Zhaikmunai LLP

Interim condensed financial statements (unaudited)

For the nine months ended 30 September 2018

CONTENTS

Report on review of interim financial information

Notes to the interim condensed financial statements

Building a better
working world

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Report on review of Interim Financial Information

To the participant and management of Zhaikmunai LLP

Introduction

We have reviewed the accompanying interim condensed financial statements of Zhaikmunai LLP, which comprise the interim statement of financial position as at 30 September 2018 and the related interim statements of comprehensive income for the three and nine months then ended, changes in equity and cash flows for the nine-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Building a better
working world

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of Zhaikmunai LLP is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner

Kairat Medetbayev
Auditor

Audit qualification certificate
No. МФ-0000137 dated 8 February 2013

Gulmira Turmagambetova
General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

26 November 2018

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

In thousands of US dollars	**Notes**	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Assets			
Non-current assets			
Exploration and evaluation assets	3	**49,891**	47,828
Property, plant and equipment, net	4	**2,023,916**	1,943,986
Restricted cash	8	**6,939**	6,663
Advances for non-current assets	5	**11,442**	14,598
		2,092,188	2,013,075
Current assets			
Inventories		**27,836**	29,746
Trade receivables	7	**72,439**	34,520
Prepayments and other current assets	6	**19,877**	25,969
Income tax prepayment		**3,423**	3,376
Cash and cash equivalents	8	**41,716**	33,261
		165,291	126,872
Total assets		**2,257,479**	2,139,947
Equity and liabilities			
Partnership capital and reserves			
Partnership capital		**4,112**	4,112
Other reserves		**32,586**	32,586
Retained earnings		**559,351**	568,236
		596,049	604,934
Non-current liabilities			
Long-term borrowings	9	**1,054,363**	1,012,913
Long term finance guarantee		**4,469**	3,616
Abandonment and site restoration provision		**24,458**	23,590
Due to Government of Kazakhstan		**5,280**	5,466
Deferred tax liability		**425,931**	381,590
		1,514,501	1,427,175
Current liabilities			
Current portion of long-term borrowings	9	**26,947**	15,173
Current portion of finance guarantee		**1,594**	1,212
Trade payables	10	**86,900**	57,524
Advances received		**264**	1,279
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	11	**30,193**	31,619
		146,929	107,838
Total equity and liabilities		**2,257,479**	2,139,947

General Director of Zhaikmunai LLP *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP *Olga Shoshinova*

The accounting policies and explanatory notes on pages 5 through 18 are an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

		Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	**Notes**	**2018 (unaudited)**	2017 restated*	**2018 (unaudited)**	2017 restated*
Revenue					
Revenue from export sales		**96,566**	50,009	**241,437**	192,414
Revenue from domestic sales		**23,349**	43,683	**69,971**	111,301
	12	**119,915**	93,692	**311,408**	303,715
Cost of sales	13	**(43,419)**	(45,260)	**(127,387)**	(134,819)
Gross profit		**76,496**	48,432	**184,021**	168,896
General and administrative expenses	14	**(2,454)**	(4,403)	**(9,509)**	(12,675)
Selling and transportation expenses	15	**(13,662)**	(15,101)	**(39,637)**	(52,216)
Finance costs	16	**(10,441)**	(9,940)	**(45,483)**	(32,296)
Taxes other than income tax		**(8,797)**	(4,569)	**(23,141)**	(15,334)
Loss on derivative financial instrument		**–**	(6,935)	**–**	(6,627)
Foreign exchange loss, net		**(356)**	(3,274)	**(551)**	(271)
Interest income		**56**	52	**193**	211
Other income		**1,268**	1,045	**3,018**	2,803
Other expenses	17	**615**	(1,944)	**(42,222)**	(8,849)
Profit before income tax		**42,725**	3,363	**26,689**	43,642
Income tax expense	18	**(27,242)**	(12,011)	**(40,422)**	(32,291)
(Loss)/profit for the period		**15,483**	(8,648)	**(13,733)**	11,351
Total comprehensive (loss)/income for the period		**15,483**	(8,648)	**(13,733)**	11,351

* Certain amounts shown here do not correspond to the interim condensed financial statements for the nine months ended 30 September 2017 and reflect adjustments made, please refer to Note 2 for more details.

