SHAPING OUR FUTURE

Annual Report & Accounts **2020**

nostrum Oil & Gas

Nostrum Oil & Gas is an independent exploration & production company based in north-west Kazakhstan owning world-class facilities capable of processing 4.2bcm of gas per annum

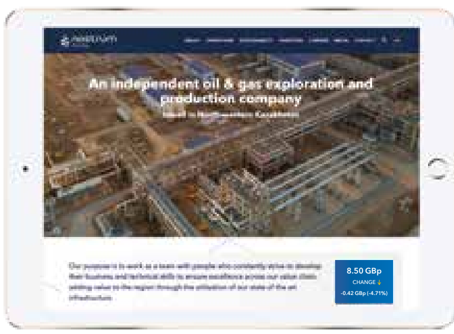
DELIVERING
OPTIMISING
MAXIMISING

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

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

For more details please visit

www.nog.co.uk



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Our purpose

To work as a close-knit and well-integrated team across all disciplines to deliver excellence across the whole of our value chain.

Our vision

To add value to the region through the utilisation of our state-of-the-art infrastructure hub.

Our values

We are trustworthy and reliable, take our corporate, social and ecological responsibilities extremely seriously, and are dedicated to the health, safety and wellbeing of our employees.

A world-class infrastructure hub in north-western Kazakhstan

Nostrum has developed a state-of-the-art infrastructure hub unique to north-western Kazakhstan.

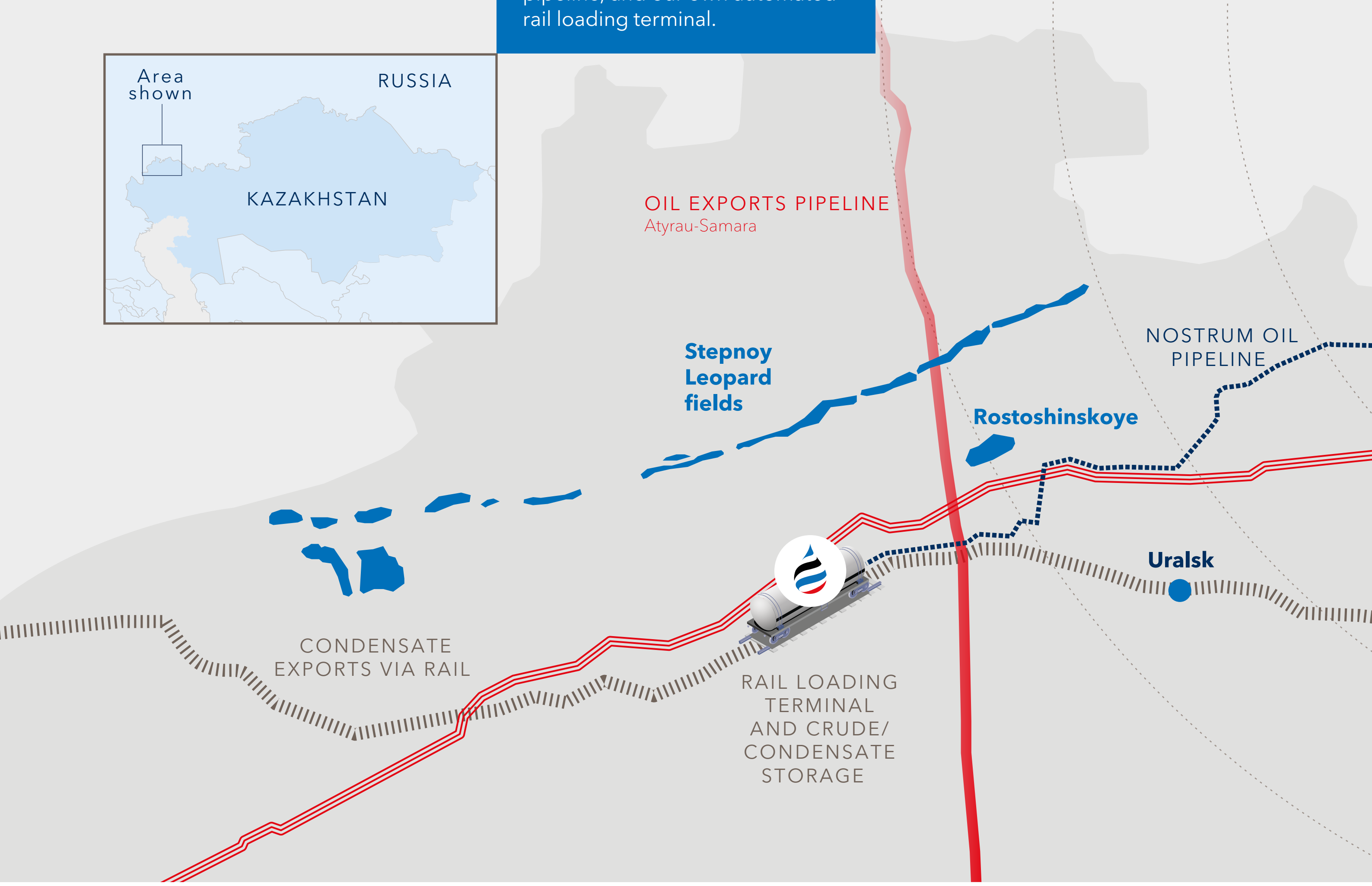
Our fully commissioned gas processing facilities, with a combined capacity of 4.2bcm per year, is ideally located to support the production and sale of billions of cubic metres of gas per year. We have access to multiple transportation routes as well as full control of liquid transportation logistics with 120km of liquids pipeline and an automated rail loading terminal owned by Nostrum.

4.2bcm

Fully commissioned 4.2bcm per year gas processing facilities, unique to north-western Kazakhstan.

Access

Multiple transportation routes to market and full control of liquid transportation logistics, including our own connections to the Intergas Central Asia gas pipeline and the KazTransOil (KTO) oil pipeline, and our own automated rail loading terminal.



4m tonnes

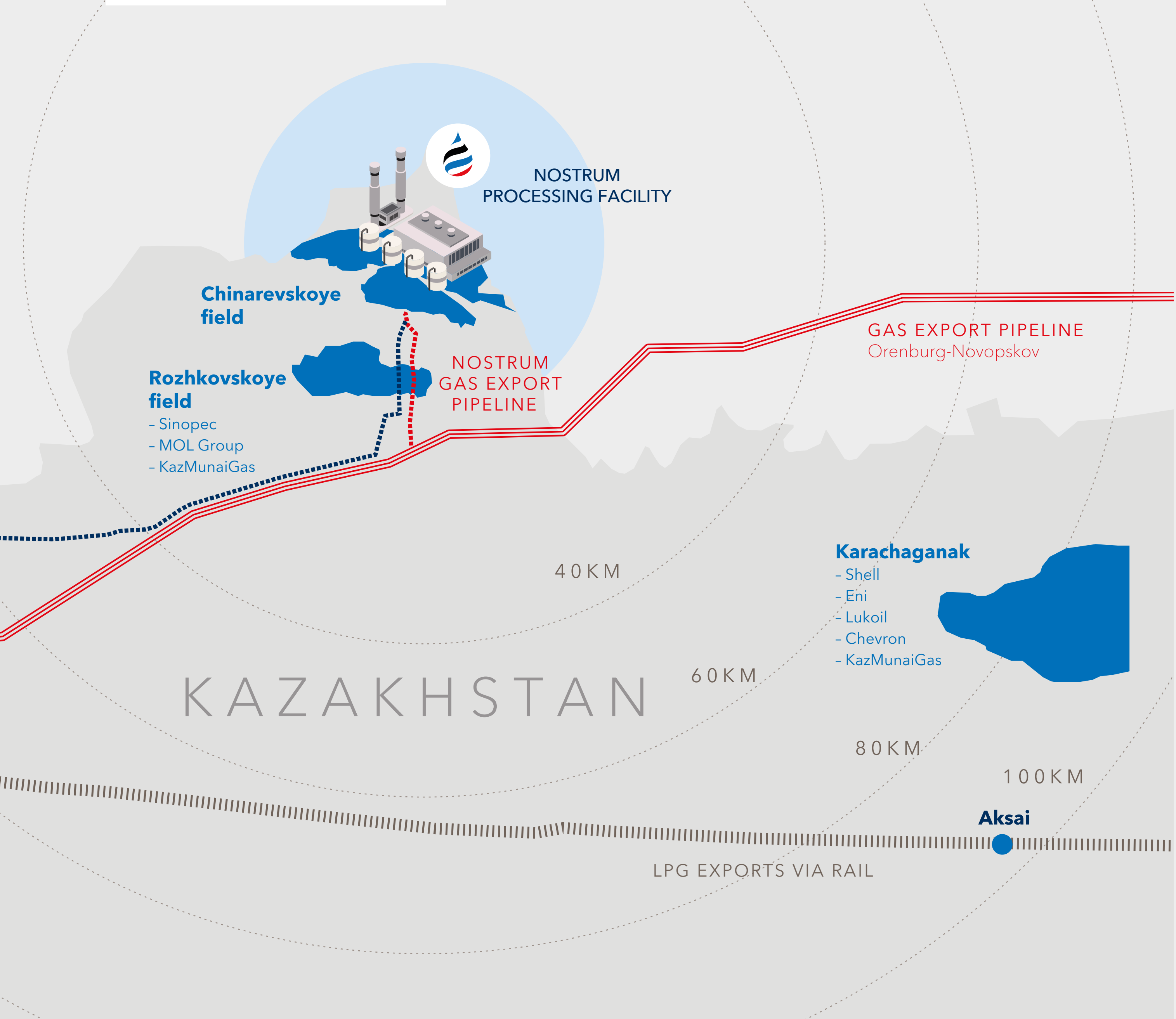
Annual crude oil and condensate handling capacity of our automated rail loading facility in Uralsk.

Stability re-established

Pivoting toward growth
We have significantly reduced our cost base to preserve liquidity. The bond restructuring is well advanced and so we are looking now to pivot towards growth.

Safe and sustainable operations

We are committed to health and safety, our people, social responsibility, the environment and transparent governance.



DELIVERING »

- On our strategies to commercialise the spare capacity in our world-class gas processing facilities;
- A comprehensive and cohesive environmental, social and governance performance; and
- On our promises so that we restore investor confidence.

COVID-19

Regular and comprehensive testing at the field site to ensure our employees and contractors remain safe and no production is lost.

665

Hazard Observation Cards issued in 2020, an increase of nearly 308% versus 2019.

We have identified five QHSE pillars which define our approach to sustainable operations

HSE leadership

Rigorous incident investigation

Process safety-critical elements identified and maintained

Contractor HSE management

Commitment to reduce GHG emissions

35,638 tonnes

Reduction in GHG emissions in 2020 versus 2019.

89.4%

Percentage of Kazakhstan nationals in the total headcount at 31 December 2020.

US$73m

Spent with contractors in 2020, of which US$53.3m was spent with entities located in Kazakhstan.

OPTIMISING »

Production and cost efficiencies to safeguard both our base business and liquidity. We also seek to optimise our ability to operate successfully in the future through completing a sustainable restructuring arrangement supported by our stakeholders that leaves sufficient headroom for raising further capital for our growth projects.

29.1%

Reduction in the combined total of Opex, G&A and Marketing & Transportation costs in 2020.[1]

US$82.7m

Operating cash flow generated in 2020.

1. G&A and Marketing & Transportation costs excluding DD&A. Opex excluding D&A and inventory adjustment.

MAXIMISING

Output from the Chinarevskoye field and adding Proved Developed Producing reserves by exploiting the current low cost per barrel, high-confidence infill opportunities through best-in-class well and reservoir management.

US$3.91/boe

Operating costs per boe in 2020, reduced from $3.98 per boe in 2019.

482,700 boe

Added to production in 2020 through our successful well intervention programme.

30 well interventions

in 24 wells during 2020.

80.8%

of all crude sales made on the export market in 2020.

22,337

Boepd produced in 2020, exceeding our guidance of 21,000 boepd.

Our value potential

We seek to develop energy resources in north-western Kazakhstan through monetising the spare capacity of our gas treatment facility to deliver value to our stakeholders.

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Our values

We are trustworthy and reliable, take our corporate, social and ecological responsibilities extremely seriously, and are dedicated to the health, safety and wellbeing of our employees.

Key strengths

World-class infrastructure

Well located to develop regional resources. Multiple transportation routes to market and full control of liquid transportation logistics.

Low operating costs

Operations streamlined in 2020 and costs reduced. Good cash generation even with low product prices.

High-quality local input

A significant number of our contractors and suppliers are local Kazakh entities, meaning that we support the local economy. This also means that we are well positioned to maintain operations if access to Kazakhstan is restricted.

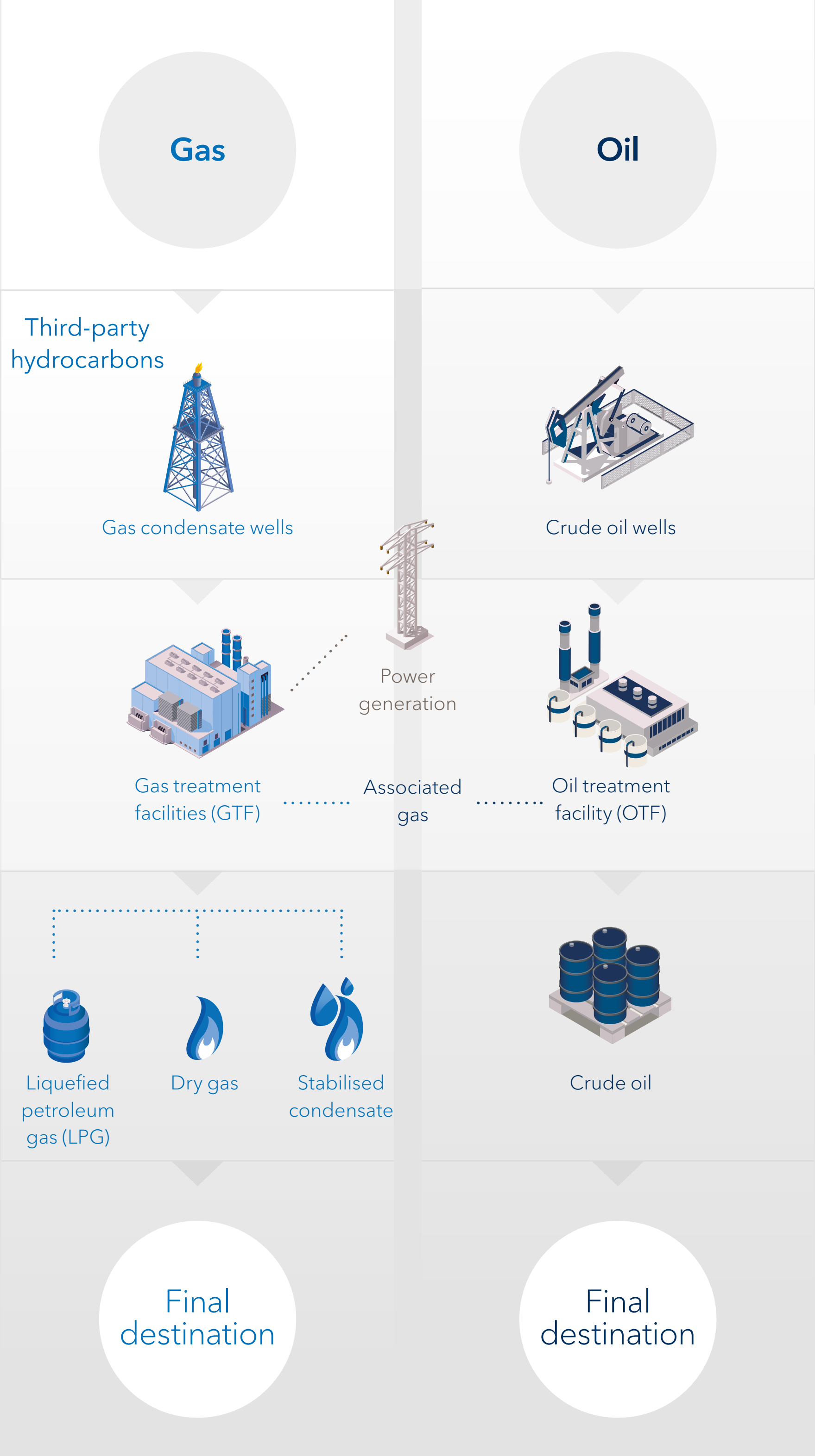
Experienced management team

Nostrum's management team is seasoned, close-knit and well-integrated across critical disciplines, with proven skills in project execution and production operations.

Responsible operations

Safety is a personal and shared responsibility. Everybody working at or visiting our facilities has a right to return home safely and to perform their duties under safe working conditions.

What we do



Value we create

Workforce

We are one of the **leading employers** in north-western Kazakhstan, delivering **sustainable benefits** to the local community.

Investors

2020 continued to be a challenging time for our shareholders and bondholders. We are **working hard** with both groups to **restructure** the Group's debt and restore confidence in our abilities to **deliver on our promises**.

Local communities

We are a proud community partner and strive to **foster a culture of openness** and engagement, offering **social and financial support** to promote the wellbeing of local residents.

Suppliers, contractors and customers

Established safety audits to ensure trusted partnerships. **Constant communication** with our key customers and suppliers.

Governments and regulators

We paid

US$**31.5**m

of tax in 2020 to governments.

Please see our website for more information at **www.nog.co.uk**.

Shaping our future

"Our key objectives for 2021 are to finish the restructuring work to stabilise the Group and then establish credible and achievable roadmaps to maximise the value of our assets and any other infrastructure we have built."

2020 has been the most challenging year in our history but the steps we have taken together will stabilise the Group and secure its future. Our people have shown amazing resilience throughout the year and I am immensely grateful to them all for their commitment, dedication and flexibility.

Q. How would you sum up 2020?

A. 2020 has been a year of immense challenge. The collapse in the oil price in February and March was followed by a significant reduction in the prices that we achieved for our dry gas. Overarching all of this was the impact of COVID-19. The overall consequence was that in March 2020 we announced that we were seeking to restructure our 2022 and 2025 bonds and subsequently much effort was devoted in 2020 to stabilising the financial position of the Group and looking to secure its future. We also made progress on all our 2020 priorities.

Q. How has the Group responded to such a turbulent year?

A. I think that the Group responded extremely well in the circumstances. Led by Kaat van Hecke, we have significantly reduced our cost base through targeted headcount reductions and we have renegotiated contract rates and work scopes with all major suppliers. Our successful well intervention campaign in the summer boosted production and enabled us to achieve an average daily production rate for 2020 that was above our forecasts and expectations. We reinforced our tight financial discipline and this more than maintained our liquidity whilst at the same time ensuring continuous and safe production. Thus our 2020 priorities in relation to cost reductions, capital preservation, reservoir management and well productivity were all met.

We implemented strict COVID-19 testing regimes for all employees working at the field and reduced the number of people attending the offices in Uralsk, not only to comply with local legislation but also to keep our people as safe as possible. Our London-based staff have been working from home since March 2020. I am pleased that we have not lost any people nor production this year because of COVID-19.

In respect of the restructuring, we signed a Forbearance Agreement with an informal ad-hoc noteholder group (AHG) in October 2020. Since then, we have been working hard with our advisers and those of the AHG to find a sustainable agreement that will allow the Group to move forward and realise the potential of its gas processing facilities.

Finally, we appointed our new Chief Executive Officer, Arfan Khan, effective 26 January 2021. We are confident that Arfan has the breadth and depth of experience and operational expertise to lead us through the next stage as we focus on delivering the bond restructuring for all our stakeholders whilst also continuing to pursue opportunities to commercialise our world-class infrastructure.

Q. There is another write-down of reserves this year. How do you explain that?

A. Following major studies in 2019 we took the decision to classify a number of reserves as contingent resources, rather than Probable reserves, at the end of 2019. We also took the decision at that time to halt all drilling until we had found ways to mitigate the identified reservoir risks. As I noted in my 2019 statement, there was still a risk that the reservoir would exhibit worse than anticipated behaviour and so there was still a great deal of uncertainty. During 2020, we have continued to study production data. As a result, we have come to the conclusion that the performance of our undeveloped reservoirs is contingent on economically viable reservoir performance and, in particular, well productivity. Therefore, and reluctantly, we have decided that the most prudent course of action is to reclassify a number of reserves from Probable to contingent resources.

Q. Have you been able to secure contracts to monetise the spare capacity in the gas treatment facilities?

A. We have spent much time and energy pursuing this goal in 2020. It remains our primary focus to secure third-party volumes to fill the spare capacity in our world-class gas treatment facility. Whilst we were not able to make as much progress in relation to this 2020 goal as we hoped, there are third parties who remain very interested in utilising our infrastructure. I remain optimistic that we will be able to secure deals so that our gas treatment facilities can work at capacity and provide long-term stable cash flows for Nostrum.

Q. What is Nostrum doing to meet investors' expectations in respect of environmental, social and governance?

A. We recognise that, increasingly, a company's environmental, social and governance (ESG) performance and how that performance ranks against other organisations is being taken into account by investors as well as other stakeholders. Therefore, ESG issues will continue to be a principal focus, and central to how Nostrum operates as a business.

The Health, Safety, Environment and Communities Committee of the Board has continued to focus on climate change issues amongst its other responsibilities. We once again completed the CDP (formerly the Carbon Disclosure Project) initiative in 2020 and will continue with this in the coming years to ensure that we are both fully accountable and also measurable against a recognised standard. High standards of quality, health and safety remain paramount, and have been even more so during COVID-19, when we introduced extensive PCR and daily thermometry testing and significantly reduced the numbers of employees attending the offices in Uralsk and London.

We continue to invest in social development as well as education and training and will continue to encourage diversity at all levels in the Group.

Q. What do you see as the key objectives in 2021?

A. Our key objectives for 2021 are to finish the restructuring work to stabilise the Group and then establish credible and achievable roadmaps to maximise the value of our assets and any other infrastructure we have built. To this end, we must successfully restructure our 2022 and 2025 bonds so that the Group has the security and balance sheet strength to move forward. At the same time, we need to continue our discussions to secure third-party agreements on additional volumes for our gas treatment facilities.

These are the principal objectives. However, we must not lose sight of the day-to-day activities that will also be key to the Group's future success. Therefore we must ensure that:

- Our workover and intervention programme in the summer of 2021 is successful and we can again reduce the rate of reservoir decline;
- Good financial discipline is maintained to minimise costs and maintain liquidity;
- We continue to reduce the impact of our operations on the environment;
- Studies continue to identify viable technologies to mitigate sub-surface risk; and
- We stay alert to the continued threat of COVID-19 and ensure that our employees remain protected, our operations continue uninterrupted and are delivered to our expected high and safe levels.

Q. Finally, do you have any messages for the staff at Nostrum?

A. I know that 2020 has been a year of great uncertainty and disruption, probably the most challenging in our history, and that this has not been easy for any of you. Nostrum is central to the economy in the Uralsk region, and we are doing everything that we can to ensure that this remains the case for many years to come.

I am immensely grateful to you all for your commitment, dedication and flexibility.

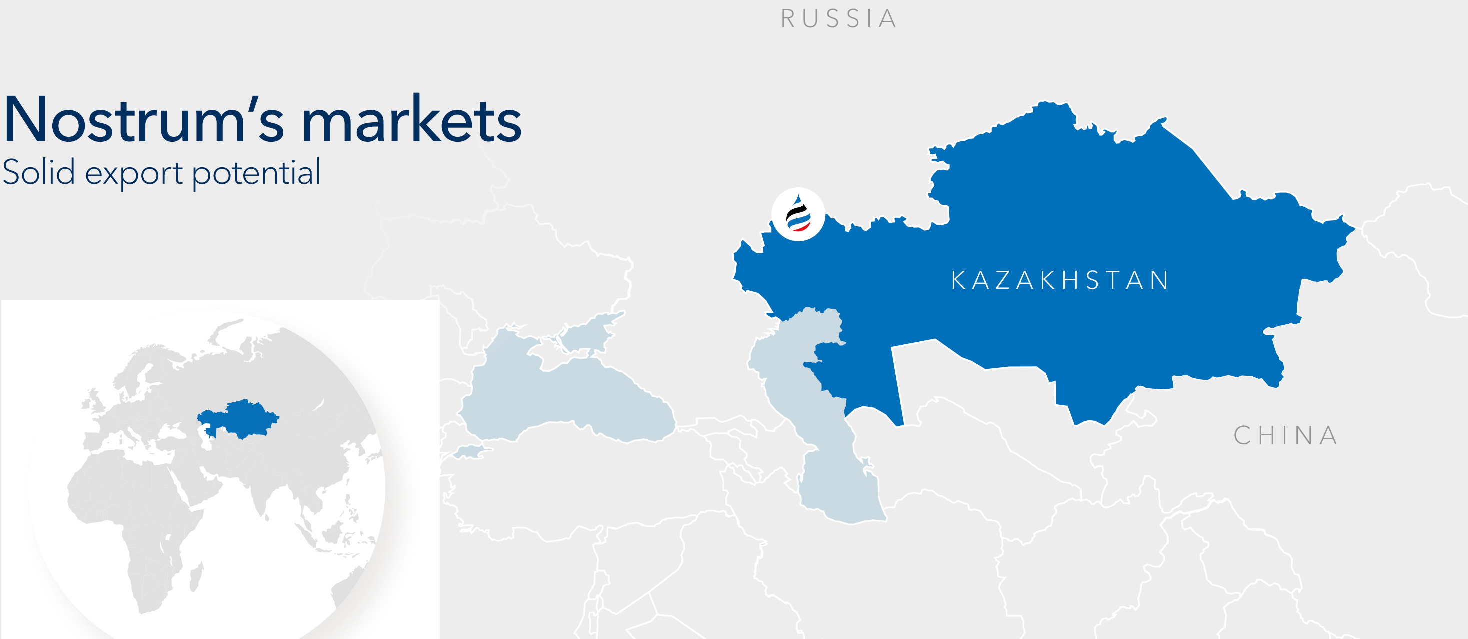
Thank you all for your efforts and continued support.

Atul Gupta

Atul Gupta
Executive Chairman

Nostrum's markets

Solid export potential



Since its independence in 1991, Kazakhstan has established itself as one of the world's most prolific hydrocarbon centres.

The oil & gas market in Kazakhstan

The foundation of Kazakhstan's oil & gas industry consists of three supergiant fields, Tengiz, Karachaganak and Kashagan, situated in the north-west of the country. Together, these fields hold the majority of the country's reserves and production and have allowed Kazakhstan to attract more foreign direct investment than any other country in the Former Soviet Union (FSU) over the past three decades, including Russia. Together, the three fields produced over 60% of the country's hydrocarbon output during 2020.

As the world's largest landlocked country, Kazakhstan depends on an extended network of pipelines and railways to deliver its products to export markets. Pipeline exports are primarily delivered via Russia (Atyrau-Samara and the Caspian Pipeline Consortium pipelines); via Azerbaijan and Turkey (the Baku-Tbilisi-Ceyhan pipeline); and one via China (Atasu-Alashankou). Rail exports utilise Kazakhstan's extensive rail network, reaching markets throughout the FSU and beyond.

Expansion projects at the Tengiz and Karachaganak fields, which have been producing for over two decades, are currently being developed to increase liquid recovery rates as the fields mature.

