in trade payables		**5,434**	7,250
Change in advances received		**414**	(2,652)
Change in due to Government of Kazakhstan		**(773)**	(773)
Change in other current liabilities		**(6,879)**	(16,192)
Cash generated from operations		**141,144**	157,856
Income tax paid		**(8,664)**	(38,420)
Net cash flows from operating activities		**132,480**	119,436
Cash flow from investing activities:			
Interest received		**353**	221
Purchase of property, plant and equipment		**(154,111)**	(200,736)
Exploration and evaluation works		**(3,610)**	(5,962)
Acquisition of subsidiaries		**–**	(2,296)
Placement of bank deposits		**–**	(42,000)
Redemption of bank deposits		**–**	67,000
Loans granted		**–**	(5,000)
Net cash used in investing activities		**(157,368)**	(188,773)
Cash flow from financing activities:			
Finance costs paid		**(45,561)**	(45,561)
Payment of finance lease liabilities		**(444)**	–
Transfer to restricted cash		**(382)**	(220)
Distributions paid		**–**	(49,060)
Finance costs - reorganisation		**–**	(987)
Net cash used in financing activities		**(46,387)**	(95,828)
Effects of exchange rate changes on cash and cash equivalents		**25**	(1,701)
Net decrease in cash and cash equivalents		**(71,250)**	(166,866)
Cash and cash equivalents at the beginning of the period		**165,560**	375,443
Cash and cash equivalents at the end of the period	8	**94,310**	208,577

The accounting policies and explanatory notes on pages 7 through 23 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 2016

In thousands of US dollars	Notes	Share capital	Treasury capital	Other reserves	Retained earnings	Total
As at 1 January 2015 (audited)		**3,203**	**(1,888)**	**261,289**	**655,076**	**917,680**
Loss for the period		–	–	–	(17,723)	(17,723)
Total comprehensive loss for the period		**–**	**–**	**–**	**(17,723)**	**(17,723)**
Profit distribution		–	–	–	(49,060)	(49,060)
Transaction costs		–	–	–	(33)	(33)
As at 30 September 2015 (unaudited)		**3,203**	**(1,888)**	**261,289**	**588,260**	**850,864**
Loss for the period		–	–	–	(76,642)	(76,642)
Other comprehensive loss		–	–	(456)	–	(456)
Total comprehensive loss for the period		**–**	**–**	**(456)**	**(76,642)**	**(77,098)**
Transaction costs		–	–	–	(10)	(10)
As at 31 December 2015 (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**

The accounting policies and explanatory notes on pages 7 through 23 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: 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 interim condensed consolidated financial statements include the financial position and the results of the operations of Nostrum Oil & Gas PLC and its following wholly owned subsidiaries:

Company	Country of registration or incorporation	Form of capital	Ownership, %
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□	Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	England and Wales	Ordinary shares	100
Nostrum Services Central Asia LLP□	Republic of Kazakhstan	Participatory interests	100
Nostrum Services CIS BVBA□	Belgium	Ordinary shares	100
Nostrum Services N.V.□	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 30 September 2016, the Group employed 984 employees (9M 2015: 1,122).

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 was approved by the MOE on 11 March 2016 with extension till 26 May 2018.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. On 27 April 2009 the exploration period was extended so as to have a total duration of 6 years. Subsequently, the exploration period was extended until 8 February 2017.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. Subsequently, the exploration period was extended until 31 December 2017.

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 2016 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 2015 prepared in accordance with IFRS as adopted by the European Union.

