Zhaikmunai LLP

Interim condensed financial statements (unaudited)

For the six months ended 30 June 2022

Contents

Interim condensed statement of financial position

In thousands of US Dollars	Notes	30 June 2022 (unaudited)	31 December 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	**298,826**	320,150
Advances for non-current assets	5	**2,786**	1,418
Restricted cash	9	**7,763**	7,766
		309,375	329,334
Current assets			
Inventories	6	**32,724**	31,387
Prepayments and other current assets	7	**10,229**	8,292
Income tax prepayment		**331**	48
Trade receivables	8	**10,910**	6,659
Cash and cash equivalents	9	**63,268**	53,733
		117,462	100,119
TOTAL ASSETS		**426,837**	429,453
Equity and liabilities			
Capital and reserves			
Partnership capital		**4,112**	4,112
Other reserves		**32,586**	32,586
Retained deficit and reserves		**(886,774)**	(870,648)
		(850,076)	(833,950)
Non-current liabilities			
Long-term borrowings	10	**1,155,627**	1,155,504
Long-term finance guarantee	10	**505**	655
Abandonment and site restoration provision		**29,144**	29,008
Due to Government of Kazakhstan		**4,411**	4,563
Deferred tax liability	17	**46,692**	32,885
		1,236,379	1,222,615
Current liabilities			
Current portion of long-term borrowings	10	**14,057**	11,537
Current portion of finance guarantee	10	**466**	1,068
Trade payables	11	**5,739**	6,710
Advances received		**93**	9
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	12	**19,148**	20,433
		40,534	40,788
TOTAL EQUITY AND LIABILITIES		**426,837**	429,453

General Director of Zhaikmunai LLP — Zhomart Dorkeev

Chief Accountant of Zhaikmunai LLP — Olga Shoshinova

The accounting policies and explanatory notes on pages 6 through 17 are an integral part of these interim condensed financial statements

Interim condensed statement of comprehensive income

		For the three months ended 30 June		For the six months ended 30 June	
In thousands of US Dollars	**Notes**	**2022 (unaudited)**	2021 (unaudited, restated*)	**2022 (unaudited)**	2021 (unaudited, restated*)
Revenue					
Revenue from export sales		**42,603**	39,942	**97,558**	79,137
Revenue from domestic sales		**5,033**	6,179	**10,274**	13,174
	13	**47,636**	46,121	**107,832**	92,311
Cost of sales	14	**(20,132)**	(22,140)	**(41,444)**	(45,377)
Gross profit		**27,504**	23,981	**66,388**	46,934
General and administrative expenses	15	**(1,393)**	(1,441)	**(3,029)**	(2,673)
Selling and transportation expenses	16	**(4,840)**	(5,884)	**(9,552)**	(12,146)
Taxes other than income tax	17	**(4,443)**	(4,043)	**(9,654)**	(7,760)
Finance costs	18	**(23,977)**	(25,367)	**(48,341)**	(51,744)
Foreign exchange gain / (loss)		**309**	(152)	**90**	(234)
Interest income		**35**	58	**97**	112
Other income	19	**1,461**	1,605	**3,615**	4,177
Other expenses	19	**(1,229)**	(272)	**(1,941)**	(970)
Loss before income tax		**(6,573)**	(11,515)	**(2,327)**	(24,304)
Current income tax benefit / (expense)		**8**	(584)	**8**	(584)
Deferred income tax expense		**(4,455)**	(2,826)	**(13,807)**	(6,840)
Income tax expense	17	**(4,447)**	(3,410)	**(13,799)**	(7,424)
Loss for the period		**(11,020)**	(14,925)	**(16,126)**	(31,728)
Other comprehensive income for the period		**–**	–	**–**	–
Total comprehensive loss for the period		**(11,020)**	**(14,925)**	**(16,126)**	(31,728)

* Certain amounts shown here do not correspond to the 2021 interim condensed financial statements and reflect adjustments made, please refer to Note 3 for more details.

General Director of Zhaikmunai LLP — *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

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Interim condensed statement of cash flows

