Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited)

For the three months ended 31 March 2020

CONTENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of US dollars	Notes	31 March 2020 (unaudited)	31 December 2019 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	4	**636,491**	650,229
Exploration and evaluation assets		**92**	–
Right-of-use assets		**3,684**	6,875
Restricted cash	9	**7,506**	7,620
Advances for non-current assets	5	**9,647**	8,412
Total Non-current assets		**657,420**	673,136
CURRENT ASSETS			
Inventories	6	**33,709**	35,849
Trade receivables	7	**26,291**	31,239
Prepayments and other current assets	8	**9,519**	12,040
Income tax prepayment		**755**	90
Cash and cash equivalents	9	**66,107**	93,940
Total Current assets		**136,381**	173,158
TOTAL ASSETS		**793,801**	846,294
SHARE CAPITAL AND RESERVES	10		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained deficit and reserves		**(459,187)**	(433,627)
Total Share capital and reserves		**(457,644)**	(432,084)
NON-CURRENT LIABILITIES			
Long-term borrowings	12	**1,102,258**	1,100,453
Lease liabilities, long-term		**131**	641
Abandonment and site restoration provision		**30,291**	27,502
Due to Government of Kazakhstan		**4,832**	5,070
Deferred tax liability	22	**50,449**	42,787
Total Non-current liabilities		**1,187,961**	1,176,453
CURRENT LIABILITIES			
Current portion of long-term borrowings	12	**14,133**	35,633
Lease liabilities, current portion		**3,999**	6,735
Employee share option plan liability	21	**4**	4
Trade payables	13	**18,446**	27,638
Advances received		**111**	335
Income tax payable		**15**	263
Current portion of due to Government of Kazakhstan		**1,289**	1,031
Other current liabilities	14	**25,487**	30,286
Total Current liabilities		**63,484**	101,925
TOTAL EQUITY AND LIABILITIES		**793,801**	846,294

The interim condensed consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors 14 May 2020. Signed on behalf of the Board:

Kaat Van Hecke
Chief Executive Officer ____________________

Martin Cocker
Chief Financial Officer ____________________

The accounting policies and explanatory notes on pages 6 through 19 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of US dollars	Notes	Three months ended 31 March 2020	2019
Revenue			
Revenue from export sales		**42,291**	68,446
Revenue from domestic sales		**18,086**	27,002
	15	**60,377**	95,448
Cost of sales	**16**	**(33,160)**	(41,618)
Gross profit		**27,217**	53,830
General and administrative expenses	**17**	**(4,612)**	(5,200)
Selling and transportation expenses	**18**	**(9,996)**	(13,676)
Taxes other than income tax	**19**	**(4,504)**	(6,180)
Finance costs	**20**	**(23,696)**	(11,103)
Employee share options - fair value adjustment		**151**	(131)
Foreign exchange (loss)/gain, net		**(1,665)**	407
Interest income		**30**	63
Other income		**1,113**	865
Other expenses		**(1,137)**	(160)
(Loss)/profit before income tax		**(17,099)**	18,715
Current income tax expense		**(288)**	(414)
Deferred income tax expense		**(7,662)**	(12,405)
Income tax expense	**22**	**(7,950)**	(12,819)
(Loss) /profit for the period		**(25,049)**	5,896
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		**(360)**	(284)
Other comprehensive loss		**(360)**	(284)
Total comprehensive (loss)/income for the period		**(25,409)**	5,612
(Loss)/profit for the period attributable to the shareholders (in thousands of US dollars)		**(25,774)**	5,896
Weighted average number of shares		**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)		**(0.14)**	0.03