What it means for us

Nostrum's assets are located in the Pre-Caspian Basin close to the Russian border and in close proximity to some of the most significant hydrocarbon resources in the FSU. This advantageous position means that the Company has access to multiple export markets for its products, as well as labour and specialist equipment providers. In addition, Nostrum has a substantial amount of spare processing capacity in a region where there is a significant amount of stranded gas and so a growing need for gas processing.

Competitive analysis and market share – benchmarking our business against our peers

Strengths and opportunities	Weaknesses and threats
Multiple export routes.	Nostrum is subject to fluctuations in the market prices for its products, although we have a variety of sales products.
100% ownership of Chinarevskoye licence, infrastructure on the field, pipelines and rail loading terminal used for transportation to export routes.	Increased geological risks due to deep, tight, highly fractured reservoirs. Production declining at around 20% per annum.
Extensive infrastructure allows Nostrum to process raw gas deposits in north-west Kazakhstan, where there are no comparable processing facilities or capacity.	Seasonal temperature fluctuations in a harsh operating environment.
Onshore field with low operating costs.	Lack of significant population reduces the size of the skilled workforce locally.

Key macroeconomic and microeconomic trends

Oil prices

In March 2020 the price of oil collapsed following a disagreement between OPEC+ countries on production levels. This fall in price was compounded by the perceived lack of future demand for oil caused by disruptions to businesses and economic activity as a result of COVID-19. Whilst the OPEC+ countries, together with a wider group of producers, subsequently agreed to lower daily production levels, there remained continuing uncertainty over the future demand for oil as a result of the continuing impact of COVID-19, which restricted the recovery of the oil price. Advances with vaccination against COVID-19 restored some confidence towards the end of 2020 and, although prices at the year end remained below those at the start of the year, the upward tick has continued into 2021.

What it means for us

The recovery of the oil price brings some stability to the Company. The anticipated successful restructuring of our debt will further stabilise the Group, as will our continued focus on reducing our cost base to ensure we can maintain adequate liquidity whilst we pursue the opportunities to fill the spare capacity in our gas processing facilities. At the end of 2020 we had cash reserves in excess of US$78 million (31 December 2019: US$93.9 million) excluding US$12.9 million placed into a secured cash account under the terms of the Forbearance Agreement with the informal ad-hoc noteholder group.

Kazakh economy

World Bank experts named 2020 as the most challenging year for Kazakhstan's economy in the last two decades. The fallout of COVID-19 resulted in a contraction in the economy in 2020 of approximately 2.6% compared to growth of 3.8% in 2019. Annual average inflation reached 7.5% in December 2020 (2019: 5.2%), with inflationary pressures being caused by a depreciation of the currency in 2020 from 383 Kazakhstan Tenge (KZT) to one US$ at the start of the year to 420 KZT at the end of December 2020.

What it means for us

Whilst the economy of Kazakhstan has been badly affected by COVID-19, oil and gas production, which dominates the economy, has been classified as an essential business in Kazakhstan and so operations are continuing. It is expected that the industry will be central to the Government's attempts to grow the economy as the threat of COVID-19 recedes and so the support that has been shown to operators to date is expected to continue.

Competitive environment

Kazakhstan and Azerbaijan are the two main oil-producing countries in the Caspian region whilst Turkmenistan and Uzbekistan are the predominant gas producers. Russia plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea, although this part of Russia is not a substantial source of crude oil.

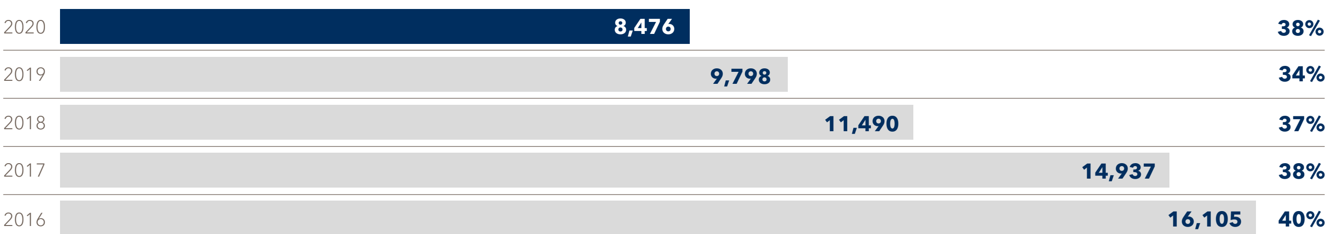
What it means for us

Vast distances between Central Asian markets, long-established trading relationships and in-place infrastructure promote co-dependency between FSU exporters. Kazakhstan naturally benefits from its geo-strategic position between Russia and China. Nostrum is situated at the heart of the export corridor that exists between Russia and multiple markets to the west of the Caspian.

Our products

	Crude oil	Stabilised condensate
Quality	• Density – 0.815g/cm^3 • API – 42-43 degrees • Average sulphur – 0.4%	• Density – 0.750-0.790 g/cm^3 • API – 56 degrees • Average sulphur – <0.2%
Sales	• PSA requires at least 15% to be sold domestically with remaining 85% exported • In 2020, 19.2% was sold domestically and the remaining volumes exported in accordance with the PSA	• 100% exported • Destinations are the Russian ports
Pricing	• Urals-based pricing for pipeline exports • Domestic sales at approximately 50% discount • Prices negotiated directly with the purchaser	• Brent-based pricing, negotiated directly with the purchaser
Transportation	• During 2020, all exported crude oil volumes were sold through the KazTransOil (KTO) pipeline • Crude exports are delivered to the KTO pipeline through an extension to our own 120km pipeline from the field site. From here the crude is delivered to Russian ports	• Sent through our own 120km pipeline from the field site to our own rail loading terminal in Uralsk • From here it is loaded onto railcars and sent to Russian ports

CRUDE AND STABILISED CONDENSATE PRODUCTION (BOEPD) **AND PRODUCT SPLIT** (%)



Reserves

The Chinarevskoye field (Chinarevskoye) is the only producing field owned by the Group. Its PSA was grandfathered from 1997 and the licence is valid until the end of 2031. Initial hydrocarbon discoveries at Chinarevskoye were made during the Soviet era. There have been 103 wells and side-tracks drilled under the PSA between 2004 and 2020. The licence is owned 100% by Zhaikmunai, the Group's Kazakh operating company.

Chinarevskoye is a multi-layer structure with 17 reservoirs and 53 compartments spread over three areas. Commercial hydrocarbons have been found in the Lower Permian, Bashkirian, Bobrikovski, Tournaisian, Frasnian, Mullinski, Ardatovski, and Biyski-Afoninski reservoirs.

Management's estimates of reserves, and a comparison with the reserves from 2019, are shown in Table 1.

The Chinarevskoye 2P (Proven plus Probable) volume as at 31 December 2020 is 39 mmboe requiring 16 interventions including one appraisal well (2019: 138.1mmboe requiring 45 interventions). An additional six appraisal well recompletions are also planned but will not result in any additional reserves. In addition to production of 8.1 mmboe for the year, the reduction in 2P volumes of 99 mmboe is due to the downgrade of the Biyski-Afoninski West & NW reservoirs, to "resources", along with the removal of the Biyski NE and Tournaisian NE development wells, a reduction in water-flood increment and the removal of development wells in the Mullinski, Bashkirian and Frasnian reservoirs.

The Total 1P (Proven) case for Chinarevskoye is 28.9 mmboe (2019: 54.3 mmboe) comprising 27.7 mmboe for Proven, Developed Producing (PDP) from 45 current wells (2019: 43.4 mmboe from 46 current wells) and 1.2 mmboe for the Proven, Undeveloped (PUD) category (2019: 10.9 mmboe). Overall Proven volumes are down by 25.4 mmboe due to 8.1 mmboe of production in 2020, removal of 2 workovers and one-well in the Biyski NE reservoir and lower forecast

LPG

- Field-grade quality
- No olefins and low sulphur content

- <85% exported
- Destinations include the Russian Black Sea ports

- International Mediterranean LPG price Sonatrach for Black Sea deliveries
- Brent quotation for Eastern European deliveries with prices negotiated directly with the purchaser

- Loaded onto LPG trucks from the field site to our rail loading terminal in Uralsk
- From here the LPG is loaded onto railcars and sold to third parties

Dry gas

- 100% sold to KazTransGas

- Price formula agreed until the end of 2024

- Sent through our own 17km pipeline from the field site to the connection point with the Intergas Central Asia gas pipeline
- Sold at the connection point

LPG PRODUCTION (BOEPD) **AND PRODUCT SPLIT** (%)

2020	2,795	13%
2019	3,569	13%
2018	3,865	12%
2017	4,615	12%
2016	4,545	11%

DRY GAS PRODUCTION (BOEPD) **AND PRODUCT SPLIT** (%)

2020	11,065	50%
2019	15,173	51%
2018	15,900	51%
2017	19,647	50%
2016	19,812	49%

production from the existing wells to reflect current performance and expected rates. There has also been a one-well reduction in the number of planned Tournaisian development wells in the Proven category.

The current drilling assumptions include the side-tracking of one existing well, the deepening of a second, a new well in the Ardatovski reservoir and 12 workover recompletions, for a total drilling capital expenditure estimated at US$75m including an additional six appraisal well recompletions that do not result in any additional reserves (2019: $640m). This programme, together with the 45 existing producers, recover the estimated 2P reserves as at 31 December 2020.

The volumes of the Rostoshinskoye field remain classified as contingent resources. The Darinskoye and Yuzhno-Gremyachinskoye licences were disposed of during 2020.

Management's estimate of reserves as at 31 December 2020 was audited by Ryder Scott. The audit covered volumes of reserves, production and discounted future net income prepared by management. Production and future net income were derived from a drilling and well intervention programme to extract the estimated Proven and Probable reserves at a long-term oil price of US$60 from 2022. This field development is dependent on the Group being able to both refinance its liabilities and maintain sufficient liquidity to fund such a programme. There is no guarantee that the Group will be able to achieve this, which could have a material impact on the Group's ability to develop the remaining Proven and Probable Reserves at Chinarevskoye.

In addition, the information provided does not take into account any restructuring or repayment of the Company's 2022 and 2025 bonds, nor does it take into account any short-term impact on the liquidity position of the Group as a result of fluctuations in the oil and dry gas prices.

Table 1 – Nostrum Reserves

	2020	2019
Total PDP	**27.7**	**43.4**
Total PUD/PDNP	1.3	10.9
Total 1P	**28.9**	**54.3**
Total Probable	10.1	83.8
Total 2P	**39.0**	**138.1**

The reduction in PDP reserves at 31 December 2020 includes production in 2020 of 8.1 mmboe.

Fluid	Unit	Proven producing	Non-producing & undeveloped	Total Proven	Probable	Total Proven and Probable
Oil/condensate	barrels	10,016,693	795,902	10,812,595	4,203,999	15,016,594
Plant products	barrels	3,470,875	130,960	3,601,835	1,072,012	4,673,847
Gas (after shrink)	mmcf	75,562	1,768	77,330	25,257	102,587
Gas (after shrink)	boe	14,185,940	331,926	14,517,866	4,741,742	19,259,608
Total	**boe**	**27,673,508**	**1,258,788**	**28,932,296**	**10,017,753**	**38,950,049**

Note: boe totals are management estimates using a conversion factor of 5.327 mcf/boe.

Table 2 – Comparison of reserves by reservoir 2020 versus 2019

	31 December 2019			31 December 2020			Change		
Reservoir	Proven, mmboe	Probable, mmboe	Total mmboe	Proven, mmboe	Probable, mmboe	Total mmboe	Proven, mmboe	Probable, mmboe	Total mmboe
Biyski/Afoninski NE	32.2	11.4	43.6	13.8	2.1	15.9	(18.4)	(9.3)	(27.7)
Biyski/Afoninski NW	0.0	10.9	10.9	0.0	0.0	0.0	0.0	(10.9)	(10.9)
Biyski/Afoninski West	0.0	35.7	35.7	0.0	0.0	0.0	0.0	(35.7)	(35.7)
Tournaisian NE – oil	12.9	3.5	16.4	8.7	2.2	10.9	(4.2)	(1.3)	(5.5)
Tournaisian NE – WI	0.0	5.8	5.8	0.0	1.1	1.1	0.0	(4.7)	(4.7)
Tournaisian South	1.4	0.0	1.4	0.9	0.2	1.1	(0.5)	0.2	(0.3)
Tournaisian West	0.2	0.0	0.2	0.1	0.0	0.1	(0.1)	0.0	(0.1)
Mullinski South	0.0	2.8	2.8	0.0	0.0	0.0	0.0	(2.8)	(2.8)
Mullinski North	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mullinski NE	0.7	4.0	4.7	0.3	0.1	0.4	(0.4)	(3.9)	(4.3)
Bashkirian NE & W	1.0	1.5	2.5	0.7	0.1	0.8	(0.3)	(1.4)	(1.7)
Ardatovski NE	4.0	5.2	9.2	2.8	2.0	4.8	(1.2)	(3.2)	(4.4)
Ardatovski S	0.0	0.0	0.0	0.2	0.0	0.2	0.2	0.0	0.2
Frasnian N	1.6	1.0	2.6	1.3	0.7	2.0	(0.3)	(0.3)	(0.6)
Filippovski	0.3	2.0	2.3	0.1	1.6	1.7	(0.2)	(0.4)	(0.6)
Chinarevskoye total	**54.3**	**83.8**	**138.1**	**28.9**	**10.1**	**39.0**	**(25.4)**	**(73.7)**	**(99.1)**
Rostoshinskoye	0	0	0	0	0	0	0	0	0
Total	**54.3**	**83.8**	**138.1**	**28.9**	**10.1**	**39.0**	**(25.4)**	**(73.7)**	**(99.1)**

Chinarevskoye field

The breakdown reservoir by reservoir, with comparison to the previous year, is given in Table 2. A summary of the well interventions programme is given in Table 3 on page 22.

Biyski-Afoninski North-East

There has been an overall reduction in 2P reserves of 27.7 mmboe from those disclosed in the Ryder Scott report of reserves as at 31 December 2019 (2019 Reserves Report). Production in 2020 was 4.9 mmboe. The remaining reduction is spread over both the Proven and Probable categories. The reserves estimates as at 31 December 2020 do not envisage any new wells or recompletions (2019: seven new wells and side-tracks and six rigless recompletions). This reflects a more cautious approach which takes into account the 2020 production history and a comparison of 2020 production to the results of a Schlumberger study conducted in 2019. Further drilling is no longer planned in this area because the production in 2020 indicates lower than expected gas volumes, consistent with Low Case Schlumberger models, and the recognition that three of the last four new wells in the Biyski-Afoninski North-East reservoir were unsuccessful and did not increase reserves. The Afoninski recompletions have been removed from the schedule, along with the reserves attributed to this activity, because it is considered that the entire Biyski-Afoninski is in dynamic communication and so these volumes will be produced from existing completions.

The 2019 Schlumberger study concluded that the potential of further infill drilling is limited, which corresponds with management's opinion of the low potential for further drilling.

The 2020 gas volumes were slightly lower than estimates made in 2019 whilst production indicates a slightly higher condensate volume. Due to uncertainty on condensate yields, some of this condensate was allocated to Probable Reserves in the 2019 Reserves Report.

Probable Developed volumes are attributed to existing producing wells, with lower declines interpreted.

Biyski-Afoninski West and North-West

The combined 2P volumes at 31 December 2019 of 46.6 mmboe have been entirely re-categorised from Probable Reserves to contingent resources as at 31 December 2020.

The 2019 Schlumberger study for the Biyski-Afoninski West concluded that, for a selection of well locations, there was a high degree of uncertainty in predicting the presence of fractures and good-quality reservoir. Management has reviewed the sub-surface risks and challenges in light of the downgrade of reserves in the Biyski-Afoninski North-East when compared to the range of scenarios in the 2019 Schlumberger study, as well as the specific 2019 Schlumberger report on Biyski-Afoninski West. As a result and taking into account the very limited success to date in developing these reservoirs, the Group will not commit to a full development programme until the ability to deliver a commercial well is demonstrated.

The planned appraisal programme recognises that successful and economic drilling and hydraulic fracturing techniques will need to be established to recover the volumes. A technical appraisal well is planned for 2023 to test the commercial viability of the reservoirs (2019: 13 wells across both accumulations). If this appraisal well is successful, some or all of the volumes from the 2019 Reserves Report could be reinstated as Proven Reserves to be realised through a suitable drill programme. However, no such programme has been included in the reserves' appraisal as at 31 December 2020.

Tournaisian North-East, West and South

The Tournaisian North-East has a total 2P of 12 mmboe (2019: 22 mmboe). In the Proven producing category, well performance overall has been satisfactory in 2020 and, benefiting from some additions and uplift from well interventions in 2020, is slightly ahead of the previous prediction. The planned workover recompletion of one well has been delayed until 2021 and is expected to be online from Q3 2021. The remaining two Proven Undeveloped production wells (one new well and one workover recompletion) are planned for 2024.

Probable Reserves have been reduced by the removal from the drilling plan of two new producer wells included in the 2019 Reserves Report. These wells have been removed because lower reservoir quality is now expected in the areas where they were planned.

A reduction in the Probable waterflood uplift to 1.2 mmboe has been derived based on recent well performance, and two workover recompletion candidates are planned for conversion to injectors in 2022 and 2024 respectively. An analysis of well performance indicates a positive effect and aligns with the Schlumberger Tournaisian North-East study. There is a total of 2.1 mmboe associated with PDP from the existing Tournaisian producers. There are no plans currently for drilling in the Tournaisian South and Tournaisian West reservoirs, consistent with prior years.

Mullinski North-East

PDP reserves remain for one well whilst the PDP volumes previously allocated to two other wells have been removed due to well interventions in 2020 which isolated the Mullinski. Some of the volumes removed might be reactivated with a suitable intervention programme but this is not planned in the estimation of the reserves as at 31 December 2020.

The former Probable Reserves have been re-categorised as contingent resources due to the reduction in realised hydrocarbon pricing rendering the drilling of new wells uneconomic based on the Type Well volumes developed in 2019.

Mullinski South

Further to a review of recent production data, a revised Type Well volume similar to the Mullinski North-East is now expected. Given the resulting poorer economics, the associated volumes of 2.8 mmboe were re-categorised as contingent resources and a former PUD well has been removed from the schedule.

Mullinski North

A small volume of PDP reserves remains attributed to one well. No further development is planned in this area.

Bashkirian North-East & West

PDP reserves remain for two wells produced via ESPs. The two former Probable new vertical wells proposed in Bashkirian North-East are no longer considered viable due to a review of recent performance which results in a lower Type Well volume which is uneconomic under the Group's current hydrocarbon pricing forecasts. This reflects the observed reservoir heterogeneity in this area and, hence, perceived risk. No suitable side-tracks or recompletions have been identified from the existing well stock to provide sufficient volumes within a timeframe before the expiry of the licence.

Ardatovski North-East and South

PDP volumes are associated with two current producers. One PUD side-track well remains in the schedule for the Ardatovski North-East reservoir in 2023.

No further development is planned for the Ardatovski South reservoir, which is unchanged from 2019 and limited to a minor amount of PDP from one well.

Frasnian North

Proven reserves are attributed to the existing well, with some contingent resources. Two PUD wells included in the 2019 Reserves Report have been removed at 31 December 2020 based on a technical review in late 2020 which indicates that the existing well will effectively drain the existing accumulation.

Filippovski

Eight low-cost workover recompletions have been identified for the Filippovski reservoir. These are planned to be carried out in 2021-2024.

Trident project

The Trident project now consists solely of Rostoshinskoye, which has contingent resources of 31.3 mmboe as at August 2020 (2019: contingent resources of 111.0 mmboe). The appraisal period has been prolonged for three years to 31 December 2022 and includes a commitment to drill one new well. No fieldwork was carried out in 2020 and no operational activities are planned for the field in 2021.

During 2020, the Darinskoye and Yuzhno-Gremyachinskoye licences, with combined contingent resources of 28 mmboe, were disposed of to a third party along with all associated liabilities.

Table 3 – Summary of the 31 December 2020 well programme supporting the reserves estimates compared to the previous year

	31 December 2019				31 December 2020			
Reservoir	Proven wells	Probable wells	Appraisal	Total	Proven wells	Probable wells	Appraisal	Total
Biyski/Afoninski NE	3	4	–	7	–	–	–	–
Biyski/Afoninski NW	–	3	–	3	–	–	–	–
Biyski/Afoninski West	–	10	–	10	–	–	1	1
Tournaisian NE – oil	4	2	–	6	3	–	–	3
Tournaisian NE – WI	–	2	–	2	–	2	–	2
Tournaisian South	–	–	–	–	–	–	–	–
Tournaisian West	–	–	–	–	–	–	–	–
Mullinski South	–	1	–	1	–	–	–	–
Mullinski North	–	–	–	–	–	–	–	–
Mullinski NE	–	5	–	5	–	–	–	–
Bashkirian NE & W	–	2	–	2	–	–	–	–
Ardatovski NE	–	2	–	2	–	1	–	1
Ardatovski S	–	–	–	–	1	–	–	1
Frasnian N	1	1	–	2	–	–	–	–
Filippovski	–	5	–	5	–	8	–	8
Appraisal (Bobrikovski and others)	–	–	–	–	–	–	5	5
CHN total	**8**	**37**	**-**	**45**	**4**	**11**	**6**	**21**
Rostoshinskoye	–	–	–	–	–	–	–	–
Grand total	**8**	**37**	**-**	**45**	**4**	**11**	**6**	**21**

2020 development

No drilling took place in 2020, as the Group decided to halt drilling in an effort to manage liquidity and to focus instead on lower cost and risk activities such as production maintenance and development via workovers and rigless recompletions.

The rig workover campaign in 2020 consisted of one intervention on a Tournaisian oil well. Rigless recompletions, additional perforations and acid stimulations were carried out on a number of oil, gas-condensate and water-injection wells.

The Group does not plan to resume drilling in 2021. However, a programme with one workover rig and associated equipment for low-cost rigless recompletions is planned in Q2 and Q3 2021 to contribute to the development of remaining reserves and appraise some horizons. The focus remains on efficiently utilising the workover rig and minimising costs where possible at the field site.

As noted in the review of reserves, extraction of the 2P volumes will require further interventions. More workover recompletions are planned in the period 2022 to 2024 with drilling planned to take place on Chinarevskoye from 2023. However, execution of the programme to recover the 2P reserves is dependent on the Group being able to both refinance its liabilities and maintain sufficient liquidity to fund such a programme. There is no guarantee that the Group will be able to achieve this, which could have a material impact on the Group's ability to develop the remaining Proven and Probable Reserves at Chinarevskoye.

As at 31 December 2020, the Company had 45 production wells in operation on the Chinarevskoye field.

Infrastructure

Demonstrating the value of our infrastructure

Over the last 15 years, we have built a world-class infrastructure hub that has allowed for the exploration and development of the Chinarevskoye field and can continue to support the production and sale of billions of cubic metres of gas in north-western Kazakhstan for years to come.

The core strategy for Nostrum to create value for its stakeholders is now to commercialise the investment made in its infrastructure. The focus is to fill the spare capacity with third-party hydrocarbons. The first step towards achieving this was made in 2018, when Nostrum entered into binding agreements to process third-party hydrocarbons starting in 2023 delivered by Ural Oil & Gas LLP from the Rozhkovskoye field, which is situated less than 20km from the Chinarevskoye field. Ural Oil & Gas LLP will fund the connection of existing wells at the Rozhkovskoye field to Nostrum's licence area. Thereafter, Nostrum will process all of the hydrocarbons coming into the field. Ural Oil & Gas LLP is a company owned by KazMunaiGas (KMG) (50%), Sinopec (27.5%) and MOL Group (MOL) (22.5%).

GTUs 1, 2 and 3

In 2019, Nostrum successfully completed and commissioned the third train (GTU 3) of its gas treatment facility. This third train has a capacity of 2.5 billion cubic metres per annum. The gas treatment facility now includes three gas treatment units which have the capacity to treat 4.2 billion cubic metres of raw gas per annum. The gas treatment facility is equipped with its own gas-driven power generation system with a maximum output of 15 megawatts, which is linked to the major power generation plant.

Oil treatment facility

The oil treatment facility (OTF) has a maximum throughput capacity of 400,000 tonnes per annum. The OTF associated infrastructure includes a gas-lift facility that was commissioned in 2015 and a liquid hydrocarbons pumping station transferring crude oil and stabilised condensate via the liquids pipeline to the rail loading terminal.

Raw gas processing infrastructure

The gas treatment facility (GTF) is designed to treat raw gas from gas condensate reservoirs (and the associated gas coming from the OTF) into condensate, LPG and dry gas. The GTF's associated infrastructure includes a power generation station, an LPG storage tank farm, an LPG loading facility at the rail terminal, LPG railcars and a 17km dry gas pipeline.

Power generation plant

The gas-fired power generation plant is linked to the gas treatment facility and has an output of 26 megawatts. The generation capacity of the plant is sufficient to meet the existing and anticipated energy needs of the field site and associated operations.

Gas pipeline

Nostrum has its own 17km gas pipeline which is linked to the Orenburg-Novopskov gas pipeline. Our own pipeline has a capacity sufficient to transport all of our volumes even when our gas plants are at full capacity.

Liquids pipeline

Nostrum has its own 120km liquids pipeline that runs from the field site to the Company's rail loading terminal in Uralsk. The pipeline has a maximum annual throughput capacity of over three million tonnes.

Rail loading terminal

Nostrum has its own automated rail loading terminal in the city of Uralsk that receives all domestic crude oil and export condensate produced by Zhaikmunai, and has a capacity of approximately four million tonnes of crude oil and condensate per annum.

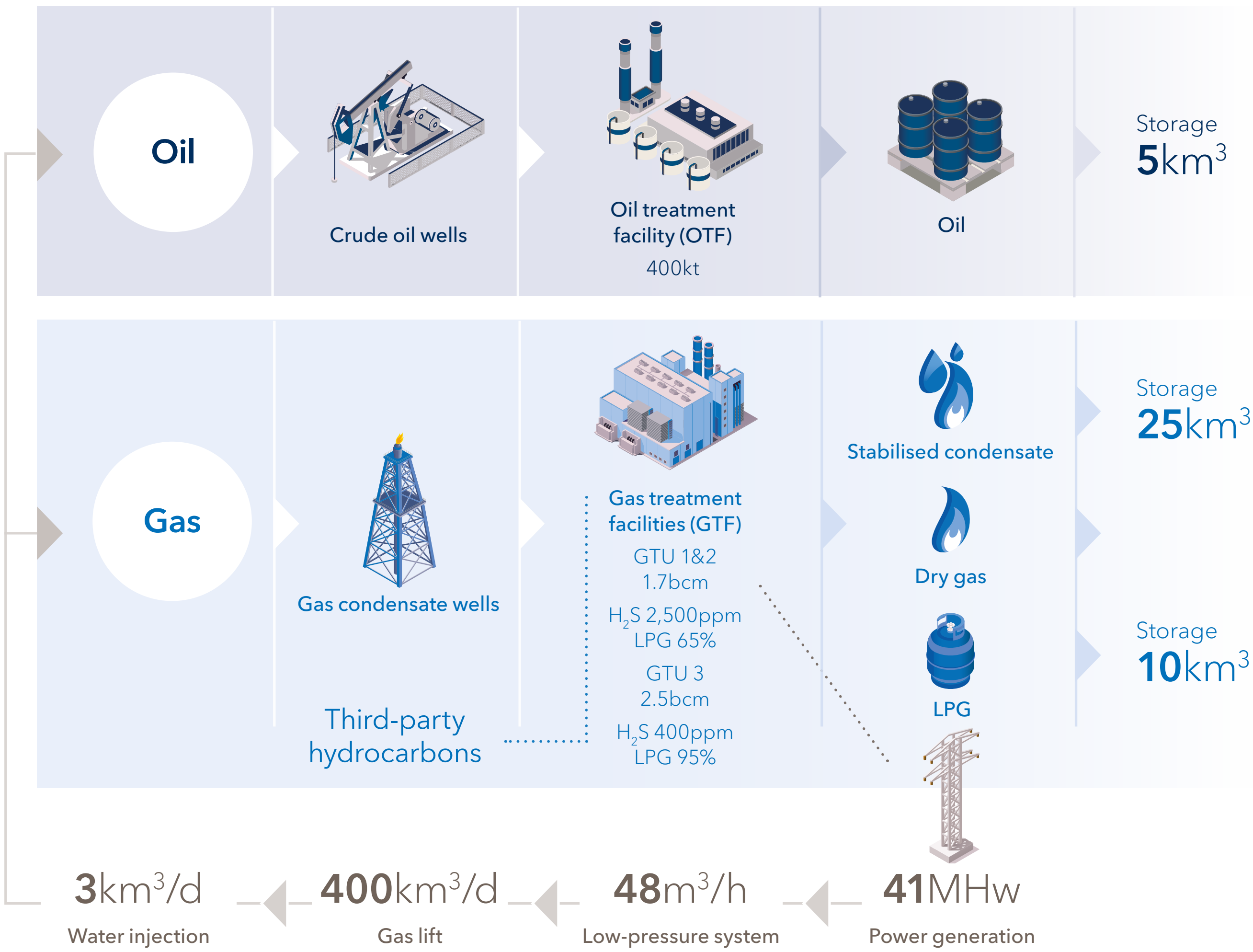
Storage facilities
Nostrum has over 35,000 cubic metres of storage capacity for liquids at its field site and rail loading terminal.

