Notes to the Interim condensed financial statements

1. General

Overview

Zhaikmunai, a Limited Liability Partnership (the "Partnership" or "Zhaikmunai LLP") was established under the laws of the Republic of Kazakhstan in 1997.

On 28 February 2014 the Partnership acquired in a transaction under common control 1,000 ordinary shares of Nostrum Oil & Gas Finance B.V., representing 100% of its charter capital, from Nostrum Oil & Gas B.V. (formerly known as Zhaikmunai Netherlands B.V.), an entity under control of a common parent. In 2014 the Partnership sold 100% interest in its dormant subsidiaries Zhaikmunai Finance B.V., Zhaikmunai International B.V. and Nostrum Oil & Gas Finance B.V. to Nostrum Oil & Gas B.V.

On 28 December 2018, the Partnership acquired 100% interest in Atom&Co LLP for cash consideration of US$ 1.7 million for the main purpose of gaining control over the administrative office in Uralsk. This transaction has been accounted as an asset acquisition, which was under finance lease with this entity. On 20 August 2019, the Partnership merged with Atom & Co LLP.

The Partnership's operations comprise of a single operating segment and 1 (one) additional exploration concession located in Kazakhstan.

The Partnership does not have an ultimate controlling party. The indirect parent of the Partnership is Nostrum Oil & Gas PLC ("the Parent"), which is a public limited company incorporated in England and Wales and listed on the London Stock Exchange. Nostrum Oil & Gas PLC and its wholly-owned subsidiaries are hereinafter referred to as "the Group". The registered legal address of the Partnership is: 43/1, Aleksandr Karev street, Uralsk, the Republic of Kazakhstan.

These financial statements were authorised for issue by the Partnership's General Director and Chief Accountant on 20 May 2021.

Subsoil use rights terms

The Partnership carries out its activities in accordance with the Contract for Additional Exploration, Production and Production-Sharing of Crude Hydrocarbons in the Chinarevskoye oil and gas condensate field (the "Contract") dated 31 October 1997 between the State Committee of Investments of the Republic of Kazakhstan and the Partnership in accordance with the license MG No. 253D for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field.

On 17 August 2012 the Partnership signed Asset Purchase Agreements to acquire 100% of the subsoil use rights related to three oil and gas fields – Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye – all located in the Western Kazakhstan region. On 1 March 2013 the Partnership acquired the subsoil use rights related to these three oil and gas fields in Kazakhstan following the signing of the respective supplementary agreements related thereto by the authority now known as the Ministry of Energy (the "MOE") of the Republic of Kazakhstan.

The term of the Chinarevskoye subsoil use rights originally included a 5-year exploration period and a 25-year production period. Subsequently the exploration period for the Bobrishovskiy reservoir was extended to 26 August 2018, which was followed by production period.

The contract for exploration and production of hydrocarbons from the Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. On 16 August 2019, the contract was amended so as to adopt the terms of the current model contract and the exploration period was extended until 16 August 2022.

In October 2020, the rights and obligations related to the Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed to a third party.

Royalty payments

The Partnership is required to make monthly royalty payments throughout the entire production period, at the rates specified in the Contract.

Royalty rates depend on hydrocarbons recovery levels and the phase of production and can vary from 3% to 7% of produced crude oil and from 4% to 9% of produced natural gas. Royalty is accounted on a gross basis.

Government "profit share"

The Partnership makes payments to the Government of its "profit share" as determined in the Contract. The "profit share" depends on hydrocarbon production levels and varies from 10% to 40% of production after deducting royalties and reimbursable expenditures. Reimbursable expenditures include operating expenses, costs of additional exploration and development costs. Government "profit share" is expensed as incurred and paid in cash. Government profit share is accounted on a gross basis.

Notes to the interim condensed financial statements (continued)

2. Basis of preparation

Basis of preparation

These interim condensed financial statements for the three months ended 31 March 2021have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Partnership's annual financial statements for the year ended 31 December 2020. The interim condensed financial information for three months ended 31 March 2021 and 2020 is neither audited nor reviewed by the auditors.

