Nostrum Oil & Gas PLC

Interim financial report (unaudited, unreviewed)

For the six months ended 30 June 2022

Contents

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Interim management report (unaudited, unreviewed)

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Business review

Some of the statements in this Interim Financial Report are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Group or its officers with respect to various matters. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements

Overview

Nostrum Oil & Gas PLC (the "Company" and together with its subsidiaries the "Group" or "Nostrum") is an independent oil and gas company engaged in the exploration and production of oil and gas products in North-Western Kazakhstan. Nostrum, through its indirectly wholly-owned subsidiary Zhaikmunai LLP, is currently the owner and operator of the Chinarevskoye field in Kazakhstan.

Chinarevskoye Field and reserves

The Group's primary field and licence area, which has been the Group's sole source of production to date, is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin. The Chinarevskoye Field, approximately 274 square kilometres in size, is located in the West-Kazakhstan Oblast, near the border between Kazakhstan and Russia, and close to the main international railway lines in and out of Kazakhstan as well as to several major oil and gas pipelines. The Group conducts its operations in the Chinarevskoye Field pursuant to a subsoil use licence (the "Licence") and an associated production sharing agreement ("PSA"). Based on the Ryder Scott Report dated 1 January 2022, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 34.3 million barrels of oil equivalent ('boe'), of which 14.6 million barrels was crude oil and condensate, 4.0 million barrels was LPG and 15.8 million boe was sales gas.

Infrastructure

Over the last 17 years we have built a world-class infrastructure processing hub that is currently underutilised but that can support the production and sale of billions of cubic meters of gas in north-western Kazakhstan for years to come. Nostrum's key operational facilities in the Chinarevskoye Field consist of:

- The gas treatment facility (GTF) which includes three gas treatment units (GTU1,2 & 3) with a total capacity to treat 4.2 billion cubic metres of raw gas per annum into condensate, LPG and dry gas with a by-product of granulated sulphur;
- The oil treatment facility (OTF) with a maximum throughput capacity of 400,000 tonnes of crude oil per annum;
- Gas Lift system (GL) enhancing well production with current installed capacity of 23,000 standard cubic metres per hour and a plan to further increase to 38,000 standard cubic metres per hour in Q1 2023;
- Low-pressure system (LPS) to facilitate the reduction of the GTF inlet pressure from 42 to 10 bar, so as to prolong the run-life of 19 wells with total capacity of gas compression of 48,000 standard cubic metres per hour;
- The gas-fired power generation plant linked to the GTF with an output of 26 megawatts electrical power, which is sufficient to meet the existing and maximum need in the future if the plant is run at its maximum capacity;
- Storage capacity for 35,000 cubic metres of liquids at its field site and rail loading terminal;
- 17km dry gas pipeline which is linked to the Orenburg-Novopskov gas pipeline, which is sufficient to export the entire GTF maximum production capacity dry gas volumes;
- 120km liquids pipeline that runs from the field to the Company's rail loading terminal near Uralsk with a maximum annual throughput capacity of over three million tonnes;
- Automated rail loading terminal at Beles, located near the city of Uralsk, that receives all produced crude oil and condensate and has a capacity of approximately four million tonnes of liquid hydrocarbons per annum;
- Secondary crude oil pipeline enabling export sales from rail loading terminal via the Atyrau-Samara export pipeline operated by KazTransOil (KTO). The connection to the KTO pipeline has enhanced the Company's ability to maximise crude oil netbacks through the commodity cycle;
- Other facilities including multiple oil gathering and transportation lines, warehouse and storage facilities, an employee field camp, etc.

Products and sales

Having its assets located in the Pre-Caspian Basin close to the Russian border and in close proximity to some of the most significant hydrocarbon resources in the FSU, means an advantageous position for Nostrum to access multiple export markets for its products, as well as labour and specialist equipment providers. Currently the Company exports all of its condensate by railcars to the Russian port of Kaliningrad and the Dutch port of Rotterdam, and LPG by railcars to various destinations including Russian Black Sea ports, Ukraine and Tajikistan. Most of Company's crude oil is exported via the KTO pipeline, while PSA requires at least 15% to be sold domestically. 100% of gas to JSC National Company QazaqGas through 17km pipeline from the field site to the connection point with the Intergas Central Asia gas pipeline.

Strategic initiatives

The core strategy for Nostrum to create value for its stakeholders is to commercialise the investment made in its infrastructure, the focus being on filling the spare capacity with third-party hydrocarbons. The first step towards achieving this was made in in 2018, when Nostrum entered into binding agreements to process third-party hydrocarbons starting in 2023 to be delivered by Ural Oil & Gas LLP ("Ural OG") from the Rozhkovskoye field, which is situated less than 20km from the Chinarevskoye field. Ural OG will fund the connection of existing wells at the Rozhkovskoye field to Nostrum's licence area after which Nostrum will process all of the hydrocarbons coming into the field. To tie the production into our facility, Nostrum plans to spend US$5.0m in 2022 with an expected completion date in October 2023. Ural OG is a company owned by KazMunaiGas (KMG) (50%), Sinopec (27.5%) and MOL Group (MOL) (22.5%). In 2022 Ural OG has signed a turnkey contract for complex construction works with a contractor in relation to Rozhkovskoye Field Development Project.

Nostrum is focused on entering into additional agreements which can fill all the remaining capacity at its GTF. Nostrum is working with counterparties to secure long-term streams of raw gas from which it can generate significant revenues.

Business strategy

Nostrum has set a purpose to work as a close-knit and well-integrated team across all disciplines to deliver excellence across the whole value chain, with a vision to add value to the region through the utilisation of the state-of-the-art infrastructure hub. We are trustworthy and reliable, take our corporate, social and ecological responsibilities extremely seriously, and are dedicated to the health, safety and wellbeing of our employees.

Nostrum seeks to pivot towards growth, transition into a multi-asset energy company and shape our future by:

Delivering

Our strategic pillars with a focus on:

- on our strategies to commercialise the spare capacity in our world-class gas processing facilities;
- a comprehensive and cohesive environmental, social and governance performance; and
- on our promises so that we restore investor confidence.

In 2022 Nostrum continues to prioritise ongoing discussions with third parties interested in supplying raw gas, while ensuring the safety of employees, contractors and the environment.

Optimising

Nostrum is focused on optimising production and cost efficiencies to safeguard both our base business and liquidity. We also seek to optimise our ability to operate successfully in the future through completing a sustainable restructuring arrangement supported by our stakeholders that leaves sufficient headroom for raising further capital for our growth projects.

Our priorities for 2022 in this strategic pillar are to complete the restructuring of the Group's debt to a sustainable level that will enable Nostrum to achieve its full potential, and to continue to challenging the costs. Corresponding KPIs have been set to reduce Opex and G&A below US$45.5 million.

Maximising

Nostrum's third strategic pillar is to maximise output from the Chinarevskoye field and adding Proved Developed Producing reserves by exploiting the current low cost per barrel, high-confidence infill opportunities through best-in-class well and reservoir management. This is aimed to be achieved in 2022 through utilisation of workover rigs and other technologies to manage existing production decline in a cost-effective way and continuing the studies to identify viable technologies to mitigate sub-surface risks.

Operational performance

Production and field development

Production in H1 2022 was 14,167 boepd declining by 22% compared to H1 2021, and materially in line with plan. As at 30 June 2022, the Company had 44 production (26 oil and 18 gas condensate) wells in operation in the Chinarevskoye field. No drilling took place in 2020-2022 as Nostrum decided to halt drilling in an effort to manage financial liquidity and to focus instead on lowering costs and lowering the investment risk by focussing on activities such as production maintenance, workovers and rigless recompletions. In H1 2022, Nostrum continued the work over and well intervention programme with one workover rig, one coiled-tubing unit and associated equipment for low-cost rigless recompletions and repairs. The rig workover campaign consists of six interventions on a range of horizons for oil and gas-condensate wells. Rigless recompletions, additional perforations and acid stimulations were also carried out on a number of oil, gas-condensate and water-injection wells. More workover activities are planned during 2022-2024 with drilling operations, agreed in the Field Development Plan with the RoK, starting again in Chinarevskoye from 2023. However, execution of the programme to recover the 2P reserves is dependent on Nostrum successfully refinancing its liabilities and maintaining sufficient liquidity to fund such a programme. There is no guarantee that Nostrum will be able to achieve this, and that could have a material impact on Nostrum's ability to develop the remaining Proven and Probable Reserves at Chinarevskoye.

Sustainability

Sustainability has been a primary focus of Nostrum since inception but has gained even more prominence with the evolution of stakeholder expectations. By focussing on Health and Safety, Our People, Social Responsibility and the Environment, we are able to progress our sustainability agenda. Within each focus area we establish actionable activities and projects which are monitored by all levels of management and the board. Some of the achievements in H1 2022 in relation to sustainability were:

- Zero fatalities during operations to employees and contractors;
- Zero Lost Time Injury ("LTI");
- 2 Total Recordable Incidents ("TRI") ;
- 81 % of staff vaccinated against COVID-19 as at 30 June 2022.
- 2,106 tonnes of air emissions emitted in H1 2022 against 6,413 tonnes permitted for 2022 under the Kazakhstan Environmental Code.

The senior management and the Board continue to closely monitor COVID-19 throughout the Group's operations, and assess the impact of the pandemic on all stakeholders. Extensive measures remain in place to protect the safety of employees and contractors and mitigate the impact on operations arising from COVID-19.

Strategic initiatives

The Group has initiated a tie back project, that will allow for the first third-party feedstock from Ural OG to be received for treatment in the Group's facilities by Q4 2023.

Business review (continued)

Group debt restructuring

Engagement with stakeholders

In May 2020, the Group engaged Rothschild & Co ("Rothschild") as financial advisers and White & Case LLP ("White & Case") as legal advisers to assist in the restructuring of the 8.0% Senior Notes due 2022 and 7.0% Senior Notes due 2025 (together, the "Existing Notes"). Since then, the Company has been in restructuring discussions with an informal ad hoc group of noteholders (the "Ad Hoc Group" or "AHG"), who are advised by PJT Partners ("PJT") (financial) and Akin Gump LLP (legal). The Company has also been in discussions with its largest shareholder ICU, also a holder of the Existing Notes, and their legal advisors Dechert LLP from 2021.

The Company signed its First Forbearance Agreement ("First FBA") with the AHG on 23 October 2020 and a new Forbearance Agreement ("Second FBA") on 19 May 2021 (together the "FBAs"). The First and Second FBA were on substantially the same terms and prohibited the AHG from exercising certain rights and remedies under the Existing Note indentures. The FBAs were intended to provide the Group with a short-term solution to its liquidity issues and a platform to engage in discussions with the noteholders in relation to a potential restructuring.

