Notes to the interim condensed consolidated financial statements

1. General

Overview

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

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

Company	Registered office	Form of capital	Ownership, %
Nostrum Associated Investments LLP	43B Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100
Nostrum E&P Services LLC	Liteyniy Prospekt 26 A, 191028 St. Petersburg, Russian Federation	Participatory interests	100
Nostrum Oil & Gas Coöperatief U.A.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Members' interests	100
Nostrum Oil & Gas B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas Finance B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace, London W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Services Central Asia LLP	Aksai 3a, 75/38, 050031 Almaty, Republic of Kazakhstan	Participatory interests	100
Nostrum Services N.V.	Chaussee de Wavre 20, 1360 Perwez, Belgium	Ordinary shares	100
Zhaikmunai LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100

Nostrum Oil & Gas PLC and its wholly owned subsidiaries' (together "the Group") operations comprise of a single operating segment including all the Group's assets related to its Chinarevskoye field, Rostoshinskoye exploration field as well as surface facilities, and are primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

On 30 April 2021, the Group disposed of its entire holding in the equity of Nostrum E&P Services LLP.

As at 30 June 2021, the Group employed 542 employees (2020 H1: 578).

Subsoil use rights terms

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

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

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

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

In October 2020, the rights and obligations related to the Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed to a third party.

In 2021, Zhaikmunai LLP has entered into an agreement for the transfer all of its rights and obligations in relation to the Rostoshinskoye field to a third party, subject to the satisfaction of various conditions precedent including the receipt of all relevant regulatory approvals.

Royalty payments

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

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

Government "profit share"

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

Forbearance Agreements

On 31 March 2020, following the collapse in the oil price, the Group announced that it would seek to engage with its bondholders regarding a possible restructuring of the Group's Notes.

In May 2020, the Group appointed Rothschild & Cie as financial advisers and White & Case as legal advisers to assist in the restructuring of the Notes. PJT Partners (UK) Limited were appointed as financial advisers and Akin Gump Strauss Hauer & Feld as legal advisers to an informal ad-hoc noteholder group ("AHG"). In July 2020, the Group announced that it planned to utilise the applicable grace periods for the interest payments due on 25 July 2020 and 16 August 2020 with respect to the Notes. The 30-day grace period was to allow the Company to continue active discussions with the financial and legal advisers to the AHG with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments.

On 23 October 2020 the Company announced that the Company and certain of its subsidiaries (the "Note Parties") had entered into a forbearance agreement (the "Forbearance Agreement") with members of AHG. The forbearance period initially expired at 4 p.m. GMT on 20 December 2020 (the "Initial Expiration Date"), at which time the Initial Expiration Date automatically extended to 4 p.m. GMT on 18 February 2021, on which date it automatically extended again to 4 p.m. GMT on 20 March 2021.

Pursuant to the agreement, members of the AHG have agreed to forbear from the exercise of certain rights and remedies that they have under the indentures governing the Notes. The agreed forbearances included agreeing not to accelerate the Notes' obligations as a result of the missed interest payments (or the next missed interest periods if they occur prior to the expiry of the Forbearance Agreement).

The accounting policies and explanatory notes on pages 27 through 35 are an integral part of these interim condensed consolidated financial statements

The Forbearance Agreement was subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. Within 21 days of the effective date of the Forbearance Agreement an amount equal to 30% of the missed interest payments, equating to US$12,900 thousand, was transferred into the secured account (Note 9). The amount in the secured accounts was increased by a further transfer of 17.50% of the missed interest payments, equating to US$7,525 thousand 180 days after the effective date of the Forbearance Agreement. The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company 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.

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

The Company agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. At the date of these interim condensed consolidated financial statements, all Consent Fees have been paid. 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 (for more details please see Note 20).

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021. In return for the AHG agreeing to extend the forbearance period to 20 April 2021, the Company also agreed to pay in the secured account an amount of US$1,116,990, equating to 9.9288 bps of the outstanding Notes. This amount was paid into the secured account on 19 March 2021.

