Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited)

For the nine months ended 30 September 2020

Contents

Interim condensed consolidated statement of financial position

In thousands of US Dollars	Notes	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Non-current assets			
Property, plant and equipment, net	4	**609,215**	650,229
Exploration and evaluation assets		**151**	–
Right of use assets		**849**	6,875
Advances for non-current assets	5	**9,176**	8,412
Restricted cash	9	**7,160**	7,620
		626,551	673,136
Current assets			
Inventories	6	**28,979**	35,849
Prepayments and other current assets	7	**8,143**	12,040
Income tax prepayment		**837**	90
Trade receivables	8	**13,230**	31,239
Cash and cash equivalents	9	**88,709**	93,940
		139,898	173,158
Disposal group	10	**858**	–
TOTAL ASSETS		**767,307**	846,294
Share capital and reserves	9		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained earnings and reserves		**(521,855)**	(433,627)
		(520,312)	(432,084)
Non-current liabilities			
Long-term borrowings	13	**–**	1,100,453
Long-term lease liability		**100**	641
Abandonment and site restoration provision		**30,059**	27,502
Due to Government of Kazakhstan		**4,832**	5,070
Deferred tax liability		**51,070**	42,787
		86,061	1,176,453
Current liabilities			
Current portion of long-term borrowings	13	**1,162,964**	35,633
Current portion of lease liability		**946**	6,735
Employee share option plan liability		**4**	4
Trade payables	14	**11,841**	27,638
Advances received		**296**	335
Income tax payable		**2**	263
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	15	**23,542**	30,286
		1,200,626	101,925
Disposal group	10	**932**	–
TOTAL EQUITY AND LIABILITIES		**767,307**	846,294

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

Atul Gupta	**Martin Cocker**
Chief Executive Officer ____________________	Chief Financial Officer ____________________

The accounting policies and explanatory notes on pages 5 through 17 are an integral part of these consolidated financial statements

Interim condensed consolidated statement of comprehensive income

In thousands of US Dollars	Notes	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Revenue					
Revenue from export sales		**38,831**	45,506	**105,049**	167,464
Revenue from domestic sales		**4,358**	30,644	**30,776**	82,874
	16	**43,189**	76,150	**135,825**	250,338
Cost of sales	17	**(28,280)**	(35,728)	**(92,161)**	(115,498)
Gross profit		**14,909**	40,422	**43,664**	134,840
General and administrative expenses	18	**(3,304)**	(4,907)	**(11,485)**	(14,639)
Selling and transportation expenses	19	**(6,755)**	(10,777)	**(24,729)**	(34,729)
Taxes other than income tax	20	**(4,136)**	(5,583)	**(10,955)**	(17,602)
Finance costs	21	**(26,496)**	(7,400)	**(73,684)**	(29,481)
Employee share options - fair value adjustment		**121**	(146)	**494**	(443)
Foreign exchange gain / (loss), net		**687**	(21)	**126**	588
Interest income		**45**	19	**216**	58
Other income		**1,045**	1,387	**2,810**	2,657
Other expenses		**(3,056)**	(4,648)	**(4,514)**	(5,852)
(Loss) / profit before income tax		**(26,940)**	8,346	**(78,057)**	35,397
Current income tax expense		**(610)**	(320)	**(1,029)**	(1,421)
Deferred income tax loss		**(6,282)**	(10,641)	**(8,283)**	(30,481)
Income tax expense	22	**(6,892)**	(10,961)	**(9,312)**	(31,902)
(Loss)/ profit for the period		**(33,832)**	(2,615)	**(87,369)**	3,495
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		**(757)**	1,069	**(752)**	642
Other comprehensive (loss) / income		**(757)**	1,069	**(752)**	642
Total comprehensive (loss) / income for the period		**(34,589)**	(1,546)	**(88,121)**	4,137
(Loss) / profit for the period attributable to the shareholders (in thousands of US dollars)				**(87,369)**	3,495
Weighted average number of shares				**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	12			**(0.47)**	0.02