The Company has not made coupon payments due under the Existing Notes since July 2020 and this has helped free cash flow generation. A total of $6,701,973 was paid in consent fees during the signing and various extensions of the FBAs, and a total of US$22,658,980 has been deposited into the Restricted Account under the terms of the FBAs, with Nostrum having access to the funds under certain circumstances (i.e. liquidity falling below an agreed threshold).

Lock-up Agreement

On 23 December 2021, the Group entered into a Lock-up Agreement with the AHG and subsidiaries of ICU Holdings Limited ("ICU"), the Company's largest shareholder, collectively holding in excess of 54% of the Existing Notes. Following the accession period, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises 77.73% of the total aggregate principal amount of both series of Notes. A fee of 0.50% of the Existing Notes is payable to each noteholder and shareholder who signed or acceded to the LUA – this accession fee will be paid upon closing of the restructuring.

The Company has also in parallel with the Lock-up Agreement extended the Second Forbearance Agreement with the AHG on substantially similar terms to the existing forbearance agreement. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date (17 August 2022). The Company and AHG are in the process of extending the Lock Up Agreement and Second Forbearance Agreement on largely the same terms as the original agreements.

The agreement of the LUA, and the percentage of noteholders that either signed or acceded to the LUA, enables the Group to launch the restructuring with a greater degree of certainty. The LUA commits signees to take steps necessary to support, facilitate, implement, consummate, or otherwise give effect to the restructuring. In addition, noteholders also commit to vote in favour of the scheme at the relevant creditor meeting further in the process. We describe the key terms agreed in the Lock-up Agreement in the section below.

Terms of the Restructuring

The agreed, go forward terms which will proceed under a UK scheme of arrangement, are as follows:

1. Partial reinstatement of the Existing Notes in the form of new:
   a) Senior Secured Notes ("SSNs") with principal amount of US$250,000,000, cash coupon of 5.00% per annum accrued from 1 January 2022, maturing on 30 June 2026. SSNs are not convertible upon maturity.
   b) Senior Unsecured Notes ("SSNs") with principal amount of US$300,000,000 and maturing on 30 June 2026, with a cash coupon of 1.00% per annum and payment-in-kind interest of 13.00% per annum, accrued from 1 January 2022. If not repaid in cash at maturity, the SUNs will be repayable in specie through the issuance of equity of the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Company (up to a maximum of 99.99% of the Company's fully diluted equity).
2. Conversion of the remainder of the Existing Notes and accrued interest into equity by way of a UK scheme of arrangement:
   - Existing noteholders will own 88.89% of the expanded share capital of the Company on closing of the restructuring;
   - Existing noteholders will also own warrants (to be held by trustee) allowing them to subscribe for an additional 1.11% of the share capital of the Company upon exercise – increasing noteholder ownership of the Company to 90.00%;
   - The existing shareholders will hold 11.11% upon closing of the restructuring;
   - The existing shareholders will be diluted to 10.00% if the warrants held by existing noteholders are exercised.
3. New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilisation of the Group's cashflows, including transfer of the listing of the Company's shares to the Standard Listing segment of the London Stock Exchange (transfer completed on 31 May 2022).

Key milestones pursuant to closing the restructuring

On 29 April 2022, 99.99% of voting shareholders voted in favour for the implementation of the restructuring under the terms described above.

On 20 June 2022 the High Court of Justice of England and Wales has made an order granting the Company permission to convene a meeting for the Scheme creditors to approve the Restructuring.

On 1 July 2022, the Company received the necessary 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 (the "MOE Consent").

On 1 August 2022, after receiving a key regulatory authorisation from the US Office of Foreign Assets Control, the Company issued a notice inviting Scheme creditors to a Scheme meeting on 22 August 2022. At this meeting, and before via proxy votes, creditors will vote on whether they accept the terms of the restructuring pursuant to a UK Scheme of Arrangement.

Next steps

A sanction hearing will be convened shortly after the vote for the UK Court to sanction and approve the restructuring. This will only take place if a majority in number representing three-quarters in value of the creditors (or of each class of creditors, as relevant) who vote in person or by proxy at the creditors' meeting have approved the scheme. The next Court hearing date has been provisionally booked for 26 August 2022.

Assuming the necessary creditor votes threshold is achieved, and the UK Court sanctions the restructuring at the sanction hearing, the implementation of the restructuring is still subject to the satisfaction of certain conditions precedent and execution of necessary implementation documentation; including the receipt of licences from the authorities of UK, The Netherlands and Guernsey.

We continue to work with our advisors to close out the remaining milestones pursuant to closing the restructuring, which we currently expect to be by the end of Q3 / start of Q4.

Material events

Bond Restructuring

Following signing of the Lock-up Agreement on 23 December 2021, several key milestones and other related events have been achieved during H1 2022 and subsequently, including:

- Accession to the Lock-up agreement by the holders of 77.73% of the total aggregate principal amount of the Notes, including a majority of holders of aggregate principal amount of both Senior Notes and an affiliate of ICU;
- Receiving the required consents from noteholders after a solicitation process to approve the amendments to the Existing Notes indentures for changing the governing law and jurisdiction of the indentures, making Nostrum Oil & Gas PLC a co-issuer of the Existing Notes and other smaller amendments to facilitate the implementation of the restructuring;
- Majority of voting shareholders voting for the implementation of the restructuring and in favour of the RPT Resolution;
- Transferring the Company's listing category from "Premium Listing (commercial company)" to "Standard Listing (shares)";
- UK Court granting permission for convening a meeting for the Scheme creditors for the purpose of considering approval of the Scheme.
- Obtaining the MOE Consent, required in the Republic of Kazakhstan for completion of the Restructuring;

As part of the arrangements relating to the Lock-up Agreement, the Company entered into an agreement with ICU's legal counsel, to pay such legal counsel's costs in connection with the restructuring of the Notes.

More details on these events are provided above in the section “Group debt restructuring” and the Company’s website.

Russia-Ukraine

From early 2022 the 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, and Kazakh entities are not the target of any Western sanctions, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Group contracts with a limited number of Russian service companies. The Group will need to be cognisant of the current and evolving sanctions to ensure it is conducting business in compliance with any applicable sanctions and, if it is foreseen that it will not be, the necessary alternatives will need to be set up to be compliant whilst continuing to conduct its ordinary course of business.

Ural OG

In June 2022 the Company was informed that Ural OG has signed a turnkey contract for complex construction works with a contractor in relation to Ural's Rozhkovskoye Field Development Project. The Rozhkovskoye Field is expected to start up production in the fourth quarter of 2023. The field will also be tied back remotely to Chinarevskoye field processing facilities pursuant to the agreement with Ural OG. Nostrum is currently carrying out the preparatory work necessary for it to process gas from Ural OG at that time.

Maturity date of the 2022 Notes

The maturity date of the Company’s US$725 million 8.0% senior notes due 2022 (the "2022 Notes") occurred on 25 July 2022. The Company will implement the Restructuring as soon as practicable following receipt of all necessary authorisations and licences required to hold the scheme meeting in connection with the Restructuring. Due to the ongoing Restructuring, which includes the previously announced lock-up agreement and forbearance agreement entered into by certain holders of the Existing Notes, the Company did not take any additional further action following the maturity of the 2022 Notes.

Financial review

Results of operations for the six months ended 30 June 2022 and 2021

The table below sets forth the line items of the Group's interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2022 and 2021 in US Dollars and as a percentage of revenue.

	For the six months ended 30 June			
In thousands of US Dollars	**2022 (unaudited)**	% of revenue	2021* (unaudited)	% of revenue
Revenue	**107,832**	100.0%	*92,311*	*100.0%*
Cost of sales	**(41,146)**	38.2%	*(45,238)*	*49.0%*
Gross profit	**66,686**	61.8%	*47,073*	*51.0%*
General and administrative expenses	**(5,957)**	5.5%	*(5,832)*	*6.3%*
Selling and transportation expenses	**(9,534)**	8.8 %	*(12,086)*	*13.1%*
Taxes other than income tax	**(9,654)**	9.0%	*(7,760)*	*8.4%*
Finance costs	**(64,068)**	59.4%	*(53,625)*	*58.1%*
Foreign exchange gain / (loss), net	**98**	0.1%	*(221)*	*0.2%*
Interest income	**97**	0.1%	*112*	*0.1%*
Other income	**2,381**	2.2%	*3,397*	*3.7%*
Other expenses	**(2,190)**	2.0%	*(1,278)*	*1.4%*
Loss before income tax	**(22,141)**	20.5%	*(30,220)*	*32.7%*
Income tax expense	**(12,636)**	11.7%	*(7,933)*	*8.6%*
Loss for the period	**(34,777)**	32.3%	*(38,153)*	*41.3%*
Currency translation difference	**(82)**	0.1%	*341*	*0.4%*
Total comprehensive loss for the period	**(34,859)**	32.3%	*(37,812)*	*41.0%*

** Certain amounts shown here do not correspond to the 2021 interim financial report and reflect adjustments made. For more details, please see Note 3 to the interim condensed consolidated financial statements for the six months ended 30 June 2022.*

General note

For the six months ended 30 June 2022 (the "reporting period") the total comprehensive loss amounted to US$34.9 million, a decrease in loss by US$2.9 million from US$37.8 million for H1 2021. The relative decrease in loss is mainly driven by increase in revenues primarily resulting from higher hydrocarbon prices, accompanied by lower cost of sales and selling and transportation expenses, corresponding to lower production levels but also the continuing impact of the cost-reduction initiatives. These have been partially offset by higher finance costs and income taxes charged against income as compared to H1 2021. These are explained in more detail below.

As noted above, the Group signed a Lock-up Agreement with a majority of holders of the Group's outstanding Notes (including the largest shareholder ICU) with the terms of a proposed restructuring agreed by the parties. For more details on the key terms of restructuring please refer to page 4.

Revenue

The Group's revenue increased by US$15.5 million to US$107.8 million for the reporting period (2021 H1: US$92.3 million). This is mainly explained by the higher product prices which was offset by lower sales volumes resulting from a decrease in production during 2022 H1. The average Brent crude oil price increased by US$39.5/bbl from US$65.2/bbl during 2021 H1 to US$104.7/bbl during the reporting period.

The pricing for all the Group's crude oil, condensate and LPG is, directly or indirectly, dependent on the price of Brent crude oil. Oil and condensate export sales are affected by the widening of Urals to Brent spread as a result of Russia-Ukraine conflict, increasing from pre-conflict US$3/bbl to US$35/bbl at the end of June 2022.

Revenues from sales to the Group's largest three customers amounted to US$82.2 million, US$6.8 million and US$5.1 million (2021 H1: US$68.0 million, US$9.6 million and US$3.7 million).

