# Zhaikmunai LLP

*Interim condensed financial statements (unaudited)*

*For the six months ended 30 June 2023*

# Contents

# Statement of financial position

| *In thousands of US Dollars* | Notes | 30 June 2023 | 31 December 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **262,599** | 276,043 |
| Advances for non-current assets | 5 | **1,465** | 1,672 |
| Restricted cash | 9 | **8,225** | 8,220 |
| | | **272,289** | 285,935 |
| **Current assets** | | | |
| Inventories | 6 | **29,817** | 30,196 |
| Prepayments and other current assets | 7 | **5,793** | 3,637 |
| Trade receivables | 8 | **12,407** | 12,394 |
| Cash and cash equivalents | 9 | **12,351** | 41,694 |
| | | **60,368** | 87,921 |
| **TOTAL ASSETS** | | **332,657** | 373,856 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Partnership capital | | **4,112** | 4,112 |
| Other reserves | | **32,586** | 32,586 |
| Retained deficit and reserves | | **(1,005,886)** | (953,918) |
| | | **(969,188)** | (917,220) |
| **Non-current liabilities** | | | |
| Long-term borrowings | 10 | **1,191,886** | 1,155,751 |
| Long-term finance guarantee | 10 | **191** | 351 |
| Abandonment and site restoration provision | | **21,045** | 20,073 |
| Due to Government of Kazakhstan | | **3,813** | 4,002 |
| Deferred tax liability | | **47,344** | 50,076 |
| | | **1,264,279** | 1,230,253 |
| **Current liabilities** | | | |
| Current portion of long-term borrowings | 10 | **4,483** | 4,433 |
| Current portion of finance guarantee | 10 | **382** | 382 |
| Trade payables | 11 | **7,327** | 7,764 |
| Advances received | | **50** | 52 |
| Income tax payable | | **1,105** | 20,596 |
| Current portion of due to Government of Kazakhstan | | **1,031** | 1,031 |
| Other current liabilities | 12 | **23,188** | 26,565 |
| | | **37,566** | 60,823 |
| **TOTAL EQUITY AND LIABILITIES** | | **332,657** | 373,856 |

General Director of Zhaikmunai LLP ________ *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP ________ *Olga Shoshinova*

The accounting policies and explanatory notes on pages 6 through 15 are an integral part of these interim condensed financial statements

# Statement of comprehensive income

| *In thousands of US Dollars* | Notes | For the three months ended 30 June 2023 | For the three months ended 30 June 2022 | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from export sales | | **32,316** | 42,603 | **43,770** | 97,558 |
| Revenue from domestic sales | | **3,181** | 5,033 | **9,065** | 10,274 |
| | 13 | **35,497** | 47,636 | **52,835** | 107,832 |
| Cost of sales | 14 | **(22,546)** | (20,132) | **(38,386)** | (41,444) |
| **Gross profit** | | **12,951** | 27,504 | **14,449** | 66,388 |
| General and administrative expenses | 15 | **(1,470)** | (1,393) | **(2,825)** | (3,029) |
| Selling and transportation expenses | 16 | **(3,524)** | (4,840) | **(5,837)** | (9,552) |
| Taxes other than income tax | 17 | **(5,180)** | (4,443) | **(6,350)** | (9,654) |
| Finance costs | 18 | **(24,852)** | (23,977) | **(48,864)** | (48,341) |
| Foreign exchange gain/( loss) | | **26** | 309 | **(692)** | 90 |
| Interest income | | **59** | 35 | **122** | 97 |
| Other income | 19 | **981** | 1,461 | **1,354** | 3,615 |
| Other expenses | 19 | **(1,469)** | (1,229) | **(3,377)** | (1,941) |
| **Loss before income tax** | | **(22,478)** | (6,573) | **(52,020)** | (2,327) |
| Current income tax (expense)/benefit | | **(2,680)** | 8 | **(2,680)** | 8 |
| Deferred income tax (expense)/benefit | | **(838)** | (4,455) | **2,732** | (13,807) |
| **Income tax (expense)/benefit** | 20 | **(3,518)** | (4,447) | **52** | (13,799) |
| **Loss for the period** | | **(25,996)** | (11,020) | **(51,968)** | (16,126) |
| Other comprehensive loss | | **–** | – | – | – |
| **Total comprehensive loss for the period** | | **(25,996)** | **(11,020)** | **(51,968)** | (16,126) |

