Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements

For the three months ended 31 March 2022

Contents

Interim condensed consolidated statement of financial position

In thousands of US Dollars	Notes	31 March 2022 (unaudited)	31 December 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	**308,472**	320,125
Advances for non-current assets	5	**2,835**	1,418
Restricted cash	9	**30,435**	30,438
		341,742	351,981
Current assets			
Inventories	6	**31,738**	31,387
Prepayments and other current assets	7	**9,195**	9,735
Income tax prepayment		**425**	300
Trade receivables	8	**23,129**	6,659
Cash and cash equivalents	9	**180,822**	165,246
		245,309	213,327
TOTAL ASSETS		**587,051**	565,308
Equity and liabilities			
Share capital and reserves	10		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained deficit and reserves		**(838,143)**	(824,796)
		(836,600)	(823,253)
Non-current liabilities			
Abandonment and site restoration provision		**29,076**	29,008
Due to Government of Kazakhstan		**4,487**	4,563
Deferred tax liability	22	**42,825**	34,072
		76,388	67,643
Current liabilities			
Current portion of long-term borrowings	12	**1,316,465**	1,289,603
Trade payables	13	**9,009**	8,399
Advances received		**26**	9
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	14	**20,732**	21,876
		1,347,263	1,320,918
TOTAL EQUITY AND LIABILITIES		**587,051**	565,308

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
23 May 2022

The accounting policies and explanatory notes on pages 7 through 16 are an integral part of these consolidated financial statements

Interim condensed consolidated statement of comprehensive income

In thousands of US Dollars	Notes	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited, restated*)
Revenue			
Revenue from export sales		**54,955**	39,195
Revenue from domestic sales		**5,241**	6,995
	15	**60,196**	46,190
Cost of sales	16	**(21,094)**	(23,099)
Gross profit		**39,102**	23,091
General and administrative expenses	17	**(2,774)**	(2,846)
Selling and transportation expenses	18	**(4,699)**	(6,232)
Taxes other than income tax	19	**(5,212)**	(3,717)
Finance costs	20	**(31,329)**	(27,864)
Foreign exchange (loss) / gain, net		**(261)**	12
Interest income		**70**	54
Other income	21	**1,302**	2,240
Other expenses		**(723)**	(738)
Loss before income tax		**(4,524)**	(16,000)
Current income tax expense		**(149)**	(364)
Deferred income tax expense		**(8,753)**	(4,015)
Income tax expense	22	**(8,902)**	(4,379)
Loss for the period		**(13,426)**	(20,379)
Other comprehensive income / (loss) that could be reclassified to the income statement in subsequent periods			
Currency translation difference		**79**	(99)
Other comprehensive income / (loss)		**79**	(99)
Total comprehensive loss for the period		**(13,347)**	(20,478)
Loss for the period attributable to the shareholders (in thousands of US dollars)		**(13,426)**	(20,379)
Weighted average number of shares		**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	11	**(0.07)**	(0.11)

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

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

The accounting policies and explanatory notes on pages 7 through 16 are an integral part of these consolidated financial statements