The interim financial information for the three and nine months ended 30 September 2016 and 2015 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 2015 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2015 were approved by the Board of directors on 24 November 2016 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 2015, except for the following new standards and interpretations effective as of 1 January 2016, and which did not have an impact on the Group:

- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11- Accounting for Acquisition of Interests in Joint Operations
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 - Disclosure Initiative
- Amendments to IAS 16 and IAS 38 - Clarification of Accountable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41- Agriculture: Bearer Plants
- Amendments to IAS 27- Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012-2014 Cycle

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

- Amendments to IAS 7 - Disclosure Initiative (effective for annual periods beginning 1 January 2017)
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning 1 January 2017)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning 1 January 2018)
- IFRS 9 Financial Instruments (issued in 2014) (effective for annual periods beginning 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning 1 January 2019).

3. EXPLORATION AND EVALUATION ASSETS

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
Subsoil use rights	**15,835**	15,835
Expenditures on geological and geophysical studies	**24,517**	21,082
	40,352	36,917

During the nine months ended 30 September 2016 the Group had additions to exploration and evaluation assets of US$3,435 thousand which mainly includes capitalised expenditures on geological studies and drilling costs (9M 2015: US$5,388 thousand). Interest was not capitalised on exploration and evaluation assets.

4. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2016 the Group had additions of property, plant and equipment of US$275,071 thousand (9M 2015: US$192,471 thousand). These additions are mostly associated with drilling costs, construction of a third unit for the gas treatment facility and capitalised interest of US$21,986 thousand (9M 2015: US$18,883 thousand).

As at 30 September 2016 the net carrying amount of property, plant and equipment held under finance lease was US$13,501 thousand (31 December 2015: nil) (Note 23).

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.

6. TRADE RECEIVABLES

As at 30 September 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 30 September 2016 and 31 December 2015 there were neither past due nor impaired trade receivables.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 30 September 2016 and 31 December 2015 prepayments and other current assets comprised the following:

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
VAT receivable	**23,635**	18,709
Advances paid	**7,045**	4,254
Other taxes receivable	**3,848**	2,888
Other	**3,794**	1,560
	38,322	27,411

Advances paid consist primarily of prepayments made to service providers.

8. CASH AND CASH EQUIVALENTS

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
Current accounts in US dollars	**82,844**	114,346
Current accounts in tenge	**2,395**	2,038
Current accounts in other currencies	**9,059**	7,167
Petty cash	**12**	9
Bank deposits with maturity less than three months	**–**	42,000
	94,310	165,560

Bank deposits as at 31 December 2015 were represented by an interest-bearing deposit placed on 30 December 2015 for a one-month period with an interest rate 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$2,353 thousand with Sberbank in Kazakhstan and US$3,404 thousand with Kazkommertsbank (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.

9. SHARE CAPITAL AND RESERVES

As at 30 September 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 (audited)	**184,828,819**	**3,354,139**	**188,182,958**
As at 31 December 2015 (audited)	**184,828,819**	**3,354,139**	**188,182,958**
As at 30 September 2016 (unaudited)	**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 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).

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 2016 the book value per share amounted to US$3.60 (31 December 2015: US$3.94).

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	**2016 (unaudited)**	2015 (unaudited)
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(64,117)**	(17,723)
Weighted average number of shares	**184,828,819**	184,828,819
Basic and diluted earnings per share (in US dollars)	**(0.35)**	(0.10)

11. BORROWINGS

Borrowings comprise the following as at 30 September 2016 and 31 December 2015:

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
Notes issued in 2012 and maturing in 2019	**559,537**	545,868
Notes issued in 2014 and maturing in 2019	**400,230**	405,626
Finance lease liability	**1,324**	–
	961,091	951,494
Less amounts due within 12 months	**(19,152)**	(15,024)
Amounts due after 12 months	**941,939**	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. 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 are unsecured. Claims of secured creditors of the 2012 Issuer or the 2012 Guarantors will have priority with respect to their security over the claims of creditors who do not have the benefit of such security, such as the holders of the 2012 Notes.