Going concern

The Partnership is the main operating entity within the Group. The Partnership's liquidity and its ability to continue in operation and to meet its liabilities as they become due for the foreseeable future, a period of not less than 12 months from the date of these interim condensed consolidated financial statements, are assessed as part of the Group. Therefore, the following Group level going concern matters and analysis, which were considered by the directors of the Parent (the 'Directors'), are directly relevant for the Partnership.

The Group monitors on an ongoing basis its liquidity position, near-term forecasts and key financial ratios to ensure that sufficient funds are available to meet its commitments as they arise and liabilities as they fall due. In addition, since April 2020, the Group has performed monthly sensitivity tests of its liquidity position for changes in product prices, production volumes and any other significant variables. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include efforts to restructure the Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

The Directors have also considered any additional risks to liquidity posed by COVID-19. Oil and gas production has been classified as an essential business in Kazakhstan and operations are continuing. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and Q1 2021. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity at the time of publication of these interim condensed financial statements as a result of COVID-19. However, it is recognized that there is uncertainty around future developments of COVID-19 which may affect the Group's ability to deliver the forecast production over 2021 and early 2022.

In March 2020, following the collapse in the oil price, the Group announced that it would seek to engage with its bondholders regarding a possible consensual restructuring of the 8.0% Senior Notes due 2022 and the 7.0% Senior Notes due 2025 issued by Nostrum Oil & Gas Finance B.V. (the "Notes").

In May 2020, the Group appointed a financial adviser and a legal adviser in connection with this, and in July 2020 announced that it planned to utilise the applicable grace periods with respect to the Notes for the interest payments due on 25 July and 16 August 2020. The 30-day grace period was to allow the Parent to continue active discussions between the financial and legal advisers and an informal ad-hoc committee of noteholders (the "AHG") with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments.

On 23 October 2020, the Parent announced that, together with certain of its subsidiaries (the "Note Parties"), it had entered into a forbearance agreement with members of the AHG (the "Forbearance Agreement").

Pursuant to the Forbearance Agreement, members of the AHG have agreed to forbear from the exercise of certain rights and remedies that they have under the indentures governing the Notes. The agreed forbearances include agreeing not to accelerate the Notes' obligations as a result of the missed interest payments (or the next missed interest periods if they occur prior to the expiry of the Forbearance Agreement).

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. At the date of these interim condensed consolidated financial statements, the full amount of US$21,541,990 required by the Forbearance Agreement has been transferred into secured account and is treated as restricted cash in the financial statements of the Parent. The amount transferred as at 31 December 2020 was US$12,900,000;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Parent where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Parent and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

The Parent agreed to pay, or procure payment of, certain consent fees in cash (Consent Fee) to each forbearing holder. The Consent Fees were payable by reference to the total aggregate principal amount of the Notes outstanding. The first Consent fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second Consent Fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid on 20 February 2021. On each occasion, consent fees were paid to all of the total bondholders who agreed to forbear, equating to approximately 90% by value of each series of the Notes and evidencing an engaged and supportive creditor group.

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021.

On 18 May 2021, the Note Parties entered into a second forbearance agreement (the "Second Forbearance Agreement") with the AHG. The Second Forbearance Agreement is valid from the expiry of the Forbearance Agreement, is substantially similar to the Forbearance Agreement and expires at 4 p.m. BST on 21 June 2021 unless extended in accordance with the terms of the Second Forbearance Agreement.

The extensions to the Forbearance Agreement and the entry into to the Second Forbearance Agreement were to provide more time for a lock-up and restructuring agreement to be reached with bondholders and potentially with other stakeholders. At the time of publication of these interim condensed financial statements negotiations with members of the AHG continue. The final form of the lock-up agreement and associated restructuring agreement is anticipated to be concluded in the near future. The key terms relevant to the consideration of going concern are that the debt will be foregone materially and interest on the restructured debt will

Notes to the interim condensed financial statements (continued)

partially be paid in cash and partially rolled up into the debt. As part of the agreement, it is likely that additional equity will be issued to bondholders, in which case significantly diluting the interests of the current equity holders.

Whilst the Group remains confident that agreement can be reached, discussions with bondholders, shareholders and the Government of the Republic of Kazakhstan to restructure the Notes, and the applications to obtain requisite approvals and consents have not yet concluded and so the outcome is uncertain and outside of the Group's control.