Interim condensed consolidated statement of cash flows

In thousands of US Dollars	Notes	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited, restated*)
Cash flow from operating activities:			
Loss before income tax		**(4,524)**	(16,000)
Adjustments for:			
Depreciation, depletion and amortisation	16,17,18	**14,043**	16,514
Finance costs	20	**31,329**	27,864
Interest income		**(70)**	(54)
Foreign exchange loss on investing and financing activities		**(99)**	(126)
Operating profit before working capital changes		**40,679**	28,198
Changes in working capital:			
Change in inventories		**(351)**	815
Change in trade receivables		**(16,469)**	(7,237)
Change in prepayments and other current assets		**(1,874)**	(521)
Change in trade payables		**2,441**	(674)
Change in advances received		**17**	(85)
Change in due to Government of Kazakhstan		**(258)**	(258)
Change in other current liabilities		**(1,144)**	(609)
Cash generated from operations		**23,041**	19,629
Income tax paid		**(274)**	(284)
Net cash flows from operating activities		**22,767**	19,345
Cash flow from investing activities:			
Interest received		**70**	54
Purchase of property, plant and equipment		**(2,636)**	(1,145)
Exploration and evaluation works		**–**	(31)
Advances for non-current assets		**(1,417)**	–
Transfer to restricted cash		**–**	(8,644)
Net cash used in investing activities		**(3,983)**	(9,766)
Cash flow from financing activities:			
Finance costs paid		**(9)**	–
Other finance costs		**(3,376)**	(2,067)
Payment of principal portion of lease liabilities		**–**	(656)
Finance charges on lease liabilities		**–**	(103)
Net cash used in financing activities		**(3,385)**	(2,826)
Effects of exchange rate changes on cash and cash equivalents		**177**	9
Net increase in cash and cash equivalents		**15,576**	6,762
Cash and cash equivalents at the beginning of the year	9	**165,246**	78,583
Cash and cash equivalents at the end of the year	9	**180,822**	85,345

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

"Other finance costs" primarily represent advisor fees of US$3,376 thousand (2021: US$950 thousand) paid by the Group in relation to the forbearance agreements, lock-up agreement and ongoing process of restructuring of the Group's outstanding bonds. In 2021 these included also bondholder consent fees in the amount of US$1,117 thousand. For more details see Note 1.

The accounting policies and explanatory notes on pages 7 through 16 are an integral part of these consolidated financial statements

Interim condensed consolidated statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Treasury capital	Other reserves	Retained deficit	Total
As at 1 January 2021 (restated*)		**3,203**	**(1,660)**	**262,835**	**(1,061,063)**	**(796,685)**
Loss for the period		–	–	–	(20,379)	(20,379)
Other comprehensive loss		–	–	(99)	–	(99)
Total comprehensive loss for the period		**–**	**–**	**(99)**	**(20,379)**	**(20,478)**
As at 31 March 2021 (unaudited, restated*)		**3,203**	**(1,660)**	**262,736**	**(1,081,442)**	**(817,163)**
Loss for the period		–	–	–	(5,739)	(5,739)
Other comprehensive loss		–	–	(104)	–	(104)
Total comprehensive loss for the period		**–**	**–**	**(104)**	**(5,739)**	**(5,843)**
Share based payments under LTIP*		–	–	(247)	–	(247)
As at 31 December 2021 (audited)		**3,203**	**(1,660)**	**262,385**	**(1,087,181)**	**(823,253)**
Loss for the period		–	–	–	(13,426)	(13,426)
Other comprehensive income		–	–	79	–	79
Total comprehensive loss for the period		**–**	**–**	**79**	**(13,426)**	**(13,347)**
As at 31 March 2022 (unaudited)		**3,203**	**(1,660)**	**262,464**	**(1,100,607)**	**(836,600)**

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

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

The accounting policies and explanatory notes on pages 7 through 16 are an integral part of these consolidated financial statements

Notes to the interim condensed consolidated financial statements

1. General

Overview

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

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

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

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

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

As at 31 March 2022 the Group employed 557 employees (31 December 2021: 559).

Subsoil use rights terms

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

The term of the Chinarevskoye subsoil use rights originally included a 5-year exploration period and a 25-year production period. On 28 December 2016 the thirteenth supplementary agreement to the Contract was signed extending the exploration period for the Bobrikovskiy reservoir to 26 May 2018, which was subsequently extended to 26 August 2018, and then followed by the production period.

On 17 August 2012 Zhaikmunai LLP signed Asset Purchase Agreements to acquire 100% of the subsoil use rights related 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 rights and obligations related to the Darjinskoye and the Yuzhno-Gremyachinskoye fields were disposed to a third party in October 2020. The rights and obligations related to the Rostoshinskoye field were disposed in September 2021.

