

Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements (unaudited, unreviewed)

For the nine months ended 30 September 2023

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Consolidated statement of financial position

<i>In thousands of US Dollars</i>	Notes	30 September 2023 (unaudited)	31 December 2022 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	256,312	276,023
Exploration and evaluation assets	5	20,362	–
Advances for non-current assets	6	1,216	2,114
Restricted cash	10	24,597	31,022
		302,487	309,159
Current assets			
Inventories	7	30,212	30,196
Prepayments and other current assets	8	11,092	4,688
Income tax prepayment		86	95
Trade receivables	9	15,519	12,395
Cash and cash equivalents	10	171,681	233,584
		228,590	280,958
TOTAL ASSETS		531,077	590,117
Equity and liabilities			
Share capital and reserves	11		
Share capital		2,151	3,203
Treasury capital		(166)	(1,660)
Non-controlling interest		502	–
Retained deficit and reserves		(66,960)	(941,769)
		(64,473)	(940,226)
Non-current liabilities			
Notes payable and accumulated interest	13	471,016	–
<i>Principal</i>		612,773	–
<i>Arrangement fees and fair value adjustments</i>		(141,757)	–
Abandonment and site restoration provision		21,179	20,073
Due to Government of Kazakhstan		3,720	4,002
Deferred tax liability		44,976	49,899
		540,891	73,974
Current liabilities			
Current portion of notes payable and accumulated interest	13	15,823	1,396,517
Trade payables	14	9,184	9,929
Advances received		48	52
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	15	28,573	48,840
		54,659	1,456,369
TOTAL EQUITY AND LIABILITIES		531,077	590,117

The interim condensed consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were authorised for issue by the Board of Directors on 15 November 2023.

Signed on behalf of the Board:

Arfan Khan

Chief Executive Officer

20 November 2023

The accounting policies and explanatory notes on pages 7 through 15 are an integral part of these interim condensed consolidated financial statements.

Consolidated statement of comprehensive income

In thousands of US Dollars	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Revenue					
Revenue from export sales		32,991	40,407	76,761	137,965
Revenue from domestic sales		2,967	7,334	12,032	17,608
	16	35,958	47,741	88,793	155,573
Cost of sales	17	(19,682)	(20,480)	(59,006)	(61,626)
Gross profit		16,276	27,261	29,787	93,947
General and administrative expenses	18	(3,170)	(2,481)	(9,229)	(8,438)
Selling and transportation expenses	19	(3,241)	(5,296)	(9,148)	(14,830)
Taxes other than income tax	20	(3,559)	(5,923)	(9,918)	(15,577)
Finance costs	21	(30,687)	(30,204)	(99,218)	(94,272)
Gain on debt-to-equity exchange	11	410	–	769,611	–
Fair value adjustment on recognition of debt instruments	13	(3,481)	–	163,506	–
Foreign exchange loss, net		567	(81)	(235)	17
Interest income		931	75	1,830	172
Other income		4,835	681	5,980	3,062
Other expenses	22	(3,562)	(1,365)	(7,799)	(3,555)
(Loss)/income before income tax		(24,681)	(17,333)	835,167	(39,474)
Current income tax expense		(4,226)	(140)	(7,259)	(421)
Deferred income tax expense		2,250	(8,651)	4,923	(21,006)
Income tax expense	23	(1,976)	(8,791)	(2,336)	(21,427)
(Loss)/income for the period		(26,657)	(26,124)	832,831	(60,901)
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		(123)	(232)	(5)	(314)
Other comprehensive (loss)/income		(123)	(232)	(5)	(314)
Total comprehensive (loss)/income for the period		(26,780)	(26,356)	832,826	(61,215)
Income/(loss) for the period attributable to the shareholders (in thousands of US dollars)				832,831	(60,901)
Weighted average number of shares				169,381,600	169,381,600
Basic and diluted earnings per share (in US dollars)	12			4.92	(0.36)

¹ The number of shares has been adjusted as required under IAS 33.64 for the effect of the sub-division and consolidation of the ordinary share capital occurred after close of business on 9 February 2023 (Note 11).

