# Nostrum Oil & Gas PLC

*Interim condensed consolidated financial statements*

*For the nine months ended 30 September 2022*

# Contents

# Interim condensed consolidated statement of financial position

| *In thousands of US Dollars* | Notes | 30 September 2022 (unaudited) | 31 December 2021 (audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **289,701** | 320,125 |
| Advances for non-current assets | 5 | **4,151** | 1,418 |
| Restricted cash | 9 | **30,491** | 30,438 |
| | | **324,343** | 351,981 |
| **Current assets** | | | |
| Inventories | 6 | **31,991** | 31,387 |
| Prepayments and other current assets | 7 | **10,081** | 9,735 |
| Income tax prepayment | | **698** | 300 |
| Trade receivables | 8 | **25,313** | 6,659 |
| Cash and cash equivalents | 9 | **210,218** | 165,246 |
| | | **278,301** | 213,327 |
| **TOTAL ASSETS** | | **602,644** | 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 | | **(886,011)** | (824,796) |
| | | **(884,468)** | (823,253) |
| **Non-current liabilities** | | | |
| Abandonment and site restoration provision | | **29,218** | 29,008 |
| Due to Government of Kazakhstan | | **4,335** | 4,563 |
| Deferred tax liability | 22 | **55,078** | 34,072 |
| | | **88,631** | 67,643 |
| **Current liabilities** | | | |
| Notes payable and accumulated interest | 12 | **1,370,018** | 1,289,603 |
| Trade payables | 13 | **8,470** | 8,399 |
| Advances received | | **107** | 9 |
| Current portion of due to Government of Kazakhstan | | **1,031** | 1,031 |
| Other current liabilities | 14 | **18,855** | 21,876 |
| | | **1,398,481** | 1,320,918 |
| **TOTAL EQUITY AND LIABILITIES** | | **602,644** | 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 21 November 2022.

Signed on behalf of the Board:

**Arfan Khan**
Chief Executive Officer
21 November 2022

The accounting policies and explanatory notes on pages 7 through 16 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 September 2022 (unaudited) | For the three months ended 30 September 2021 (unaudited, restated*) | For the nine months ended 30 September 2022 (unaudited) | For the nine months ended 30 September 2021 (unaudited, restated*) |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenue from export sales | | **40,407** | 43,817 | **137,965** | 122,954 |
| Revenue from domestic sales | | **7,334** | 6,537 | **17,608** | 19,711 |
| | 15 | **47,741** | 50,354 | **155,573** | 142,665 |
| Cost of sales | 16 | **(20,480)** | (21,098) | **(61,626)** | (66,336) |
| **Gross profit** | | **27,261** | 29,256 | **93,947** | 76,329 |
| General and administrative expenses | 17 | **(2,481)** | (2,852) | **(8,438)** | (8,684) |
| Selling and transportation expenses | 18 | **(5,296)** | (5,338) | **(14,830)** | (17,424) |
| Taxes other than income tax | 19 | **(5,923)** | (4,637) | **(15,577)** | (12,397) |
| Finance costs | 20 | **(30,204)** | (26,721) | **(94,272)** | (80,346) |
| Foreign exchange (loss) / gain, net | | **(81)** | (379) | **17** | (600) |
| Interest income | | **75** | 71 | **172** | 183 |
| Other income | 21 | **681** | 1,362 | **3,062** | 4,759 |
| Other expenses | | **(1,365)** | (278) | **(3,555)** | (1,556) |
| **Loss before income tax** | | **(17,333)** | (9,516) | **(39,474)** | (39,736) |
| Current income tax (expense) / benefit | | **(140)** | 635 | **(421)** | (498) |
| Deferred income tax expense | | **(8,651)** | (5,191) | **(21,006)** | (11,991) |
| **Income tax expense** | 22 | **(8,791)** | (4,556) | **(21,427)** | (12,489) |
| **Loss for the period** | | **(26,124)** | (14,072) | **(60,901)** | (52,225) |
| **Other comprehensive income that could be reclassified to the income statement in subsequent periods** | | | | | |
| Currency translation difference | | **(232)** | 167 | **(314)** | 508 |
| **Other comprehensive (loss) / income** | | **(232)** | 167 | **(314)** | 508 |
| **Total comprehensive loss for the period** | | **(26,356)** | (13,905) | **(61,215)** | (51,717) |
| Loss for the period attributable to the shareholders (in thousands of US dollars) | | | | **(60,901)** | (52,225) |
| Weighted average number of shares | | | | **185,234,079** | 185,234,079 |
| Basic and diluted earnings per share (in US dollars) | 11 | | | **(0.33)** | (0.28) |