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 and Lock-up agreements

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

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

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

Notes to the interim condensed consolidated financial statements (continued)

The Forbearance Agreement was subject to certain conditions, including:

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

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

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

Upon signing of the Lock-up Agreement, the Second FBA was extended in parallel. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date of 23 August 2022.

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

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

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

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

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

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

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

2. Basis of preparation and consolidation

Basis of preparation

These interim condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as adopted in the UK. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with the UK adopted International Accounting Standards.

The interim condensed consolidated financial information for three months ended 31 March 2022 and 2021 is neither audited nor reviewed by the auditors and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative financial information as at 31 December 2021 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2021 were approved by the Board of directors on 27 April 2021 and, following approval by the Company's shareholders, will be filed with the Registrar of Companies. The Independent Auditors' Report on those accounts was unqualified with emphasis of matter on material uncertainties related to going concern.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 March 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Notes to the interim condensed consolidated financial statements (continued)

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

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

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

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. The Group reforecasts its rolling 24-month cashflows on a monthly basis and stress tests its future liquidity position for changes in product prices, production volumes, costs and other significant events. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include the ongoing efforts to restructure the Existing Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2023. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $72/bbl for 2022 and $68/bbl for 2023.

The Group had unrestricted cash balances of US$180.8 million as at 31 March 2022, with a further $22.7 million in a restricted bank account with limited access as per the terms of the Forbearance Agreement. Under the base case going concern assessment to the period to 30 June 2023, the Group is forecast to have total cash reserves of over US$200 million, inclusive of cash swept into the restricted account, as explained below.

In 2020, the Group began formal proceedings for the restructuring of its Existing Notes, the largest of which would become due and repayable in July 2022. A Forbearance Agreement was entered into with an informal ad hoc committee of noteholders (the "AHG") in the same year which, amongst other things, forbears the AHG from accelerating the Existing Notes' obligations as a result of missed interest payments. During this period of forbearance the Company and the AHG endeavoured to agree on the terms of a consensual restructuring of the Existing Notes. On 13 April 2022, the Group issued a Circular and serviced notice convening a General Meeting of its shareholders to vote on the restructuring terms ("Restructuring Resolution"). On 29 April 2022, 99.99% of voting shareholders voted in favour of the Restructuring Resolutions at the General Meeting; allowing the Group to proceed with the restructuring via a UK scheme of arrangement under Part 26 of the Companies Act 2006 (refer to Note 1 for the latest on the Bond Restructuring process).

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

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

The forecast financing cashflows assume that the Existing Notes are restructured per the agreed terms as set out in the Lock-up Agreement and outlined above. Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made a significant assumption about the Group being able to close out the successful restructuring of the Existing Notes.

Whilst the signing of the LUA and shareholders voting in favour of the Restructuring Resolutions marked key milestones in the Company's restructuring journey and paves an agreed go forward strategy to restructure the Existing Notes, the Company notes there remain several other milestones to achieve prior to successful completion. These include:

- The Company receiving all authorisations including securing a waiver from the Government of the Republic of Kazakhstan for the right to pre-empt newly issued shares in the Company on closing of the restructuring.
- The UK Courts sanctioning the final restructuring route (UK Scheme of Arrangement or Restructuring Plan).

As at the date of publication of these interim condensed consolidated financial statements, the above milestones have not concluded, with the outcomes uncertain and largely outside of the Group's control. If one or all of the milestones above are not achieved, the restructuring may not proceed on the agreed set of terms. Therefore, the assumption that the Group can successfully complete the restructuring by satisfying the above milestones represents a material uncertainty that the Existing Notes will not be restructured. This may cast a significant doubt on the Group's and Company's ability to continue as a going concern for the going concern period to 30 June 2023.