On 19 May 2021, the Note Parties entered into a second forbearance agreement (the "Second Forbearance Agreement") with the AHG. The Second Forbearance Agreement was valid from the expiry of the Forbearance Agreement, is substantially similar to the Forbearance Agreement and initially expired at 4 p.m. GMT on 21 June 2021 on which date, by unanimous consent of the AHG, the forbearance period was extended to 21 July 2021. On 21 July 2021, again by unanimous consent of the AHG, the forbearance period was extended to 25 August 2021. In connection with the extension of the Second Forbearance Agreement to 25 August 2021, the Company has agreed to pay into the secured account established in connection with the forbearance agreement an amount of US$1,116,990, equating to 9.9288 bps of the outstanding Notes.

The extensions to the Forbearance Agreement and the entry into to the Second Forbearance Agreement were to provide more time for a lock-up and restructuring agreement to be reached with bondholders and potentially with other stakeholders.

2. Basis of preparation and consolidation

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The interim condensed consolidated financial information for six months ended 30 June 2021 and 2020 is neither audited nor reviewed by the auditors and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative financial information as at 31 December 2020 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2020 were approved by the Board of directors on 27 April 2021 and, following approval by the Company's shareholders, have been filed with the Registrar of Companies. The Independent Auditors' Report on those accounts was unqualified with emphasis of matter on material uncertainties related to going concern.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Going concern

The Group monitors on an ongoing basis its liquidity position, near-term forecasts and key financial ratios to ensure that sufficient funds are available to meet its commitments as they arise and liabilities as they fall due. In addition, since April 2020, the Group has performed regular sensitivity tests of its liquidity position for changes in product prices, production volumes and any other significant variables. 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 efforts to restructure the Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

Notes to the interim condensed consolidated financial statements (continued)

The Directors have also considered any additional risks to liquidity posed by COVID-19. Oil and gas production has been classified as an essential business in Kazakhstan and operations are continuing. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and H1 2021. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity at the time of publication of these interim condensed consolidated financial statements as a result of COVID-19. However, it is recognized that there is uncertainty around future developments of COVID-19 which may affect the Group's ability to deliver the forecast production over 2021 and 2022.

In March 2020, following the collapse in the oil price, the Group announced that it would seek to engage with its bondholders regarding a possible consensual restructuring of the Notes.

In May 2020, the Group appointed a financial adviser and a legal adviser in connection with this, and in July 2020 announced that it planned to utilise the applicable grace periods with respect to the Notes for the interest payments due on 25 July and 16 August 2020. The 30-day grace period was to allow the Company to continue active discussions between the financial and legal advisers and an informal ad-hoc committee of noteholders (AHG) with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments.

On 23 October 2020, the Company announced that, together with certain of its subsidiaries (Note Parties), it had entered into a forbearance agreement with members of the AHG.

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

The Forbearance Agreement was subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company 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.

The company agreed to pay, or procure payment of, certain consent fees in cash (Consent Fee) to each forbearing holder. The Consent Fees were payable by reference to the total aggregate principal amount of the Notes outstanding. 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. On each occasion, consent fees were paid to all of the total bondholders who agreed to forbear, equating to approximately 90% by value of each series of the Notes and evidencing an engaged and supportive creditor group. Further details of the forbearance agreement are disclosed in Note 1 to these interim condensed consolidated financial statements.

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021.

On 19 May 2021, the Note Parties entered into a second forbearance agreement (the "Second Forbearance Agreement") with the AHG. The Second Forbearance Agreement is valid from the expiry of the Forbearance Agreement, is substantially similar to the Forbearance Agreement and expires at 4 p.m. GMT on 21 June 2021 unless extended in accordance with the terms of the Second Forbearance Agreement. On 21 June 2021, by unanimous consent of the AHG, the forbearance period was extended to 21 July 2021. On 21 July 2021, again by unanimous consent of the AHG, the forbearance period was extended to 25 August 2021. In connection with the extension of the Second Forbearance Agreement, the Company has agreed to pay into the secured account established in connection with the forbearance agreement an amount of US$1,116,990, equating to 9.9288 bps of the outstanding Notes.