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

The accounting policies and explanatory notes on pages 5 through 17 are an integral part of these consolidated financial statements

Interim condensed consolidated statement of cash flows

In thousands of US Dollars	Notes	Nine months ended 30 September **2020 (unaudited)**	2019 (unaudited)
Cash flow from operating activities:			
(Loss) / profit before income tax		**(78,057)**	35,397
Adjustments for:			
Depreciation, depletion and amortisation	16,17,18	**63,767**	94,220
Finance costs	21	**73,684**	29,292
Employee share option plan fair value adjustment		**(493)**	443
Interest income		**(254)**	(58)
Foreign exchange (gain)/loss on investing and financing activities		**(593)**	587
Loss on disposal of property, plant and equipment		**25**	(84)
Payments under derivative financial instruments		**–**	(3,741)
Reversal of accruals		**–**	(621)
Operating profit before working capital changes		**58,079**	155,435
Changes in working capital:			
Change in inventories		**6,870**	(3,026)
Change in trade receivables		**18,009**	3,344
Change in prepayments and other current assets		**4,335**	9,065
Change in trade payables		**(9,799)**	1,231
Change in advances received		**(39)**	(282)
Change in due to Government of Kazakhstan		**(773)**	(773)
Change in other current liabilities		**(6,213)**	230
Cash generated from operations		**70,469**	165,224
Income tax paid		**(2,472)**	(5,016)
Net cash flows from operating activities		**67,997**	160,208
Cash flow from investing activities:			
Interest received		**216**	58
Purchase of property, plant and equipment		**(22,836)**	(89,803)
Exploration and evaluation works		**(637)**	(332)
Advances for non-current assets		**(764)**	–
Net cash used in investing activities		**(24,021)**	(90,077)
Cash flow from financing activities:			
Finance costs paid		**(43,000)**	(86,000)
Other financing costs		**(2,030)**	–
Payment of finance lease liabilities		**(4,172)**	(14,324)
Finance charges on lease liabilities		**(314)**	–
Transfer to restricted cash		**(62)**	(333)
Net cash used in financing activities		**(49,578)**	(100,657)
Effects of exchange rate changes on cash and cash equivalents		**371**	54
Net decrease in cash and cash equivalents		**(5,231)**	(30,472)
Cash and cash equivalents at the beginning of the period	9	**93,940**	121,753
Cash and cash equivalents at the end of the period	9	**88,709**	91,281

The accounting policies and explanatory notes on pages 5 through 17 are an integral part of these 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		–	–	–	3,495	3,495
Other comprehensive income		–	–	642	–	642
Total comprehensive income for the period		–	–	642	3,495	4,137
Share based payments under LTIP		–	–	495	–	495
As at 30 September 2019 (unaudited)		**3,203**	**(1,660)**	**263,370**	**296,718**	**561,631**
Loss for the period		–	–	–	(993,422)	(993,422)
Other comprehensive loss		–	–	(583)	–	(583)
Total comprehensive loss for the period		**–**	**–**	**(583)**	**(993,422)**	**(994,005)**
Share based payments under LTIP		–	–	290	–	290
As at 31 December 2019 (audited)		**3,203**	**(1,660)**	**263,077**	**(696,704)**	**(432,084)**
Loss for the period		–	–	–	(87,369)	(87,369)
Other comprehensive loss		–	–	(366)	–	(366)
Total comprehensive loss for the period		**–**	**–**	**(366)**	**(87,369)**	**(87,735)**
Share based payments under LTIP		–	–	(493)	–	(493)
As at 30 September 2020 (unaudited)		**3,203**	**(1,660)**	**262,218**	**(784,073)**	**(520,312)**

The accounting policies and explanatory notes on pages 5 through 17 are an integral part of these 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 B.V.	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 including all Group's assets related to its Chinarevskoye field, three exploration fields as well as surface facilities and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

As at 30 September 2020, the Group employed 554 employees (30 September 2019: 791).