		For the six months ended 30 June	
In thousands of US Dollars	Notes	2022 (unaudited)	2021 (unaudited, restated*)
Cash flow from operating activities:			
Loss before income tax		**(2,327)**	(24,304)
Adjustments for:			
Depreciation, depletion and amortisation	14,15,16	**27,278**	31,412
Finance costs	18	**48,341**	51,744
Interest income		**(97)**	(112)
Reversed liabilities		**–**	(1,549)
Foreign exchange loss on investing and financing activities		**833**	80
Loss on disposal of property, plant and equipment		**–**	(44)
Finance guarantee gain		**(751)**	(695)
Provision for doubtful debts		**–**	22
Operating profit before working capital changes		**73,277**	56,554
Changes in working capital:			
Change in inventories		**(1,178)**	1,136
Change in trade receivables		**(4,251)**	(5,323)
Change in prepayments and other current assets		**(1,937)**	697
Change in trade payables		**(674)**	985
Change in advances received		**84**	(166)
Change in due to Government of Kazakhstan		**(516)**	(515)
Change in other current liabilities		**(1,574)**	(1,667)
Cash generated from operations		**63,231**	51,701
Income tax paid		**(280)**	(2,073)
Net cash flows from operating activities		**62,951**	49,628
Cash flow from investing activities:			
Interest received		**97**	112
Purchase of property, plant and equipment		**(5,919)**	(3,078)
Advances for non-current assets		**(1,368)**	5
Net cash used in investing activities		**(7,190)**	(2,961)
Cash flow from financing activities:			
Finance costs paid		**(45,600)**	(45,600)
Payment of principal portion of lease liabilities		**–**	(1,319)
Finance charges on lease liabilities		**–**	(174)
Transfer to restricted cash		**–**	(3)
Proceeds from borrowings		**–**	20,300
Net cash used in financing activities		**(45,600)**	(26,796)
Effects of exchange rate changes on cash and cash equivalents		**(626)**	(72)
Net increase in cash and cash equivalents		**9,535**	19,799
Cash and cash equivalents at the beginning of the period	9	**53,733**	12,511
Cash and cash equivalents at the end of the period	9	**63,268**	32,310

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General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

The accounting policies and explanatory notes on pages 6 through 17 are an integral part of these interim condensed financial statements

Interim condensed statement of changes in equity

In thousands of US Dollars	Partnership capital	Other reserves	Accumulated losses	Total
As at 1 January 2021 (restated*)	**4,112**	**32,586**	**(882,451)**	**(845,753)**
Loss for the period (restated*)	–	–	(31,728)	(31,728)
Total comprehensive loss for the period	–	–	**(31,728)**	**(31,728)**
As at 30 June 2021 (unaudited, restated*)	**4,112**	**32,586**	**(914,179)**	**(877,481)**
Profit for the period (restated*)	–	–	43,531	43,531
Total comprehensive profit for the period	–	–	**43,531**	**43,531**
As at 31 December 2021 (audited)	**4,112**	**32,586**	**(870,648)**	**(833,950)**
Loss for the period	–	–	(16,126)	(16,126)
Total comprehensive loss for the period	–	–	**(16,126)**	**(16,126)**
As at 30 June 2022 (unaudited)	**4,112**	**32,586**	**(886,774)**	**(850,076)**

* Certain amounts shown here do not correspond to the 2021 interim condensed financial statements and reflect adjustments made, please refer to Note 3 for more details.

General Director of Zhaikmunai LLP — *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

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Notes to the Interim condensed financial statements

1. Overview

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

The Partnership's operations comprise of a single operating segment including all its assets related to its Chinarevskoye field as well as surface facilities located in Kazakhstan.

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

These interim condensed financial statements were authorised for issue by the Partnership's General Director and Chief Accountant on 15 August 2022.

Subsoil use rights terms

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

The term of the Chinarevskoye subsoil use rights included a 5-year exploration period followed by a 25-year production period with the Contract being valid until 26 May, 2031.

Royalty payments

The Partnership is required to make monthly royalty payments throughout the entire production period, at the rates specified in the Contract. Royalty rates depend on hydrocarbons recovery levels and the phase of production and can vary from 3% to 7% of produced crude oil and from 4% to 9% of produced natural gas. Royalty is accounted on a gross basis.

Government "profit share"

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

Group debt restructuring

On 31 March 2020, following the collapse in the Global oil price, the Group announced that it would seek to engage with its bondholders regarding a possible restructuring of the Group's US$725 million 8.0% Senior Notes due July 2022 ("2022 Notes") and its US$400 million 7.0% Senior Notes due February 2025 ("2025 Notes") (together, the "Existing Notes").

In May 2020, the Group engaged Rothschild & Cie ("Rothschild") as financial advisers and White & Case LLP ("White & Case") as legal advisers to assist in the restructuring of the Existing Notes. Since then, the Company has been in restructuring discussions with an informal ad hoc group of noteholders (the "Ad Hoc Group" or "AHG"), who are advised by PJT Partners ("PJT") (financial) and Akin Gump LLP (legal). The Company has also been in discussions with its largest shareholder ICU, also a holder of the Existing Notes, and their legal advisors Dechert LLP from 2021.

The Group has not made coupon payments due under the Existing Notes since July 2020, which was an event of default under the terms of the indentures governing 2022 Notes and 2025 Notes. However, the Company continued active discussions with the financial and legal advisers to the AHG and signed its First Forbearance Agreement ("First FBA") with the AHG on 23 October 2020 and a new Forbearance Agreement ("Second FBA") on 19 May 2021 (together the "FBAs"). The First FBA and the Second FBA were on substantially the same terms and prohibited the AHG from exercising certain rights and remedies under the Existing Note indentures. The FBAs were intended to provide the Group with a short-term solution to its liquidity issues and a platform to engage in discussions with the noteholders in relation to a potential restructuring.

The FBAs were subject to certain conditions, including:

- The opening of a secured account into which a portion of the missed interest payments was paid. A total of US$22,658,980 has been deposited into the secured account under the terms of the FBAs, with the Group having access to the funds under certain circumstances (i.e. liquidity falling below an agreed threshold).
- 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 Group where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Parent and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

Notes to the interim condensed financial statements (continued)

The Group agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid on 20 February 2021. The consent fees were recorded in the income statement.

