



Nostrum Oil & Gas PLC

Interim financial report

For the six months ended 30 June 2021

Contents

Interim management report	1
Business review	2
Material events	4
Operational and financial performance	5
Related parties and related party transactions	11
Principal risks and uncertainties	12
Going concern	18
Responsibility statement	20
Interim condensed consolidated financial statements (unaudited)	21
Interim condensed consolidated statement of financial position	23
Interim condensed consolidated statement of comprehensive income	24
Interim condensed consolidated statement of cash flows	25
Interim condensed consolidated statement of changes in equity	26
Notes to the interim condensed consolidated financial statements	27
1. General	27
2. Basis of preparation and consolidation	28
3. Changes in accounting policies and disclosures	30
4. Property, plant and equipment	30
5. Advances for non-current assets	30
6. Inventories	30
7. Prepayments and other current assets	30
8. Trade receivables	31
9. Cash and cash equivalents	31
10. Share capital and reserves	31
11. Earnings per share	31
12. Borrowings	32
13. Trade payables	32
14. Other current liabilities	33
15. Revenue	33
16. Cost of sales	33
17. General and administrative expenses	33
18. Selling and transportation expenses	33
19. Taxes other than income tax	33
20. Finance costs	34
21. Other income and expenses	34
22. Income tax	34
23. Related party transactions	34
24. Contingent liabilities and commitments	34
25. Financial risk management objectives and policies	35
26. Events after the reporting period	35

Nostrum Oil & Gas PLC

Interim management report

For the six months ended 30 June 2021

Interim management report

For the six months ended 30 June 2021

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 two fields in Kazakhstan, the Chinarevskoye and Rostoshinskoye fields.

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 2021, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 39 million barrels of oil equivalent ('boe'), of which 15 million barrels was crude oil and condensate, 4.7 million barrels was LPG and 19.3 million boe was sales gas.

Nostrum's operational facilities in the Chinarevskoye Field consist of three gas treatment facilities with a combined capacity of 4.2 billion cubic metres per annum, an oil treatment unit currently with a maximum annual throughput capacity of 400,000 tonnes of crude oil, multiple oil gathering and transportation lines including a 120 kilometre oil pipeline from the field to its oil loading rail terminal in Rostoshi near Uralsk, a 17 kilometre gas pipeline from the field to the Orenburg-Novopskov pipeline, a gas powered electricity generation system, warehouse facilities, storage facilities, an employee field camp and a gas treatment facility.

The first phase of the gas treatment facility, consisting of two gas treatment units, became fully operational in 2011 and has enabled Nostrum to produce marketable liquid condensate (a product lighter than Brent crude oil) and LPG from the gas condensate stream. During 2017, the Company completed an extension to its existing oil pipeline to connect it into the Atyrau-Samara international export pipeline operated by KazTransOil ("KTO pipeline"). Currently the Company exports all of its crude oil via the KTO pipeline. The third train of the gas treatment facility was completed and commissioned in 2019.

Production from the Chinarevskoye field is declining and so Nostrum is focused on identifying additional sources of raw gas to fill the spare capacity in its processing facilities. During 2018, Nostrum entered into binding agreements to process third-party hydrocarbons starting in 2023 delivered by Ural Oil & Gas LLP from the Rozhkovskoye field, which is situated less than 20km from the Chinarevskoye field. Ural Oil & Gas LLP will fund the connection of existing wells at the Rozhkovskoye field to Nostrum's licence area. Thereafter, Nostrum will process all of the hydrocarbons coming into the field. Ural Oil & Gas LLP is a company owned by KazMunaiGas (KMG) (50%), Sinopec (27.5%) and MOL Group (MOL) (22.5%). In July 2021, Zhaikmunai LLP and Ural Oil & Gas LLP agreed to extend the deadline under the Agreements for Ural Oil & Gas LLP's first delivery of gas and liquid gas-condensate hydrocarbons to Zhaikmunai by approximately six months, from 9 April 2023 to 31 October 2023. The extension was requested by Ural Oil & Gas LLP as a result of circumstances relating to the COVID-19 pandemic. The Group is also working to secure additional agreements to ensure that there is a long-term stream of raw gas from which it can generate significant revenues.

Nostrum also has rights to 100% of the subsoil use related to Rostoshinskoye oil and gas fields in the pre-Caspian Basin to the North-west of Uralsk, which is located approximately 60 to 120 kilometres from the Chinarevskoye field. Zhaikmunai LLP has entered into an agreement for the transfer all of its rights and obligations in relation to the Rostoshinskoye field to a third party, subject to the satisfaction of various conditions precedent including the receipt of all relevant regulatory approvals. Accordingly, no operational activities are planned on this field during 2021 and the Company will make a further announcement on this subject when appropriate.

Interim management report

For the six months ended 30 June 2021

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 of our value chain, with a vision to add value to the region through the utilisation of our 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.

The Group has been stabilised through significantly reducing the cost base, boosting production with a successful well intervention campaign in summer 2020 and engaging with stakeholders to restructure the debt. We will now seek to pivot towards growth, transition into a multi-asset energy company and shape our future by:

- Delivering on our strategies, a comprehensive and cohesive environmental, social and governance performance and on our promises.
- Optimising production and cost efficiencies and our ability to raise finance in future through a sustainable restructuring of our debt.
- Maximising output from the Chinarevskoye field.

Delivering

One of our strategic pillars is focusing on delivering:

- 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.

Our 2021 priorities in these areas include advancing ongoing discussions with third parties interested in supplying raw gas to take advantage of the Group's spare capacity, ensuring the safety of employees, contractors and the environment; continuing to roll-out "Golden Rules" and implementing contractor management framework.

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 2021 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 challenge costs whilst pivoting towards growth and transitioning into a multi-asset energy company. Corresponding KPIs have been set to achieve G&A expenses below US\$11 million level and for operating costs below US\$32 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 2021 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 for future drilling planning.

Interim management report

For the six months ended 30 June 2021

Material events

Bond Restructuring

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

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

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

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

The Forbearance Agreement was subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. Within 21 days of the effective date of the Forbearance Agreement an amount equal to 30% of the missed interest payments, equating to US\$12,900 thousand, was transferred into the secured account. The amount in the secured accounts was increased by a further transfer of 17.50% of the missed interest payments, equating to US\$7,525 thousand 180 days after the effective date of the Forbearance Agreement. This transfer was made in March 2021. The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

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

The Company agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. At the date of this Interim Management Report, all Consent Fees have been paid. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US\$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US\$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US\$1,116,990, was paid on 20 February 2021. The consent fees were recorded in the income statement (for more details please see Note 20).

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

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

As of the date of this interim management report, the Company is working with its advisers and those of the AHG to agree terms for the restructuring of the Notes.

Operational and financial performance

Results of operations for the six months ended 30 June 2021 and 2020

In millions of US\$ (unless mentioned otherwise)	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Revenue	92.3	92.6	(0.3)	-0.4%
EBITDA*	52.8	38.7	14.1	36.4%
EBITDA margin	57.2%	41.8%	0.2	36.9%
Cash Position	108.1	76.0	32.1	42.2%
Net Debt	1,125.2	1,064.0	61.2	5.8%

* See EBITDA reconciliation at the end of the section.