Subsoil use rights terms

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

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

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

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

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.

On 8 October 2020 the Company announced the disposal of its rights and obligations under the subsoil use contracts for both the Darjinskoye and Yuzhno-Gremyachinskoye fields (see Note 26).

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 nine months ended 30 September 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 condensed consolidated financial information for nine months ended 30 September 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, have been 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 monthly basis, the Group performs sensitivity tests of its liquidity position for changes in crude oil price, production volumes and timing of completion of various ongoing projects. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include further cost optimization to reduce capital, operating and general & administration expenditures and, as described below, efforts to restructure the loan notes.

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

The Directors 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, and following indications that in the near-term the Group's liquidity position is exposed to a fall in oil prices, the Group determined that without mitigating actions, a sustained period of low oil prices 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.

Accordingly, the Group announced on March 31, 2020 that it would seek to engage with its bondholders regarding a possible restructuring of the Group's outstanding bonds. In May 2020 the Group appointed a financial adviser and a legal adviser in connection with a possible restructuring of its US$725 million 8.0% Senior Notes due July 2022 and/or its US$400 million 7.0% Senior Notes due February 2025 (the 'Notes'). On 24 July 2020, the group announced that it planned to utilise the applicable grace periods for the interest payments due on 25 July 2020 and 16 August 2020 with respect to the Notes. The 30-day grace period was to allow the Company to continue active discussions with the financial and legal advisers to the steering committee of holders of the Notes with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments.

As disclosed in the Note 26 to these interim condensed consolidated financial statements, on 23 October 2020 the Company announced that, together with certain of its subsidiaries (the "Note Parties"), it had entered into a forbearance agreement (the "Forbearance Agreement") with members of an ad hoc committee of bondholders (the "AHG"). The forbearance period will enable the Company, together with its advisers, to engage with bondholders, shareholders and other stakeholders, together with their advisers, to restructure the Group's debt.

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

The Group 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 Notes.

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.

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

Notes to the interim condensed consolidated financial statements (continued)

20%, and the forward curve for 2020 and 2021 fell to approximately $38/bbl and $43/bbl respectively. This was compounded by a perceived lack of future demand for oil caused by disruptions to businesses and economic activity as a result of the novel coronavirus COVID-19 ('COVID-19'). Whilst the OPEC+ countries together with a wider group of producers have subsequently agreed to lower daily production levels, the continuing uncertainty over the future demand for oil as a result of the continuing impact of COVID-19 is restricting the recovery of the oil price. These events continue to have an impact on oil price volatility with spot prices for Brent reaching a low of $20/bbl in March 2020. The Group's realised oil prices for nine months 2020 averaged around $40/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 there is a decrease in the long-term planning price on which the Group's estimates of reserves are based.

3. Accounting policies and disclosures

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. In addition, the described below accounting policies related to non-current assets held for sale are applicable to these interim condensed consolidated financial statements but were not previously disclosed within the annual consolidated financial statements for the year ended 31 December 2019.

Non-current assets held for sale

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

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

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

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

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

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

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

New standards, interpretations and amendments adopted by the Group

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

Notes to the interim condensed consolidated financial statements (continued)

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 these interim condensed consolidated financial statements and nor is there expected to be any future impact to the Group.

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 nine months ended 30 September 2020 the Group had additions of property, plant and equipment of US$19,512 thousand (nine months ended 30 September 2019: US$137,611 thousand). These additions are mostly associated with completion of drilling and construction projects started in 2019 and purchase of equipment and spare parts for capital repairs of equipment (2019: drilling costs, construction of a third unit for the gas treatment facility) and capitalized interest US$280 thousand (nine months ended 30 September 2019: US$43,731 thousand).

See Note 24 for capital commitments.

5. Advances for non-current assets

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

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Advances for other non-current assets	**8,228**	8,038
Advances for construction services	**809**	100
Advances for pipes and construction materials	**139**	274
	9,176	8,412

As at 30 September 2020 and 31 December 2019, advances for other 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.

