

Nostrum Oil & Gas PLC

Interim condensed consolidated financial statements

For the three months ended 31 March 2024

Contents

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

Consolidated statement of financial position

<i>In thousands of US Dollars</i>	Notes	31 March 2024 (unaudited)	31 December 2023 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	254,603	252,621
Exploration and evaluation assets	5	24,801	23,935
Advances for non-current assets	6	1,080	1,118
Restricted cash	10	25,217	25,215
		305,701	302,889
Current assets			
Inventories	7	30,311	29,852
Prepayments and other current assets	8	12,753	9,417
Income tax prepayment		793	–
Trade receivables	9	18,798	15,472
Cash and cash equivalents	10	70,570	161,711
Current investments	11	87,000	–
		220,225	216,452
TOTAL ASSETS		525,926	519,341
Equity and liabilities			
Share capital and reserves	12		
Share capital		2,152	2,152
Treasury capital		(166)	(166)
Deferred shares		18,551	18,551
Share premium		792,744	792,744
Retained deficit and reserves		(907,361)	(879,456)
Attributable to owners of Nostrum Oil & Gas PLC		(94,080)	(66,175)
Non-controlling interest		499	502
		(93,581)	(65,673)
Non-current liabilities			
Notes payable and accumulated interest	14	483,518	471,572
<i>Principal</i>		636,222	636,222
<i>Arrangement fees and fair value adjustments</i>		(152,704)	(164,650)
Abandonment and site restoration provision		23,122	22,147
Due to Government of Kazakhstan		3,518	3,625
Deferred tax liability		44,565	44,523
		554,723	541,867
Current liabilities			
Notes payable and accumulated interest	14	16,822	175
Trade payables	15	13,828	10,632
Advances received		273	254
Current tax payable		172	545
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	16	32,658	30,510
		64,784	43,147
TOTAL EQUITY AND LIABILITIES		525,926	519,341

The interim condensed consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were authorised for issue by the Board of Directors on 29 May 2024.

Signed on behalf of the Board:



Arfan Khan

Chief Executive Officer

29 May 2024

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 31 March	
		2024 (unaudited)	2023 (unaudited) restated ¹
Revenue			
Revenue from export sales		26,014	11,454
Revenue from domestic sales		5,821	5,884
	17	31,835	17,338
Cost of sales	18	(17,015)	(16,386)
Gross profit		14,820	952
General and administrative expenses	19	(3,576)	(3,082)
Selling and transportation expenses	20	(3,304)	(2,332)
Taxes other than income tax	21	(3,707)	(1,179)
Finance costs	22	(28,479)	(30,956)
Gain on debt-to-equity exchange	12	–	769,611
Fair value adjustment on recognition of debt instruments	14	–	174,426
Foreign exchange loss, net		(864)	(724)
Interest income		1,808	68
Other income		395	293
Other expenses	23	(1,775)	(2,775)
(Loss)/Income before income tax		(24,682)	904,302
Current income tax expense		(3,189)	(233)
Deferred income tax (expense)/benefit		(42)	3,570
Income tax (expense)/benefit	24	(3,231)	3,337
(Loss)/profit for the period		(27,913)	907,639
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		5	118
Other comprehensive income		5	118
Total comprehensive (loss)/income for the period		(27,908)	907,757
Loss for the period attributable to non-controlling interests (in thousands of US dollars)		(3)	–
(Loss)/income for the period attributable to the shareholders (in thousands of US dollars)		(27,910)	907,639
Weighted average number of shares ²		169,381,600	169,381,600
Basic and diluted earnings per share (in US dollars)	13	(0.16)	5.36

¹ Certain amounts shown here do not correspond to the interim consolidated condensed financial statements for the three months ended 31 March 2023 and reflect adjustments made, please refer to Note 3 for more details.

² 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.