The Group's revenue breakdown by products for the reporting period and 2021 H1 is presented below:

	For the six months ended 30 June			
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited)	**Variance**	Variance, %
Oil and gas condensate	**85,583**	71,611	*13,972*	*19.5%*
Gas and LPG	**22,219**	20,695	*1,524*	*7.4%*
Sulphur	**30**	5	*25*	*100.0%*
Total revenue	**107,832**	92,311	*15,521*	*16.8%*
Average Brent crude oil price (US$/bbl)	**104.7**	65.2	*39.5*	*60.6%*

The following table shows the Group's revenue breakdown by export/domestic sales:

	For the six months ended 30 June			
In thousands of US Dollars	**2022 (unaudited)**	2021 (unaudited)	**Variance**	Variance, %
Revenue from export sales	**97,558**	79,137	*18,421*	*23.3%*
Revenue from domestic sales	**10,274**	13,174	*(2,900)*	*(22.0%)*
Total revenue	**107,832**	92,311	*15,521*	*16.8%*

The Group's sales volumes by products and production volumes is presented below:

	For the six months ended 30 June			
In boe	**2022 (unaudited)**	2021 (unaudited)	**Variance**	Variance, %
Oil and gas condensate sales volumes	**1,078,359**	1,248,372	(170,013)	-13.6%
Gas and LPG sales volumes	**1,293,170**	1,696,528	(403,358)	-23.8%
Total sales volumes	**2,371,529**	**2,944,899**	**(573,370)**	**-19.5%**
Production volumes	**2,564,265**	**3,277,367**	**(713,102)**	**-21.8%**

Cost of sales

The Group's cost of sales are presented as follows:

In thousands of US Dollars	2022 (unaudited)	2021 (unaudited)	Variance	Variance, %
	For the six months ended 30 June			
Depreciation, depletion and amortisation	**27,208**	30,000	*(2,792)*	*(9.3%)*
Payroll and related taxes	**7,201**	7,194	*7*	*0.1%*
Repair, maintenance and other services	**2,954**	2,967	*(13)*	*(0.4%)*
Materials and supplies	**1,893**	2,220	*(327)*	*(14.7%)*
Well workover costs	**1,554**	1,162	*392*	*33.7%*
Transportation services	**1,159**	1,304	*(145)*	*(11.1%)*
Environmental levies	**45**	114	*(69)*	*(60.5%)*
Change in stock	**(1,089)**	1	*(1,090)*	*(100.0%)*
Other	**221**	276	*(55)*	*(19.9%)*
Total	**41,146**	45,238	*(4,092)*	*(9.0%)*

** Certain amounts shown here do not correspond to the 2021 report and reflect adjustments made. For more details, please see Note 3 to the interim condensed consolidated financial statements for the six months ended 30 June 2022.*

Cost of sales decreased by US$4.1 million to US$41.1 million for the reporting period (2021 H1: US$45.2 million). On a barrel of oil equivalent (boe) basis, cost of sales increased by US$1.9/bbl from US$15.4/bbl in 2021 H1 to US$17.3/bbl for the reporting period and cost of sales excluding depreciation increased by US$0.7/bbl to US$5.9/bbl in the reporting period (2021 H1: US$5.2/bbl).

The main components of the decrease in cost of sales are:

Depreciation, depletion and amortisation decreased by US$2.8 million to US$27.2 million for the reporting period (2021 H1: US$30.0 million). Depreciation is calculated applying the units of production method. The decrease in depreciation in 2022 H1 in comparison with the prior period is a consequence of the lower production level, with a reduced depletion rate from 12.6% in 2021 H1 to 10.9% during the reporting period.

Change in stock for the year mainly represents the movement in oil and condensate inventories. The negative adjustment of US$1.1 million in the reporting period is a result of a build-up of oil inventories as at 30 June 2022 which were then sold in Q3 2022.

The above-mentioned decrease in costs was partially offset by increase in well repair and maintenance costs.

Well repair and maintenance costs increased by US$0.4 million to US$1.6 million for the reporting period (2021 H1: US$1.2 million), which was driven by the Group's efforts to improve the production level during the reporting period.

General and administrative expenses

The Group's general and administrative expenses are presented as follows:

In thousands of US Dollars	2022 (unaudited)	2021 (unaudited)	Variance	Variance, %
	For the six months ended 30 June			
Payroll and related taxes	**3,026**	2,842	*184*	*6.5%*
Professional services	**2,012**	2,108	*(96)*	*(4.6%)*
Insurance fees	**294**	295	*(1)*	*(0.3%)*
Business travel	**122**	53	*69*	*130.2%*
Short-term leases	**101**	153	*(52)*	*(34.0%)*
Communication	**90**	91	*(1)*	*(1.1%)*
Depreciation and amortisation	**73**	94	*(21)*	*(22.3%)*
Materials and supplies	**62**	47	*15*	*31.9%*
Bank charges	**29**	35	*(6)*	*(17.1%)*
Other	**148**	114	*34*	*29.8%*
Total	**5,957**	5,832	*125*	*2.1%*

General and administrative expenses remained stable and only increased by US$0.1 million to US$5.9 million for the reporting period (2021 H1: US$5.8 million). The main changes within general and administrative expenses included a decrease in the professional services by US$0.1 million to US$2.0 million (2021 H1: US$2.1 million) as a result of the cost optimisation programme, which was partially offset by increase in payroll and related taxes by US$0.2 million.

Selling and transportation expenses

The Group's selling and transportation expenses are presented as follows:

In thousands of US Dollars	2022 (unaudited)	2021 (unaudited)	Variance	Variance, %
	For the six months ended 30 June			
Transportation costs	**4,046**	5,076	*(1,030)*	*(20.3%)*
Loading and storage costs	**4,081**	3,103	*978*	*31.5%*
Marketing services	**–**	1,140	*(1,140)*	*(100.0%)*
Depreciation of right-of-use assets	**–**	1,336	*(1,336)*	*(100.0%)*
Payroll and related taxes	**664**	750	*(86)*	*(11.5%)*
Other	**743**	681	*62*	*9.1%*
Total	**9,534**	12,086	*(2,552)*	*(21.1%)*

Selling and transportation expenses decreased by US$2.6 million to US$9.5 million for the reporting period (2021 H1: US$12.1 million), primarily due to decrease in the volumes sold and reduction in marketing expenses.

In 2021 H1, part of the transportation expenses were capitalised as lease liabilities and respective right-of-use assets, and therefore reflected through depreciation and unwinding of interest. In H1 2022, due to changes in the terms of lease agreements they did not meet the requirements for recognition under lease accounting in accordance with IFRS16 Leases, and therefore the related costs were directly expensed as loading and storage costs within selling and transportation expenses.

Financial review (continued)

Taxes other than income tax

The Group's taxes other than income tax are presented as follows:

In thousands of US Dollars	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)	Variance	Variance, %
Royalties	**4,422**	3,457	*965*	*27.9%*
Export customs duty	**4,250**	3,560	*690*	*19.4%*
Government profit share	**979**	738	*241*	*32.7%*
Other taxes	**3**	5	*(2)*	*(40.0%)*
Total	**9,654**	7,760	*1,894*	*24.4%*

Royalties, which are calculated based on production volumes and market prices for the different products, increased by *27.9%* to US$4.4 million for the reporting period (2021 H1: US$3.5 million), which corresponds to the increase in hydrocarbon prices.

Export customs duty on crude oil increased by US$0.7 million or 19.4% to US$4.3 million for the reporting period (2021 H1: US$3.6 million), mainly owing to the corresponding higher export custom duties rates caused by higher hydrocarbon prices.

Finance costs

The Group's finance costs are presented as follows:

In thousands of US Dollars	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)	Variance	Variance, %
Interest expense on borrowings	**53,349**	46,896	*6,453*	*13.8%*
Other finance costs	**10,217**	6,034	*4,183*	*69.3%*
Unwinding of discount on amounts due to Government of Kazakhstan	**364**	381	*(17)*	*(4.5%)*
Unwinding of discount on lease liability	**–**	174	*(174)*	*(100.0%)*
Unwinding of discount on abandonment and site restoration provision	**138**	140	*(2)*	*(1.4%)*
Total	**64,068**	53,625	*10,443*	*19.5%*

Finance costs increased by US$10.5 million to US$64.1 million for the reporting period (2021 H1: US$53.6 million) mainly due to higher interest expense on borrowings of US$53.3 million (2021 H1: US$46.9 million) and higher other finance costs of US$10.2 million (2021 H1: US$6.0 million). Increase in interest expense on borrowings is due to the additional interest cost in the amount of US$9.1 million, which was calculated on the interest on Notes as per the terms of the Notes. Other finance costs represent advisor fees incurred by the Group in relation to the restructuring of the Group's outstanding bonds. For more details on the restructuring and related information see Notes 1 and 20 to the interim condensed consolidated financial statements.

Other expenses

Other expenses increased to US$2.2 million for the reporting period (2021 H1: US$1.3 million) mainly due to increase in the sponsorship costs by US$0.4 million to US$0.4 million (2021 H1: nil), training liabilities accruals by US$0.4 million to US$0.6 million (2021 H1: US$0.2 million) and currency conversion expenses by US$0.3 million to US$0.4 million (2021 H1: US$0.1 million).

Income tax

Income tax expense increased by US$4.7 million to US$12.6 million for the reporting period (2021 H1: US$7.9 million) mainly due to the decrease in the losses before income tax by US$8.0 million during the reporting period as compared to 2021 H1.

Liquidity and capital resources

During the period under review, Nostrum's principal source of funds was cash from operations. Following the negotiations to restructure the Notes, during 2020, 2021 and 2022 H1, the focus turned to preservation of cash by optimising the spend on capital expenditures and working capital requirements.

Cash Flows

The following table sets forth the Group's consolidated cash flow statement data for the reporting period and 2021 H1:

In thousands of US Dollars	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)
Cash and equivalents at the beginning of the period	**165,246**	78,583
Net cash flows from operating activities	**58,791**	46,295
Net cash used in investing activities	**(6,805)**	(11,639)
Net cash used in financing activities	**(7,941)**	(5,397)
Effects of exchange rate changes on cash and cash equivalents	**(626)**	212
Cash and equivalents at the end of the period	**208,665**	108,054

Net cash flows from operating activities

Net cash flow from operating activities was US$58.8 million for the reporting period (2021 H1: US$46.3 million) and was primarily attributable to:

- loss before income tax for the reporting period of US$22.1 million (2021 H1: US$30.2 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$27.3 million (2021 H1: US$31.4 million), finance costs of US$64.1 million (2021 H1: US$53.6 million).
- US$10.3 million increase in working capital (2021 H1: US$6.1 million) is primarily attributable to the increase in trade receivables of US$4.3 million (2021 H1: US$5.0 million), inventories of US$1.5 million (2021 H1: US$1.1 million), prepayments and other current assets of US$4.2 million (2021 H1: US$0.3 million), and decrease in other current liabilities of US$2.5 million and partially offset by the increase in trade payables of US$2.5 million (2021 H1: US$0.5 million).
- income tax paid of US$0.6 million (2021 H1: US$2.3 million).