General note

For the six months ended 30 June 2021 (the "reporting period") the total comprehensive loss amounted to US\$40.8 million, a decrease of US\$12.7 million from US\$53.5 million total comprehensive loss for H1 2020. Revenues remained relatively stable with reduced production in the reporting period versus the same period in 2020 being offset by increased prices achieved to date in 2021 versus 2020. Therefore, the relative decrease in loss is mainly driven by lower cost of sales, general and administrative expenses and selling and transportation expenses, which have been generated by lower production levels but also the continuing impact of the cost-reduction initiatives implemented in 2020. These have been partially offset by higher finance costs and income taxes charged against income as compared to H1 2020. These are explained in more detail below.

Overview

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the six months ended 30 June 2021 and 2020 in US Dollars and as a percentage of revenue.

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	% of revenue	2020 (unaudited)	% of revenue
Revenue	92,311	100.0%	92,636	100.0%
Cost of sales	(49,444)	53.6%	(63,881)	69.0%
Gross profit	42,867	46.4%	28,755	31.0%
General and administrative expenses	(5,832)	6.3%	(8,181)	8.8%
Selling and transportation expenses	(12,086)	13.1%	(17,974)	19.4%
Taxes other than income tax	(7,760)	8.4%	(6,819)	7.4%
Finance costs	(53,625)	58.1%	(47,188)	50.9%
Employee share options - fair value adjustment	–	0.0%	373	0.4%
Foreign exchange loss, net	(221)	0.2%	(561)	0.6%
Interest income	112	0.1%	171	0.2%
Other income	3,397	3.7%	1,765	1.9%
Other expenses	(1,278)	1.4%	(1,458)	1.6%
Loss before income tax	(34,426)	37.3%	(51,117)	55.2%
Income tax expense	(6,671)	7.2%	(2,420)	2.6%
Loss for the period	(41,097)	44.5%	(53,537)	57.8%
Currency translation difference	341	0.4%	5	0.0%
Total comprehensive loss for the period	(40,756)	44.2%	(53,532)	57.8%

Interim management report

For the six months ended 30 June 2021

Revenue

The Group's revenue decreased by 0.4% to US\$92.3 million for the reporting period (H1 2020: US\$92.6 million).

Oil and condensate revenues improved by \$13.5 million or 23.2% mainly due to the price per barrel achieved. The pricing for all 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 increased from 40.0 US\$/bbl during H1 2020 to 65.2 US\$/bbl during the reporting period. However, the positive impact of the price improvement on oil and condensate sales was offset by a reduction in the volumes of condensate sold in the reporting period as the decline in production from the field meant that we were not able to form a cargo in June 2021 and so held approximately 220,000 barrels of condensate in inventory at 30 June 2021.

Gas and LPG sales fell by \$13.8 million or 40% due in part to the production decline from the field and also to the weak price achieved for our gas in the reporting period versus H1 2020.

Revenues from sales to the Group's largest three customers amounted to US\$68.0 million, US\$9.6 million and US\$3.7 million respectively (H1 2019: US\$56.5 million, US\$24.6 million and US\$1.6 million).

The Group's revenue breakdown by products and sales volumes for the reporting period and H1 2020 is presented below:

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Oil and gas condensate	71,611	58,141	13,470	23.2%
Gas and LPG	20,695	34,495	(13,800)	(40.0%)
Sulphur	5	—	5	100.0%
Total revenue	92,311	92,636	(325)	(0.4%)
Sales volumes (boe)	2,944,899	4,117,502	(1,172,603)	(28.5%)
Average Brent crude oil price (US\$/bbl)	65	40	25	63.1%

The following table shows the Group's revenue breakdown by export/domestic sales for the reporting period and H1 2020:

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Revenue from export sales	79,137	66,218	12,919	19.5%
Revenue from domestic sales	13,174	26,418	(13,244)	(50.1%)
Total revenue	92,311	92,636	(325)	(0.4%)

Cost of sales

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Depreciation, depletion and amortisation	34,206	41,005	(6,799)	(16.6%)
Payroll and related taxes	7,194	7,067	127	1.8%
Repair, maintenance and other services	3,813	5,880	(2,067)	(35.2%)
Materials and supplies	2,178	1,659	519	31.3%
Transportation services	1,302	1,254	48	3.8%
Well workover costs	424	280	144	51.4%
Environmental levies	114	55	59	107.3%
Change in stock	1	6,147	(6,146)	(100.0%)
Other	212	534	(322)	(60.3%)
Total	49,444	63,881	(14,437)	(22.6%)

Cost of sales decreased by 22.6% to US\$49.4 million for the reporting period (H1 2020: US\$63.9 million). The decrease is primarily explained by decreases in depreciation, repair, maintenance and other services and the impact of change in stock.

Depreciation, depletion and amortisation decreased by 16.6% to US\$34.2 million for the reporting period (H1 2020: US\$41.0 million). Depreciation is calculated applying units of production method. Decrease in depreciation in 2021 in comparison with prior period is a consequence of the impairment charge of US\$244.9 million recognized at the end of 2020. As described in the 2020 Annual Report, this resulted from the further reserves downgrade and respective reflection of the updated future production profiles in the impairment model of the Group as at 31 December 2020.

Repair, maintenance and other services decreased by 35.2% to US\$3.8 million for the reporting period (H1 2020: US\$5.9 million). These expenses include services on repairs and maintenance of the facilities, specifically for the gas treatment facility as well as related spare parts and other materials. These costs fluctuate depending on the timing of the periodic scheduled maintenance works (we undertook a significant, planned maintenance programme in April / May 2021) but have also been positively impacted during the reporting period by the cost reduction initiatives introduced in 2020.

Interim management report

For the six months ended 30 June 2021

General and administrative expenses

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Payroll and related taxes	2,842	3,664	(822)	(22.4%)
Professional services	2,108	2,614	(506)	(19.4%)
Insurance fees	295	454	(159)	(35.0%)
Short-term leases	153	339	(186)	(54.9%)
Depreciation and amortisation	94	338	(244)	(72.2%)
Communication	91	96	(5)	(5.2%)
Business travel	53	137	(84)	(61.3%)
Materials and supplies	47	58	(11)	(19.0%)
Bank charges	35	47	(12)	(25.5%)
Other	114	434	(320)	(73.7%)
Total	5,832	8,181	(2,349)	(28.7%)

General and administrative expenses decreased by 28.7% to US\$5.8 million for the reporting period (H1 2020: US\$8.2 million). This was mainly driven by US\$0.8 million or 22.4% decrease in payroll and related taxes from US\$3.7 million during H1 2020 to US\$2.8 million during the reporting period as well as US\$0.5 million decrease in professional services from US\$2.6 million during H1 2020 to US\$2.1 million and reductions in the costs of insurance, short-term leases, depreciation and amortisation and others. As noted above, the reduction in payroll costs arises mainly from effective implementation of cost optimization and a reduction in the headcount across operations.