General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

The accounting policies and explanatory notes on pages 5 through 18 are an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018

In thousands of US dollars	Notes	Nine months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2017 restated*
Cash flow from operating activities			
Profit before income tax		**26,689**	43,642
Adjustments for:			
Depreciation, depletion and amortisation	13, 14	**87,059**	93,247
Finance costs	16	**45,483**	32,296
Interest income		**(193)**	(211)
Foreign exchange gain on investing and financing activities		**1,418**	(1,139)
Loss on disposal of property, plant and equipment		**1,480**	650
Finance guarantee gain	9	**(822)**	(129)
Loss on derivative financial instrument		**–**	6,627
Accrued liabilities		**–**	1,784
Provision for doubtful account receivable		**85**	1,751
Operating profit before working capital changes		**161,199**	178,518
Changes in working capital:			
Change in inventories		**1,916**	(601)
Change in trade receivables		**(37,919)**	(5,158)
Change in prepayments and other current assets		**6,007**	(4,249)
Change in trade payables		**38,641**	(710)
Change in advances received		**(1,015)**	(917)
Change in due to Government of Kazakhstan		**(773)**	(1,031)
Change in other current liabilities		**(1,426)**	(946)
Cash generated from operations		**166,630**	164,906
Income tax received/(paid),net		**236**	(13,378)
Net cash flows from operating activities		**166,866**	151,528
Cash flow from investing activities			
Interest received		**193**	211
Purchase of property, plant and equipment		**(134,013)**	(129,252)
Exploration and evaluation works		**(2,198)**	(1,577)
Net cash used in investing activities		**(136,018)**	(130,618)
Cash flow from financing activities			
Finance costs paid		**(57,342)**	(48,544)
Proceeds from borrowings	9	**40,350**	–
Repayment of borrowings	9	**(5,000)**	(7,500)
Payment of finance lease liabilities		**(106)**	(616)
Transfer to restricted cash		**(276)**	(380)
Net cash used in financing activities		**(22,374)**	(57,040)
Effects of exchange rate changes on cash and cash equivalents		**(19)**	(39)
Net increase / (decrease) in cash and cash equivalents		**8,455**	(36,169)
Cash and cash equivalents at the beginning of the year		**33,261**	85,498
Cash and cash equivalents at the end of the period	8	**41,716**	49,329

* Certain amounts shown here do not correspond to the interim condensed financial statements for the nine months ended 30 September 2017 and reflect adjustments made, please refer to Note 2 for more details.

General Director of Zhaikmunai LLP — *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

The accounting policies and explanatory notes on pages 5 through 18 are an integral part of these interim condensed financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

In thousands of US dollars	Notes	Partnership capital	Other reserves	Retained earnings	Total
As at 1 January 2017 (audited)		4,112	**32,586**	**555,963**	**592,661**
Net income for the period		–	–	11,351	11,351
Total comprehensive income for the period		–	–	**11,351**	**11,351**
As at 30 September 2017 (unaudited) restated*		4,112	32,586	**567,314**	**604,012**
As at 1 January 2018		**4,112**	**32,586**	**568,236**	**604,934**
Impact of adopting IFRS 9	**2**	–	–	6,905	6,905
Restated openning balance under IFRS 9		**4,112**	**32,586**	**575,141**	**611,839**
Net loss for the period				**(13,733)**	**(13,733)**
Total comprehensive loss for the period		–	–	**(13,733)**	**(13,733)**
Issue of finance guarantee	**9**	–	–	**(2,057)**	**(2,057)**
As at 30 September 2018 (unaudited)		**4,112**	**32,586**	**559,351**	**596,049**

* Certain amounts shown here do not correspond to the interim condensed financial statements for the nine months ended 30 September 2017 and reflect adjustments made, please refer to Note 2 for more details.

General Director of Zhaikmunai LLP — *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

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.

The Partnership's operations comprise of a single operating segment and 3 (three) additional exploration concessions located in Kazakhstan.

The Partnership does not have an ultimate controlling party.

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 26 November 2018.

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 May 2018.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. Subsequently, the exploration period was extended until 8 February 2019.

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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.

2. BASIS OF PREPARATION

Basis of preparation

These interim condensed financial statements for the nine months ended 30 September 2018 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 2017.