Net cash used in investing activities

Net cash used in investing activities for the reporting period was US$6.8 million (2021 H1: US$11.6 million) due primarily to payment of expenditures related to gaslift well infrastructure development of US$3.6 million (2021 H1: US$2.9 million) and well workover & intervention programme of US$2.2 million for the reporting period (2021 H1: US$2.9 million).

Net cash used in financing activities

Net cash used in financing activities during the reporting period made up US$7.9 million (2021 H1: US$5.4 million), fully attributable to the payment of advisor fees related to restructuring negotiations on the Group's Notes (2021 H1: US$2.6 million). In 2021 H1, net cash used in financing activities also included the payment of bondholder consent fees of US$1.1 million as well as payment of US$ 1.4 million under finance lease liabilities recognised as required by IFRS 16.

Financial review (continued)

Capital commitments

As at 30 June 2021, the Group had contractual capital commitments in the amount of US$7.0 million (31 December 2020: US$10.0 million), mainly in respect to the Group's oil field activities.

Dividend policy

The Group currently pays no dividend and has not done so for several years, as the Board determined it was not in the Company's best interests to do so. This will be reviewed annually by the Board.

Alternative performance measures

In the discussion of the Group's reported operating results, alternative performance measures (APMs) are presented to provide readers with additional financial information that is regularly reviewed by management to assess the financial performance or financial health of the Group or is useful to investors and stakeholders to assess the Group's performance and position.

However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted IFRS measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

EBITDA

EBITDA is defined as the results of operating activities before depreciation and amortisation, share-based compensation, fair value gains and losses on derivative instruments, foreign exchange losses, finance costs, finance income, non-core income or expenses and taxes, and includes any cash proceeds received or paid out from hedging activity. This metric is relevant as it allows management to assess the operating performance of the Group in absence of exceptional and non-cash items.

The following tables shows the reconciliation between the loss before income tax (as reported under IFRS) and EBITDA (as defined here)

	For the six months ended 30 June	
In thousands of US Dollars	**2021 (unaudited)**	2021 (unaudited)
EBITDA Reconciliation		
Loss before income tax	**(22,141)**	(30,220)
Add back:		
Finance costs	**64,068**	53,625
Foreign exchange loss, net	**(98)**	221
Interest income	**(97)**	(112)
Other income	**(2,381)**	(3,397)
Other expenses	**2,190**	1,278
Depreciation, depletion and amortisation	**27,281**	31,430
EBITDA	**68,822**	**52,825**

Operating costs

Operating costs are the cost of sales less depreciation and change in stock. This metric is relevant as it allows management to see the cost base of the Company on a cash basis.

Related parties and related party transactions

The following is a description of the material transactions with related parties to which the Company or its subsidiaries are a party. The Company believes that it has executed all transactions with related parties on terms no less favourable to the Group than those it could have obtained from unaffiliated third parties.

Save as disclosed in the Note 23 to the interim condensed consolidated financial statements, there were no related party transactions entered into during the reporting period.

Principal risks and uncertainties

Key risks are reviewed by the Audit Committee and the Board of Nostrum on a regular basis and where appropriate, actions are taken to mitigate the key risks that are identified.

The key risks and uncertainties are unchanged from those disclosed in the Group's 2021 Annual Report. The Group believes that its principal risks and uncertainties for the remaining six months are:

Principal financial risks and uncertainties

Description of risk	Risk management
STRATEGIC RISKS	
Geopolitical factors	
The Group's operations are exposed to risks associated with the political and business environment in Kazakhstan, being the Group's sole country of commercial operations, as well as its neighbouring countries. In January 2022, following a rise in fuel prices, certain mass demonstrations and gatherings occurred in various cities across Kazakhstan. Such political and civil unrest and the occurrence of any such factors could result in new regulatory requirements that can be onerous and expensive, and other related changes that could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects. Nostrum has historically benefited from its geo-strategic position in the heart of an export corridor between Russia and markets to the west of the Caspian, but on the other hand, the Group has been respectively exposed to the risks associated with the economic and political situation in Russia, being reliant on its transport routes and ports. Severe sanctions and trade restrictions imposed by, among others, the US, UK and EU on Russia in March 2022 as a response to Russia's actions in Ukraine, have increased the economic and political uncertainty and may have a material adverse impact on the Group's business, results of operations, financial condition and prospects.	Nostrum's Senior Management Team is pro-actively engaged with key stakeholders among state authorities to address and resolve any potential issues at early stages. In addition, the Group endeavours to identify legislative changes at early stages before their introduction and to the extent possible participate in the relevant working groups engaged in development of such changes. To mitigate geopolitical, regional and customer risks, the Group continues to strengthen customer relationships through establishing long-term off-take agreements whilst also looking at possibilities to geographically diversify its customer portfolio. The Group has analysed the impact of sanctions imposed on Russia on its transportation of crude oil, condensate and LPG via rail or pipeline, and is also considering alternative routes and destinations as a potential mitigating action to alleviate the impact of the Urals spread on product pricing. Due to the US, UK and EU sanctions, the senior management and the Board also decided that it would be in the best interest of the Group to terminate its banking relationships with the Sberbank subsidiary in Kazakhstan. In addition, the Group is also evaluating and implementing control processes and procedures around compliance with the sanctions imposed on Russia and Belarus as well as institutions and individuals specifically identified in those sanctions. These include evaluation of counterparties and their banks, contract procedures, and liaising with external legal advisers. Such actions also include collating and regularly updating lists of all persons/entities sanctioned in order to ensure Nostrum does not enter into transactions with any of the persons/entities on these lists.
Product price volatilities	
The Group's operations and financial performance are exposed to changes in the market prices for its products driven by external business and political factors, which are outside the Group's control. Oil and gas prices are subject to volatility due to a variety of factors beyond the Group's control. Factors affecting crude oil prices include supply and demand fundamentals, economic outlooks, production quotas set by OPEC and political events. In recent years, because of factors including weaker outlook for global demand growth combined with excess supply, oil and gas prices worldwide have been subject to significant volatility and there can be no assurance that the recent recovery in oil prices or the recent high gas prices relative to historical averages will continue for extended periods of time. In addition, dry gas prices are also influenced by the price for dry gas at the Kazakh borders and the prices of various oil-based products. Also, the Group could be compelled by governmental authorities, purportedly acting based on Kazakh legislation, to sell its oil, condensate, LPG and gas domestically at prices determined by the Kazakh Government, which could be significantly lower than prices which the Group could otherwise achieve. Lower oil and gas prices may reduce the economic viability of the Group's operations and proposed operations and materially adversely affect its business, results of operations, financial position and prospects. In particular, the Group's ability to produce economically from the Chinarevskoye field or any prospective fields will be determined, in large part, by the difference between the revenue received for its products and the operating costs, taxation costs, royalties and costs incurred in transporting and selling those products. The Group's strategy and business model are not directly influenced by any significant risk resulting from Brexit.	The Group quarterly revisits the product price assumptions used in its short-term, medium-term and long-term financial models, and performs stress testing of such forecasts to fluctuations in product prices and these are monitored by senior management and the Board. Since early 2020, given the uncertainties caused by a low oil price environment, the Group continues taking prudent mitigating actions to protect liquidity. These include cancelling uncommitted capital expenditures and identifying reductions in operating costs, general and administrative, and selling and transportation costs that could be implemented without having a negative impact on production or operations in the going concern period. As a result of such continued optimisation initiatives the Group is now able to withstand a period of prolonged low oil prices. Also, senior management constantly monitors the Group's exposure to foreign currency exchange rate changes and makes plans for necessary measures. In previous years, the Group has entered into hedging instruments to mitigate the volatility of commodity prices. The last such instrument expired in 2018. In 2021 the Group has produced a draft hedging policy and updated its relationships with multiple financial institutions which would allow for hedges to be placed. The Board has not taken the decision to enter into any hedges in H1 2022 in light of the favourable commodity pricing environment, backwardation of the forward oil price curve, cash resources available to meet its operational and capital requirements for the current and next fiscal year and other factors.

Principal risks and uncertainties (continued)

Description of risk	Risk management
Filling the spare gas processing capacity	
The activities in the Chinarevskoye oil and gas condensate field are currently the Group's sole source of revenue. The field is a mature declining asset with proved and probable reserves base at a level that will produce volumes of hydrocarbons including raw gas sufficient to utilise less than 15 percent of the available annual capacity of 4.2 billion cubic meters at the Group's gas treatment facilities. The Company is therefore reliant on acquiring and developing nearby assets with significant resource potential and/or processing third party gas through its processing facilities to continue to produce free cash flows and build sufficient cash reserves to repay future indebtedness. The ability to negotiate and secure these strategic acquisitions is highly uncertain and the ability to fund the development of such projects, the costs of which may be substantial and require external funding, may not materialise. Oil and gas exploration and production activities are capital intensive and subject to financing limitations and inherent uncertainty in their outcome. Further, significant expenditure is required to establish the extent of oil and gas reserves through seismic and other surveys and drilling. Therefore, there can be no certainty that further commercial quantities of oil and gas will be discovered or acquired by the Group to enable it to utilise the spare capacity in its treatment facilities.	From the end of 2019 the Board came to conclusion that diversification of its sources of feedstock to the processing facilities would provide the Group with an opportunity to gain from expanding the use of available capacities, technological resources and human capital, and ultimately benefit from its underutilised infrastructure. The Group signed agreements with Ural OG in 2018 for the purchase of gas and processing of condensate from the Rozhkovskoye field for a period of four years with first deliveries planned for Q4 2023. The Group continues to actively engage in discussions with other third parties interested in supplying raw gas to completely fill its spare processing capacity. Also, the Group continues to mature its assessment of the Stepnoy Leopard licences for acquisition and development, as well as a number of additional area-wide opportunities under review that may serve to strengthen the Group's upstream and midstream portfolio in the coming years. Finally, the Group aims to align its strategy with Kazakhstan's wider gasification strategy. Not only will this allow Nostrum to play an integral role in the energy security of Kazakhstan, but will also transition away from high emitting hydrocarbon products thereby reducing Group's overall carbon intensity.
OPERATIONAL RISKS	
Oil and gas reserves and production	
Estimating the value and quantity of economically recoverable oil and natural gas reserves and resources, and consequently the rates of production, necessarily depend upon a number of variables and assumptions, such as ultimate reserves recovery, interpretation of geological and geophysical data, marketability of oil and gas, future product prices, operating costs, development and production costs and workover and remedial costs, all of which may vary from actual results, which would affect the Group's financial performance and achievement of strategic objectives. The reclassifications of significant amounts of oil and gas reserves from 2P to contingent resources effective 31 December 2020, were a result of crystallising of such risks. Even if the Group is able to discover or acquire commercial quantities of oil and gas in the future, there can be no assurance that these will be commercially developed. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of an entire field be more fully understood. Completion of the Group's development plans does not ensure a profit on the investment or recovery of drilling, completion and operating costs, as various field operating conditions may adversely affect production from successful wells including delays in obtaining governmental approvals, shut-ins of connected wells, other unusual or unexpected geological, oceanographic and mechanical conditions. Finally, given that the Chinarevskoye reservoir is a mature and declining asset, the Group has been actively performing well workover and intervention to reduce the rate of decline of the reservoir. Such activities, as well as construction, operation and maintenance of surface facilities, are subject to various risks, including the availability of adequate services, technologies and expertise, which may adversely affect the fulfilment of the Group's strategic objectives.	The Group has a department of geologists and engineers who perform periodic assessments of its oil and gas reserves in accordance with international standards on reserve estimations and prepare production forecasting using advanced exploration risk and resource assessment systems. The results of the assessments are audited by the Group's independent reserves consultant, Ryder Scott. For well workover activities, the Group engages skilled personnel and leading service suppliers, as well as employing internationally accredited operations and cost monitoring systems, based on which management oversees the work progress. A successful well workover and intervention programme was completed in 2020 and 2021 which reduced the rate of decline of production in the year. A similar programme in 2022 is still being implemented and evaluated. In addition, a low-pressure system, introduced in 2019 and expanded in 2020, continues to allow production from wells that would otherwise require to be shut in. Maintenance of wells and surface facilities is scheduled in advance, in accordance with technical requirements, and all necessary preparations are performed in a timely manner ensuring a high quality of work. In addition, the Group has emergency response and disaster recovery plans in place and periodically conducts necessary training and testing procedures. KPIs are in place to monitor risk management in operations, including completion of the well workover and intervention programme according to budget and production targets.
Cybersecurity risks	
Nostrum may be vulnerable to the unauthorised or inappropriate access to data, or the unlawful use, disclosure, disruption, deletion, corruption, modification, inspection, recording, or devaluation of information. Such cybersecurity failures may significantly adversely affect the Group's operations and financial results through disruptions, shutdowns and delays in production and other activities.	The Group uses a number of dashboards such as MS Secure and MS Compliance, which monitor security and compliance, and also help to identify areas where security might be enhanced. At the start of employment each new employee is briefed on the Group's Information Security Policy and signs a confidentiality agreement. All mailboxes and data are placed on Microsoft servers with appropriate levels of protection. Passwords have complexity requirement and double authorisation has been introduced for most users. All data traffic, servers and computers are subject to scanning and protection by anti-virus software. Physical access to data storages is restricted to authorised personnel.