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

The accounting policies and explanatory notes on pages 6 through 19 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Three months ended 31 March	
In thousands of US dollars	Notes	2020 (unaudited)	2019 (unaudited)
Cash flow from operating activities:			
(Loss)/profit before income tax		**(17,099)**	18,715
Adjustments for:			
Depreciation, depletion and amortisation	15,16,17	**23,559**	33,638
Finance costs	19	**23,696**	11,102
Employee share option plan fair value adjustment		**(151)**	131
Interest income		**(30)**	(20)
Net foreign exchange differences		**(70)**	(311)
Loss on disposal of property, plant and equipment		**2**	(6)
Payments under derivative financial instruments		**–**	(3,741)
Operating profit before working capital changes		**29,907**	59,508
Changes in working capital:			
Change in inventories		**2,140**	857
Change in trade receivables		**4,948**	(23,522)
Change in prepayments and other current assets		**2,522**	2,606
Change in trade payables		**(3,826)**	4,552
Change in advances received		**(224)**	11
Change in due to Government of Kazakhstan		**(258)**	(258)
Change in other current liabilities		**(4,839)**	1,966
Cash generated from operations		**30,370**	45,720
Income tax paid		**(1,202)**	(3,529)
Net cash flows from operating activities		**29,168**	42,191
Cash flow from investing activities:			
Interest received		**30**	20
Purchase of property, plant and equipment		**(11,592)**	(39,210)
Exploration and evaluation works		**(94)**	(1,232)
Advances for non-current assets		**(518)**	–
Net cash used in investing activities		**(12,174)**	(40,422)
Cash flow from financing activities:			
Finance costs paid		**(43,000)**	(43,000)
Payment of lease liabilities		**(1,494)**	(3,830)
Finance charges on lease liabilities		**(156)**	(939)
Transfer to restricted cash		**–**	(120)
Net cash used in financing activities		**(44,650)**	(47,889)
Effects of exchange rate changes on cash and cash equivalents		**(178)**	27
Net decrease in cash and cash equivalents		**(27,834)**	(46,093)
Cash and cash equivalents at the beginning of the period	8	**93,941**	121,753
Cash and cash equivalents at the end of the period	8	**66,107**	75,660

The accounting policies and explanatory notes on pages 6 through 19 are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of US dollars	Notes	Share capital	Treasury capital	Other reserves	Retained earnings / (deficit)	Total
As at 1 January 2019 (audited)		**3,203**	**(1,660)**	**262,233**	**293,223**	**556,999**
Profit for the period		–	–	–	5,896	5,896
Other comprehensive loss		–	–	(284)	–	(284)
Total comprehensive income for the period		**–**	**–**	**(284)**	**5,896**	**5,612**
Share based payments under LTIP		–	–	144	–	144
As at 31 March 2019 (unaudited)		**3,203**	**(1,660)**	**262,093**	**299,119**	**562,755**
Loss for the period		–	–	–	(995,823)	(995,823)
Other comprehensive income		–	–	495	–	495
Total comprehensive loss for the period		**–**	**–**	**495**	**(995,823)**	**(995,328)**
Share based payments under LTIP		–	–	489	–	489
As at 31 December 2019 (audited)		**3,203**	**(1,660)**	**263,077**	**(696,704)**	**(432,084)**
Loss for the period		–	–	–	(25,049)	(25,049)
Other comprehensive loss		–	–	(360)	–	(360)
Total comprehensive loss for the period		**–**	**–**	**(360)**	**(25,049)**	**(25,409)**
Share based payments under LTIP		–	–	(151)	–	151
As at 31 March 2020 (unaudited)		**3,203**	**(1,660)**	**262,566**	**(721,753)**	**(457,644)**

The accounting policies and explanatory notes on pages 6 through 19 are an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

Overview

Nostrum Oil & Gas PLC ("the Company" or "the Parent") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 9th Floor, 20 Eastbourne Terrace, London, W2 6LG, UK.

These interim condensed consolidated financial statements include the financial position and the results of the operations of Nostrum Oil & Gas PLC and its following wholly owned subsidiaries:

Company	Registered office	Form of capital	Ownership, %
Nostrum Associated Investments LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100
Nostrum E&P Services LLC	Liteyniy Prospekt 26 A, 191028 St. Petersburg, Russian Federation	Participatory interests	100
Nostrum Oil & Gas Coöperatief U.A.	Gustav Mahlerplein 23B, 1082MS Amsterdam, The Netherlands	Members' interests	100
Nostrum Oil & Gas BV	Gustav Mahlerplein 23B, 1082MS Amsterdam, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas Finance B.V.	Gustav Mahlerplein 23B, 1082MS Amsterdam, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace, London W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Services Central Asia LLP	Aksai 3a, 75/38, 050031 Almaty, Republic of Kazakhstan	Participatory interests	100
Nostrum Services N.V.	Kunstlaan 56, 1000 Brussels, Belgium	Ordinary shares	100
Zhaikmunai LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100

Nostrum Oil & Gas PLC and its wholly-owned subsidiaries are hereinafter referred to as "the Group". The Group's operations comprise of a single operating segment with three exploration concessions and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

As at 31 March 2020, the Group employed 607 employees (Q1 2019: 800).