KTO pipeline connection
Nostrum has constructed a secondary crude oil pipeline to enable export sales via the Atyrau-Samara international export pipeline operated by KazTransOil (KTO). The KTO pipeline has enhanced the Company's ability to manage crude oil netbacks through the commodity cycle.

Low-pressure system
In order to stabilise the decline of some of the older producing wells, Nostrum commissioned a low-pressure system (LPS) in Q4 2018. There are now 20 wells linked up to the low-pressure system after an extension was completed in Q4 2020, providing an additional 12,000 standard cubic metres per hour of gas compression and 48,000 standard cubic metres per hour in total. The aim of the LPS system is to reduce the decline rates of ageing gas condensate reservoirs and prolong the run-life of wells through increasing the inlet pressure of the main manifold at the GTF from 10 to 42 bar.

Rozhkovskoye field
The pre-salt Rozhkovskoye gas condensate field was discovered in 2008 on the Fedorovsky exploration block by Ural Oil & Gas LLP. The field has broadly analogous geology to the Chinarevskoye field which sits approximately 20km to the north. Rozhkovskoye's primary Tournaisian (Lower Carboniferous) reservoir tested positive for gas-condensate in all nine exploration and appraisal wells drilled by Ural Oil & Gas LLP. The Tournaisian consists of shallow marine limestone at 4,200-4,600 metres. The Bobrikovski horizon (Lower Carboniferous) also contains gas-condensate. In 2014, an oil discovery was announced in the Bashkirian (Upper Carboniferous). In April 2015, Ural Oil & Gas LLP signed a 25-year production contract for the Rozhkovskoye field, demonstrating a commitment to developing its licence area.

Additional third-party volumes
Nostrum is focused on entering into additional agreements which can fill all the remaining capacity at its gas treatment facility. Nostrum is working with counterparties to secure a long-term stream of raw gas from which it can generate significant revenues. Without any additional third-party gas coming through Nostrum's facilities, it will be extremely challenging to repay or refinance these liabilities.



Tight financial discipline and responsible, safe operations

Financial KPIs

Whilst Nostrum has successfully built infrastructure and produced over 100m boe from the Chinarevskoye field, it has incurred substantial debts of over US$1bn and has faced declining production from its producing field. Together with the drop in oil and gas prices experienced in 2020, this has led the Group to reinforce its tight financial discipline to maintain liquidity and safeguard our core business.

CASH AT THE YEAR END (US$M)

US$**78.6**m

2020	78.6[1]
2019	93.9
2018	121.8
2017	127.0
2016	101.1

OPERATING COSTS PER BOE (US$ PER BOE)

US$/boe**3.91**

2020	3.91
2019	3.98
2018	4.37
2017	3.93
2016	3.43

Operating costs per boe are calculated as cost of sales minus DD&A plus/minus inventory adjustment, divided by production volumes.

G&A COSTS PER BOE (US$ PER BOE)

US$/boe**1.72**

2020	1.72
2019	1.86
2018	1.78
2017	2.17
2016	2.21

G&A costs per boe are calculated as general and administrative costs minus DD&A, divided by production volumes.

SELLING AND TRANSPORTATION COSTS PER BOE (US$ PER BOE)

US$/boe**3.57**

2020	3.57
2019	4.25
2018	4.64
2017	4.82
2016	5.37

Selling and transportation costs per boe are calculated as selling and transportation costs minus DD&A, divided by sales volumes.

1. Excludes US$12.9 million cash placed into a restricted account under the Forbearance Agreement with bondholders.

Non-financial KPIs

Performing responsibly and safely is integral to our strategy and to the sustainability of our business. We believe that long-term value comes from seeing success as a part of a bigger picture, encompassing people and the environment.

We have set ourselves specific non-financial KPIs to track our progress, as we believe this to be the best way to monitor our achievements in relation to environmental, social and governance matters. Currently there are no KPIs related to corporate governance. No other environmental KPIs were set.

SALES VOLUMES (BOEPD)

21,514boepd

2020	21,514
2019	26,671
2018	29,516
2017	37,844
2016	39,043

HAZARD OBSERVATION CARDS (UNITS)

665units

2020	665
2019	216
2018	0[1]
2017	0[1]
2016	0[1]

ROAD TRAFFIC INCIDENT FREQUENCY (INCIDENTS[2])

0.72

2020	0.72
2019	0.72
2018	0.80
2017	1.86
2016	2.80

LOST TIME INJURY FREQUENCY (INCIDENTS[3])

0.84

2020	0.84
2019	1.39
2018	1.05
2017	2.48
2016	1.99

TOTAL GREENHOUSE GAS EMISSIONS (tCO_2e)

188tCO_2e

2020	188
2019	223
2018	255
2017	255
2016	228

1. Hazard Observation Card initiative introduced in 2019.
2. Per million km driven.
3. Per million hours.

Bond restructuring

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

In May 2020 the Group appointed Rothschild & Cie as financial advisers and White & Case as legal advisers to assist in the restructuring of the Notes. PJT Partners (UK) Limited were appointed as financial advisers and Akin Gump Strauss Hauer & Feld as legal advisers to an informal ad-hoc noteholder group (AHG).

On 24 July 2020, the Group announced that it planned to utilise the applicable grace periods for the interest payments due on 25 July and 16 August 2020 with respect to the Notes. The 30-day grace period was to allow the Company to continue active discussions with the financial and legal advisers of the AHG with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments.

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

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021. The extensions were to provide time for a final agreement to be reached with shareholders and bondholders.

Pursuant to the Forbearance Agreement, members of the AHG have agreed to forbear from the exercise of certain rights and remedies that they have under the indentures governing the Notes. The agreed forbearances include agreeing

not to accelerate the Notes' obligations as a result of the missed interest payments (or the next missed interest periods if they occur prior to the expiry of the Forbearance Agreement).

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments has been paid. Within 21 days of the effective date of the Forbearance Agreement an amount equal to 30% of the missed interest payments, equating to US$12,900,000, was transferred into the secured account. The amount in the secured accounts was increased by a further transfer of 17.50% of the missed interest payments, equating to US$7,525,000, 180 days after the effective date of the Forbearance Agreement. This transfer was made subsequent to the year end. The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level. At the date of this Annual Report, the full amount of US$20,425,000 required by the Forbearance Agreement has been transferred into the secured account along with a further supplemental amount of US$1,116,990 as discussed below;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisers on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisers of the AHG.

Holders of an aggregate principal amount of US$361,215,000 of the 2022 Notes and holders of an aggregate principal amount of US$191,258,000 of the 2025 Notes signed the Forbearance Agreement.

The Company agreed to pay, or procure the payment by the issuer of, certain consent fees in cash (Consent Fee) to each forbearing holder. The Consent Fees were payable by reference to the total aggregate principal amount of the Notes outstanding. The first Consent Fee was 29.7866 basis points, equating to US$3,350,992, paid on 19 November 2020. The second consent fee, for 19.8577 bps and totalling US$2,233,991 was paid on 22 December 2020. The final consent fee, for 9.9288 bps and equating to US$1,116,990 was paid subsequent to the year end on 22 February 2021.

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

Whilst the Group remains confident that agreement can be reached, the results of the discussions with bondholders to restructure the Group's debt have not yet concluded and so the outcome is uncertain and outside the Group's control. In addition, should agreement be reached with bondholders, the Group may need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan.

Should the Group be unable to successfully restructure its bonds to a sustainable level then at the end of the forbearance period the bondholders may seek to enforce their rights under the bond indentures. Furthermore, if agreement is reached with the bondholders but the Group is unable to obtain the necessary permissions and waivers, then the agreement with bondholders may not be implementable.

In either of these events, there would be significant doubt as to the Group's ability to continue in operation for a period of not less than 12 months from the date of this report and to continue in operation and meet its liabilities due in July 2022.

Pivoting towards growth

Pivoting towards growth and transitioning into a multi-asset energy company will require tremendous focus and resources."

Under great leadership Nostrum has journeyed successfully through a difficult period over the last two years and is now well positioned as an operator to start executing again to realise the enormous growth opportunities afforded by its strategic location in north-west Kazakhstan.

Q. How have you found your first months as Chief Executive Officer?

A. I have met incredible people at Nostrum. Always professional, demonstrating great integrity and resilience, they helped navigate the Group towards stability, operationally and financially, whilst ensuring best-in-class safety performance. Although the ongoing bond restructuring requires significant attention, the excellence in operational delivery continues without skipping a beat. The team in Uralsk is seasoned, close-knit and well-integrated across critical disciplines. Everyone from the Board down has welcomed me with open arms and helped me to quickly assimilate all aspects of our business. I feel so very fortunate to be joining the team at this pivotal moment as we chart a new course together to shape our future.

Q. What will you bring to the role?

A. Nostrum has done what needed to be done to safeguard its core business, through streamlining operations and prioritising reducing costs. Together with the proposed robust bond restructuring, the Company has laid down a solid foundation to build from. Reshaping its future trajectory aligned with the growth agenda now requires strengthening of the skills and capabilities of the organisation in areas that will be mission-critical, whilst leveraging fully our seasoned expertise in project execution and production operations.

We can also be certain that delivering a competitive return to our shareholders will be strongly influenced by the quality of our strategic and commercial actions that are supported with optimal stakeholder alignment. Although our agility as an independent operator adds to our competitive advantage, in this region that is dominated by the International and National oil companies, to succeed, we must also have the skills to collaborate with the larger operators. My background fits well here, as I have spent many years operating within major oil and gas businesses, and over the last decade have led similar transformational changes in both start-up organisations and small to medium E&P independents. I have a track record of success predicated on the ability to integrate across diverse cultures, disciplines, functions and businesses, yielding optimal results in environments of rapid scale-up, start-up, and commercial realignment.

Q. What do you see as the key challenges in the coming few years?

A. Pivoting towards growth and transitioning into a multi-asset energy company will require tremendous focus and resources. Our existing world-class infrastructure and spare operational capacity can be monetised further immediately with nearby material opportunities such as processing and handling of Ural Oil & Gas LLP's production. We are continuing to mature our assessment of the Stepnoy Leopard licences for acquisition and development and expect to reach a decision on the way forward soon. There are also a number of additional area-wide opportunities under review that will serve to strengthen our upstream and midstream portfolio in the coming years.

Our success in the near term depends on the following must-wins:

- Continuing to deliver on our HSE performance and local content development commitments;
- Stabilising Nostrum through negotiating a sustainable restructuring arrangement supported by our stakeholders that also leaves sufficient headroom for raising further capital for our growth projects, as required;
- Safeguarding the base business and its liquidity by continuing to optimise production and cost efficiencies;
- Maximising output from the producing asset and adding to PDP by exploiting low-cost-per-barrel, high-confidence infill opportunities with best-in-class well and reservoir management; and
- Delivering on our promises and restoring investor confidence.

Q. How do you assess Nostrum's financial position?

A. There has been a lot of good work in 2020 to move our cost base from that of an active E&P company to one more aligned with a mid stream processing operation. The job is not done yet; I think that you can always make improvements in efficiency and effectiveness and so in some respects the job is never done. However, we are in a good position in terms of managing our pre-financing-costs cash flow.

Regarding the debt, we are progressing well with the bond restructuring. I am optimistic that we will achieve a good and sustainable outcome for the bondholders, shareholders, the Group and our operating base in north-west Kazakhstan.

Q. What is your position on ESG issues and how did Nostrum deliver against its commitments in 2020?

A. Our industry is rapidly graduating from the catch-all concept of sustainable development to a more specific rubric of ESG with its three pillars of environmental, social, and governance. That can be measured more precisely and benchmarked against international standards or agreements such as the Paris Agreement on climate change. Further, access to capital markets is being increasingly linked to ESG performance.

We have a good starting point given our clean-energy-focused infrastructure. We will be conducting feasibility work in "clean tech" related to carbon capture as well as exploring opportunities to collaborate with the majors on their ESG initiatives across the north-west Kazakhstan region.

The Group made its 2019 CDP climate change submission in August 2020 and was graded "C" for the second consecutive year. Our 2021 programme builds on the significant strides made in 2020 in reducing our CO_2 emissions to 40% below the state-mandated limits. At Nostrum, we are proud to engage a diverse workforce and will also take further steps towards promoting gender diversity and local content development.

Arfan Khan
Chief Executive Officer

A strategy for the future

Our purpose

To work as a close-knit and well-integrated team across all disciplines to deliver excellence across the whole of our value chain.

Our vision

To add value to the region through the utilisation of our state-of-the-art infrastructure hub.

Our values

We are trustworthy and reliable, take our corporate, social and ecological responsibilities extremely seriously, and are dedicated to the health, safety and wellbeing of our employees.

Strategic pillars	2021 priorities
DELIVERING • On our strategies to commercialise the spare capacity in our world-class gas processing facilities; • A comprehensive and cohesive environmental, social and governance performance; and • On our promises so that we restore investor confidence.	• Advance ongoing discussions with third parties interested in supplying raw gas to take advantage of the Group's spare capacity. • Ensure the safety of employees, contractors and the environment. • Continue roll-out of "Golden Rules". • Implement contractor management framework.
OPTIMISING production and cost efficiencies to safeguard both our base business and liquidity. We also seek to optimise our ability to operate successfully in the future through completing a sustainable restructuring arrangement supported by our stakeholders that leaves sufficient headroom for raising further capital for our growth projects.	• Compete the restructuring of the Group's debt to a sustainable level that will enable Nostrum to achieve its full potential. • Continue to challenge costs whilst pivoting towards growth and transitioning into a multi-asset energy company.
MAXIMISING output from the Chinarevskoye field and adding Proved Developed Producing reserves by exploiting the current low cost per barrel, high-confidence infill opportunities through best-in-class well and reservoir management.	• Utilise workover rigs and other technologies to manage existing production decline in a cost-effective way. • Continue studies to identify viable technologies to mitigate sub-surface risks for future drilling planning.

KPIs	Risks	Forecasts, objectives and prospects for 2021-2023
• Conclude commercial processing contracts. • Total recordable injury frequency. • Lost time injury frequency. • Greenhouse gas emissions.	• Ongoing negotiations with various counterparties are complex and commercially sensitive, and there can be no certainty that agreement will be reached. • Legal framework for environmental protection and operational safety still being developed in Kazakhstan. • Impact of equipment failure.	• Execute binding commercial contracts to fill the Group's spare gas processing capacity with third-party volumes. • Improve contractor safety management. • Improve Supervisor HSE competence.
• G&A below US$11 million. • Operating costs below US$32 million.	• Sustained higher prices can lead to cost inflation in Kazakhstan. • Continued COVID-19 restrictions may impact operations. • Restructuring charges may offset effect of some cost reductions. • Further spend on reservoir assessment might be needed.	• Manage cash resources to ensure that the Company can continue to operate at the levels required to achieve its objectives.
• Maximise uptime of existing wells and production facilities.	• At low production levels, unexpected sub-surface events could severely impact the Group's operating cash flow forecast.	• Reduce decline rates in existing producing wells. • Identify technologies to increase well productivity and reduce sub-surface risk for future drilling programmes at Chinarevskoye.

▶ See KPIs section on p.26

▶ See Risk Management section on p.50

Understanding our stakeholders

Established relationships with our stakeholders are essential for the long-term success of our business. We engage by sharing information about our activities and discussing with them their interests and concerns.

Section 172(1) statement

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act and to have regard for the interests of the Company's employees and other stakeholders, including the impact of the Company's activities on the community and the environment, when making decisions at Board level. The Directors, acting fairly between members, and acting in good faith, consider what is most likely to promote the success of the Company for its members in the long term.

Read more about our governance on pages 66 – 101.

Read more about delivering our responsible business practices on pages 36 – 49.

Key stakeholders

Workforce

The Group had a workforce of 546 full-time employees at 31 December 2020, the majority based in Kazakhstan and of whom over 93% were Kazakhstan nationals.

Investors

Investors and bondholders have provided some of the financing required for the construction of the Group's infrastructure.

Local communities

Nostrum co-exists with diverse communities in Kazakhstan, and we try to strengthen community engagement and promote long-term development in the areas immediately surrounding our operations.

Suppliers and contractors

We are committed to building sustainable relationships with our suppliers, contractors and customers.

Governments and regulators

Governments and regulators set the framework within which we operate and changes to policies, regulations, legislation and personnel can have major impacts on the Group's business.

Why we engage	How we engage
• The physical and mental wellbeing of our employees is essential to the continued safe operation of our Group. • COVID-19 required that we introduce urgent measures to ensure that our employees remained safe.	• Regular PCR and daily thermometry testing was introduced in April 2020 for all employees and contractors working at our field sites. Our London office introduced remote working in March 2020 and Uralsk has been working at 50% occupancy. • Sir Christopher Codrington is the designated Non-Executive Director for workforce engagement and although COVID-19 has meant that face-to-face meetings have not been possible, the email address to which all employees can send issues and concerns has remained operational.
• Shareholders and bondholders have seen their investment in Nostrum reduce in recent years as a result of the disappointing results from successive drilling programmes. Engagement with our stakeholders, including minority shareholders, is crucial for their understanding of Nostrum's plans to monetise the infrastructures. • In addition, further financing will be required if Nostrum is to be successful in those plans.	• In early 2020, the Board started discussions with advisers, an informal ad-hoc noteholder group and various shareholders with a view to restructuring our bonds. Those discussions are continuing into 2021. • Contact with shareholders, including minority shareholders, investors and analysts was maintained through our web page. Our registrars, Link Assets Services, has a team that responds to shareholders' technical queries. • Company news is shared via our website and the London Stock Exchange's Regulatory News Service. Each of our quarterly, half-yearly and annual financial results are accompanied by a conference call with Nostrum's senior management. • Financial reports and extensive other shareholder information, including Russian translations of all press releases, are available on our website. • Our Annual General Meeting provides an opportunity for all shareholders, including minority shareholders, to ask questions of the Board.
• To successfully co-exist with the communities within which Nostrum operates, we need to understand what is important to them and how we are able to contribute.	• Given our financial situation throughout 2020 we were restricted in the assistance that we could provide. However, when we were able, Nostrum did provide support, such as snow-clearing facilities to support remote communities in winter, assistance to repair community infrastructure damaged by accidents and transport for rural children to participate in excursions. • Construction was started on a training facility that will be used not only to educate Nostrum employees but also members of the local community.
• Our suppliers must meet high safety, legal and ethical standards. • The collapse of the oil price and the impact of COVID-19 meant that we needed to introduce urgent measures in early 2020 to manage our costs and maintain our liquidity. We recognise our role as a leading contributor to the local and national economy and so we also recognised that our measures would impact that contribution.	• Throughout 2020 we have held meetings with all our main suppliers to find a mutually acceptable path to help stabilise the Group's financial position whilst at the same time ensuring that the local suppliers were able to continue to operate with an acceptable margin, and so support local employment. • The Health, Safety, Environment and Communities Committee has continued to monitor contractor safely audits and incident reports to ensure that lessons are learnt and preventative actions taken.
• A number of the Board's decisions require careful consideration of governmental and/or regulatory issues. • We pay substantial amounts of taxes and social contributions.	• Formal and informal discussions are held on a regular basis with local and national government, regulatory and tax officials and ministers across a variety of levels within Nostrum. In this way we can be aware of and responsive to proposed changes in legislation or the interpretation of existing laws and regulations.

Operating in a sustainable and ethical manner

Nostrum recognises its ongoing responsibility to operate in a sustainable and ethical manner for the benefit of the local community, all our stakeholders and the environment.

Our approach to sustainability

Corporate and social responsibility are integral to all that we do. We are all committed to the safety of our employees. We strive to develop business and technical skills to ensure excellence across our value chain whilst keeping risks to a minimum and ensuring that our commitment to minimising any harmful emissions is always at the forefront of discussions.

Throughout 2020, we continued integrating sustainability and social responsibility into our governance structure through the Health, Safety, Environment and Communities Committee of the Board. Our focus comprises five pillars: HSE leadership; rigorous incident investigation; process safety and asset integrity; contractor HSE management; and environment and climate change, including a commitment to reduce GHG emissions. Each of these pillars is underpinned by rigorous corporate governance and sustainable and responsible operations that always take into account the communities and environments in which we operate.

Nostrum adheres to internationally recognised health, safety and environmental standards and seeks to comply with the ISO 14001, ISO 50001 and ISO 45001 Occupational Health and Safety Standards.

Sustainability focus areas

Health and safety

Read more on pages 38 - 40

Our people

Read more on pages 41 - 42

Social responsibility

Read more on pages 43 - 44

Environment

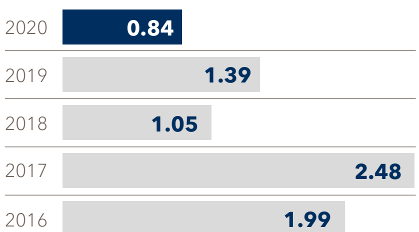
Read more on pages 45 - 47

Hazard Observation Cards

In line with redrafting our "Golden Rules" in 2019, we introduced Hazard Observation Cards and requested employees and contractors to report any unsafe conditions observed in the workplace. This helps to ensure that our employees and contractors are mindful of safe working conditions at all times and that we continuously improve the safety of the environment in which we operate. In the first year, 216 cards were filled out by employees and contractors, which enabled us to make the working environment safer. In 2020, the total number of cards filled out increased to 665. Hazard Observation Cards are now an established process to ensure that all those working at or visiting our facilities return home safely.

LOST TIME INJURY FREQUENCY
(INCIDENTS[1])

0.84



3.4 million
man-hours worked

1. Per million hours.

UN Sustainable Development Goals

Nostrum's approach to sustainability is guided by the 17 UN Sustainable Development Goals (SDGs) which aim to end poverty and reduce inequality while addressing climate change and environmental preservation. They are an important focus for Nostrum as they assist the Company in prioritising sustainable development matters and aligning our business strategy with these global challenges.

For more information, please see https://sustainabledevelopment.un.org

Health and safety

The wellbeing of employees and contractors is of paramount importance to Nostrum, and we promote an active health and safety culture within the Company. QHSE training and procedures are rigorous and are promoted to an international standard.

COVID-19

A significant amount of effort was spent during 2020 on reducing the risk of COVID-19 infection and to comply with governmental notices. All employees were provided with masks, gloves and antiseptic and 50% of office staff were transferred to remote, online work patterns. Regular quartz treatments with UV lamps were conducted in the main office in Uralsk and the field offices. All staff working on a rotational basis were given a pre-shift PCR test with daily thermometry before the start of work each day, and medical staff were provided with protective coveralls.

Further details of Nostrum's approach to providing a safe work environment for employees and contractors are on page 39.

Incident rates and investigation

There were two lost time injury (LTIs) and three road traffic incidents registered in 2020. The last LTI occurred on 25 April 2020. Incidents are investigated, the main causes identified and corrective action plans developed.

In 2020, the Company's LTI rate (LTIR) achieved was 0.8 per million man-hours worked, against a target of 1.5.

The Group's activities are potentially hazardous and can lead to occupational diseases. We are pleased to report that in 2020 there were only two LTIs (2019: eight) involving employees and contractors working on site.

In line with our health and safety procedures, all incidents are investigated, their causes identified and corrective action plans developed. The accident severity rate, the fatality frequency rate, the rate of occupational diseases, the lost day rate, the absenteeism and rate, and the number of on-job accidents with fatalities that occurred in the Group were not recorded separately to LTIs or total recordable incidents (TRIs). The number of LTIs and TRIs were:

	2018	2019	2020
LTI cases Nostrum	1	0	**1**
LTI cases Contractors	8	8	**1**
TRI cases Nostrum	3	4	**4**
TRI cases Contractors	19	13	**3**
Totals	31	25	**9**

The LTIR for 2020 was 0.8 incidents per million man-hours. In 2020, Nostrum's LTI occurred in Kazakhstan and involved a male employee.

The TRI rate for 2020 was 3.8 incidents per million man-hours. All of Nostrum's TRIs occurred in Kazakhstan and involved one woman and three men.

All of our contractors' LTIs and TRIs occurred in Kazkhstan. The gender of those involved was not recorded.

An updated contractor management framework was developed and implemented in 2020. COVID-19 restricted our audit activity but we conducted two contractor HSE management system and two internal management system audits in 2020 (2019: four contractor HSE audits and nine internal management system audits), demonstrating our ongoing commitment to improved contractor management.

There were no fires in 2020. The Company complies with all relevant fire safety regulations, including as to the number and type of fire extinguishers.

There are no formal agreements with trade unions involving health and safety issues.

Progress against 2020 initiatives

Despite the amount of time spent on COVID-19-related activities, a number of initiatives planned for 2020 were completed.

Contractor HSE selection and performance management

A contractor HSE performance management process with a periodic tracking of contractors' HSE performance was implemented during 2020, including a structured and consistent approach to considering HSE requirements in the selection process of potential contractors.

Contractor HSE performance is managed by identifying and mitigating risks, setting HSE performance criteria, monitoring and reporting HSE performance, and subsequently using this information for continuous development and feedback into the process of contractor selection.

Nostrum co-ordinates its procurement processes with its contractors in order to identify hazards and to assess and control the HSE risks arising from:

a) Any contractor activities and operations that impact the organisation;

b) Any organisational activities and operations that impact contractors' workers;

c) Any contractor activities and operations that impact other interested parties in the workplace.

This activity is designed to:

- Determine the HSE criteria for contractor selection at the pre-qualification stage before tender;
- Determine how to communicate Nostrum's HSE requirements to contractors;
- Minimise incidents occurring due to non-compliance with HSE requirements; and
- Ensure continued contractors HSE performance management by contractors.

