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.

The Partnership's operations comprise a single operating segment and 3 (three) additional exploration concessions 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 interim condensed financial statements were authorised for issue by the Partnership's General Director and Chief Accountant on 18 November 2020.

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.

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 was extended to 26 August 2018.

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 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 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.

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 2021.

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 2021.

On 8 October 2020 the Parent announced the disposal of its rights and obligations under the subsoil use contracts for both the Darjinskoye and Yuzhno-Gremyachinskoye fields (see Note 24).

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.

Seasonality of operations

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

2. Basis of preparation

Basis of preparation

These interim condensed financial statements for the nine months ended 30 September 2020 have 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 2019.

Going concern

These interim condensed financial statements have been prepared on a going concern basis.

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 this report, 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. In addition, on a monthly basis the Group performs sensitivity tests of its liquidity position for changes in crude oil price, production volumes and timing of completion of various ongoing projects. While looking for new opportunities to fill the spare capacity of the Partnership's infrastructure, the Directors and Management of the Partnership (the 'Management') also focused on a range of actions aimed at improving the liquidity in the near-term. These include further cost optimization to reduce capital, operating and general & administration expenditures and, as described below, efforts to restructure the Notes.

In March 2020 the price of oil collapsed following a disagreement between OPEC+ countries. This fall in price was on production levels compounded by the perceived lack of future demand for oil caused by disruptions to businesses and economic activity as a result of the novel coronavirus COVID-19 ('COVID-19'). Whilst the OPEC+ countries, together with a wider group of producers, subsequently agreed to lower daily production levels, the continuing uncertainty over the future demand for oil as a result of the continuing impact of COVID-19 is restricting the recovery of the oil price.

The Directors and Management have also considered any additional risks of COVID-19. Oil and gas production has been classified as an essential business in Kazakhstan and so 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. Therefore, the Directors and Management have concluded that there is currently no other material impact on the Group's or Partnership'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 this matter which may affect the Partnership's ability to deliver the forecast production over 2020 and early 2021.

As a result of these uncertainties, and following indications that in the near-term the Group's, and therefore the Partnership's, liquidity position is exposed to a fall in oil prices, the Group determined that without mitigating actions, a sustained period of low oil prices at $30/bbl would result in the Group and Partnership being unable to cover cash operating and interest costs in 2021. The Group's and Partnership's liquidity position is therefore exposed to events outside of the Group's or Partnership's control.

Accordingly, the Group announced on 31 March 2020 that it would seek to engage with its bondholders regarding a possible restructuring of the Group's outstanding bonds. In May 2020 the Group appointed a financial adviser and a legal adviser in connection with a possible restructuring of its US$725 million 8.0% Senior Notes due July 2022 and/or its US$400 million 7.0% Senior Notes due February 2025 (the 'Notes').

On 24 July 2020, the Group announced that it planned to utilise the applicable grace periods for the interest payments due on 25 July 2020 and 16 August 2020 with respect to the Notes. The 30-day grace period was to allow the Parent to continue active discussions with the financial and legal advisers to the steering committee of holders of the Notes with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments.

As disclosed in the Note 24 to these interim condensed financial statements, on 23 October 2020 the Parent announced that, together with certain of its subsidiaries (the "Note Parties"), it had entered into a forbearance agreement (the "Forbearance Agreement") with members of an ad hoc committee of bondholders (the "AHG"). The forbearance period will enable the Parent, together with its advisers, to engage with bondholders, shareholders and other stakeholders, together with their advisers, to restructure the Group's debt.

The results of further discussions with bondholders and shareholders are uncertain.

The Group and Partnership are also taking other, prudent mitigating actions that can be executed in the necessary timeframe and which will protect liquidity. These include cancelling uncommitted capital expenditures over the period without having an impact on forecast production in the going concern period of assessment and identifying further reductions in operating costs and general & administration costs.

Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Directors have made significant judgements about:

- The forecast cash flow of the Group over the next 12 months from the date of approval of the Group's interim condensed consolidated financial statements depends on the duration of the low oil price environment and the Group's ability to implement the mitigating actions within the Group's control; and
- The Group's ability to successfully engage with its bondholders and shareholders regarding a restructuring of the Group's outstanding Notes.

These represent material uncertainties that may cast significant doubt on the Group's, and by extension, the Partnership's, ability to continue as a going concern.