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict, which has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's operations, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports and the Group also contracts with a limited number of Russian service companies. The Directors are cognisant of the current and evolving sanctions list to ensure the Group is conducting business in compliance with these sanctions. In its going concern assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be cash reserves in excess of US$100 million at the end of the going concern period to 30 June 2023, inclusive of cash swept into the restricted account. There is currently no material impact on the Group's operations and liquidity at the time of publication of these consolidated financial statements as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions. The Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the going concern review period.

Notes to the interim condensed consolidated financial statements (continued)

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

After careful consideration of the material uncertainty in connection with the restructuring of the Existing Notes, and on the basis of the successful execution of the LUA, advice from our financial and legal advisors, and our assessment of the likelihood that the remaining milestones can be achieved, the Directors have a reasonable expectation that the Group and Company has sufficient resources to continue in operation for the going concern period to 30 June 2023. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, these interim condensed consolidated financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Notwithstanding that the going concern period has been defined as the period to 30 June 2023, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on pages 67-69 of the 2021 Annual Report and Accounts which highlights that the material uncertainty referred to in respect of the going concern assessment will inevitably cast significant doubt over the future viability of the Group.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial statements (continued)

Correction of errors and reclassifications

Impairment of property, plant and equipment

When preparing the consolidated financial statements for the year ended 31 December 2021, the Group noted an error in the calculation for determining the 2020 impairment charge. The error resulted in a lower recoverable amount of US$297,760 thousand for the property plant and equipment as at 31 December 2020, and so a corresponding additional impairment charge of US$41,646 thousand for the year then ended. As a result, depreciation, depletion and amortisation within cost of sales for the three month ended 31 March 2021 was overstated by US$2,210 thousand with a corresponding understatement of deferred tax expense by US$663 thousand.

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

In thousands of US Dollars	Reported	Depreciation correction	As adjusted
Consolidated statement of comprehensive income			
Cost of sales	(25,309)	2,210	(23,099)
Gross profit	**20,881**	**2,210**	**23,091**
Loss before income tax	**(18,210)**	**2,210**	**(16,000)**
Income tax expense	(3,716)	(663)	(4,379)
Loss for the period	**(21,926)**	**1,547**	**(20,379)**
Consolidated statement of cash flows			
Loss before income tax	(18,210)	2,210	(16,000)
Depreciation, depletion and amortisation	18,723	(2,210)	16,513
Net cash flows from operating activities	**19,345**	**–**	**19,345**

Reclassifications and comparative figures

Certain reclassifications have been made to the previous year's disclosure of cost of sales to enhance comparability with the current year's presentation following management's periodic assessment of the improvement of the information presentation. As a result, the comparative amounts for the three months ended 31 March 2021 in the certain line items within cost of sales disclosure in Note 16 have been amended to conform to the current period's presentation as follows:

In thousands of US dollars	**As previously reported**	**Depreciation correction**	**Reclassifi-cation**	**As adjusted**
Depreciation, depletion and amortisation	17,929	(2,210)	–	15,719
Payroll and related taxes	3,419	–	–	3,419
Repair, maintenance and other services	1,635	–	(379)	1,256
Materials and supplies	628	–	25	653
Transportation services	580	–	–	580
Well repair and maintenance costs	–	–	399	399
Well workover costs	32	–	(32)	–
Environmental levies	32	–	–	32
Change in stock	943	–	–	943
Other	111	–	(13)	98
	25,309	**(2,210)**	**–**	**23,099**

4. Property, plant and equipment

During the three months ended 31 March 2022 the Group had additions of property, plant and equipment of US$2,388 thousand (2021-Q1: US$1,067 thousand). These additions are mostly associated with the well workover campaign as well as capital repairs of equipment and capitalized interest US$149 thousand (2021-Q1: US$151 thousand).

See Note 24 for capital commitments.