The extensions to the Forbearance Agreement and the entry into to the Second Forbearance Agreement were to provide more time for a lock-up and restructuring agreement to be reached with bondholders and potentially with other stakeholders. At the time of publication of these interim condensed consolidated financial statements, negotiations with members of the AHG continue. The final form of the lock-up agreement and associated restructuring agreement is anticipated to be concluded in the near future. The key terms relevant to the consideration of going concern are that the debt will be foregone materially and interest on the restructured debt will partially be paid in cash and partially rolled up into the debt. As part of the agreement, it is likely that additional equity will be issued to bondholders, in which case significantly diluting the interests of the current equity holders.

Whilst the Group remains confident that agreement can be reached, discussions with bondholders, shareholders and the Government of the Republic of Kazakhstan to restructure the Notes, and the applications to obtain requisite approvals and consents have not yet concluded and so the outcome is uncertain and outside of the Group's control.

The Directors' going concern assessment is supported by future cash flow forecasts. 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 $65/bbl for the second half of 2021 and all of 2022. The forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current preliminary restructuring terms discussed with the advisors to the AHG, reflecting the terms 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:

- A restructuring of the Notes being agreed with the AHG and subsequently with sufficient bondholders consistent with the preliminary restructuring terms discussed with the advisors to the AHG, that is affordable for the Group through the going concern period to 30 September 2022. Should the Group be unable to reach an agreement with the AHG by the end of the forbearance period, then bondholders may seek to enforce their rights under the bond indentures, including accelerating the Notes' obligations as a result of the missed interest payments; and
- If agreement is reached with the AHG and subsequently with sufficient bondholders, the Group being able to obtain the necessary permissions and waivers. Specifically, the Group may need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan. If agreement is reached with the bondholders but the Group is unable to obtain the necessary approvals and waivers, then the agreement with bondholders may not be implementable.

These assumptions represent material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern for the going concern period to 30 September 2022, being not less than 12 months from the date of this report.

After careful consideration of these material uncertainties, and on the assumption that a restructuring of the Notes to an affordable level is completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 September 2022, being a period of not less than 12 months from the date of these interim condensed consolidated financial

Notes to the interim condensed consolidated financial statements (continued)

statements. For these reasons, they continue to adopt the going concern basis in these interim condensed consolidated financial statements. Accordingly, the accompanying interim condensed consolidated financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

4. Property, plant and equipment

During the six months ended 30 June 2021 the Group had additions of property, plant and equipment of US$3,080 thousand (six months ended 30 June 2020: US$14,189 thousand). These additions are mostly associated with commencement of a well workover campaign as well as capital repairs of equipment (2020: completion of drilling and construction projects started in 2019 and purchase of equipment and spare parts for capital repairs of equipment) and capitalized interest US$124 thousand (six months ended 30 June 2020: US$187 thousand).

See Note 24 for capital commitments.

5. Advances for non-current assets

As at 30 June 2021 and 31 December 2020 advances for non-current assets comprised the following:

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Advances for other non-current assets	**8,679**	8,444
Advances for construction services	**372**	369
Advances for construction materials	**213**	221
	9,264	9,034

As at 30 June 2021 and 31 December 2020, advances for other non-current assets mainly comprised prepayments made to suppliers of services as part of the development of new opportunities. Such costs include technical, legal, advisory and other professional fees and have been capitalized in the course of potential acquisition of assets. In the event that new opportunities do not materialise as currently intended then the amounts will be written off.