After careful consideration of these material uncertainties, the Directors were satisfied that the Group has sufficient resources to continue in operation for the foreseeable future. For these reasons, they have continued to adopt the going concern basis in preparing the Group's interim condensed consolidated financial statements.

Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group or Partnership were unable to continue as a going concern.

OPEC and non-OPEC allies

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak which has had a material impact on oil demand. The parties failed to reach agreement on 7 March 2020, and Saudi Aramco aggressively cut its Official Selling Prices (OSP) in an attempt to prioritise market share rather than price stability and effectively started a price war. As a result, on 9 March 2020, Brent oil prices fell by around 20%, and the forward curve for 2020 and 2021 fell to approximately $38/bbl and $43/bbl respectively. This was compounded by a perceived lack of future demand for oil caused by disruptions to businesses and economic activity as a result of the novel coronavirus COVID-19 ('COVID-19'). Whilst the OPEC+ countries together with a wider group of producers have subsequently agreed to lower daily production levels, the continuing uncertainty over the future demand for oil as a result of the continuing impact of COVID-19 is restricting the recovery of the oil price. These events continue to have an impact on oil price volatility with spot prices for Brent reaching a low of $20/bbl in March 2020. The Partnership's realised oil prices for the nine months averaged around $40bbl.

Coronavirus outbreak

The existence of COVID-19 was confirmed in early 2020 and has spread across China and beyond, causing disruptions to businesses and economic activity. Governments in affected countries are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus' outbreak. Currently, the employees of the European offices of the Group are working from home due to travel restrictions imposed by respective governments. The Partnership's offices and facilities in Kazakhstan remain open with certain travel restrictions in place, but necessary workers are able to operate and maintain the assets to the high standards. The ultimate severity of the Covid-19 outbreak is uncertain at this time, and therefore the Partnership cannot reasonably estimate the impact it may have on future operations.

There is a significant uncertainty in relation to the extent and period over which these developments will continue, but they could have a significant impact on the Partnership's financial position, future cashflows and results of operations.

In addition, the significant estimates and judgements that will be made in preparing future financial statements may also be impacted if the current macro-economic uncertainty continues and estimates of long-term commodity prices decrease. In particular, we expect the impact to be as follows:

- The estimated recoverable amount of the Partnership's cash generating unit related to the Chinarevskoye field and related facilities would reduce. An additional impairment could be required as the Cash Generating Unit was impaired in 2019 and so is sensitive to changes in commodity prices as described in Note 4 to the Partnership's financial statements for the year ended 31 December 2019; and
- The estimate of oil and gas reserves would be lower if there is a decrease in the long-term planning price on which the Partnership's estimates of reserves are based.

3. Accounting policies and disclosures

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 2019, except for the adoption of the new standards and interpretations effective as of 1 January 2020. In addition, the described below accounting policies related to non-current assets held for sale are applicable to these interim condensed financial statements but were not previously disclosed within the annual financial statements for the year ended 31 December 2019.

Non-current assets held for sale

The Partnership classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

New standards, interpretations and amendments adopted by the Partnership

None of the amendments that are effective as of 1 January 2020 had significant impact on the Partnership's interim condensed financial statements. The Partnership has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective as at 1 January 2020.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Partnership.

The nature and the impact of the amendment which is applicable to the Partnership's interim condensed financial statements is described below:

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Partnership but may impact future periods should the Partnership enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed financial statements of the Partnership as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on these interim condensed financial statements and, nor is there expected to be any future impact to the Partnership.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

4. Property, plant and equipment

During the nine months ended 30 September 2020, the Partnership had additions of property, plant and equipment of US$ 10,625 thousand (nine months ended 30 September 2019: US$ 93,381 thousand). These additions are mostly associated with completion of drilling and construction projects started in 2019 and purchase of equipment and spare parts for capital repairs of equipment (2019: drilling costs, construction of a third unit for the gas treatment facility) and capitalised interest of US$ 280 thousand (nine months ended 30 September 2019: US$ 46,449 thousand).

As at 30 September 2020 the Partnership's property, plant and equipment of US$ 66,146 thousand are pledged as security for the loans due to Nostrum Oil & Gas B.V. (formerly known as Zhaikmunai Netherlands B.V.) (31 December 2019: US$ 229,176 thousand) *(Note 10)*.

See *Note 22* for capital commitments.

5. Advances for non-current assets

As at 30 September 2020 and 31 December 2019 advances for non-current assets comprised the following:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Advances for pipes and construction materials	**139**	927
Advances for construction services	**809**	441
	948	1,368

Advances for non-current assets mainly comprised prepayments made to suppliers of services and equipment for completion of drilling and construction projects started in 2019 and the purchase of equipment and spare parts for capital repairs of equipment.