The strategy for the management of contractors' HSE performance is designed to identify the required internal management measures at each stage of the contract life cycle, to ensure that contractor HSE performance is maximised throughout the execution of work for Nostrum.

In-house HSE training and examination process

During 2020, Nostrum introduced an in-house HSE training and examination process designed to improve the HSE competencies of both Nostrum and contract personnel performing safety-critical activities. To facilitate this, Nostrum acquired an industrial safety accreditation which allows the Group to conduct in-house HSE training and examination in areas such as industrial and labour safety.

HSE leadership, communication and awareness

Communication and awareness

In addition to the 2020 initiatives outlined above, Nostrum also introduced the following leadership, communication and awareness initiatives:

- A pop-up window appears on computer screens at first log-in each day with safety notifications from the QHSE department;
- HSE posters have been printed and published at all locations; and
- Monthly QHSE reports are issued to communicate HSE performance.

Our response to COVID-19

COVID-19 demanded a lot of attention during 2020. We registered our first positive case within the employee base in Uralsk in June 2020; however since then infections have remained at a comparatively low level despite western Kazakhstan being designated a red zone at various times during 2020.

Our primary focus was, and will remain, to safeguard our employees and contractors, reduce the risk of contagion from and distribution of the virus and to comply with governmental legislation. In particular:

- All employees were provided with masks, gloves and antiseptic;
- Medical staff were provided with protective coveralls;
- Regular quartz treatment with UV lamps was undertaken in main offices in Uralsk and in the field offices;
- Pre-shift PCR testing was carried out for all staff working on a rotational basis;
- Daily temperature checks were taken before starting work; and
- Attendance of office staff in Uralsk was reduced to 50% at any one time and staff were transferred to an online work pattern. Our London-based staff have been working from home since March 2020 and will remain so until the UK Government lifts restrictions on gatherings indoors.

Non-essential events were postponed, such as our Contractor Safety Forum. Other activities, such as contractor audits, were significantly curtailed. However, as at the date of this report, no employee or production has been lost because of COVID-19.

A vaccination programme, primarily using the Sputnik V vaccine, has started in Kazakhstan. However, it may be some time before a sufficient proportion of the population has been vaccinated and the situation stabilises. Until that time, all preventative measures will remain in place.

Health and safety continued

Process safety

In 2020, there were no Tier 1 or Tier 2 process safety events registered at Nostrum's production facilities. As defined by the American Petroleum Institute, a Tier 1 and 2 safety incident would be an unplanned or uncontrolled release of any materials, including non-toxic and non-flammable materials, from a process, that results in one or more of the following consequences:

- An employee, contractor or subcontractor incurs days away from work, injury and/or fatality;
- A hospital admission and/or fatality of a third party;
- An officially declared community evacuation or community shelter put in place, including precautionary community evacuation or community shelter in place;
- Fire or explosion damage of at least US$100,000.

The selection of appropriate maintenance strategies, and the classification of equipment as critical or non-critical, is based on the impact that equipment failure has on related risk. This enables maintenance to be prioritised in the event of a shortage of resources and allows reporting against critical systems.

Safety Critical Elements are devices, equipment or systems that are required to ensure process conditions are maintained within safe operating limits, or the purpose of which is to prevent malfunctioning.

2021 targets and initiatives

LTIR of no more than 1.3 per million man hours worked and Road Traffic Accidents of no more than 0.8 incidents per million km driven.

At least 600 Hazard Observation Cards to be issued of which at least 500 should be issued by more than 50% of Nostrum employees and at least 100 cards by the four largest Nostrum contractors by contract value.

Maximum of 200,000 tonnes of CO_2 emissions.

Verification that the incident investigation procedure was applied to all incident investigations in 2020. Procedure to be updated and re-issued if required as a result of the review findings.

Establish contract HSE management plan for all new services contracts with a value in excess of US$100,000 per annum.

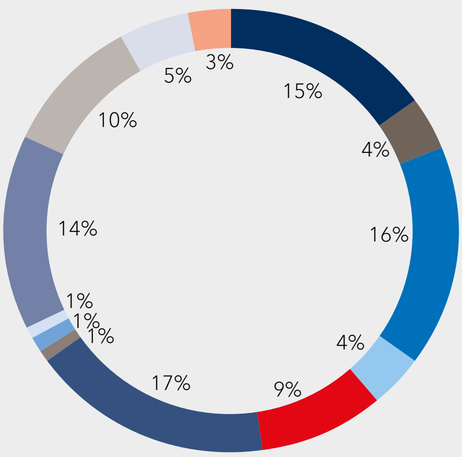
Implement the vessel inspection programme in 2021 and develop a new vessel inspection programme for 2022 and 2023.

Installation of air pollutant and GHG emission sensors and systems to enable real-time measurement and monitoring of GHGs in exhaust fumes from major emission sources in the Chinarevskoye field.

Participate in CDP questionnaire and aim for "C" level evaluation score.

Increase female representation in the workforce from the current 23% at Group level.

2020 HAZARD OBSERVATION CARDS – AREAS OF OPERATION ADDRESSED



Fire safety	15%
PPE	4%
Safe systems of work	16%
Electrical safety	4%
Housekeeping	9%
Process safety	17%
Working at height	1%
HSE competence	1%
H2S	1%
Health & hygiene	14%
Road safety	10%
Environment	5%
Emergency response	3%

Our people

Nostrum is proud to engage a diverse workforce. The Nostrum Code of Conduct protects all employees and contractors against illegal discrimination on the basis of race, religion, national origin, age, gender, disability, sexual orientation or political opinion.

Diversity

Whilst we are encouraged by our diversity at Board and department head levels, we do recognise that diversity remains an ongoing issue in the oil and gas industry, particularly with regard to gender diversity. We strive to be an attractive place to work with an inclusive environment that celebrates diversity. Nostrum is committed to improving the gender balance at all levels of the Company and we engage with interest groups to better understand how we might do this. Additionally, Nostrum has for several years adopted a corporate Equality and Diversity Policy to further support these ambitions. At the end of 2020, 23% (2019: 22%) of Group employees based in Kazakhstan were female. In the UK, 20% of employees were female (2019: 47%).

The Board recognises the importance of continued improvement in this area and is committed to giving due regard to the benefits of diversity in our future appointments, including ensuring Kazakh nationals are properly represented at senior levels of the Company. Currently 24% of employees at department head level are female (2019: 22%).

Our Human Resources department is working towards a policy of promotion from within and building a pipeline of diverse employees at all levels of the business. Unfortunately, in 2020 only 7% of Group recruitment was female. There were no recorded discrimination incidents raised by any of the Group's employees in 2020.

In 2020, nine employees (all female) took maternity leave and 14 employees (13 females and one male) returned from maternity/paternity leave.

Employee relations and social guarantees

Nostrum prides itself on being an integral community partner and is one of the largest employers in western Kazakhstan, with 97% of Group employees engaged locally. At 31 December 2020, a total of 564 staff from 15 countries, broken down by gender as follows (data by age group was not recorded):

- Uralsk: 422 males, 125 females;
- London: 8 males, 2 females;
- Brussels: 3 males, 2 females;
- Almaty: 1 male, 1 female.

We offer all staff members competitive benefits and remuneration packages in compliance with all regulatory bodies, guidelines and requirements, which (to the extent applicable) are also applied to those hired as temporary or part-time employees. In 2020 the average monthly salary of locally engaged employees increased by 7.6% in KZT.

In an effort to promote gender equality, we will now also monitor gender pay discrepancies. In 2020, the average Group employee salary was 63% higher for males and the median employee salary was 8% higher for males. Age group, category and workplace data was not recorded.

Education and training

We believe investing in our people is key to economic self-empowerment in the communities in which we operate. Under the terms of the PSA, we are required to accrue 1% of our annual Chinarevskoye field development costs to be spent on education and training. We also comply with the education and training obligations under the subsoil use agreements for the Rostoshinskoye field.

HSE training (including fire safety) is carried out at least annually within the expenditure required by the PSA and the Rostoshinskoye subsoil use agreement.

There was no advanced training in addition to that required under the PSA and the other subsoil use agreements. There was no assistance for employees who stopped working as a result of retirement or termination of employment.

Our employees and their children are eligible for educational grants and financial support to assist with university and college expenses. Educational fellowships and assistance may also be awarded on a discretionary basis.

In 2020, 537 employees benefitted from education and training programmes (2019: 722 employees). Our total Group training costs in 2020 were US$0.9 million (2019: US$2.1 million) and the total number of training days in 2020 was 7,214 days (2019: 7,264 days).

Training was undertaken by operational teams, department heads, specialist engineers and other technicians at different levels across the organisation. The average number of training hours per employee by gender and category was not recorded.

There were no official performance assessments during 2020.

Our people continued

Hiring and staff turnover

In 2020, more than 118 employees were released or resigned and their positions not filled (2019: 200 employees). This was the main cause of staff turnover. The number of new employees hired in 2020 was 14 (2.5% of which one was female and 13 were male). Age-related data was not recorded.

Workforce representation

In 2018, the Company put collective agreements in place to provide for workforce representation. Sir Christopher Codrington has been designated to serve as the Board's liaison for engagement with the workforce. Due to COVID-19 restrictions, no meetings between Sir Christopher and the workforce took place in 2020.

The Board of Directors strives to adopt best practices in corporate governance, including engagement with the Group's workforce. In particular, the Board wishes to understand the views of the Group's workforce and to take such views into consideration in Board discussions and decision-making. Communication between the workforce and the Board is often referred to as the "employee voice", and it is hoped that a wide selection of views from the workforce can be gathered through a range of formal and informal channels. Such channels are intended to help the workforce share ideas and concerns with senior management and the Board. This communication provides useful feedback about business practices from those delivering them and can help empower colleagues. The Board encourages individuals to raise any concerns they may have. Doing so acts as an early warning system for actual or potential problems and helps to manage risk. The Board actively listens to workforce concerns and subsequently provides feedback on how the matter raised has been considered, including any action taken. The Board emphasised that the workforce should feel safe to raise concerns.

There is no requirement under applicable laws for the Company to notify its employees of significant changes relating to its activities.

Nostrum Code of Conduct

Nostrum is committed to maintaining a Group-wide culture that recognises international standards of human rights.

Human Rights Policy

Throughout 2020, the Company had a Human Rights Policy which reflects the desire to comply with industry best practice. There was no training on this policy in 2020 (2019: none).

The Human Rights Policy is in addition to the Nostrum Code of Conduct (the Code), which defines the principles that guide business conduct and provides a non-exhaustive outline of what Nostrum considers permissible conduct by its employees. These principles include provisions relating to human rights and diversity in the workplace, insider dealing and insider information.

A copy of the Code is available on the Group's intranet in both Russian and English and can be downloaded from our website: www.nog.co.uk.

Modern Slavery Act Statement

There are no divisions of the Group (or its vendors) believed to have significant risk of child/forced labour/hazardous work performance by young employees.

Under the Group's standard supply contracts, the Group is entitled to require suppliers to demonstrate compliance with the Code and to hold its suppliers responsible for compliance by their supply chain with equivalent terms.

A copy of our Modern Slavery and Transparency Statement is available on our website: www.nog.co.uk.

Whistleblowing Policy

We have a Whistleblowing Policy which takes into account the Whistleblowing Arrangements Code of Practice issued by the British Standards Institute and Public Concern at Work, and which applies to all individuals working for the Group at all levels and grades.

The Whistleblowing Policy sets out details of three compliance liaison officers who speak a variety of languages for the purposes of reporting any concerns. The Whistleblowing Policy is also mentioned in the Code, and a person who reports any matter in good faith will be protected against any sanctions.

A copy of the Whistleblowing Policy is available in both Russian and English and on the Company's website. At the time of writing, we have received no reports under our Whistleblowing Policy of forced/involuntary labour or human trafficking in relation to our business or supply chains. For further details, please see our website: www.nog.co.uk.

Diversity Action Plan

The Company aims to establish KPIs for HR on improving diversity at all levels. In terms of diversity statistics, we would like to stand out by improving female representation at all levels. At the end of 2020, the Group was represented by 77% male and 23% female employees (2019: 78% male and 22% female employees). We are targeting a 75% male and 25% female split by the end of 2022.

The improvement initiatives are the following:

- Establish gender diversity as a strategic business focus;
- Consult experts to build diversity programmes;
- Conduct a gender audit that evaluates how gender equality is incorporated into policies, procedures, budgets, etc;
- Identify an internal pool of female talent. This has already started with our succession planning identification programme;
- Support recruitment that provides equal opportunities for men and women; and
- Conduct gender pay gap analysis to identify main areas for improvement.

Social responsibility

Nostrum is a proud community partner and strives to foster a culture of openness and engagement. We are pleased to be able to offer social and financial support to promote the wellbeing of local residents.

2020 key initiatives

The Company did not participate in charitable or social projects/events in 2020 or provide any sponsorship. However, Nostrum provides support on an as-needed basis, such as lending special machinery in emergency situations in rural districts on occasions of extreme snow or infrastructure accidents, and providing transport for rural children to participate in excursions to historical places within the region.

Payment to governments

Nostrum is committed to transparency in its business activities and payments to governments. We have a formal public relations and government relations procedure which regulates our relationships with the local community and with government, and details how and why we engage with various stakeholder groups.

In 2020, a total of US$31.5 million was paid to governments by Nostrum and its subsidiary undertakings. We will report on 2021 payments to governments in the first half of 2022. For more details, please see the Governance page of our website.

Liquidation fund contribution

Under the terms of the Chinarevskoye PSA and the subsoil use agreement for Rostoshinskoye, Nostrum is building up liquidation funds of US$12.7 million to eliminate the consequences of operating activities, namely the conservation of the environment, the liquidation of drilled wells and the elimination of other facilities. These projects will be subject to confirmatory approval by the Company, the local community, and government. At the end of 2020, US$7.7 million was held on restricted cash accounts as liquidation fund deposits (2019: US$7.6 million, which included deposits for the subsoil use agreements for Yuzhno-Gremyachenskoye and Darinskoye).

Anti-Corruption and Bribery Policy

For more information on the Group's Anti-Corruption and Bribery Policy, please see pages 54 – 55 and 75.

Spend with suppliers

We are committed to partnering with local companies and in 2020 we spent 73% of our supplier budget with Kazakh national suppliers.

Labour practices

There were no complaints filed against the Group for violation of labour practices in 2020. The details of the complaints system existing in the Group are set out on pages 34 – 35 and 42.

Social responsibility continued

Non-financial information statement

This section of the strategic report constitutes the Company's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information is incorporated by cross reference.

Reporting requirements	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters	Annual environmental objectives Liquidation fund contribution	Environment, pages 45 – 49 Communities and social review, page 43
Employees	Group Code of Conduct and Human Rights Whistleblowing policy Health and Safety policy	Our People, pages 41 – 42 Health and safety, pages 38 – 40 Total Recordable Injury Frequency, page 38
Respect for human rights	Modern Slavery Statement Equality and Diversity Policy	Our people, pages 41 – 42
Social matters	Sponsorship of community events	Communities and social review, pages 43
Anti-corruption and anti-bribery	Anti-corruption and bribery policy Anti-facilitation of tax evasion policy Payments to governments	Communities and social review, pages 43 Our Governance Framework, pages 73 – 75
Description of principal risks and impact of business activity	Principal risks and uncertainties, pages 52 – 55 Performance review, pages 16 – 25	
Description of the business model	Business model, pages 10 – 11	
Non-financial key performance indicators	Key performance indicators, pages 26 – 27 Our strategic priorities, pages 32 – 33	

Environment

Nostrum is focused on being a responsible operator in order to minimise as far as possible the Company's impact on the natural environment. We abide by strict international environmental protection legislation and are actively working on GHG emission reduction initiatives.

CDP

In 2020, our main environmental objectives included participation in the CDP (formerly Carbon Disclosure Project), which is a key medium for companies to disclose their environmental impact and risk management, as well as continue to focus on greenhouse gas (GHG) emission reduction strategies.

Our CDP response was independently assessed and Nostrum received a "C" grade for the second consecutive year. We are pleased with this scoring, as it demonstrates the policies and procedures we have developed over recent years are positioning the Company to deal with the issue of climate change now and into the future. We will continue to engage with the CDP initiative in order to maintain an open dialogue, both internally and externally, on this important issue.

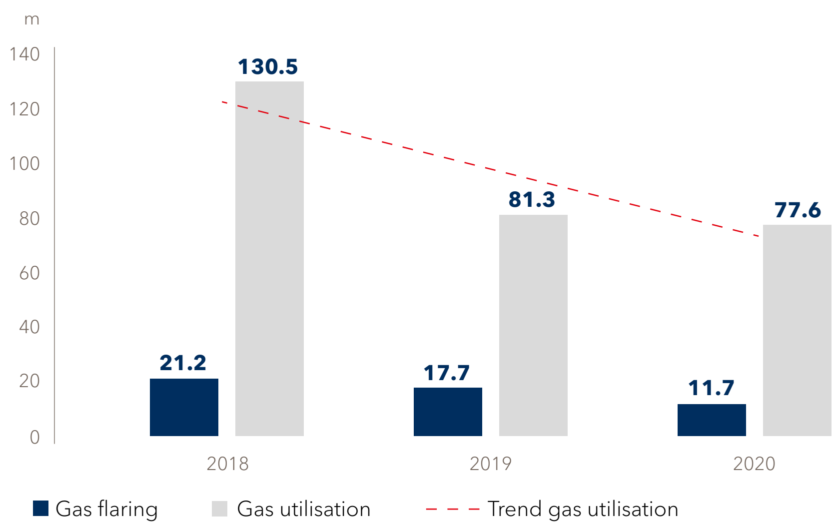
Air emissions performance
Permitted and actual volumes of pollutant emissions in 2018-2020

Components	2018	2019	2020
Permitted	12,250	10,928	**7,915**
Actual, including:			
NO_2	367	318	**129**
SO_2	364	185	**59**
H_2S	2	2	**4**
CO	2,054	1,804	**1,006**
CH_4	1,317	312	**249**
Carbon	33	11	**10**
Solid particles	28	29	**29**
Other	2,689	2,898	**2,738**

	2018	2019	2020
Gross emissions of air pollutants into atmosphere	0.0037	0.0037	**0.0035**

	2018	2019	2020
Volumes of associated gas flared in 2018-2020	21.17 MCM	17.726 MCM	**11.66 MCM**

GAS UTILISATION AND FLARING IN 2018-2020 (MILLIONS OF CUBIC METRES)



Environment continued

Waste, water and soil management

The impact of Nostrum's operational activities on the environment are monitored through detailed waste, water and soil management systems. The Group undertakes air, soil and sub-surface water testing to ensure sanitary and epidemiological compliance with Kazakh legislation.

In 2020, 100% of production and domestic waste was recycled by a contracted company. Drilling waste was not generated in 2020 due to no drilling works being performed. Soil and water survey results demonstrated compliance with all applicable environmental legislation.

For more detailed information, please visit our website at www.nog.co.uk.

GHG emissions reduction and reporting

Nostrum seeks to minimise all GHG emissions and continues to invest in new technologies to improve GHG emissions performance. Nostrum strictly adheres to both UK and Kazakh regulatory requirements with regard to GHG emissions and has been monitoring and reporting GHG emissions since 2011. In 2020, we participated for the second time in the CDP disclosure process to demonstrate our commitment to improvement and transparency in this area.

As a dual-listed entity, Nostrum adheres to both UK and Republic of Kazakhstan reporting requirements. The Company's GHG reporting period is aligned with the period in respect of which the Directors' Report is prepared. No responsibility is taken for any emission sources which are not included in the consolidated financial statements.

According to the 2018-2020 Kazakh National Plan, 627,174 tonnes of CO_2 was granted to Nostrum. In 2019, the Republic of Kazakhstan Ministry of Ecology, Geology and Natural Resources issued an additional quota of 103,650 tonnes of CO_2 for the GTU 3 commissioned facility, which was not originally included in the National Plan. At the end of 2020, the Group's CO_2 emissions in the period 2018 to 2020 were approximately 622,000 tonnes versus a quota for the same period of 730,824 tonnes.

The National Plan for 2021 has set a quota for Nostrum of 212,998 tonnes of CO_2 in 2021.

Future GHG reduction initiatives

We plan to optimise our facilities' operation, by adjusting the operations and maintenance schedule in function of reduced inlet feed, and by reducing our fuel gas consumption and flare volumes in 2021.

Nostrum is committed to minimising flaring activity and flares only in accordance with the terms of Kazakhstan Ministry of Energy gas flaring permits. Timely maintenance work conducted at our gas treatment facilities has been shown to reduce the risks of accidental flaring, and the implementation of a gas utilisation programme has led to a decrease in gas flaring.

In order to reduce GHG emissions, the transportation of personnel working at production facilities is via buses and not the use of personal vehicles.

Nostrum has also undertaken to plant trees at the oil terminal on the border of the sanitary protection zone near Beles village, which in the long term will generate a positive GHG reduction effect.

Climate change

Nostrum recognises that hydrocarbon exploration and production is a major contributor to GHG emissions and, consequently, we have a responsibility to work to address climate change. One of our key corporate social responsibility goals in 2020 was to minimise the impact of our operations on climate change. This remains a key goal for Nostrum.

Climate change can affect our business through physical disruption to operations due to changing weather conditions, legislative and policy changes, technology to help reduce emissions, and future changes in energy market demand. We plan to assess more rigorously the impact of climate change on our business in the near future, including through portfolio resilience testing. Climate change remains on our risk register for 2021.

Our governance, strategies, risk assessment, management systems and KPIs have, for many years, included the assessment of climate related risks and opportunities. These are currently monitored on behalf of the Board by the Health, Safety, Environment and Communities Committee.

The Health, Safety, Environment and Communities Committee will continue to analyse our preparedness to ensure that Nostrum complies fully with Listing Rule 9.8 in our 2021 annual report.

GHG emissions

The baseline in the GHG emissions allocation plan was set as the mean value of total emissions for the years 2013-2014 (in carbon dioxide emissions equivalent). According to the established limit, GHG emissions for 2020 should not exceed the baseline. The following direct GHG emissions (Scope 1) sources have been identified: flares, heaters, incinerators, boilers, gas turbine plants, electric power stations, compressors and fugitive emissions.

Total direct GHG emissions (Scope 1) subdivided by gas types and by source types are summarised in Tables 1 and 2.

No further ecological data is available for publication. Consequently, additional disclosures in relation to materials used, products and services, waste management, water consumption, energy consumption and energy efficiency, emergency and intermittent pollution episodes, wastewater discharges, atmospheric emissions of greenhouse gases and other pollutants, environmental protection and biodiversity are not possible. There were no fines or other sanctions against the Group as regards non-compliance with environmental requirements in 2020.

Energy efficiency

In the period covered by this Annual Report, Nostrum replaced oil heaters with heaters powered by gas; installed devices at well-sites to automatically close the wells in the case of shutdown, preventing blowdown by flaring; and installed measuring devices in flowlines and other devices allowing for future optimisation. Following an energy efficiency audit, Nostrum replaced 115 fluorescent lamps with LED lamps.

Environment continued

Table 1: Scope 1 GHG emissions subdivided by gas type (tCO_2e)

	2015	2016	2017	2018	2019	2020
Carbon dioxide	208,466	195,453	242,276	244,379	213,520	**180,527**
Methane	13,920	10,817	10,723	8,436	8,429	**6,133**
Nitrous oxide	126	1,046	1,305	1,304	1,034	**917**
Hydrofluorocarbons	34	345	28	37	24	**28**
Total	222,546	207,350	254,332	254,156	223,008	**187,598**

A breakdown of GHG emissions by gas type is shown in Table 1. The GHG emissions predominantly consisted of carbon dioxide and methane. Scope 1 emissions are generated directly by equipment owned and operated by the Group and as a result of our operations. The equipment includes boilers, heaters, diesel stations, gas turbine units, compressors. Scope 1 emissions also include flaring and hydrofluorocarbons emitted by refrigeration units and climate control systems, such as air conditioners.

Table 2: Scope 1 GHG emissions subdivided by source types (tCO_2e)

	2015	2016	2017	2018	2019	2020
Stationary combustion	205,702	195,576	243,001	245,362	214,536	**181,403**
Mobile combustion	1,498	758	435	105	89	**66**
Fugitive sources	15,346	11,016	10,896	8,536	8,359	**6,130**
Total	222,546	207,350	254,332	254,003	223,008	**187,599**

Stationary combustion sources formed the majority of emitted GHGs. The reduction in emissions from mobile combustion is related to the fact that the majority of the Group's vehicles were transferred to a third-party transport services company.

Indirect GHG emissions (Scope 2)

Nostrum does not use purchased steam, heating or cooling. Electrical power is the only purchased power related to indirect GHG emissions and it is supplied to Nostrum facilities via the Zelenovskaya distribution network (ZapKazREK JSC), through its subsidiary Batys Energoresursy LLC. The regional emission factor (0.27086 tCO_2/MWh) was calculated using Methodological Guidelines for the Calculation of GHG Emissions from Electrical Power Stations and Boiler Houses (Astana, 2010) and the regional net thermal efficiency of Urals Natural Gas Fired Power Plants (73.3%).

Total direct and indirect GHG emissions (Scope 1 and Scope 2) and total GHG emissions are summarised in Table 3.

Table 3: Scope 1, Scope 2 and total GHG emissions (tCO_2e)

	2015	2016	2017	2018	2019	2020
Direct energy (Scope 1)	222,546	207,350	254,332	254,156	223,008	**187,599**
Indirect energy (Scope 2)	5,482	2,263	640	559	297	**68**
Total	228,029	209,613	254,972	254,715	223,305	**187,667**

Emissions intensity ratio

Tonnes of CO_2 per tonne of output is a recommended intensity ratio for the oil and gas sector, as per Appendix F of the UK Government's Defra Environmental Reporting Guidelines (2013). Taking into account the variety of products of Nostrum Oil & Gas – crude oil, stabilised condensate, LPG and dry gas – the chosen intensity ratio is expressed in metric tonnes of CO_2e ($mtCO_2e$) per tonne of oil equivalent (mmboe).

Table 4 shows intensity ratios for total (Scope 1 and Scope 2) emissions in the period 2015-2020.

Table 4: Emissions intensity ratios for total GHG emissions

	2015	2016	2017	2018	2019	2020
Production, tonnes of oil equivalent (toe)	2,152,421	2,156,171	2,088,917	1,878,026	1,520,928	**1,186,382.9**
tCO_2/toe	0.106	0.097	0.122	0.136	0.1	**0.2**
Production, mmboe	14.7	14.8	14.3	12.9	10.0	**8.1**
tCO_2/mmboe	15,467	14,193	17,820	19,801.8	21,434	**23,094.8**

Table 5: Global GHG emissions and energy use data

	Current reporting year 2020		Comparison reporting year 2019	
	UK and offshore[3]	Global (excluding UK and offshore)	UK and offshore[3]	Global (excluding UK and offshore)
Emissions from activities which the company owns or controls, including combustion of fuel & operation of facilities (Scope 1) tCO_2e	**No data collection**	**187,598.6**	No data collection	223,008
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) tCO_2e	**No data collection**	**68.0**	No data collection	297
Total gross Scope 1 + Scope 2 emissions/ tCO_2e	**No data collection**	**187,666.6**	No data collection	223,305
Energy consumption used to calculate Scope 1 + Scope 2 emissions: kWh	**No data collection**	**377,270,641.4**[1]	No data collection	378,116,886.4[2]
Intensity ratio: tCO_2e (gross Scope 1 + 2)/ mmboe	**No data collection**	**23,094.8**	No data collection	21,434
Methodology	**No data collection**	**Kazakhstan methodical guidelines. KwH calculated based on 1.36E+15 J own generated energy plus purchased electricity.**	No data collection	Kazakhstan methodical guidelines. KwH calculated based on 1.36E+15 J own generated energy plus purchased electricity.