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 2017, except for the adoption of the new standards and interpretations effective as of 1 January 2018. The effects of transition to IFRS 9 *Financial Instruments* (further referred to as IFRS 9) is described further below. None of the other amendments that are effective as of 1 January 2018 had significant impact on the Partnership's interim condensed financial statements.

Standards issued, but not yet effective, as at 1 January 2018, have not been adopted early by the Partnership.

Transition disclosures

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (further referred to as IAS 39) for annual periods on or after 1 January 2018. As permitted by IFRS 9 the Partnership elected not to restate comparative information for the nine months ended 30 September 2017 for the financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018.

(a) Classification and measurement

The measurement and accounting treatment of the Partnership's financial assets and financial liabilities is materially unchanged on application of the new standard with the exception of borrowings accounted at amortised cost. The impact of adopting IFRS 9 on the statement of financial position, and retained earnings includes the effect of measurement of gains or losses on modification applied to 2012 Notes and 2014 Notes in accordance with definitions and requirements of IFRS 9. For the modified part the Partnership recognized gains and losses on modification in profit and loss, while the premium paid on early redemption and the transaction costs and fees were capitalized under the long-term borrowings. The unamortised costs, portion of the premium and fees and expenses related to the extinguished debt, were expensed.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

In thousands of US dollars	**As previously reported**	**Remeasurement**	**As adjusted**
Property, plant and equipment	1,943,986	2,362	1,946,348
Total non-current assets	**2,013,075**	**2,362**	**2,015,437**
Total assets	**2,139,947**	**2,362**	**2,142,309**
Retained earnings	568,236	6,905	575,141
Total equity	**604,934**	**6,905**	**611,839**
Long-term borrowings	1,012,913	(7,612)	1,005,301
Deferred tax liabilities	381,590	3,069	384,659
Total non-current liabilities	**1,427,175**	**(4,543)**	**1,422,632**
Total equity and liabilities	**2,139,947**	**2,362**	**2,142,309**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(b) Impairment

IFRS 9 requires the Partnership to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Partnership applies the simplified approach and records lifetime expected losses on all trade receivables. There was no significant impact on the Partnership's equity due to the average short collection period of trade receivables as well as anticipation of low trade impairment losses on trade receivables based on the historical data.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 (amended in April 2016) and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Partnership has adopted IFRS 15 with effect from 1 January 2018, which did not represent a change from the Partnership's existing practice and did not have a significant effect on the Partnership's accounting or disclosures, and therefore no transition adjustment is presented.

(a) Sale of goods

The Partnership is in the business of production and sale of oil and gas products. All goods are sold in separate identified contracts with customers. For such contracts with customers in which the sale of goods is the only performance obligation, adoption of IFRS 15 had no significant impact on the revenues and profit or loss.

(b) Variable consideration

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Partnership recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Historically, the goods sold by the Partnership were not returned by customers, neither were there material volume rebates in contracts. Therefore, application of IFRS 15 has not resulted in a different amount of revenue being recognised than under current IFRS.

(c) Advances received from customers

Under IFRS 15, the Partnership must determine whether there is a significant financing component in its contracts. However, the Partnership decided to use the practical expedient provided in IFRS 15, and did not adjust the promised amount of the consideration for the effects of significant financing components in the contracts, where the Partnership expects, at contract inception, that the period between the Partnership transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Partnership does not account for a financing component. The Partnership receives only short-term advances from its customers. However, the Partnership may receive from customers long-term advances in the future. Therefore, close monitoring of the advances from customers will be made to reveal any significant financing component because of the length of time.

IFRS 16 Leases

IFRS 16 *Leases* will be effective for the Partnership from 1 January 2019, replacing IAS 17 *Leases*. The main impact of IFRS 16 is expected to be the change of accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of a right-of-use asset and a related liability for future lease payments.

The Partnership is in process of assessing the impact of the new accounting requirements. So far, the most significant impact identified is that the Partnership will recognise new assets and liabilities for its operating leases of railway tanks and pumping stations.

The impact of the standard on underlying earnings and profit before tax following adoption is not expected to be significant although the income statement presentation of the cost of leases is expected to be changed. Instead of a rent expenses, the cost of leases will be allocated between the depreciation of right-of-use assets, and a finance charge representing the unwinding of the discount on lease liabilities.