6. Inventories

As at 30 September 2020 and 31 December 2019 inventories comprised the following:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Spare parts and other inventories	**24,169**	23,500
Gas condensate	**3,333**	8,446
Crude oil	**1,388**	3,650
LPG	**41**	112
Dry Gas	**39**	67
Sulphur	**9**	74
	28,979	35,849

As at 30 September 2020 and 31 December 2019 inventories are carried at cost.

7. Prepayments and other current assets

As at 30 September 2020 and 31 December 2019 prepayments and other current assets comprised the following:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Advances paid	**3,230**	5,357
Other taxes receivable	**1,638**	1,713
VAT receivable	**917**	2,732
Other	**651**	807
	6,436	10,609

Advances paid consist primarily of prepayments made to service providers.

8. Trade receivables

As at 30 September 2020 and 31 December 2019 trade receivables were not interest bearing and were mainly denominated in US dollars, their average collection period is 30 days.

As at 30 September 2020 and 31 December 2019 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 30 September 2020 and 31 December 2019.

9. Cash and cash equivalents

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Current accounts in US Dollars	**27,292**	12,954
Current accounts in Tenge	**899**	712
Current accounts in other currencies	**–**	45
Petty cash	**6**	5
	28,197	13,716

In addition to the cash and cash equivalents in the table above, the Partnership has restricted cash accounts as liquidation fund deposit in the amount of US$ 345 thousand with Sberbank in Kazakhstan and US$ 6,815 thousand with Halyk bank (31 December 2019: US$ 805 thousand with Sberbank in Kazakhstan and US$ 6,815 thousand with Halyk bank thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

10. Disposal group

The exploration periods under the contracts for Darjinskoye and Yuzhno-Gremyachinskoye fields are due to expire on December 31, 2021 and in Q3 2020 the Partnership decided that disposal of its interest in the fields was the most cost-effective option. As a result, all assets and liabilities associated with these licenses have been classified as disposal group held for sale as at 30 September, 2020. No relevant impairment losses or reversals have been recognized as at the reporting date and the disposal group was part of the single operating segment. Reserves of 5 million barrels of oil equivalent in respect of the Darjinskoye field were reclassified from probable reserves to contingent resources as at December 31, 2019. No reserves have ever been attributed to the Yuzhno-Gremyachinskoye field.

Disposal group held for sale is comprised of the following as at 30 September 2020:

In thousands of US Dollars	**30 September 2020 (unaudited)**
Exploration and evaluation assets	483
Restricted cash	375
Assets held for sale	**858**
Abandonment and site restoration provision	(401)
Other current liabilities	(531)
Liabilities directly associated with the assets held for sale	**(932)**
Net liabilities directly associated with disposal group	**(74)**

As described in Note 24, on 8 October 2020 the Parent announced the disposal of its rights and obligations under the subsoil use contracts for both fields.

11. Borrowings

Borrowings comprise the following as at 30 September 2020 and 31 December 2019:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Notes issued in 2012 and maturing in 2033	**573,094**	559,714
Notes issued in 2014 and maturing in 2033	**408,947**	399,372
Nostrum Oil & Gas Finance B.V.	**166,558**	145,500
	1,148,599	1,104,586
Less amounts due within 12 months	**(31,171)**	(4,013)
Amounts due after 12 months	**1,117,428**	1,100,573

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. an indirect wholly-owned subsidiary of Nostrum Oil & Gas PLC.

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.

Guarantee of 2017 Notes

On 25 July 2017, Nostrum Oil & Gas Finance B.V. (the "2022 Issuer"), an indirect wholly-owned subsidiary of Nostrum Oil & Gas PLC, issued US$ 725,000 thousand notes repayable in 2022 (the "2022 Notes").

The 2022 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 2022 Issuer. The present value of the estimated guarantee premium is discounted by the 2022 Notes' interest rate. During the nine months ended 30 September 2020, the Partnership recognised a guarantee gain in the amount of US$ 784 thousand and the outstanding balance as at 30 September 2020 of the guarantee, both current and non-current totaled US$ 2,103 thousand (31 December 2019: US$ 2,888 thousand).

Guarantee of 2018 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2025 Issuer") issued US$ 400,000 thousand notes repayable in 2025 (the "2025 Notes").