2014 Notes

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

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

The 2014 Notes bear interest at the rate of 6.375% per annum. Interest on the 2014 Notes is payable on 14 February and 14 August of each year, beginning on 14 August 2014. Prior to 14 February 2017, the 2014 Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2014 Notes with the net cash proceeds of one or more equity offerings at a redemption price of 106.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that (1) at least 65% of the original principal amount of the 2014 Notes (including Additional Notes as defined in the indenture relating to the 2014 Notes) remains outstanding after each such redemption; and (2) the redemption occurs within 90 days after the closing of the related equity offering.

In addition, the 2014 Notes may be redeemed, in whole or in part, at any time prior to 14 February 2017 at the option of the 2014 Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of 2014 Notes at its registered address, at a redemption price equal to 100% of the principal amount of the 2014 Notes redeemed plus the Applicable Premium (as defined below) as of, and accrued and unpaid interest to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Applicable Premium means, with respect to any 2014 Notes on any applicable redemption date, the greater of: (1) 1.0% of the principal amount of such 2014 Notes; and (2) the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of such 2014 Notes at 14 February 2017 plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such 2014 Notes through 14 February 2017 computed using a discount rate equal to the United States treasury rate as of such redemption date plus 50 basis points; over (b) the principal amount of such 2014 Notes.

The 2014 Notes are jointly and severally guaranteed (the "2014 Guarantees") on a senior basis by Nostrum Oil & Gas PLC and all of its subsidiaries other than the 2014 Issuer (the "2014 Guarantors"). The 2014 Notes are the 2014 Issuer's and the 2014 Guarantors' senior obligations and rank equally with all of the 2014 Issuer's and the 2014 Guarantors' other senior indebtedness. The 2014 Notes and the 2014 Guarantees are unsecured. Claims of secured creditors of the 2014 Issuer or the 2014 Guarantors will have priority with respect to their security over the claims of creditors who do not have the benefit of such security, such as the holders of the 2014 Notes.

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

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 US$ 66 thousand per month. As at 30 September 2016 the finance lease prepayment amounted to US$ 11,993 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	**30 September 2016 (unaudited)**		**31 December 2015 (audited)**	
	Minimum payments	Present value of payments	**Minimum payments**	Present value of payments
No later than one year	**688**	639	**–**	–
Later than one year and no later than five years	**561**	350	**–**	–
Later than five years	**2,075**	335	**–**	–
Total minimum lease payments	**3,324**	1,324	**–**	–
Less amounts representing finance charges	**2,000**	–	**–**	–
Present value of minimum lease payments	**1,324**	1,324	**–**	–

12. TRADE PAYABLES

Trade payables comprise the following as at 30 September 2016 and 31 December 2015:

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
Tenge denominated trade payables	**18,655**	22,364
US dollar denominated trade payables	**12,512**	14,032
Euro denominated trade payables	**10,931**	2,875
Russian rouble denominated trade payables	**1,077**	1,928
Trade payables denominated in other currencies	**130**	264

	43,305	41,463

13. OTHER CURRENT LIABILITIES

Other current liabilities comprise the following as at 30 September 2016 and 31 December 2015:

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
Accruals under the subsoil use agreements	**16,713**	16,902
Training obligations accrual	**13,300**	11,443
Taxes payable, other than corporate income tax	**716**	9,748
Due to employees	**4,464**	3,992
Other current liabilities	**2,083**	2,894
	37,276	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.

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 2016 was US$43.1 (9M 2015: US$51.3)

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US dollars	**2016 (unaudited)**	**2015 (unaudited)**	**2016 (unaudited)**	**2015 (unaudited)**
Oil and gas condensate	**52,231**	68,331	**158,557**	252,283
Gas and LPG	**29,374**	32,384	**86,507**	122,485
	81,605	100,715	**245,064**	374,768

During the nine months ended 30 September 2016 the revenue from sales to three major customers amounted to US$74,114 thousand, US$67,657 thousand and US$33,816 thousand respectively (9M 2015: US$121,494 thousand, US$78,627 thousand and US$72,213 thousand respectively). The Group's exports are mainly represented by deliveries to Finland, the Black Sea ports of Russia and the United Arab Emirates.