The Directors' going concern assessment is supported by future cash flow forecasts. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $45/bbl and $50/bbl, for 2021 and 2022, respectively. The forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current preliminary restructuring terms discussed with the advisors to the AHG, reflecting the terms outlined above.

Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made significant assumptions about:

- A restructuring of the Notes being agreed with the AHG and subsequently with sufficient bondholders consistent with the preliminary restructuring terms discussed with the advisors to the AHG, that is affordable for the Group through the going concern period to 30 June 2022. Should the Group be unable to reach an agreement with the AHG by the end of the forbearance period, then bondholders may seek to enforce their rights under the bond indentures, including accelerating the Notes' obligations as a result of the missed interest payments; and
- If agreement is reached with the AHG and subsequently with sufficient bondholders, the Group being able to obtain the necessary permissions and waivers. Specifically, the Group may need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan. If agreement is reached with the bondholders but the Group is unable to obtain the necessary approvals and waivers, then the agreement with bondholders may not be implementable.

These assumptions represent material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern for the going concern period to 30 June 2022, being not less than 12 months from the date of this report.

After careful consideration of these material uncertainties, and on the assumption that a restructuring of the Notes to an affordable level is completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2022, being a period of not less than 12 months from the date of these interim condensed financial statements. For these reasons, they continue to adopt the going concern basis in these interim condensed financial statements. Accordingly, the accompanying interim condensed financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Parent, and so the Partnership, were unable to continue as a going concern.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Partnership

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Partnership's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Partnership has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Partnership.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed financial statements of the Partnership. The Partnership intends to use the practical expedients in future periods if they become applicable.

4. Property, plant and equipment

During the three months ended 31 March 2021 the Partnership had additions of property, plant and equipment of US$ 868 thousand (three months ended 31 March 2020: US$ 8,976 thousand). These additions are mostly associated with commencement of well workover campaign as well as capital repairs of equipment (2020: completion of drilling and construction projects started in 2019 and purchase of equipment and spare parts for capital repairs of equipment) and capitalized interest US$ 151 thousand (three months ended 31 March 2020: US$ 117 thousand).

See Note 22 for capital commitments.

5. Inventories

As at 31 March 2021 and 31 December 2020 inventories comprised the following:

In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)
Spare parts and other inventories	**23,863**	23,735
Gas condensate	**3,076**	2,907
Crude oil	**947**	2,018

Notes to the interim condensed financial statements (continued)

LPG	**72**	69
Dry Gas	**14**	63
Sulphur	**20**	13
	27,992	28,805

As at 31 March 2021 and 31 December 2020 inventories are carried at cost.

6. Prepayments and other current assets

As at 31 March 2021 and 31 December 2020 prepayments and other current assets comprised the following:

In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)
VAT receivable	**4,055**	4,521
Advances paid	**3,248**	2,781
Other taxes receivable	**1,648**	1,502
Other	**292**	376
	9,243	9,180

Advances paid consist primarily of prepayments made to service providers. As at 31 March 2021 and 31 December 2020, there were no impaired advances paid. In 2020 the advances paid in amount of US$1,751 thousand were fully written off against the impairment provision made in 2018.

There were no other movements in the provision for impairment of advances paid during the three months ended 31 March 2021 and the year ended 2020.

7. Trade receivables

As at 31 March 2021 and 31 December 2020 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Trade receivables are collected on average within a period of 30-120 days.

As at 31 March 2021 and 31 December 2020 there were neither past due nor impaired trade receivables. Based on the assessments made, the Partnership concluded that no provision for expected credit losses should be recognized as at 31 March 2021 and 31 December 2020.