Principal risks and uncertainties (continued)

Description of risk	Risk management
ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS	
Risks of incidents, including risk of explosion	
The Group's operations are subject to hazards and risks common in its industry, including encountering unusual or unexpected rock formations or geological pressures, fires, explosions or power shortages, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of oil, gas or well fluids, or water cut levels, pollution and other environmental risks. Failure to prevent or adequately mitigate these hazards can have a broad range of results, including, but not limited to, injury of employees or local residents, a partial or total shutdown of operations, significant damage to equipment, suspension or withdrawal of licences and relevant sanctions. Any of the above could materially and adversely affect the Group's business, results of operations, financial condition and prospects. It should also be noted that the legal framework for operational safety is not yet fully developed in Kazakhstan and given the changing nature of environmental regulations, there is a risk that the Group will not be in full compliance with all such regulations at all times.	The Group's QHSE policies are periodically revised to ensure compliance with changes and new requirements in this area. Periodic training on the requirements of policies and regulations is held for employees. Nostrum's operations are based on the five QHSE pillars: HSE leadership; rigorous incident investigation; process safety-critical elements identified and maintained; contractor HSE management; and environment and climate change. The Health, Safety, Environment and Communities Committee was formed for oversight of HSE matters at the Board level. Monthly QHSE reports are issued to communicate HSE performance. Management KPIs include lost time injury frequency, total recordable injury frequency, road traffic incidents frequency and numbers of Hazard Observation Cards submitted. Through the system of Hazard Observation Cards, employees and contractors report any unsafe conditions observed in the workplace, which helps to ensure their awareness of safe working conditions at all times. All incidents are investigated, their causes identified, and corrective action plans developed. There is a classification of equipment as critical or non-critical. Safety critical elements are devices, equipment or systems that are required to ensure process conditions are maintained within safe operating limits, or the purpose of which is to prevent malfunctioning. For example, devices are installed at well-sites to automatically close the wells in the case of shutdown, preventing blowdown by flaring. Contractor HSE performance is managed by identifying and mitigating risks, setting HSE performance criteria, monitoring, auditing and reporting HSE performance, and subsequently using this information for continuous development and feedback into the process of contractor selection.
COVID-19	
The spread of coronavirus (COVID-19) significantly affected the world economy, including the oil and gas industry in 2020-2021. The global economy has been gradually recovering and 2021 showed some positive developments in global markets of oil and gas. However, any further outbreaks of COVID-19 may have a disruptive effect. For example, uncontrolled spread of the coronavirus among employees on the field site could lead to the mass quarantine of workers and could have a negative impact on the Group's operations and financial results.	The senior management and the Board continued to closely monitor COVID-19 throughout the Group's operations, and assess the impact of the pandemic on all stakeholders. No production was lost as a result of COVID-19 during H1 2022 and thankfully none of the Group's workers succumbed to the disease. Extensive measures have been developed and are implemented when the region in which the Group operates moves away from a green zone. Such measures protect the safety of employees and contractors and mitigate the impact on operations arising from COVID-19. • Testing of all personnel prior to being transferred to the field; • Regular temperature checks whilst at the field site; • Isolation and testing of any employees and contractors identified as being in contact with individuals tested as positive for COVID-19; • Strict enforcement of maximum personnel quotas in Uralsk office as determined by official local and Kazakhstan national directives; and • Remote working for all staff in Europe; • Following all RoK regulations and mandatory procedures in respect to COVID-19.
Governance risks	
By virtue of being a dual-listed entity, Nostrum must adhere to both UK and Republic of Kazakhstan corporate governance and reporting requirements. Governance risk factors are usually related to board composition and structure, executive remuneration, internal controls and risk management framework, corporate policies and procedures, risks of corruption and bribery, and others. Lack of adequate controls and policies, or a failure of those to operate effectively, could lead to loss of company resources, non-compliance with regulations, and respective significant fines, penalties, as well as reputational damage.	As described on pages 86 – 89 of the Group's 2021 Annual Report and Accounts, the Group has established a robust governance framework which covers all aspects of the Group's activities through respective Board committees and functional teams under senior management. Although the composition of the Board and its committees was not ideal during the reporting period due to the transition period, compensating controls and procedures were put in place such as additional scrutiny over the Board decisions and more frequent Board meetings. The corporate governance framework is supported by an extensive range of policies and procedures covering division of responsibilities, bribery, corruption and whistle-blowing, anti-facilitation of tax evasion, as described on page 89 of the Group's 2021 Annual Report and Accounts and various other policies and practices related to social and environmental matters described across other section of the report. Such policies and procedures are designed and implemented to ensure that all required compliance obligations are met.

Principal risks and uncertainties (continued)

Description of risk	Risk management
Environmental risks	
The Group's operations are subject to environmental risks inherent in oil and gas exploration and production industries. Examples of environmental risks include risks stemming from more intense extreme weather events, rising energy intensity in the oil and gas industry, the changing regulatory landscape, the risk of fugitive emissions and climate change policies driving down demand. Compliance with environmental regulations may make it necessary for the Group at substantial cost to undertake measures in connection with the storage, handling, transportation, treatment or disposal of hazardous materials and waste and the remediation of contamination. In addition, the legal framework for environmental protection and operational safety is not yet fully developed in Kazakhstan. Stricter environmental requirements may be adopted in the near future, and the environmental authorities may move towards a stricter interpretation of existing legislation. The costs associated with compliance with such regulations could have a material adverse effect on the Group's business, results of operations, financial position and prospects.	The Group actively plans and manages projects designed to mitigate certain environment-related risks. Limiting GHG emissions is a management KPI. The Group's operations continuously put effort and commitment into improving energy efficiency, reducing flaring, venting and leaks, and monitoring and effectively managing emissions and waste. Also, the Group has recently started recycling utilised water at the campsite. The senior management actively evaluates opportunities to further adapt and implement cost-effective mitigation measures. The HSEC committee currently has responsibility for ESG related matters. In 2022 the Group engaged with one of the biggest ESG rating providers to perform the Group's corporate ESG assessment to identify and rectify gaps, and also to be able to share its rating with the external stakeholders on a recurring basis. In 2022, the Company has issued a policy which addresses energy use and improving efficiency, and a methane emissions management policy.
CLIMATE CHANGE RISKS	
Climate change	
Continued attention to climate change issues by governments, investors and customers and relevant developments in laws and regulations, investor and customer preferences may have significant adverse impact on the Group's business. New requirements, laws, policies and regulations may result in substantial additional expenditures on capital construction, compliance, operations and maintenance. The level of expenditure required to comply with these laws and regulations is uncertain. In addition, any perceived weakness in environment related policies, procedures and efforts, sub-optimal assessment by an ESG rating agency and comparison to peers, might adversely impact the Group's access to capital markets, reduce ability to raise additional financing, increase financing costs and have a negative impact on the Group's business plans and financial performance.	The Group is actively planning and managing projects designed to mitigate certain climate change related risks. For instance: • to decrease its exposure to rising fuel prices, drilling rigs were retooled to derive more power from electricity rather than diesel; • in operations there is a permanent effort and commitment to improve energy efficiency and to reduce flaring, venting and leaks; and • at campsite most of the water the Group utilises now is recycled. Climate change is on the Board's agenda. The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures.
COMPLIANCE RISKS	
Subsoil use agreements	
As the Group performs exploration, development and production activities in accordance with related licences for the oil and gas fields, there are related risks that the Group might not be able to obtain extensions or agree amendments to the field development plan, when necessary, risks of non-compliance with the licence requirements owing to ambiguities, risks of alteration of the licence terms by the authorities and others. These risks may result in the Group's inability to fulfil scheduled activities; fines, penalties, suspension or termination of licences by authorities; and, respectively, significant and adverse impact on the Group's business, financial performance and prospects.	The Group has procedures and processes in place for the timely application for extension of licence periods or for amendments to the field development plan, when it is considered appropriate however, uncertainty remains in relation to timing and results of decisions of authorities. The Group maintains an open dialogue with Kazakh governmental authorities regarding its subsoil use agreement. In the event of non-compliance with a provision of the agreement, the Group endeavours to have such terms modified and pays any penalties and fines that may apply.
Compliance with laws and regulations	
The Group carries out its activities in a number of jurisdictions and, therefore, must comply with a range of laws and regulations, which exposes the Group to the respective risks of non-compliance. In addition, the Group must comply with the Listing Rules, the Disclosure Guidance and Transparency Rules, FRC guidance and requirements, as well as KASE and bond indenture requirements, in light of its publicly traded shares and notes. Hence, there are non-compliance risks, including reputational, litigation and government sanction risks, to which the Group is exposed. The impact of these risks may vary in magnitude and include regulatory actions, fines and penalties by authorities, diversion of management time, and may have an overall adverse effect on the Group's performance and activities towards achieving its strategic objectives.	For the purpose of effective corporate governance and compliance with laws, regulations and rules, the Group has adopted a number of policies and procedures, as mentioned above. The Group also performs periodic updates based on the changes in regulatory requirements and carries out related communications and training for employees. Necessary communication lines are established with authorities to ensure timely and adequate inbound and outbound flow of information. Senior management and the Board monitor significant matters related to legal and compliance matters in order to act promptly in response to any actions. In addition, management maintains an open dialogue with its sponsors in relation to any matter related to non-compliance with Listing Rules and other regulatory requirements.