6. Inventories

As at 30 June 2021 and 31 December 2020 inventories comprised the following:

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Spare parts and other inventories	**27,605**	23,735
Gas condensate	**3,911**	2,907
Crude oil	**1,063**	2,018
LPG	**60**	69
Dry Gas	**28**	63
Sulphur	**7**	13
	32,674	28,805

As at 30 June 2021 and 31 December 2020 inventories are carried at cost.

7. Prepayments and other current assets

As at 30 June 2021 and 31 December 2020 prepayments and other current assets comprised the following:

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Advances paid	**3,964**	5,269
VAT receivable	**4,314**	4,741
Other taxes receivable	**901**	1,502
Other	**1,598**	791
	10,777	12,303

Advances paid consist primarily of prepayments made to service providers. As at 30 June 2021 and 31 December 2020, there were no impaired advances paid. In 2020 advances paid in the amount of US$1,751 thousand were fully written off against the impairment provision made in 2018.

There were no other movements in the provision for impairment of advances paid during the six months ended 30 June 2021 and the year ended 2020.

Notes to the interim condensed consolidated financial statements (continued)

8. Trade receivables

As at 30 June 2021 and 31 December 2020 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 2021 and 31 December 2020 there were neither past due nor impaired trade receivables. Based on the assessments made, the Group concluded that no provision for expected credit losses should be recognized as at 30 June 2021 and 31 December 2020.

9. Cash and cash equivalents

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Current accounts in US Dollars	**101,098**	73,412
Current accounts in Tenge	**4,828**	2,791
Current accounts in Euro	**1,587**	1,862
Current accounts in other currencies	**536**	514
Petty cash	**5**	4
	108,054	78,583

In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as a liquidation fund deposit for the amount of US$441 thousand with Sberbank in Kazakhstan and US$7,267 thousand with Halyk bank (31 December 2020: US$446 thousand and US$7,267 thousand, respectively), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

In 2020, the Group transferred US$12,900 thousand to a secured cash account opened for the benefit of the holders of the Group's Notes under the terms of the Forbearance Agreement and in March 2021 the Company made further transfers of US$7,525 thousand and US$ US$1,120 thousand (Note 1), resulting in the total balance of US$21,545 thousand at 30 June 2021. The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level.

10. Share capital and reserves

As at 30 June 2021 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01.

Number of shares	**In circulation**	**Treasury capital**	**Total**
As at 1 January 2020	**185,234,079**	**2,948,879**	**188,182,958**
Share options exercised	–	–	–
As at 31 December 2020	**185,234,079**	**2,948,879**	**188,182,958**
Share options exercised	–	–	–
As at 30 June 2021	**185,234,079**	**2,948,879**	**188,182,958**

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") and are held by Intertrust Employee Benefit Trustee Limited as trustee for the Nostrum Oil & Gas Benefit Trust. In the case of the ESOP, upon request from employees to exercise options, the trustee would sell shares on the market and settle respective obligations under the ESOP.

In the case of share-settled LTIP awards, the trustee would transfer shares to the relevant LTIP award holder (although no LTIP awards are currently exercisable). The Nostrum Oil & Gas Benefit Trust constitutes a special purpose entity under IFRS and therefore, the shares held in the trust are recorded as treasury capital of the Company.

The movements in the Group's other reserves are presented as follows:

In thousands of US Dollars	Group reorgani-sation reserve	Foreign currency translation reserves	Share-option reserves	**Total**
As at 1 January 2020	**255,459**	**3,052**	**4,566**	**263,077**
Currency translation difference	–	5	–	5
Share based payments under LTIP	–	–	(374)	(374)
As at 30 June 2020	**255,459**	**3,057**	**4,192**	**262,708**
Currency translation difference	–	248	–	248
Share based payments under LTIP	–	–	(121)	(121)
As at 31 December 2020	**255,459**	**3,305**	**4,071**	**262,835**
Currency translation difference	–	341	–	341
As at 30 June 2021	**255,459**	**3,646**	**4,071**	**263,176**

Group reorganisation reserve in the amount of US$255,459 thousand represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014. Share-option reserves include amounts related to sale of treasury shares under ESOP as well as share-based payments under LTIP.