8. Cash and cash equivalents

In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)
Current accounts in US Dollars	**29,411**	9,980
Current accounts in Tenge	**2,201**	2,527
Petty cash	**4**	4
	31,616	12,511

In addition to the cash and cash equivalents in the table above, the Partnership has restricted cash accounts as a liquidation fund deposit for US$445 thousand with Sberbank in Kazakhstan and US$ 7,267 thousand with Halyk bank (31 December 2020: US$446 thousand and US$ 7,267 thousand, respectively), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

9. Borrowings

Borrowings are comprised of the following as at 31 March 2021 and 31 December 2020:

In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)
Notes issued in 2012 and maturing 2033	**573,148**	559,820
Notes issued in 2014 and maturing in 2033	**409,000**	399,472
Nostrum Oil & Gas Finance B.V.	**189,788**	186,812
	1,171,936	1,146,104
Less amounts due within 12 months	**(36,901)**	(11,125)
Amounts due after 12 months	**1,135,035**	1,134,979

2012 and 2014 Notes

On 13 November 2012, Zhaikmunai International B.V. issued US$ 560,000 thousand notes (the "2012 Notes"). On 24 April 2013 Zhaikmunai LLP replaced Zhaikmunai International B.V. as issuer of the 2012 Notes and assumed all of the obligations of the issuer under the 2012 Notes.

On 14 February 2014, Nostrum Oil & Gas Finance B.V. issued US$ 400,000 thousand notes (the "2014 Notes"). On 6 May 2014, Zhaikmunai replaced Nostrum Oil & Gas Finance B.V. as issuer of the 2014 Notes and assumed all of the obligations of the issuer under the 2014 Notes.

On 17 February 2018, the outstanding 2012 Notes and the 2014 Notes held by persons other than Nostrum Oil & Gas PLC and its subsidiaries were purchased from the bondholders by Nostrum Oil & Gas Finance B.V.

Notes to the interim condensed financial statements (continued)

On 2 May 2018, certain amendments to the terms and conditions of the 2012 and 2014 Notes became effective, whereby the interest rate on the 2012 and 2014 Notes was changed to 9.5%, being effective from 19 February 2018. The maturity dates of the 2012 and 2014 were moved to 25 June 2033 and 14 January 2033, respectively.

Interest on the 2012 and 2014 Notes is payable on 14 June and 14 December of each year.

Notes to the interim condensed financial statements (continued)

Guarantee of 2017 Notes

On 25 July 2017, Nostrum Oil & Gas Finance B.V., an indirect, wholly-owned subsidiary of Nostrum Oil & Gas PLC, issued US$ 725,000 thousand notes (the "2017 Notes").

The 2017 Notes are jointly and severally guaranteed on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V.

As at 25 July 2017, the Partnership recognised the granted guarantee liability at the fair value of US$ 5,177 thousand, which is present value of the guarantee premium estimated based on the assessment of credit risk of the 2017 Issuer. The present value of the estimated guarantee premium is discounted by the 2017 Notes' interest rate. During the three months ended 31 March 2021, the Partnership recognised guarantee gain in the amount of US$ 273 thousand and the outstanding balance as at 31 March 2021 of the guarantee, both current and non-current totaled US$ 1,556 thousand (31 December 2020: US$ 1,829 thousand).

Guarantee of 2018 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. issued US$ 400,000 thousand notes (the "2018 Notes").

The 2018 Notes are jointly and severally guaranteed on a senior basis by Zhaikmunai LLP, Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V.

As at 16 February 2018, the Partnership recognised the granted guarantee liability at the fair value of US$ 2,057 thousand, which is present value of the guarantee premium estimated based on the assessment of credit risk of the 2018 Issuer. The present value of the estimated guarantee premium is discounted by the 2018 Notes' interest rate. During three months ended 31 March 2021, the Partnership recognized guarantee gain in the amount of US$ 69 thousand and the outstanding balance as at 31 December 2020 of the guarantee, both current and non-current totaled US$ 1,255 thousand (31 December 2020: US$ 1,324 thousand).

Loans due to Nostrum Oil & Gas B.V.

On 1 July 2008 the Partnership signed a loan agreement with Frans van der Schoot B.V. under which the latter provided the Partnership with a US$ 90,276 thousand loan at an annual interest rate of two times LIBOR.

On 15 September 2009 Frans van der Schoot B.V. provided an additional loan of US$ 261,650 thousand at then prevailing interest rate of 2.6% per year.

Subsequently, the interest rate was changed to 6.625% and the maturity date was moved to 31 December 2022.

The outstanding balance of the loan as 31 March 2021 has an interest rate of 6.625% (31 December 2020: 6.625%).