General Director of Zhaikmunai LLP — *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

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# Statement of cash flows

| *In thousands of US Dollars* | Notes | For the six months ended 30 June 2023 | 2022 |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Loss before income tax | | **(52,020)** | (2,327) |
| *Adjustments for:* | | | |
| Depreciation, depletion and amortisation | 14,15,16 | **20,312** | 27,278 |
| Finance costs | 18 | **48,864** | 48,341 |
| Interest income | | **(122)** | (97) |
| Foreign exchange loss on investing and financing activities | | **196** | 833 |
| Loss on disposal of property, plant and equipment | | **685** | – |
| Finance guarantee gain | 10 | **(161)** | (751) |
| **Operating profit before working capital changes** | | **17,754** | 73,277 |
| *Changes in working capital:* | | | |
| Change in inventories | | **549** | (1,178) |
| Change in trade receivables | | **(13)** | (4,251) |
| Change in prepayments and other current assets | | **(2,156)** | (1,937) |
| Change in trade payables | | **678** | (674) |
| Change in advances received | | **(2)** | 84 |
| Change in due to Government of Kazakhstan | | **(516)** | (516) |
| Change in other current liabilities | | **(12,152)** | (1,574) |
| **Cash generated from operations** | | **4,142** | 63,231 |
| Income tax paid | | **(13,991)** | (280) |
| **Net cash flows (used)/from operating activities** | | **(9,849)** | 62,951 |
| **Cash flow from investing activities:** | | | |
| Interest received | | **122** | 97 |
| Purchase of property, plant and equipment | | **(7,838)** | (5,919) |
| Advances for non-current assets | | **207** | (1,368) |
| Transfer to restricted cash | | **(4)** | – |
| **Net cash used in investing activities** | | **(7,513)** | (7,190) |
| **Cash flow from financing activities:** | | | |
| Finance costs paid | | **(48,041)** | (45,600) |
| Proceeds from borrowings | | **46,000** | – |
| Repayment of borrowings | | **(10,000)** | – |
| **Net cash used in financing activities** | | **(12,041)** | (45,600) |
| Effects of exchange rate changes on cash and cash equivalents | | **60** | (626) |
| **Net increase in cash and cash equivalents** | | **(29,343)** | 9,535 |
| **Cash and cash equivalents at the beginning of the period** | 9 | **41,694** | 53,733 |
| **Cash and cash equivalents at the end of the period** | 9 | **12,351** | 63,268 |

General Director of Zhaikmunai LLP — *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

Қазақстан Республикасы Батыс Қазақстан обл. Орал қ. «ЖАЙЫҚМҰНАЙ» ЖАУАПКЕРШІЛІГІ ШЕКТЕУЛІ СЕРІКТЕСТІГІ • ТОВАРИЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ • Республика Казахстан Зап.-Каз. обл. г. Уральск ЖАИКМУНАЙ

The accounting policies and explanatory notes on pages 6 through 15 are an integral part of these interim condensed financial statements

# Statement of changes in equity

| *In thousands of US Dollars* | Partnership capital | Other reserves | Accumulated losses | Total |
|---|---|---|---|---|
| **As at 1 January 2022** | **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** | **4,112** | **32,586** | **(886,774)** | **(850,076)** |
| Loss for the period | – | – | (67,144) | (67,144) |
| Total comprehensive loss for the period | – | – | **(67,144)** | **(67,144)** |
| **As at 31 December 2022** | **4,112** | **32,586** | **(953,918)** | **(917,220)** |
| Loss for the period | – | – | (51,968) | (51,968) |
| Total comprehensive loss for the period | – | – | (51,968) | (51,968) |
| **As at 30 June 2023** | **4,112** | **32,586** | **(1,005,886)** | **(969,188)** |

General Director of Zhaikmunai LLP Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP Olga Shoshinova

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# Notes to the 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 the interim condensed financial statements were authorised for issue by the Partnership's General Director and Chief Accountant on 28 August 2023.