Distributions

There were no distributions made during the six months ended 30 June 2021 and the year ended 31 December 2020.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 30 June 2021 the book value per share amounted to US$4.32 negative (31 December 2020: US$4.12 negative).

11. Earnings per share

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

	For the six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(41,097)**	(53,537)
Weighted average number of shares	**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	**(0.22)**	(0.29)

Notes to the interim condensed consolidated financial statements (continued)

12. Borrowings

Borrowings are comprised of the following as at 30 June 2021 and 31 December 2020:

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Notes issued in 2017 and maturing in 2022	**717,239**	713,823
Notes issued in 2018 and maturing in 2025	**394,417**	393,813
Accrued interest	**121,633**	78,633
	1,233,289	1,186,269
Less amounts due within 12 months	**(1,233,289)**	(1,186,269)
	–	–

2022 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2022 Issuer") issued US$725,000 thousand notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 8.00% per year, payable on 25 January and 25 July of each year.

On and after 25 July 2019, the 2022 Issuer shall be entitled at its option to redeem all or a portion of the 2022 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2022 Note), plus accrued and unpaid interest on the 2022 Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on 25 July of the years set forth below:

Period	**Redemption Price**
2020	104.0%
2021 and thereafter	100.0%

The 2022 Notes are jointly and severally guaranteed (the "2022 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2022 Guarantors"). The 2022 Notes are the 2022 Issuer's and the 2022 Guarantors' senior obligations and rank equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness.

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

2025 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2025 Issuer") issued US$400,000 thousand notes (the "2025 Notes"). The 2025 Notes bear interest at a rate of 7.00% per year, payable on 16 August and 16 February of each year.

On and after 16 February 2021, the 2025 Issuer shall be entitled at its option to redeem all or a portion of the 2025 Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount of the 2025 Notes), plus accrued and unpaid interest on the 2025 Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on 16 February of the years set forth below:

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

The 2025 Notes are jointly and severally guaranteed (the "2025 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2025 Guarantors"). The 2025 Notes are the 2025 Issuer's and the 2025 Guarantors' senior obligations and rank equally with all of the 2025 Issuer's and the 2025 Guarantors' other senior indebtedness.

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

Reclassification to current liabilities

On 26 August 2020 the Group announced that an event of default has occurred under the terms of the indenture governing 2022 Notes resulting from the Issuer's non-payment of interest due and payable on 25 July 2020 to the holders of the 2022 Notes and the expiration of the 30-day grace period which commenced on the same date. Following this, the Issuer also did not pay interest on 2025 Notes when due and upon the expiration of the 30-day grace period in respect of such payment. On 23 October 2020 the Company announced that the Company and certain of its subsidiaries (the "Note Parties") has entered into a forbearance agreement (the "Forbearance Agreement") with members of AHG. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the Note 1.

Considering these facts and circumstances, as at 31 December 2020 and 30 June 2021 the Group has reclassified the carrying amounts of the 2022 Notes and 2025 Notes into current liabilities and presented them as the current portion of long-term borrowings.

Covenants contained in the 2022 Notes and 2025 Notes

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

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

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

13. Trade payables

Trade payables comprise the following as at 30 June 2021 and 31 December 2020:

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Tenge denominated trade payables	**4,749**	4,028
US Dollar denominated trade payables	**2,541**	2,114
Euro denominated trade payables	**540**	2,101
Russian Rouble denominated trade payables	**103**	7
Trade payables denominated in other currencies	**222**	252
	8,155	8,502

Notes to the interim condensed consolidated financial statements (continued)

14. Other current liabilities

Other current liabilities comprise the following as at 30 June 2021 and 31 December 2020:

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Training obligations accrual	**9,578**	10,088
Taxes payable, including corporate income tax	**4,983**	7,397
Accruals under the subsoil use agreements and other accruals	**4,335**	4,216
Due to employees	**2,135**	1,852
Other current liabilities	**660**	527
	21,691	24,080

Accruals under subsoil use agreements mainly include amounts estimated in respect of the contractual obligations for exploration and production of hydrocarbons from the Rostoshinskoye field.