5. Advances for non-current assets

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

In thousands of US Dollars	**31 March 2022 (unaudited)**	31 December 2021 (audited)
Advances for construction materials	**1,561**	359
Advances for construction services	**1,227**	1,059
Advances for other non-current assets	**47**	–
	2,835	1,418

The advances for other non-current assets mainly comprised prepayments made to suppliers of services as part of the development of new opportunities. Such costs included technical, legal, advisory and other professional fees and were capitalized in the course of potential acquisition of assets. During the three months ended 31 March 2022 additional expenses in the amount of US$47 thousand were incurred on such activities. Although the Group continues to actively pursue these new opportunities, based on the management assessment it was concluded that it is less than probable that the Group would recover these costs in the future, hence as of 31 December 2021 the total amount of US$8,605 thousand was written off to profit and loss in the reporting period, and advances in the amount of US$450 thousand were impaired.

6. Inventories

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

In thousands of US Dollars	**31 March 2022 (unaudited)**	31 December 2021 (audited)
Spare parts and other inventories	**26,493**	26,720
Gas condensate	**4,476**	4,265
Crude oil	**685**	306
LPG	**39**	57
Dry Gas	**37**	32
Sulphur	**8**	7
	31,738	31,387

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

7. Prepayments and other current assets

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

In thousands of US Dollars	**31 March 2022 (unaudited)**	31 December 2021 (audited)
VAT receivable	**4,586**	4,882
Advances paid	**1,835**	2,370
Other taxes receivable	**1,827**	1,668
Other	**947**	815
	9,195	9,735

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

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

Notes to the interim condensed consolidated financial statements (continued)

8. Trade receivables

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

As at 31 March 2022 and 31 December 2021 there were past due but not impaired trade receivables. Based on the assessments made, the Group concluded that no provision for expected credit losses should be recognized as at 31 March 2022 and 31 December 2021.

9. Cash and cash equivalents

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

In thousands of US Dollars	**31 March 2022 (unaudited)**	31 December 2021 (audited)
Current accounts in US Dollars	**179,066**	157,981
Current accounts in Tenge	**932**	5,736
Current accounts in Euro	**448**	1,020
Current accounts in other currencies	**370**	500
Petty cash	**6**	9
	180,822	165,246

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

The Group transferred funds to a secured cash account opened for the benefit of the holders of the Group's Notes under the terms of the FBAs (Note 1). As at 31 March 2022 the balance of the secured cash account was US$22,672 thousand (31 December 2021: US$22,672 thousand). The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level.

10. Share capital and reserves

As at 31 March 2022 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01. There were no movements in the number of shares during the three months ended 31 March 2022 and year ended 31 December 2021 and comprised of the following:

	Number of shares
In circulation	**185,234,079**
Treasury capital	**2,948,879**
	188,182,958

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") and are held by Intertrust Employee Benefit Trustee Limited as trustee for the Nostrum Oil & Gas Benefit Trust. In the case of the ESOP, upon request from employees to exercise options, the trustee would sell shares on the market and settle respective obligations under the ESOP. In the case of share-settled LTIP awards, the trustee would transfer shares to the relevant LTIP award holder (although no LTIP awards are currently exercisable). The Nostrum Oil & Gas Benefit Trust constitutes a special purpose entity under IFRS and therefore, the shares held in the trust are recorded as treasury capital of the Company.

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

In thousands of US Dollars	Group reorgani-sation reserve	Foreign currency translation reserves	Share-option reserves	**Total**
As at 31 December 2020	**255,459**	**3,305**	**4,071**	**262,835**
Currency translation difference	–	(99)	–	(99)
As at 31 March 2021	**255,459**	**3,206**	**4,071**	**262,736**
Currency translation difference	–	(104)	–	(104)
Share based payments under LTIP	–	–	(247)	(247)
As at 31 December 2021	**255,459**	**3,102**	**3,824**	**262,385**
Currency translation difference	–	79	–	79
As at 31 March 2022	**255,459**	**3,181**	**3,824**	**262,464**

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 three months ended 31 March 2022 and year ended 31 December 2021.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 31 March 2022 the book value per share amounted to US$4.51 negative (31 December 2021: US$4.40 negative).

11. Earnings per share

As at 31 March 2022 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£0.01.