### 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, 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 Parent 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 (financial) and Akin Gump LLP (legal). The Parent has also been in discussions with its largest shareholder ICU Holdings Limited ("ICU"), also a holder of the Existing Notes, and their legal advisors Dechert LLP from 2021.

***Forbearance Agreements***

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 Parent continued active discussions with the financial and legal advisers to the AHG and signed the 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.

As part of the signing of the FBAs, the Parent agreed to pay consent fees to existing noteholders as well as agreeing to deposit a portion of the missed initial coupon payments into a Restricted Account. A total of US$6,701,973 has been paid in consent fees during the signing and various extensions of the FBAs, of which US$1,116,990 was paid in 2021. A total of US$22,658,980 has been deposited into the Restricted Account under the terms of the FBAs (including US$9,758.980 transferred in 2021), with the Group having access to the funds under certain circumstances, such as liquidity falling below an agreed threshold).

***Lock-up Agreements***

On 23 December 2021, the Group entered into a lock-up agreement (the "First LUA") and agreed terms of a restructuring with noteholders. Holders of 77.73% of the total aggregate principal amount of the Notes signed or acceded to the First LUA including a majority of holders of aggregate principal amount of both Senior Notes and an affiliate of ICU in its capacity as a shareholder and holder of the Notes. A fee of 50 bps (the "Lock-up Fee") was payable to each Participating Noteholder who was originally party to the First LUA or acceded to the First LUA within 22 days of its execution (i.e. by 14 January 2022).

The First LUA expired on 17 August 2022, on which day the Parent entered into the Second Lock-Up Agreement with the AHG and ICU (the "Second LUA"). The parties to the Second LUA gave similar undertakings to those given in the First LUA, and terms of the Restructuring remained the same. No consent or "early bird" fee was payable in relation to the Second LUA.

# Notes to the financial statements (continued)

Upon signing of the First LUA and the Second LUA (together the "LUAs"), the Second FBA was extended in parallel.

***Terms of the Restructuring***

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

- Partial reinstatement of debt in the form of US$250 million Senior Secured Notes (SSNs) maturing on 30 June 2026 and bearing interest at a rate of 5.00% per year payable in cash. The SSNs are not convertible;
- Partial reinstatement of debt in the form of US$300 million Senior Unsecured Notes (SUNs) maturing on 30 June 2026 and bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind. If not repaid in cash at maturity, the SUNs are repayable in specie through the issuance of equity in the Parent based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Parent (up to a maximum of 99.99% of the Parent's fully diluted equity);
- Conversion of the remainder of the Existing Notes and accrued interest into equity by way of a UK scheme of arrangement:
  - Existing noteholders own 88.89% of the expanded share capital of the Parent on closing of the restructuring. Existing noteholders also own warrants (to be held by trustee) allowing them to subscribe for an additional 1.11% of the share capital of the Parent upon exercise – increasing noteholder ownership of the Parent to 90.00%;
  - The existing shareholders hold 11.11% upon closing of the restructuring. The existing shareholders diluted to 10.00% if the warrants held by existing noteholders are exercised;
- 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 requiring that 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 Parent can access with approval of the majority of Independent Non-Executive Directors of the Parent; and
- Transfer the Parent 's listing to the Standard Listing segment of the London Stock Exchange.

***Key milestones***

Following execution of the Lock-up Agreement, the Parent commenced implementation of the Restructuring.

On 4 February 2022, the Parent received the required consents from noteholders after a solicitation process to approve the amendments to the Existing Notes indentures. The approved amendments (i) changed 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 meant that the restructuring continues 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 Parent permission to convene a meeting for the Scheme creditors to approve the Restructuring.

On 1 July 2022, the Parent 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.