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

Consolidated statement of cash flows

In thousands of US Dollars	Notes	For the three months ended 31 March	
		2024 (unaudited)	2023 (unaudited) restated*
Cash flow from operating activities:			
(Loss)/income before income tax		(24,682)	904,302
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	18, 19, 20	6,445	10,212
Finance costs	22	28,479	30,956
Interest income		(1,808)	(68)
Foreign exchange loss on investing and financing activities		(45)	43
Fair value adjustment on recognition of debt instruments		–	(174,426)
Gain on debt-to-equity exchange		–	(769,611)
Operating profit before working capital changes		8,389	1,408
<i>Changes in working capital:</i>			
Change in inventories		(459)	(2,684)
Change in trade receivables		(3,326)	4,320
Change in prepayments and other current assets		(2,096)	(4,375)
Change in trade payables		2,107	178
Change in advances received		19	221
Change in due to Government of Kazakhstan		(258)	(258)
Change in other current liabilities		2,148	(5,391)
Cash from/(used in) operations		6,524	(6,581)
Income tax paid		(4,370)	(14,203)
Net cash flows from/(used in) operating activities		2,154	(20,784)
Cash flow from investing activities:			
Interest received		568	68
Purchase of property, plant and equipment		(5,442)	(3,644)
Advances for non-current assets		–	480
Expenditures on exploration and evaluation assets		(1,430)	–
Transfer to current investments		(87,000)	–
Transfer to restricted cash		–	8,446
Net cash (used in)/from investing activities		(93,304)	5,350
Cash flow from financing activities:			
Finance costs paid		–	(17,510)
Other finance costs		–	(8,952)
Net cash used in financing activities		–	(26,462)
Effects of exchange rate changes on cash and cash equivalents		9	76
Net decrease in cash and cash equivalents		(91,141)	(41,820)
Cash and cash equivalents at the beginning of the period	10	161,711	233,584
Cash and cash equivalents at the end of the period	10	70,570	191,764

* Certain amounts shown here do not correspond to the consolidated condensed financial statements for the three months ended 31 March 2023 and reflect adjustments made, please refer to Note 3 for more details.

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

		Attributable to owners of Nostrum Oil & Gas PLC							
<i>In thousands of US Dollars</i>	Notes	Share capital	Treasury capital	Deferred shares	Share premium	Other reserves (Note 12)	Retained deficit	Non-controlling interest	Total
As at 1 January 2023		3,203	(1,660)	–	–	261,857	(1,203,626)	–	(940,226)
Income for the period (restated*)		–	–	–	–	–	907,639	–	907,639
Other comprehensive income		–	–	–	–	118	–	–	118
Total comprehensive income for the period (restated*)		–	–	–	–	118	907,639	–	907,757
Debt-to-equity exchange (restated*)		(1,051)	1,494	18,551	23,133	229	–	–	42,356
Transfer of share premium on debt-to-equity exchange		–	–	–	769,611	–	(769,611)	–	–
As at 31 March 2023 (restated*)		2,152	(166)	18,551	792,744	262,204	(1,065,598)	–	9,887
Loss for the period		–	–	–	–	–	(75,981)		(75,981)
Other comprehensive loss		–	–	–	–	(56)	–		(56)
Total comprehensive loss for the period		–	–	–	–	(56)	(75,981)		(76,037)
Recognition of non-controlling interest on purchase of Positiv Invest LLP		–	–	–	–	–	–	502	502
Share based payments under LTIP**		–	–	–	–	(25)	–	–	(25)
As at 31 December 2023 (audited)		2,152	(166)	18,551	792,744	262,123	(1,141,579)	502	(65,673)
Loss for the period		–	–	–	–	–	(27,910)	(3)	(27,913)
Other comprehensive income		–	–	–	–	5	–	–	5
Total comprehensive income/(loss) for the period		–	–	–	–	5	(27,910)	(3)	(27,908)
As at 31 March 2024 (unaudited)		2,152	(166)	18,551	792,744	262,128	(1,169,489)	499	(93,581)

* Certain amounts shown here do not correspond to the consolidated condensed financial statements for the three months ended 31 March 2023 and reflect adjustments made, please refer to Note 3 for more details.

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

Notes to the interim condensed 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	Owner -ship, %
Nostrum Associated Investments LLP	43B Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100
Nostrum Oil & Gas Coöperatief U.A.	Anna van Buurenplein 41 A, Unit 4.27, 2595DA The Hague, The Netherlands	Members' interests	100
Nostrum Oil & Gas B.V.	Anna van Buurenplein 41 A, Unit 4.27, 2595DA The Hague, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas Finance B.V.	Anna van Buurenplein 41 A, Unit 4.27, 2595DA The Hague, The Netherlands	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, Republic of Kazakhstan	Participatory interests	80
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, including surface facilities, and Stepnoy Leopard Fields, primarily conducted through its oil and gas producing entity Zhaikmunai LLP located in Kazakhstan.