The 2025 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 2025 Issuer. The present value of the estimated guarantee premium is discounted by the 2025 Notes' interest rate.

During the nine months ended 30 September 2020, the Partnership recognized guarantee gain in the amount of US$ 200 thousand and the outstanding balance as at 30 September 2020 of the guarantee, both current and non-current totaled US$ 1,394 thousand (31 December 2019: US$ 1,658 thousand).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

Loans due to Nostrum Oil & Gas Finance 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 at 30 June 2020 has an interest rate of 6.625% (31 December 2019: 6.625%).

With effect from 1 October 2019, under the intra-group loan agreement, the rights in respect of outstanding nominal amount of US$ 120,850 thousand and unpaid interest were transferred from Nostrum Oil & Gas B.V. to Nostrum Oil & Gas Finance B.V. On 11 December 2019 the Partnership received an additional loan of US$ 24,650 thousand from Nostrum Oil & Gas Finance B.V. On 10 June 2020 the Partnership received an additional loan of US$ 16,700 thousand from Nostrum Oil & Gas Finance B.V.

12. Trade payables

Trade payables comprise the following as at 30 September 2020 and 31 December 2019:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Tenge denominated trade payables	**5,039**	15,292
US Dollar denominated trade payables	**2,570**	9,646
Euro denominated trade payables	**1,875**	4,325
Russian Rouble denominated trade payables	**10**	132
	9,494	29,395

13. Other current liabilities

Other current liabilities comprise the following as at 30 September 2020 and 31 December 2019:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Training obligations accrual	**10,919**	11,325
Other accruals	**5,911**	7,597
Taxes payable, other than corporate income tax	**3,478**	4,685
Due to employees	**1,797**	1,974
Accruals under the subsoil use agreements	**872**	1,270
Other current liabilities	**649**	787
	23,626	27,638

Accruals under subsoil use agreements mainly include amounts estimated in respect of the contractual obligations for exploration and production of hydrocarbons from Rostoshinskoye field (2019: Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields).

14. Revenue

In thousands of US Dollars	Three months ended 30 September 2020 (unaudited)	2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	2019 (unaudited)
Revenue from oil and gas condensate sales	**33,472**	41,421	**91,613**	150,787
Revenue from gas and LPG sales	**9,717**	34,725	**44,212**	99,546
Revenue from sulphur sales	**–**	5	**–**	5
	43,189	76,151	**135,825**	250,338

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 during the nine months ended 30 September 2020 was US$ 42.5 (nine months ended 30 September 2019: US$ 64.8). The Partnership's average realised oil price for the nine months ended 30 September 2020 was $40.0 (nine months ended 30 September 2019: $64.8).

During the nine months ended 30 September 2020 the revenue from sales to three major customers amounted to US$ 88,518 thousand, US$ 27,547 thousand and US$ 4,847 thousand, respectively (nine months ended 30 September 2019: three major customers: US$ 146,315 thousand, US$ 76,752 thousand and US$ 7,432 thousand, respectively).

The Partnership's exports are mainly represented by deliveries to Baltic seaports of Russia.

15. Cost of sales

In thousands of US Dollars	Three months ended 30 September 2020 (unaudited)	2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	2019 (unaudited)
Depreciation, depletion and amortisation	**20,013**	27,216	**61,018**	89,250
Repair, maintenance and other services	**1,771**	3,220	**8,309**	9,380
Payroll and related taxes	**2,779**	3,030	**8,113**	9,093
Management fees	**685**	1,791	**2,856**	4,967
Materials and supplies	**1,238**	1,109	**2,912**	3,243
Transportation services	**211**	448	**1,467**	1,486
Well workover costs	**67**	801	**231**	1,645
Environmental levies	**25**	54	**80**	123
Change in stock	**1,393**	(1,134)	**7,540**	(2,360)
Other	**91**	(238)	**345**	(266)
	28,273	36,297	**92,871**	116,561

16. General and administrative expenses

In thousands of US Dollars	Three months ended 30 September 2020 (unaudited)	2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	2019 (unaudited)
Payroll and related taxes	**750**	823	**2,100**	2,547
Management fees	**320**	426	**1,103**	1,690
Professional services	**86**	481	**513**	1,423
Insurance fees	**66**	258	**400**	773
Depreciation and amortisation	**109**	607	**365**	1,417
Communication	**43**	69	**139**	219
Materials and supplies	**14**	53	**72**	120
Business travel	**10**	44	**45**	104
Bank charges	**12**	18	**41**	61
Other	**94**	222	**284**	617
	1,504	3,001	**5,062**	8,971