On 1 August 2022, after receiving a key regulatory authorisation from the US Office of Foreign Assets Control, the Parent issued a notice inviting Scheme creditors to a Scheme meeting on 21 August 2022. At the Scheme meeting with participation and voting (by proxy) of 148 Scheme Creditors, the Scheme proposed by the Parent in connection with the Restructuring was approved by the requisite majority of Scheme Creditors (being a majority in number, representing at least 75 percent in value of the Scheme Creditors present and voting).

On 26 August 2022, the Scheme Sanction Hearing took place, whereby the Court made an order sanctioning the Scheme, following which on 31 August 2022 the Scheme Sanction Order was lodged with Companies House and the Scheme thereby took effect and binds (amongst other parties) all Scheme Creditors and the Parent by its terms.

On 14 October 2022, a prospectus was approved by the FCA and published by the Parent (the 'Prospectus'). The Prospectus relates to the proposed admission of up to 1,505,633,046 new ordinary shares to the standard listing segment of the Official List of the FCA and to trading on the main market for listed securities of London Stock Exchange plc.

On 4 November 2022 the Group therefore proposed to amend the definition of "Longstop Date" in the Scheme (pursuant to Clause 8.1 thereof) and the Implementation Deed (pursuant to Clause 16.1 thereof) to 16 February 2023 (the "Extension"). The Extension was approved by Noteholders constituting the Majority Scheme Creditors and was effected on 21 November 2022.

In January 2023, the Group received the licence from Office of Financial Sanctions Implementation (the UK) approving the Scheme and the issue of the Prospectus, and confirmations that such licences are not required from the Ministry of Finance (the Netherlands) and Policy & Resources Committee (the UK, States of Guernsey).

***Restructuring completion***

On 9 February the Group notified that the Restructuring was implemented pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022. The terms of the Restructuring included the sub-division and consolidation of the ordinary share capital of the Parent following the issue of the New Shares on 9 February 2023. This sub-division and share consolidation occurred after close of business on 9 February 2023 and resulted in the number of Ordinary Shares on issue being reduced from approximately 1,693.8 million Ordinary Shares (following the issue of the New Shares yesterday) to approximately 169.4 million Ordinary Shares on the basis of a 10:1 consolidation of ordinary shares. Accordingly, on 10 February 2023, 150,563,304 new Ordinary Shares have been admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange under the ticker symbol "NOG.L". The Parent 's ordinary shares (including the New Shares) were also admitted to listing and trading on the Astana International Exchange (AIX) on 13 February 2023. The New Warrants

# Notes to the financial statements (continued)

## 2. Basis of preparation

These interim condensed financial statements for the six months ended 30 June 2023 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 2022. The interim condensed financial information for six months ended 30 June 2023 and 2022 is neither audited nor reviewed by the auditors.

### Going concern

These interim condensed financial statements have been prepared on a going concern basis. The directors are satisfied that the Partnership 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.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### 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 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 financial statements are consistent with those followed in the preparation of the Partnership's annual

**IAS 8.30 IAS 8.31(d) IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Partnership.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments have not had a material impact on the Partnership's financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments have not had a material impact on the Partnership's financial statements.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

# Notes to the financial statements (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The amendments have not had a material impact on the Partnership's financial statements.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments have not had a material impact on the Partnership's financial statements.

## 4. Property, plant and equipment

During the six months ended 30 June 2023 the Partnership had additions of property, plant and equipment of US$ 7,673 thousand (six months ended 30 June 2022: US$ 6,018 thousand). These additions are mostly associated with commencement of construction of the gas lift system and capitalised interest US$ 938 thousand (six months ended 30 June 2022: US$ 685 thousand). See Note 22 for capital commitments.

## 5. Advances for non-current assets

As at 30 June 2023 and 31 December 2022 advances for non-current assets comprised the following:

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| Advances for construction materials | **85** | 1,090 |
| Advances for construction services | **1,380** | 582 |
| | **1,465** | 1,672 |

## 6. Inventories

As at 30 June 2023 and 31 December 2022 inventories comprised the following:

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| Spare parts and other inventories | **26,945** | 26,720 |
| Crude oil | **1,503** | 1,182 |
| Gas condensate | **1,014** | 1,905 |
| LPG | **289** | 335 |
| Dry gas | **59** | 46 |
| Sulphur | **7** | 8 |
| | **29,817** | 30,196 |

As at 30 June 2023 and 31 December 2022 inventories are carried at cost.