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 26 May 2031.

As at 31 December 2023 the Group employed 581 employees (31 December 2023: 571).

On 12 December 2023, Nostrum Oil & Gas UK Limited was dissolved.

On 17 July 2023, Nostrum Oil & Gas Coöperatief U.A. acquired an 80% interest in Positiv Invest LLP for US\$20 million. Positiv Invest LLP holds the rights to the Stepnoy Leopard Fields located in the West Kazakhstan region. The Stepnoy Leopard Fields are in proximity to Nostrum's existing operations and have a contract valid until December 2044.

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"). On 23 December 2021, the Group entered into a lock-up agreement (the "First LUA") and agreed terms of a restructuring with noteholders. 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.

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).

Notes to the interim condensed consolidated financial statements (continued)

2. Basis of preparation and consolidation

Basis of preparation

These interim condensed consolidated financial statements for the three months ended 31 March 2024 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 2023 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 2024 and 2023 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 2023 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2023 were approved by the Board of directors on 18 April 2024 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 31 March 2024. 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.

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 3-year 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 30 June 2025. The Group had unrestricted cash balances of over US\$157 million as at 31 March 2024 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 30 June 2025, the Group is forecast to have total cash reserves of over US\$150 million, including restricted cash over \$17 million in DSRA and \$9 million in liquidation fund. 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 30 June 2025. 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 30 June 2025, 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 2023, except for the adoption of new standards effective as of 1 January 2024. 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 2024, but do not have an

impact on the interim condensed consolidated financial statements of the Group.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's

liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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

In January 2020 and October 2022, 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.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Correction of an error and changes in presentation

On 9 February 2023, the Group restructured its borrowings, and issued the Senior Secured Notes (SSNs) and Senior Unsecured Notes (SUNs) (for more details see Note 1). When preparing the interim condensed consolidated financial statements for the three months ended 31 March 2023, the management determined the fair value of the bonds on initial recognition by discounting future cashflows at the relevant implied yields on issue date (9.2% for SSNs and 35.2% for SUNs), which were determined through benchmarking against comparable instruments.

However, when preparing the consolidated financial statements for the year ended 31 December 2023, the management recognised that initially used discount rates of the bonds were not sufficiently representative of the terms and conditions of the bonds. Hence, management estimated the discount rates for the bonds through build-up method using relevant available market information on or around the date of the bond restructuring. As a result, the discount rates were adjusted to 13.3% for SSNs and 31.0% for SUNs. Corresponding adjusted amounts of fair value adjustment on initial recognition and other resulting adjustments were reflected and presented in the Group's consolidated financial statements for the year ended 31 December 2023.

Accordingly, the management has made relevant adjustment in these interim condensed financial statements by restating comparative information for the three months ended 31 March 2023 to ensure consistency with the annual financial statements for the year ended 31 December 2023.

The corrections have impacted various line items in the financial statements, and the comparative information for the three months ended 31 March 2023 has been restated accordingly as presented below.

<i>In thousands of US Dollars</i>	As previously reported	Fair value adjustment	Transaction costs written off	Adjustment on share premium	As adjusted
Consolidated statement of comprehensive income					
Finance costs	(33,738)	4,250	(1,468)	–	(30,956)
Gain on debt-to-equity exchange	770,021	–	–	(410)	769,611
Fair value adjustment on recognition of debt instruments	160,024	10,920	3,482	–	174,426
Income/(loss) before income tax	887,528	15,170	2,014	(410)	904,302
Income/(loss) for the period	890,865	15,170	2,014	(410)	907,639
Total comprehensive income/(loss) for the period	890,983	15,170	2,014	(410)	907,757
Income/(loss) for the period attributable to the ordinary shareholders (in thousands of US dollars)	890,865	15,170	2,014	(410)	907,639
Basic and diluted earnings per ordinary share (in US dollars)	5.26				5.36
Consolidated statement of cash flows					
<i>Cash flow from operating activities:</i>					
Income/(loss) before income tax	887,528	15,170	2,014	(410)	904,302
<i>Adjustments for:</i>					
Finance costs	33,738	(4,250)	1,468	–	30,956
Fair value adjustment on recognition of debt instruments	(160,024)	(10,920)	(3,482)	–	(174,426)
Gain on debt-to-equity exchange	(770,021)	–	–	410	(769,611)
Operating profit before working capital changes	1,408	–	–	–	1,408