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

Consolidated statement of cash flows

		For the nine months ended 30 September	
In thousands of US Dollars		2023 (unaudited)	2022 (unaudited)
	Notes		
Cash flow from operating activities:			
Income/(loss) before income tax		835,167	(39,474)
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	17,18,19	31,470	39,749
Finance costs	21	99,218	94,272
Interest income		(1,830)	(172)
Foreign exchange loss on investing and financing activities		293	280
Fair value adjustment on recognition of debt instruments		(163,506)	–
Gain on debt-to-equity exchange		(769,611)	–
Operating profit before working capital changes		31,201	94,655
<i>Changes in working capital:</i>			
Change in inventories		154	(294)
Change in trade receivables		(3,124)	(18,653)
Change in prepayments and other current assets		(5,346)	(346)
Change in trade payables		332	(892)
Change in advances received		(4)	98
Change in due to Government of Kazakhstan		(773)	(773)
Change in other current liabilities		(12,171)	(2,986)
Cash used in operations		10,269	70,809
Income tax paid		(15,547)	(853)
Net cash flows used in operating activities		(5,278)	69,956
Cash flow from investing activities:			
Interest received		1,830	172
Purchase of property, plant and equipment		(11,708)	(8,028)
Purchase of Positiv Invest LLP		(19,312)	–
Advances for non-current assets		898	(2,733)
Purchase of exploration and evaluation assets		(1,471)	–
Transfer from /(to) restricted cash		6,445	(58)
Net cash used in investing activities		(23,318)	(10,647)
Cash flow from financing activities:			
Finance costs paid		(27,630)	–
Other finance costs		(5,737)	(13,733)
Net cash used in financing activities		(33,367)	(13,733)
Effects of exchange rate changes on cash and cash equivalents		60	(604)
Net (decrease)/increase in cash and cash equivalents		(61,903)	44,972
Cash and cash equivalents at the beginning of the period	10	233,584	165,246
Cash and cash equivalents at the end of the period	10	171,681	210,218

“Other finance costs” mainly include advisor fees of US\$5,254 thousand (nine months ended 30 September 2022: US\$ US\$13,628 thousand) paid by the Group in relation to the forbearance agreements and ongoing process of restructuring of the Group’s outstanding bonds. For more details see Note 1.

The accounting policies and explanatory notes on pages 7 through 15 are an integral part of these interim condensed consolidated financial statements.

Consolidated statement of changes in equity

<i>In thousands of US Dollars</i>	Share capital	Treasury capital	Other reserves	Non-controlling interest	Retained deficit	Total
As at 1 January 2022 (audited)	3,203	(1,660)	262,385	–	(1,087,181)	(823,253)
Loss for the period	–	–	–	–	(60,901)	(60,901)
Other comprehensive income	–	–	(314)	–	–	(314)
Total comprehensive loss for the period	–	–	(314)	–	(60,901)	(61,215)
As at 30 September 2022 (unaudited)	3,203	(1,660)	262,071	–	(1,148,082)	(884,468)
Loss for the period	–	–	–	–	(55,544)	(55,544)
Other comprehensive loss	–	–	(176)	–	–	(176)
Total comprehensive loss for the period	–	–	(176)	–	(55,544)	(55,720)
Share based payments under LTIP*	–	–	(38)	–	–	(38)
As at 31 December 2022 (audited)	3,203	(1,660)	261,857	–	(1,203,626)	(940,226)
Income for the period	–	–	–	–	832,831	832,831
Other comprehensive loss	–	–	(5)	–	–	(5)
Total comprehensive income for the period	–	–	(5)	–	832,831	832,826
Share issue and consolidation	(1,052)	1,494	41,684	–	–	42,126
Issue of warrants	–	–	299	–	–	299
Recognition of non-controlling interest of Positiv Invest LLP	–	–	–	502	–	502
As at 30 September 2023 (unaudited)	2,151	(166)	303,835	502	(370,795)	(64,473)

* Long-Term Incentive Plan ("LTIP")

Notes to the interim condensed consolidated financial statements

1. General

Overview

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

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

Company	Registered office	Form of capital	Ownership, %
Nostrum Associated Investments LLP	43B Karez 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 Oil & Gas Holding 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
Positiv Invest LLP	Dostyk 310/15, Almaty, 43B Karez street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	80
Zhaikmunai LLP	43/1 Karez 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 14 October 2022, a new company Nostrum Oil & Gas Holding Limited was incorporated with a registered address of 20 Eastbourne Terrace, London, W2 6LG, UK. The entity is a wholly owned subsidiary of the Parent.

As at 30 September 2023 the Group employed 569 employees (31 December 2022: 566).

On 17 July 2023, Nostrum Oil & Gas PLC acquired an 80% interest in Positiv Invest LLP for US\$20 million. Positiv Invest holds the rights to the Stepnoy Leopard Fields located in the West Kazakhstan region. The acquisition enhances Nostrum's ability to connect additional resources to their gas treatment facilities. The Stepnoy Leopard Fields are in proximity to Nostrum's existing operations and have a contract valid until December 2044.