The Partnership has not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Partnership uses the practical expedients and recognition exemptions, and any additional leases that the Partnership enters into. The Partnership expects to disclose its transition approach and quantitative information before adoption.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

Correction of an error and changes in presentation

In 2017, the Partnership carried out a detailed review of the expenditures on construction of its facilities and drilling of wells. As result of the review, certain errors that affect both annual and interim periods were identified. For annual periods, these errors were corrected in the annual financial statements for the year ended 31 December 2017. However, since these errors were identified and corrected after interim condensed financial statements for the nine months ended 30 September 2017 were issued, the Partnership decided to correct them in these interim condensed financial statements by restating comparative information for the nine months ended 30 September 2017. In addition, consistently to the annual financial statements, the Partnership decided to make certain reclassifications in the interim condensed statement of comprehensive income. These errors and reclassifications are described below.

As part of the review, it was discovered that there was an error in capitalization of borrowing costs under IAS 23 *Borrowing Costs* resulting in understatement of Property, plant and equipment and respective overstatement of Finance costs.

On the other hand, the Partnership has been providing catering and accommodation services to its providers of construction, drilling and operational services on which Other income has been recognized. At the same time respective expenditures of the suppliers were recharged to the Partnership and accordingly either capitalized as part of Property, plant and equipment or expensed as Cost of sales or Other expenses, leading to overstatement of these line items.

Correction of errors also affected Income tax expenses for the nine months ended 30 September 2017.

In the interim condensed financial statements for the nine months ended 30 September 2018, the Partnership presents "training", "sponsorship" and "social program" expenses within Other expenses in the statement of comprehensive income. Previously, the Partnership presented these expenses within General and administrative expenses.

In the interim condensed financial statements for the nine months ended 30 September 2018, the Partnership also presents Taxes other than income tax, a new line item in the statement of comprehensive income. This new line item includes "royalties" and "government profit share" previously presented within Cost of sales, "export customs duties" previously presented in Other expenses and "other taxes" previously presented within General and administrative expenses.

These corrections and changes in presentation have been reflected by restating each of the affected financial statement line items for the nine months ended 30 September 2017, as follows:

Interim statement of comprehensive income for the nine months ended 30 September 2017

In thousands of US dollars	**As previously reported**	**Interest capitalization correction**	**Catering and accomodation correction**	**Reclassifi-cations**	**As adjusted**
Cost of sales	(148,331)	–	1,951	11,561	(134,819)
Gross profit	**155,384**	**–**	**1,951**	**11,561**	**168,896**
General and administrative expenses	(14,898)	–	–	2,223	(12,675)
Taxes other than income tax	–	–	–	(15,334)	(15,334)
Finance costs	(34,523)	2,227	–	–	(32,296)
Finance guarantee gain	129	–	–	(129)	–
Other income	9,306	–	(6,632)	129	2,803
Other expenses	(11,987)	–	1,588	1,550	(8,849)
Profit/(loss) before income tax	**44,508**	**2,227**	**(3,093)**	**–**	**43,642**
Deferred income tax benefit	41	(668)	619	–	(8)
Income tax expense	**(32,242)**	**(668)**	**619**	**–**	**(32,291)**
Loss/(profit) for the period	**12,266**	**1,559**	**(2,474)**	**–**	**11,351**
Total comprehensive (loss)/ income for the period	**12,266**	**1,559**	**(2,474)**	**–**	**11,351**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

Interim statement of comprehensive income for the three months ended 30 September 2017

In thousands of US dollars	As previously reported	Interest capitalization correction	Catering and accomodation correction	Reclassifi-cations	As adjusted
Cost of sales	(48,806)	–	650	2,896	(45,260)
Gross profit	**44,886**	**–**	**650**	**2,896**	**48,432**
General and administrative expenses	(4,782)	–	–	379	(4,403)
Taxes other than income tax	–	–	–	(4,569)	(4,569)
Finance costs	(10,755)	815	–	–	(9,940)
Finance guarantee gain	129	–	–	(129)	–
Other income	3,884	–	(2,968)	129	1,045
Other expenses	(3,855)	–	617	1,294	(1,944)
Profit/(loss) before income tax	**4,249**	**815**	**(1,701)**	**–**	**3,363**
Deferred income tax benefit	(6,173)	(244)	341	–	(6,076)
Income tax expense	**(12,108)**	**(244)**	**341**	**–**	**(12,011)**
Profit/(loss) for the period	**(7,859)**	**571**	**(1,360)**	**–**	**(8,648)**
Total comprehensive income/(loss) for the period	**(7,859)**	**571**	**(1,360)**	**–**	**(8,648)**