Notes to the interim condensed consolidated financial statements (continued)

4. Property, plant and equipment

During the three months ended 31 March 2024 the Group had additions of property, plant and equipment of US\$ 8,407 thousand (three months ended 31 March 2023: US\$ 4,167 thousand). These additions are mostly associated with commencement of well drilling as well as capital repairs of equipment and capitalised interest of US\$ 551 thousand (three months ended 31 March 2023: US\$ 443 thousand). See Note 26 for capital commitments.

5. Exploration and evaluation assets

On 17 July 2023, Nostrum Oil & Gas PLC completed the acquisition of an 80% interest in Positiv Invest LLP. Positiv Invest LLP holds the rights to the Stepnoy Leopard Fields situated in the West Kazakhstan region, which has been classified as being in the evaluation and appraisal phase.

At the date of acquisition, the exploration and evaluation assets amounted to US\$1,560 thousand. During the period after the acquisition until 31 December 2023 the Group incurred further exploration and evaluation of US\$5,045 thousand primarily related to the two-well appraisal programme.

During the three months ended 31 March 2024 the Group had additions of exploration and evaluation assets of US\$867 thousand. These additions are mostly associated with the two-well appraisal programme.

6. Advances for non-current assets

As at 31 March 2024 and 31 December 2023 advances for non-current assets comprised the following:

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
Advances for construction services	726	790
Advances for other non-current assets	322	322
Advances for construction materials	32	6
	1,080	1,118

7. Inventories

As at 31 March 2024 and 31 December 2023 inventories comprised the following:

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
Spare parts and other inventories	27,624	27,067
Crude oil	1,125	1,217
Gas condensate	1,103	1,072
LPG	401	462
Dry gas	54	30
Sulphur	4	4
	30,311	29,852

As at 31 March 2024 and 31 December 2023 inventories are carried at cost.

8. Prepayments and other current assets

As at 31 March 2024 and 31 December 2023 prepayments and other current assets comprised the following:

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
VAT receivable	7,130	5,872
Advances paid	2,614	2,123
Other taxes receivable	1,605	1,142
Interest receivable	1,240	—
Other	164	280
	12,753	9,417

Advances paid consist primarily of prepayments made to service providers. As at 31 March 2024 the impaired VAT receivable amounted to US\$576 thousand (31 December 2023: US\$575 thousand and US\$169 thousand, respectively).

There were no other movements in the provision for impairment of advances paid during the three months ended 31 March 2024 and 2023.

Interest receivable represents the accrued interest income on the term deposits placed with Citibank (see notes 10 and 11 for more details). For the three months ended 31 March 2024, the interest receivable amounted to US\$1,240 thousand (31 December 2023: none).

9. Trade receivables

As at 31 March 2024 and 31 December 2023 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Their collection period ranges between 30 and 120 days.

As at 31 March 2024 and 31 December 2023 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 recognised as at 31 March 2024 and 31 December 2023.

10. Cash and cash equivalents

As at 31 March 2024 and 31 December 2023 cash and cash equivalents comprised the following:

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
Term deposits in US Dollars	60,000	—
Current accounts in US Dollars	9,564	160,646
Current accounts in Tenge	392	395
Current accounts in Euro	139	66
Current accounts in other currencies	469	601
Petty cash	6	3
	70,570	161,711

In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as liquidation fund deposits of US\$8,665 thousand with Halyk bank and US\$20 thousand with Jusan bank (31 December 2023: US\$ 8,662 thousand with Halyk bank and US\$20 thousand with Jusan bank), which are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

As of 31 March 2024, the Group has term deposits of US\$60,000 thousand placed with Citibank, which have maturity dates within three months from the reporting date (31 December 2023: nil).