Notes to the interim condensed consolidated financial statements (continued)

6. Inventories

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

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

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

7. Prepayments and other current assets

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

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Advances paid	**4,175**	6,035
Other taxes receivable	**1,641**	1,716
VAT receivable	**1,285**	3,186
Other	**942**	1,103
	8,043	12,040

Advances paid consist primarily of prepayments made to service providers. As at 30 September 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 nine months ended 30 September 2020.

8. Trade receivables

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

As at 30 September 2020 and 31 December 2019 there were neither past due nor impaired trade receivables. Based on the assessments made, the Group concluded that no provision for expected credit losses should be recognized as at 30 September 2020 and 31 December 2019.

9. Cash and cash equivalents

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Current accounts in US Dollars	**85,811**	88,420
Current accounts in other currencies	**1,857**	4,718
Current accounts in Tenge	**1,028**	791
Petty cash	**13**	11
	88,709	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$345 thousand with Sberbank in Kazakhstan and US$ 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.

Notes to the interim condensed consolidated financial statements (continued)

10. Disposal group

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

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

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

As described in the Note 26, on 8 October 2020 the Company announced the disposal of its rights and obligations under the subsoil use contracts for both fields.

11. Share capital and reserves

As at 30 September 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 cpaital**	**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 30 September 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, 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 as shown in the Note 4 to the Group's consolidated financial statements for the year ended 31 December 2019.

Distributions

There were no distributions made during the nine months ended 30 September 2020 and the year ended 2019.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 30 September 2020 the book value per share amounted to US$ 2.76 negative (31 December 2019: US$ 2.30 negative).

Notes to the interim condensed consolidated financial statements (continued)

12. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period. The basic and diluted EPS are the same as there are no instruments that have a dilutive effect on earnings. There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

	Nine months ended 30 September	
	2020 (unaudited)	2019 (unaudited)
(Loss) / profit for the period attributable to the shareholders (in thousands of US dollars)	**(87,369)**	3,495
Weighted average number of shares	**185,234,079**	185,234,079
Basic and deluted earnings per share (in US dollars)	**(0.47)**	0.02

13. Borrowings

Borrowings are comprised of the following as at 30 September 2020 and 31 December 2019:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Notes issued in 2017 and maturing in 2022	**751,932**	732,886
Notes issued in 2018 and maturing in 2025	**411,032**	403,200
	1,162,964	1,136,086
Less amounts due within 12 months	**(1,162,964)**	(35,633)
Amounts due after 12 months	**–**	1,100,453

2022 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 "2022 Notes"). The 2022 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 2022 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2022 Note), plus accrued and unpaid interest on the 2022 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 2022 Notes are jointly and severally guaranteed (the "2022 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 2022 Notes are the 2017 Issuer's and the 2022 Guarantors' senior obligations and rank equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness.

The issue of the 2022 Notes was used primarily to fund the refinancing of part of the Group's Notes issued in 2012 and 2014.

2025 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2018 Issuer") issued US$400,000 thousand notes (the "2025 Notes"). The 2025 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 2025 Issuer shall be entitled at its option to redeem all or a portion of the 2025 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2025 Notes), plus accrued and unpaid interest on the 2025 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%

The 2025 Notes are jointly and severally guaranteed (the "2025 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 "2025 Guarantors"). The 2025 Notes are the 2025 Issuer's and the 2025 Guarantors' senior obligations and rank equally with all of the 2025 Issuer's and the 2025 Guarantors' other senior indebtedness.

The issue of the 2025 Notes was used primarily to fund the refinancing of the remaining Group's Notes issued in 2012 and 2014.

Notes to the interim condensed consolidated financial statements (continued)

Reclassification to current liabilities

On 24 July 2020, the group announced that it planned to utilise the applicable grace periods for the interest payments due on 25 July 2020 and 16 August 2020 with respect to the Notes. The 30-day grace period was to allow the Company to continue active discussions with the financial and legal advisers to the steering committee of holders of the Notes with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the Notes 2 and 26. Considering these facts and circumstances, as at 30 September 2020 the Group has reclassified the carrying amounts of the 2022 Notes and 2025 Notes into current liabilities and presented them as the current portion of long-term borrowings.