** 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 7 through 16 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 nine months ended 30 September<br>2022 (unaudited) | <br>2021 (unaudited, restated*) |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Loss before income tax | | **(39,474)** | (39,736) |
| *Adjustments for:* | | | |
| Depreciation, depletion and amortisation | 16,17,18 | **39,749** | 46,276 |
| Finance costs | 20 | **94,272** | 80,346 |
| Interest income | | **(172)** | (183) |
| Foreign exchange loss on investing and financing activities | | **280** | 391 |
| Gain on disposal of exploration and evaluation assets | | **–** | (749) |
| **Operating profit before working capital changes** | | **94,655** | 86,345 |
| *Changes in working capital:* | | | |
| Change in inventories | | **(294)** | 702 |
| Change in trade receivables | | **(18,653)** | 4,810 |
| Change in prepayments and other current assets | | **(346)** | 521 |
| Change in trade payables | | **(892)** | (1,563) |
| Change in advances received | | **98** | (101) |
| Change in due to Government of Kazakhstan | | **(773)** | (773) |
| Change in other current liabilities | | **(2,986)** | (2,291) |
| **Cash generated from operations** | | **70,809** | 87,650 |
| Income tax paid | | **(853)** | (2,236) |
| **Net cash flows from operating activities** | | **69,956** | 85,414 |
| **Cash flow from investing activities:** | | | |
| Interest received | | **172** | 183 |
| Purchase of property, plant and equipment | | **(8,028)** | (4,508) |
| Advances for non-current assets | | **(2,733)** | (599) |
| Transfer to restricted cash | | **(58)** | (9,352) |
| **Net cash used in investing activities** | | **(10,647)** | (14,276) |
| **Cash flow from financing activities:** | | | |
| Other finance costs | | **(13,733)** | (5,480) |
| Payment of principal portion of lease liabilities | | **–** | (2,126) |
| Finance charges on lease liabilities | | **–** | (174) |
| **Net cash used in financing activities** | | **(13,733)** | (7,780) |
| Effects of exchange rate changes on cash and cash equivalents | | **(604)** | 174 |
| **Net increase in cash and cash equivalents** | | **44,972** | 63,532 |
| **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 | **210,218** | 142,115 |

** 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$13,628 thousand (nine months ended 30 September 2021: US$ 4,331 thousand) paid by the Group in relation to the forbearance agreements, lock-up agreements 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 7 through 16 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 | | – | – | – | (52,225) | (52,225) |
| Other comprehensive loss | | – | – | 508 | – | 508 |
| **Total comprehensive loss for the period** | | **–** | **–** | **508** | **(52,225)** | **(51,717)** |
| **As at 30 September 2021 (unaudited, restated*)** | | **3,203** | **(1,660)** | **263,343** | **(1,113,288)** | **(848,402)** |
| Income for the period | | – | – | – | 26,107 | 26,107 |
| Other comprehensive loss | | – | – | (711) | – | (711) |
| **Total comprehensive (income) / loss for the period** | | **–** | **–** | **(711)** | **26,107** | **25,396** |
| 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 | | – | – | – | (60,901) | (60,901) |
| Other comprehensive income | | – | – | (314) | – | (314) |
| **Total comprehensive loss for the period** | | **–** | **–** | **(314)** | **(60,901)** | **(61,215)** |
| **As at 30 September 2022 (unaudited)** | | **3,203** | **(1,660)** | **262,071** | **(1,148,082)** | **(884,468)** |

** 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”)*

# 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.

On 14 October 2022, a new company Nostrum Oil & Gas Holding Limited was incorporated with a registered address of 20 Eastbourne Terrace, London, W2 6LG, UK. The entity is a wholly owned subsidiary of the Parent.

As at 30 September 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, 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 (financial) and Akin Gump LLP (legal). The Company has also been in discussions with its largest shareholder ICU Holdings Limited ("ICU"), also a holder of the Existing Notes, and their legal advisors Dechert LLP from 2021.