15. Revenue

	For the three months ended 30 June		For the six months ended 30 June	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Revenue from oil and gas condensate sales	**36,384**	21,287	**71,611**	58,141
Revenue from gas and LPG sales	**9,732**	10,973	**20,695**	34,495
Revenue from sulphur sales	**5**	–	**5**	–
	46,121	32,260	**92,311**	92,636

The pricing for all of the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price the six months ended 30 June 2021 was US$65.2/bbl (2020: US$40.0/bbl).

The operations of the Group are located in only one geographic location, Kazakhstan.

During the six months ended 30 June 2021 the revenue from sales to three major customers amounted to US$68,011 thousand, US$9,568 thousand, and US$3,720 thousand respectively (H1 2020: US$56,476 thousand, US$24,619 thousand, and US$1,594 thousand respectively). The Group's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

16. Cost of sales

	For the three months ended 30 June		For the six months ended 30 June	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Depreciation, depletion and amortisation	**16,277**	18,672	**34,206**	41,005
Payroll and related taxes	**3,775**	3,240	**7,194**	7,067
Repair, maintenance and other services	**2,178**	3,200	**3,813**	5,880
Materials and supplies	**1,550**	789	**2,178**	1,659
Transportation services	**722**	652	**1,302**	1,254
Well workover costs	**392**	210	**424**	280
Environmental levies	**82**	26	**114**	55
Change in stock	**(942)**	3,507	**1**	6,147
Other	**101**	426	**212**	534
	24,135	30,722	**49,444**	63,881

17. General and administrative expenses

	For the three months ended 30 June		For the six months ended 30 June	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Payroll and related taxes	**1,550**	1,504	**2,842**	3,664
Professional services	**1,032**	1,547	**2,108**	2,614
Insurance fees	**150**	123	**295**	454
Short-term leases	**77**	154	**153**	339
Depreciation and amortisation	**(32)**	(89)	**94**	338
Communication	**46**	46	**91**	96
Business travel	**35**	(2)	**53**	137
Materials and supplies	**23**	10	**47**	58
Bank charges	**13**	20	**35**	47
Other	**92**	257	**114**	434
	2,986	3,570	**5,832**	8,181

18. Selling and transportation expenses

	For the three months ended 30 June		For the six months ended 30 June	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Transportation costs	**2,315**	3,563	**5,076**	7,048
Loading and storage costs	**1,581**	2,138	**3,103**	4,639
Marketing services	**525**	1,016	**1,140**	3,143
Depreciation of right-of-use assets	**667**	799	**1,336**	1,598
Payroll and related taxes	**382**	374	**750**	802
Other	**384**	88	**681**	744
	5,854	7,978	**12,086**	17,974

19. Taxes other than income tax

	For the three months ended 30 June		For the six months ended 30 June	
In thousands of US Dollars	**2021 (unaudited)**	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Royalties	**1,721**	1,085	**3,457**	3,319
Export customs duty	**1,940**	998	**3,560**	2,772
Government profit share	**380**	238	**738**	727
Other taxes	**2**	(6)	**5**	1
	4,043	2,315	**7,760**	6,819

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 consolidated financial statements (continued)

20. Finance costs

In thousands of US Dollars	For the three months ended 30 June 2021 (unaudited)	For the three months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Interest expense on borrowings	**23,537**	23,064	**46,896**	46,520
Other finance costs	**1,893**	28	**6,034**	57
Unwinding of discount on amounts due to Government of Kazakhstan	**190**	257	**381**	278
Unwinding of discount on lease liability	**71**	101	**174**	255
Unwinding of discount on abandonment and site restoration provision	**70**	42	**140**	78
	25,761	23,492	**53,625**	47,188

Other finance costs for the six months ended 30 June 2021 primarily represent bondholder consent fees relating to the period in the amount of US$2,941 thousand and advisor fees of US$3,035 thousand incurred by the Group in relation to the ongoing discussions with its bondholders regarding a possible restructuring of the Group's Notes. For more details on forbearance agreement and the consent fees see Note 1.