11. Current investments

As at 31 March 2024 and 31 December 2023 current investments comprised the following

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
Term deposits in US Dollars	50,000	—
Money Market Securities in US Dollars	37,000	—
	87,000	—

As of 31 March 2024, the Group has term deposit of US\$50,000 thousand placed with Citibank at an interest rate of 5.13%, which has a maturity date after three months from the reporting date (31 December 2023: nil).

Money Market Securities include investments in money market funds of JP Morgan and BlackRock. These investments in securities are classified as current investments since they are readily convertible into cash and have credit ratings of AAA and above, and their fair values are subject to minimal fluctuations.

Notes to the interim condensed consolidated financial statements (continued)

12. Share capital and reserves

As at 31 March 2024 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. There were no movements in the number of shares during the three months ended 31 March 2024.

The movements in the number of shares during the year ended 31 December 2023 was as follows:

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 31 December 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 14 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 resulting 15,244,344,036 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.

Warrants

As part of the Restructuring 18,801,358 warrants were issued to the warrant trustee, which upon exercise in full, would result in the issue of new Ordinary Shares (the “Warrant Shares”) at their nominal value to the holders of the Existing Notes to Ordinary Shares from 88.89% to 90%, based upon the pro forma capitalisation of Nostrum immediately following closing of the Restructuring (but excluding entitlements under any new management incentive plan, long-term incentive plan or similar share scheme). The

Warrants will be exercisable in full upon:

- a breach of the Company’s covenants or undertakings in relation to the SUNs or the Warrants;
- a change in, or breach of, certain agreed governance principles without approval from the Warrant Director (“Warrant Approval”);
- a change to the agreed composition of the Board that has not obtained Warrant Approval; or
- an exit event (as specifically defined in the instrument pursuant to which the Warrants will be constituted) but including, in principle, any delisting of Nostrum from the London Stock Exchange, a change of control, sale of all or substantially all assets, the commencement of any winding-up or similar process in relation to Nostrum, or merger of Nostrum (an “Exit”).

Debt for Equity swap

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) as shown in the table below:

In thousands of US Dollars	Amount
2022 Notes principal amount	336,976
2025 Notes principal amount	192,946
2025 Notes accrued but unpaid interest of	195,216
2025 Notes accrued but unpaid interest of	91,056
Unamortised transaction costs	(2,013)
	814,181

- Recognition of the shares issued at their fair value at the time of issue of US\$42,356 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 the following allocations between various components of equity:

In thousands of US Dollars	Amount
Net reduction in share capital	(1,051)
Reduction in treasury capital	1,494
Deferred shares	18,551
Share premium	23,133
Other reserves (warrants)	229
	42,356

- The difference between Existing Notes balance of US\$814,181 thousand and the total equity additions of US\$42,356 thousand as described above after deduction of the relevant proportion of lock-up fees of US\$2,213 thousand, amounted to US\$769,611 thousand and was recognised as a separate item in the income statement in 2023.

Treasury shares

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.

There were no movements in the Group’s other reserves during the three months ended 31 March 2024.

The movements in the Group’s other reserves for 2023 is presented as follows:

In thousands of US Dollars	Group reorganisation reserve	Foreign currency translation reserves	Share-option reserves	Total
As at 31 December 2022	255,459	2,612	3,786	261,857
Currency translation difference	–	62	–	62
Debt-to-equity exchange	229	–	–	229
Share based payments under LTIP	–	–	(25)	(25)
As at 31 December 2023	255,688	2,674	3,761	262,123

Group reorganisation reserve in the amount of US\$255,688 thousand as of 31 December 2023 represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP, the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014.

Distributions

There were no distributions made during the three months ended 31 March 2024 and 2023.

Notes to the interim condensed consolidated financial statements (continued)

13. Earnings per ordinary share

As at 31 March 2024 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. For the purpose of calculations of earnings per share the number of shares for the three months ended 31 March 2023 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.