1. 2020: 377,019,444.4+251,197=377,270,641.4 kWh.
2. 2019: 377,019,444.4+1,097,442=378,116,886.4 kWh.
3. In the UK, the Company rents serviced office space. The owner of the premises in which the Company rents space does not collect the data required to be reported.

Risk management

The Group continuously develops its risk management system in order to ensure it remains in line with best practice in achieving the primary purpose of managing, monitoring and reporting on the risks that may impact achievement of the Group's strategic objectives, whilst maintaining compliance with applicable regulatory requirements.

Risk management framework

Under the UK Corporate Governance Code, the Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain a sound system of risk management and internal control systems.

Therefore the Board, supported by the Audit Committee and senior management, has ultimate responsibility for risk management and internal control, including responsibility for the determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives, and for ensuring that an appropriate risk-awareness culture has been embedded throughout the Group.

The principal risks and uncertainties, which are managed and monitored at Board level, are supported by the risks, which are identified, managed and reported by senior management. Risks are inherent in the various business functions within the Group and have, therefore, been categorised as business function risks. The members of the Senior Management Team have overall responsibility for managing the business function risks relevant to their functional responsibility, but delegate such responsibilities to various heads of business sub-functions. The identified risks are then aggregated and categorised into the following risk categories: strategic, operational, financial, compliance and other.

Based on these risk registers, related analysis and discussions, senior management and the Board periodically review previously identified significant risks, update their likelihood of occurrence and potential impact, and identify potential new significant risks emerging as a result of the changing environment. These significant risks are discussed in more detail below in the Principal Risks and Uncertainties section.

In 2020, the processes related to risk management and internal control systems were consistent with the UK Corporate Governance Code and FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014.

Environmental, social and governance (ESG) matters

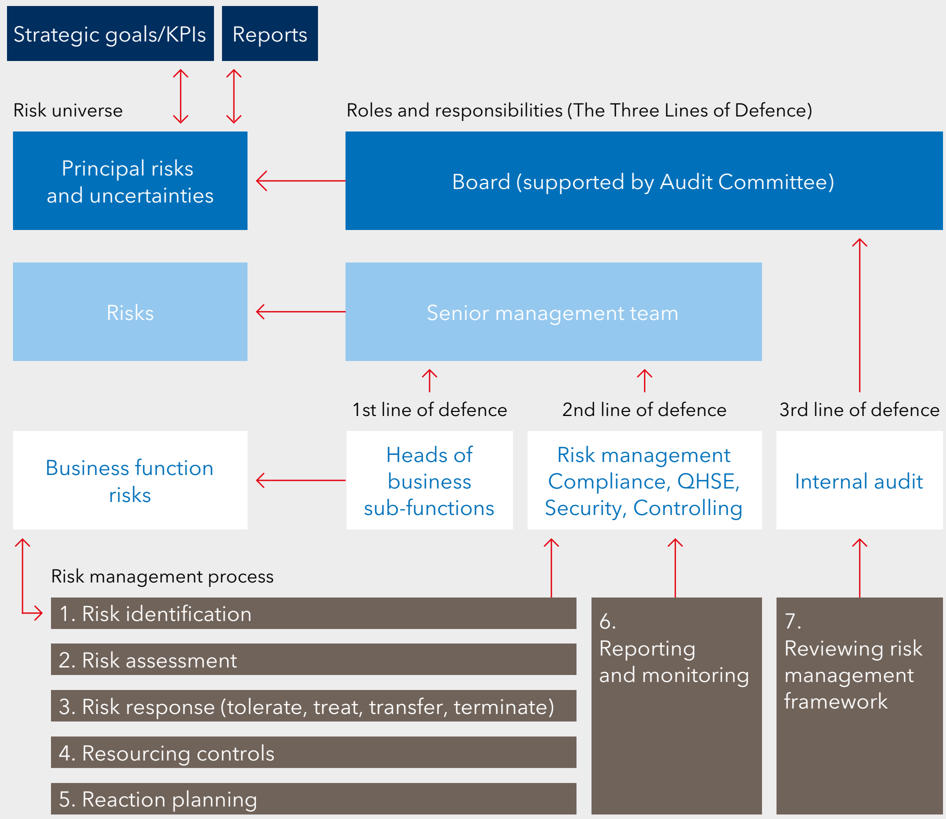
ESG matters form an integral part of the areas covered by the Group's systems of risk management and internal controls, and the Board recognises their significance and importance. Identified ESG risks and related responses can be seen within Operational, Climate Change and Other risks in the "Principal risks and uncertainties" disclosure on pages 52 – 55.

The Board receives appropriate information for managing such risks. Management is responsible for ensuring that systems of risk management and internal control are in place to effectively manage and monitor energy risks and other ESG matters. More detailed disclosure on the established policies and procedures in these areas can be found in the Sustainability review starting on page 36.

Changes from prior-year risk assessment

In 2020, the principal risks and uncertainties managed and monitored by the Board and senior management included most of the risks for 2019 and for which the related risk assessments did not change significantly. In addition, the impact of COVID-19 became a key focus for the Board and management during 2020.

Risk management framework



The Board oversees the design and implementation of systems of risk management and internal control and manages and reports on principal risks.

The senior management team supports the Board in its oversight and monitoring role, and perform management and reporting on the level of Director's risks.

Heads of business functions, being the 1st line of defence, own and manage operational risks related to their respective area of activity.

2nd line of defence has a general oversight function to ensure that the risk management practices followed are effective.

Internal audit, acting as the 3rd line of defence, provides independent assurance over the effectiveness of the systems of risk management and internal control.

Principal risks and uncertainties

Description of risk	Risk management

Strategic risks

Business and market environment

The Group is exposed to various risks related to the market and external business environment, which are out of the Group's control. Such risks include:

- The volatility of commodity prices on the markets;
- The geopolitical and regional situation affecting the Group's areas of operations; and
- Changes in currency exchange rates.

Given that the Group's sales prices of its products are based directly or indirectly on international market prices, the Group's future earnings are exposed to any adverse impact of changes in the market price of crude oil. Crude oil prices are influenced by factors such as OPEC actions, political events and supply and demand fundamentals.

These risks have been accentuated in 2020 through the impact of COVID-19.

OPEC actions in early 2020, together with the uncertainty over the future demand for oil as a result of COVID-19, resulted in a significant fall in the price of oil at the beginning of the year. Although the price recovered towards the end of 2020, continued depressed demand for oil and gas as a result of successive measures to control the spread of COVID-19 continues to act as a drag on the price of oil and gas.

Further volatility could be caused by the ongoing impact that COVID-19 is having on the demand for oil and gas globally. The Group could also be compelled by governmental authorities, purportedly acting based on Kazakh legislation, to sell its gas domestically at prices determined by the Kazakh Government, which could be significantly lower than prices which the Group could otherwise achieve.

The Group's strategy and business model are not directly influenced by any significant risk resulting from Brexit.

Risk management

The Group can transport its crude oil either via rail or pipeline and is selling the majority of its dry gas under a contract referencing export prices which are usually substantially higher than domestic prices.

To mitigate the geopolitical, regional and customer risks, the Group continues to strengthen customer relationships through establishing long-term off-take agreements whilst also looking at possibilities to geographically diversify its customer portfolio.

In early 2020, given the uncertainties caused by a low oil price environment, the Group took prudent, mitigating actions to protect liquidity. These included cancelling uncommitted capital expenditures and assessment and identifying reductions in operating costs, general and administration and selling and transportation costs that could be implemented without having a negative impact on production or operations in the "going concern" period. These actions continue and as a result the Group is now able to withstand a period of prolonged low oil prices. Also, senior management constantly monitors the Group's exposure to foreign currency exchange rate changes and makes plans for necessary measures.

The Group engaged with its bondholders in 2020 regarding a possible restructuring of its outstanding bonds. The Group will require its level of debt to be reduced to a sustainable level. Work continues towards this objective with all stakeholders. However, the negotiations are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Group.

Strategic development initiatives

The activities in the Chinarevskoye oil and gas condensate field are currently the Group's sole source of revenue. In addition, the Group in 2019 commissioned additional processing facilities which were constructed in anticipation of future production that the Group has not been able to achieve, and so the Group now has significant excess processing capability in its world-class facilities.

Therefore, the Group is at significant risk of not being able to meet shareholder expectations in the event of, for instance, natural disaster, facilities damage from accidents, crisis and other political influences as further described below.

Diversification of its sources of feedstock to the processing facilities is considered by the Group to be a way to reduce this risk whilst also providing the Group with an opportunity to gain from expanding the use of available capacities, technological resources and human capital.

The Group's strategic initiatives towards diversification of its sources of feedstock are subject to the customary risks related to counter party delays and non-completion.

In addition, the Group's strategic initiatives, as well as certain other ordinary activities, are subject to the risk that terms of the transactions with related parties may deviate from market terms, as well as associated risks related to the disclosure of such transactions.

Risk management

At the end of 2019 the Board concluded that further drilling of the Chinarevskoye field was not cost-beneficial until the identified reservoir risks had been mitigated. Accordingly, attention turned to sourcing feedstock from alternative sources and repositioning the Group as a mid stream company with some production and possible upside reserve potential.

The Group signed agreements with Ural Oil & Gas LLP in 2018 for the purchase of gas and processing of condensate from the Rozhkovskoye field for a period of four years commencing July 2024. In 2020, efforts continued to advance discussions with other third parties interested in supplying raw gas to completely fill the spare processing capacity.

Description of risk	Risk management

Operational risks

Oil and gas reserves and operations

Oil and gas reserves estimation, exploration, development and production are accompanied by typical risks inherent to activities in this industry, which may adversely affect the Group's financial performance and achievement of strategic objectives.

Estimation of oil and gas reserves requires exercise of judgement owing to the inherent uncertainty in any oil and gas field. There are also uncertainties and risks related to a field's geological structure and choice of development methods to maximise reservoir performance. Hence, there are a number of risks that may lead to a deviation of production volumes from estimated and projected volumes.

At the end of 2019 the Board concluded that further drilling of the Chinarevskoye field was not cost-beneficial until the identified reservoir risks had been mitigated. A successful well workover and intervention programme was completed in 2020 which reduced the rate of decline of production in the year. A similar programme is proposed for 2021. In addition, a low-pressure system, introduced in 2019 and expanded in 2020, continues to allow production from wells that would otherwise require to be shut in.

Well workover activities, as well as construction, operation and maintenance of surface facilities, are subject to various risks, including the availability of adequate services, technologies and expertise, which may adversely affect the fulfilment of the Group's strategic objectives.

The Group has a department of highly skilled geologists who perform periodic assessments of the oil and gas reserves in accordance with international standards on reserve estimations, and prepare production forecasting using advanced exploration risk and resource assessment systems. The results of the assessments are audited by the Group's independent reserves consultant, Ryder Scott.

For well workover activities, the Group engages highly skilled personnel and leading service suppliers, as well as employing internationally accredited operations and cost monitoring systems, based on which management oversees the work progress.

Maintenance of the wells and surface facilities is scheduled in advance, in accordance with technical requirements, and all necessary preparations are performed in a timely manner ensuring a high quality of work. In addition, the Group has emergency response and disaster recovery plans in place and periodically conducts necessary training and testing procedures.

KPIs in place to monitor risk management in operations included completion of the construction of a further low-pressure system to prolong the life of ageing gas-condensate wells and production targets.

Health, safety and the environment

Relevant health, safety and environmental risks are considered to be one of the key areas of focus in terms of risk management. The Group faces typical health, safety and environmental risks in the oil and gas industry, including risks related to gas flaring, waste management, environmental pollution, fires and explosions at facilities, and transportation accidents.

In 2020, COVID-19 was of the utmost concern. Actions were taken to protect the safety of all staff and contractors and mitigate any impact on operations. No people or production were lost in 2020 as a result of COVID-19.

These risks, should they crystallise, may have a broad range of results, including, but not limited to, injury of employees or local residents, pollution of the local environment and consequent regulatory actions, legal liabilities and/or business interruption and consequential impact on financial performance.

It should also be noted that the legal framework for environmental protection and operational safety is not yet fully developed in Kazakhstan and, given the changing nature of environmental regulations, there is a risk that the Group will not be in full compliance with all such regulations at all times.

Extensive measures were put in place to protect the safety of employees and contractors and mitigate the impact on operations arising from COVID-19. These included:

- Testing of all personnel prior to being transferred to the field;
- Regular temperature checks whilst at the field site;
- Isolation and testing of any employees and contractors identified as being in contact with individuals tested as positive for COVID-19;
- Strict enforcement of maximum personnel quotas in our office in Uralsk as determined by official local and Kazakhstan national directives; and
- Remote working for all London office personnel from March 2020.

More generally, the Group's QHSE policies are periodically revised to ensure compliance with changes and new requirements in this area. Periodic training on the requirements of policies and regulations are held for employees. In addition, at the supplier selection and contracting stage, the Group places a high degree of importance on a supplier's resources and ability to comply with the Group's QHSE requirements; while, subsequently the Group's dedicated team in this area conducts supplier audits. Key indicators such as GHG emissions, lost time injuries, waste management, water and soil pollution rates, etc., as well as progress of work, are reported to senior management on a monthly basis.

The Group is working towards full compliance with ISO 14001 Environmental Management Systems, ISO 45001 Occupational Health & Safety Management Systems and ISO 50001 Energy Management Systems. The Group also regularly engages an independent auditor to conduct HSE audits, to monitor its compliance and best practice in this area, and takes all necessary measures arising from the audit recommendations.

The Group also operates a Health, Safety, Environment and Communities Committee. Staff are actively encouraged to submit Hazard Observation Cards. The Group's efforts are aimed to be in line with its peers.

KPIs in place to monitor risk management in QHSE include lost time injury frequency, total recordable injury frequency and numbers of Hazard Observation Cards submitted.

Description of risk	Risk management
Compliance risks	
Subsoil use agreements	
As the Group performs exploration, development and production activities in accordance with related licences for the oil and gas fields, there are related risks that the Group might not be able to obtain extensions when necessary, risks of non-compliance with the licence requirements owing to ambiguities, risks of alteration of the licence terms by the authorities and others. These risks may result in the Group's inability to fulfil scheduled activities; fines, penalties, suspension or termination of licences by authorities; and, respectively, significant and adverse impact on the Group's business, financial performance and prospects.	The Group has procedures and processes in place for the timely application for extension of licence periods when it is considered appropriate however, uncertainty remains in relation to timing and results of decisions of authorities. The Group maintains an open dialogue with Kazakh governmental authorities regarding all of its subsoil use agreements. In the event of non-compliance with a provision of any such agreement, the Group endeavours to have such terms modified and pays any penalties and fines that may apply.
Compliance with laws and regulations	
The Group carries out its activities in a number of jurisdictions and, therefore, must comply with a range of laws and regulations, which exposes the Group to the respective risks of non-compliance. In addition, the Group must comply with the Listing Rules, the Disclosure Guidance and Transparency Rules, FRC guidance and requirements, as well as KASE and bond indenture requirements, in light of its publicly traded shares and notes. Hence, there are non-compliance risks, including reputational, litigation and government sanction risks, to which the Group is exposed. The impact of these risks may vary in magnitude and include regulatory actions, fines and penalties by authorities, diversion of management time, and may have an overall adverse effect on the Group's performance and activities towards achieving its strategic objectives.	For the purpose of compliance with laws, regulations and rules, the Group has adopted a number of policies including a code of conduct, inside information and disclosure policy, related party transactions policy, code for dealing in securities, Anti-Corruption and Bribery Policy, a Whistle-Blowing Policy and a Human Rights Policy. The Group also performs periodic updates based on the changes in regulatory requirements and carries out related communications and training for employees. Necessary communication lines are established with authorities to ensure timely and adequate inbound and outbound flow of information. Management and the Board monitor significant matters related to legal and compliance matters in order to act promptly in response to any actions. The Group continuously monitors its compliance with its policies on the level of authorisations for transactions. In addition, the management maintains an open dialogue with its sponsors in relation to any matter related to non-compliance with Listing Rules and other regulatory requirements.
Financial risks	
Liquidity risks	
Forecasting to maintain an adequate liquidity position is subject to the risk that inaccurate information or assumptions are used for the forecasts, and to risks of counterparty delay or a counterparty's failure to meet their contractual obligations owing to severe market conditions. The actions of OPEC in 2020, augmented by the impact of COVID-19, highlight these risks, and have contributed to significant commodity price volatility in 2020. Significant negative movement in world energy prices could result in the Group's liquidity position becoming more strained than the severe but plausible downside scenario in the Going Concern assessment.	Management and the Board constantly monitor the Group's liquidity position, forecasts and key financial ratios to ensure that sufficient funds are available to meet any commitments as they arise. KPIs in place in 2020 to monitor risk management in Finance included managing G&A and operational costs below $63 million in total. For 2021, the combined total is reduced to below $43.4 million.
Refinancing risk	
The Group has US$1.25bn of debt outstanding, US$725m of which matures in July 2022. In March 2020, the Group announced that it was appointing advisers to engage with bondholders and other stakeholders to restructure the debt. On 23 October 2020, the Group announced that it has entered into a Forbearance Agreement with an informal ad-hoc committee of noteholders. The ability of the Group to refinance the outstanding debt represents a material uncertainty. There is a significant risk that the Group will not be able to refinance the bonds which will negatively impact the Group's ability to continue as a going concern.	Successful restructuring of the Group's outstanding debt is the premier focus of the Board and Senior Management Team. The Group will require the level of debt to be reduced to a sustainable level. Work continues towards this objective with all stakeholders. However, the negotiations are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Group. The Board has established a KPI to complete the restructuring with all approvals by the end of 2021.
Tax risks and uncertainties	
The uncertainty of application, including retroactive application, of tax laws and the evolution of tax laws in Kazakhstan create risks related to additional tax liabilities from assessments and risks related to the recoverability of tax assets. Tax risks and uncertainties may adversely affect the Group's profitability, liquidity and planned growth.	The Group has policies and procedures related to various tax assessments and positions, as well as other control activities to ensure the timely assessment and filing of tax returns, payment of tax obligations and recovery of tax assets. The Group regularly challenges, either with the Kazakh tax authorities or through the Kazakh courts, tax assessments that it believes are inapplicable to it, pursuant to the terms of either its subsoil use agreements or applicable law.

Description of risk	Risk management

Climate change risks

Climate change

Description of risk	Risk management
Climate change risks are those stemming from, for example, more intense extreme weather events, rising energy intensity in the oil and gas industry, the changing regulatory landscape, the risk of fugitive emissions and climate change policies driving down the demand. The risk of more intense extreme weather events, for example, may lead to the following sub-risks: • Risks of reduced asset operation; • Risks of higher insurance premiums; • Risks of higher fuel prices; and • Risks of disruptions to supply chains.	The Group actively plans and manages projects designed to mitigate certain climate change-related risks. In operations there is a permanent effort and commitment improve energy efficiency and to reduce flaring, venting and leaks. At campsite, most of the water the Group utilises now is recycled. Climate change is on the Board's agenda. The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures.

Other risks

Other significant risks

Description of risk	Risk management
Other risks are those that are not specifically identified within any of the principal risks and uncertainties but may be related to several such areas or be organisation wide. These include risks related to: • Fraudulent activities; • Cyber security; • The Group's supply chains; • Accounting and reporting management systems; or • The availability of human resources. They may also significantly impact the Group's financial performance, reputation and achievement of its strategic objectives.	The Group has an Anti-Bribery and Corruption Policy, and provisions relating to the same are included in the Group's Code of Conduct. Related training and updates are periodically provided for employees in relation to their obligations in this area. No such training took place in 2020. No risk assessment took place in 2020 in relation to risks of bribery and corruption. As part of the Risk Management function, a cyber security capability is being developed drawing on the knowledge and experience of the existing ICT team. The Group has a wide range of internal controls over its supply chains and accounting and reporting processes, including policies, procedures, segregation of duties for authorisation of matters, periodic training for employees, etc. Senior management and the Board stay alert to emerging challenges related to various management systems and related governance matters and, when necessary, initiate change initiatives to ensure enhancement and integration of certain management systems.

The risks listed above do not comprise all those associated with the Group's business and are not set out in any order of priority. Additional risks and uncertainties not presently known to management, or currently deemed to be less material, may also have an adverse effect on the Group's business. The risks listed above are continuously monitored by the management team and assessed when making business decisions.

Viability statement

The Group's viability assessment is built through integration of the principal risks and uncertainties (described on pages 52 – 55) into a financial model based on the elements of corporate planning and modelling process, which includes:

- Medium-term development planning (described on pages 32 – 33) based on three-year financial projections, using the Proven Developed Reserves, as audited by Ryder Scott, for forecast production. No third-party volumes have been included in the Viability assessment as there is currently no certainty they will arrive prior to the end of 2023; and
- Annual budgeting and forecasting process incorporating preparation of an annual budget for the following year, which is reviewed and approved by the Board, and followed up with quarterly forecasts, which are monitored by senior management and the Board.

This viability assessment also takes into account the requirements of principle N provision 31 of the UK Corporate Governance Code 2018.

In preparing this viability assessment, the Board has assumed that the Group's US$725 million 8.0% Senior Notes due July 2022 and its US$400 million 7.0% Senior Notes due February 2025 (Notes) are restructured, as described in the basis of preparation note on page 130. The Board highlights that the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Group.

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

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

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

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

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. At the date of this Annual Report, the full amount of US$21,541,990 required by the Forbearance Agreement has been transferred into secured account and is treated as restricted cash. The amount transferred as at 31 December 2020 was US$12,900,000;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

The company agreed to pay, or procure payment of, certain consent fees in cash (Consent Fee) to each forbearing holder. The Consent Fees were payable by reference to the total aggregate principal amount of the Notes outstanding. The first Consent fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second Consent Fee for 60 days of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee for 30 days of 9.9288 bps, equating to US$1,116,990, was paid subsequent to the year end on 20 February 2021. On each occasion, consent fees were paid to all of the total bondholders who agreed to forbear, equating to approximately 90% by value of each series of Notes and evidencing an engaged and supportive creditor group. Further details of the forbearance agreement are disclosed in Note 1 to the consolidated financial statements.

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

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

- Agreement needs to be reached with the AHG and then sufficient bondholders, consistent with the preliminary restructuring terms discussed with the advisors to the AHG that is affordable for the Group and reflecting the expectation that the Group's debt will be foregone materially, and interest will be paid partially in cash and partially rolled up into the restructured debt. As part of the agreement, it is likely that additional equity will be issued to bondholders, significantly diluting the interests of the current equity holders. Should the Group be unable to reach an agreement with the AHG by the end of the forbearance period, then bondholders may seek to enforce their rights under the bond indentures, including accelerating the Notes' obligations as a result of the missed interest payments;
- If agreement is reached with the AHG and then sufficient bondholders, the Group may then need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan. If agreement is reached with the bondholders but the Group is unable to obtain the necessary approvals and waivers, then the agreement with bondholders may not be implementable.

Considering the uncertainties inherent to the Group's operations as well as the medium-term development planning mentioned above, the Board concluded that a viability assessment over a three-year period provides a robust and realistic evaluation of Group's future performance. Importantly, the three-year period takes into account the significant refinancing risk noted above and the impact of the near-term reduction in the reserves following the 2020 year-end audit of proved and probable reserves. With this approach the Board continues to believe that the assessment:

- Improves the optimal balance between a reasonable degree of confidence and an appropriate longer-term outlook;
- Is aligned with medium-term development planning mentioned above;
- Is consistent with other current and/or recent communications (e.g. production forecasts etc.); and
- Is appropriate for the current stage of development of the Group and gives an opportunity to reasonably assess sensitivity of the Group's performance to principal risks during the period where the Group looks to work on implementing its major strategic objectives (described on pages 52 – 55).

For the purpose of our viability assessment a three-year financial model was used as a base-case scenario reflecting the following:

- The assumed restructuring of the Notes being agreed with the AHG and then sufficient bondholders consistent with the preliminary restructuring terms discussed with the advisors to the AHG.
- Production forecasts that are more conservative than those used in the impairment testing process as the proven developed producing reserves were used to take into account the risks to funding the drilling programme under the proven and probable production profiles; and
- Price assumptions used assume a Brent oil price of $45/bbl, $50/bbl and $60/bbl, for 2021, 2022, and 2023 respectively.

For the purpose of sensitivity testing, several principal risks and uncertainties were selected (from those described on pages 52 – 55), which were deemed to have the highest potential financial impact on the Group's future performance, taking into account prior period assessments. The effect of those principal risks and uncertainties or their combination on the base-case scenario were analysed within following scenarios:

- Strategic risks, being a deterioration in the business and market environment. The forward curve for Brent oil is currently broadly in line with the base-case scenario used in the viability assessment. Therefore, further scenarios were aimed at analysing the sensitivity to a 10% reduction in the oil prices and gas prices over the period of assessment;
- Operational risks, principally around the development of proven developed producing reserves under which scenario a further 10% reduction in forecast production and sales volumes, respectively, over the three-year period was assumed;
- Liquidity risks, whereby the base-case scenario assumes that the Group meets the budgeted expenditures throughout the period of assessment. Therefore, a further scenario was considered whereby costs increased by 10%;
- Compliance risks, where a scenario considered an additional $15m per annum in fines and penalties per annum, not known at 31 December 2020, were incurred by the Group over the period of assessment; and
- Severe but plausible scenarios where a combination of two or three of the risks noted above occurred together.

The scenarios took into account the availability and likely effectiveness of any mitigating actions that might be required if the Group was exposed in the near term to downwards volatility and that are in place or could be implemented to avoid or reduce the impact or occurrence of the underlying risks which would realistically be available to the Group in such circumstances. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems were taken into account.

The Directors have also considered any additional risks to liquidity posed by COVID-19 and Brexit.

In respect of COVID-19, oil and gas production has been classified as an essential business in Kazakhstan and operations are continuing. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity at the time of publication of this Annual Report as a result of COVID-19. However, it is recognized that there is uncertainty around future developments of COVID 19 which may affect the Group's ability to deliver the forecast production in future periods. This uncertainty was assessed in our operational risk scenario outlined above.

In terms of Brexit, the Company has limited operations in the United Kingdom and Europe and so any impact of Brexit is not likely to be significant.

Considering the above, the following conclusions can be drawn from the viability assessment:

- In the event that the Group is able to successfully restructure its debt to an affordable level, the Group is not exposed in the near term to downside volatility if the Group's strategic, operational, liquidity or compliance risks arise in isolation;
- In the event that the Group is able to successfully restructure its debt to an affordable level, but a combination of the risks occur, then the Group is not exposed in the near term to downside volatility in the event that a combination of any three of the four considered scenarios arise;
- It is not plausible that all four risks would arise together, since, in the event of the strategic, operational and compliance risks manifesting, the Group would take mitigating actions to reduce costs and manage liquidity and so the likelihood of an increase in costs occurring concurrently with the other three scenarios is considered remote; and
- In the event that the Group is not able to restructure its debt, then under all reasonable assumptions the Group is unable to meet its US$725m debt liability due in July 2022;

Based on these assessments and other matters considered by the Board during the year, on the assumption that the Notes are successfully restructured, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its restructured liabilities as they fall due through the three-year viability assessment period ending 31 December 2023. Nevertheless, as highlighted above, the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Group.