Subsoil use rights terms

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

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

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

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

The contract for exploration and production of hydrocarbons from the 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 the 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

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

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

Government "profit share"

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

2. Basis of preparation and consolidation

Basis of preparation

These interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted by the European Union. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS as adopted by the European Union.

The interim financial information for three months ended 31 March 2020 and 2019 is neither audited nor reviewed by the auditors and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative financial information for the year ended 31 December 2019 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2019 were approved by the Board of directors on 29 April 2020 and following approval by the Company's shareholders will be filed with the Registrar of Companies. The Independent Auditors' Report on those accounts represented a disclaimer of opinion.

Going concern

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

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 quarterly 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 Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include further cost optimization to reduce capital, operating and general & administration expenditures.

In March 2020 the price of oil collapsed following a disagreement between OPEC+ countries 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 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.

The Directors 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 have concluded that there is currently no other material impact on the Group's operations and liquidity at the time of publication of these interim condensed consolidated 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 Group's ability to deliver the forecast production over 2020 and early 2021.

As a result of these uncertainties, a plausible downside scenario at US$30/bbl oil price has been run, reflecting market conditions observed during the quarter and subsequently, for the entire period covered by the model. This represents a scenario in which production is as forecast in the base case model, but the conditions subsequent to the quarter end continue for 12 months.

The results of the plausible downside scenario showed that in the near-term the Group's liquidity position is exposed to such a fall in oil prices. Without mitigating actions, a sustained period of low oil prices at $30/bbl would result in the Group being unable to cover its cash operating and interest costs in 2021. The Group's liquidity position is therefore exposed to events outside of the Group's control.

Therefore, the Group announced on March 31, 2020 that it will seek to engage with its bondholders regarding a possible restructuring of the Group's outstanding bonds. As disclosed in Note 26 to these interim condensed consolidated financial statements, in May 2020 the Group has 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 Group will require amendment in the short term to protect the liquidity of the Group within the going concern period, and restructuring to ensure ongoing viability. The results of any discussions with bondholders and shareholders are uncertain. In the event of sustained low oil prices envisaged in the plausible downside case, the Group will require amendment to the payment terms within the bonds to take effect within the going concern period.

The Group is 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 Board has made significant judgements about:

- The forecast cash flow of the Group over the next 12 months from the date of approval of the 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 bonds.

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

After careful consideration of these material uncertainties, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. For these reasons, they continue to adopt the going concern basis in preparing the 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 were unable to continue as a going concern.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

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. The Group's realised oil prices for the quarter averaged around $47.5/bbl.

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 Group'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 Group 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 Group's financial position, future cashflows and results of operations. For more details as to how these uncertainties have been considered in preparing the annual financial statements, please see the 'Viability Statement' and the 'Going Concern' sections of the Financial Review of the 2019 Annual Report (see pages 50 and 54). There were no material changes from the date of such assessments until the date of publication of these interim condensed consolidated financial statements.

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

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new standards and interpretations effective as of 1 January 2020. None of the amendments that are effective as of 1 January 2020 had significant impact on the Group's interim condensed consolidated financial statements.

The Group 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 consolidated financial statements of the Group.

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 consolidated financial statements of the Group, but may impact future periods should the Group 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 consolidated financial statements of the Group 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 the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

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.

These amendments had no impact on the interim condensed consolidated financial statements of the Group.

4. Property, plant and equipment

During the three months ended 31 March 2020 the Group had additions of property, plant and equipment of US$9,022 thousand (Q1 2019: US$48,668 thousand). These additions are mostly associated with completion of drilling and construction projects started in 2019 and the 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$117 thousand (Q1 2019: US$13,152 thousand).