	For the three months ended 31 March	
(Loss)/income for the period attributable to the shareholders (in thousands of US dollars)	(27,910)	907,639
Basic earnings per share (in US dollars)	(0.16)	5.36
Diluted earnings per share (in US dollars)	(0.15)	4.82
Weighted average number of ordinary shares for basic EPS	169,086,713	169,086,713
Effects of dilution from warrants	18,818,296	18,818,296
Weighted average number of ordinary shares adjusted for the effect of dilution	188,182,958	188,182,958

14. Notes payable and accumulated interest

Notes payable and accumulated interest are comprised of the following as at 31 March 2024 and 31 December 2023:

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
Senior Unsecured Notes	286,044	264,443
Senior Secured Notes	214,296	207,304
	500,340	471,747
Less amounts due within 12 months	(16,822)	(175)
	483,518	471,572

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 issued a principal amount of US\$45,078,172 additional SUNs representing the PIK interest accrued 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 between 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 (13.25% for SSNs and 31.04% for SUNs). The resulting gains on initial recognition of SSNs and SUNs in the amount of \$40,294 thousand and \$134,132 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.

SSNs and SUNs covenants

The SSNs and SUNs contain consistent covenants requiring the Issuer, the Guarantors, and certain other members of the Group to (inter alia):

- Produce reports to holders, including quarterly and annual financial statements and certain other information;
- Adhere, subject to certain exceptions and qualifications, on limitations on indebtedness, distributions by the Company, restrictions on distributions to the Company, asset sales, affiliate transactions, changes of business, delistings, changes of control of the Company, liens securing indebtedness, guarantees of indebtedness and mergers and consolidations;
- Adhere to certain cashflow arrangements.

In addition, the indentures contain certain customary events of default.

Notes to the interim condensed consolidated financial statements (continued)

15. Trade payables

Trade payables comprise the following as at 31 March 2024 and 31 December 2023:

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
Tenge denominated trade payables	11,690	8,246
US Dollar denominated trade payables	1,145	1,684
Euro denominated trade payables	638	466
British Pound Sterling denominated trade payables	323	192
Russian Rouble denominated trade payables	32	44
	13,828	10,632

16. Other current liabilities

Other current liabilities comprise the following as at 31 March 2024 and 31 December 2023:

<i>In thousands of US Dollars</i>	31 March 2024 (unaudited)	31 December 2023 (audited)
Other accruals	19,138	16,867
Training obligations accrual	6,223	6,317
Due to employees	3,656	4,019
Taxes payable, including corporate income tax	2,670	2,600
Other current liabilities	971	707
	32,658	30,510

Other accruals include various amounts accrued according to management best estimates and assessment of probabilities of cash outflows, such as penalties related to tax audit payments, environmental provision and other similar items.

17. Revenue

	For the three months ended 31 March	
<i>In thousands of US Dollars</i>	2024 (unaudited)	2023 (unaudited)
Revenue from oil and gas condensate sales	24,019	13,129
Revenue from gas and LPG sales	6,086	4,208
Revenue from third-party hydrocarbon processing	1,730	–
Revenue from sulphur sales	–	1
	31,835	17,338

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 three months ended 31 March 2024 was US\$ 83.9/bbl (three months ended 31 March 2023: US\$82.9/bbl).

During the three months ended 31 March 2024 the revenue from sales to three major customers amounted to US\$12,364 thousand, US\$10,609 thousand and US\$2,785 thousand respectively (three months ended 31 March 2023: US\$9,422 thousand, US\$3,707 thousand and US\$2,023 thousand, respectively).

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

18. Cost of sales

	For the three months ended 31 March	
<i>In thousands of US Dollars</i>	2024 (unaudited)	2023 (unaudited)
Depreciation, depletion and amortisation	6,396	10,166
Payroll and related taxes	4,787	4,244
Repair, maintenance and other services	1,793	1,772
Materials and supplies	1,775	1,089
Well repair and maintenance costs	997	1,016
Transportation services	900	572
Change in stock	98	(2,643)
Environmental levies	45	27
Other	224	143
	17,015	16,386

19. General and administrative expenses

	For the three months ended 31 March	
<i>In thousands of US Dollars</i>	2024 (unaudited)	2023 (unaudited)
Payroll and related taxes	1,960	1,707
Professional services	1,098	979
Business travel	144	70
Insurance fees	119	108
Depreciation and amortisation	49	46
Communication	44	41
Short-term leases	33	22
Materials and supplies	24	21
Bank charges	7	7
Other	98	81
	3,576	3,082

20. Selling and transportation expenses

	For the three months ended 31 March	
<i>In thousands of US Dollars</i>	2024 (unaudited)	2023 (unaudited)
Transportation costs	1,286	775
Loading and storage costs	1,053	804
Payroll and related taxes	465	373
Other	500	380
	3,304	2,332

Notes to the interim condensed consolidated financial statements (continued)

21. Taxes other than income tax

<i>In thousands of US Dollars</i>	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited)
Export customs duty	1,983	–
Royalties	1,241	919
Government profit share	325	256
Other taxes	158	4
	3,707	1,179

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.