On 23 December 2021, the Group entered into a lock-up agreement (the "Lock-up Agreement") and agreed terms of a restructuring with holders of in excess of 54% of the aggregate principal amount of the 2022 Notes and 55% of the aggregate principal amount of the 2025 Notes in each case issued by Nostrum Oil & Gas Finance B.V. In addition, subsidiaries of ICU Holdings Limited ("ICU"), the Parent's largest shareholder, has entered into the Lock-up Agreement in its capacity as a shareholder and holder of the Notes.

Upon signing of the Lock-up Agreement, the Second FBA was extended in parallel. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date of 17 August 2022.

The below outlines the key terms of the restructuring as agreed between the Group, acceded noteholders and ICU in the LUA and also voted in favour of by Nostrum shareholders:

- Partial reinstatement of debt in the form of US$250 million Senior Secured Notes (SSNs) bearing interest at a rate of 5.00% per year payable in cash and maturing on 30 June 2026. The SSNs are not convertible;
- Partial reinstatement of debt in the form of US$300 million Senior Unsecured Notes (SUNs) bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind and maturing on 30 June 2026. The SUNs are repayable in specie through the issuance of equity in the Company on maturity;
- The exchange of the remainder of the Group's existing debt along with accrued but unpaid interest for equity in the Company, thereby significantly diluting the interests of the current equity holders;
- New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism into which cash above US$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Company can access with approval of the majority of Independent Non-Executive Directors of the Company; and
- Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

A fee of 50 bps (the "Lock-up Fee") will be payable to each Participating Noteholder who was originally party to the Lock-up Agreement or acceded to the Lock-up Agreement within 22 days of its execution (i.e. by 14 January 2022). Noteholders are not eligible for the Lock-up Fee if they accede to the Lock-up Agreement after 14 January 2022 (save with respect to any Notes acquired by them which were already eligible to receive a Lock-up Fee).

Holders of 77.73% of the total aggregate principal amount of the Notes signed or acceded to the Lock-up Agreement including a majority of holders of aggregate principal amount of both Senior Notes and an affiliate of ICU.

Following execution of the Lock-up Agreement, the Company commenced implementation of the Restructuring, which is expected to become effective in 2022. Parallel processes in other jurisdictions relevant to the Group and/or the Notes may also be involved. The Company and AHG are in the process of extending the Lock Up Agreement and Second Forbearance Agreement on largely the same terms as the original agreements.

On 4 February 2022, the Company received the required consents from noteholders after a solicitation process to approve the amendments to the Existing Notes indentures. The approved amendments (i) change the governing law and jurisdiction of both Existing Notes indentures from the State of New York to the laws of England and Wales; (ii) made Nostrum Oil & Gas plc a co-issuer of the Existing Notes and (iii) other smaller amendments to facilitate the implementation of the restructuring. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes provided consents. No consent solicitation payments were made to vote in favour.

On 29 April 2022, 99.99% of voting shareholders voted for the implementation of the restructuring which means the restructuring will proceed under a UK scheme of arrangement under Part 26 of the Companies Act 2006. Further, 99.89% of voting shareholders voted in favour of the RPT Resolution, allowing a related party to receive the issuance of new securities under the scheme.

On 20 June 2022, the High Court of Justice of England and Wales has made an order granting the Company permission to convene a meeting for the Scheme creditors to approve the Restructuring. On 1 August 2022, after receiving a key regulatory authorisation from the US Office of Foreign Assets Control, the Company issued a notice inviting Scheme creditors to a Scheme meeting on 22 August 2022. At this meeting, and before via proxy votes, creditors will vote on whether they accept the terms of the restructuring pursuant to a UK Scheme of Arrangement.

On 1 July 2022, the Company received the required consents from the Kazakhstan Ministry of Energy («MOE») with respect to (i) the issue of new shares and warrants (in partial repayment of the Existing Notes) and (ii) the waiver of the State of Kazakhstan's priority right to acquire such new shares and warrants.

Notes to the interim condensed financial statements (continued)

2. Basis of preparation

These interim condensed financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Partnership's annual financial statements for the year ended 31 December 2021. The interim condensed financial information for six months ended 30 June 2022 and 2021 is neither audited nor reviewed by the auditors.

Going concern

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

The Group, through engagement of the Board of Directors along with Senior Management, monitors on an ongoing basis its liquidity position, near-term forecasts, and key financial ratios to ensure that sufficient funds are available to meet its commitments as they arise and liabilities as they fall due. The Group reforecasts its rolling 24-month cashflows on a monthly basis and stress tests its future liquidity position for changes in product prices, production volumes, costs and other significant events. 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 the ongoing efforts to restructure the Existing Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 September 2023. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $72/bbl for 2022 and $68/bbl for 2023. The favourable hydrocarbon pricing in 2021 and H1 2022, and forbearance of making interest payments under the terms of the Forbearance Agreement with noteholders meant that the Group was able to grow its unrestricted cash reserves by over US$130 million.