#### *Forbearance Agreements*

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

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

#### *Lock-up Agreements*

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

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

Upon signing of the First LUA and the Second LUA (together the "LUAs"), 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 16 March 2023 (the 'Longstop Date').

# Notes to the interim condensed consolidated financial statements (continued)

***Terms of the Restructuring***

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

- Partial reinstatement of debt in the form of US$250 million Senior Secured Notes (SSNs) maturing on 30 June 2026 and bearing interest at a rate of 5.00% per year payable in cash. The SSNs are not convertible;
- Partial reinstatement of debt in the form of US$300 million Senior Unsecured Notes (SUNs) maturing on 30 June 2026 and bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind. If not repaid in cash at maturity, the SUNs are repayable in specie through the issuance of equity in the 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);
- 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;
- New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism requiring that cash above US$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the 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.

***Key implementation milestones completed***

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

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) changed the governing law and jurisdiction of both Existing Notes indentures from the State of New York to the laws of England and Wales; (ii) made Nostrum Oil & Gas plc a co-issuer of the Existing Notes and (iii) other smaller amendments to facilitate the implementation of the restructuring. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes provided consents. No consent solicitation payments were made to vote in favour.

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

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

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.

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 21 August 2022. At the Scheme meeting with participation and voting (by proxy) of 148 Scheme Creditors, the Scheme proposed by the Company in connection with the Restructuring was approved by the requisite majority of Scheme Creditors (being a majority in number, representing at least 75 percent in value of the Scheme Creditors present and voting).

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

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

The key elements of the Restructuring (of which the Scheme is an integral part) are inter-conditional. Therefore, and notwithstanding the sanctioning of the Scheme by the Court, the terms of the Restructuring will only be implemented if and when each of the Restructuring Conditions has been satisfied or waived (in accordance with the Scheme and the Implementation Deed). This includes the receipt by the Company of any required licence(s) from applicable authorities, or confirmation that such licence(s) is not required.

## 2. Basis of preparation and consolidation

### Basis of preparation

These interim condensed consolidated financial statements for the nine months ended 30 September 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 nine months ended 30 September 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, have been filed with the Registrar of Companies. The Independent Auditors' Report on those accounts was unqualified with emphasis of matter on material uncertainties related to going concern.

### Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 30 September 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:

# Notes to the interim condensed consolidated financial statements (continued)

- 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.

## 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 31 December 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 Q4 2022 and $68/bbl for 2023. The favourable hydrocarbon pricing in 2021 and 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$132 million.

As a result, the Group had unrestricted cash balances of US$210 million as at 30 September 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 LUAs and the Propectus and as outlined above. Whilst key milestones have been achieved since the signing of the LUAs, 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, the creditors' approval at the Scheme meeting, the UK Court sanctioning the Scheme and issuance of the Prospectus, the implementation of the Restructuring remains subject to receipt of other necessary authorisations and licences.

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 obtain the required licenses and successfully close out the restructuring of the Existing Notes by extending the Longstop Date if required.

Accordingly, as at the date of publication of these interim condensed consolidated financial statements, there still remains some uncertainty with respect to the successful restructuring of the Group's Existing Debt due to matters largely outside of the Group's control. Therefore, the assumption that the Group can successfully complete the restructuring by obtaining necessary extensions 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 31 December 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$23/bbl at the end of September 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 31 December 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.

Finally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19 or future related strains. 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 any resurgence of COVID-19 or future related strains.

After careful consideration of the material uncertainty in connection with the restructuring of the Existing Notes, as described above, advice from the Company's financial and legal advisors, and internal assessment of the likelihood that the remaining 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 31 December 2023. For these reasons, they continue to adopt the going concern basis in preparing the interim condensed consolidated 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 31 December 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 that 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 nine months ended 30 September 2021 was overstated by US$6,187 thousand (three months ended 30 September 2021: US$1,981 thousand) with a corresponding understatement of deferred tax expense by US$1,856 thousand (three months ended 30 September 2021: US$594 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 September 2021***

| *In thousands of US Dollars* | Reported | Depreciation correction | As adjusted |
|---|---|---|---|
| **Consolidated statement of comprehensive income** | | | |
| Cost of sales | (23,079) | 1,981 | (21,098) |
| **Gross profit** | **27,275** | **1,981** | **29,256** |
| **Loss before income tax** | **(11,497)** | **1,981** | **(9,516)** |
| Income tax expense | (3,962) | (594) | (4,556) |
| **Loss for the period** | **(15,459)** | **1,387** | **(14,072)** |