With effect from 1 October 2019, under the intra-group loan agreement, the rights in respect of outstanding nominal amounts and unpaid interest were transferred from Nostrum Oil & Gas B.V. to Nostrum Oil & Gas Finance B.V.

10. Trade payables

Trade payables comprise the following as at 31 March 2021 and 31 December 2020:

In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)
Tenge denominated trade payables	**4,153**	4,295
US Dollar denominated trade payables	**1,288**	1,776
Russian Rouble denominated trade payables	**151**	6
Euro denominated trade payables	**131**	2,023
	5,723	8,100

11. Other current liabilities

Other current liabilities comprise the following as at 31 March 2021 and 31 December 2020:

In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)
Training obligations accrual	**9,854**	10,088
Other accruals	**5,805**	3,026
Tax accruals and payables, including corporate income tax	**3,728**	7,238
Due to employees	**1,885**	1,548
Accruals under the subsoil use agreements	**993**	993
Other current liabilities	**586**	548
	22,851	23,441

Accruals under subsoil use agreements mainly include amounts estimated in respect of the contractual obligations for exploration and production of hydrocarbons from the Rostoshinskoye field.

Notes to the interim condensed financial statements (continued)

12. Revenue

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Revenue from oil and gas condensate sales	**35,227**	36,853
Revenue from gas and LPG sales	**10,963**	23,524
	46,190	60,377

The pricing for all of the Partnership's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price three months ended 31 March 2021 was US$ 61.8 (three months ended 31 March 2020: US$ 50.5).

During the three months ended 31 March 2021 the revenue from sales to three major customers amounted to US$ 33,387 thousand, US$ 5,154 thousand and US$ 2,605 thousand respectively (three months ended 31 March 2020: US$ 35,780 thousand, US$ 16,877 thousand and US$ 1,792 thousand respectively). The Partnership's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

13. Cost of sales

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Depreciation, depletion and amortisation	**17,957**	22,333
Payroll and related taxes	**2,678**	2,799
Repair, maintenance and other services	**1,635**	3,200
Management fees	**883**	1,320
Materials and supplies	**628**	870
Transportation services	**580**	597
Well workover costs	**32**	113
Environmental levies	**32**	29
Change in stock	**941**	2,640
Other	**81**	(137)
	25,447	33,764

14. General and administrative expenses

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Payroll and related taxes	**634**	746
Management fees	**240**	421
Professional services	**142**	316
Insurance fees	**59**	270
Depreciation and amortisation	**46**	385
Communication	**45**	50
Materials and supplies	**24**	48
Business travel	**13**	31
Bank charges	**13**	16
Other	**16**	180
	1,232	2,463

15. Selling and transportation expenses

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Transportation costs	**2,761**	3,485
Loading and storage costs	**1,522**	2,501
Marketing services	**746**	2,328
Depreciation	**669**	799
Payroll and related taxes	**267**	302
Other	**297**	655
	6,262	10,070

Notes to the interim condensed financial statements (continued)

16. Taxes other than income tax

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Royalties	**1,736**	2,234
Export customs duty	**1,620**	1,774
Government profit share	**358**	489
Other taxes	**3**	7
	3,717	4,504

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.

17. Finance costs

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Interest expense on borrowings	**25,751**	25,412
Unwinding of discount on amounts due to Government of Kazakhstan	**382**	20
Unwinding of discount on abandonment and site restoration provision	**140**	36
Unwinding of discount on lease liability	**103**	156
	26,376	25,624

18. Other expenses and other income

For the three months ended 31 March 2021 and 2020 other expenses comprise the following

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Other taxes and penalties	**249**	–
Training	**126**	189
Social program	**78**	103
Currency converting	**33**	–
Loss on disposal of property, plant and equipment	**13**	2
Other accruals	**40**	431
Sponsorship	**2**	–
Other	**157**	115
	698	840

For the three months ended 31 March 2021 and 2020 other income comprise the following

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Compensation for damages	**1,549**	–
Finance guarantee income	**342**	320
Reversals of training accruals	**373**	237
Reversals of other accruals	**235**	434
Currency conversion	**25**	110
Catering and accommodation	**32**	295
Other	**16**	42
	2,572	1,438

19. Income tax expense

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Deferred income tax expense	**3,351**	8,310
Total income tax expense	**3,351**	8,310

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the three months ended 31 March 2021. 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.