As a result, the Group had unrestricted cash balances of US$209 million as at 30 June 2022, with a further $23 million in a restricted bank account with limited access as per the terms of the Forbearance Agreement.

The forecasted cashflows assume that the Existing Notes are restructured per the agreed terms as set out in the Lock-up Agreement and outlined above. Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made significant assumptions about the Group being able to extend the the Lock Up Agreement and Second Forbearance Agreement on largely the same terms as the original agreements and close out the successful restructuring of the Existing Notes.

Whilst several key milesteones have been achieved since the signing of the Lock-up Agreement, including shareholders voting in favour of the Restructuring Resolutions, securing Kazakhstan MOE Consent, the US Office of Foreign Assets Control issuing a necessary licence allowing all creditors to vote in the Scheme, and the UK Court granting permission to convene the Scheme meeting; the implementation of the Restructuring remains subject to receipt of other necessary authorisations and licences.

In addition, the Lock Up Agreement and Second Forbearance Agreement expire on 17 August 2022. A successful restructuring of the Existing Notes will not have been achieved by this date and so the Group is in discussion with the AHG, through its advisers and the advisers to the AHG, to extend the Lock Up Agreement and Second Forbearance Agreement on largely the same terms as the original agreements.

Therefore, as at the date of publication of these interim condensed financial statements, there still remain some uncertainty with respect to some outstanding milestones largely outside of the Group's control, including the creditors' voting at the Scheme meeting, the UK Court sanctioning the Scheme, obtaining several licences from the authorities of the UK, the Netherlands and Guernsey and extension of the Lock Up Agreement and Second Forbearance Agreement on largely the same terms as the original agreements. If the creditors do note vote in favour of the Scheme, refuse to extend the Lock Up Agreement and Second Forbearance Agreement or the UK Court does not sanction the Scheme, the restructuring may not proceed on the agreed set of terms. Therefore, the assumption that the Group can successfully complete the restructuring by obtaining necessary extensions, authorisations and licences represents a material uncertainty that the Existing Notes will be restructured successfully. This may cast a significant doubt on the Group's and Partnership's ability to continue as a going concern for the going concern period to 30 September 2023.

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict, which has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's operations, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports, and the Group also contracts with a limited number of Russian service companies. Other than the widening of Urals discount used in calculation of export prices on oil and condensate from a pre-conflict US$3/bbl in early 2022 to US$35/bbl at the end of June 2022, there is no material impact on the Group's operations and liquidity at the time of publication of these the interim condensed financial statements as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions. The Directors are cognisant of the current and evolving sanctions list to ensure the Group is conducting business in compliance with these sanctions. In its going concern assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be cash reserves in excess of US$100 million at the end of the going concern period to 30 September 2023, inclusive of cash swept into the restricted account. Hence, the Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the going concern review period.

Additionally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19. Contingency plans have been put in place both to protect the workforce and ensure that there is sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020-2022. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity, nor do the Directors foresee a material impact in the going concern period, however, it is recognized that there is uncertainty around the future developments of COVID-19.

Notes to the interim condensed financial statements (continued)

After careful consideration of the material uncertainty in connection with the restructuring of the Existing Notes, and on the basis of the successful execution of the Lock-up Agreement, achievement of several key milestones as described above, advice from Company's financial and legal advisors, and internal assessment of the likelihood that the remaining authorisations and licences can be obtained, the Directors have a reasonable expectation that the Group and Partnership has sufficient resources to continue in operation for the going concern period to 30 September 2023. For these reasons, they continue to adopt the going concern basis in preparing the interim condensed financial statements. Accordingly, these interim condensed financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and therefore the Partnership were unable to continue as a going concern.

Notwithstanding that the going concern period has been defined as the period to 30 September 2023, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the material uncertainty referred to in respect of the going concern assessment will inevitably cast significant doubt over the future viability of the Group and therefore the Partnership.

Segment information

The Partnership considers that it has only one operating segment in accordance with IFRS 8. Segment valuation is measured on the basis of profit or loss and measured in accordance with profit or loss in the interim condensed financial statements prepared in accordance with IFRS.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Partnership

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Partnership's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Partnership has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Partnership.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Partnership cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Partnership applies these amendments to contracts for which it has not yet fulfilled all its obligations at 1 January 2022. These amendments had no impact on the interim condensed financial statements of the Partnership.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed financial statements of the Partnership as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Partnership as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed financial statements of the Partnership as there were no modifications of the Partnership's financial instruments during the period.

Notes to the interim condensed financial statements (continued)

Correction of errors and reclassifications

Impairment of property, plant and equipment

When preparing the financial statements for the year ended 31 December 2021, the Group noted an error in the calculation for determining the 2020 impairment charge. The error resulted in a lower recoverable amount of US$297,760 thousand for the property plant and equipment as at 31 December 2020, and a corresponding additional impairment charge of US$41,646 thousand for the year then ended. As a result, depreciation, depletion and amortisation within cost of sales for the six months ended 30 June 2021 were overstated by US$4,206 thousand (six months ended 30 June 2021: US$1,996 thousand) with a corresponding understatement of deferred tax expense by US$1,262 thousand (six months ended 30 June 2021: US$599 thousand).