This strategic report is approved by the Board.

Martin Cocker
Interim Chief Financial Officer

27 April 2021

Arfan Khan
Chief Executive Officer

27 April 2021

Financial review

Results of operations for the years ended 31 December 2020 and 2019

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2020 and 2019 in US Dollars and as a percentage of revenue.

In thousands of US Dollars	2020	% of revenue	2019	% of revenue
Revenue	**175,939**	100.0%	322,128	100.0%
Cost of sales	**(125,392)**	-71.3%	(172,002)	-53.4%
Gross profit	**50,547**	28.7%	150,126	46.6%
General and administrative expenses	**(14,671)**	-8.3%	(21,399)	-6.6%
Selling and transportation expenses	**(31,037)**	-17.6%	(45,875)	-14.2%
Taxes other than income tax	**(14,113)**	-8.0%	(22,886)	-7.1%
Finance costs	**(102,067)**	-58.0%	(43,047)	-13.4%
Employee share options – fair value adjustment	**496**	0.3%	(584)	-0.2%
Impairment charge	**(244,923)**	-139.2%	(1,354,651)	-420.5%
Foreign exchange (loss)/gain, net	**(1,827)**	-1.0%	361	0.1%
Interest income	**253**	0.1%	86	0.0%
Other income	**4,757**	2.7%	7,210	2.2%
Other expenses	**(7,606)**	-4.3%	(12,490)	-3.9%
Loss before income tax	**(360,191)**	-204.7%	(1,343,149)	-417.0%
Income tax (expense)/benefit	**32,766**	18.6%	353,222	109.7%
Loss for the year	**(327,425)**	-186.1%	(989,927)	-307.3%
Other comprehensive (loss)/income	**253**	0.1%	211	0.1%
Total comprehensive loss for the year	**(327,172)**	-186.0%	(989,716)	-307.2%

General note

For the year ended 31 December 2020 (the reporting period) the total comprehensive loss amounted to US$327.2 million, a decrease in loss of US$662.5 million from US$989.7 million for 2019. The decrease in total comprehensive loss is mainly driven by a lower impairment charge on property, plant and equipment and lower cost of sales, which was offset by a corresponding lower amount of income tax benefit, a decrease in revenue caused by a combination of a decrease in production and lower hydrocarbon prices, as well as an increase in finance costs due to substantially lower capitalisation of the borrowing costs upon completion of GTU 3. These are explained in more detail below.

As noted elsewhere in the Annual Report, the Group is currently in discussion with its bondholders and shareholders concerning the possible restructuring of its US$725 million 8.0% Senior Notes due July 2022 and/or its US$400 million 7.0% Senior Notes due February 2025 (Notes). Interest on the Notes due in July and August 2020 was not paid. However, interest has been accrued in the financial statements for the full year 2020. Interest on the Notes due in January and February 2021 was also not paid. It is possible that a successful restructuring of the Notes may result in some or all of the unpaid interest being waived by the Noteholders.

Revenue

The Group's revenue decreased by 45.4% to US$175.9 million for the reporting period (2019: US$322.1 million). This is mainly explained by both the lower product prices and lower sales volumes derived from a decrease in production during 2020 as shown in the table below. The average Brent crude oil price decreased by 32.7% from US$64.2/bbl during 2019 to US$43.2/bbl during the reporting period. The decrease in sales volumes was driven by lower volumes of production during the year ended 31 December 2020 as compared to FY2019.

The pricing for all the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil.

Revenues from sales to the Group's largest three customers amounted to US$118.9 million, US$29.7 million and US$7.4 million respectively (2019: US$190.3 million, US$95.1 million and US$9.3 million).

The Group's revenue breakdown by products and sales volumes for the reporting period and 2019 is presented below:

In thousands of US Dollars	2020	2019	Variance	Variance, %
Oil and gas condensate	**123,861**	196,176	(72,315)	(36.9)%
Gas and LPG	**52,078**	125,947	(73,869)	(58.7)%
Sulphur	**–**	5	(5)	(100.0)%
Total revenue	**175,939**	322,128	(146,189)	(45.4)%
Sales volumes (boe)	**7,875,841**	9,735,093	(1,859,252)	(19.1)%
Average Brent crude oil price (US$/bbl)	**43.2**	64.2	(21)	(32.7)%

The following table shows the Group's revenue breakdown by export/domestic sales for the reporting period and 2019:

In thousands of US Dollars	2020	2019	Variance	Variance, %
Revenue from export sales	**140,843**	218,511	(77,668)	(35.5)%
Revenue from domestic sales	**35,096**	103,617	(68,521)	(66.1)%
Total	**175,939**	322,128	(146,189)	(45.4)%

Cost of sales

In thousands of US Dollars	2020	2019	Variance	Variance, %
Depreciation, depletion and amortisation	**86,296**	136,776	(50,480)	(36.9)%
Payroll and related taxes	**14,083**	18,465	(4,382)	(23.7)%
Repair, maintenance and other services	**10,769**	14,242	(3,473)	(24.4)%
Materials and supplies	**3,970**	4,481	(511)	(11.4)%
Transportation services	**1,907**	2,129	(222)	(10.4)%
Well workover costs	**505**	1,766	(1,261)	(71.4)%
Environmental levies	**114**	167	(53)	(31.7)%
Change in stock	**7,279**	(6,228)	13,507	(216.9)%
Other	**469**	204	265	129.9%
Total	**125,392**	172,002	(46,610)	(27.1)%

Cost of sales decreased by 27.1% to US$125.4 million for the reporting period (2019: US$172.0 million). On a barrel of oil equivalent (boe) basis, cost of sales, excluding the impact of changes in stock, decreased by US$1.75 from US$17.67 in 2019 to US$15.92 for the reporting period, while cost of sales, excluding changes in stock and depreciation, decreased by US$0.08 boe to US$3.91 in the reporting period (2019: US$3.98).

The main components of the decrease in cost of sales are:

Depreciation, depletion and amortisation decreased by 36.9% to US$86.3 million for the reporting period (2019: US$136.8 million). Depreciation is calculated applying the units of production method. The decrease in depreciation in 2020 in comparison with the prior period is a consequence of the impairment charge recognised as at 31 December 2019, which substantially reduced the depreciable asset base from 1 January 2020. This has been offset, in part, by the increase in the ratio of the production volumes to the Proven Developed Reserves, which increases the charge per barrel of oil produced, and also by a full year's depreciation change in 2020 on the GTU 3 which was put into operation in Q4 2019.

Payroll and related taxes have decreased by 23.7% from US$18.5 million in 2019 to US$14.0 million for 2020. This reflects the reduction in headcount, particularly expatriate employees based in Kazakhstan and St Petersburg, as part of the Group's cost-rationalisation programme.

Repair, maintenance and other services decreased by 24.4% from US$14.1 million to US$10.8 million for the reporting period. These expenses include the costs of repair and maintenance services on the facilities, specifically the gas treatment facility, as well as related spare parts and other materials. These costs fluctuate depending on the timing of the periodic scheduled maintenance works. However, most of the reduction is derived from cost optimisation efforts by the Group that were initiated in Q1 2020 and ran throughout the year.

Transportation services decreased by 10.4% to US$1.9 million for the reporting period (2019: US$2.1 million), again resulting from cost optimisation efforts by the Group.

Well workover costs decreased by 71.4% to US$0.5 million for the reporting period (2019: US$1.8 million), primarily driven by the limited well workover campaign during 2020 along with the halting of the drilling programme.

Change in stock for the year mainly represents the movement in oil and condensate inventories. The charge for 2020 is as a result of a build-up of oil and condensate inventories as at 31 December 2019 which were then sold during 2020. There was no comparable build-up of inventory as at December 31 2020.

General and administrative expenses

In thousands of US Dollars	2020	2019	Variance	Variance, %
Payroll and related taxes	**7,102**	10,162	(3,060)	(30.1)%
Professional services	**4,655**	4,966	(311)	(6.3)%
Insurance fees	**633**	1,256	(623)	(49.6)%
Depreciation and amortisation	**600**	2,026	(1,426)	(70.4)%
Short-term leases	**567**	722	(155)	(21.5)%
Communication	**183**	276	(93)	(33.7)%
Materials and supplies	**139**	170	(31)	(18.2)%
Business travel	**128**	617	(489)	(79.3)%
Bank charges	**95**	133	(43)	(32.3)%
Other	**569**	1,071	(502)	(46.9)%
Total	**14,671**	21,399	(6,728)	(31.4)%

General and administrative expenses decreased by 31.6% to US$14.7 million for the reporting period (2019: US$21.4 million). This was mainly driven by a US$3.1 million or 30.1% decrease in payroll and related taxes from US$10.2 million for 2019 to US$7.1 million for 2020. This reflected a reduction in headcount as a result of the Group's cost rationalisation programme. There were also decreases in depreciation and amortisation, professional services, insurance fees and lease payments which were in part as a result of the reduction in non-core activities, and decreases in business travel and office space as a result of the cost reduction programme and also the impacts of COVID-19.

Selling and transportation expenses

In thousands of US Dollars	2020	2019	Variance	Variance, %
Transportation costs	**12,760**	12,405	355	2.9%
Loading and storage costs	**8,813**	11,783	(2,970)	(25.2)%
Marketing services	**3,724**	10,554	(6,830)	(64.7)%
Depreciation	**2,881**	4,489	(1,608)	(35.8)%
Payroll and related taxes	**1,501**	2,293	(792)	(34.5)%
Other	**1,358**	4,351	(2,993)	(68.8)%
Total	**31,037**	45,875	(14,838)	(32.3)%

Selling and transportation expenses decreased by 32.3% to US$31.0 million for the reporting period (2019: US$45.9 million), primarily due to a decrease in loading and storage costs as a result of changes to more favourable delivery terms as well as a decrease in the volumes sold, marketing services fees and other costs. Depreciation costs resulting from the recognition of right-of-use assets for rented railway tank cars also decreased due to the reduction in the number of leased railway tank cars due to reduced volumes being sent to market.

Taxes other than income tax

In thousands of US Dollars	2020	2019	Variance	Variance, %
Royalties	**7,016**	12,802	(5,786)	(45.2)%
Export customs duty	**5,017**	7,281	(2,264)	(31.1)%
Government profit share	**2,044**	2,802	(758)	(27.1)%
Other taxes	**36**	1	35	3,500.0%
Total	**14,113**	22,886	(8,773)	(38.3)%

Royalties, which are calculated based on production and market prices for the different products, decreased by 45.0% to US$ 7.0 million for the reporting period (2019: US$12.8 million), which corresponds to the decrease in hydrocarbon revenues.

Export customs duty on crude oil decreased by US$2.3 million or 31.1% to US$5.0 million for the reporting period (2019: US$7.3 million), mainly owing to the corresponding decrease in oil exports to former Soviet Union countries, which are not subject to export duties.

Government profit share decreased by US$0.8 million to US$2.0 million for the reporting period (2019: US$2.8 million), which corresponds to the related decrease in hydrocarbon revenues.

Impairment charge

As a result of the further reserves downgrade and corresponding reflection of the updated future production profiles in the Group's impairment model, the Group recognised further non-cash impairment charges on oil & gas assets and exploration & evaluation assets in the amounts of US$244.7 million and US$0.2 million respectively (FY 2019: US$1,272.0 million on oil & gas assets and US$50.5 million on exploration & evaluation assets). Further details of impairment testing and assumptions used are disclosed in Note 4 to the consolidated financial statements of the Group on page 133.

Finance costs

In thousands of US Dollars	2020	2019	Variance	Variance, %
Interest expense on borrowings	**92,794**	40,399	52,453	130.0%
Other finance costs	**7,968**	294	7,615	2,157.2%
Unwinding of discount on amounts due to Government of Kazakhstan	**793**	821	(27)	(3.3)%
Unwinding of discount on lease liability	**354**	1,369	(1,015)	(74.1)%
Unwinding of discount on abandonment and site restoration provision	**158**	164	(6)	(3.7)%
Total	**102,067**	43,047	59,020	137.1%

Finance costs increased by US$59.0 million to US$102.1 million for the reporting period (2019: US$43.0 million) mainly due to a decrease in the levels of finance costs being capitalised as part of the GTU 3 project, which was completed in Q4 2019. Finance costs for 2020 also include US$7.7 million incurred to date in respect of the restructuring process. These increases were slightly offset by a decrease of US$1 million in finance charges for finance leases.

The Group is currently in discussion with its bondholders and shareholders concerning the possible restructuring of its Notes. Interest on the Notes due in July and August 2020 was not paid. However, interest has been accrued in the financial statements for the full year 2020. It is possible that a successful restructuring of the Notes may result in some or all of the unpaid interest being waived by the Noteholders.

Other

Other expenses decreased to US$7.6 million for the reporting period (2019: US$12.5 million), as a result of various non-recurring costs related to business development and compensations incurred in 2019.

Income tax

Income tax benefit amounted to US$32.8 million for the reporting period, a decrease of US$320.4 million as compared to the prior year (2019: US$353.2 million). Such a significant decrease in income tax benefit for the period corresponds to the related impairment charges recognised as of 31 December 2019 and 31 December 2020 with respective derecognition of deferred tax liabilities.

Liquidity and capital resources

During the period under review, Nostrum's principal source of funds was cash from operations. Its liquidity requirements in the first half of the year primarily related to meeting ongoing debt service obligations arising from the Notes. Following the decision to start negotiations to restructure the Notes, the focus turned to preservation of cash by reducing capital expenditures and working capital requirements.

Cash flows

The following table sets forth the Group's consolidated cash flow statement data for the reporting period and 2019:

In thousands of US Dollars	2020	2019
Cash and equivalents at the beginning of the period	**93,940**	121,753
Net cash flows from operating activities	**82,746**	196,837
Net cash used in investing activities	**(40,101)**	(120,990)
Net cash used in financing activities	**(58,431)**	(103,709)
Effects of exchange rate changes on cash and equivalents	**429**	49
Cash and equivalents at the end of the period	**78,583**	93,940

Net cash flow from operating activities

Net cash flow from operating activities was US$82.7 million for the reporting period (2019: US$196.8 million) and was primarily attributable to:

- Loss before income tax for the reporting period of US$360.2 million (2019: US$1,343.1 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$89.8 million (2019: US$143.3 million), finance costs of US$102.1 million (2019: US$43.0 million), and impairment charge of US$244.9 million (2019: US$1,354.7 million);
- US$8.3 million increase in working capital (2019: US$12.6 million increase), which is primarily attributable to a decrease in trade payables of US$9.2 million (2019: US$3.9 million increase), a decrease in inventory of US$7.0 million (2019: an increase of US$6.3 million), an increase in trade receivables of US$17.7 million (2019: US$4.5 million increase), a decrease in other current liabilities of US$6.0 million (2019: US$ 6.0 million increase) and an increase in prepayments and other current assets of US$0.2 million (2019: US$5.5 million increase); and
- Income tax paid of US$2.0 million (2019: US$5.5 million).

Net cash used in investing activities

Net cash used in investing activities for the reporting period was US$40.1 million (2019: US$121.0 million) due primarily to payment of expenditures incurred in 2019 associated with drilling equipment and services of US$12.7 million for the reporting period (2019: US$56.7 million), the third gas treatment unit of US$4.4 million (2019: US$36.4 million) and the low-pressure system of US$2.8 million (2019: US$ nil), together with a transfer to restricted cash of US$12.9 million as required by the Forbearance Agreement (2019: US$ nil).

Net cash used in financing activities

Net cash used in financing activities during the reporting period totalled US$58.4 million (2019: US$103.7 million), and was mainly represented by the payment of US$43.0 million of the finance costs on the Group's Notes (2019: US$86.0 million), US$5.1 million under lease agreements (2019: US$14.9 million) and the payment of fees related to the Forbearance Agreement and restructuring negotiations of US$10.0 million (2019: US$ nil).

Going concern

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

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

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

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

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

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

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. At the date of this Annual Report, the full amount of US$21,541,990 required by the Forbearance Agreement has been transferred into secured account and is treated as restricted cash. The amount transferred as at 31 December 2020 was US$12,900,000;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

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

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

The extensions were to provide more time for a lock-up and restructuring agreement to be reached with bondholders and potentially with other stakeholders. At the time of publication of this Annual Report and Accounts, negotiations with members of the AHG continue. The final form of the lock-up agreement and associated restructuring agreement is anticipated to be concluded by 20 May 2021. The key terms relevant to the consideration of going concern are that the debt will be forgone materially and interest on the restructured debt will partially be paid in cash and partially rolled up into the debt. As part of the agreement, it is likely that additional equity will be issued to bondholders, in which case significantly diluting the interests of the current equity holders.

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

The Directors' going concern assessment is supported by future cash flow forecasts. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $45/bbl and $50/bbl, for 2021 and 2022, respectively. The forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current preliminary restructuring terms discussed with the advisors to the AHG, reflecting the terms outlined above.

Whilst the Group remains confident that an agreement can be reached, the results of the discussions with bondholders, shareholders and the Government of the Republic of Kazakhstan to restructure the Notes have not yet concluded and so the outcome is uncertain and outside of the Group's control. Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made significant assumptions about:

- A restructuring of the Notes being agreed with the AHG and then sufficient bondholders consistent with the preliminary restructuring terms discussed with the advisors to the AHG, that is affordable for the Group through the going concern period to 30 June 2022. Should the Group be unable to reach an agreement with the AHG by the end of the forbearance period, then bondholders may seek to enforce their rights under the bond indentures, including accelerating the Notes' obligations as a result of the missed interest payments; and

- If agreement is reached with the AHG and then sufficient bondholders, the Group being able to obtain the necessary permissions and waivers. Specifically, the Group may need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan. If agreement is reached with the bondholders but the Group is unable to obtain the necessary approvals and waivers, then the agreement with bondholders may not be implementable.

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

After careful consideration of these material uncertainties, and on the assumption that a restructuring of the Notes to an affordable level is completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2022, being a period of not less than 12 months from the date of this report. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts. Accordingly, the accompanying 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 2022, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on page 56 which highlights that the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Group. In the event that the Group will be unable to successfully restructure its Notes, then under all reasonable assumptions the Group is unable to meet its US$725m debt liability due in July 2022.

Commitments

Liquidity risk is the risk that the Group will encounter difficulty raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management seeks to ensure that sufficient funds are available to meet any commitments as they arise. The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2020 based on contractual undiscounted payments:

As at 31 December 2020	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	**1,203,633**	**43,000**	**43,000**	**-**	**-**	**1,289,633**
Lease liabilities	**-**	**760**	**2,279**	**40**	**-**	**3,079**
Trade payables	**7,774**	**-**	**728**	**-**	**-**	**8,502**
Other current liabilities	**16,491**	**-**	**-**	**-**	**-**	**16,491**
Due to Government of Kazakhstan	**-**	**258**	**773**	**4,124**	**5,412**	**10,567**
	1,227,898	**44,018**	**46,780**	**4,164**	**5,412**	**1,328,272**

As at 31 December 2019	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	–	43,000	43,000	953,000	414,000	1,453,000
Lease liabilities	6,735	641	–	–	–	7,376
Trade payables	21,685	–	5,953	–	–	27,638
Other current liabilities	30,286	–	–	–	–	30,286
Due to Government of Kazakhstan	–	258	773	4,124	6,443	11,598
	58,706	**43,899**	**49,726**	**957,124**	**420,443**	**1,529,898**

Capital commitments

During the reporting period, Nostrum's cash used in capital expenditures for purchase of property, plant and equipment (excluding VAT) was approximately US$25.8 million (2019: US$114.8 million). This mainly reflects costs associated with the well workover/intervention programme and other field infrastructure development projects (2019: the construction of the third gas treatment unit, drilling costs and other field infrastructure development projects).

Gas treatment facility

Following the successful completion of the first phase of the gas treatment facility, consisting of two units, the Group achieved full commissioning of a third unit during 2019. GTU 3 is being maintained in hot stand-by mode so that it may be quickly brought online once there are sufficient hydrocarbons to fill its operating capacity.

Dividend policy

The Group currently pays no dividend and has not done so for the last three years, as the Board determined it was not in the Company's best interests to do so. This will be reviewed annually by the Board.

Five-year summary

In millions of US$ (unless mentioned otherwise)	2020	2019	2018	2017	2016
EBITDA reconciliation					
Profit before income tax	**(360.2)**	(1,343.1)	(92.2)	26.0	(65.5)
Add back					
Finance costs	**102.1**	43.0	49.4	59.8	41.7
Impairment charge	**244.9**	1,354.7	150.0	–	–
Employee share options – fair value adjustment	**(0.5)**	0.6	(1.3)	(2.1)	(0.1)
Foreign exchange (loss)/gain, net	**1.8**	(0.4)	1.0	0.7	0.4
Gain/(loss) on derivative financial instrument	**-**	–	12.4	6.7	63.2
Interest income	**(0.3)**	(0.1)	(0.5)	(0.4)	(0.5)
Other expenses	**7.6**	12.5	8.5	22.0	(1.8)
Other income	**(4.8)**	(7.2)	(4.4)	(4.1)	(2.2)
Depreciation, depletion and amortisation[1]	**89.8**	143.3	117.1	123.0	131.6
(Purchase of)/proceeds from derivative financial instruments[2]	**-**	(3.7)	(8.6)	–	27.2
EBITDA	**80.4**	**199.6**	**231.3**	**231.6**	**194.0**
Operating costs reconciliation					
Cost of sales	**125.4**	172.0	165.1	177.2	182.2
Less:					
Depreciation, depletion and amortisation	**(86.3)**	(136.8)	(115.2)	(120.7)	(129.4)
Change in stock[3]	**(7.3)**	6.2	(0.1)	(0.3)	(2.0)
Operating costs	**31.8**	**41.4**	**49.8**	**56.3**	**50.7**
G&A reconciliation					
General and administrative expenses	**14.7**	21.4	22.2	33.3	34.8
Adjusted for:					
Depreciation and amortisation	**(0.6)**	(2.0)	(1.9)	(2.3)	(2.2)
G&A	**14.1**	**19.4**	**20.3**	**31.0**	**32.6**
Net debt reconciliation					
Long-term borrowings	**–**	1,100.5	1,094.0	1,055.9	942.8
Current portion of long-term borrowings	**1,186.3**	35.6	35.6	31.6	15.2
Less:					
Cash and cash equivalents	**78.6**	93.9	121.8	127.0	101.1
Net debt	**1,107.7**	**1,042.2**	**1,007.8**	**960.5**	**856.9**
Net cash flows from operating activities	**82.7**	196.8	214.0	181.5	206.4
Net cash used in investing activities	**(40.1)**	(121.0)	(172.0)	(192.4)	(204.8)
Net cash (used in)/from financing activities	**(58.4)**	(103.7)	(47.0)	34.6	(66.3)
EBITDA margin[4]	**45.7%**	61.9%	59.30%	57.10%	55.70%
Share price at end of period (US$)	**0.10**	0.22	1.03	4.41	4.75
Shares outstanding ('000s)	**188,183**	188,183	188,183	188,183	188,183
Options outstanding ('000s)	**3,432**	3,432	3,432	3,333	2,536

1. Depreciation as it applies to operating assets only.
2. Cash received from hedge contract represents the cash proceeds from the long-term hedging contract which in accordance with IAS 7 Statement of Cash Flows is included within operating cash flows. While this item is not required to be presented in the Consolidated Income Statement, we have included this in our definition of EBIT and EBITDA in order to better align these non-GAAP measures with our operating cash flows.
3. Due to materiality the change in stock was introduced in the opex reconciliation from 2019, and comparatives have been adjusted accordingly for consistency purposes.
4. EBIDTA margin is calculated as EBITDA divided by total revenue.

Alternative performance measures

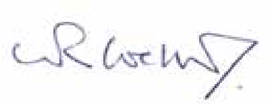
In the discussion of the Group's reported operating results, alternative performance measures (APMs) are presented to provide readers with additional financial information that is regularly reviewed by management to assess the financial performance or financial health of the Group, or is useful to investors and stakeholders to assess the Group's performance and position. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted IFRS measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

EBITDA

EBITDA is defined as the results of operating activities before depreciation and amortisation, share-based compensation, fair value gains and losses on derivative instruments, foreign exchange losses, finance costs, finance income, and non-core income or expenses and taxes, and includes any cash proceeds received or paid out from hedging activity. This metric is relevant as it allows management to assess the operating performance of the Group in the absence of exceptional and non-cash items.

Operating costs

Operating costs are the cost of sales less depreciation, royalties and government profit share. This metric is relevant as it allows management to see the cost base of the Company on a cash basis.



Martin Cocker
Interim Chief Financial Officer

27 April 2021

Executive Chairman's overview

In 2020, the board and management have primarily focused on stabilising the financial position of the Group and restructuring the Notes to secure its future.

Dear shareholder,

As I noted in my Q&A section on pages 12 and 13 of this Annual Report, 2020 has been a year of immense challenge for Nostrum. Our strategic review process, started in June 2019 with the assistance of Goldman Sachs, did not result in any firm proposals to acquire the business. Then in early 2020 the oil price collapsed and at the same time the enormity of the likely impact of COVID-19 started to become apparent. Therefore in March 2020 the board decided to end the strategic review process and instead started a process to engage with bondholders regarding a possible restructuring of the Group's Loan Notes. As a result, much of the Board's and management's effort and attention in the remainder of 2020 was focused on stabilising the financial position of the Group and securing its future, whilst at the same time ensuring that our employees and contractors remained safe.

Therefore, our key priority tasks for 2020 became to:

- Focus on good financial discipline to reduce costs and maintain liquidity, which we achieved. Our cost base is significantly reduced and our cash balance at 31 December 2020 of US$91.5 million, including US$12.9 million placed in a restricted account as part of the Forbearance Agreement with bondholders, is only slightly below that as at the end of 2019, despite the collapse in 2020 in the prices that we received for our hydrocarbons;
- Reduce the rate of decline in the Chinarevskoye field, which was achieved by a targeted well workover and intervention campaign conducted in the spring and summer of 2020. As a result, our volumes produced averaged 22,337 boepd against our guidance of an average of 21,000 boepd;
- Ensure that our employees and contractors remained protected against the continued threat of COVID-19, and that our operations could continue uninterrupted and to our expected high safety levels. I am pleased to report that we did not lose any employees or any production due to COVID-19;
- Continue to reduce the impact of our operations on the environment. Our GHG emissions fell by over 35,000 tonnes versus 2019; and
- Continue the studies to identify viable technologies to mitigate sub-surface risk. Although this has resulted in a further reduction in our 2P reserves, we remain hopeful that further studies and possibly some limited drilling might result in some of the resources classified as contingent being reinstated within our 2P reserves.

Board changes

As I reported last year, on 16 December 2019 the Company mutually agreed with Kai-Uwe Kessel that he would step down from the Board with effect from the same date. Kai was succeeded by Kaat van Hecke on an interim basis until September 2020 when, as planned, Kaat stepped down and I assumed the role, as well as that of Executive Chairman, until a new permanent Chief Executive Officer was recruited. This was achieved in January 2021 when Arfan Khan joined the Group as Chief Executive Officer and member of the Company's board of Directors. At this time, I resumed my role as Executive Chairman.

Kaat rejoined the board as an independent Non-Executive Director in September 2020.

Effective 31 March 2020 Tom Richardson resigned as a Director of the Company and was succeeded by Martin Cocker on an interim basis until a new permanent chief financial officer is recruited. Martin had served on the board as an independent Non-Executive Director since 16 November 2017. The recruitment process for a new permanent chief financial officer was started in March 2021.