Principal risks and uncertainties (continued)

Description of risk	Risk management
FINANCIAL RISKS	
Liquidity risks	
Forecasting to maintain an adequate liquidity position is subject to the risk that inaccurate information or assumptions are used for forecasts, and to risks of counterparty delay or a counterparty's failure to meet their contractual obligations owing to severe market conditions. Moreover, the Group's current and planned expenditures are subject to unexpected problems, costs and delays, and the economic results and actual costs may differ significantly from the Group's current estimates. Prices for the materials and services the Group depends on to conduct and expand its business may increase to levels that no longer enable the Group to operate profitably. All the above factors in combination with a significant negative movement in world energy prices could result in the Group's liquidity position becoming more strained than the severe but plausible downside scenario in the going concern assessment.	Senior management and the Board constantly monitor the Group's actual and forecast liquidity position to ensure that sufficient funds are available to meet any commitments as they arise. In addition, senior management and the Board assess key financial ratios, sensitivity tests of its liquidity position for changes in crude oil price, production volumes and timing of completion of various ongoing projects, to understand the resilience of the business and to be prepared for taking necessary remedies. Further efforts are made on cost optimisation to reduce capital expenditures, operating costs and general and administration costs.
Refinancing risks	
The Group has US$1.125bn of debt principal outstanding, US$725m of which matured in July 2022. From May 2020 the Group has been engaged with its bondholders in connection with a possible restructuring of its debt and has not been making interest payments from mid-2020. In December 2021, the Group entered into a Lock-Up Agreement and agreed the terms of a restructuring with bondholders. These terms were supported by the shareholders, the required waiver from the Government of the Republic of Kazakhstan and the UK Court sanctioning of the scheme meeting have been obtained recently. However, the successful implementation of restructuring depends on certain other conditions that need to be fulfilled. Moreover, the Lock-up Agreement contains termination provisions allowing for termination in certain, specified circumstances. Hence, the ability of the Group to refinance the outstanding debt represents a material uncertainty. There is a significant risk that the Group will not be able to refinance the bonds which will negatively impact the Group's ability to continue as a going concern.	Successful restructuring of the Group's outstanding debt is the primary focus of the Board and Senior management. Work continues towards this objective with all stakeholders. Following the original accession period for the Lock-Up Agreement, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises approximately 77.73% of the total aggregate principal amount of both series of Notes. 99.99% of voting shareholders voted in favour of the restructuring on the same terms following the convening of a General Meeting on 29 April 2022. Furthermore, the required waiver from the Government of the Republic of Kazakhstan and the UK Court sanctioning of the Scheme meeting have been obtained recently. However, the necessary steps are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Group.
Tax risks and uncertainties	
The uncertainty of application, including retroactive application, of tax laws and the evolution of tax laws in Kazakhstan create risks related to additional tax liabilities from assessments and risks related to the recoverability of tax assets. 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. 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. Tax risks and uncertainties may adversely affect the Group's profitability, liquidity and planned growth.	The Group has policies and procedures related to various tax assessments and positions, as well as other control activities to ensure the timely assessment and filing of tax returns, payment of tax obligations and recovery of tax assets. The Group regularly challenges, either with the Kazakh tax authorities or through the Kazakh courts, tax assessments that it believes are inapplicable to it, pursuant to the terms of either its subsoil use agreements or applicable law.

Principal risks and uncertainties (continued)

Description of risk	Risk management
OTHER RISKS	
Other significant risks, including emerging risks	
Other risks are those that are not specifically identified within any of the principal risks and uncertainties but may be related to several such areas or be organisation-wide. These include risks related to: • Fraudulent activities; • The Group's supply chains; • Accounting and reporting management systems; or • The availability of human resources. They may also significantly impact the Group's financial performance, reputation and achievement of its strategic objectives.	The Group has an Anti-Bribery and Corruption Policy, provisions relating to the same are included in the Group's Code of Conduct, and whistle-blowing procedures have been developed which allow anonymous tipping of any potential fraudulent activities and a managed investigation into any acts overseen by the Chief Legal Officer and reported to the directors. Related training and updates are periodically provided for employees in relation to their obligations in this area. The Group has a wide range of internal controls over its supply chains and accounting and reporting processes, including policies, procedures, segregation of duties for authorisation of matters, periodic training for employees and so on. The Contracts Board was established to meet weekly to review and approve the placement of all contracts with a potential value in excess of $10,000. Senior management and the Board stay alert to emerging challenges related to various management systems and related governance matters and, when necessary, initiate change initiatives to ensure enhancement and integration of certain management systems.

The risks listed above do not comprise all those associated with the Group's business and are not set out in any order of priority. Additional risks and uncertainties not presently known to management, or currently deemed to be less material, may also have an adverse effect on the Group's business. The risks listed above are continuously monitored by the management team and assessed when making business decisions.

Going concern

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

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

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

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

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

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

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

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict, which has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's operations, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports, and the Group also contracts with a limited number of Russian service companies. Other than the widening of Urals discount used in calculation of export prices on oil and condensate from a pre-conflict US$3/bbl in early 2022 to US$35/bbl at the end of June 2022, there is no material impact on the Group's operations and liquidity at the time of publication of this report as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions.

The Directors are cognisant of the current and evolving sanctions list to ensure the Group is conducting business in compliance with these sanctions. In its going concern assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be cash reserves in excess of US$100 million at the end of the going concern period to 30 September 2023, inclusive of cash swept into the restricted account. Hence, the Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the going concern review period.

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

After careful consideration of the material uncertainty in connection with the restructuring of the Existing Notes, and on the basis of the successful execution of the Lock-up Agreement, achievement of several key milestones as described above, advice from the Company's financial and legal advisors, and internal assessment of the likelihood that the remaining authorisations and licences can be obtained, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 September 2023. For these reasons, they continue to adopt the going concern basis in preparing the interim condensed financial statements. Accordingly, these interim condensed 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.

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

Responsibility statement

To the best of our knowledge

a) the interim condensed set of financial statements, which has been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting", as adopted in the UK, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4 R;

b) the interim management report includes a fair review of the information required by DTR 4.2.7 R; and

c) the interim management report includes a fair review of the information required by DTR 4.2.8 R.

The interim management report and the interim condensed consolidated financial statements for the six months ended 30 June 2022 have not been audited nor reviewed by the Group's external auditor.

Signed on behalf of the Board:

Arfan Khan
Chief Executive Officer

15 August 2022

Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited, unreviewed)

For the six months ended 30 June 2022

Contents

Interim condensed consolidated statement of financial position

In thousands of US Dollars	Notes	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	**298,799**	320,125
Advances for non-current assets	5	**2,860**	1,418
Restricted cash	9	**30,435**	30,438
		332,094	351,981
Current assets			
Inventories	6	**32,724**	31,387
Prepayments and other current assets	7	**11,471**	9,735
Income tax prepayment		**574**	300
Trade receivables	8	**10,910**	6,659
Cash and cash equivalents	9	**208,665**	165,246
		264,344	213,327
TOTAL ASSETS		**596,438**	565,308
Equity and liabilities			
Share capital and reserves	10		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained deficit and reserves		**(859,655)**	(824,796)
		(858,112)	(823,253)
Non-current liabilities			
Abandonment and site restoration provision		**29,144**	29,008
Due to Government of Kazakhstan		**4,411**	4,563
Deferred tax liability	22	**46,427**	34,072
		79,982	67,643
Current liabilities			
Current portion of long-term borrowings	12	**1,343,637**	1,289,603
Trade payables	13	**10,417**	8,399
Advances received		**90**	9
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	14	**19,393**	21,876
		1,374,568	1,320,918
TOTAL EQUITY AND LIABILITIES		**596,438**	565,308

The interim condensed consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were authorised for issue by the Board of Directors on 15 August 2022.

Signed on behalf of the Board:

Arfan Khan

Chief Executive Officer

15 August 2022

The accounting policies and explanatory notes on pages 25 through 34 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of comprehensive income

In thousands of US Dollars	Notes	For the three months ended 30 June 2022 (unaudited)	For the three months ended 30 June 2021 (unaudited, restated*)	For the six months ended 30 June 2022 (unaudited)	For the six months ended 30 June 2021 (unaudited, restated*)
Revenue					
Revenue from export sales		**42,603**	39,942	**97,558**	79,137
Revenue from domestic sales		**5,033**	6,179	**10,274**	13,174
	15	**47,636**	46,121	**107,832**	92,311
Cost of sales	16	**(20,052)**	(22,139)	**(41,146)**	(45,238)
Gross profit		**27,584**	23,982	**66,686**	47,073
General and administrative expenses	17	**(3,183)**	(2,986)	**(5,957)**	(5,832)
Selling and transportation expenses	18	**(4,835)**	(5,854)	**(9,534)**	(12,086)
Taxes other than income tax	19	**(4,442)**	(4,043)	**(9,654)**	(7,760)
Finance costs	20	**(32,739)**	(25,761)	**(64,068)**	(53,625)
Foreign exchange gain / (loss), net		**359**	(233)	**98**	(221)
Interest income		**27**	58	**97**	112
Other income	21	**1,079**	1,157	**2,381**	3,397
Other expenses		**(1,467)**	(541)	**(2,190)**	(1,278)
Loss before income tax		**(17,617)**	(14,221)	**(22,141)**	(30,220)
					–
Current income tax expense		**(132)**	(769)	**(281)**	(1,133)
Deferred income tax expense		**(3,602)**	(2,785)	**(12,355)**	(6,800)
Income tax expense	22	**(3,734)**	(3,554)	**(12,636)**	(7,933)
Loss for the period		**(21,351)**	(17,775)	**(34,777)**	(38,153)
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		**(161)**	440	**(82)**	341
Other comprehensive (loss) / income		**(161)**	440	**(82)**	341
Total comprehensive loss for the period		**(21,512)**	(17,335)	**(34,859)**	(37,812)
Loss for the period attributable to the shareholders (in thousands of US dollars)				**(34,777)**	(38,153)
Weighted average number of shares				**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	11			**(0.19)**	(0.21)