Covenants contained in the 2022 Notes and 2025 Notes

The 2022 and the 2025 Notes contain consistent covenants that, among other things, restrict, subject to certain exceptions and qualifications, the ability of the 2022 Issuer, the 2025 Issuer, the 2022 Guarantors, the 2025 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.

The Forbearance Agreement signed on 23 October 2020 has placed further operating and other restrictions on the Company and its subsidiaries.

14. Trade payables

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

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
US Dollar denominated trade payables	**4,987**	9,864
Tenge denominated trade payables	**4,634**	12,852
Euro denominated trade payables	**2,050**	4,617
Russian Rouble denominated trade payables	**10**	170
Trade payables denominated in other currencies	**160**	135
	11,841	27,638

15. Other current liabilities

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

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Training obligations accrual	**10,919**	11,325
Other accruals	**5,911**	7,597
Taxes payable, other than corporate income tax	**4,006**	5,564
Due to employees	**1,467**	3,010
Accruals under the subsoil use agreements	**872**	1,270
Other current liabilities	**367**	1,520
	23,542	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 field (2019: Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields).

Notes to the interim condensed consolidated financial statements (continued)

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

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Revenue from oil and gas condensate sales	**33,472**	41,421	**91,613**	150,787
Revenue from gas and LPG sales	**9,717**	34,724	**44,212**	99,546
Revenue from sulphur sales	**–**	5	**–**	5
	43,189	76,150	**135,825**	250,338

During the nine months ended 30 September 2020 the revenue from sales to three major customers amounted to US$88,518 thousand, US$27,547 thousand and US$4,847 thousand respectively (nine months ended 30 September 2019: US$146,315 thousand, US$76,752 thousand and US$7,432 thousand respectively). The Group's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

17. Cost of sales

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Depreciation, depletion and amortisation	**20,013**	27,216	**61,018**	89,250
Payroll and related taxes	**3,504**	4,301	**10,571**	13,002
Repair, maintenance and other services	**1,908**	3,254	**7,788**	9,468
Materials and supplies	**1,253**	1,108	**2,912**	3,223
Transportation services	**218**	483	**1,472**	1,537
Well workover costs	**(92)**	662	**188**	1,345
Environmental levies	**25**	54	**80**	123
Change in stock	**1,393**	(1,221)	**7,540**	(2,447)
Other	**58**	(129)	**592**	(3)
	28,280	35,728	**92,161**	115,498

18. General and administrative expenses

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Payroll and related taxes	**2,044**	2,150	**5,708**	6,887
Professional services	**719**	1,206	**3,333**	3,464
Insurance fees	**155**	378	**609**	973
Depreciation and amortisation	**141**	658	**479**	1,583
Lease payments	**126**	137	**465**	497
Communication	**43**	69	**139**	219
Business travel	**5**	97	**142**	361
Materials and supplies	**14**	53	**72**	120
Bank charges	**17**	30	**64**	92
Other	**40**	129	**474**	443
	3,304	4,907	**11,485**	14,639

Notes to the interim condensed consolidated financial statements (continued)

19. Selling and transportation expenses

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Transportation costs	**2,872**	2,790	**9,920**	9,417
Loading and storage costs	**2,174**	3,263	**6,813**	9,117
Marketing services	**351**	2,449	**3,494**	8,218
Depreciation of right-of-use assets	**672**	1,102	**2,270**	3,387
Payroll and related taxes	**367**	604	**1,169**	1,752
Other	**319**	569	**1,063**	2,838
	6,755	10,777	**24,729**	34,729

20. Taxes other than income tax

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Royalties	**2,137**	3,074	**5,456**	9,762
Export customs duty	**935**	1,810	**3,707**	5,608
Government profit share	**1,038**	678	**1,765**	2,170
Other taxes	**26**	21	**27**	62
	4,136	5,583	**10,955**	17,602

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.

21. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Interest expense on borrowings	**23,059**	6,202	**69,636**	25,821
Other finance costs	**3,067**	132	**3,067**	301
Unwinding of discount on amounts due to Government of Kazakhstan	**257**	258	**535**	563
Unwinding of discount on abandonment and site restoration provision	**54**	104	**132**	320
Unwinding of discount on lease liability	**59**	704	**314**	2,476
	26,496	7,400	**73,684**	29,292

Other finance costs primarily represent advisor fees incurred by the Group in relation to the forbearance agreement and ongoing discussions with its bondholders regarding a possible restructuring of the Group's outstanding bonds. For more details see Note 2 and 26.

22. Income tax expense

	Three months ended 30 September		Nine months ended 30 September	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Deferred income tax expense	**6,283**	10,641	**8,283**	30,481
Corporate income tax expense	**(8)**	98	**223**	722
Withholding tax	**298**	222	**841**	651
Adjustment in respect of the current income tax for the prior periods	**319**	–	**(35)**	48
Total income tax expense	**6,892**	10,961	**9,312**	31,902

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

Notes to the interim condensed consolidated financial statements (continued)

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 30 September 2020 and 31 December 2019 consisted of the following:

In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Trade payables		
JSC OGCC KazStroyService	**231**	430

During the nine months ended 30 September 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 30 September		**Nine months ended 30 September**	
In thousands of US Dollars	**2020 (unaudited)**	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Purchases				
JSC OGCC KazStroyService	-	694	-	6,984

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 fourteen supplemental agreements since 28 July 2014). The Contractor is an affiliate of Mayfair Investments B.V., which as at 30 September 2020 owned approximately 17.1% of the ordinary shares of Nostrum Oil & Gas PLC.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$3,259 thousand for the nine months ended 30 September 2020 (nine months ended 30 September 2019: US$3,207 thousand).

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 30 September 2020. As at 30 September 2020 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

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

Notes to the interim condensed consolidated financial statements (continued)

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 field requires fulfilment of several social and other obligations.

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

- invest at least US$10,409 thousand for exploration of the field during the exploration period;
- create a liquidation fund to cover the Group's asset retirement obligations.

The Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed of in October 2020 (see Note 26). All outstanding obligations under these licences were transferred to the purchaser

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.

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:

	Carrying amount		**Fair value**	
In thousands of US Dollars	**30 September 2020 (unaudited)**	31 December 2019 (audited)	**30 September 2020 (unaudited)**	31 December 2019 (audited)
Financial liabilities measured at amortised cost				
Interest bearing borrowings	1,162,964	1,136,086	280,178	526,156
Total	**1,162,964**	**1,136,086**	**280,178**	**526,156**

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.

26. Events after the reporting period

Subsoil use contracts

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

Notes to the interim condensed consolidated financial statements (continued)

Forbearance agreement

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

Pursuant to the agreement, members of the AHG have agreed to forbear from the exercise of certain rights and remedies that they have under the indentures governing the 2022 Notes and 2025 Notes. The agreed forbearances include agreeing not to accelerate the Notes' obligations as a result of the missed interest payments (or the next missed interest period if this occurs prior to the expiry of the forbearance agreement).

The Forbearance Agreement is subject to certain conditions, including any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement.

The Forbearance Agreement is subject to further conditions, including:

i) The opening of a secured account for a portion of the missed interest payments. Within 21 days of the effective date of the Forbearance Agreement an amount equal to 30% of the missed interest payments will be transferred into the secured account. This amount shall be increased with an amount equal to 17.50% of the missed interest payments transferred into the secured account after 180 days. The Company shall have the ability to make certain withdrawals from the account if its liquidity falls below an agreed level;
ii) The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
iii) The engagement of certain professional and technical advisors on behalf of the AHG;
iv) The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
v) The provision of certain financial and operating information to the advisors of the AHG.

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

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

Reserves

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