15. COST OF SALES

In thousands of US dollars	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Depreciation, depletion and amortisation	**35,135**	28,501	**98,052**	84,556
Repair, maintenance and other services	**4,774**	6,328	**15,285**	20,378
Payroll and related taxes	**3,515**	4,977	**9,114**	15,016
Royalties	**3,773**	1,853	**7,942**	11,625
Other transportation services	**1,735**	444	**5,091**	1,702
Materials and supplies	**924**	2,013	**2,866**	5,681
Well workover costs	**1,349**	1,313	**2,692**	3,187
Government profit share	**825**	975	**1,724**	2,226
Change in stock	**(2,182)**	(1,013)	**977**	(735)
Environmental levies	**755**	200	**970**	1,207
Other	**730**	269	**1,114**	1,783
	51,333	45,860	**145,827**	146,626

16. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of US dollars	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Payroll and related taxes	**3,135**	4,619	**10,373**	13,857
Professional services	**2,664**	3,514	**6,716**	9,692
Business travel	**551**	179	**2,901**	2,886
Training	**647**	868	**2,565**	2,635
Depreciation and amortisation	**582**	435	**1,567**	1,267
Insurance fees	**227**	474	**848**	1,293
Lease payments	**186**	216	**552**	620
Sponsorship	**43**	358	**495**	1,224
Communication	**101**	181	**386**	622
Bank charges	**71**	174	**277**	489
Materials and supplies	**78**	146	**244**	449
Social program	**79**	75	**236**	225
Other taxes	**(48)**	63	**112**	283
Other	**155**	311	**661**	1,023
	8,471	11,613	**27,933**	36,565

17. SELLING AND TRANSPORTATION EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Loading and storage costs	**7,400**	10,294	**25,159**	32,543
Transportation costs	**4,796**	9,834	**19,129**	36,668
Payroll and related taxes	**358**	509	**970**	1,546
Management fees	**35**	55	**105**	124
Other	**5,651**	1,212	**10,141**	3,637
	18,240	21,904	**55,504**	74,518

18. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Interest expense on borrowings	**10,664**	10,870	**31,218**	34,428
Unwinding of discount on amounts due to Government of Kazakhstan	**257**	258	**627**	644
Unwinding of discount on abandonment and site restoration provision	**107**	56	**322**	167
Finance charges under finance leases	**97**	–	**148**	–
	11,125	11,184	**32,315**	35,239

19. EMPLOYEE SHARE OPTION PLAN

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

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

Each Subsisting Option is a right for its holder to receive on exercise a cash amount equal to the difference between the aggregate Base Value of the shares to which the Subsisting Option relates; and their aggregate market value on exercise. 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 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 nine months ended 30 September 2016 and 2015:

	2016	2015
Price at the reporting date (US$)	**4.1**	6.0
Distribution yield (%)	**3.0%**	3.0%
Expected volatility (%)	**45.0%**	45.0%
Risk-free interest rate (%)	**1.0%**	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.

20. INCOME TAX EXPENSE

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US dollars	**2016 (unaudited)**	**2015 (unaudited)**	**2016 (unaudited)**	**2015 (unaudited)**
Deferred income tax (benefit)/expense	**7,659**	60,535	**(8,622)**	56,932
Corporate income tax expense/(benefit)	**(3,240)**	6,519	**13,365**	43,914
Withholding tax expense	**113**	112	**370**	2,709
Adjustment in respect of the current income tax for the prior periods	**–**	(1,421)	**(1,327)**	(1,201)
Total income tax expense	**4,532**	65,745	**3,786**	102,354

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 2016. 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. The movement in the deferred tax income for the nine months ended 30 September 2016 is mainly driven by the change in the fair value of the derivative financial instrument.