***For the nine months ended 30 September 2021***

| *In thousands of US Dollars* | Reported | Depreciation correction | As adjusted |
|---|---|---|---|
| **Consolidated statement of comprehensive income** | | | |
| Cost of sales | (72,523) | 6,187 | (66,336) |
| **Gross profit** | **70,142** | **6,187** | **76,329** |
| **Loss before income tax** | **(45,923)** | **6,187** | **(39,736)** |
| Income tax expense | (10,633) | (1,856) | (12,489) |
| **Loss for the period** | **(56,556)** | **4,331** | **(52,225)** |
| **Consolidated statement of cash flows** | | | |
| Loss before income tax | (45,923) | 6,187 | (39,736) |
| Depreciation, depletion and amortisation | 52,463 | (6,187) | 46,276 |
| **Net cash flows from operating activities** | **85,414** | **–** | **85,414** |

# 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 nine months ended 30 September 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 September 2021***

| *In thousands of US dollars* | As previously reported | Depreciation correction | Reclassifi -cation | As adjusted |
|---|---|---|---|---|
| Depreciation, depletion and amortisation | 16,119 | (1,981) | – | 14,138 |
| Payroll and related taxes | 3,524 | – | – | 3,524 |
| Repair, maintenance and other services | 2,141 | – | (321) | 1,820 |
| Materials and supplies | 1,080 | – | 60 | 1,140 |
| Transportation services | 626 | – | 2 | 628 |
| Well repair and maintenance costs | – | – | 614 | 614 |
| Well workover costs | 246 | – | (246) | – |
| Environmental levies | 62 | – | – | 62 |
| Change in stock | (945) | – | – | (945) |
| Other | 226 | – | (109) | 117 |
| | **23,079** | **(1,981)** | **–** | **21,098** |

***For the nine months ended 30 September 2021***

| *In thousands of US dollars* | As previously reported | Depreciation correction | Reclassifi -cation | As adjusted |
|---|---|---|---|---|
| Depreciation, depletion and amortisation | 50,325 | (6,187) | – | 44,138 |
| Payroll and related taxes | 10,718 | – | – | 10,718 |
| Repair, maintenance and other services | 5,954 | – | (1,167) | 4,787 |
| Materials and supplies | 3,258 | – | 102 | 3,360 |
| Transportation services | 1,928 | – | 4 | 1,932 |
| Well repair and maintenance costs | – | – | 1,776 | 1,776 |
| Well workover costs | 670 | – | (670) | – |
| Environmental levies | 176 | – | – | 176 |
| Change in stock | (944) | – | – | (944) |
| Other | 438 | – | (45) | 393 |
| | **72,523** | **(6,187)** | **–** | **66,336** |

## 4. Property, plant and equipment

During the nine months ended 30 September 2022 the Group had additions of property, plant and equipment of US$ 9,131 thousand (nine months ended 30 September 2021: US$5,774 thousand). These additions are mostly associated with the well workover campaign as well as capital repairs of equipment and capitalized interest of US$1,085 thousand (nine months ended 30 September 2021: US$105 thousand). See Note 24 for capital commitments.

## 5. Advances for non-current assets

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

| *In thousands of US Dollars* | **30 September 2022 (unaudited)** | 31 December 2021 (audited) |
|---|---|---|
| Advances for construction materials | **3,066** | 1,059 |
| Advances for construction services | **643** | 359 |
| Advances for other non-current assets | **442** | – |
| | **4,151** | 1,418 |

## 6. Inventories

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

| *In thousands of US Dollars* | **30 September 2022 (unaudited)** | 31 December 2021 (audited) |
|---|---|---|
| Spare parts and other inventories | **26,858** | 26,720 |
| Gas condensate | **3,026** | 4,265 |
| Crude oil | **2,009** | 306 |
| LPG | **57** | 57 |
| Dry gas | **36** | 32 |
| Sulphur | **5** | 7 |
| | **31,991** | 31,387 |

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

## 7. Prepayments and other current assets

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

| *In thousands of US Dollars* | **30 September 2022 (unaudited)** | 31 December 2021 (audited) |
|---|---|---|
| VAT receivable | **5,482** | 4,882 |
| Advances paid | **3,006** | 2,370 |
| Other taxes receivable | **1,507** | 1,668 |
| Other | **86** | 815 |
| | **10,081** | 9,735 |

Advances paid consist primarily of prepayments made to service providers. As at 30 September 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 nine months ended 30 September 2022 and the year ended 31 December 2021.