The abovementioned error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	For the three months ended 30 June			**For the six months ended 30 June**		
In thousands of US Dollars	Reported	Depreciation correction	**As adjusted**	Reported	Depreciation correction	**As adjusted**
Statement of comprehensive income						
Cost of sales	(24,136)	1,996	(22,140)	(49,583)	4,206	(45,377)
Gross profit	**21,985**	**1,996**	**23,981**	**42,728**	**4,206**	**46,934**
Loss before income tax	(13,511)	1,996	(11,515)	**(28,510)**	**4,206**	**(24,304)**
Income tax expense	(2,811)	(599)	(3,410)	(6,162)	(1,262)	(7,424)
Loss for the period	**(16,322)**	**1,397**	**(14,925)**	**(34,672)**	**2,944**	**(31,728)**
Statement of cash flows						
Loss before income tax				(28,510)	4,206	(24,304)
Depreciation, depletion and amortisation				35,618	(4,206)	31,412
Net cash flows from operating activities				**49,628**	**–**	**49,628**

Reclassifications and comparative figures

Certain reclassifications have been made to the previous year's disclosure of cost of sales to enhance comparability with the current year's presentation following management's periodic assessment of the improvement of the information presentation. As a result, the comparative amounts in the certain line items within cost of sales disclosure in Note 14 have been amended to conform to the current period's presentation as follows:

For the three months ended 30 June 2021

In thousands of US dollars	As previously reported	Depreciation correction	Reclassification	**As adjusted**
Depreciation, depletion and amortisation	16,249	(1,996)	–	**14,253**
Payroll and related taxes	2,991	–	–	**2,991**
Repair, maintenance and other services	2,089	–	(378)	**1,711**
Materials and supplies	1,540	–	27	**1,567**
Management fees	867	–	–	**867**
Transportation services	722	–	–	**722**
Well repair and maintenance costs	-	–	763	**763**
Well workover costs	390	–	(390)	**–**
Environmental levies	82	–	–	**82**
Change in stock	(939)	–	–	**(939)**
Other	145	–	(22)	**123**
	24,136	**(1,996)**	**–**	**22,140**

For the six months ended 30 June 2021

In thousands of US dollars	As previously reported	Depreciation correction	Reclassification	**As adjusted**
Depreciation, depletion and amortisation	34,206	(4,206)	–	**30,000**
Payroll and related taxes	5,669	–	–	**5,669**
Repair, maintenance and other services	3,724	–	(757)	**2,967**
Materials and supplies	2,168	–	52	**2,220**
Management fees	1,750	–	–	**1,750**
Transportation services	1,302	–	–	**1,302**
Well repair and maintenance costs	–	–	1,162	**1,162**
Well workover costs	422	–	(422)	**–**
Environmental levies	114	–	–	**114**
Change in stock	2	–	–	**2**
Other	226	–	(35)	**191**
	49,583	**(4,206)**	**–**	**45,377**

Notes to the interim condensed financial statements (continued)

4. Property, plant and equipment

During the six months ended 30 June 2022 the Partnership had additions of property, plant and equipment of US$ 6,018 thousand (six months ended 30 June 2021: US$ 3,256 thousand). These additions are mostly associated with commencement of well workover campaign as well as capital repairs of equipment and capitalized interest of US$ 685 thousand (six months ended 30 June 2021: US$ 47 thousand).

See Note 22 for capital commitments.

5. Advances for non-current assets

As at 30 June 2022 and 31 December 2021 advances for non-current assets comprised the following:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Advances for construction materials	**2,435**	359
Advances for construction services	**351**	1,059
	2,786	1,418

6. Inventories

As at 30 June 2022 and 31 December 2021 inventories comprised the following:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Spare parts and other inventories	**26,968**	26,707
Gas condensate	**3,839**	4,310
Crude oil	**1,754**	306
LPG	**123**	57
Dry gas	**32**	–
Sulphur	**8**	7
	32,724	31,387

As at 30 June 2022 and 31 December 2021 inventories are carried at cost.

7. Prepayments and other current assets

As at 30 June 2022 and 31 December 2021 prepayments and other current assets comprised the following:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
VAT receivable	**4,599**	4,511
Advances paid	**2,779**	1,860
Other taxes receivable	**2,697**	1,675
Other	**154**	246
	10,229	8,292

Advances paid consist primarily of prepayments made to service providers. As at 30 June 2022 the impaired advances paid amounted to US$ 41 thousand (31 December 2021: US$41 thousand).

8. Trade receivables

As at 30 June 2022 and 31 December 2021 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Trade receivables are collected on average within a period of 30-120 days.

As at 30 June 2022 and 31 December 2021 there were neither past due nor impaired trade receivables. Based on the assessments made, the Partnership concluded that no provision for expected credit losses should be recognized as at 30 June 2022 and 31 December 2021.