Subsoil use rights terms

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

The term of the Chinarevskoye subsoil use rights included a 5-year exploration period followed by a 25-year production period with the Contract being valid until the end of 2031.

As at 30 September 2023 the Group employed 569 employees (31 December 2022: 566).

Royalty payments

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

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

Government "profit share"

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

Group debt restructuring

On 31 March 2020, the Group announced that it would seek to engage with its bondholders regarding a possible restructuring of the Group's US\$725 million 8.0% Senior Notes due July 2022 ("2022 Notes") and its US\$400 million 7.0% Senior

Notes due February 2025 ("2025 Notes") (together, the "Existing Notes").

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

Forbearance Agreements

Following the discussions with AHG's advisers the Group entered into two Forbearance Agreements (FBAs) on 23 October 2020 and 19 May 2021. These agreements, which had mostly similar terms, prevented AHG from invoking certain rights due to the default. The FBAs aimed to offer a temporary solution for the Group's liquidity problems and to facilitate restructuring talks with the noteholders. Following the signing of these FBAs, the Company consented to pay fees to the noteholders and to deposit some of the unpaid coupon payments into a Restricted Account. In total, US\$6,701,973 was paid as consent fees during these agreements, with US\$1,116,990 paid in 2021 alone. Additionally, US\$22,658,980 was deposited into the Restricted Account as per the FBAs' terms.

Lock-up Agreements

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

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

Upon signing of the First LUA and the Second LUA (together the "LUAs"), the Second FBA was extended in parallel. The terms and conditions continued to remain in effect during the restructuring until the successful closing of the restructuring.

Notes to the interim condensed consolidated financial statements (continued)

Terms of the Restructuring

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

Partial reinstatement of debt:

- In the form of US\$250 million Senior Secured Notes (SSNs) maturing on 30 June 2026 and bearing interest at a rate of 5.00% per year payable in cash. The SSNs are not convertible;
- In the form of US\$300 million Senior Unsecured Notes (SUNs) maturing on 30 June 2026 and bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind. If not repaid in cash at maturity, the SUNs are repayable in specie through the issuance of equity in the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Company (up to a maximum of 99.99% of the Company's fully diluted equity);

Conversion to equity:

- Conversion of the remainder of the Existing Notes and accrued interest into equity by way of a UK scheme of arrangement;
- Existing noteholders own 88.89% of the expanded ordinary share capital of the Company on closing of the restructuring. Existing noteholders also own warrants (to be held by trustee) allowing them to subscribe for an additional 1.11% of the ordinary share capital of the Company upon exercise – increasing noteholder ownership of the Company to 90.00%;
- The existing ordinary shareholders will hold 11.11% upon closing of the restructuring. The

existing ordinary shareholders will be diluted to 10.00% if the warrants held by existing noteholders are exercised;

New corporate governance arrangements:

- in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism requiring that cash above US\$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Company can access with approval of the majority of Independent Non-Executive Directors of the Company; and

Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

Key milestones

Following the execution of the Lock-up Agreement, the Company progressed with its restructuring efforts. On 4 February 2022, consents were obtained from noteholders to approve amendments to the Existing Notes indentures, most notably changing the jurisdiction to England and Wales and making Nostrum Oil & Gas plc a co-issuer. On 29 April 2022, the shareholders (99.99% of voting) voted for the implementation of the restructuring which meant that the restructuring continues under a UK scheme of arrangement under Part 26 of the Companies Act 2006. On 20 June 2022, The High Court of Justice of England and Wales has made an order granting the Company permission to convene a meeting for the Scheme creditors to approve the restructuring. On 1 July 2022, The Company received the required consents from the Kazakhstan Ministry of Energy («MOE») with respect to the issue of new shares

and warrants (in partial repayment of the Existing Notes) and the waiver of the State of Kazakhstan's priority right to acquire such new shares and warrants. On 26 August 2022, The Scheme Sanction Hearing took place, whereby the Court made an order sanctioning the Scheme. On 14 October 2022, a prospectus was released regarding the proposed admission of up to 1,505,633,046 new ordinary shares on the London Stock Exchange. In January 2023, they received the required licence from the UK's Office of Financial Sanctions Implementation (OFSI).