No formal board evaluation was completed in 2020. The board structure, membership and skill set will be reviewed in 2021 at the conclusion of the restructuring process.

Remuneration policy

The resolution put to shareholders at the 2020 Annual General Meeting relating to Directors' remuneration was a resolution to approve the Directors' annual report on remuneration and, in accordance with the UK Companies Act 2006, the resolution was subject to an advisory vote.

At the 2021 Annual General Meeting, the Directors' remuneration report will be put to shareholders for approval by way of an advisory vote. No changes are proposed to the Remuneration Policy and this Policy will not be put to shareholders at the 2021 Annual General Meeting.

However, we will seek shareholder approval for the purposes of section 226B(1)(b) of the Companies Act 2006, for the payment to the Company's Chief Executive Officer, Arfan Khan, of an annual bonus of up to a maximum of 240% of base compensation. In accordance with the Act, a resolution to approve changes to the Remuneration Policy will next be submitted to shareholders for a binding vote at the 2022 Annual General Meeting.

For further information, please see the letter from the Chairman of the Remuneration Committee on pages 89 – 90.

Atul Gupta
Executive Chairman
27 April 2021

Compliance with the Code

The UK Corporate Governance Code (Code) issued by the Financial Reporting Council in July 2018 sets out the governance principles and provisions that applied to the Company during 2020. A copy of the Code is available from the Financial Reporting Council's website at www.frc.org.uk. The aim of the corporate governance report is to demonstrate how the principles of the Code have been considered and applied by the Company. The UK Financial Reporting Council promotes high-quality corporate governance and reporting through the 2018 UK Corporate Governance Code with which all companies with a premium listing on the London Stock Exchange are required to either comply in full, or explain why, and to what extent, they do not comply. This statement should be read in conjunction with the Corporate Governance section of this report as a whole. The following headings correspond to the headings in the Code.

Section 1: Board leadership and company purpose

A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. See pages 70 – 71.

The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. See pages 41 – 42.

The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. See page 50.

In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties. See pages 34 – 35 and 76 – 77.

The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern. See pages 41 – 42.

Section 2: Division of responsibilities

The chair leads the Board and is responsible for its overall effectiveness in directing the company. He or she should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information. See page 73.

The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business. See pages 73 – 74.

Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. See page 73.

The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. See pages 73 – 75.

Section 3: Composition, succession and evaluation

Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. See pages 74 and 76.

The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed. See page 75 and committee reports.

Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. See page 76.

Section 4: Audit, risk and internal control

The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. See pages 78 – 85.

The Board should present a fair, balanced and understandable assessment of the company's position and prospects. See page 56.

The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term objectives. See page 50.

Section 5: Remuneration

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy. See pages 89 – 101.

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome. See pages 102 – 108.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See pages 89 – 101.

Statement of compliance

Nostrum fully complied throughout 2020 with the provisions of the 2018 version of the UK Corporate Governance Code except in the following respects:

Provision 9

Contrary to Provision 9, which states that the roles of chair and chief executive should not be exercised by the same individual, due to a new Chief Executive Officer not having been identified by the time of the planned resignation of Ms van Hecke on 31 August 2020, the responsibilities of the Chief Executive Officer were discharged by Mr Gupta from 1 September 2020 until the appointment of Mr Khan on 26 January 2021.

Provision 10

Ms van Hecke joined the Board of the Company on 31 December 2016, serving as an independent Non-Executive Director.

Following the departure of Mr Kessel as Chief Executive Officer in December 2019, Ms van Hecke was asked by the Board to assume the executive responsibilities of the Chief Executive Officer on an interim basis. Ms van Hecke agreed to do so and from 16 December 2019 to 31 August 2020 she was not considered an independent Non-Executive Director by the Board.

Following the completion of her duties as interim Chief Executive Officer, the Board considered whether it was appropriate that Ms van Hecke resume her previous role as an independent Non-Executive Director.

In that regard the Board took into account Provision 10 of the Code and the circumstances listed therein that are likely to impair, or could appear to impair an independent Non-Executive Director's independence. It further took note of the requirement in Provision 10 that where any such circumstances apply and the Board nonetheless considers the Non-Executive Director to be independent, a clear explanation should be provided.

The Board recognised that while Ms van Hecke previously served as an independent Non-Executive Director of the Company for three years, for a period of just over 8 months she assumed executive responsibilities and was remunerated for this and also participated in the Company's annual bonus scheme, and that the following circumstances listed in Provision 10 of the Code did apply during this interim period:

- Is or has been an employee of the company or group within the last five years; and
- Has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme.

However, as Ms van Hecke only assumed executive responsibilities at the request of the Board for a short interim period, the Board did not believe these circumstances would be or were likely to impair her ability to act independently as foreseen in Provision 10 of the Code.

The Board considered that Ms van Hecke had demonstrated throughout the period during which she has acted as an independent Non-Executive Director of the Company that she acted independently in her role as a Director. The Board was of the view that following the end of her interim role Ms van Hecke remains fully capable of scrutinising and holding to account the performance of management and individual executive directors against agreed performance objectives as foreseen in Provision 13 of the Code.

In that regard the Board also took note of Provision 75 of the Guidance on Board Effectiveness (the Guidance) which supplements the Code and contains suggestions of good practice to support directors and their advisers in applying the Code, which provides:

"It is important that non-executive directors do not operate exclusively within the confines of the boardroom, but have a good understanding of the business and its relationships with significant stakeholders. Accordingly, it is advisable for them to take opportunities to meet shareholders, key customers and members of the workforce from all levels of the organisation."

The Board believes that given her deep knowledge of the Company and its business and stakeholders gained as a result of her interim role, Ms van Hecke can make unique contributions to the Board as contemplated by the Guidance.

Accordingly, the Board considers Ms van Hecke to be independent and redesignated her as an independent Non-Executive Director of the Company in September 2020.

Provision 11

Following the appointment of Ms van Hecke as Chief Executive Officer on 16 December 2019, at least half of the board, excluding the Chair, are no longer considered to be independent. Given recent changes in various Directors' roles, the Company's announced engagement with its bondholders and the ongoing uncertainties caused by the COVID-19 pandemic, the Board has not yet commenced a search for additional independent Non-Executive Directors to join the Board but this subject is being kept under review.

Provision 21

Contrary to Provision 21 (which requires a formal and rigorous annual evaluation of the performance of the Board, its committees, the chair and individual directors), there was (for the reasons stated in the report of the Chairman of the Nomination and Governance Committee) no formal Board evaluation during 2020.

Provision 24

Following the appointment of Ms van Hecke as Chief Executive Officer on 16 December 2019, she was no longer considered by the Board as independent for the purposes of the Code and her continued membership of the Audit Committee contravened Provision 24 of the Code until 27 January 2020, when Ms van Hecke stepped down as a member of the Audit Committee.

Following the appointment of Mr Cocker as Interim Chief Financial Officer on 31 March 2020, he was no longer considered by the Board as independent for the purposes of the Code and as a result his continued membership of the Audit Committee contravened Provision 24 of the Code.

On 1 April 2020 Mr Cocker stepped down as Chairman of the Audit Committee and was replaced by Sir Christopher Codrington, Bt. so that the Chairman of the Audit Committee would remain an independent Non-Executive Director. However, the Board determined that given that it is intended that Mr Cocker will only serve as Chief Financial Officer on an interim basis, he should remain as a member of the Audit Committee. On 8 October 2020, following the appointment of Ms van Hecke as a member of the Audit Committee, Mr Cocker stepped down as a member of the Audit Committee.

Contrary to Provision 24 (which requires the Audit Committee to have a minimum membership of two independent non-executive directors) there was only one such member of the Audit Committee from the effective date of Mr Martin's resignation until Ms van Hecke re-joined the Audit Committee on 8 October 2020.

Requirement	Non-compliance
All members of the Audit Committee to be independent non-executive directors	Non-compliance from 16 December 2019 until 27 January 2020 in respect of Ms van Hecke Non-compliance from 31 March 2020 until 8 October 2020 in respect of Mr Cocker
At least two such members	Non-compliance from 15 July 2020 until 8 October 2020

Provision 32

Following the appointment of Ms van Hecke as Chief Executive Officer on 16 December 2019, she was no longer considered by the Board as independent for the purposes of the Code and her continued membership of the Remuneration Committee contravened Provision 32 of the Code until she stepped down as a member of the Remuneration Committee on 27 January 2020.

Following the appointment of Mr Cocker as Interim Chief Financial Officer on 31 March 2020, he was no longer considered by the Board as independent for the purposes of the Code and as a result his continued membership of the Remuneration Committee contravened Provision 32 of the Code. However, the Board determined that given that it is intended that Mr Cocker will only serve as Chief Financial Officer on an interim basis, he should remain as a member of the Remuneration Committee. On 8 October 2020 following the appointment of Ms van Hecke as Chairwoman of the Remuneration Committee, Mr Cocker stepped down as a member of the Remuneration Committee.

Contrary to Provision 32 (which requires the Remuneration Committee to have a minimum membership of two independent non-executive directors) there was only one such member of the Remuneration Committee from the effective date of Mr Martin's resignation until Ms van Hecke re-joined the Remuneration Committee on 8 October 2020.

Requirement	Non-compliance
All members of the Remuneration Committee to be independent non-executive directors	Non-compliance from 16 December 2019 until 27 January 2020 in respect of Ms van Hecke Non-compliance from 31 March 2020 until 8 October 2020 in respect of Mr Cocker
At least two such members	Non-compliance from 31 March 2020 until 8 October 2020

Provision 36

The Company's LTIP has a total holding and vesting period of no more than three years and therefore does not comply with the requirements of Code Provision 36, which requires share awards to be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. As explained in the press release released by the Company on 28 August 2019, a copy of which has also been published on the Public Register maintained by the Investment Association, the Board and the Remuneration Committee believe that the current provisions of the LTIP relating to the performance period and vesting period are appropriate and aligned with the interests of shareholders, so that modifying such provisions of the LTIP at this time would not be the right course of action. The full text of the announcement is available to read on the Company's website.

Board of Directors

Atul Gupta

Executive Chairman
Interim Chief Executive Officer
1 September 2020 to 25 January 2021

DOB: 15 December 1959

Nationality: British

Date of appointment:
19 May 2014

Other current appointments: None

Skills and experience:

- Chief Executive Officer (2006-2008) and Chief Operating Officer (1999-2006) of Burren Energy.
- 30 years' broad experience in international upstream oil and gas businesses: Charterhouse Petroleum, Petrofina, Monument and Burren Energy.
- Graduate in Chemical Engineering (Cambridge University) and Masters in Petroleum Engineering (Heriot-Watt University, Edinburgh).

A N R H

Kaat van Hecke

Chief Executive Officer
until 31 August 2020
Redesignated as an independent Non-Executive Director on 10 September 2020

DOB: 7 December 1971

Nationality: Belgian

Date of appointment:
31 December 2016

Other current appointments:

- Axxela Limited – Director

Skills and experience:

- 2013-2016 served as Managing Director and Senior Vice President of the Austrian Upstream business at Österreichische Mineralölverwaltung (OMV).
- 2010-2013 served as E&P Group Head of Business Support at OMV.
- 2002-2010 held various positions with Shell in Russia, Nigeria and The Netherlands.
- 1995-2001 held various positions with ExxonMobil in Belgium and The Netherlands.
- Obtained a Master of Science degree in Chemical Engineering from the University of Ghent, Belgium.
- Also holds a Masters in General Management from the Vlerick Management School, Belgium.

Arfan Khan

Chief Executive Officer
from 26 January 2021

DOB: 22 April 1959

Nationality: American

Date of appointment:
26 January 2021

Other current appointments: None

Skills and experience:

- From January 2020 until joining the Company, President of Stratum Energy Group.
- From April 2014 to December 2019, COO of Amni International Petroleum.
- From April 2012 to March 2014, Petroleum Engineering Director at Maersk Oil.
- From August 2002 to March 2012, Chief Production Engineer at Shell.
- Member of the Society of Petroleum Engineers.
- Holds a Bachelor of Science degree from Texas A&M University and an MBA from Tulane University.

Board committees

- A Audit Committee
- N Nomination and Governance Committee
- H Health, Safety, Environment and Communities Committee
- R Remuneration Committee
- Chairman

A N R

Sir Christopher Codrington, Bt.
Independent Non-Executive Director

DOB: 20 February 1960

Nationality: British

Date of appointment:
19 May 2014

Other current appointments:
- Navarino Services Limited – Director
- Capital Marketing Investments Ltd – Director
- Codco Limited
- Network Point Management (Witney) Limited

Skills and experience:
- More than 30 years' executive board and senior management experience in the oil and gas sector, and the hospitality and other industries.
- Spent eight years living in Houston, Texas, developing prospects in various oil and gas fields for COG, Inc., Texas General Resources, Inc., TexBrit Corporation, Inc. and Whitehall Energy Limited.
- Royal Agricultural University – DipAFM.

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Martin Cocker
Interim Chief Financial Officer

DOB: 19 September 1959

Nationality: British

Date of appointment:
16 November 2017

Other current appointments:
- Etalon Group PLC – Non-Executive Director
- Tinkoff Credit Systems Group Holdings – Non-Executive Director
- Headhunter Group PLC – Non Executive Director
- JEC Property Management
- Gyassi Limited

Skills and experience:
- Chartered accountant with over 30 years' business experience.
- Held several line management, project leader and CEO-level positions, and currently is an independent Non-Executive Director and Chairman of the Audit Committee at Etalon Group PLC and TCS Group Holdings PLC.
- Previously held senior positions with Deloitte & Touche, KPMG, Ernst & Young and Amerada Hess.
- Obtained a BSc joint honours degree in Mathematics and Economics from the University of Keele.
- Member of the Institute of Chartered Accountants of England and Wales.

Directors resigned in 2020:

Tom Richardson,
Chief Financial Officer
Resigned effective
31 March 2020

Mark Martin,
Independent
Non-Executive Director
Resigned effective
15 July 2020

Michael Calvey,
Non-Executive Director
Resigned effective
4 September 2020

Simon Byrne,
Non-Executive Director
Resigned effective
4 January 2021

Senior management team

Arfan Khan
Chief Executive Officer from 26 January 2021

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Martin Cocker
Interim Chief Financial Officer

(See biography of Executive Directors Arfan Khan and Martin Cocker on pages 70 and 71).

Arkadi Epifanov
Chief Commercial Officer

DOB: 27 October 1957

Nationality: Russian

Skills and experience:

- Appointed as Chief Commercial Officer on 13 January 2017.
- 2009-2017 held position as marketing consultant for Zhaikmunai LLP.
- Over 20 years' experience in senior management and directorial positions in Nafta, Transoil, Lukoil, Litasco and Baltic Oil Terminal.
- Has worked in the oil sector across diverse regions including Finland, Belgium, Romania, Russia, Switzerland, The Netherlands and the UK.
- Holds qualifications in Economics from Leipziger University.

Thomas Hartnett
Chief Legal Officer, Company Secretary and Acting Head of Human Resources since 13 January 2020

DOB: 4 July 1964

Nationality: US/Belgian

Skills and experience:

- Appointed as General Counsel of the Nostrum Group on 5 September 2008, as Company Secretary of Nostrum Oil & Gas PLC on 3 October 2013 and as Acting Head of Human Resources on 13 January 2020.
- More than 16 years' experience with the law firm White & Case LLP, where he was a Partner and specialised in cross-border corporate and M&A transactions based in the firm's New York, Istanbul, London, Brussels and Bangkok offices.
- 1996-1998 served as Senior Corporate Counsel for Intercontinental Hotels Group (formerly Bass Hotels & Resorts).
- Holds a Bachelor of Arts degree in Comparative and Developmental Politics from the University of Pennsylvania and a Juris Doctor degree from New York University School of Law.
- Member of the New York Bar.

Robert Tinkhof
Chief Operating Officer[1]

DOB: 8 April 1962

Nationality: Dutch

Skills and experience:

- Appointed as Chief Operating Officer of the Group on 12 February 2019.
- Held several senior management positions, most recently as Managing Director at the Scientific Research Institute of KMG for Production and Technology in Kazakhstan.
- 32 years of experience in the oil and gas industry, mainly with Royal Dutch Shell with assignments in The Netherlands, UK, Syria, Iran, Egypt, Dubai, Iraq and Russia.

Daulet Tulegenov
Group QHSE Manager

DOB: 29 January 1980

Nationality: Kazakh

Skills and experience:

- Appointed as Group QHSE Manager in October 2018.
- 2017-2018 HSE Transformation team leader at KazMunaiGas JSC.
- 2010-2016 HSE manager at Lukoil.
- Over 15 years' experience in E&P oil and gas assets (onshore and offshore).
- Took part in major international projects at Chevron, Shell, Lukoil, Tengizchevroil and CNPC companies in Kazakhstan.
- Graduate of the Tyumen State Oil & Gas University, Russian Federation.

Our governance framework

The Board

The Board is chaired by Atul Gupta and normally meets a minimum of four times a year. In 2020, due to the financial situation of the Group, the Board met 13 times. The Board is collectively responsible to stakeholders for the long-term success of the Group. This is achieved by reviewing trading performance, budgets and funding, setting and monitoring the Group's strategic objectives, reviewing acquisition opportunities and engaging with stakeholders. The Board is supported by a number of committees whose terms of reference (TORs) are available on our website.

Chairman
Responsible for leadership of the Board and for ensuring its effectiveness in all aspects of its role.

Chief Executive Officer
Responsible for the successful planning and execution of the objectives and strategies agreed by the Board.

Non-Executive Directors
Responsible for bringing an external perspective, sound judgement and objectivity to the Board's decision-making. Scrutinise management performance and constructively challenge strategy.

Senior Independent Director
Provides a sounding board for the Chairman and a trusted intermediary for the other Directors.

Audit Committee
Responsible for oversight of the Group's financial reporting processes. Scrutinises the work of the external auditor and regularly reviews the risk management framework and the work of internal audit.

Chairman:
Sir Christopher Codrington, Bt.

See page 78 for Committee Report.

Nomination and Governance Committee
Reviews the structure, size and composition of the Board and its committees and makes recommendations to the Board accordingly, and leads the process for new Board appointments.

Chairman:
Sir Christopher Codrington, Bt.

See page 86 for Committee Report.

Remuneration Committee
Reviews and recommends to the Board the executive Remuneration Policy and determines the remuneration packages of the Directors.

Chairwoman:
Kaat van Hecke

See page 89 for Committee Report.

Health, Safety, Environment and Communities Committee
Assists the Board to fulfil its responsibilities in relation to health, safety, environment and communities matters arising from the activities of the Group, and in overseeing and providing stewardship of relevant material Health, Safety, Environment and Communities Committee matters for the Company.

Chairwoman:
Kaat van Hecke

See page 87 for Committee Report.

Company Secretary
Responsible for advising the Board, through the Chairman, on all governance matters and for ensuring that Board procedures are complied with and there is a good flow of information between the Board and its committees. The appointment of the Company Secretary is a matter reserved to the Board as a whole.

Company Secretary:
Thomas Hartnett

Senior Management Team

The Senior Management Team supports the Chief Executive Officer in making important decisions regarding the overall management of the Group in respect of all Group matters that are not reserved for the Board and in ensuring that operational activities and performance are aligned with the overarching strategy of the Group. Each member of the team reports directly to the Chief Executive Officer, who then directly reports to the Board. The functional responsibilities of the senior management team members in their respective areas include but are not limited to implementing Chief Executive Officer and Board decisions, allocating resources, managing risk, maximising efficiencies, guiding and developing employees, reviewing performance and supporting cross-functional integration.

Finance
Responsible for supporting the Group and the Board in matters relating to: (i) corporate finance (ii) investor relations (iii) economic analysis (iv) public relations (v) external communications (vi) accounting and reporting (vii) tax (viii) budgeting and control (ix) insurance (x) treasury and cash management (xi) liaison with internal audit (xii) risk management (xiii) ICT (xiv) company administration (accounting and tax matters) and (xv) capital markets analysis.

Head: Martin Cocker

Operations
Responsible for supporting the Group and the Board in matters relating to: (i) production engineering and reservoir management (ii) drilling and workover management production (iii) production (iv) engineering and construction field operations (v) relations with governmental authorities (vi) procurement (vii) security and (viii) administration.

Head: Robert Tinkhof

Legal
Responsible for supporting the Group and the Board in matters relating to: (i) all legal matters (ii) compliance (iii) corporate governance (iv) company administration (legal and governance matters).

Head: Thomas Hartnett

Sales and marketing
Responsible for supporting the Group and the Board in matters relating to: (i) sales of oil and gas products (ii) marketing and (iii) logistics and transportation.

Head: Arkadi Epifanov

QHSE
Responsible for supporting the Group and the Board in matters relating to: (i) product quality (ii) personnel and community health and safety and (iii) environmental protection.

Head: Daulet Tulegenov

Human resources
Responsible for supporting the Group and the Board in matters relating to: (i) personnel and workforce matters generally (ii) training and (iii) remuneration.

Acting Head: Thomas Hartnett

Board policies and governance arrangements

Nostrum recognises the important role that good corporate governance plays in the success of the Company. As a result, the Board promotes high standards of corporate governance as a key component of its activities. Clearly defined roles and responsibilities, non-executive independence, boardroom and workplace diversity, an open and transparent culture and the work of our committees in implementing the Company's values and policies throughout the Group are all vital ingredients to get this right for our stakeholders.

In order to ensure that it is involved in making important decisions for the Group and to ensure a clear division of responsibilities between the Board and executive management, the Board has identified certain "reserved matters" that are subject to its approval. Other matters, responsibilities and authorities have been delegated to its committees and the senior management team, as set out in the governance framework on page 73. The schedule of matters reserved for the Board is reviewed annually and is available on our website.

Division of responsibilities

On 27 November 2018, the Board resolved to expand the role of the Company's Chairman, Atul Gupta, to give him certain executive responsibilities, in particular in relation to business development, strategic initiatives and investor relations. Notwithstanding this, in accordance with the Code, and with the exception of the period noted on page 68, the roles of Chairman and Chief Executive remain separate, with each having distinct and clearly defined responsibilities, as summarised in the Board structure diagram. Mr Gupta's role as Executive Chairman is to guide, advise, counsel and assist the Chief Executive Officer in overseeing the Company's implementation of its strategy. The Chief Executive remains responsible for line management of his direct reports and implementation of the Company's strategy.

The Chairman's overarching role in leading an effective Board is supported by the Senior Independent Director, while the Chief Executive Officer's strategic capabilities are strengthened by the Senior Management Team.

Independence

Robust oversight is crucial for strong corporate governance and the Board is committed to securing this through an appropriate balance of independent Non-Executive Directors.

At the date of this Annual Report, the Board considers all of its Non-Executive Directors to be independent within the meaning of this term as defined in the Code.

Equality and diversity

The Board has due regard for the importance of, and benefits from, diversity in its membership, including gender diversity, and strives to maintain an appropriate balance on the Board. The Board is composed of individuals with diverse sectoral experience, ages, geographic and ethnic origin, and gender.

The Company has 20% female representation on its Board. The Nomination and Governance Committee remains satisfied that the Board has the right mix of skills and experience to operate effectively. However, the skills and experience mix will be revisited following the successful restructuring of the Notes. The Nomination and Governance Committee remains committed to monitoring diversity closely as part of future succession planning.

In November 2017, the Board approved its Equality and Diversity Policy, to which the Company continued to adhere throughout 2020.

In accordance with the policy, the Group is committed to eliminating discrimination and encouraging equality and diversity in all of our business activities, including the provision of employment. The policy applies to all who work for the Group, including Directors, together with the managerial, supervisory and administrative bodies of all entities within the Group. The policy also applies equally to the treatment of our supply chain, applicants and visitors by our staff and the treatment of our staff by these third parties. The objective of the policy is to promote equality of opportunity and to ensure that no individual suffers unlawful discrimination, directly or indirectly, on the grounds of race, colour, ethnicity, religion, sex, gender identity or expression, gender reassignment, national origin, age, marital status, disability or sexual orientation.

The Group aims to ensure the objective of the policy is met by:

- Ensuring all recruitment advertising and publicity aims to encourage applications from any individual who has appropriate qualifications and/or experience;
- Not offering discriminatory conditions of employment;
- Ensuring all promotions are made strictly on the basis of the ability to do the job and no such decision is made on a discriminatory basis;
- Considering requests for part-time work or job-sharing opportunities wherever appropriate and practicable, and aiming to ensure that part-time employees receive fair treatment;
- Ensuring that the demands of religion (e.g. prayer time and religious holidays), culture (e.g. traditional dress) and special dietary needs are accommodated where possible; and
- Taking reasonable steps to assist employees with domestic responsibilities (e.g. young children and dependent elderly relatives).

The following are the steps that have been taken in 2020 to implement this policy:

- Despite the challenging trading environment and a significant reduction in recruitment activities, where recruitment has been required we have continued to focus on attracting more female candidates across all levels throughout the Group. We are assessing our performance in attracting female employees at junior management levels in Kazakhstan and reviewing our current training, retention and promotion schemes to encourage the promotion of more women into senior management positions.
- Our human resources team reported regularly to the Health, Safety, Environment and Communities Committee on diversity. In conjunction with the Health, Safety, Environment and Communities Committee, a gender diversity action plan has been established which aims to increase the percentage of female employees across all levels within the Group to 25% by 2022.
- An analysis of any gender pay gap issues is being conducted.
- We continue to look into cross-Company mentor schemes to achieve our goals in this area.

Conflicts of interest

A Director has a duty to avoid a situation in which they have, or may have, a direct or indirect interest that conflicts or may conflict with the interests of the Company.

Formal procedures are in place to ensure that the Board's powers of authorisation of conflicts or potential conflicts of interest of Directors are operated effectively. The Board is satisfied that during 2020 these procedures were enforced and adhered to appropriately.

Appointment and tenure

All Executive Directors have service agreements with the Company with the exception that the interim Chief Financial Officer is engaged through a consultancy agreement that expires currently on 30 April 2021. All Non-Executive Directors have letters of appointment with the Company. For all Executive Directors engaged through service agreements, there is no term limit on their services, as the Company proposes all Executive Directors for annual re-election at each subsequent Annual General Meeting of the Company.

Each Non-Executive Director appointment is for an initial term of three years, subject to being re-elected at each subsequent Annual General Meeting.

Bribery, corruption and whistleblowing

Bribery and corruption are significant risks in the oil and gas industry and, as such, the Company operates a Group-wide Anti-Corruption and Bribery Policy, which applies to all Group employees and contractor staff. The policy requires: annual bribery and corruption risk assessments; risk-based due diligence on all parties with whom the Company does business; appropriate anti-bribery and corruption clauses in contracts; and the training of personnel in anti-bribery and corruption measures. In addition, the Company's Code of Conduct requires that employees or others working on behalf of the Company do not engage in bribery or corruption in any form. Corruption-related risks are evaluated on a Group-wide basis (not in respect of divisions). No confirmed corruption cases were identified in 2020. No employees were trained on anti-corruption policies in 2020.

The Company has also adopted a Whistleblowing Policy that takes account of the Whistleblowing Arrangements Code of Practice issued by the British Standards Institute and Public Concern at Work. Further information can be found on page 42.

No matters were raised under the Company's Whistleblowing Policy in 2020.

Both policies were reviewed by the Audit Committee in 2020 and no updates recommended to the Board.