Interim statement of cash flows for the nine months ended 30 September 2017

In thousands of US dollars	As previously reported	Interest capitalization correction	Catering and accomodation correction	Reclassifi-cations	As adjusted
Profit/(loss) before income tax	**44,508**	**2,227**	**(3,093)**	**–**	**43,642**
Adjustments for:					
Depreciation and amortization	93,689	–	(442)	–	93,247
Finance costs	34,523	(2,227)	–	–	32,296
Operating profit before working capital changes	**182,053**	**–**	**(3,535)**	**–**	**178,518**
Cash generated from operations	**168,441**	**–**	**(3,535)**	**–**	**164,906**
Net cash flows from operating activities	**155,063**	**–**	**(3,535)**	**–**	**151,528**
Purchase of property, plant and equipment	(132,787)	–	3,535	–	(129,252)
Net cash used in investing activities	**(134,153)**	**–**	**3,535**	**–**	**(130,618)**

3. EXPLORATION AND EVALUATION ASSETS

During the nine months ended 30 September 2018 the Partnership had additions to exploration and evaluation assets of US$ 2,063 thousand, which mainly includes capitalised social and liquidation commitments obligations (nine months ended 30 September 2017: US$ 1,550 thousand). Interest was not capitalised on exploration and evaluation assets.

4. PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2018, the Partnership had additions of property, plant and equipment of US$ 169,368 thousand (nine months ended 30 September 2017: US$ 184,856 thousand). These additions are mostly associated with drilling costs, construction of a third unit for the gas treatment facility and capitalised interest of US$ 38,239 thousand (nine months ended 30 September 2017: US$ 25,893 thousand).

As at 30 September 2018 the Partnership's property, plant and equipment of US$ 214,673 thousand are pledged as security for the loans due to Nostrum Oil & Gas B.V. (formerly known as Zhaikmunai Netherlands B.V.) (31 December 2017: US$ 236,168 thousand) *(Note 9)*.

See *Note 20* 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 Partnership's gas treatment facility.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Advances for construction services	**11,143**	9,512
Advances for pipes and construction materials	**299**	5,086
	11,442	14,598

6. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 30 September 2018 and 31 December 2017 prepayments and other current assets comprised the following:

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
VAT receivable	**12,029**	14,728
Other taxes receivable	**3,616**	4,261
Advances paid	**3,450**	6,306
Other	**782**	674
	19,877	25,969

Advances paid consist primarily of prepayments made to service providers.

7. TRADE RECEIVABLES

As at 30 September 2018 and 31 December 2017 trade receivables were not interest bearing and were mainly denominated in US dollars, their average collection period is 30 days.

As at 30 September 2018 there were neither past due nor impaired trade receivables.

8. CASH AND CASH EQUIVALENTS

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Current accounts in US dollars	**40,947**	16,389
Current accounts in tenge	**755**	16,859
Current accounts in other currencies	**–**	5
Petty cash	**14**	8
	41,716	33,261

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$ 689 thousand with Sberbank in Kazakhstan and US$ 6,250 thousand with Halyk bank (31 December 2017: US$ 6,663 thousand), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

9. BORROWINGS

Borrowings comprise the following as at 30 September 2018 and 31 December 2017:

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Nostrum Oil & Gas Finance B.V. – Notes issued in 2012 and maturing in 2033	**572,894**	555,713
Nostrum Oil & Gas Finance B.V. – Notes issued in 2014 and maturing in 2033	**408,761**	408,045
Nostrum Oil & Gas B.V.	**98,850**	63,518
Finance lease liability *(Note 20)*	**805**	810
	1,081,310	1,028,086
Less amounts due within 12 months	**(26,947)**	(15,173)
Amounts due after 12 months	**1,054,363**	1,012,913

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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.