Restructuring completion

On 9 February 2023, the Restructuring was implemented on the key terms as agreed under Lockup Agreement, and pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022. This led to the sub-division and consolidation of the Company's share capital, which resulted in a reduction of shares from approximately 1,693.8 million to 169.4 million following a 10:1 consolidation. By 10 February 2023, 150,563,304 new shares were listed on the London Stock Exchange (ticker symbol NOG.L), and by 13 February, also on the Astana International Exchange. The new notes and warrants were listed on The International Stock Exchange from 9 February 2023, while no new securities were listed on Euronext Dublin. On 14 March 2023, the Company's ordinary shares were delisted from the official list of the Kazakhstan Stock Exchange (KASE).

2. Basis of preparation and consolidation

Basis of preparation

These interim condensed consolidated financial statements for the nine months ended 30 September 2023 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 2022 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with the UK adopted International Accounting Standards.

The interim condensed consolidated financial information for nine months ended 30 September 2023 and 2022 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 2022 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2022 were approved by the Board of

directors on 30 May 2023 and have been filed with the Registrar of Companies.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 30 September 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Notes to the interim condensed consolidated financial statements (continued)

Going concern

The Group 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 quarterly 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 on further cost optimisation to reduce capital expenditures, operating costs and general and administration cost.

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 31 December 2024. The Group had unrestricted cash balances of over

US\$172 million as at 30 September 2023 and over \$16 million in DSRA. 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 \$75/bbl. Under the base case going concern assessment to the period to 31 December 2024, the Group is forecast to have total cash reserves of over US\$155 million, including over \$17 million in DSRA. The base case scenario has also been tested for sensitivity against the key assumptions including 10% reduction in product prices, 10% reduction in forecast production and sales volumes, 10% increase in capital expenditures and operating cost over the period of assessment and unexpected fines and penalties for various non-compliance issues, consistent with the sensitivities applied for viability assessment. Considering such sensitivity analysis conclusion was made that the Group is not exposed to downside volatility of these key assumptions individually or in aggregate.

After careful consideration, the Directors have a reasonable expectation that the Group and

Company have sufficient resources to continue in operation for the going concern period to 31 December 2024. For these reasons, in accordance with provision 30 of the UK Corporate Governance Code 2018, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial statements. Accordingly, the interim condensed consolidated financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Notwithstanding that the going concern period has been defined as the period to 31 December 2024, 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 possible necessity in the future for partial refinancing or restructuring of the Group's debt.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IAS 8.30 IAS 8.31(d) IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments have not had a material impact on the Group's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify

the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments have not had a material impact on the Group's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Notes to the interim condensed consolidated financial statements (continued)

The amendments have not had a material impact on the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no

longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax

asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments have not had a material impact on the Group's financial statements.

4. Property, plant and equipment

During the nine months ended 30 September 2023 the Group had additions of property, plant and equipment of US\$ 7,673 thousand (nine months ended 30 September 2022: US\$ 9,131 thousand). These additions are mostly associated with expansion of the Gas lift system, modification of a third unit of the gas treatment facility and capitalised interest of US\$ 1,517 thousand (nine months ended 30 September 2022: US\$ 1,085 thousand).

See Note 25 for capital commitments.

5. Exploration and evaluation assets

During the nine months ended 30 September 2023, the Group recognised exploration and evaluation assets following the acquisition of an 80% stake in Positiv Invest. This acquisition led to the recognition of exploration and evaluation assets at a fair value of US\$ 18,890 thousand in the consolidated financial statements, aligned with their carrying amounts and reflective of the subsoil license's worth. Subsequent to the acquisition, the Group capitalised additional exploration and evaluation assets amounting to US\$ 1,472 thousand, as a result of further investing in the appraisal of the Stepony Leopard fields.

6. Advances for non-current assets

As at 30 September 2023 and 31 December 2022 advances for non-current assets comprised the following:

<i>In thousands of US Dollars</i>	30 September 2023 (unaudited)	31 December 2022 (audited)
Advances for construction services	959	582
Advances for other non-current assets	236	442
Advances for construction materials	21	1,090
	1,216	2,114

7. Inventories

As at 30 September 2023 and 31 December 2022 inventories comprised the following:

<i>In thousands of US Dollars</i>	30 September 2023 (unaudited)	31 December 2022 (audited)
Spare parts and other inventories	27,240	26,720
Crude oil	1,429	1,182
Gas condensate	1,326	1,905
LPG	158	335
Dry gas	54	46
Sulphur	5	8
	30,212	30,196

As at 30 September 2023 and 31 December 2022 inventories are carried at cost.