	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited, restated)
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(13,426)**	(20,379)
Weighted average number of shares	**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	**(0.07)**	(0.11)

Notes to the interim condensed consolidated financial statements (continued)

12. Borrowings

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

In thousands of US Dollars	**31 March 2022 (unaudited)**	31 December 2021 (audited)
Notes issued in 2017 and maturing in 2022	**722,506**	720,655
Notes issued in 2018 and maturing in 2025	**395,347**	395,022
Accrued interest	**198,612**	173,926
	1,316,465	1,289,603
Less amounts due within 12 months	**(1,316,465)**	(1,289,603)
	–	–

2022 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2022 Issuer") issued US$725,000 thousand notes. 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 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 had 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 December 2021, the Group announced the execution of a lock-up agreement and terms of a restructuring agreed with bondholders. More detailed information related to the forbearance agreement and the lock-up agreement is disclosed in the Note 1.

Considering these facts and circumstances, as at 31 March 2022 and 31 December 2021 the Group classifies the carrying amounts of the 2022 Notes and 2025 Notes into current liabilities and presents 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 31 March 2022 and 31 December 2021:

In thousands of US Dollars	**31 March 2022 (unaudited)**	31 December 2021 (audited)
Tenge denominated trade payables	**5,809**	5,433
US Dollar denominated trade payables	**2,134**	1,397
Euro denominated trade payables	**545**	464
Russian Rouble denominated trade payables	**102**	122
Trade payables denominated in other currencies	**419**	983
	9,009	8,399

14. Other current liabilities

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

In thousands of US Dollars	**31 March 2022 (unaudited)**	31 December 2021 (audited)
Training obligations accrual	**8,376**	8,684
Taxes payable, including corporate income tax	**7,050**	6,709
Other accruals	**2,432**	3,318
Due to employees	**2,150**	2,479
Other current liabilities	**724**	686
	20,732	21,876

Notes to the interim condensed consolidated financial statements (continued)

15. Revenue

In thousands of US Dollars	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited)
Revenue from oil and gas condensate sales	**49,209**	35,227
Revenue from gas and LPG sales	**10,987**	10,963
	60,196	46,190

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 three months ended 31 March 2022 was US$97.9/bbl (2021-Q1: US$61.8/bbl).

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

During the three months ended 31 March 2022 the revenue from sales to three major customers amounted to US$47,490 thousand, US$3,119 thousand and US$2,927 thousand respectively (2021-Q1: US$33,387 thousand, US$5,154 thousand and US$2,605 thousand respectively). The Group's exports are mainly represented by deliveries to the Baltic ports of Russia.

16. Cost of sales

In thousands of US Dollars	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited, restated*)
Depreciation, depletion and amortisation	**14,006**	15,719
Payroll and related taxes	**3,612**	3,419
Repair, maintenance and other services	**1,497**	1,256
Well repair and maintenance costs	**857**	399
Materials and supplies	**938**	653
Transportation services	**605**	580
Environmental levies	**35**	32
Change in stock	**(578)**	943
Other	**122**	98
	21,094	23,099

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

17. General and administrative expenses

In thousands of US Dollars	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited)
Payroll and related taxes	**1,565**	1,292
Professional services	**730**	1,076
Insurance fees	**146**	145
Short-term leases	**64**	76
Communication	**45**	45
Business travel	**40**	18
Depreciation and amortisation	**37**	126
Materials and supplies	**36**	24
Bank charges	**18**	22
Other	**93**	22
	2,774	2,846

18. Selling and transportation expenses

In thousands of US Dollars	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited)
Transportation costs	**2,051**	2,761
Loading and storage costs	**1,929**	1,522
Marketing services	**–**	615
Depreciation of right-of-use assets	**–**	669
Payroll and related taxes	**355**	368
Other	**364**	297
	4,699	6,232