A major part of the Partnership'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.

Notes to the interim condensed financial statements (continued)

20. Related party transactions

For the purpose of these financial statements transactions with related parties mainly comprise transactions between the Partnership and the participants and/or the subsidiaries or associated companies of the Nostrum Oil & Gas Group.

Accounts payable to and borrowings from related parties as at 31 March 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)
Borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**189,788**	186,812
Trade payables		
With significant influence over the Partnership:		
JSC OGCC KazStroyService	**234**	236
Under common control:		
Nostrum Services N.V.	**532**	263

During the three months ended 31 March 2021 and 2020 the Partnership had the following transactions with related parties:

	Three months ended 31 March	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)
Interest paid		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**–**	2,410
Purchases		
With significant influence over the Partnership:		
Under common control:		
Nostrum Services N.V.	**1,262**	2,100

On 28 July 2014 the Partnership entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Partnership's gas treatment facility (and as amended by fourteen supplemental agreements since 28 July 2014, the "Construction Contract").

The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 March 2021 owned approximately 17.1% of the ordinary shares of Nostrum Oil & Gas PLC.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$ 381 thousand for three months ended 31 March 2021 (three months ended 31 March 2020: US$ 336 thousand). Other key management personnel were employed and paid by Nostrum Services N.V. and their remuneration forms part of management fees and consulting services above.

21. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe and where the tax authorities disagree with the positions taken by the Partnership the financial outcomes could be material. Administrative fines are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 March 2021. As at 31 March 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax position will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and clean-up evolve, the Partnership may incur future costs, the amount of which is currently indeterminable. Such costs, when known, will be provided for as new information, legislation and estimates evolve.

Environmental obligations

The Partnership may also be subject to loss contingencies relating to regional environmental claims that may arise from the past operations of the related fields in which it operates. Kazakhstan's environmental legislation and regulations are subject to ongoing changes and varying interpretations. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the Partnership may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of respective parties' ability to pay for the costs related to environmental reclamation.

Notes to the interim condensed financial statements (continued)

However, depending on any unfavourable court decisions with respect to any claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Partnership's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

As at 31 March 2021, the Partnership had contractual capital commitments in the amount of 6,513 thousand (31 December 2020: US$6,167 thousand), mainly in respect to the Partnership's oil field development activities.

Social and education commitments

As required by the Contract (after its amendment on 2 September 2019), the Partnership 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 the Rostoshinskoye field requires 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 16 August 2019) require the subsurface user to:

- invest at least US$ 9,897 thousand for exploration of the field during the exploration period;
- create a liquidation fund to cover the Partnership's asset retirement obligations.

The Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed of in October 2020. All outstanding obligations under these licences were transferred to the purchaser.

Domestic oil sales

In accordance with Supplement # 7 to the Contract, the Partnership is required to deliver at least 15% of produced oil to the domestic market on a monthly basis for which prices are materially lower than export prices.

22. Fair values of financial instruments

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

	Carrying amount		Fair value	
In thousands of US Dollars	**31 March 2021 (unaudited)**	31 December 2020 (audited)	**31 March 2021 (unaudited)**	31 December 2020 (audited)
Financial liabilities measured at amortised cost				
Interest bearing borrowings	(1,171,936)	(1,146,104)	(409,697)	(417,212)
Lease liability	(2,169)	(2,825)	(2,169)	(2,825)
Total	**(1,174,105)**	**(1,148,929)**	**(411,866)**	**(420,037)**

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.

23. Events after the reporting period

On 20 April 2021, by unanimous consent of the AHG, the forbearance period of the Forbearance Agreement was extended to 20 May 2021.

On 18 May 2021, the Note Parties entered into a second Forbearance Agreement (the "Second Forbearance Agreement") with the AHG. The Second Forbearance Agreement is valid from the expiry of the Forbearance Agreement, is substantially similar to the Forbearance Agreement and expires at 4 p.m. BST on 21 June 2021 unless extended in accordance with the terms of the Second Forbearance Agreement.