8. Prepayments and other current assets

As at 30 September 2023 and 31 December 2022 prepayments and other current assets comprised the following:

<i>In thousands of US Dollars</i>	30 September 2023 (unaudited)	31 December 2022 (audited)
VAT receivable	4,669	744
Advances paid	3,364	2,959
Other taxes receivable	2,766	761
Other	293	224
	11,092	4,688

Advances paid consist primarily of prepayments made to service providers. As at 30 September 2023 the impaired VAT receivable amounted to US\$543 thousand (31 December 2022: US\$5,596 thousand).

There were no other movements in the provision for impairment of advances paid during the nine months ended 30 September 2023 and 2022.

9. Trade receivables

As at 30 September 2023 and 31 December 2022 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 September 2023 and 31 December 2022 there were past due but not impaired trade receivables. Based on the assessments made, the Group concluded that no provision for expected credit losses should be recognized as at 30 September 2023 and 31 December 2022.

10. Cash and cash equivalents

As at 30 September 2023 and 31 December 2022 cash and cash equivalents comprised the following:

<i>In thousands of US Dollars</i>	30 September 2023 (unaudited)	31 December 2022 (audited)
Current accounts in US Dollars	170,462	217,026
Current accounts in other currencies	731	901
Current accounts in Euro	301	1,824
Current accounts in Tenge	184	13,827
Petty cash	3	6
	171,681	233,584

In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as liquidation fund deposits of US\$8,309 thousand with Halyk bank (31 December 2022: US\$ 8,220 thousand with Halyk bank), which are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

The Group set up a debt service retention account (DSRA) to ensure funding for the forthcoming two interest instalments on SUNs and SSNs. As of 30 September 2023, the DSRA contained US\$16,288 thousand, (31 December 2022: US\$22,802 thousand on in the escrow account established per the FBA terms).

Notes to the interim condensed consolidated financial statements (continued)

11. Share capital and reserves

As at 30 September 2023 the ordinary share capital of the Parent consists of 169,381,561 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. The table below represents movements in the number of ordinary shares during the nine months ended 30 September 2023. There were no movements in the number of shares during the year ended 31 December 2022.

Number of shares	In circulation	Treasury capital	TOTAL
As at 31 December 2022	185,234,079	2,948,879	188,182,958
Shares issued	1,505,633,046	–	1,505,633,046
Share consolidation	(1,521,780,413)	(2,653,991)	(1,524,434,404)
As at 30 September 2023	169,086,712	294,888	169,381,600

As part of the Restructuring, on 9 February 2023 the Company issued 1,505,633,046 new shares in connection with the repayment of the remaining face value of the Existing Notes following the issue of the New Notes (see Note 13 below), together with accrued but unpaid interest (the “Debt for Equity Swap”). Given the number of new shares issued, at the close of business on 9 February 2023 the Company also performed a share consolidation, so as to achieve an appropriate share price following closing of the Restructuring (Note 1). As a result, the number of ordinary shares in issue was reduced from 1,693,816,004 (following the issue of the new shares) to 169,381,600 ordinary shares, on the basis of a 10:1 consolidation (the “Share Consolidation”). In order to give effect to the Share Consolidation, the Company initially reduced the nominal value of the ordinary shares (the “Sub-Division”) after the issue of the new shares, through sub-division of each ordinary share at a ratio of 1:10 into one ordinary share of nominal value of £0.001 each together with nine deferred shares of nominal value £0.001 each (the “Deferred Shares”). The Deferred Shares (in practice) have no economic or voting rights in the capital of the Company and it is expected that they will be cancelled following the implementation of the Restructuring. The nominal value of the ordinary shares following the Share Consolidation was £0.01 each. Fractions of new ordinary shares were not issued in connection with the Share Consolidation and any fractional entitlements were rounded down to the nearest whole ordinary share.

Debt for Equity swap was recorded by the Company in accordance with the requirements of IFRS 9 Financial Instruments and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, i.e.:

- Derecognition of the outstanding amount of Existing Notes (after issue of the New Notes), including principal amounts of US\$336,976 thousand of 2022 Notes and US\$192,946 thousand of 2025 Notes together with accrued but unpaid interest of US\$195,216 thousand and US\$91,056 thousand, respectively;
- Recognition of the shares issued at their fair value at the time of issue of US\$43,515 thousand, which was estimated at the trading share price of £0.2375 and converted into US dollars using the prevailing exchange rate of 1.2169 GBP/USD. Relevant adjustments were made in the nominal amount of the share capital in accordance with the share issue, subdivision and consolidation described above, which resulted in net decrease of share capital by US\$1,051 thousand along with reduction in the value of treasury capital in the amount of US\$1,494 thousand, and the corresponding difference with the fair value of the shares issued was recorded in the “other reserves” category of the equity;
- The difference of US\$769,611 thousand between the carrying amount of the Existing Notes together with accrued but unpaid interest and the fair value of the shares issued, was recognised as a separate item in the income statement.