Selling and transportation expenses

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Transportation costs	5,076	7,048	(1,972)	(28.0%)
Loading and storage costs	3,103	4,639	(1,536)	(33.1%)
Marketing services	1,140	3,143	(2,003)	(63.7%)
Depreciation of right-of-use assets	1,336	1,598	(262)	(16.4%)
Payroll and related taxes	750	802	(52)	(6.5%)
Other	681	744	(63)	(8.5%)
Total	12,086	17,974	(5,888)	(32.8%)

Selling and transportation expenses decreased by 32.8% to US\$12.1 million for the reporting period (H1 2020: US\$18.0 million), primarily due to a decrease in transportation costs, loading and storage costs, marketing services and other transport related expenses resulting from reduced volumes being sold. Depreciation costs represent costs resulting from recognition of right-of-use assets for rented railway tank cars under IFRS 16.

Finance costs

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Interest expense on borrowings	46,896	46,520	376	0.8%
Other finance costs	6,034	57	5,977	10,486.0%
Unwinding of discount on amounts due to Government of Kazakhstan	381	278	103	37.1%
Unwinding of discount on lease liability	174	255	(81)	(31.8%)
Unwinding of discount on abandonment and site restoration provision	140	78	62	79.5%
Total	53,625	47,188	6,437	13.6%

Finance costs increased by 13.6% to US\$53.6 million for the reporting period (H1 2020: US\$47.2 million) mainly due to increase in other finance costs primarily represented bondholder consent fees in the amount of US\$2.9 million and advisor fees of US\$3.0 million incurred by the Group in the reporting period in relation to the Forbearance Agreements and ongoing discussions with bondholders regarding a possible restructuring of the Notes. For more details see Note 1 to the interim condensed consolidated financial statements. The Group continues to accrue interest on the Notes but has not paid any interest in respect of the Notes since February 2020.

Interim management report

For the six months ended 30 June 2021

Taxes other than income tax

In thousands of US Dollars	For the six months ended 30 June			
	2021 (unaudited)	2020 (unaudited)	Variance	Variance, %
Royalties	3,457	3,319	138	4.2%
Export customs duty	3,560	2,772	788	28.4%
Government profit share	738	727	11	1.5%
Other taxes	5	1	4	400.0%
Total	7,760	6,819	941	13.8%

Royalties, calculated based on production and market prices for the different products, increased by 4.2% to US\$3.5 million for the reporting period (H1 2020: US\$3.3 million), which corresponds to relevant slight change in the value of hydrocarbon sales.

Export customs duty on crude oil increased by 28.4% to US\$3.6 million for the reporting period (H1 2020: US\$2.8 million), in line with the increase in the value of export sales subject to export duties.

Government profit share increased by 1.5% to US\$0.7 million for the reporting period (H1 2020: US\$0.7 million), which corresponds to the change in revenues.

Other

Income tax expense increased by US\$4.3 million to US\$6.7 million for the reporting period (H1 2020: US\$2.4 million). The increase in income tax expense is primarily driven by a higher deferred tax expense in the current period. This is caused by a relatively faster tax depreciation of the oil & gas assets as compared to their depreciation for the purpose of IFRS financial statements.

Liquidity and capital resources

During the reporting period, Nostrum's principal sources of funds were cash from operations. Following the signing of the Forbearance Agreements, the Group's liquidity requirements primarily relate to funding 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 H1 2020:

In thousands of US Dollars	Notes	For the six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Cash and cash equivalents at the beginning of the period		78,583	93,940
Net cash flows from operating activities		46,295	46,991
Net cash used in investing activities		(11,639)	(18,677)
Net cash used in financing activities		(5,397)	(46,467)
Effects of exchange rate changes on cash and cash equivalents		212	(87)
Cash and cash equivalents at the end of the period		108,054	75,700

Net cash flows from operating activities

Net cash flow from operating activities was US\$46.3 million for the reporting period (H1 2020: US\$47.0 million) and was primarily attributable to:

- loss before income tax for the reporting period of US\$34.4 million (H1 2020: loss before income tax of US\$51.1 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US\$35.6 million (H1 2020: US\$42.9 million) and finance costs of US\$53.6 million (H1 2020: US\$47.2 million).
- a US\$6.1 million increase in working capital (H1 2020: US\$10.1 million decrease) primarily attributable to an increase in prepayments and other current assets of US\$0.3 million (H1 2020: a decrease of US\$3.5 million), an increase in trade payables of US\$0.5 (H1 2020: a decrease of US\$8.6 million), an increase in trade receivables of US\$5.0 million (H1 2020: a decrease of US\$16.8 million) and a decrease in inventories of US\$1.1 million (H1 2020: a decrease of US\$4.8 million).
- income tax paid of US\$2.3 million (H1 2020: US\$1.6 million).

Net cash used in investing activities

Net cash used in investing activities for the reporting period was US\$11.6 million (H1 2020: US\$18.7 million). This mainly represented payments made in the period in respect of the well workover programme and other surface infrastructure projects of US\$2.9 million (H1 2020: US\$9.1 million). Also, cash used in investing activities included transfers to the secured account of US\$8.6 million in accordance with the Forbearance Agreements (H1 2020: payments of US\$9.0 million made in the period in respect of the activities carried out in 2019 including completion of well drilling and workovers programme, termination of drilling contracts, as well costs associated with the third gas treatment unit).

Net cash used in financing activities

Net cash used in financing activities during the reporting period totalled US\$5.4 million (H1 2020 US\$46.5 million), and mainly represented the payment of US\$3.8 million bondholder consent fees and advisor fees incurred by the Group in relation to the Forbearance Agreements and ongoing discussions with bondholders regarding a possible restructuring of the Notes, as well as payment of US\$1.4 under finance lease liabilities recognized in accordance with IFRS 16 (H1 2020: payment of US\$43.0 million of the finance costs on the Notes and payment of US\$3.2 under finance lease liabilities recognized in accordance with IFRS 16).

Capital commitments

As at 30 June 2021, the Group had contractual capital commitments in the amount of US\$6.9 million (31 December 2020: US\$6.2 million), mainly in respect to the Group's oil field activities.

Primary factors affecting results of operations

The primary factors affecting the Group's results of operations during the reporting period are the following:

Pricing

The pricing for all of the Group's crude oil, condensate, dry gas and LPG is, directly or indirectly, related to the price of Brent crude oil. During the reporting period the price of Brent crude oil experienced significant fluctuations. According to Bloomberg, international Brent oil prices varied between a low of approximately US\$9.12 per barrel and a high of approximately US\$70.25 per barrel in the first half of 2020, and between US\$50.56 per barrel and US\$76.60 per barrel during the reporting period.

	For the six months ended 30 June	
	2021	2020
Average Brent crude oil price (US\$/bbl)	65.2	40.0

The Group has previously hedged against adverse oil price movements during times of considerable non-scalable capital expenditure. Whilst Nostrum closely monitors the hedging market, no new hedge agreements were entered into during the reporting period nor H1 2020.