21. 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 before expiration for US$ 92,255 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 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 nine months ended 30 September 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 (audited)	**97,100**	60,301
Proceeds from sale of hedging contract	**(27,198)**	–
(Loss)/gain on derivative financial instruments	**(46,750)**	23,734
Derivative financial instruments	**23,152**	84,035
Less current portion of derivative financial instruments	**16,962**	–
Derivative financial instruments at fair value at 30 September (unaudited)	**6,190**	84,035

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 2016 and 31 December 2015 consisted of the following:

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
Trade receivables and advances paid		
JSC OGCC KazStroyService	**17,254**	35,832
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 30 September 2016 and 31 December 2015 consisted of the following:

In thousands of US dollars	**30 September 2016 (unaudited)**	31 December 2015 (audited)
Trade payables		
JSC OGCC KazStroyService	**5,289**	4,144

Telco B.V.	**49**	–

During the nine months ended 30 September 2016 and 2015 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	**2016 (unaudited)**	**2015 (unaudited)**	**2016 (unaudited)**	**2015 (unaudited)**
Purchases				
JSC OGCC KazStroyService	**16,540**	16,581	**35,863**	17,958
Management fees and consulting services				
Cervus Business Services	**342**	347	**1,012**	1,049
Crest Capital Management N.V.	**195**	417	**583**	799
Telco B.V.	**100**	198	**312**	393

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 30 September 2016 owned approximately 25.7% of the ordinary shares of Nostrum Oil & Gas PLC.

During the nine months ended 30 September 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, Crest Capital Management N.V. and Telco B.V.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$2,399 thousand for the nine months ended 30 September 2016 (9M 2015: US$3,161 thousand). There were no payments made under the ESOP during the nine months ended 30 September 2016 and 2015.

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 2016. As at 30 September 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 30 September 2016 the Group had contractual capital commitments in the amount of US$198,110 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	**30 September 2016 (unaudited)**	31 December 2015 (audited)
No later than one year	**4,371**	12,471
Later than one year and no later than five years	**9,173**	4,623
Later than five years	**–**	–

Lease expenses of railway tank wagons for the nine months ended 30 September 2016 amounted to US$9,632 thousand (9M 2015: US$11,824 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
- invest at least US$ 19,758 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$ 85 thousand; and
- spend US$ 1,325 thousand to finance social infrastructure.

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$ 20,725 thousand for exploration of the field during the exploration period;
- fund liquidation expenses equal to US$ 144 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$ 21,383 thousand for exploration of the field during the exploration period;
- fund liquidation expenses equal to US$ 57 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 2016 (unaudited)**	**31 December 2015 (audited)**	**30 September 2016 (unaudited)**	**31 December 2015 (audited)**
Financial assets measured at fair value				
Derivative financial instruments	**23,152**	97,100	**23,152**	97,100
Financial liabilities measured at amortised cost				
Interest bearing borrowings	**(961,091)**	(951,494)	**(908,046)**	(809,824)
Total	**(937,939)**	(854,394)	**(884,894)**	(712,724)

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 2016 and 31 December 2015:

	30 September 2016 (unaudited)	31 December 2015 (audited)
Future price at the reporting date (US$)	**49.24-54.42**	37.19-48.75
Expected volatility (%)	**30.26**	30
Risk-free interest rate (%)	**0.32-0.69**	0.32-0.69
Maturity (months)	**1-14**	1-23

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

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

	Increase in the assumption	**Decrease in the assumption**
Increase/(decrease) in gain on derivative financial instruments due to change in oil price assumption (+/-US$2/bbl)	(4,305)	5,177
Increase/(decrease) in gain on derivative financial instruments due to change in volatility rate assumption (+/-2%)	2,140	(2,131)

There were no movements between levels of fair value of derivative instrument during nine months ended 30 September 2016.

25. EVENTS AFTER THE REPORTING PERIOD

As of the 5th October 2016, Claydon Industrial Limited and Jubilata Investments Limited were dissolved.