## 8. Trade receivables

As at 30 September 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 September 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 September 2022 and 31 December 2021.

# Notes to the interim condensed consolidated financial statements (continued)

## 9. Cash and cash equivalents

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

| *In thousands of US Dollars* | **30 September 2022 (unaudited)** | 31 December 2021 (audited) |
|---|---|---|
| Current accounts in US Dollars | **207,609** | 157,981 |
| Current accounts in Tenge | **969** | 5,736 |
| Current accounts in Euro | **658** | 1,020 |
| Current accounts in other currencies | **978** | 500 |
| Petty cash | **4** | 9 |
| | **210,218** | 165,246 |

In addition to the cash and cash equivalents in the table above, as at 30 September 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 September 2022 the balance of the secured cash account was US$22,728 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 September 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 nine months ended 30 September 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 translation reserves** | **Share-option reserves** | **Total** |
|---|---|---|---|---|
| **As at 31 December 2020** | **255,459** | **3,305** | **4,071** | **262,835** |
| Currency translation difference | – | 508 | – | 508 |
| **As at 30 September 2021** | **255,459** | **3,813** | **4,071** | **263,343** |
| Currency translation difference | – | (711) | – | (711) |
| Share based payments under LTIP | – | – | (247) | (247) |
| **As at 31 December 2021** | **255,459** | **3,102** | **3,824** | **262,385** |
| Currency translation difference | – | (314) | – | (314) |
| **As at 30 September 2022** | **255,459** | **2,788** | **3,824** | **262,071** |

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 nine months ended 30 September 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 September 2022 the book value per share amounted to US$4.76 negative (31 December 2021: US$4.44 negative).

## 11. Earnings per share

As at 30 September 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 nine months ended 30 September | |
|---|---|---|
| | **2022 (unaudited)** | 2021 (unaudited, restated) |
| Loss for the period attributable to the shareholders (in thousands of US dollars) | **(60,901)** | (52,225) |
| Weighted average number of shares | **185,234,079** | 185,234,079 |
| Basic and diluted earnings per share (in US dollars) | **(0.33)** | (0.28) |

## 12. Notes payable and accumulated interest

Notes payable and accumulated interest are comprised of the following as at 30 September 2022 and 31 December 2021 :

| *In thousands of US Dollars* | **30 September 2022 (unaudited)** | 31 December 2021 (audited) |
|---|---|---|
| Notes issued in 2017 and maturing in 2022 | **725,000** | 720,655 |
| Notes issued in 2018 and maturing in 2025 | **395,996** | 395,022 |
| Accrued interest | **249,022** | 173,926 |
| | **1,370,018** | 1,289,603 |
| Less amounts due within 12 months | **(1,370,018)** | (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.

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.

# Notes to the interim condensed consolidated financial statements (continued)

### 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.

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 First LUA 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 LUAs 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 September 2022 and 31 December 2021:

| *In thousands of US Dollars* | 30 September 2022 (unaudited) | 31 December 2021 (audited) |
|---|---|---|
| Tenge denominated trade payables | **4,754** | 5,433 |
| US Dollar denominated trade payables | **2,591** | 1,397 |
| Euro denominated trade payables | **753** | 464 |
| Russian Rouble denominated trade payables | **123** | 122 |
| Trade payables denominated in other currencies | **249** | 983 |
| | **8,470** | 8,399 |

## 14. Other current liabilities

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

| *In thousands of US Dollars* | 30 September 2022 (unaudited) | 31 December 2021 (audited) |
|---|---|---|
| Training obligations accrual | **7,731** | 8,684 |
| Taxes payable, including corporate income tax | **5,949** | 6,709 |
| Other accruals | **2,451** | 3,318 |
| Due to employees | **1,987** | 2,479 |
| Other current liabilities | **737** | 686 |
| | **18,855** | 21,876 |

## 15. Revenue

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|---|---|---|---|
| *In thousands of US Dollars* | **2022 (unaudited)** | 2021 (unaudited) | **2022 (unaudited)** | 2021 (unaudited) |
| Revenue from oil and gas condensate sales | **36,091** | 38,850 | **121,674** | 110,461 |
| Revenue from gas and LPG sales | **11,650** | 11,500 | **33,869** | 32,195 |
| Revenue from sulphur sales | **–** | 4 | **30** | 9 |
| | **47,741** | 50,354 | **155,573** | 142,665 |

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 nine months ended 30 September 2022 was US$102.5/bbl (nine months ended 30 September 2021: US$68.0/bbl).