Notes to the interim condensed financial statements (continued)

9. Cash and cash equivalents

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Current accounts in US Dollars	**63,102**	48,186
Current accounts in Tenge	**135**	5,539
Current accounts in Euro	**21**	–
Petty cash	**10**	8
	63,268	53,733

In addition to the cash and cash equivalents in the table above, the Partnership has restricted cash accounts as a liquidation fund deposits of US$44 thousand and US$7,719 thousand with Halyk bank (31 December 2021: US$47 thousand with Sberbank in Kazakhstan and US$ 7,719 thousand with Halyk bank), which are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

10. Borrowings

Borrowings are comprised of the following as at 30 June 2022 and 31 December 2021:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Notes issued in 2012 and maturing in 2033	**560,000**	559,937
Notes issued in 2014 and maturing in 2033	**399,641**	399,581
Loan due to Nostrum Oil & Gas Finance B.V.	**210,043**	207,523
	1,169,684	1,167,041
Less amounts due within 12 months	**(14,057)**	(11,537)
	1,155,627	1,155,504

2012 and 2014 Notes

On 13 November 2012, Zhaikmunai International B.V. issued US$560,000 thousand notes (the "2012 Notes") with maturity on 13 November 2019. On 24 April 2013 Zhaikmunai LLP replaced Zhaikmunai International B.V. as issuer of the 2012 Notes and assumed all of the obligations of the issuer under the 2012 Notes.

On 14 February 2014, Nostrum Oil & Gas Finance B.V., a subsidiary of Nostrum Oil & Gas PLC, issued US$400,000 thousand notes (the "2014 Notes") with maturity on 14 February 2019. On 6 May 2014, Zhaikmunai replaced Nostrum Oil & Gas Finance B.V. as issuer of the 2014 Notes and assumed all of the obligations of the issuer under the 2014 Notes.

On 25 July 2017, Nostrum Oil & Gas Finance B.V. (the "2017 Issuer") issued US$725,000 thousand notes (the "2017 Notes") with maturity on 25 July 2022. The issue of the 2017 Notes was used primarily to fund the purchases from bondholders of US$390,884 thousand in principal amount of the outstanding 2012 Notes and US$215,924 thousand in principal amount of the outstanding 2014 Notes.

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2018 Issuer") issued US$400,000 thousand notes (the "2018 Notes") with maturity on 16 February 2025. On 17 February 2018, the outstanding 2012 Notes and the 2014 Notes held by persons other than Nostrum Oil & Gas PLC and its subsidiaries were purchased from the bondholders by Nostrum Oil & Gas Finance B.V.

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

Guarantee of 2017 Notes

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

As at 25 July 2017, the Partnership recognised the granted guarantee liability at the fair value of US$5,177 thousand, which was the present value of the guarantee premium estimated based on the assessment of credit risk of the 2017 Issuer. The present value of the estimated guarantee premium was discounted by the 2017 Notes' interest rate. During the six months ended 30 June 2022, the Partnership recognised guarantee gain in the amount of US$601 thousand and the outstanding balance of the guarantee as at 30 June 2022, both current and non-current totaled US$85 thousand (31 December 2021: US$686 thousand).

Guarantee of 2018 Notes

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

As at 16 February 2018, the Partnership recognised the granted guarantee liability at the fair value of US$2,057 thousand, which was the present value of the guarantee premium estimated based on the assessment of credit risk of the 2018 Issuer. The present value of the estimated guarantee premium was discounted by the 2018 Notes' interest rate. During the six months ended 30 June 2022, the Partnership recognized guarantee gain in the amount of US$150 thousand and the outstanding balance of the guarantee as at 30 June 2022, both current and non-current totaled US$886 thousand (31 December 2021: US$1,037 thousand).

Notes to the interim condensed financial statements (continued)

Loans due to Nostrum Oil & Gas B.V.

On 1 July 2008 the Partnership signed a loan agreement with Nostrum Oil & Gas B.V. (previously known as Frans van der Schoot B.V. and Zhaikmunai Netherlands B.V.) under which the latter provided the Partnership with a US$ 90,276 thousand loan at an annual interest rate of two times LIBOR. On 15 September 2009 Nostrum Oil & Gas B.V. provided an additional loan of US$ 261,650 thousand at then prevailing interest rate of 2.6% per year. Subsequently, the interest rate was changed to 6.625% and the maturity date was moved to 31 December 2022.

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

Effective from 1 May 2021, the interest rate was changed to 2.8%. Effective from 14 July 2021, the interest rate of the intra-group loan with Nostrum Oil & Gas Finance B.V. was changed to 2.8% in respect of interest periods starting on or after 1 May 2020. The income from reversal of the previous period borrowing costs in the amount of US$ 4,896 thousand was recognised in finance costs in the fourth quarter of 2021.

The outstanding balance of the loan as at 30 June 2022 has an interest rate of 2.8% (31 December 2021: 2.8%).