19. Taxes other than income tax

In thousands of US Dollars	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited)
Royalties	**2,314**	1,736
Export customs duty	**2,416**	1,620
Government profit share	**480**	358
Other taxes	**2**	3
	5,212	3,717

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

20. Finance costs

In thousands of US Dollars	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited)
Interest expense on borrowings	**26,722**	23,359
Other finance costs	**4,356**	4,141
Unwinding of discount on amounts due to Government of Kazakhstan	**182**	191
Unwinding of discount on lease liability	**–**	103
Unwinding of discount on abandonment and site restoration provision	**69**	70
	31,329	27,864

Other finance costs primarily represent advisor fees in the amount of US$4,326 thousand (2021-Q1: US$2,941 thousands of bondholder consent fees and US$1,169 thousand adviser fees) incurred by the Group in relation to the forbearance agreements, lock-up agreement and process of restructuring of the Group's outstanding bonds. For more details on forbearance agreements, lock-up agreement and the consent fees see Note 1.

21. Other income

In thousands of US Dollars	For the three months ended 31 March 2022 (unaudited)	2021 (unaudited)
Reversals of training accruals	553	373
Reversals of other accruals	439	235
Currency conversion	144	25
Catering and accommodation	60	18
Compensation for damages	–	1,549
Other	106	40
	1,302	2,240

Notes to the interim condensed consolidated financial statements (continued)

22. Income tax

In thousands of US Dollars	For the three months ended 31 March **2022 (unaudited)**	2021 (unaudited)
Deferred income tax expense	**8,753**	4,015
Corporate income tax expense	**9**	33
Withholding tax	**140**	331
	8,902	4,379

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the three months ended 31 March 2022. Differences between the recognition criteria in IFRS and under the statutory taxation regulations give rise to a temporary difference between the carrying value of certain assets and liabilities for financial reporting purposes and for income tax purposes. The tax effect of the change in temporary differences is recorded at the applicable statutory rates, including the prevailing Kazakhstani tax rate of 30% applicable to income derived from the Chinarevskoye subsoil use license.

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

23. Related party transactions

For the purpose of these consolidated financial statements transactions with related parties mainly comprise transactions between subsidiaries of the Company and the key management.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$959 thousand for the year ended 31 March 2022 (2021-Q1: US$877 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 31 March 2022. As at 31 March 2022 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 31 March 2022, the Group had contractual capital commitments in the amount of US$8,154 thousand (31 December 2021: US$10,029 thousand), mainly in respect to the Group's oil field development activities.

Social and education commitments

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

- spend US$ 300 thousand per annum to finance social infrastructure;
- make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens.

Domestic oil sales

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

Impact of sanctions on Russia

The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's main operating company, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions impacted upon on it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Group contracts with a limited number of Russian service companies. The Group will need to be cognisant of the current and evolving sanctions list to ensure it is conducting business in compliance with these sanctions and, if it is foreseen that it will not be, the necessary alternatives will need to be set up to be compliant whilst continuing to conduct ordinary course of business.

Notes to the interim condensed consolidated financial statements (continued)

25. Financial risk management objectives and policies

Fair values of financial instruments

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

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

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

	Carrying amount		Fair value	
In thousands of US Dollars	**31 March 2022**	31 December 2021	**31 March 2022**	31 December 2021
Interest bearing borrowings	1,316,465	1,289,603	290,850	303,375
Total	**1,316,465**	**1,289,603**	**290,850**	**303,375**

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

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

26. Events after the reporting period

Shareholder Circular and General Meeting Vote

On 13 April 2022, the Company issued a Circular and gave notice convening a General Meeting of its shareholders on 29 April 2022, at which shareholders voted on the terms of the restructuring (the "Restructuring Resolution"). The Circular and General Meeting also included a resolution to vote in favour of the Related Party Transactions with ICU in respect of new ordinary shares being issued to ICU pursuant to the restructuring – only independent shareholders (excluding ICU) are required to vote on this specific resolution (the "RPT Resolution").

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