Cost of sales

The Group's oil and gas prices are based on a mix of fixed and quotation pricing and therefore Nostrum's ability to control costs is critical to its profitability. Nostrum's cost of sales comprises various costs including depreciation of oil and gas properties, repair, maintenance and other services, payroll and related taxes, materials and supplies, other transportation services, environmental levies, and well workover costs.

Depreciation and amortisation costs represent 69.2% of total cost of sales for the reporting period (H1 2020: 64.2%). These costs fluctuate according to the level of Nostrum's proved developed reserves, the volume of oil and gas it produces and the net book value of its oil and gas properties.

Repair, maintenance and other services are related to the repair and maintenance of the Group's infrastructure, including the gas treatment facility but do not include ongoing repair and maintenance of production and exploration wells. These costs represent 14.5% of the total costs of sales (H1 2020: 11.1%) and fluctuate depending on the planned works on certain objects.

Well workover costs are related to ongoing repair and maintenance of production and exploration wells. These costs, during the periods under review, have represented as a percentage of total cost of sales 0.9% and 0.4% for the six months ended 30 June 2021 and 2020, respectively.

Finance costs

Finance costs in the reporting period comprised interest expenses in relation to the Notes, other finance costs, finance charges under finance leases, as well as unwinding of the discount on amounts due to the Kazakh Government and unwinding of the discount on abandonment and site restoration liabilities. Capitalised borrowing costs (including a portion of the interest expense and amortisation of the arrangement fees) amounted to US\$0.1 million in the reporting period (H1 2020: US\$0.2 million). Non-capitalised interest amounted to US\$46.9 million in the reporting period (H1 2020: US\$46.6 million).

Royalties, Government share and taxes payable pursuant to the PSA

Nostrum operates and produces pursuant to the PSA. The PSA has, during the periods under review, and will continue to have both a positive and negative effect on Nostrum's results of operations as a result of (i) the tax regime applicable to Nostrum under the PSA (discussed below) (ii) increasing royalty expenses payable to the State, (iii) the share of profit oil and the share of gas that Nostrum pays to the State and (iv) the recovery bonus payable to the State.

Under the PSA, the Kazakh tax regime that was in place in 1997 applies to the Group for the entire term of the PSA and the Licence. As to VAT and social tax, the regime that was in place as of 1 July 2001 applies. As of 1 January 2009, the new Tax Code became effective and introduced a new tax regime and taxes applicable to subsoil users (including oil mineral extraction tax and historical cost). However, the Tax Code did not supersede the previous tax regime applicable to PSAs entered into before 1 January 2009, which continue to be effective under Articles 308 and 308-1 of the Tax Code. Despite the stabilisation clauses (providing for general and tax stability) provided for by the PSA, in 2008, 2010 and again in 2013, Nostrum was required to pay new crude oil export duties introduced by the Kazakh Government. Despite Nostrum's efforts to show that the new export duties were not applicable to it, the State authorities did not accept this position and Nostrum was required to pay the export duties.

Interim management report

For the six months ended 30 June 2021

For the purposes of corporate income tax from 1 January 2007, the Group considers its revenue from oil and gas sales related to the Tournaisian horizon as taxable revenue and its expenses related to the Tournaisian horizon as deductible expenses, except those expenses which are not deductible in accordance with the tax legislation of Kazakhstan. Assets related to the Tournaisian reservoir that were acquired during the exploration phase are then depreciated for tax purposes at a maximum rate of 25.0% per annum. Assets related to the Tournaisian reservoir that were acquired after the commencement of the production phase are subject to the depreciation rate in accordance with the 1997 Kazakh tax regime, which is between 5% and 25% depending on the nature of the asset. The Kazakhstan Ministry of Energy approved an extension to the Chinarevskoye exploration period on 11 March 2016, with the exploration period extended until 26 May 2018. Assets related to the other horizons will depreciate in the same manner as those described above for the Tournaisian reservoir.

Under the PSA, Nostrum is obliged to pay to the State royalties on the volumes of crude oil and gas produced, with the royalty rate increasing as the volume of hydrocarbons produced increases. In addition, Nostrum is required to deliver a share of its monthly production to the State (or make a payment in lieu of such delivery). The share to be delivered to the State also increases as annual production levels increase. Pursuant to the PSA, the Group is currently able to effectively deduct a significant proportion of production (known as Cost Oil) from the sharing arrangement. Cost Oil reflects the deductible capital and operating expenditures incurred by the Group in relation to its operations. Royalties represented 44.5% of total taxes other than income tax for the reporting period (H1 2020: 48.7%). As for the government profit share, it represented 9.5% of total taxes other than income tax for the reporting period (H1 2020: 10.7%).

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 International Financial Reporting Standards ("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.

In thousands of US Dollars	For the six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
EBITDA Reconciliation		
Loss before income tax	(34,426)	(51,117)
Add back:		
Finance costs	53,625	47,188
Employee share options - fair value adjustment	—	(373)
Foreign exchange loss, net	221	561
Payment under derivative financial instrument		
Interest income	(112)	(171)
Other income	(3,397)	(1,765)
Other expenses	1,278	1,458
Depreciation, depletion and amortisation	34,206	41,005
Depreciation and amortisation	94	338
Depreciation of right-of-use assets	1,336	1,598
EBITDA	52,825	38,722

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.