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

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

The accounting policies and explanatory notes on pages 25 through 34 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of cash flows

In thousands of US Dollars	Notes	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited, restated*)
Cash flow from operating activities:			
Loss before income tax		**(22,141)**	(30,220)
Adjustments for:			
Depreciation, depletion and amortisation	16,17,18	**27,281**	31,430
Finance costs	20	**64,068**	53,625
Interest income		**(97)**	(112)
Foreign exchange loss on investing and financing activities		**544**	(66)
Operating profit before working capital changes		**69,655**	54,657
Changes in working capital:			
Change in inventories		**(1,497)**	1,063
Change in trade receivables		**(4,250)**	(4,994)
Change in prepayments and other current assets		**(4,150)**	(318)
Change in trade payables		**2,505**	531
Change in advances received		**82**	(166)
Change in due to Government of Kazakhstan		**(515)**	(515)
Change in other current liabilities		**(2,484)**	(1,703)
Cash generated from operations		**59,346**	48,555
Income tax paid		**(555)**	(2,260)
Net cash flows from operating activities		**58,791**	46,295
Cash flow from investing activities:			
Interest received		**97**	112
Purchase of property, plant and equipment		**(5,460)**	(2,887)
Advances for non-current assets		**(1,442)**	(230)
Transfer to restricted cash		**–**	(8,634)
Net cash used in investing activities		**(6,805)**	(11,639)
Cash flow from financing activities:			
Other finance costs		**(7,941)**	(3,780)
Payment of principal portion of lease liabilities		**–**	(1,443)
Finance charges on lease liabilities		**–**	(174)
Net cash used in financing activities		**(7,941)**	(5,397)
Effects of exchange rate changes on cash and cash equivalents		**(626)**	212
Net increase in cash and cash equivalents		**43,419**	29,471
Cash and cash equivalents at the beginning of the period	9	**165,246**	78,583
Cash and cash equivalents at the end of the period	9	**208,665**	108,054

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

“Other finance costs” represent advisor fees of US$7,886 thousand (H1 2021: US$2,600 thousand) paid by the Group in relation to the forbearance agreements, lock-up agreement and ongoing process of restructuring of the Group’s outstanding bonds. In 2021 these included also bondholder consent fees in the amount of US$1,117 thousand. For more details see Note 1.

The accounting policies and explanatory notes on pages 25 through 34 are an integral part of these interim condensed consolidated financial statements

Interim condensed consolidated statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Treasury capital	Other reserves	Retained deficit	Total
As at 1 January 2021 (restated*)		**3,203**	**(1,660)**	**262,835**	**(1,061,063)**	**(796,685)**
Loss for the period		–	–	–	(38,153)	(38,153)
Other comprehensive loss		–	–	341	–	341
Total comprehensive loss for the period		**–**	**–**	**341**	**(38,153)**	**(37,812)**
As at 30 June 2021 (unaudited, restated*)		**3,203**	**(1,660)**	**263,176**	**(1,099,216)**	**(834,497)**
Profit for the period		–	–	–	12,035	12,035
Other comprehensive loss		–	–	(544)	–	(544)
Total comprehensive (loss) / income for the period		**–**	**–**	**(544)**	**12,035**	**11,491**
Share based payments under LTIP*		–	–	(247)	–	(247)
As at 31 December 2021 (audited)		**3,203**	**(1,660)**	**262,385**	**(1,087,181)**	**(823,253)**
Loss for the period		–	–	–	(34,777)	(34,777)
Other comprehensive income		–	–	(82)	–	(82)
Total comprehensive loss for the period		**–**	**–**	**(82)**	**(34,777)**	**(34,859)**
As at 30 June 2022 (unaudited)		**3,203**	**(1,660)**	**262,303**	**(1,121,958)**	**(858,112)**

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

*** Long-Term Incentive Plan ("LTIP")*

The accounting policies and explanatory notes on pages 25 through 34 are an integral part of these interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements

1. General

Overview

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

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

Company	Registered office	Form of capital	Ownership, %
Nostrum Associated Investments LLP	43B Karev street, 090000 Uralsk, Republic of Kazakhstan	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 are hereinafter referred to as "the Group". The Group's operations comprise of a single operating segment including all Group's assets related to its Chinarevskoye field 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 2022 the Group employed 557 employees (31 December 2021: 559).

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 included a 5-year exploration period followed by a 25-year production period with the Contract being valid until the end of 2031.

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.

Group debt restructuring

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

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

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

The FBAs were subject to certain conditions, including:

- The opening of a secured account into which a portion of the missed interest payments was paid. A total of US$22,658,980 has been deposited into the secured account under the terms of the FBAs, with the Group having access to the funds under certain circumstances (i.e. liquidity falling below an agreed threshold).
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Group where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Parent and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

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

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

Notes to the interim condensed consolidated financial statements (continued)

Upon signing of the Lock-up Agreement, the Second FBA was extended in parallel. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date of 17 August 2022. The Company and AHG are in the process of extending the Lock Up Agreement and Second Forbearance Agreement on largely the same terms as the original agreements.

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

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

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

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

Following execution of the Lock-up Agreement, the Company commenced implementation of the Restructuring, which is expected to become effective in 2022. Parallel processes in other jurisdictions relevant to the Group and/or the Notes may also be involved.

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

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

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

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

2. Basis of preparation and consolidation

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted in the UK. 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 2021 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with the UK adopted International Accounting Standards.

The interim condensed consolidated financial information for six months ended 30 June 2022 and 2021 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 2021 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2021 were approved by the Board of directors on 4 May 2022 and, following approval by the Company's shareholders, will be 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 2022. 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 year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the interim condensed consolidated financial statements (continued)

Going concern

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

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

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

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

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

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

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

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict, which has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's operations, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports, and the Group also contracts with a limited number of Russian service companies. Other than the widening of Urals discount used in calculation of export prices on oil and condensate from a pre-conflict US$3/bbl in early 2022 to US$35/bbl at the end of June 2022, there is no material impact on the Group's operations and liquidity at the time of publication of these the interim condensed financial statements as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions.

The Directors are cognisant of the current and evolving sanctions list to ensure the Group is conducting business in compliance with these sanctions. In its going concern assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be cash reserves in excess of US$100 million at the end of the going concern period to 30 September 2023, inclusive of cash swept into the restricted account. Hence, the Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the going concern review period.

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

After careful consideration of the material uncertainty in connection with the restructuring of the Existing Notes, and on the basis of the successful execution of the Lock-up Agreement, achievement of several key milestones as described above, advice from the Company's financial and legal advisors, and internal assessment of the likelihood that the remaining authorisations and licences can be obtained, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 September 2023. For these reasons, they continue to adopt the going concern basis in preparing the interim condensed financial statements. Accordingly, these interim condensed 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.

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

Notes to the interim condensed consolidated financial statements (continued)

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 2021, except for the adoption of new standards effective as of 1 January 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

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

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

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

Correction of errors and reclassifications

Impairment of property, plant and equipment

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

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

For the three months ended 30 June 2021

In thousands of US Dollars	Reported	Depreciation correction	As adjusted
Consolidated statement of comprehensive income			
Cost of sales	(24,135)	1,996	(22,139)
Gross profit	**21,986**	**1,996**	**23,982**
Loss before income tax	**(16,217)**	**1,996**	**(14,221)**
Income tax expense	(2,955)	(599)	(3,554)
Loss for the period	**(19,172)**	**1,397**	**(17,775)**

For the six months ended 30 June 2021

In thousands of US Dollars	Reported	Depreciation correction	As adjusted
Consolidated statement of comprehensive income			
Cost of sales	(49,444)	4,206	(45,238)
Gross profit	**42,867**	**4,206**	**47,073**
Loss before income tax	**(34,426)**	**4,206**	**(30,220)**
Income tax expense	(6,671)	(1,262)	(7,933)
Loss for the period	**(41,097)**	**2,944**	**(38,153)**
Consolidated statement of cash flows			
Loss before income tax	(34,426)	4,206	(30,220)
Depreciation, depletion and amortisation	35,636	(4,206)	31,430
Net cash flows from operating activities	**46,295**	**–**	**46,295**

Notes to the interim condensed consolidated financial statements (continued)

Reclassifications and comparative figures

Certain reclassifications have been made to the previous year's disclosure of cost of sales to enhance comparability with the current year's presentation following management's periodic assessment of the improvement of the information presentation. As a result, the comparative amounts for the six months ended 30 June 2021 in the certain line items within cost of sales disclosure in Note 16 have been amended to conform to the current period's presentation as follows:

For the three months ended 30 June 2021

In thousands of US dollars	As previously reported	Depreciation correction	Reclassifi -cation	**As adjusted**
Depreciation, depletion and amortisation	16,277	(1,996)	–	**14,281**
Payroll and related taxes	3,775	–	–	**3,775**
Repair, maintenance and other services	2,178	–	(467)	**1,711**
Materials and supplies	1,550	–	17	**1,567**
Transportation services	722	–	2	**724**
Well repair and maintenance costs	–	–	763	**763**
Well workover costs	392	–	(392)	**–**
Environmental levies	82	–	–	**82**
Change in stock	(942)	–	–	**(942)**
Other	101	–	77	**178**
	24,135	**(1,996)**	**–**	**22,139**

For the six months ended 30 June 2021

In thousands of US dollars	As previously reported	Depreciation correction	Reclassifi -cation	**As adjusted**
Depreciation, depletion and amortisation	34,206	(4,206)	–	**30,000**
Payroll and related taxes	7,194	–	–	**7,194**
Repair, maintenance and other services	3,813	–	(846)	**2,967**
Materials and supplies	2,178	–	42	**2,220**
Transportation services	1,302	–	2	**1,304**
Well repair and maintenance costs	–	–	1,162	**1,162**
Well workover costs	424	–	(424)	**–**
Environmental levies	114	–	–	**114**
Change in stock	1	–	–	**1**
Other	212	–	64	**276**
	49,444	**(4,206)**	**–**	**45,238**

4. Property, plant and equipment

During the six months ended 30 June 2022 the Group had additions of property, plant and equipment of US$6,018 thousand (H1 2021: US$3,080 thousand). These additions are mostly associated with the well workover campaign as well as capital repairs of equipment and capitalized interest of US$685 thousand (H1 2021: US$124 thousand).

See Note 24 for capital commitments.