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., an indirect wholly-owned subsidiary of Nostrum Oil & Gas PLC, issued USD 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 USD 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 nine months ended 30 September 2018, the Partnership recognised guarantee gain in the amount of USD 665 thousand and the outstanding balance as at 30 September 2018 of the guarantee, both current and non-current totaled USD 4,096 thousand.

Guarantee of 2018 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. issued USD 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 USD 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 the nine months ended 30 September 2018, the Partnership recognized guarantee gain in the amount of USD 157 thousand and the outstanding balance as at 30 September 2018 of the guarantee, both current and non-current totaled USD 1,967 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 at 30 September 2018 has an interest rate of 6.625% (31 December 2017: 6.625%).

For the period running from 22 December 2010 to 31 December 2017, the amount of the earlier repayments net of the received additional loans totaled US$ 288,426 thousand.

On 28 March and 10 April 2018 the Partnership made early repayments in the amount of US$ 5,000 thousand.

On 11 June 2018 the Partnership received an additional loan in the amount of US$ 40,350 thousand.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

10. TRADE PAYABLES

Trade payables comprise the following as at 30 September 2018 and 31 December 2017:

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
US dollar denominated trade payables	**62,436**	22,848
Tenge denominated trade payables	**19,912**	27,219
Euro denominated trade payables	**3,580**	6,417
Russian rouble denominated trade payables	**972**	1,040
	86,900	57,524

11. OTHER CURRENT LIABILITIES

Other current liabilities comprise the following as at 30 September 2018 and 31 December 2017:

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Training obligations accrual	**13,868**	11,592
Taxes payable, other than corporate income tax	**6,112**	5,710
Accruals under the subsoil use agreements	**2,201**	6,484
Due to employees	**2,977**	2,532
Other current liabilities	**5,035**	5,301
	30,193	31,619

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.

12. REVENUE

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US dollars	**2018 (unaudited)**	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Revenue from oil and gas condensate sales	**86,539**	57,601	**221,202**	193,720
Revenue from gas and LPG sales	**33,376**	36,091	**90,206**	109,995
	119,915	93,692	**311,408**	303,715

During the nine months ended 30 September 2018 the revenue from sales to three major customers amounted to US$ 213,734 thousand, US$ 59,204 thousand and US$ 8,878 thousand, respectively (nine months ended 30 September 2017: three major customers: US$ 139,761 thousand, US$ 79,280 thousand and US$ 24,875 thousand, respectively).

The Partnership's exports are mainly represented by deliveries to the Black Sea ports of Russia.

13. COST OF SALES

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US dollars	**2018 (unaudited)**	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Depreciation, depletion and amortisation	**28,742**	29,506	**85,799**	91,754
Repair, maintenance and other services	**3,525**	4,809	**11,617**	14,005
Payroll and related taxes	**3,135**	3,230	**9,755**	9,501
Management fees	**1,677**	2,311	**6,585**	5,804
Transportation services	**1,395**	1,878	**4,826**	5,657
Materials and supplies	**1,369**	3,130	**3,680**	5,750
Well workover costs	**944**	684	**2,025**	2,480
Environmental levies	**73**	99	**309**	277
Change in stock	**2,155**	698	**2,002**	495
Other	**404**	(1,085)	**789**	(904)
	43,419	45,260	**127,387**	134,819

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

14. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	**2018 (unaudited)**	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Payroll and related taxes	**750**	1,300	**3,118**	4,553
Management fees	**434**	985	**2,119**	2,774
Depreciation and amortisation	**412**	480	**1,260**	1,493
Insurance fees	**348**	325	**1,042**	908
Professional services	**227**	508	**781**	1,057
Communication	**74**	107	**272**	306
Business travel	**43**	138	**131**	297
Materials and supplies	**27**	93	**101**	286
Bank charges	**8**	62	**81**	156
Lease payments	**4**	4	**13**	26
Other	**127**	401	**591**	819
	2,454	4,403	**9,509**	12,675

15. SELLING AND TRANSPORTATION EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	**2018 (unaudited)**	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Loading and storage costs	**5,180**	5,811	**14,715**	21,447
Transportation costs	**4,351**	4,533	**12,203**	15,956
Marketing services	**3,087**	3,771	**9,141**	11,780
Payroll and related taxes	**466**	408	**1,657**	1,157
Other	**578**	578	**1,921**	1,876
	13,662	15,101	**39,637**	52,216

16. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US dollars	**2018 (unaudited)**	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Interest expense on borrowings	**10,078**	9,565	**44,594**	31,275
Unwinding of discount on amounts due to Government of Kazakhstan	**258**	257	**587**	608
Unwinding of discount on abandonment and site restoration provision	**72**	82	**201**	249
Unwinding of discount on social obligations liability	**–**	–	**–**	40
Finance charges under finance leases	**33**	36	**101**	124
	10,441	9,940	**45,483**	32,296

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

17. OTHER EXPENSES

In thousands of US dollars	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Liquidity management fees	**–**	–	**40,618**	–
Training	**568**	80	**2,525**	1,416
Loss on disposal of property, plant and equipment	**51**	396	**1,480**	981
Currency converting	**125**	113	**313**	353
Social program	**79**	79	**237**	237
Sponsorship	**12**	197	**146**	519
Bad debt provision	**–**	–	**–**	1,751
Accruals under subsoil use agreements	**(1,599)**	27	**(3,423)**	381
Other	**149**	1,052	**326**	3,211
	(615)	1,944	**42,222**	8,849

Liquidity management fees include the transaction costs incurred by Nostrum Oil & Gas Finance B.V. in relation to the issue of the 2018 Notes and the 2017 Notes and rebilled to the Partnership *(Notes 9).*

18. INCOME TAX EXPENSE

The income tax expense consisted of the following:

In thousands of US dollars	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Deferred income tax expense	**27,242**	6,076	**41,273**	8
Corporate income tax expense	**–**	6,207	**–**	32,555
Adjustment in respect of the current income tax for the prior periods	**–**	(272)	**(851)**	(272)
Total income tax expense/(benefit)	**27,242**	12,011	**40,422**	32,291

The Partnership's profits are assessed for income taxes only in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US dollars	Three months ended 30 September		Nine months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Profit before income tax	**42,725**	3,363	**26,689**	43,642
Tax rate applicable to the suboil use rights	**30%**	30%	**30%**	30%
Expected tax provision	**12,818**	1,009	**8,007**	13,093
Effect of exchange rate on the tax base	**6,995**	4,828	**8,766**	2,344
Non-deductible interest expense on borrowings	**6,513**	5,050	**22,478**	15,021
Other non-deductible expenses	**916**	1,124	**1,171**	1,833
Income tax expenses reported in the financial statements	**27,242**	12,011	**40,422**	32,291

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the taxable profit or loss before income tax for the nine months ended 30 September 2018. 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

19. 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 2018 and 31 December 2017 consisted of the following:

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Trade receivables and advances paid		
With significant influence over Partnership		
JSC OGCC KazStroyService	**9,912**	7,573

Accounts payable to related parties as at 30 September 2018 and 31 December 2017 consisted of the following:

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Borrowings		
Under common control		
Nostrum Oil & Gas B.V.	**98,850**	63,500
Trade payables		
With significant influence over the Partnership		
JSC OGCC KazStroyService	**11,142**	10,063
Nostrum Services N.V.	**1,242**	1,737
Nostrum Services Central Asia LLP	**–**	66
Nostrum Oil & Gas Finance B.V.	**40,618**	–

During the nine months ended 30 September 2018 and 2017 the Partnership had the following transactions with related parties:

	Three months ended 30 September		**Nine months ended 30 September**	
In thousands of US dollars	**2018 (unaudited)**	2017 (unaudited)	**2018 (unaudited)**	2017 (unaudited)
Repayment of borrowings				
Under common control				
Nostrum Oil & Gas B.V.	**–**	7,500	**5,000**	7,500
Received borrowings				
Nostrum Oil & Gas B.V	**–**	–	**40,350**	–
Interest paid				
Under common control				
Nostrum Oil & Gas B.V.	**1,778**	992	**3,821**	3,237
Purchases				
With significant influence over the Partnership				
JSC OGCC KazStroyService	**4,049**	13,633	**12,183**	43,088
Liquidity management fees				
Nostrum Oil & Gas Finance B.V.	**–**	–	**40,618**	–
Management fees and consulting services				
Under common control				
Nostrum Services Central Asia LLP	**–**	313	**543**	1,150
Nostrum Services N.V.	**3,381**	4,079	**11,062**	10,245

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 nine supplemental agreements since 28 July 2014, the "Construction Contract").