See Note 24 for capital commitments.

5. Advances for non-current assets

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

In thousands of US dollars	**31 March 2020 (unaudited)**	**31 December 2019 (audited)**
Advances for construction services	**409**	100
Advances for pipes and construction materials	**2,194**	274
Advances for other non-current assets	**7,044**	8,038
	9,647	8,412

As at 31 March 2020 and 31 December 2019, advances for non-current assets mainly comprised prepayments made to suppliers of services as part of the development of new opportunities. In the event that the new opportunities do not materialise as currently intended then the amounts will be written off.

6. Inventories

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

In thousands of US dollars	**31 March 2020 (unaudited)**	**31 December 2019 (audited)**
Spare parts and other inventories	**24,076**	23,574
Gas condensate	**6,850**	8,446
Crude oil	**2,548**	3,650
LPG	**200**	112
Gas	**35**	67
	33,709	35,849

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

7. Trade receivables

As at 31 March 2020 and 31 December 2019 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Their average collection period is 30 days.

As at 31 March 2020 and 31 December 2019 there were neither past due nor impaired trade receivables. Based on the assessments made, the Group concluded that no provision for expected credit losses should be recognized as at 31 March 2020 and 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

8. Prepayments and other current assets

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

In thousands of US dollars	31 March 2020 (unaudited)	31 December 2019 (audited)
VAT receivable	**1,371**	3,186
Advances paid	**5,303**	6,035
Other taxes receivable	**1,958**	1,716
Other	**887**	1,103
	9,519	12,040

Advances paid consist primarily of prepayments made to service providers. As at 31 March 2020, advances paid in the amount of US$1,751 thousand were impaired and fully provided for. There were no movements in the provision for impairment of advances paid during the year ended 31 December 2019 and three months ended 31 March 2020.

9. Cash and cash equivalents

In thousands of US dollars	31 March 2020 (unaudited)	31 December 2019 (audited)
Current accounts in US dollars	**59,915**	88,420
Current accounts in Tenge	**2,231**	791
Current accounts in other currencies	**3,947**	4,718
Petty cash	**14**	11
	66,107	93,940

In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as a liquidation fund deposit for the amount of US$691 thousand with Sberbank in Kazakhstan and US$6,815 thousand with Halyk bank (31 December 2019: US$805 thousand and US$6,815 thousand, respectively), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

10. Share capital and reserves

As at 31 March 2020 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01.

Number of shares	In circulation	Treasury capital	Total
As at 1 January 2019 (audited)	**185,234,079**	**2,948,879**	**188,182,958**
Share options exercised	–	–	–
As at 31 December 2019 (audited)	**185,234,079**	**2,948,879**	**188,182,958**
Share options exercised	–	–	–
As at 31 March 2020 (unaudited)	**185,234,079**	**2,948,879**	**188,182,958**

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") and are held by Intertrust Employee Benefit Trustee Limited as trustee for the Nostrum Oil & Gas Benefit Trust. In the case of the ESOP, upon request from employees to exercise options, the trustee would sell shares on the market and settle respective obligations under the ESOP. In the case of share settled LTIP awards, the trustee would transfer shares to the relevant LTIP award holder (although no LTIP awards are currently exercisable). The Nostrum Oil & Gas Benefit Trust constitutes a special purpose entity under IFRS and therefore, the shares held in the trust are recorded as treasury capital of the Company.

Other reserves of the Group include the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas PLC amounting to US$255,459 thousand, that arose during the reorganisation of the Group. Also, other reserves include the foreign currency translation reserves in the amount of US$3,437 thousand accumulated before 2009, when the functional currency of Zhaikmunai LLP was Kazakhstani Tenge, as well as foreign currency translation reserves of other subsidiaries of the Group, which have functional currencies other than US Dollar.

Distributions

During the years ended 31 March 2020 and 2019 there were no distributions made.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange has enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 31 March 2020 the book value per share amounted to US$2.43 negative (31 December 2019: US$ 2.30 negative).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

11. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period.