## 7. Prepayments and other current assets

As at 30 June 2023 and 31 December 2022 prepayments and other current assets comprised the following:

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| VAT receivable | **3,365** | 484 |
| Advances paid | **1,468** | 2,318 |
| Other taxes receivable | **843** | 761 |
| Other | **117** | 74 |
| | **5,793** | **3,637** |

Advances paid consist primarily of prepayments made to service providers. As at 30 June 2023 the impaired VAT receivable amounted to US$568 thousand and the impaired advances paid amounted to US$26 thousand (31 December 2022 impaired advances paid: US$26 thousand).

## 8. Trade receivables

As at 30 June 2023 and 31 December 2022 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 2023 and 31 December 2022 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 2023 and 2022.

# Notes to the financial statements (continued)

## 9. Cash and cash equivalents

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| Current accounts in US Dollars | **11,401** | 28,739 |
| Current accounts in other currencies | **547** | – |
| Current accounts in Tenge | **396** | 12,949 |
| Petty cash | **7** | 6 |
| | **12,351** | 41,694 |

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$8,225 thousand with Halyk bank (31 December 2022: US$ 8,220 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 2023 and 31 December 2022:

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| Notes issued in 2012 and maturing in 2033 | **560,133** | 560,063 |
| Notes issued in 2014 and maturing in 2033 | **399,766** | 399,701 |
| Loan due to Nostrum Oil & Gas Finance B.V. | **236,470** | 200,420 |
| | **1,196,369** | 1,160,184 |
| Less amounts due within 12 months | **(4,483)** | (4,433) |
| | **1,191,886** | 1,155,751 |

### 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.

### 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 six months ended 30 June 2023 , the Partnership recognized guarantee gain in the amount of US$79 (six months ended 30 June 2022: US$150 thousand ) thousand and the outstanding balance of the guarantee as at 31 December 2022, both current and non-current totaled US$654 thousand.

### Loan due to Nostrum Oil & Gas Finance 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

# Notes to the financial statements (continued)

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 2032.

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 third quarter of 2021.

The outstanding balance of the loan as at 30 June 2023 has an interest rate of 2.8% (31 December 2022: 2.8%).

## 11. Trade payables

Trade payables comprise the following as at 30 June 2023 and 31 December 2022:

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| Tenge denominated trade payables | **6,950** | 6,942 |
| Euro denominated trade payables | **309** | 453 |
| US Dollar denominated trade payables | **49** | 228 |
| Russian Rouble denominated trade payables | **19** | 141 |
| | **7,327** | 7,764 |

## 12. Other current liabilities

Other current liabilities comprise the following as at 30 June 2023 and 31 December 2022:

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| Other accruals | **11,040** | 14,983 |
| Training obligations accrual | **6,853** | 6,441 |
| Due to employees | **2,798** | 1,770 |
| Taxes payable | **1,701** | 2,613 |
| Other current liabilities | **796** | 758 |
| | **23,188** | **26,565** |

## 13. Revenue

| | Three months ended 30 June | | **Six months ended 30 June** | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Revenue from oil and gas condensate sales | **30,966** | 36,374 | **44,095** | 85,583 |
| Revenue from gas and LPG sales | **4,531** | 11,232 | **8,738** | 22,219 |
| Revenue from sulphur sales | **–** | 30 | **2** | 30 |
| | **35,497** | **47,636** | **52,835** | 107,832 |

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 2023 was US$ 79.9/bbl (six monthes ended 30 June 2022 : US$104.9/bbl).

During the six months ended 30 June 2023 the revenue from sales to three major customers amounted to US$19,691 thousand, US$19,305 thousand and US$5,100 thousand respectively (six months ended 30 June 2022 : US$82,153 thousand, US$6,814 thousand and US$5,106 thousand, respectively.