5. Advances for non-current assets

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

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Advances for construction materials	**2,435**	359
Advances for construction services	**351**	1,059
Advances for other non-current assets	**74**	–
	2,860	1,418

6. Inventories

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

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Spare parts and other inventories	**26,968**	26,720
Gas condensate	**3,839**	4,265
Crude oil	**1,754**	306
LPG	**123**	57
Dry gas	**32**	32
Sulphur	**8**	7
	32,724	31,387

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

7. Prepayments and other current assets

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

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
VAT receivable	**5,066**	4,882
Advances paid	**3,397**	2,370
Other taxes receivable	**2,697**	1,668
Other	**311**	815
	11,471	9,735

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

There were no other movements in the provision for impairment of advances paid during the six months ended 30 June 2022 and the year ended 31 December 2021.

8. Trade receivables

As at 30 June 2022 and 31 December 2021 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Their average collection period is not more than 45 days.

As at 30 June 2022 and 31 December 2021 there were past due but not 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 2022 and 31 December 2021.

Notes to the interim condensed consolidated financial statements (continued)

9. Cash and cash equivalents

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

In thousands of US Dollars	30 June 2022 (unaudited)	31 December 2021 (audited)
Current accounts in US Dollars	**206,751**	157,981
Current accounts in Tenge	**1,180**	5,736
Current accounts in other currencies	**598**	500
Current accounts in Euro	**126**	1,020
Petty cash	**10**	9
	208,665	165,246

In addition to the cash and cash equivalents in the table above, as at 30 June 2022 the Group had restricted cash accounts as a liquidation fund deposit of US$44 thousand and US$7,719 thousand with Halyk bank (31 December 2021: US$47 thousand with Sberbank in Kazakhstan and US$7,719 thousand with Halyk bank), which are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

The Group transferred funds to a secured cash account opened for the benefit of the holders of the Group's Notes under the terms of the FBAs (Note 1). As at 30 June 2022 the balance of the secured cash account was US$22,672 thousand (31 December 2021: US$22,672 thousand). 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 2022 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. There were no movements in the number of shares during the six months ended 30 June 2022 and year ended 31 December 2021 and comprised of the following:

	Number of shares
In circulation	**185,234,079**
Treasury capital	**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 is presented as follows:

In thousands of US Dollars	Group reorgani-sation reserve	Foreign currency translati on reserves	Share-option reserves	Total
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**
Currency translation difference	–	(544)	–	(544)
Share based payments under LTIP	–	–	(247)	(247)
As at 31 December 2021	**255,459**	**3,102**	**3,824**	**262,385**
Currency translation difference	–	(82)	–	(82)
As at 30 June 2022	**255,459**	**3,020**	**3,824**	**262,303**

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 2022 and year ended 31 December 2021.

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 2022 the book value per share amounted to US$4.63 negative (31 December 2021: US$4.44 negative).

11. Earnings per share

As at 30 June 2022 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.

	For the three months ended 30 June	
	2022 (unaudited)	2021 (unaudited, restated)
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(34,777)**	(38,153)
Weighted average number of shares	**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	**(0.19)**	(0.21)

12. Borrowings

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

In thousands of US Dollars	30 June 2022 (unaudited)	31 December 2021 (audited)
Notes issued in 2017 and maturing in 2022	**724,358**	720,655
Notes issued in 2018 and maturing in 2025	**395,671**	395,022
Accrued interest	**223,608**	173,926
	1,343,637	1,289,603
Less amounts due within 12 months	**(1,343,637)**	(1,289,603)
	–	–

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 with maturity on 25 July 2022. 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:

Notes to the interim condensed consolidated financial statements (continued)

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 with maturity on 16 February 2025. 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

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. Considering these facts and circumstances, starting from Q3 2020 the Group reclassified the carrying amounts of the 2022 Notes and 2025 Notes into current liabilities and since then has been presenting them as the current portion of long-term borrowings in the statement of financial position.

The Company continued active discussions with the financial and legal advisers to the AHG and signed the FBAs, which prohibited the AHG from exercising certain rights and remedies under the Existing Note indentures. In December 2021 the Group entered into the Lock-up Agreement and agreed terms of a restructuring with noteholders, following which several key milestones have been achieved, including shareholders voting in favour of the Restructuring Resolutions, securing MOE Consent, and the UK Court sanctioning the Scheme meeting. More detailed information related to the FBAs and the Lock-up Agreement is disclosed in the Note 1.

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 2022 and 31 December 2021:

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Tenge denominated trade payables	**4,778**	5,433
US Dollar denominated trade payables	**4,675**	1,397
Euro denominated trade payables	**401**	464
Russian Rouble denominated trade payables	**47**	122
Trade payables denominated in other currencies	**516**	983
	10,417	8,399

14. Other current liabilities

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

In thousands of US Dollars	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Training obligations accrual	**8,071**	8,684
Taxes payable, including corporate income tax	**5,787**	6,709
Other accruals	**2,471**	3,318
Due to employees	**2,224**	2,479
Other current liabilities	**840**	686
	19,393	21,876

Notes to the interim condensed consolidated financial statements (continued)

15. Revenue

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

The pricing for all of the 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 2022 was US$104.7/bbl (H1 2021: US$65.2/bbl).

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

During the six months ended 30 June 2022 the revenue from sales to three major customers amounted to US$82,153 thousand, US$6,814 thousand and US$5,106 thousand respectively (H1 2021: US$68,011 thousand, US$9,568 thousand and US$3,720 thousand respectively). The Group's exports are mainly represented by deliveries to the Baltic ports of Russia.

16. Cost of sales

In thousands of US Dollars	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited, restated*)	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited, restated*)
Depreciation, depletion and amortisation	**13,202**	14,281	**27,208**	30,000
Payroll and related taxes	**3,589**	3,775	**7,201**	7,194
Repair, maintenance and other services	**1,457**	1,711	**2,954**	2,967
Materials and supplies	**1,036**	1,567	**1,893**	2,220
Well repair and maintenance costs	**616**	763	**1,554**	1,162
Transportation services	**554**	724	**1,159**	1,304
Environmental levies	**10**	82	**45**	114
Change in stock	**(511)**	(942)	**(1,089)**	1
Other	**99**	178	**221**	276
	20,052	22,139	**41,146**	45,238

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

17. General and administrative expenses

In thousands of US Dollars	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited)	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)
Payroll and related taxes	**1,461**	1,550	**3,026**	2,842
Professional services	**1,282**	1,032	**2,012**	2,108
Insurance fees	**148**	150	**294**	295
Business travel	**82**	35	**122**	53
Short-term leases	**37**	77	**101**	153
Communication	**45**	46	**90**	91
Depreciation and amortisation	**36**	(32)	**73**	94
Materials and supplies	**26**	23	**62**	47
Bank charges	**11**	13	**29**	35
Other	**55**	92	**148**	114
	3,183	2,986	**5,957**	5,832

18. Selling and transportation expenses

In thousands of US Dollars	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited)	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)
Transportation costs	**1,995**	2,315	**4,046**	5,076
Loading and storage costs	**2,152**	1,581	**4,081**	3,103
Marketing services	**–**	525	**–**	1,140
Depreciation of right-of-use assets	**–**	667	**–**	1,336
Payroll and related taxes	**309**	382	**664**	750
Other	**379**	384	**743**	681
	4,835	5,854	**9,534**	12,086

19. Taxes other than income tax

In thousands of US Dollars	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited)	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)
Royalties	**2,108**	1,721	**4,422**	3,457
Export customs duty	**1,834**	1,940	**4,250**	3,560
Government profit share	**499**	380	**979**	738
Other taxes	**1**	2	**3**	5
	4,442	4,043	**9,654**	7,760

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

20. Finance costs

In thousands of US Dollars	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited)	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)
Interest expense on borrowings	**26,627**	23,537	**53,349**	46,896
Other finance costs	**5,861**	1,893	**10,217**	6,034
Unwinding of discount on amounts due to Government of Kazakhstan	**182**	190	**364**	381
Unwinding of discount on lease liability	**–**	71	**–**	174
Unwinding of discount on abandonment and site restoration provision	**69**	70	**138**	140
	32,739	25,761	**64,068**	53,625

Other finance costs represent advisor fees in the amount of US$10,162 thousand (H1 2021: US$2,941 thousands of bondholder consent fees and US$3,035 thousand adviser fees) incurred by the Group in relation to the FBAs, Lock-up Agreement and process of restructuring of the Group's outstanding bonds. For more details on FBAs, Lock-up Agreement and the consent fees see Note 1.

Until the Existing Notes are successfully restructured, the Group will continue to accrue interest on the Existing Notes.

Notes to the interim condensed consolidated financial statements (continued)

21. Other income

In thousands of US Dollars	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited)	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited)
Reversals of training accruals	**554**	372	1,107	745
Reversals of other accruals	**217**	257	656	492
Currency conversion	**120**	16	264	41
Catering and accommodation	**57**	79	117	97
Compensation for damages	**–**	–	–	1,549
Other	**131**	433	237	473
	1,079	1,157	2,381	**3,397**

22. Income tax

In thousands of US Dollars	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited, restated*)	For the six months ended 30 June 2022 (unaudited)	2021 (unaudited, restated*)
Deferred income tax expense	**3,602**	2,785	**12,355**	6,800
Corporate income tax expense	**–**	(33)	**9**	–
Withholding tax	**140**	218	**280**	549
Adjustment in respect of the current income tax for the prior periods	**(8)**	584	**(8)**	584
	3,734	3,554	**12,636**	7,933

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the six months ended 30 June 2022. Differences between the recognition criteria in IFRS and under the statutory taxation regulations give rise to a temporary difference between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the change in temporary differences is recorded at the applicable statutory rates, including the prevailing Kazakhstani tax rate of 30% applicable to income derived from the Chinarevskoye subsoil use license.

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 key management.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$1,680 thousand for the six months ended 30 June 2022 (H1 2021: US$1,915 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 2022. As at 30 June 2022 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 30 June 2022, the Group had contractual capital commitments in the amount of US$6,952 thousand (31 December 2021: US$10,029 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.

Domestic oil sales

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

Notes to the interim condensed consolidated financial statements (continued)

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. Nostrum currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Group contracts with a limited number of Russian service companies. The Group will need to be cognisant of the current and evolving sanctions list to ensure it is conducting business in compliance with these sanctions and, if it is foreseen that it will not be, the necessary alternatives will need to be set up to be compliant whilst continuing to conduct ordinary course of business.

25. Financial risk management objectives and policies

Fair values of financial instruments

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

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

	Carrying amount		Fair value	
In thousands of US Dollars	**30 June 2022**	31 December 2021	**30 June 2022**	31 December 2021
Interest bearing borrowings	**1,343,637**	1,289,603	**268,000**	303,375
Total	**1,343,637**	**1,289,603**	**268,000**	**303,375**

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 2022 and year ended 31 December 2021 there were no transfers between the levels of fair value hierarchy of the Group's financial instruments.

26. Events after the reporting Consent

Receipt of Kazakhstan Ministry of Energy ("MOE") authorisations

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

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

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

Invitation to Submit Account Holder Letter and Notice of Scheme Meeting

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