The basic and diluted EPS are the same as there are no instruments that have a dilutive effect on earnings.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

	Three months ended 31 March	
	2020	2019
(Loss)/profit for the period attributable to the shareholders (in thousands of US dollars)	**(25,774)**	5,896
Weighted average number of shares	**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	**(0.14)**	0.03

12. Borrowings

Borrowings are comprised of the following as at 31 March 2020 and 31 December 2019:

In thousands of US dollars	**31 March 2020 (unaudited)**	**31 December 2019 (audited)**
Notes issued in 2017 and maturing in 2022	**719,909**	732,886
Notes issued in 2018 and maturing in 2025	**396,482**	403,200
	1,116,391	1,136,086
Less amounts due within 12 months	**(14,133)**	(35,633)
Amounts due after 12 months	**1,102,258**	1,100,453

2017 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2017 Issuer") issued US$725,000 thousand notes (the "2017 Notes"). The 2017 Notes bear interest at a rate of 8.00% per year, payable on 25 January and 25 July of each year.

On and after 25 July 2019, the 2017 Issuer shall be entitled at its option to redeem all or a portion of the 2017 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2017 Note), plus accrued and unpaid interest on the 2017 Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on 25 July of the years set forth below:

Period	Redemption Price
2020	104.0%
2021 and thereafter	100.0%

The 2017 Notes are jointly and severally guaranteed (the "2017 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2017 Guarantors"). The 2017 Notes are the 2017 Issuer's and the 2017 Guarantors' senior obligations and rank equally with all of the 2017 Issuer's and the 2017 Guarantors' other senior indebtedness.

The issue of the 2017 Notes was used primarily to fund the refinancing of part of the Group's Notes issued in 2012 and 2014.

2018 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2018 Issuer") issued US$400,000 thousand notes (the "2018 Notes"). The 2018 Notes bear interest at a rate of 7.00% per year, payable on 16 August and 16 February of each year.

On and after 16 February 2021, the 2018 Issuer shall be entitled at its option to redeem all or a portion of the 2018 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2018 Notes), plus accrued and unpaid interest on the 2018 Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on 16 February of the years set forth below:

Period	Redemption Price
2021	105.25%
2022	103.50%
2023	101.75%
2024 and thereafter	100.00%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

The 2018 Notes are jointly and severally guaranteed (the "2018 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2018 Guarantors"). The 2018 Notes are the 2018 Issuer's and the 2018 Guarantors' senior obligations and rank equally with all of the 2018 Issuer's and the 2018 Guarantors' other senior indebtedness.

The issue of the 2018 Notes was used primarily to fund the refinancing of the remaining Group's Notes issued in 2012 and 2014.

Covenants contained in the 2017 Notes and 2018 Notes

The 2017 and the 2018 Notes contain consistent covenants that, among other things, restrict, subject to certain exceptions and qualifications, the ability of the 2017 Issuer, the 2018 Issuer, the 2017 Guarantors, the 2018 Guarantors and certain other members of the Group to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including shares of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses; and
- consolidate or merge with other entities.

In addition, the indentures impose certain requirements as to future subsidiary guarantors, and certain customary information covenants and events of default.

13. Trade payables

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

In thousands of US dollars	31 March 2020 (unaudited)	31 December 2019 (audited)
Tenge denominated trade payables	**7,721**	12,852
US dollar denominated trade payables	**8,086**	9,864
Euro denominated trade payables	**2,477**	4,617
Russian rouble denominated trade payables	**66**	170
Trade payables denominated in other currencies	**96**	135
	18,446	27,638

14. Other current liabilities

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

In thousands of US dollars	31 March 2020 (unaudited)	31 December 2019 (audited)
Training obligations accrual	**11,208**	11,325
Accruals under the subsoil use agreements	**7,079**	8,867
Taxes payable, other than corporate income tax	**3,818**	5,564
Due to employees	**1,953**	3,010
Other current liabilities	**1,429**	1,520
	25,487	30,286

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

15. Revenue

The pricing for all of the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price during the three months ended 31 March 2020 was US$50.5 (Q1 2019: US$63.8).

During the three months ended 31 March 2020 the revenue from sales to three major customers amounted to US$35,780 thousand, US$16,877 thousand and US$1,792 thousand respectively (Q1 2019: US$61,598 thousand, US$24,743 thousand and US$2,508 thousand respectively). The Group's exports are mainly represented by deliveries to Baltic Sea ports of Russia.