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.

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

In thousands of US Dollars	Group reorganisation reserve	Foreign currency translation reserves	Share-option reserves	Total
As at 1 January 2022	255,459	3,102	3,824	262,385
Currency translation difference	–	(490)	–	(490)
Share based payments under LTIP	–	–	(38)	(38)
As at 31 December 2022	255,459	2,612	3,786	261,857
Currency translation difference	–	(5)	–	(5)
Issue of warrants	299	–	–	299
Share issue and consolidation	41,684	–	–	41,684
As at 30 September 2023	297,442	2,607	3,786	303,835

Group reorganisation reserve in the amount of US\$255,459 thousand as of 31 December 2022 represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014. Share-option reserves include amounts related to sale of treasury shares under ESOP as well as share-based payments under LTIP.

Distributions

There were no distributions made during the nine months ended 30 September 2023 and 2022.

12. Earnings per ordinary share

As at 30 September 2023 the ordinary share capital of the Parent consists of 169,381,600 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 purpose of calculations of earnings per share the number of shares for the nine months ended 30 September 2022 has been adjusted as required under IAS 33.64 for the effect of the sub-division and consolidation of the ordinary share capital occurred after close of business on 9 February 2023 (Note 11).

	For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)
Loss for the period attributable to the shareholders (in thousands of US dollars)	832,831	(60,901)
Weighted average number of shares	169,381,600	169,381,600
Basic and diluted earnings per share (in US dollars)	4.92	(0.36)

Notes to the interim condensed consolidated financial statements (continued)

13. Notes payable and accumulated interest

Notes payable and accumulated interest are comprised of the following as at 30 September 2023 and 31 December 2022:

<i>In thousands of US Dollars</i>	30 September 2023 (unaudited)	31 December 2022 (audited)
Senior Secured Notes (SSNs) principal	250,000	–
SSNs arrangement fees and FV adjustments	(25,103)	–
Senior Unsecured Notes (SUNs) principal	362,773	–
SUNs arrangement fees and FV adjustments	(116,654)	–
Notes issued in 2017 and maturing in 2022	–	725,000
Notes issued in 2018 and maturing in 2025	–	396,320
Accrued interest	15,823	275,197
	486,839	1,396,517
Less amounts due within 12 months	(15,823)	(1,396,517)
	471,016	–

Senior Secured Notes (SSNs)

Following the Restructuring of the 2025 and 2022 Notes, Nostrum Oil & Gas Finance BV, issued US\$250,000,000 senior secured notes due 30 June 2026. The SSNs bear cash-pay interest at a rate of 5.0% per year, payable semi-annually. Pursuant to the Lock-up Agreement, the Group has agreed that the 5.0% cash interest will accrue from 1 January 2022 and such accrued amount was paid in cash after the issue of the SSNs. For more information, please refer to Note 1.

Senior Unsecured Notes (SUNs)

Following the Restructuring of the 2025 and 2022 Notes, Nostrum Oil & Gas Finance BV issued US\$300,000,000 senior notes due 30 June 2026. The SUNs bear interest at a rate of 1.0% cash-pay and 13.0% payment-in-kind (PIK) per year, payable semi-annually. Pursuant to the Lock-up Agreement, the Company agreed that the 1.0% cash interest and 13.0% PIK interest would accrue from 1 January 2022. Accordingly, Nostrum Oil & Gas Finance B.V. issued a principal amount of US\$45,078,172 additional SUNs representing the PIK interest which has been agreed to be payable with effect from 1 January 2022 until 9 February 2022 upon the issue of the SUNs. For more information, please refer to Note 1.

2022 Notes

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

The 2022 Notes were 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 were the 2022 Issuer's and the 2022 Guarantors' senior obligations and ranked equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness.

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

2025 Notes

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

The 2025 Notes were 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 were the 2025 Issuer's and the 2025 Guarantors' senior obligations and ranked 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.

Exchange of debt instruments

Taking into account significant differences in the terms of the Existing Notes and the terms of SSNs and SUNs issued in exchange, the Group accounted for the exchange transaction in accordance with the requirements of IFRS 9 Financial Instruments for a substantial modification, i.e. extinguishment of the Existing Notes and recognition of the New Notes at their fair value.