Interim management report

For the six months ended 30 June 2021

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 2019 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	
Business and market environment	
<p>The Group is exposed to various risks related to the market and external business environment, which are out of the Group's control. Such risks include:</p> <ul style="list-style-type: none"> • The volatility of commodity prices on the markets; • The geopolitical, regional situation affecting the Group's areas of operations; and • Changes in currency exchange rates. <p>The sales prices for the majority of the Group's products are based directly or indirectly on international market prices. Therefore, the Group's future earnings are exposed to the impact of any adverse changes in the market price of crude oil, dry gas and LPG.</p> <p>Crude oil prices are influenced by factors such as OPEC actions, political events and supply and demand fundamentals. Dry gas prices are influenced by the price for dry gas paid by GazProm at the Kazakh border and the prices of various oil-based products. LPG prices are in part influenced by the price of oil but more by supply and demand fundamentals.</p> <p>Although oil prices have recovered from their recent low in 2020, continued further volatility could be caused by the ongoing impact that COVID-19 is having on the demand for oil and gas globally.</p> <p>The Group could also be compelled by governmental authorities, purportedly acting based on Kazakh legislation, to sell its oil, LPG and gas domestically at prices determined by the Kazakh Government, which could be significantly lower than prices which the Group could otherwise achieve.</p> <p>The Group's strategy and business model are not directly influenced by any significant risk resulting from Brexit.</p> <p>Given that the Group's sales prices of crude oil and condensate are based on market prices, the Group's future earnings are exposed to adverse impact by changes in the market price of crude oil.</p>	<p>The Group can transport its crude oil either via rail or pipeline and is selling the majority of its dry gas under a contract referencing export prices which are usually substantially higher than domestic prices.</p> <p>To mitigate the 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.</p> <p>In early 2020, given the uncertainties caused by a low oil price environment, the Group took prudent, mitigating actions to protect liquidity. These included cancelling uncommitted capital expenditures and assessment and identifying reductions in operating costs, general and administration and selling and transportation costs that could be implemented without having a negative impact on production or operations in the "going concern" period. These actions continue and as a result 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.</p> <p>The Group started to engage with its bondholders in 2020 regarding a possible restructuring of its outstanding bonds. The Group will require its level of debt to be reduced to a sustainable level. Work continues towards this objective with all stakeholders. However, the negotiations are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Group.</p> <p>In previous years, the Group has entered into hedging instruments to mitigate the volatility of commodity prices. The last such instrument expired in 2018 at which time the Board resolved that the Group should not enter into further hedging instruments. Accordingly, no further hedging instruments have been entered into since that time.</p>
Filling the Group's spare gas processing capacity	
<p>The activities in the Chinarevskoye oil and gas condensate field are currently the Group's sole source of revenue.</p> <p>In 2019, the Group commissioned additional processing facilities which were constructed in anticipation of future production that the Group has not been able to achieve. As a result, the Group now has significant excess processing capability in its world-class facilities. Unless the ullage can be filled then the Group is at significant risk of not being able to meet the repayment of the restructured bonds.</p> <p>Diversification of its sources of feedstock to the processing facilities is considered by the Group to be a way to reduce this risk whilst also providing the Group with an opportunity to gain from expanding the use of available capacities, technological resources and human capital.</p> <p>The Group's strategic initiatives towards diversification of its sources of feedstock are subject to the customary risks related to counter party delays and non-completion.</p>	<p>At the end of 2019 the Board concluded that further drilling of the Chinarevskoye field was not cost-beneficial until the identified reservoir risks had been mitigated. Accordingly, attention turned to sourcing feedstock from alternative sources and repositioning the Group as a mid-stream company with some production and possible upside reserve potential.</p> <p>The Group signed agreements with Ural Oil & Gas LLP in 2018 for the purchase of gas and processing of condensate from the Rozhkovskoye field for a period of four years commencing July 2024.</p> <p>Efforts continued to advance discussions with other third parties interested in supplying raw gas to completely fill the spare processing capacity.</p> <p>Discussions continue with interested third parties with a view to processing third party gas through the gas processing facilities.</p>

Interim management report

For the six months ended 30 June 2021

Description of risk	Risk management
OPERATIONAL RISKS	
Development of the Group's Oil and Gas Reserves and Oil and gas production	
<p>The activities in the Chinarevskoye oil and gas condensate field are currently the Group's sole source of revenue. However, recent drilling programmes have been unsuccessful and, therefore, at the end of 2019 the Board concluded that further drilling of the Chinarevskoye field was not cost-beneficial until the identified reservoir risks had been mitigated.</p> <p>In recent years, the Group has reclassified significant amounts of oil and gas reserves from 2P to Contingency.</p> <p>Production from the Chinarevskoye reservoir continues to decline year-on-year. The Group must identify ways to reduce the rate of decline of the reservoir, either by identifying new production opportunities.</p> <p>Well workover 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.</p>	<p>A successful well workover and intervention programme was completed in 2020 which reduced the rate of decline of production in the year. A similar programme is proposed for 2021. 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.</p> <p>Maintenance of the 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.</p> <p>KPIs in place to monitor risk management in operations include completion of the WOWI programme according to budget and production targets.</p>
Information Security	
<p>Nostrum may be vulnerable to the unauthorized or inappropriate access to data, or the unlawful use, disclosure, disruption, deletion, corruption, modification, inspection, recording, or devaluation of information.</p> <p>This includes access to information or disruption to systems through cyber-attack.</p>	<p>We use a number of dashboards such as MS Secure and MS Compliance. These dashboards monitor security and compliance and identify areas where security might be enhanced.</p> <p>We have an Information Security Policy. Each new employee is briefed on the policy at the start of their employment and signs to acknowledge that they understand the contents.</p> <p>All mailboxes and data are placed on Microsoft servers with appropriate levels of protection. Passwords have complexity requirement and double authorization has been introduced for most users.</p> <p>We use anti-virus protection. All traffic is checked by antivirus. All servers and computers have antivirus and any file from any storage device is checked prior to opening/start.</p> <p>Access to data in data storages is provided to department employees only with approval from the head of the department, and only to data related to the same department.</p> <p>Each employee signs confidential information agreement in HR department upon entry into employment together with individual labour agreement.</p>

Interim management report

For the six months ended 30 June 2021

Description of risk	Risk management
ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS	
COVID 19	
COVID-19 remains of the utmost concern. Actions were taken to protect the safety of all staff and contractors and mitigate any impact on operations. No people or production has yet been lost as a result of COVID-19.	Extensive measures remain in place to protect the safety of employees and contractors and mitigate the impact on operations arising from COVID-19. These include: <ul style="list-style-type: none"> • 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 our office in Uralsk as determined by official local and Kazakhstan national directives; and • Remote working for all London office personnel from March 2020.
Incident rates and Investigation, including risk of explosion	
<p>The Group activities are potentially hazardous and failure to adequately mitigate against these hazards can have a broad range of results, including, but not limited to, injury of employees or local residents, fires and explosions at facilities, business interruption and occupational diseases.</p> <p>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.</p>	<p>The Group's QHSE policies are periodically revised to ensure compliance with changes and new requirements in this area.</p> <p>Periodic training on the requirements of policies and regulations are held for employees. In addition, at the supplier selection and contracting stage, the Group places a high degree of importance on a supplier's resources and ability to comply with the Group's QHSE requirements and the Group's dedicated team in this area conducts supplier audits.</p> <p>Key lost time injuries indicators are reported to senior management on a monthly basis. All incidents are investigated, their causes identified and corrective action plans developed.</p> <p>A system of Hazard Observation Cards has been developed and implemented to augment our Golden Rules which were redrafted and reintroduced in 2019. Staff are actively encouraged to submit Hazard Observation Cards.</p> <p>Management KPIs include lost time injury frequency, total recordable injury frequency and numbers of Hazard Observation Cards submitted.</p>
Governance	
<p>The Group is a primary listed entity and as such must have extensive governance procedures and policies in place. Lack of such policies or a failure of a policy to operate effectively could lead to significant fines, penalties and reputational damage.</p> <p>In addition, any perceived weakness in governance policies and procedures, for instance through sun-optimal and public assessment by an ESG rating agency and comparison to peers, might adversely impact the Group's ability to raise additional finance.</p>	<p>The Group has an extensive range of policies that are designed to ensure that all required compliance obligations are met.</p> <p>The HSEC committee currently has responsibility for ESG related matters. A review of the Group's public ESG related information is being conducted to identify and rectify gaps.</p>
Environment	
<p>Environment risks are those stemming from, for example, 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 the demand.</p> <p>In addition, any perceived weakness in environment related policies, procedures and efforts, for instance through sun-optimal and public assessment by an ESG rating agency and comparison to peers, might adversely impact the Group's ability to raise additional finance.</p>	<p>The Group actively plans and manages projects designed to mitigate certain environment-related risks. Limiting Green House Gas emissions is a management KPI.</p> <p>In operations there is a permanent effort and commitment improve energy efficiency and to reduce flaring, venting and leaks and to monitor and effectively manage emissions and waste</p> <p>At campsite, most of the water the Group utilises now is recycled.</p> <p>The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures.</p> <p>The HSEC committee currently has responsibility for ESG related matters. A review of the Group's public ESG related information is being conducted to identify and rectify gaps.</p>