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	2019 (unaudited)
Oil and gas condensate	**36,854**	62,595
Gas and LPG	**23,523**	32,853
	60,377	95,448

16. Cost of sales

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	2019 (unaudited)
Depreciation, depletion and amortisation	**22,333**	32,030
Payroll and related taxes	**3,827**	4,021
Repair, maintenance and other services	**2,679**	2,863
Materials and supplies	**870**	940
Other transportation services	**602**	649
Well workover costs	**70**	219
Environmental levies	**29**	37
Change in stock	**2,640**	751
Other	**110**	108
	33,160	41,618

17. General and administrative expenses

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	2019 (unaudited)
Payroll and related taxes	**2,160**	2,437
Professional services	**1,068**	1,256
Depreciation and amortisation	**427**	466
Insurance fees	**331**	295
Short-term leases	**185**	211
Business travel	**140**	162
Communication	**50**	77
Materials and supplies	**48**	28
Bank charges	**27**	34
Other	**176**	234
	4,612	5,200

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

18. Selling and transportation expenses

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	2019 (unaudited)
Transportation costs	**3,485**	3,783
Loading and storage costs	**2,501**	3,517
Marketing services	**2,128**	4,129
Depreciation of right-of-use assets	**799**	1,143
Payroll and related taxes	**428**	516
Other	**655**	588
	9,996	13,676

19. Taxes other than income tax

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	2019 (unaudited)
Royalties	**2,234**	3,690
Export customs duty	**1,774**	1,666
Government profit share	**489**	820
Other taxes	**7**	4
	4,504	6,180

Export customs duty is comprised of customs duties for export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc.

20. Finance costs

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	2019 (unaudited)
Interest expense on borrowings	**23,485**	10,013
Unwinding of discount on lease liabilities	**156**	939
Unwinding of discount on amounts due to Government of Kazakhstan	**20**	47
Unwinding of discount on abandonment and site restoration provision	**35**	104
Other finance costs	**–**	–
	23,696	11,103

21. Employee share options

Employee share option plan

The Group's Phantom Option Plan was adopted by the Board of Directors of the Company on 20 June 2014 to allow for the continuation of the option plan previously maintained by Nostrum Oil & Gas LP. The rights and obligations in relation to this option plan were transferred to Nostrum Oil & Gas PLC from Nostrum Oil & Gas LP following the reorganisation.

To date, options relating to 1,025,000 shares remain outstanding (the "Subsisting Options"), 100,000 options with a Base Value of US$4.00 and 925,000 options with a Base Value of US$10.00.

Each Subsisting Option is a right for its holder to receive on exercise a cash amount equal to the difference between the aggregate Base Value of the shares to which the Subsisting Option relates; and their aggregate market value on exercise. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss as part of the employee benefit expenses arising from cash-settled share-based payment transactions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for the plan:

	2020	2019
Price at the reporting date (US$)	**0.1**	0.2
Distribution yield (%)	**0%**	0%
Expected volatility (%)	**55.2%**	53.5%
Risk-free interest rate (%)	**0.2%**	0.3%
Expected life (years)	**10**	10
Option turnover (%)	**10%**	10%
Price trigger	**2.0**	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and is may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

2017 Long-term incentive plan

In 2017 the Group started operating a Long-term incentive plan ("the LTIP"), that was approved by the shareholders of the Company on 26 June 2017 and adopted by the board of directors of the Company on 24 August 2017. The LTIP is a discretionary benefit offered by the Company for the benefit of selected employees. Its main purpose is to increase the interest of the employees in the Company's long-term business goals and performance through share ownership. The LTIP is an incentive for the employees' future performance and commitment to the goals of the Company. The remuneration committee of the board of the Company has the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income. The cost of equity-settled transactions are measured at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element of "shares to be issued under LTIP", which is not remeasured subsequently until the settlement date.