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

17. Selling and transportation expenses

In thousands of US Dollars	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Transportation costs	**2,872**	2,790	**9,920**	9,417
Loading and storage costs	**2,174**	3,263	**6,813**	9,117
Marketing services	**430**	2,714	**3,875**	8,898
Depreciation	**672**	1,102	**2,270**	3,387
Payroll and related taxes	**264**	465	**820**	1,378
Other	**322**	574	**1,063**	2,846
	6,734	10,908	**24,761**	35,043

18. Finance costs

In thousands of US Dollars	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Interest expense on borrowings	**25,743**	7,290	**76,686**	28,599
Unwinding of discount on amounts due to Government of Kazakhstan	**257**	258	**535**	563
Unwinding of discount on abandonment and site restoration provision	**54**	104	**132**	320
Unwinding of discount on lease liability	**59**	705	**315**	2,476
	26,113	8,357	**77,668**	31,958

19. Taxes other than income tax

In thousands of US Dollars	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Royalties	**2,137**	3,074	**5,456**	9,762
Export customs duty	**935**	1,810	**3,707**	5,608
Government profit share	**1,038**	678	**1,765**	2,170
Other taxes	**16**	11	**26**	20
	4,126	5,573	**10,954**	17,560

20. Income tax expense

The income tax expense consisted of the following:

In thousands of US Dollars	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Deferred income tax expense	**5,718**	11,380	**9,011**	32,997
Adjustment in respect of the current income tax for the prior periods	**319**	–	**(35)**	48
Total income tax expense	**6,037**	11,380	**8,976**	33,045

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the profit or loss before income tax for the nine months ended 30 September 2020. Differences between the recognition criteria in IFRS and under the statutory taxation regulations in Kazakhstan 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 tax rate of 30% applicable to the Chinarevskoye subsoil use license.

The Partnership's tax bases of non-monetary assets and liabilities are determined in Tenge. Therefore, any change in the US dollar/Tenge exchange rates results in a change in the temporary difference between the tax bases of non-current assets and their carrying amounts in the financial statements.

21. Related party transactions

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

Accounts receivable from and advances paid to related parties as at 30 September 2020 and 31 December 2019 consisted of the following:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**166,558**	145,500
Trade paybales		
With significant influence over the Partnership:		
JSC OGCC KazStroyService	**231**	430
Under common control:		
Nostrum Services N.V.	**395**	2,441

During the nine months ended 30 September 2020 and 2019 the Partnership had the following transactions with related parties:

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Received borrowings				
Under common control:				
Nostrum Oil & Gas B.V.	–	–	–	5,000
Nostrum Oil & Gas Finance B.V.	**16,700**	–	**16,700**	–
Interest paid				
Under common control:				
Nostrum Oil & Gas B.V.	–	1,929	–	6,471
Nostrum Oil & Gas Finance B.V.	–	–	**3,213**	–
Purchases				
With significant influence over the Partnership:				
JSC OGCC KazStroyService	–	694	–	6,984
Under common control:				
Nostrum Services N.V.	**1,172**	3,284	**4,754**	10,023

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 (as amended by fourteen supplemental agreements since 28 July 2014).

The Contractor is an affiliate of Mayfair Investments B.V., which as at 30 September 2020 owned approximately 17.1% of the ordinary shares of Nostrum Oil & Gas PLC.

Management fees are payable in accordance with the Technical Assistance Agreements signed between the Partnership and Nostrum Services N.V. related to the rendering of geological, geophysical, drilling, technical and other consultancy services. Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$ 963 thousand for the nine months ended 30 September 2020 (nine months ended 30 September 2019: US$ 1,313 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.

22. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. 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 2020. As at 30 September 2020 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.

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 30 September 2020 the Partnership had contractual capital commitments in the amount of US$ 9,226 thousand (31 December 2019: US$ 27,552 thousand) mainly in respect to the Partnership's oil field exploration and development activities.

Social and education commitments

As required by the Contract (after its amendment on 2 September 2019), the Partnership is obliged to:

(i) spend US$ 300 thousand per annum to finance social infrastructure;

(ii) make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens; and

(iii) adhere to a spending schedule on education which lasts until (and including) 2020.