21. Other income and expenses

For the six months ended 30 June 2021 and 2020 other income comprised the following:

In thousands of US Dollars	For the three months ended 30 June 2021 (unaudited)	For the three months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Compensation for damages	**–**	2	**1,549**	4
Reversals of training accruals	**372**	238	**745**	475
Reversals of other accruals	**257**	–	**492**	434
Currency conversion	**16**	3	**41**	113
Catering and accommodation	**65**	(238)	**97**	57
Other	**447**	648	**473**	682
	1,157	653	**3,397**	1,765

22. Income tax

The income tax expense comprised the following:

In thousands of US Dollars	For the three months ended 30 June 2021 (unaudited)	For the three months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Deferred income tax expense	**2,186**	(5,661)	**5,538**	2,001
Adjustment in respect of the deferred income tax for the prior periods	**584**	(354)	**584**	(354)
Corporate income tax expense	**(33)**	210	**–**	231
Withholding tax	**218**	275	**549**	542
	2,955	(5,530)	**6,671**	2,420

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 2021. 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.

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

23. Related party transactions

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

Accounts payable to related parties represented by entities controlled by shareholders with significant influence over the Group as at 30 June 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Trade payables		
JSC OGCC KazStroyService	**232**	230

On 28 July 2014 the Group entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Group's gas treatment facility (as amended by fourteen supplemental agreements since 28 July 2014). The Contractor is an affiliate of Mayfair Investments B.V., which as at 30 June 2021 owned approximately 17.1% of the ordinary shares of Nostrum Oil & Gas PLC.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$1,915 thousand for the six months ended 30 June 2021 (H1 2020: US$2,050 thousand).

24. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional, and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe and where the tax authorities disagree with the positions taken by the Group the financial outcomes could be material. Administrative fines are generally 80% of the taxes additionally assessed and interest penalty 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 2021. As at 30 June 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Notes to the interim condensed consolidated financial statements (continued)

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 30 June 2021, the Group had contractual capital commitments in the amount of US$6,868 thousand (31 December 2020: US$6,167 thousand), mainly in respect to the Group's oil field development activities.

Social and education commitments

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

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

The contracts for exploration and production of hydrocarbons from the Rostoshinskoye field requires fulfilment of several social and other obligations.

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

- invest at least US$ 9,897 thousand for exploration of the field during the exploration period;
- create a liquidation fund to cover the Group's asset retirement obligations.

Domestic oil sales

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

25. Financial risk management objectives and policies

Fair values of financial instruments

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

Management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The table below presents carrying amounts and fair values of financial liabilities measured at amortised cost:

	Carrying amount		**Fair value**	
In thousands of US Dollars	**30 June 2021 (unaudited)**	31 December 2020 (audited)	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Interest bearing borrowings	1,233,289	1,186,269	302,080	270,000
Total	**1,233,289**	**1,186,269**	**302,080**	**270,000**

The fair value of the financial assets and liabilities represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy.

During the six months ended 30 June 2021 and 2020 there were no transfers between the levels of fair value hierarchy of the Group's financial instruments.

26. Events after the reporting period

Forbearance agreement

On 21 July 2021, by unanimous consent of the AHG, the forbearance period was extended to 25 August 2021. The extension was to provide time for a final agreement to be reached with shareholders and bondholders. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the Note 1.