Interim management report

For the six months ended 30 June 2021

Description of risk	Risk management
COMPLIANCE RISKS	
Subsoil use agreements	
<p>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 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</p> <p>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.</p>	<p>The Group has procedures and processes in place for the timely application for extension of licence periods 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 all of its subsoil use agreements. In the event of non-compliance with a provision of any such agreement, the Group endeavours to have such terms modified and pays any penalties and fines that may apply.</p>
Compliance with laws and regulations	
<p>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.</p> <p>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.</p>	<p>For the purpose of compliance with laws, regulations and rules, the Group has adopted a number of policies including a code of conduct, inside information and disclosure policy, related party transactions policy, code for dealing in securities, Anti-Corruption and Bribery Policy, a Whistle-Blowing Policy and a Human Rights Policy. The Group also performs periodic updates based on the changes in regulatory requirements and carries out related communications and training for employees.</p> <p>Necessary communication lines are established with authorities to ensure timely and adequate inbound and outbound flow of information. Management and the Board monitor significant matters related to legal and compliance matters in order to act promptly in response to any actions.</p> <p>The Group continuously monitors its compliance with its policies on the level of authorisations for transactions. In addition, the management maintains an open dialogue with its sponsors in relation to any matter related to non-compliance with Listing Rules and other regulatory requirements.</p>

Interim management report

For the six months ended 30 June 2021

Description of risk	Risk management
FINANCIAL RISKS	
Liquidity risks	
<p>Forecasting to maintain an adequate liquidity position is subject to the risk that inaccurate information or assumptions are used for the forecasts, and to risks of counterparty delay or a counterparty's failure to meet their contractual obligations owing to severe market conditions.</p> <p>The actions of OPEC in 2020, augmented by the impact of COVID-19, highlight these risks, and have contributed to significant commodity price volatility in 2020. 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.</p>	<p>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.</p> <p>KPIs in place for 2021 to manage G&A and operational costs below \$43.4 million.</p>
Refinancing risks	
<p>The Group has US\$1.25bn of debt outstanding, US\$725m of which matures in July 2022. In March 2020, the Group announced that it was appointing advisers to engage with bondholders and other stakeholders to restructure the debt. On 23 October 2020, the Group announced that it has entered into a Forbearance Agreement with an informal ad-hoc committee of noteholders.</p> <p>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.</p>	<p>Successful restructuring of the Group's outstanding debt is the premier focus of the Board and Senior Management Team. The Group will require the level of debt to be reduced to a sustainable level. Work continues towards this objective with all stakeholders. However, the negotiations are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Group.</p> <p>The Board has established a KPI to complete the restructuring with all approvals by the end of 2021.</p>
Tax risks and uncertainties	
<p>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. Tax risks and uncertainties may adversely affect the Group's profitability, liquidity and planned growth.</p>	<p>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.</p> <p>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.</p>
CLIMATE CHANGE RISKS	
Climate change	
<p>Climate change risks is the group of risks including those 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 the demand.</p> <p>The risk of more intense extreme weather events, for example, may lead to the following sub-risks:</p> <ul style="list-style-type: none"> • Risks of reduced asset operation; • Risks of higher fuel prices; • Risks of higher insurance premiums; and • Risks of disruptions to supply chains. 	<p>The Group is actively planning and managing projects designed to mitigate certain climate change related risks. For instance:</p> <ul style="list-style-type: none"> • To decrease its exposure to rising fuel prices it retrofitted drilling rigs to derive more power from electricity rather than diesel; • In operations there is a permanent effort and commitment improve energy efficiency and to reduce flaring, venting and leaks; and • At campsite most of the water the Group utilises now is recycled. <p>Climate change is on the Board's agenda. The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures.</p>
OTHER RISKS	
Other significant risks	
<p>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:</p> <ul style="list-style-type: none"> • Global pandemics, such as COVID-19; • Fraudulent activities; 	<p>The Group is currently adapting to the changing regulations surrounding COVID-19 and will have a policy to deal with future pandemics once the current pandemic is over. The Group is complying with all Government recommendations in the countries where it has offices and employees. The Board monitors the further development of the business continuity plan and its implementation to the extent required by the circumstances.</p>

Interim management report

For the six months ended 30 June 2021

<ul style="list-style-type: none">• Cyber security;• The Group's supply chains;• Accounting and reporting management systems; or• The availability of human resources. <p>They may also significantly impact the Group's financial performance, reputation and achievement of its strategic objectives.</p>	<p>The Group has an Anti-Bribery and Corruption Policy, and provisions relating to the same are included in the Group's Code of Conduct. Related training and updates are periodically provided for employees in relation to their obligations in this area.</p> <p>As part of the Risk Management function, a cyber security capability is being developed drawing on the knowledge and experience of the existing ICT team.</p> <p>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.</p> <p>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.</p>
--	--

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.

Interim management report

For the six months ended 30 June 2021

Going concern

The Group monitors on an ongoing basis its liquidity position, near-term forecasts and key financial ratios to ensure that sufficient funds are available to meet its commitments as they arise and liabilities as they fall due. In addition, since April 2020, the Group has performed regular sensitivity tests of its liquidity position for changes in product prices, production volumes and any other significant variables. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include efforts to restructure the Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

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

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

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

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

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

The Forbearance Agreement was subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. At the date of this interim management report, the full amount of US\$21,541,990 required by the Forbearance Agreement has been transferred into secured account and is treated as restricted cash;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

The company agreed to pay, or procure payment of, certain consent fees in cash (Consent Fee) to each forbearing holder. The Consent Fees were payable by reference to the total aggregate principal amount of the Notes outstanding. The first Consent fee for the first 90 days of 29.7866 basis points, totalling US\$3,350,992, was paid on 19 November 2020. The second Consent Fee of 19.8577 bps, totalling US\$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US\$1,116,990, was paid on 20 February 2021. On each occasion, consent fees were paid to all of the total bondholders who agreed to forbear, equating to approximately 90% by value of each series of the Notes and evidencing an engaged and supportive creditor group. Further details of the forbearance agreement are disclosed in Note 1 to the interim condensed consolidated financial statements.

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

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

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

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

The Directors' going concern assessment is supported by future cash flow forecasts. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of \$65 /bbl for the second half of 2021 and all of 2022. The

Interim management report

For the six months ended 30 June 2021

forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current restructuring terms being discussed with the advisors to the AHG, reflecting the terms outlined above.

Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made significant assumptions about:

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

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

After careful consideration of these material uncertainties, and on the assumption that a restructuring of the Notes to an affordable level is completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 September 2022, being a period of not less than 12 months from the date of this interim management report. For these reasons, they continue to adopt the going concern basis in the accompanying interim condensed consolidated financial statements. Accordingly, the accompanying interim condensed consolidated financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Interim management report

For the six months ended 30 June 2021

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 by the European Union, 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 2021 have not been audited nor reviewed by the Group's external auditor.