The contracts for exploration and production of hydrocarbons from Rostoshinskoye, Darjinskoye and Yuzhno Gremyachinskoye fields require fulfilment of several social and other obligations.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Rostoshinskoye field (after its amendment on 16 August 2019) require the subsurface user to:

(i) invest at least US$ 10,409 thousand for exploration of the field during the exploration period;

(ii) create liquidation fund to cover the Partnership's asset retirement obligations.

The Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed of in October 2020 (see Note 24). All outstanding obligations under these licences were transferred to the purchaser.

Domestic oil sales

In accordance with Supplement No. 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.

23. 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	30 September 2020 (unaudited)	31 December 2019 (audited)	30 September 2020 (unaudited)	31 December 2019 (audited)
Financial liabilities measured at amortised cost				
Interest bearing borrowings	(1,148,599)	(1,104,586)	(432,427)	(453,270)
Total	**(1,148,599)**	**(1,104,586)**	**(432,427)**	**(453,270)**

Management assessed that cash and cash equivalents, current investments, trade receivables, trade payables, lease liability 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 of the Group's Notes at the reporting date and respectively categorised as Level 1 within the fair value hierarchy.

During the nine months ended 30 September 2020 there were no transfers between the levels of fair value hierarchy of the Partnership's financial instruments.

24. Events after the reporting period

Subsoil use contracts

On 8 October 2020 the Parent announced the disposal of its rights and obligations under the subsoil use contracts for both the Darjinskoye and Yuzhno-Gremyachinskoye fields. The exploration periods under the contracts for both fields are due to expire on December 31, 2021 and the Parent decided that disposal of its interest in the fields was the most cost-effective option for the Parent. Reserves of 5 million barrels of oil equivalent in respect of the Darjinskoye field were reclassified from probable reserves to contingent resources as at December 31, 2019. No reserves are attributed to the Yuzhno-Gremyachenskoye field. The Parent will continue to review its options in relation to the exploration period under the subsoil use contract for the Rostoshinskoye field, which is not due to expire until August 16, 2022.

Forbearance agreement

On 23 October 2020 the Parent announced that the Parent and certain of its subsidiaries (the "Note Parties") had entered into a forbearance agreement (the "Forbearance Agreement") with members of an ad hoc committee of noteholders (the "AHG"). The forbearance period initially expires at 4 p.m. GMT on December 20, 2020 (the "Initial Expiration Date"), but the Initial Expiration Date is automatically extended to 4 p.m. GMT on February 18, 2021 and then again to 4 p.m. GMT on March 20, 2021 unless the Forbearance Agreement has been terminated by a majority decision of the forbearing members of the AHG. A final extension period from March 20 to May 19, 2021 requires the approval of all of the forbearing members of the AHG.

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 2022 Notes and 2025 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 Forbearance Agreement is subject to further conditions, including:

i) The opening of a secured account for a portion of the missed interest payments. Within 21 days of the effective date of the Forbearance Agreement an amount equal to 30% of the missed interest payments will be transferred into the secured account. This amount shall be increased with an amount equal to 17.50% of the missed interest payments transferred into the secured account after 180 days. The Parent shall have the ability to make certain withdrawals from the account if its liquidity falls below an agreed level;
ii) 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;
iii) The engagement of certain professional and technical advisors on behalf of the AHG;
iv) The observance by the Parent and its subsidiaries of certain operating and other restrictions and limitations; and
v) The provision of certain financial and operating information to the advisors of the AHG.

Holders in an aggregate principal amount of $361,215,000 of the 2022 Notes and holders in an aggregate principal amount of $191,258,000 of the 2025 Notes signed the Forbearance Agreement.

The Parent has agreed to pay, or procure the payment by Nostrum Oil & Gas Finance B.V. of, certain consent fees in cash ("Consent Fees") to each forbearing holder. The Consent Fees will be paid on a rolling basis. The first Consent Fee for the first 90 days is 29.7866 basis points, then 19.8577 bps for the following 60 days and 9.9288 bps for the subsequent 30 days. The Consent Fees are payable by reference to the total aggregate principal amount of the Notes outstanding.

Reserves

On 30 October 2020, the Parent announced that an internal review of the Partnership's reservoir and production data indicated that its undeveloped reserves are subject to significant productivity risk. Furthermore, the outlook for hydrocarbon product prices at which the Partnership sells its products, particularly gas, remains challenging. Against this background, the Directors believe that the 2020 independent reserves audit, which is currently underway and scheduled to complete in early 2021, may lead to a material downgrade in the Partnership's Proven and Probable reserves.