The Contractor is an affiliate of Mayfair Investments B.V., which as at 30 September 2018 owned approximately 25.7% of the ordinary shares of Nostrum Oil & Gas PLC.

Management fees are payable in accordance with the Technical Assistance Agreements signed between the Partnership and Nostrum Services Central Asia LLP 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$ 554 thousand for the nine months ended 30 September 2018 (nine months ended 30 September 2017: US$ 413 thousand). Other key management personnel were employed and paid by Nostrum Services Central Asia LLP and Nostrum Services N.V. and their remuneration forms part of management fees and consulting services above.

20. 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 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 30 September 2018. As at 30 September 2018 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 2018 the Partnership had contractual capital commitments in the amount of US$ 114,138 thousand (31 December 2017: US$ 139,462 thousand) mainly in respect to the Partnership's oil field exploration and development activities.

Operating lease

In 2010 the Partnership entered into several agreements on lease of 650 railway tank wagons for transportation of hydrocarbon products for a period of up to seven years for KZT 6,989 (equivalent of US$ 47) per day per one wagon. The lease agreements may be early terminated either upon mutual agreement of the parties, or unilaterally by one of the parties if the other party does not fulfill its obligations under the contract.

The total of future minimum lease payments under non-cancellable operating lease was represented as follows:

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

In thousands of US dollars	**30 September 2018 (unaudited)**	31 December 2017 (audited)
No later than one year	**5,417**	7,019
Later than one year and no later than five years	**6,797**	14,057

Lease expenses of railway tank wagons for the nine months ended 30 September 2018 amounted to US$ 4,000 thousand (nine months ended 30 September 2017: US$ 5,883 thousand).

Finance lease

On 12 April 2016 the Partnership 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 2018 the finance lease prepayment amounted to US$ 11,400 thousand. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	30 September 2018 (unaudited)		31 December 2017 (audited)	
In thousands of US dollars	**Minimum payments**	**Present value of payments**	Minimum payments	Present value of payments
No later than one year	**142**	**131**	142	131
Later than one year and no later than five years	**558**	**343**	558	345
Later than five years	**1,794**	**331**	1,900	334
Total minimum lease payments	**2,494**	**805**	2,600	810
Less amounts representing finance charges	**1,689**	**–**	1,790	–
Present value of minimum lease payments	**805**	**805**	810	810

Social and education commitments

As required by the Contract (after its amendment on 1 November 2017), 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 12 April 2018) require the subsurface user to:

(i) Invest at least US$ 12,309 thousand for exploration of the field during the exploration period;

(ii) Fund liquidation expenses equal to US$ 133 thousand;

(iii) Spend US$ 1,000 thousand for funding of development of Astana city;

(iv) Reimburse historical costs of US$ 383 thousand to the Government upon commencement of production stage;

(v) Spend US$ 1,239 thousand to finance social infrastructure.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Darjinskoye field (after its amendment on 31 October 2018) require the subsurface user to:

(i) Invest at least US$ 19,712 thousand for exploration of the field during the exploration period;

(ii) Spend US$ 300 thousand to finance social infrastructure;

(iii) Fund liquidation expenses equal to US$ 196 thousand.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field (after its amendment on 10 October 2018) require the subsurface user to:

(i) Invest at least US$ 20,223 thousand for exploration of the field during the exploration period;

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

(ii) Spend US$ 300 thousand to finance social infrastructure;

(iii) Spend US$ 175 thousand for educating Kazakh citizens;

(iv) Fund liquidation expenses equal to US$ 202 thousand.

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.

21. 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 2018 (unaudited)**	31 December 2017 (audited)	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Financial liabilities measured at amortised cost				
Interest bearing borrowings	**(1,080,505)**	(1,027,276)	**(919,196)**	(1,018,635)
Finance lease liability	**(805)**	(810)	**(1,160)**	(1,267)
Total	**(1,081,310)**	(1,028,086)	**(920,356)**	(1,019,902)

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.

22. EVENTS AFTER THE REPORTING DATE

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field was amended on 10 October 2018 to extend the appraisal period until 31 December 2021.

The contract for exploration and production of hydrocarbons from Darinskoye field was amended on 31 October 2018 to extend the appraisal period until 31 December 2021.