## 14. Cost of sales

| | Three months ended 30 June | | **Six months ended 30 June** | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | **2022** | **2023** | 2022 |
| Depreciation, depletion and amortisation | **10,058** | 13,202 | **20,224** | 27,208 |
| Payroll and related taxes | **3,637** | 2,986 | **7,391** | 6,108 |
| Repair, maintenance and other services | **1,554** | 1,396 | **3,289** | 2,892 |
| Well repair and maintenance costs | **1,940** | 634 | **2,956** | 1,554 |
| Materials and supplies | **1,290** | 1,018 | **2,379** | 1,893 |
| Transportation services | **601** | 554 | **1,173** | 1,159 |
| Change in stock | **3,245** | (511) | **604** | (1,076) |

# Notes to the financial statements (continued)

| | | | | |
|---|---|---|---|---|
| Environmental levies | **29** | 10 | **56** | 45 |
| Management fees | **–** | 718 | **–** | 1,452 |
| Other | **192** | 125 | **314** | 209 |
| | **22,546** | **20,132** | **38,386** | 41,444 |

## 15. General and administrative expenses

| | Three months ended 30 June | | **Six months ended 30 June** | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Payroll and related taxes | **931** | 741 | **1,835** | 1,583 |
| Professional services | **263** | 136 | **444** | 292 |
| Insurance fees | **68** | 59 | **137** | 116 |
| Depreciation and amortisation | **44** | 35 | **88** | 70 |
| Communication | **37** | 45 | **78** | 90 |
| Business travel | **39** | 40 | **58** | 63 |
| Materials and supplies | **36** | 26 | **57** | 62 |
| Bank charges | **3** | 7 | **6** | 17 |
| Management fees | **–** | 254 | **–** | 596 |
| Other | **49** | 50 | **122** | 140 |
| | **1,470** | **1,393** | **2,825** | 3,029 |

## 16. Selling and transportation expenses

| | Three months ended 30 June | | **Six months ended 30 June** | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Transportation costs | **1,620** | 1,995 | **2,390** | 4,046 |
| Loading and storage costs | **1,158** | 2,152 | **1,967** | 4,081 |
| Payroll and related taxes | **328** | 272 | **663** | 568 |
| Marketing services | **–** | 42 | **–** | 114 |
| Other | **418** | 379 | **817** | 743 |
| | **3,524** | 4,840 | **5,837** | 9,552 |

## 17. Taxes other than income tax

| | Three months ended 30 June | | **Six months ended 30 June** | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Export customs duty | **3,872** | 1,834 | **3,872** | 4,250 |
| Royalties | **1,069** | 2,108 | **1,982** | 4,422 |
| Government profit share | **237** | 499 | **493** | 979 |
| Other taxes | **2** | 2 | **3** | 3 |
| | **5,180** | 4,443 | **6,350** | 9,654 |

## 18. Finance costs

| | Three months ended 30 June | | **Six months ended 30 June** | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Interest expense on borrowings | **23,782** | 23,725 | **47,565** | 47,838 |
| Unwinding of discount on amounts due to Government of Kazakhstan | **163** | 182 | **327** | 364 |
| Unwinding of discount on abandonment and site restoration provision | **907** | 70 | **972** | 139 |
| | **24,852** | **23,977** | **48,864** | 48,341 |

# Notes to the financial statements (continued)

## 19. Other income and other expenses

For the six months ended 30 June 2023 and 2022 other expenses comprise the following:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Other taxes and penalties | **358** | 161 | **1,688** | 338 |
| Loss on disposal of property, plant and equipment | **646** | – | **685** | 1 |
| Training accruals | **298** | 313 | **565** | 626 |
| Currency conversion | **66** | 272 | **156** | 358 |
| Social program | **77** | 78 | **155** | 156 |
| Sponsorship | **6** | 368 | **16** | 369 |
| Other | **18** | 37 | **112** | 93 |
| | **1,469** | 1,229 | **3,377** | 1,941 |