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

During the nine months ended 30 September 2022 the revenue from sales to three major customers amounted to US$116,695 thousand, US$12,564 thousand and US$5,969 thousand respectively (nine month ended 30 September 2021: US$104,892 thousand, US$14,133 thousand and US$4,816 thousand respectively). The Group's exports are mainly represented by deliveries to the Baltic ports of Russia.

# Notes to the interim condensed consolidated financial statements (continued)

## 16. Cost of sales

| *In thousands of US Dollars* | For the three months ended 30 September 2022 (unaudited) | 2021 (unaudited, restated) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited, restated) |
|---|---|---|---|---|
| Depreciation, depletion and amortisation | **12,430** | 14,138 | **39,638** | 44,138 |
| Payroll and related taxes | **3,292** | 3,524 | **10,493** | 10,718 |
| Repair, maintenance and other services | **1,709** | 1,820 | **4,663** | 4,787 |
| Materials and supplies | **1,066** | 1,140 | **2,959** | 3,360 |
| Well repair and maintenance costs | **665** | 614 | **2,219** | 1,776 |
| Transportation services | **536** | 628 | **1,695** | 1,932 |
| Environmental levies | **14** | 62 | **59** | 176 |
| Change in stock | **623** | (945) | **(466)** | (944) |
| Other | **145** | 117 | **366** | 393 |
| | **20,480** | 21,098 | **61,626** | 66,336 |

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 September 2022 (unaudited) | 2021 (unaudited) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|---|
| Payroll and related taxes | **1,582** | 1,474 | **4,608** | 4,316 |
| Professional services | **475** | 919 | **2,487** | 3,027 |
| Insurance fees | **144** | 146 | **438** | 441 |
| Business travel | **51** | 47 | **173** | 100 |
| Short-term leases | **39** | 64 | **140** | 217 |
| Communication | **45** | 45 | **135** | 136 |
| Depreciation and amortisation | **38** | 40 | **111** | 134 |
| Materials and supplies | **48** | 50 | **110** | 97 |
| Bank charges | **9** | 17 | **38** | 52 |
| Other | **50** | 50 | **198** | 164 |
| | **2,481** | 2,852 | **8,438** | 8,684 |

## 18. Selling and transportation expenses

| *In thousands of US Dollars* | For the three months ended 30 September 2022 (unaudited) | 2021 (unaudited) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|---|
| Transportation costs | **2,320** | 2,216 | **6,366** | 7,292 |
| Loading and storage costs | **1,937** | 1,217 | **6,018** | 4,320 |
| Marketing services | **–** | 541 | **–** | 1,681 |
| Depreciation of right-of-use assets | **–** | 668 | **–** | 2,004 |
| Payroll and related taxes | **320** | 386 | **984** | 1,136 |
| Other | **719** | 310 | **1,462** | 991 |
| | **5,296** | 5,338 | **14,830** | 17,424 |

## 19. Taxes other than income tax

| *In thousands of US Dollars* | For the three months ended 30 September 2022 (unaudited) | 2021 (unaudited) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|---|
| Export customs duty | **3,617** | 2,163 | **7,867** | 5,723 |
| Royalties | **1,946** | 2,040 | **6,368** | 5,497 |
| Government profit share | **357** | 428 | **1,336** | 1,166 |
| Other taxes | **3** | 6 | **6** | 11 |
| | **5,923** | **4,637** | **15,577** | **12,397** |

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 September 2022 (unaudited) | 2021 (unaudited) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|---|
| Interest expense on borrowings | **25,982** | 23,529 | **79,331** | 70,425 |
| Other finance costs | **3,966** | 2,883 | **14,183** | 8,917 |
| Unwinding of discount on amounts due to Government of Kazakhstan | **181** | 191 | **545** | 572 |
| Unwinding of discount on lease liability | **–** | 47 | **–** | 221 |
| Unwinding of discount on abandonment and site restoration provision | **75** | 71 | **213** | 211 |
| | **30,204** | 26,721 | **94,272** | 80,346 |

Other finance costs represent advisor fees in the amount of US$14,149 thousand (nine months ended 30 September 2021: US$2,941 thousands of bondholder consent fees and US$5,875 thousand advisor 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.