11. Trade payables

Trade payables comprise the following as at 30 June 2022 and 31 December 2021:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Tenge denominated trade payables	**5,164**	5,873
US Dollar denominated trade payables	**522**	597
Russian Rouble denominated trade payables	**47**	122
Euro denominated trade payables	**6**	118
	5,739	6,710

12. Other current liabilities

Other current liabilities comprise the following as at 30 June 2022 and 31 December 2021:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Training obligations accrual	**8,071**	8,684
Other accruals	**4,908**	5,425
Taxes payable, including corporate income tax	**3,177**	3,922
Due to employees	**2,297**	1,701
Other current liabilities	**695**	701
	19,148	20,433

13. Revenue

	Three months ended 30 June		**Six months ended 30 June**	
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited)	**2022 (unaudited)**	2021 (unaudited)
Revenue from oil and gas condensate sales	**36,374**	36,384	**85,583**	71,611
Revenue from gas and LPG sales	**11,232**	9,732	**22,219**	20,695
Revenue from sulphur sales	**30**	5	**30**	5
	47,636	46,121	**107,832**	92,311

The pricing for all of the Partnership's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price for the six months ended 30 June 2022 was US$104.9/bbl (six months ended 30 June 2021: US$65.2/bbl).

During the six months ended 30 June 2022 the revenue from sales to three major customers amounted to US$82,153 thousand, US$6,814 thousand and US$5,106 thousand respectively (six months ended 30 June 2021: US$68,011 thousand, US$9,568 thousand and US$3,720 thousand, respectively). The Partnership's exports are mainly represented by deliveries to the Baltic ports of Russia.

Notes to the interim condensed financial statements (continued)

14. Cost of sales

In thousands of US Dollars	Three months ended 30 June 2022 (unaudited)	Three months ended 30 June 2021 (unaudited, restated*)	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited, restated*)
Depreciation, depletion and amortisation	**13,202**	14,253	**27,208**	30,000
Payroll and related taxes	**2,986**	2,991	**6,108**	5,669
Repair, maintenance and other services	**1,396**	1,711	**2,892**	2,967
Materials and supplies	**1,018**	1,567	**1,893**	2,220
Well repair and maintenance costs	**634**	763	**1,554**	1,162
Management fees	**718**	867	**1,452**	1,750
Transportation services	**554**	722	**1,159**	1,302
Environmental levies	**10**	82	**45**	114
Change in stock	**(511)**	(939)	**(1,076)**	2
Other	**125**	123	**209**	191
	20,132	**22,140**	**41,444**	**45,377**

A restatement and certain reclassifications have been made to the prior year's disclosure of the cost of sales to enhance comparability with the current year's financial statements, please refer to Note 3 for more detail.

15. General and administrative expenses

In thousands of US Dollars	Three months ended 30 June 2022 (unaudited)	Three months ended 30 June 2021 (unaudited)	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited, restated*)
Payroll and related taxes	**741**	807	**1,583**	1,441
Management fees	**254**	253	**596**	493
Professional services	**136**	159	**292**	301
Insurance fees	**59**	60	**116**	119
Communication	**45**	46	**90**	91
Business travel	**40**	20	**63**	33
Depreciation and amortisation	**35**	30	**70**	76
Materials and supplies	**26**	23	**62**	47
Bank charges	**7**	12	**17**	25
Other	**50**	31	**140**	47
	1,393	**1,441**	**3,029**	2,673

16. Selling and transportation expenses

In thousands of US Dollars	Three months ended 30 June 2022 (unaudited)	Three months ended 30 June 2021 (unaudited)	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
Transportation costs	**1,995**	2,315	**4,046**	5,076
Loading and storage costs	**2,152**	1,581	**4,081**	3,103
Payroll and related taxes	**272**	289	**568**	556
Marketing services	**42**	646	**114**	1,392
Depreciation of right-of-use assets	**–**	667	**–**	1,336
Other	**379**	386	**743**	683
	4,840	5,884	**9,552**	12,146

17. Taxes other than income tax

In thousands of US Dollars	Three months ended 30 June 2022 (unaudited)	Three months ended 30 June 2021 (unaudited)	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
Export customs duty	**1,834**	1,940	**4,250**	3,560
Royalties	**2,108**	1,721	**4,422**	3,457
Government profit share	**499**	380	**979**	738
Other taxes	**2**	2	**3**	5
	4,443	**4,043**	**9,654**	7,760

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.

Notes to the interim condensed financial statements (continued)

18. Finance costs

	Three months ended 30 June		Six months ended 30 June	
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited)	**2022 (unaudited)**	2021 (unaudited)
Interest expense on borrowings	**23,725**	25,036	**47,838**	51,049
Unwinding of discount on amounts due to Government of Kazakhstan	**182**	190	**364**	381
Unwinding of discount on lease liability	**–**	71	**–**	174
Unwinding of discount on abandonment and site restoration provision	**70**	70	**139**	140
	23,977	**25,367**	**48,341**	51,744

19. Other income and other expenses

For the six months ended 30 June 2022 and 2021 other income comprise the following:

	Three months ended 30 June		Six months ended 30 June	
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited)	**2022 (unaudited)**	2021 (unaudited)
Reversals of other accruals	**217**	257	**1,142**	492
Reversals of training accruals	**554**	372	**1,107**	745
Financial guarantee income	**381**	353	**751**	695
Currency conversion	**120**	16	**264**	41
Catering and accommodation	**57**	65	**117**	97
Compensation for damages	**–**	–	**–**	1,549
Other	**132**	542	**234**	558
	1,461	**1,605**	**3,615**	**4,177**