22. Finance costs

<i>In thousands of US Dollars</i>	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited) restated
Interest expense on borrowings	28,068	25,603
Other finance costs	–	5,123
Unwinding of discount on amounts due to Government of Kazakhstan	151	164
Unwinding of discount on abandonment and site restoration provision	260	66
	28,479	30,956

Other finance costs represent advisor fees incurred by the Group in relation to the Lock-up Agreement and process of restructuring of the Group's outstanding bonds during the three months ended 31 March 2023. For more details on Lock-up Agreement and the consent fees see Note 1.

23. Other expenses

For the three months ended 31 March 2024 and 2023 other expenses comprise the following:

<i>In thousands of US Dollars</i>	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited)
Business development costs	841	–
Training accruals	159	267
Other taxes and penalties	91	1,330
Social program	78	78
Currency conversion	50	90
Loss on disposal of property, plant and equipment	39	–
Sponsorship	11	10
Other	506	1,000
	1,775	2,775

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.

24. Income tax

<i>In thousands of US Dollars</i>	For the three months ended 31 March	
	2024 (unaudited)	2023 (unaudited)
Corporate income tax expense	3,000	73
Withholding tax	189	136
Deferred income tax expense	42	(3,546)
	3,231	(3,337)

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 2024. 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.

25. 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\$986 thousand for the three months ended 31 March 2024 (the three months ended 31 March 2023: US\$1,140 thousand).

26. 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 2024. As at 31 March 2024 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Notes to the interim condensed consolidated financial statements (continued)

Pending tax disputes

In late 2023 the Kazakhstan tax authorities conducted a withholding tax audit of Zhaikmunai LLP for the financial year 2018, and in January 2024 issued a withholding tax assessment equivalent to US\$6.8 million and related fines and penalties equivalent to US\$5.1 million. According to Company's best estimates, the application of similar arguments to the periods 2019-23 could result in additional amounts of taxes and penalties in the amount of circa US\$3.0 million. This excludes other items included within the assessment which the Company believes to be a remote risk.

Whilst Zhaikmunai LLP successfully challenged the legality and enforceability of the 2018 withholding tax assessment in January 2024, the Kazakhstan tax authorities subsequently filed an appeal in April 2024, and the appellate court ruled in favour of Zhaikmunai. Following the decision of the appellate court, tax authorities have the right to a final appeal to the Supreme Court of Kazakhstan.

Kazakhstan's tax legislation and regulations are subject to varying interpretations and instances of inconsistent opinions between local, regional, and national tax authorities and courts are not unusual. Taking this into account, while management believes that it is likely that the ruling in Zhaikmunai's favour will be upheld on appeal, management assesses the risk of an unfavourable outcome for Zhaikmunai in pending and future legal proceedings and resulting payment of the above-mentioned claimed amounts of taxes and penalties as possible.

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 2024, the Group had contractual capital commitments in the amount of US\$16,710 thousand (31 December 2023: US\$16,039 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.

27. 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 31 March 2024 and 31 December 2023.

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	
	31 March 2024 (unaudited)	31 December 2023 (audited)	31 March 2024 (unaudited)	31 December 2023 (audited)
Interest bearing borrowings	500,341	471,747	270,834	272,500
Total	500,341	471,747	270,834	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 31 March 2024 and 31 March 2023 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\$157,570 thousand as at 31 March 2024. After successful implementation of the restructuring, the Group is in the process of revising its capital management policy in line with new requirements of SSN and SUN trust deeds and shareholder expectations.

28. Events after the reporting period

There were no events after the reporting, which would require disclosure in accordance IFRS requirements.