After adjusting for the nonachievement of performance conditions explained below, 400,421 share options are capable of vesting as of 31 March 2020 (31 December 2019: 498,667 share options) and 330,207 share options were vested as of 31 March 2020 (31 December 2019: and 369,785 share options), in accordance with the management's best estimate. These represent a portion of 884,356 share options (31 December 2019: 1,101,342 share options) with a grant date of 10 October 2017, for which on 23 March 2018 the remuneration committee of the board of the Company determined the level of performance conditions that were met for the performance conditions set upon issue of the share options granted in 2017.

On 28 November 2018 the Company granted a further 1,163,040 share options, however due to the performance conditions not being met none of these share options granted on 28 November 2018 are capable of vesting.

The fair value of the equity-settled share options at the valuation dates of 28 November 2018 and 23 March 2018 amounted to US$2.76 and US$1.25 per share option, respectively. The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for valuation of the share options at the grant date:

	28 November 2018	23 March 2018
Price at the valuation date	**1.3**	2.8
Distribution yield (%)	**0%**	0%
Expected volatility (%)	**43.4%**	40.4%
Risk-free interest rate (%)	**1.38%**	1.45%
Expected life (years)	**10**	10
Option turnover (%)	**10%**	10%
Price trigger	**2.0**	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and is may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

22. Income tax expense

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	2019 (unaudited)
Corporate income tax	**21**	201
Withholding tax	**268**	213
Deferred income tax expense	**7,661**	12,405
Total income tax expense	**7,950**	12,819

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the three months ended 31 March 2020. Differences between the recognition criteria in IFRS and under the statutory taxation regulations give rise to a temporary difference between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the change in temporary differences is recorded at the applicable statutory rates, including the prevailing Kazakhstani tax rate of 30% applicable to income derived from the Chinarevskoye subsoil use license.

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

23. Related party transactions

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

Accounts payable to related parties represented by entities controlled by shareholders with significant influence over the Group as at 31 March 2020 and 31 December 2019 consisted of the following:

In thousands of US dollars	**31 March 2020 (unaudited)**	**31 December 2019 (audited)**
Trade payables		
JSC OGCC KazStroyService	**222**	430

During the three months ended 31 March 2020 and 2019 the Group had the following transactions with related parties represented by entities controlled by shareholders with significant influence over the Group:

	Three months ended 31 March	
In thousands of US dollars	**2020 (unaudited)**	**2019 (unaudited)**
Purchases		
JSC OGCC KazStroyService	–	4,988

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

The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 March 2020 owned approximately 25.7% of the ordinary shares of Nostrum Oil & Gas PLC.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$1,147 thousand for the three months ended 31 March 2020 (Q1 2019: US$1,063 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

24. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 March 2020. As at 31 March 2020 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 31 March 2020, the Group had contractual capital commitments in the amount of US$12,584 thousand (31 December 2019: US$27,552 thousand), mainly in respect to the Group's oil field exploration and development activities.

Social and education commitments

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

- spend US$ 300 thousand per annum to finance social infrastructure;
- make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens; and
- adhere to a spending schedule on education which lasts until (and including) 2020.

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

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

- invest at least US$10,769 thousand for exploration of the field during the exploration period;
- create a liquidation fund to cover the Group's asset retirement obligations.

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

- invest at least US$ 19,440 thousand for exploration of the field during the exploration period;
- spend US$ 147 thousand to finance social infrastructure;
- fund liquidation expenses equal to US$ 177 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:

- invest at least US$ 20,149 thousand for exploration of the field during the exploration period;
- spend US$ 145 thousand for education of personnel engaged to work under the contract during the exploration stage;
- spend US$ 147 thousand to finance social infrastructure;
- fund liquidation expenses equal to US$ 202 thousand.

Domestic oil sales

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

25. Fair values of financial instruments

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

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.

	Carrying amount		Fair value	
In thousands of US dollars	31 March 2020 (unaudited)	31 December 2019 (audited)	31 March 2020 (unaudited)	31 December 2019 (audited)
Financial liabilities measured at amortised cost				
Interest bearing borrowings	**1,116,391**	1,136,086	**288,725**	526,156
Total	**1,116,391**	1,136,086	**288,725**	526,156

26. Events after the reporting period

On 6 May 2020, Nostrum announced that following the Company's recent announcements regarding its intention to engage with its bondholders, the Company has appointed Rothschild & Co as its financial adviser and White & Case LLP as its 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.