For the six months ended 30 June 2022 and 2021 other expenses comprise the following:

	Three months ended 30 June		Six months ended 30 June	
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited)	**2022 (unaudited)**	2021 (unaudited)
Training accruals	**313**	117	**626**	243
Sponsorship	**368**	12	**369**	14
Currency conversion	**272**	35	**358**	68
Other taxes and penalties	**161**	66	**338**	315
Social program	**78**	78	**156**	156
Loss on disposal of property, plant and equipment	**–**	1	**1**	14
Other (reversals) / accruals	**–**	(18)	**–**	22
Other	**37**	(19)	**93**	138
	1,229	**272**	**1,941**	**970**

20. Income tax expense

	Three months ended 30 June		Six months ended 30 June	
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited, restated*)	**2022 (unaudited)**	2021 (unaudited, restated*)
Deferred income tax expense	**4,455**	2,826	**13,807**	6,840
Adjustment in respect of the deferred income tax for the prior periods	**(8)**	584	**(8)**	584
	4,447	**3,410**	**13,799**	**7,424**

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the six months ended 30 June 2022. 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 Partnership's tax bases of non-monetary assets and liabilities is determined in tenge. Therefore, any change in the US dollar/tenge exchange rates results in a change in the temporary difference between the tax bases of non-current assets and their carrying amounts in the financial statements.

Notes to the interim condensed financial statements (continued)

21. Related party transactions

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

Borrowings from related parties as at 30 June 2022 and 31 December 2021 consisted of the following:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**210,043**	207,523

During the six months ended 30 June 2022 and 2021 the Partnership had the following transactions with related parties:

	Three months ended 30 June		Six months ended 30 June	
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited)	**2022 (unaudited)**	2021 (unaudited)
Received borrowings				
Under common control:				
Nostrum Oil & Gas Finance B.V.	**–**	20,300	**–**	20,300
Purchases				
Under common control:				
Nostrum Services N.V.	**1,016**	1,257	**2,164**	2,519

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$882 thousand for the six months ended 30 June 2022 (the six months ended 30 June 2021: US$782 thousand). Other key management personnel were employed and paid by Nostrum Services N.V. and their remuneration forms part of management fees and consulting services above.

22. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe and where the tax authorities disagree with the positions taken by the Partnership the financial outcomes could be material. Administrative fines are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2022. As at 30 June 2022 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 30 June 2022, the Partnership had contractual capital commitments in the amount of US$6,952 thousand (31 December 2021: US$10,029 thousand), mainly in respect to the Partnership's oil field development activities.

Notes to the interim condensed financial statements (continued)

Social and education commitments

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

- spend US$ 300 thousand per annum to finance social infrastructure;
- make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens.

Domestic oil sales

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

Impact of sanctions on Russia

The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's main operating company, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions impacted upon on it, the country is connected to Russia through infrastructure, banking, and other business links. The Partnership currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Partnership contracts with a limited number of Russian service companies. The Partnership will need to be cognisant of the current and evolving sanctions list to ensure it is conducting business in compliance with these sanctions and, if it is foreseen that it will not be, the necessary alternatives will need to be set up to be compliant whilst continuing to conduct ordinary course of business.

23. Fair values of financial instruments

Management assessed that the fair value of cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts at 30 June 2022 and 31 December 2021.

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

	Carrying amount		Fair value	
In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Interest bearing borrowings	**(1,169,684)**	(1,167,041)	**(438,678)**	(466,228)
Finance guarantee	**(971)**	(1,723)	**(2,007)**	(1,581)
	(1,170,655)	**(1,168,764)**	**(440,685)**	**(467,809)**

24. Events after the reporting period

Consent of MOE

A condition to the Restructuring was the receipt of consent of the Kazakhstan MOE with respect to (i) the issue of new shares and warrants (in partial repayment of the Existing Notes) and (ii) the waiver of the State of Kazakhstan's priority right to acquire such new shares and warrants. On 1 July 2022, the Company received the required MOE Consent, which is the key regulatory consent required in the Republic of Kazakhstan for completion of the Restructuring.

Maturity date of Group US$725 million 8.0% senior notes due 2022

25 July 2022 was the maturity date of the 2022 Notes. Due to the ongoing Restructuring, which includes the previously announced FBAs and Lock-up Agreement, the Company did not take any additional further action following the maturity of the 2022 Notes. Please see Note 1 for further details on the restructuring activities.

Invitation to Submit Account Holder Letter and Notice of Scheme Meeting

On 1 August 2022 the Company issued a notice inviting Scheme creditors to submit their Account Holder Letters (in accordance with the instructions set out in the Explanatory Statement), and gave notice that Scheme meeting will take place virtually by webinar, via Zoom, on 22 August 2022 at, or as soon as reasonably practicable after, 11:00am (London time), or any such other time as the Company may decide and notify to the Scheme creditors.