Such fair values have been determined by discounting future cashflows at the relevant implied yields of the instruments on issue date (9.2% for SSNs and 35.2% for SUNs). The resulting gains on initial recognition of SSNs and SUNs in the amount of \$14,807 thousand and \$148,699 thousand, respectively, were recorded in the income statements under separate line item. These adjustments will be amortised over the life of the instruments and reflected as part of finance costs in the income statement.

Reclassification to current liabilities

The Group has not made coupon payments due under the Existing Notes since July 2020, which was an event of default under the terms of the indentures governing 2022 Notes and 2025 Notes. Considering these facts and circumstances, starting from Q3 2020 the Group reclassified the carrying amounts of the 2022 Notes and 2025 Notes into current liabilities and since then and until the restructuring has been presenting them as the current portion of long-term borrowings in the statement of financial position.

More detailed information for restructuring is disclosed in the Note 1.

Covenants contained in the 2022 Notes and 2025 Notes

The 2022 and the 2025 Notes contained consistent covenants that, among other things, restricted, 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 imposed certain requirements as to future subsidiary guarantors, and certain customary information covenants and events of default.

14. Trade payables

Trade payables comprise the following as at 30 September 2023 and 31 December 2022:

<i>In thousands of US Dollars</i>	30 September 2023 (unaudited)	31 December 2022 (audited)
Tenge denominated trade payables	7,283	6,942
US Dollar denominated trade payables	1,411	1,543
Euro denominated trade payables	407	1,160
Russian Rouble denominated trade payables	18	141
Trade payables denominated in other currencies	65	143
	9,184	9,929

Notes to the interim condensed consolidated financial statements (continued)

15. Other current liabilities

Other current liabilities comprise the following as at 30 September 2023 and 31 December 2022:

<i>In thousands of US Dollars</i>	30 September 2023 (unaudited)	31 December 2022 (audited)
Other accruals	12,067	23,481
Training obligations accrual	6,603	6,441
Due to employees	2,372	2,724
Taxes payable, including corporate income tax	6,837	15,437
Other current liabilities	694	757
	28,573	48,840

16. Revenue

<i>In thousands of US Dollars</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Revenue from oil and gas condensate sales	31,002	36,091	75,097	121,674
Revenue from gas and LPG sales	4,956	11,650	13,694	33,869
Revenue from sulphur sales	–	–	2	30
	35,958	47,741	88,793	155,573

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 for the nine months ended 30 September 2023 was US\$ 81.9/bbl (nine months ended 30 September 2022: US\$102.5/bbl).

During the nine months ended 30 September 2023 the revenue from sales to three major customers amounted to US\$37,502 thousand, US\$31,949 thousand and US\$6,213 thousand respectively (nine months ended 30 September 2022: US\$104,892 thousand, US\$14,133 thousand and US\$4,816 thousand, respectively).

The operations of the Group are located in only one geographic location, Kazakhstan. The Group's exports are mainly represented by deliveries to the Baltic ports of Russia and Caspian Sea ports of Kazakhstan.

17. Cost of sales

<i>In thousands of US Dollars</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Depreciation, depletion and amortisation	11,106	12,430	31,330	39,638
Payroll and related taxes	3,965	3,292	12,224	10,493
Repair, maintenance and other services	1,543	1,709	4,902	4,663
Well repair and maintenance costs	1,194	665	4,150	2,219
Materials and supplies	1,141	1,066	3,520	2,959
Transportation services	610	536	1,783	1,695
Environmental levies	40	14	96	59
Change in stock	(100)	623	504	(466)
Other	183	145	497	366
	19,682	20,480	59,006	61,626

18. General and administrative expenses

<i>In thousands of US Dollars</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Payroll and related taxes	1,770	1,582	4,970	4,608
Professional services	914	475	2,933	2,487
Business travel	134	51	347	173
Insurance fees	130	144	347	438
Depreciation and amortisation	49	38	140	111
Communication	37	45	115	135
Materials and supplies	54	48	111	110
Short-term leases	28	39	70	140
Bank charges	8	9	22	38
Other	46	50	174	198
	3,170	2,481	9,229	8,438

19. Selling and transportation expenses

<i>In thousands of US Dollars</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Transportation costs	1,280	2,320	3,670	6,366
Loading and storage costs	1,138	1,937	3,105	6,018
Payroll and related taxes	372	320	1,105	984
Other	451	719	1,268	1,462
	3,241	5,296	9,148	14,830

20. Taxes other than income tax

<i>In thousands of US Dollars</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Export customs duty	1,770	3,617	5,642	7,867
Royalties	1,421	1,946	3,403	6,368
Government profit share	363	357	856	1,336
Other taxes	5	3	17	6
	3,559	5,923	9,918	15,577

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.