Signed on behalf of the Board:

Arfan Khan

Martin Cocker

Chief Executive Officer

Interim Chief Financial Officer

Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2021

Interim condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2021

Contents

Interim condensed consolidated statement of financial position	23
Interim condensed consolidated statement of comprehensive income	24
Interim condensed consolidated statement of cash flows	25
Interim condensed consolidated statement of changes in equity	26
Notes to the interim condensed consolidated financial statements	27
1. General	27
2. Basis of preparation and consolidation	28
3. Changes in accounting policies and disclosures	30
4. Property, plant and equipment	30
5. Advances for non-current assets	30
6. Inventories	30
7. Prepayments and other current assets	30
8. Trade receivables	31
9. Cash and cash equivalents	31
10. Share capital and reserves	31
11. Earnings per share	31
12. Borrowings	32
13. Trade payables	32
14. Other current liabilities	33
15. Revenue	33
16. Cost of sales	33
17. General and administrative expenses	33
18. Selling and transportation expenses	33
19. Taxes other than income tax	33
20. Finance costs	34
21. Other income and expenses	34
22. Income tax	34
23. Related party transactions	34
24. Contingent liabilities and commitments	34
25. Financial risk management objectives and policies	35
26. Events after the reporting period	35

Interim condensed consolidated statement of financial position

<i>In thousands of US Dollars</i>	Notes	30 June 2021 (unaudited)	31 December 2020 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	302,036	339,406
Right-of-use assets		1,335	2,755
Advances for non-current assets	5	9,264	9,034
Restricted cash	9	29,253	20,613
		341,888	371,808
Current assets			
Inventories	6	32,674	28,805
Prepayments and other current assets	7	10,777	12,303
Income tax prepayment		684	379
Trade receivables	8	18,863	13,540
Cash and cash equivalents	9	108,054	78,583
		171,052	133,610
TOTAL ASSETS		512,940	505,418
Equity and liabilities			
Share capital and reserves	10		
Share capital		3,203	3,203
Treasury capital		(1,660)	(1,660)
Retained deficit and reserves		(802,050)	(761,294)
		(800,507)	(759,751)
Non-current liabilities			
Long-term lease liabilities		–	35
Abandonment and site restoration provision		29,132	28,936
Due to Government of Kazakhstan		4,698	4,832
Deferred tax liability	22	14,046	8,505
		47,876	42,308
Current liabilities			
Current portion of long-term borrowings	12	1,233,289	1,186,269
Current portion of lease liabilities		1,382	2,790
Employee share option plan liability		3	3
Trade payables	13	8,155	8,502
Advances received		20	186
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	14	21,691	24,080
		1,265,571	1,222,861
TOTAL EQUITY AND LIABILITIES		512,940	505,418

The interim condensed consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors.

Signed on behalf of the Board:

Arfan Khan

Chief Executive Officer

17 August 2021

Martin Cocker

Interim Chief Financial Officer

17 August 2021

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

Interim condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2021

Interim condensed consolidated statement of comprehensive income

In thousands of US Dollars	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Revenue					
Revenue from export sales		39,942	23,928	79,137	66,218
Revenue from domestic sales		6,179	8,332	13,174	26,418
	15	46,121	32,260	92,311	92,636
Cost of sales	16	(24,135)	(30,722)	(49,444)	(63,881)
Gross profit		21,986	1,538	42,867	28,755
General and administrative expenses	17	(2,986)	(3,570)	(5,832)	(8,181)
Selling and transportation expenses	18	(5,854)	(7,978)	(12,086)	(17,974)
Taxes other than income tax	19	(4,043)	(2,315)	(7,760)	(6,819)
Finance costs	20	(25,761)	(23,492)	(53,625)	(47,188)
Employee share options - fair value adjustment		–	222	–	373
Foreign exchange (loss) / gain, net		(233)	1,104	(221)	(561)
Interest income		58	141	112	171
Other income	21	1,157	653	3,397	1,765
Other expenses		(541)	(321)	(1,278)	(1,458)
Loss before income tax		(16,217)	(34,018)	(34,426)	(51,117)
Current income tax expense		(769)	(131)	(1,133)	(419)
Deferred income tax (expense) / benefit		(2,186)	5,661	(5,538)	(2,001)
Income tax (expense) / benefit	22	(2,955)	5,530	(6,671)	(2,420)
Loss for the period		(19,172)	(28,488)	(41,097)	(53,537)
Other comprehensive income / (loss) that could be reclassified to the income statement in subsequent periods					
Currency translation difference		440	(746)	341	5
Other comprehensive income / (loss)		440	(746)	341	5
Total comprehensive loss for the period		(18,732)	(29,234)	(40,756)	(53,532)
Loss for the period attributable to the shareholders (in thousands of US dollars)				(41,097)	(53,537)
Weighted average number of shares				185,234,079	185,234,079
Basic and diluted earnings per share (in US dollars)	11			(0.22)	(0.29)

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

The accounting policies and explanatory notes on pages 27 through 35 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	
		2021 (unaudited)	2020 (unaudited)
Cash flow from operating activities:			
Loss before income tax		(34,426)	(51,117)
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	16,17,18	35,636	42,941
Finance costs	20	53,625	47,188
Employee share option plan fair value adjustment		–	(373)
Interest income		(112)	(171)
Foreign exchange gain on investing and financing activities		(66)	(12)
Loss on disposal of property, plant and equipment		–	8
Operating profit before working capital changes		54,657	38,464
<i>Changes in working capital:</i>			
Change in inventories		1,063	4,823
Change in trade receivables		(4,994)	16,808
Change in prepayments and other current assets		(318)	3,456
Change in trade payables		531	(8,573)
Change in advances received		(166)	(106)
Change in due to Government of Kazakhstan		(515)	(515)
Change in other current liabilities		(1,703)	(5,790)
Cash generated from operations		48,555	48,567
Income tax paid		(2,260)	(1,576)
Net cash flows from operating activities		46,295	46,991
Cash flow from investing activities:			
Interest received		112	171
Purchase of property, plant and equipment		(2,887)	(18,146)
Exploration and evaluation works		–	(184)
Advances for non-current assets		(230)	(518)
Transfer to restricted cash		(8,634)	–
Net cash used in investing activities		(11,639)	(18,677)
Cash flow from financing activities:			
Finance costs paid		–	(43,000)
Other finance costs		(3,780)	–
Payment of principal portion of lease liabilities		(1,443)	(3,211)
Finance charges on lease liabilities		(174)	(256)
Net cash used in financing activities		(5,397)	(46,467)
Effects of exchange rate changes on cash and cash equivalents		212	(87)
Net increase / (decrease) in cash and cash equivalents		29,471	(18,240)
Cash and cash equivalents at the beginning of the period	9	78,583	93,940
Cash and cash equivalents at the end of the period	9	108,054	75,700

“Other finance costs” primarily represent bondholder consent fees paid in February 2021 in relation to the Forbearance Agreement in the amount of US\$1,117 thousand and advisor fees of US\$2,600 thousand paid by the Group in relation to the ongoing discussions with its bondholders regarding a possible restructuring of the Group’s Notes. For more details on the Forbearance Agreements and the consent fees see Note 1.