## 21. Other income and other expenses

For the nine months ended 30 September 2022 and 2021 other income comprise the following:

| *In thousands of US Dollars* | For the three months ended 30 September 2022 (unaudited) | 2021 (unaudited) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|---|
| Reversals of training accruals | **553** | 373 | **1,660** | 1,118 |
| Reversals of other accruals | **87** | 161 | **743** | 653 |
| Currency conversion | **46** | 9 | **310** | 50 |
| Catering and accommodation | **46** | 42 | **163** | 139 |
| Disposal of exploration assets | **–** | 749 | **–** | 749 |
| Insurance compensation | **–** | – | **–** | 162 |
| Compensation for damages | **–** | – | **–** | 1,549 |
| Other | **(51)** | 28 | **186** | 339 |
| | **681** | 1,362 | **3,062** | **4,759** |

# Notes to the interim condensed consolidated financial statements (continued)

For the nine months ended 30 September 2022 and 2021 other expenses comprise the following:

| *In thousands of US Dollars* | For the three months ended 30 September 2022 (unaudited) | 2021 (unaudited) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited) |
|---|---|---|---|---|
| Training accruals | **323** | 136 | **949** | 379 |
| Sponsorship | **258** | 3 | **627** | 17 |
| Other taxes and penalties | **132** | 201 | **470** | 516 |
| Currency conversion | **107** | 25 | **465** | 93 |
| Social program | **77** | 78 | **233** | 234 |
| Other | **468** | (165) | **811** | 317 |
| | **1,365** | **278** | **3,555** | **1,556** |

## 22. Income tax

| *In thousands of US Dollars* | For the three months ended 30 September 2022 (unaudited) | 2021 (unaudited, restated*) | For the nine months ended 30 September 2022 (unaudited) | 2021 (unaudited, restated*) |
|---|---|---|---|---|
| Deferred income tax expense | **8,651** | 5,191 | **21,006** | 11,991 |
| Withholding tax | **140** | (632) | **420** | (83) |
| Corporate income tax expense | **–** | (3) | **9** | (3) |
| Adjustment in respect of the current income tax for the prior periods | **–** | – | **(8)** | 584 |
| | **8,791** | **4,556** | **21,427** | **12,489** |

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the nine months ended 30 September 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$2,665 thousand for the nine months ended 30 September 2022 (nine months ended 30 September 2021: US$2,875 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 September 2022. As at 30 September 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 September 2022, the Group had contractual capital commitments in the amount of US$ 3,266 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. 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$23/bbl at the end of September 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 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 September 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 September 2022** | 31 December 2021 | **30 September 2022** | 31 December 2021 |
| Interest bearing borrowings | **1,370,018** | 1,289,603 | **276,000** | 303,375 |
| **Total** | **1,370,018** | **1,289,603** | **276,000** | **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 nine months ended 30 September 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

### Incorporation of the new company

On 14 October 2022, a new company Nostrum Oil & Gas Holding Limited was incorporated with a registered address of 20 Eastbourne Terrace, London, W2 6LG, UK. The entity is a wholly owned subsidiary of the Parent.

### Publication of Prospectus

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

### Extension of Longstop Date

The Company continues to engage with the relevant authorities with respect to obtaining the outstanding required licences and the Company believes it has provided all required information to such authorities. However, the Company has not yet received all the required licences (or any confirmations that such licences are not required) and may not do so in time to implement the Restructuring before the Longstop Date. On 4 November 2022 the Company therefore proposed to amend the definition of "Longstop Date" in the Scheme (pursuant to Clause 8.1 thereof) and the Implementation Deed (pursuant to Clause 16.1 thereof) to 16 February 2023 (the "Extension"). The Extension was approved by Noteholders constituting the Majority Scheme Creditors and was effected on 21 November 2022.