21. Finance costs

<i>In thousands of US Dollars</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Interest expense on borrowings	29,937	25,982	91,907	79,331
Other finance costs	475	3,966	5,737	14,183
Unwinding of discount on abandonment and site restoration provision	111	75	1,083	213
Unwinding of discount on amounts due to Government of Kazakhstan	164	181	491	545
	30,687	30,204	99,218	94,272

Other finance costs represent advisor fees in the amount of US\$5,254 thousand (the nine months ended 30 September 2022: US\$14,149 thousands) incurred by the Group in relation to restructuring of the Group's outstanding bonds. For more details on restructuring see Note 1.

Notes to the interim condensed consolidated financial statements (continued)

22. Other expenses

For the nine months ended 30 September 2023 and 2022 other expenses comprise the following:

In thousands of US Dollars	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Other taxes and penalties	2,584	132	4,241	470
Loss on disposal of property, plant and equipment	39	(1)	724	–
Training	(112)	323	453	949
Social program	77	77	232	233
Currency conversion	74	107	230	465
Sponsorship	27	258	46	627
Other	873	469	1,873	811
	3,562	1,365	7,799	3,555

Other taxes and penalties mainly include additional taxes and penalties assessed in relation to prior periods considering new information, which was not available at the time of preparation of respective financial information, and relevant interpretations by the management.

23. Income tax

In thousands of US Dollars	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Deferred income tax expense	(2,250)	8,651	(4,923)	21,006
Corporate income tax expense	4,061	–	6,808	9
Withholding tax	165	140	442	420
Adjustment in respect of the current income tax for the prior periods	–	–	9	(8)
	1,976	8,791	2,336	21,427

Corporate income tax is recognised based on the estimated annual effective income tax rate applied to the income before tax for the nine months ended 30 September 2023. 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.

24. Related party transactions

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

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US\$2,860 thousand for the nine months ended 30 September 2023 (the nine months ended 30 September 2022: US\$2,665 thousand).

25. 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 expended to date and accrued at 30 September 2023. As at 30 September 2023 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 30 September 2023, the Group had contractual capital commitments in the amount of US\$4,345 thousand (31 December 2022: US\$2,845 thousand), mainly in respect to the Group's oil field development activities.

Social and education commitments

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

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

Domestic oil sales

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

Notes to the interim condensed consolidated financial statements (continued)

Impact of sanctions on Russia

The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's main operating company, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions impacted upon it, the country is connected to Russia through infrastructure, banking, and other business links. The Group contracts with a limited number of Russian service companies. For example, during 2022 the price of Urals traded with a higher discount relative to Brent due to sanctions. During the spring and summer of 2022, the discount reached \$40 per barrel and then declined to \$18-20 per barrel as compared to \$3 per barrel average in 2021. In addition, certain operational matters have been impacted by sanctions, such as the work underway on GTU3 and the extension of the Company's gas lift facilities. Nostrum has considered and analysed alternative export routes where export prices are not linked to Urals quotation for oil and gas condensate supplies and is making all necessary efforts to address the widening Urals spread.

26. Financial risk management objectives and policies

Fair values of financial instruments

Management assessed that the fair value of cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts at 30 September 2023 and 31 December 2022. 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:

In thousands of US Dollars	Carrying amount		Fair value	
	30 September 2023 (unaudited)	31 December 2022 (audited)	30 September 2023 (unaudited)	31 December 2022 (audited)
Interest bearing borrowings	471,016	1,396,517	284,357	272,500
Total	471,016	1,396,517	284,357	272,500

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 periods ended 30 September 2023 and 2022 there were no transfers between the levels of fair value hierarchy of the Group's financial instruments.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, additional paid-in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

Since the engagement with the AHG in discussions on potential restructuring of the Notes and signing of the FBAs in 2020 (see Note 1), the Group's focus was on maintaining short-term liquidity and preserving cash. Successful cost optimisation programme, favourable hydrocarbon pricing and successful restructuring enabled the Group to grow its unrestricted cash balances to the level of US\$192,006 thousand as at 30 September 2023. After successful implementation of the restructuring, the Group is in the process of revising its capital management policy in line with new requirements and shareholder expectations.

27. Events after the reporting period

There were no events after the reporting date, which would have material impact on the Group's financial position and results.