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

Interim condensed consolidated statement of changes in equity

<i>In thousands of US Dollars</i>	Notes	Share capital	Treasury capital	Other reserves	Retained deficit	Total
As at 1 January 2020 (audited)		3,203	(1,660)	263,077	(696,704)	(432,084)
Loss for the period		–	–	–	(53,537)	(53,537)
Other comprehensive income		–	–	5	–	5
Total comprehensive loss for the period		–	–	5	(53,537)	(53,532)
Share based payments under LTIP*		–	–	(374)	–	(374)
As at 30 June 2020 (unaudited)		3,203	(1,660)	262,708	(750,241)	(485,990)
Loss for the period		–	–	–	(273,888)	(273,888)
Other comprehensive income		–	–	248	–	248
Total comprehensive loss for the period		–	–	248	(273,888)	(273,640)
Share based payments under LTIP*		–	–	(121)	–	(121)
As at 31 December 2020 (audited)		3,203	(1,660)	262,835	(1,024,129)	(759,751)
Loss for the period		–	–	–	(41,097)	(41,097)
Other comprehensive income		–	–	341	–	341
Total comprehensive loss for the period		–	–	341	(41,097)	(40,756)
As at 30 June 2021 (unaudited)		3,203	(1,660)	263,176	(1,065,226)	(800,507)

* Long-Term Incentive Plan ("LTIP")

The accounting policies and explanatory notes on pages 27 through 35 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 9th Floor, 20 Eastbourne Terrace, London, W2 6LG, UK.

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

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

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

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

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

Subsoil use rights terms

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

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

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

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

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

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

Royalty payments

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

Royalty rates depend on hydrocarbons recovery levels and the phase of production and can vary from 3% to 7% of produced crude oil and from 4%

to 9% of produced natural gas. Royalty is accounted on a gross basis.

Government "profit share"

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

Forbearance Agreements

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

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

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

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

Interim condensed consolidated financial statements (unaudited)

For the six months ended 30 June 2021

The Forbearance Agreement was subject to certain conditions, including:

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

- The provision of certain financial and operating information to the advisors of the AHG.

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

The Company agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. At the date of these interim condensed consolidated financial statements, all Consent Fees have been paid. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US\$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US\$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US\$1,116,990, was paid on 20 February 2021. The consent fees were recorded in the income statement (for more details please see Note 20).

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

equating to 9.9288 bps of the outstanding Notes. This amount was paid into the secured account on 19 March 2021.

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

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

2. Basis of preparation and consolidation

Basis of preparation

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

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

unqualified with emphasis of matter on material uncertainties related to going concern.

Basis of consolidation

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

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

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

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

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

Going concern

The Group monitors on an ongoing basis its liquidity position, near-term forecasts and key financial ratios to ensure that sufficient funds are available to meet its commitments as they arise and liabilities as they fall due. In addition, since April 2020, the Group has performed regular sensitivity tests of its liquidity position for changes in product prices, production volumes and any other significant variables. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include efforts to restructure the Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

Notes to the interim condensed consolidated financial statements (continued)

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

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

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

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

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

The Forbearance Agreement was subject to certain conditions, including:

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

- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

The company agreed to pay, or procure payment of, certain consent fees in cash (Consent Fee) to each forbearing holder. The Consent Fees were payable by reference to the total aggregate principal amount of the Notes outstanding. The first Consent fee for the first 90 days of 29.7866 basis points, totalling US\$3,350,992, was paid on 19 November 2020. The second Consent Fee of 19.8577 bps, totalling US\$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US\$1,116,990, was paid on 20 February 2021. On each occasion, consent fees were paid to all of the total bondholders who agreed to forbear, equating to approximately 90% by value of each series of the Notes and evidencing an engaged and supportive creditor group. Further details of the forbearance agreement are disclosed in Note 1 to these interim condensed consolidated financial statements.

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

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

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

issued to bondholders, in which case significantly diluting the interests of the current equity holders.

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

The Directors' going concern assessment is supported by future cash flow forecasts. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of \$65/bbl for the second half of 2021 and all of 2022. The forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current preliminary restructuring terms discussed with the advisors to the AHG, reflecting the terms outlined above.

Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made significant assumptions about:

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

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

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

Notes to the interim condensed consolidated financial statements (continued)

statements. For these reasons, they continue to adopt the going concern basis in these interim condensed consolidated financial statements.

Accordingly, the accompanying interim condensed consolidated financial statements do not include any adjustments to the carrying amount or

classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

4. Property, plant and equipment

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

See Note 24 for capital commitments.

5. Advances for non-current assets

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

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

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

6. Inventories

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

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

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

7. Prepayments and other current assets

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

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

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

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

Notes to the interim condensed consolidated financial statements (continued)

8. Trade receivables

As at 30 June 2021 and 31 December 2020 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Trade receivables are collected on average within a period of 30-120 days.

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

9. Cash and cash equivalents

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

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

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

10. Share capital and reserves

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

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

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

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

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

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

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

Distributions

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

Kazakhstan stock exchange disclosure requirement

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

11. Earnings per share

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

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

Notes to the interim condensed consolidated financial statements (continued)

12. Borrowings

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

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

2022 Notes

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

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

Period	Redemption Price
2020	104.0%
2021 and thereafter	100.0%

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

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

2025 Notes

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

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

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

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

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

Reclassification to current liabilities

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

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

Covenants contained in the 2022 Notes and 2025 Notes

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

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

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

13. Trade payables

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

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

Notes to the interim condensed consolidated financial statements (continued)

14. Other current liabilities

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

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

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

15. Revenue

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

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

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

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

16. Cost of sales

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

17. General and administrative expenses

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

18. Selling and transportation expenses

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

19. Taxes other than income tax

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

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

Notes to the interim condensed consolidated financial statements (continued)

20. Finance costs

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

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

21. Other income and expenses

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

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

22. Income tax

The income tax expense comprised the following:

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

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the six months ended 30 June 2021. Differences between the recognition criteria in IFRS and under the statutory taxation regulations give rise to a temporary difference between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the change in temporary differences is recorded at the applicable statutory rates, including the prevailing Kazakhstani tax rate of 30% applicable to income derived from the Chinarevskoye subsoil use license.

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

23. Related party transactions

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

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

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

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

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

24. Contingent liabilities and commitments**Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional, and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe and where the tax authorities disagree with the positions taken by the Group the financial outcomes could be material. Administrative fines are generally 80% of the taxes additionally assessed and interest penalty is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties, and interest, if any, may be in excess of the amount expensed to date and accrued at 30 June 2021. As at 30 June 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Notes to the interim condensed consolidated financial statements (continued)

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

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

Social and education commitments

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

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

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

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

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

Domestic oil sales

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

25. Financial risk management objectives and policies

Fair values of financial instruments

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

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

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

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

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

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

26. Events after the reporting period

Forbearance agreement

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