For the six months ended 30 June 2023 and 2022 other income comprise the following:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Reversals of other accruals | **821** | 217 | **821** | 1,142 |
| Finance guarantee gain | **82** | 381 | **161** | 751 |
| Currency conversion | **60** | 120 | **112** | 264 |
| Reversal of other taxes and penalties | **(8)** | – | **25** | – |
| Reversals of training accruals | **16** | 554 | **21** | 1,107 |
| Catering and accommodation | **(7)** | 57 | **14** | 117 |
| Other | **17** | 132 | **200** | 234 |
| | **981** | 1,461 | **1,354** | **3,615** |

## 20. Income tax expense

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| Corporate income tax expense | **2,671** | – | **2,671** | – |
| Deferred income tax expense/(benefit) | **838** | 4,455 | **(2,732)** | 13,807 |
| Adjustment in respect of the deferred income tax for the prior periods | **9** | (8) | **9** | (8) |
| | **3,518** | 4,447 | **(52)** | 13,799 |

## 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 2023 and 31 December 2022 consisted of the following:

| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 |
|---|---|---|
| **Borrowings** | | |
| *Under common control:* | | |
| Nostrum Oil & Gas Finance B.V. | **236,470** | 200,420 |

During the six months ended 30 June 2023 and 2022 the Partnership had the following transactions with related parties:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2023** | 2022 | **2023** | 2022 |
| **Received borrowings** | | | | |
| *Under common control:* | | | | |
| Nostrum Oil & Gas Finance B.V. | **46,000** | – | **46,000** | – |
| **Interest paid** | | | | |
| *Under common control:* | | | | |

# Notes to the financial statements (continued)

| | | | | |
|---|---|---|---|---|
| Nostrum Oil & Gas Finance B.V. | **1,197** | – | **2,441** | – |
| **Purchases** | | | | |
| Under common control: | | | | |
| Nostrum Services N.V. | – | 1,016 | – | 2,164 |

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$ 945 thousand for six months ended 30 June 2023 (six months ended 30 June 2022: US$ 882 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 2023. As at 30 June 2023 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 2023, the Partnership had contractual capital commitments in the amount of US$6,595 thousand (31 December 2022: US$2,845 thousand), mainly in respect to the Partnership's oil field development activities.

### 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.

In previous periods, the Partnership sent around 40% of its production through Russia using the Russian transportation infrastructure and ports. In 2023, the Partnership explored potential alternative export routes where prices are not linked to Urals quotations for oil and condensate deliveries. It also took measures to minimize the price differential between Urals and Brent.

Furthermore, the Partnership contracts with a limited number of Russian service companies. The Partnership will need to stay informed about the current and changing sanction list to ensure that it conducts business in accordance with these sanctions, and if it is anticipated that this will not occur, necessary alternatives will need to be established to comply with the requirements while continuing regular business operations.

## 23. Fair values of financial instruments

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

## Notes to the financial statements (continued)

reasonably approximating their fair values:

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **30 June 2023** | 31 December 2022 | **30 June 2023** | 31 December 2022 |
| Interest bearing borrowings | **(1,196,369)** | (1,160,184) | **(924,205)** | (432,370) |
| Finance guarantee | **(573)** | (733) | **(573)** | (1,356) |
| Total | **(1,196,942)** | **(1,160,917)** | **(924,778)** | **(433,726)** |

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.

### 24. Events after the reporting period

On 17 July 2023, Nostrum Oil & Gas Coöperatief U.A. completed the acquisition of an 80% interest in Positive Invest LLP for US$20 million. Positive Invest LLP holds the rights to the Stepnoy Leopard fields located in the West Kazakhstan region. Historical data indicates these fields contain between 50 mmboe and 150 mmboe of recoverable contingent resources. Historical drilling during the Soviet era confirmed hydrocarbon presence, but the fields have been undeveloped, mainly due to infrastructure challenges. The Parent aims to initiate an appraisal program to potentially re-classify some of these contingent resources into reserves. The acquisition enhances the Parent's ability to connect additional resources to their gas treatment facilities. The Stepnoy Leopard fields are in proximity to the Partnership's existing operations and have a contract originally dated 3 March 1995 and now valid until December 2044.

On 25 July 2023, the Ministry of Energy of the Republic of Kazakhstan was notified regarding the appointment of Zhaikmunai LLP as the operator for the Stepnoy Leopard fields.