Anti-facilitation of tax evasion

Further to the new rules under the Criminal Finances Act 2017 (CFA) in the UK, in 2018 the Board approved a new Anti-Facilitation of Tax Evasion Policy applicable to the Group and its associated persons. In connection with the preparation of this policy, the Company commissioned an independent bespoke risk assessment and incorporated findings from the assessment into the policy.

Board activities and achievements

Board activities and achievements during 2020

During the financial year, the Board held 13 meetings. The Board and Committee agendas were shaped to ensure that discussion was focused on the Group's key strategies and monitoring activities, as well as reviews of significant issues arising during the year. The Group's ongoing financial and strategic performance is reviewed at every meeting, and the Chief Executive Officer and the Chief Financial Officer comment on production, share price performance, the market and shareholder feedback.

The table below gives the highlights of how the Board and its committees spent their time during the 2020 financial year but should not be regarded as an exhaustive list. More information regarding the Group's strategic objectives and focus during the year can be found in the Strategic Report on pages 2 – 65 and the more detailed activities of each Board committee are located in their relevant report.

Strategy and business focus	• Engaged with the advisers to an informal ad-hoc noteholder group to negotiate a restructuring of the Group's bonds. • Discussions around the strategic options available to the Group to monetise the infrastructure through processing third-party volumes and acquisition of nearby, stranded assets such as Stepnoy Leopard. • Approved a targeted well workover and intervention programme in the spring and summer of 2020 that reduced the rate of decline in the Chinarevskoye field. • Considered the results of the strategic review process initiated in 2019 and as a result ended the process.
Risk	• Review of all interim financial results announcements and the 2019 Annual Report and Accounts. • Consideration of the Group's viability statement and risk appetite for the coming year. • Review of all insurance contracts across the Group to assess risk exposure. • Reviewed the Group's liquidity forecast at each board meeting from April
Governance	• Approved the appointment of Kaat van Hecke as Chief Executive Officer, Martin Cocker as Interim Chief Financial Officer and Tav Morgan as an alternate director for Michael Calvey. • Considered the salaries of the Executive Directors at the time of their appointment to post. • Received reports from Board committees. • Consideration of the UK Corporate Governance Code and other regulatory requirements for the Annual Report. • Review of the Notice of AGM and matters proposed for shareholder approval. • Reviewed and approved (where required) any updates to key Group policies. • Consideration of Director conflicts of interest.
People and culture	• Monitored the preventative measures being taken to protect employees and contractors from COVID-19.

Board evaluation

Much of the Board's effort and attention in 2020 has been focused on stabilising the financial position of the Group and looking to secure its future, whilst at the same time ensuring that our employees and contractors remained safe. A number of executive and non-executive members left the Board in 2020, and given the financial position of the Group, the decision was taken not to recruit new members to the Board until such time that the restructuring was substantially complete.

As a result, and as explained in the Nomination and Governance Committee report on pages 86, no formal Board evaluation took place in 2020.

An evaluation of the Board structure, membership and skill set will be reviewed in 2021 at the conclusion of the restructuring of the Notes.

Director induction and training

Each individual joining the Board receives a full, formal induction package with materials on the Group's business and operational, financial and legal matters. They also meet with members of the Board in order to obtain a good understanding of the challenges and opportunities faced by the Group. The Directors are given the opportunity to discuss their training and professional development needs at every quarterly Board meeting and on an ad-hoc basis as required, and to make recommendations to the Chairman regarding topics on which they would like to receive training. In addition to training organised by the Company, the Directors regularly attend training events organised by third parties and the Company actively encourages Directors to attend such events.

Attendance at meetings of the Board and its Committees in 2020

The following table illustrates the attendance of Directors at Board and committee meetings (as relevant) throughout the year.

	Board		Audit Committee		Remuneration Committee		Nomination and Governance Committee		Health, Safety, Environment and Communities Committee	
	A	B	A	B	A	B	A	B	A	B
EXECUTIVE DIRECTORS										
Atul Gupta[1,2]	13	13	–	–	2	2	–	–	1	1
Tom Richardson[3]	2	2	–	–	–	–	–	–	–	–
Kaat van Hecke – up to 31.08.2020[4,5,6,7]	8	7	–	–	–	–	1	1	1	1
Martin Cocker – from 31.03.2020[8,9]	11	11	4	4	2	2	–	–	2	2
NON-EXECUTIVE DIRECTORS										
Kaat van Hecke – from 31.08.2020[4,5,6,7]	5	5	1	1	3	3	–	–	2	2
Martin Cocker – up to 31.03.2020[8,9]	2	2	–	–	1	1	–	–	1	1
Sir Christopher Codrington Bt.[10]	13	13	4	4	4	4	1	1	–	–
Mark Martin[11]	5	5	2	2	1	1	1	1	–	–
Simon Byrne[12,13] (alternate Pankaj Jain)	13	12	–	–	–	–	–	–	–	–
Michael Calvey (alternate Tav Morgan)[14,15]	8	8	–	–	–	–	–	–	–	–
Stephen Whyte – Board observer	2	2	–	–	–	–	–	–	1	1

A = Total number of meetings the Director was eligible to attend.

B = Total number of meetings the Director did attend.

1. Mr Gupta is the Executive Chairman of the Board of Directors.
2. Mr Gupta assumed the responsibilities of the CEO from 1 September 2020 until 26 January 2021.
3. Mr Richardson resigned and stepped down as CFO and as a Director of the Company effective 31 March 2020.
4. Ms van Hecke stepped down as a member of the Remuneration Committee and Audit Committee effective 27 January 2020.
5. Ms van Hecke stepped down from her position as CEO on 31 August 2020 and resumed her role on the Board as a Non-Executive Director.
6. Ms van Hecke is Chairwoman of the Health, Safety, Environment and Communities Committee and effective 8 October 2020 is also Chairwoman of the Remuneration Committee.
7. Ms van Hecke was unable to participate in the Board meeting on 15 July 2020.
8. Mr Cocker was appointed as a member of the Remuneration Committee on 27 January 2020.
9. Mr Cocker was appointed as Interim Chief Financial Officer effective 31 March 2020.
10. Sir Christopher Codrington Bt is the Chairman of the Nomination and Governance Committee as well as the Chairman of the Audit Committee.
11. Mr Martin resigned from his position as a Non-Executive Director and as Chairman of the Remuneration Committee effective 15 July 2020.
12. Mr Byrne resigned from his position as a Non-Executive Director effective 4 January 2021. The appointment of Mr Jain also ceased effective 4 January 2021.
13. Mr Byrne was unable to participate in the Board meeting on 8 October 2020.
14. Mr Calvey was unable to participate in Board meetings in 2020 due to travel restrictions. Mr Morgan, Mr Calvey's alternate, attended eight Board meetings on behalf of Mr Calvey in 2020.
15. Mr Calvey resigned from his position as a Non-Executive Director effective 4 September 2020. The appointment of Mr Morgan also ceased effective 4 September 2020.

Letter from the Chairman

Dear shareholder,

This year has been unprecedented in the history of the Group and as a result its Audit Committee (the Committee) has been required to be flexible and focused.

The collapse of the global oil price and the deterioration on the gas prices being achieved by the Group in early 2020 caused the Group to engage with its bondholders to consider a possible restructuring of its US$725 million 8.0% Senior Notes due July 2022 and/or its US$400 million 7.0% Senior Notes due February 2025. One of the consequences of this is that the Committee has been required to consider very carefully the use of the going concern basis for the preparation of year-end and 2020 quarterly financial statements. After careful consideration at each quarter end and at the year end, the Committee concluded that the going concern basis was the appropriate basis of preparation. This position was supported by the Company's advisers.

In addition, the continuing analysis of data from the Chinarevskoye field has led the Group to reclassify approximately 91 mmboe from Probable to contingent reserves. In particular, the Board has concluded that further drilling of the Biyski/Afoninski North-East field should not be undertaken until the reservoir and drilling risks have been reduced and further drilling in the Biyski/Afoninski West and North-West areas will not increase the Proven Reserves.

Together with an outlook of a low-price environment for some time to come, this has meant that we have recognised a provision for impairment in 2020 of $244.9 million.

The impact of COVID-19 on travel and work practices across the globe has meant that our internal audit processes have been significantly disrupted in 2020. In mitigation, an additional review committee, the Contracts Board, was established to consider and approve the placement of all contracts with a potential value in excess of $10,000. Since September 2020, our management accounts have been reviewed not only by our management and the Committee but also by the Company's advisers and also the advisers to our bondholders. The Committee believes that these measures, together with the continued simplification of our activities, means that the risk of any significant control failure or material misstatement in the financial statement has been mitigated.

The Committee met four times in the year. As in prior periods, these meetings occurred before Board meetings, which moved to an approximately four-weekly basis from April.

In the Committee meetings, in addition to being very mindful as to whether the Company and Group remained a going concern, we have also:

- Monitored the progress of the continuing analysis of data from the Chinarevskoye field and the impact that the results of that analysis could have on the carrying value of our oil and gas assets; and
- Continued to ensure that there were no working capital finance arrangements that should be disclosed in the quarterly financial statements or this Annual Report.

Climate change, and the impact that our operations have on it, are considered in the Sustainability review section on pages 36 – 49 and the relevant issues are also summarised in the report of the Health, Safety, Environment and Communities Committee on pages 87 – 88. The impact of COVID-19 on our operations was considered at each Board meeting throughout 2020 and is described in the Viability Statement on pages 56 – 57. The Board assessed that Brexit should have little or no impact on the Company's operations since our UK operation has little or no direct interface with Europe.

Finally, a short word on the structure of the Committee during 2020. On 31 March 2020, Martin Cocker, who started the year as Chair of the Committee, agreed to take up on an interim basis the role of Chief Financial Officer which became vacant on that date. Martin relinquished the chair of the Committee from 1 April 2020 at which date I assumed the chair of the Committee but he remained a member and continued to attend all meetings of the Committee from that date in his capacity as Interim Chief Financial Officer.

Effective 15 July 2020, Mark Martin resigned from the Board of the Company and so also the committees of which he was a member, including this Committee. After careful consideration, the Board decided that it would not seek to engage further independent Non-Executive Directors until such time as the restructuring has been completed successfully.

On 8 October 2020 Kaat van Hecke, having stepped down as Interim Chief Executive Officer on 31 August 2020 and again considered by the Board as an independent Non-Executive Director rejoined the Remuneration Committee as Chairwoman and the Audit Committee as member. On the same date Martin Cocker stepped down from the Audit Committee.

Together with the Board, I acknowledge that this was not an ideal situation. However, given the amount of scrutiny that the financial reporting, risk management and Board decisions became subject to in the second half of 2020 as part of the bond restructuring, and following legal guidance, I believe that the Committee has been able to adequately discharge its responsibilities throughout 2020.

In closing, I would like to thank all my fellow Committee members for their contribution to the effective discharge of the Committee's duties throughout the year.

Sir Christopher Codrington, Bt.
Chairman, Audit Committee
Independent Non-Executive Director

Role and responsibilities of the Audit Committee

Throughout the year, the Committee has remained committed to its primary role of assisting the Board in achieving the Group's strategic objectives whilst protecting stakeholder interests.

The key areas of responsibility of the Committee during 2020 were as follows:

- Review the Group's annual and interim consolidated financial statements;
- Review the formal announcement of the financial results, investor presentations and any other related announcements;
- Review the effectiveness of the Group's internal control and risk management systems;
- Monitor compliance with applicable regulatory and legal requirements and the Group's Code of Conduct;
- Monitor and review the effectiveness of the Group's internal audit function;
- Maintain the relationship with the Company's external auditor and oversee its appointment, remuneration and terms of engagement whilst continually assessing its independence and objectivity; and
- Review audit findings and assess the standard and effectiveness of the external audit.

More detail on these key areas can be found in the Committee's terms of reference, which are available on the Group's website at www.nog.co.uk.

Membership

Sir Christopher Codrington, Bt.	Member since 19 May 2014; Chairman from 8 May 2017 to 3 June 2019 and then from 1 April 2020.
Martin Cocker	Member from 16 November 2017 to 8 October 2020 Chairman from 4 June 2019 to 1 April 2020.
Mark Martin	Member from 31 December 2016 to 15 July 2020.
Kaat van Hecke	Member from 8 May 2017 to 27 January 2020 and then from 8 October 2020.

All members of the Audit Committee during the year were independent Non-Executive Directors, apart from Martin Cocker who since 1 April 2020 was the Interim Chief Financial Officer.

The qualifications presented in the biographies of the members of the Committee on pages 70 – 71, and their respective contributions to the activities of the Committee, demonstrated that the Committee has the necessary levels of competence in oil & gas upstream and downstream operations and in accounting and auditing, as well as recent and relevant financial experience.

Meetings

In addition to its scheduled quarterly meetings, the Committee also meets when it is necessary. The Interim Chief Financial Officer, the Chief Legal Officer, the Company Secretary and the external auditor are invited to all meetings. The Committee held 4 meetings during 2020 and the attendance of each Committee member at meetings of the Committee is shown on page 77.

Matters highlighted by the Financial Reporting Council (FRC)

In its letter dated 12 November 2020, the FRC highlighted a number of topics and key matters relevant to the 2020/21 reporting season. Those matters include:

- Reporting in respect of the impact of COVID-19 and Brexit and how these events might impact the future viability of the Company. This is addressed in the Viability Statement on pages 56 – 57. The Committee has scrutinised the Viability Statement to ensure that readers are readily able to assess how COVID-19 and Brexit have, and are likely to, impact the Company;
- The provision of full information about the future impact of climate change on the business and how the Company's activities affect the environment. This Committee has considered and challenged the Sustainability review on pages 36 – 49 to ensure that the disclosures more transparently describe our policies, give a balanced description of how our climate change policies and targets are incorporated into our business plans, and eliminate or explain any technical terminology used;
- Reporting cash flows and liquidity risks. In this respect, and as noted above, the Committee has scrutinised the Viability Statement to ensure that the matters considered in assessing the going concern, viability and liquidity of the Company and Group are fully explained;
- Further disclosures to provide transparency on the impact of working capital financial arrangements, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The Committee considered these matters and concluded that all current disclosures in respect of IFRS 15 and IFRS 16 were appropriate;
- Improving the quality of the section 172(1) statement. Our section 172(1) statement is summarised on page 34. Again, the Committee has considered to statement in light of the comments from the FRC in its letter to ensure that it adequately explains how the Directors are discharging their responsibilities; and
- Cash flow and liquidity risk. In response the Committee has reviewed the Group's cash flow statement to ensure that (1) there is consistency between it and other areas of this Annual Report and (2) the disclosure of accounting policies and judgements in relation to the cash flow statement are appropriate and complete.

The Committee also paid attention to ensure that a clear description of the Company's policies, any due diligence processes implemented in pursuance of those policies and their outcomes in respect of environmental, social, anti-corruption and anti-bribery matters, employees and respect for human rights are all either covered by this statement or covered in other parts of the strategic report.

The Committee continued to challenge management to ensure there was a clear distinction between critical judgements and estimates used in preparing the accounts and that appropriate disclosures were made to provide an understanding of their sensitivity to changing assumptions.

The Committee reviewed the definitions, explanations, reconciliations, prominence and consistency of alternative performance measurements such as EBITDA, for their compliance with ESMA's Guidelines;

Self-assessment

The Committee undertakes an annual evaluation of its performance and effectiveness. Typically, this is performed after the annual audit cycle is completed. However, given the unusual circumstances that prevailed in 2020, the Committee did not formally assess its performance and effectiveness in 2020. A formal review of the Committee's performance and effectiveness will be made following the completion of the 2020 audit.

Activities during the year

In accordance with its responsibilities outlined above, the Committee's activities fall into the following four main areas, each of which is explained in more detail in the following sections 1 to 4:

1. Financial reporting

2. Risk management and internal controls

3. Compliance with laws and regulations

4. External audit

1. Financial reporting

The key areas of the Committee's activities related to financial reporting can be summarised as follows:

- Review of and discussions on quarterly and annual financial statements, and recommendation to the Board for approval;
- Review of and discussions on the matters of liquidity and going concern analysis, as well as impairment considerations;
- Review of periodic press releases and results presentations prior to their publication;
- Review of annual budgets and periodic forecasts;
- Review of monthly management updates covering key issues, including financial and operational performance and the status of key initiatives; and
- Discussion of various ad-hoc matters related to financial accounting and reporting.

The review by the Committee of the quarterly results and half-yearly financial statements was done with an emphasis on ensuring the following:

- Critical judgements and estimates applied by management (described in more detail below) were appropriate and complete disclosure had been made;
- The accounting policies adopted were consistent with those used in prior periods and remained appropriate;
- Full disclosures were made for compliance with financial reporting standards and relevant corporate governance requirements;
- Assessing whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the shareholders to assess the Group's performance, business model and strategy; and
- Discussing any significant matters with management and the external auditor and providing feedback to management on ways to improve the effectiveness and clarity of the Group's corporate reporting.

The Committee reviewed this Annual Report with the same emphasis as noted above together with the specific areas noted by the FRC and outlined earlier in this report.

Significant judgements, estimates and assumptions

Significant judgements, estimates and assumptions applied by management when preparing the financial statements are closely related to the principal risks and uncertainties faced by the Group, which are subject to constant monitoring by the Board and the Committee.

The main judgement facing the Company and Group during 2020 has been its continued viability as a going concern.

In early March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the COVID-19 outbreak which was having a material impact on oil demand. The parties failed to reach agreement and Saudi Aramco aggressively cut its Official Selling Prices (OSP) in an attempt to prioritise market share rather than price stability. As a result, there was a sharp and significant drop in Brent crude oil prices. This was compounded by a perceived lack of future demand for oil caused by disruptions to businesses and economic activity as a result of COVID-19.

Whilst the OPEC+ countries, together with a wider Group of producers, have subsequently agreed to lower daily production levels, the continuing uncertainty over the future demand for oil as a result of the continuing impact of COVID-19 has restricted the recovery of the oil price. These events continue to have an impact on oil price volatility with spot prices for Brent reaching a low of $20/bbl in March 2020.

The low demand for energy across the world also led to a deterioration of the prices that we received for our dry gas.

As a result of the low oil and dry gas prices at the start of the year, the Group announced on 31 March 2020 that it would seek to engage with its bondholders regarding a possible restructuring of the Group's outstanding bonds. In May 2020 the Group appointed a financial adviser and a legal adviser in connection with a possible restructuring of its Notes. On 24 July 2020, the Group announced that it planned to utilise the applicable grace periods for the interest payments due on 25 July and 16 August 2020 with respect to the Notes. The 30-day grace period was to allow the Company to continue active discussions with the financial and legal advisers to an informal ad-hoc committee of noteholders (AHG) with a view to entering into a forbearance agreement with the holders of the Notes in relation to those interest payments.

On 23 October 2020 the Company announced that, together with certain of its subsidiaries (Note Parties), it had entered into a forbearance agreement (the Forbearance Agreement) with members of the AHG. The forbearance period currently expires on 20 May 2021 and will enable the Company, together with its advisers, to engage with bondholders, shareholders and other stakeholders, together with their advisers, to restructure the Group's debt.

However, the results of the discussions with bondholders and shareholders to restructure the Group's debt are uncertain.

Therefore, since early 2020, the Committee has continued to challenge management's assessment that the Company and Group remain a going concern. In forming its conclusions, the Committee has taken note of the following:

- The Group has taken, and continues to take, prudent mitigating actions that can be executed in the necessary timeframe and which will protect liquidity. These include cancelling uncommitted capital expenditures over the period without having an impact on forecast production in the going concern period of assessment, and identifying significant reductions in operating costs and general and administration costs;
- The continued engagement with the advisers to the AHG to negotiate the Forbearance Agreement and then the terms of a debt restructuring;
- The improvement in oil prices, although the Committee also notes that the formula for deriving the prices received for the Group's dry gas production means that there is a significant lag between any improvement in the prices for dry gas and oil products on world markets and the price for dry gas received by the Group;
- Counsel provided by the Company's legal advisers;
- Management's analysis of the Group's cash flows for the next 12 months. The base-case scenario of the going concern model used conservative price assumptions for oil, LPG and dry gas. at which the Group was approximately cash-neutral during 2021; and
- Management's monitoring on an ongoing basis of its liquidity position, near-term forecasts, key financial ratios, sensitivity tests of its liquidity position for changes in crude oil price, production volumes and timing of completion of various ongoing projects.

After careful consideration, the Committee is satisfied that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2022, being a period of not less than 12 months from the date of this report. For these reasons, the Committee agrees with management that the going concern basis in preparing the financial statements is appropriate.

The other significant judgements, estimates and assumptions applied by management when preparing the financial statements, and the Committee's responses, are noted in the following table:

Significant judgements	Significant estimates	Significant assumptions	Impact on financial statement accounts
COVID-19			
COVID-19 continues to impact the world's economy and there is significant uncertainty in relation to the extent and period over which these developments will continue. The direct impact of the virus on the Group's activities has not been significant but its indirect impact through reduced demand, and hence depressed prices, for oil, oil products and dry gas continues to affect the Group. Continued future disruption to the world's economy could have a significant impact on the Group's financial position, future cash flows and results of operations.	Estimations of the future prices for oil, oil products and dry gas as well as continued production from the Chinarevskoye field impact the calculation of future cash flows. In turn, these impact the assessment of the continued viability of the Company and Group as well as the level of impairment provision to be made.	Assumptions used in estimating recoverable amounts included future commodity prices, oil and gas reserves, future production profiles, operating expenses and capital expenditure estimates, fiscal regimes, and discount rates. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. To date there has been no material impact on the Group's operations or liquidity as a result of COVID-19.	Changes in the significant estimates and key assumptions may affect the ability of the Group to continue as a going concern, or the level of impairment required against the CGU.
Committee actions			
The Committee constantly monitored, through regular interaction with management, the impact of the COVID-19 pandemic on the operations of the Group.	As part of the monthly Board meetings, the Committee reviewed the monthly liquidity position prepared by management and agreed the estimations of product prices, costs and production profiles were appropriate.	As part of the monthly Board meetings, members of the Committee considered and challenged the assumption that COVID-19 was not affecting production or operations.	The Committee considered the impact of COVID-19 on the financial statements at the same time as it scrutinised the application of the going concern basis for the preparation of the quarterly, half -yearly and annual financial statements.
NON-CURRENT ASSETS' CARRYING VALUES			
For impairment analysis, management used judgement and determined a single cash-generating unit (CGU) within the Group's non-current assets, which includes all assets related to Chinarevskoye, and exploration fields and gas treatment facilities.	Estimations of the recoverable amount of the CGU were prepared by management based on the discounted cash flow model using significant assumptions as well as considering the value of the enterprise.	Assumptions used in estimating recoverable amounts included future commodity prices, oil and gas reserves, future production profiles, operating expenses and capital expenditure estimates, fiscal regimes, and discount rates. Enterprise valuation considered the market value of the Group's bonds and the Company's shares together with the restructuring proposals under discussion.	Changes in the key assumptions and market valuations may significantly affect the estimation of the recoverable amount of non-current assets, and consequently may result in impairment of non-current assets in the future periods.
Committee actions			
The Committee concurred with management's position in determining a single CGU for the majority of the Group's non-current assets.	The Committee reviewed the detailed reports on impairment testing prepared by management. The Committee agreed with management's approach in using a combination of a discounted cash flow model and enterprise value to determine the range of the impairment required.	Areas of focus were the assumed product prices, discount rates, production profiles and associated sales volumes, and forecast capital and operating expenditures, particularly in light of continued depressed product prices and related volatility risk.	The Committee also gave special consideration to the sensitivity analysis in relation to the assumptions used. The Committee also scrutinised the disclosure of the impairment charge in the accounts and this report.
OIL AND GAS RESERVES			
Management applied significant judgement when selecting the volume of future production used in the unit-of-production method of depletion of assets based on the oil and gas reserves.	Management uses internal estimates to perform an annual assessment of the oil and gas reserves. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (SPE) and were audited by Ryder Scott.	While making such estimates, management uses various assumptions related to future commodity prices, capital and operating expenditures necessary for the development of a field, geological and technical assumptions, future production volumes, drilling programme, etc.	Changes in the key assumptions may significantly affect the estimation of oil and gas reserves, and consequently result in substantial changes in depletion expense and carrying value of working oil and gas properties in future periods.
Committee actions			
The Committee concurred with the continued application of the unit-of-production method of assets depletion, as this method reflects the expected pattern of consumption of future economic benefits by the Group.	The Committee gained comfort on the outcomes of the oil and gas reserves' estimations based on its review of the key assumptions together with the confirmation by Ryder Scott following their audit of the reserves.	Considering the most recent available information, the Committee reviewed various key assumptions used by management in estimating the oil and gas reserves and was satisfied with the reasonableness of such assumptions.	The estimated reserves are a central element in the calculation of depreciation, depletion and impairment.

Significant judgements	Significant estimates	Significant assumptions	Impact on financial statement accounts
TAXATION			
The uncertainties associated with Kazakhstan's tax system means that the ultimate amount of taxes, penalties and interest, if any, is subject to significant judgement.	The Group is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of liabilities required for taxes for which it is considered probably will be payable.	Assumptions used in estimating the amount of taxation that is payable are based on professional advice and consideration of the nature of current discussions with the tax authority.	Because of the uncertainties associated with Kazakhstan's tax systems, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2020.
Committee actions			
The Committee discussed with management any uncertainties surrounding the Group's tax position.	The Committee reviews the detail of any significant matter under discussion with the tax authorities and considers the likelihood of taxes being payable.	Areas of focus were the nature of current discussions with the tax authorities, the outcomes of previous similar discussions and the views of taxation specialists.	The Committee also gave special consideration to the disclosure of any significant uncertainty in the estimation of the tax due.

Other significant judgements and estimates

The decommissioning of oil and gas assets at the end of their economic lives, the provisioning for contingent and other liabilities, current and deferred income tax, and fair value of financial instruments are all areas that require management to use judgement and estimates. The Committee examined each of these issues and sought clarifications, as and when necessary, including discussions with the Company's auditor.

Significant matters communicated by the external auditor

In addition to the significant judgements, estimates and assumptions identified above, the external auditor also highlighted revenue risk, where there is always an assumed risk of fraud through management override of controls. The Committee believes that the Group's policies and internal controls sufficiently minimise the risks related to management's ability to manipulate accounting records or to misappropriate assets.

Related party transactions and disclosures were no longer considered by the external auditor as being an area of significant risk following the completion of the GTU 3 processing facility.

2. Risk management and internal controls

The Committee continuously monitored the Group's risk management systems, further information on which can be found in the Risk Management section on pages 50 – 55.

In accordance with requirements of the 2018 Code relating to the viability statement, the Committee reviewed the impact and sensitivity analysis of such risks on the Group's long-term viability. The principal areas of risk management assessed by the Committee are described in the table below.

Key areas of the Committee's focus in relation to principal risks

Liquidity and financial reporting	Throughout the year, and as explained in more detail elsewhere in this report, the Committee has been focused on reviews of the ongoing viability of the Group and the application of the going concern principle to the financial statements.
Oil and gas production rates	Oil and gas production volumes, being one of the strategic indicators of the Group's performance, are subject to risks and uncertainties of a geological and technological nature. The Committee members have been constantly monitoring forecast production rates against actual rates. Any material variances were discussed, and explanations sought during Committee meetings, Board meetings or dedicated presentations given by management.
Health, safety and environment	As part of the monthly management reports, the Committee reviewed the Group's activities to ensure an appropriate level of protection for health, safety and the environment. This area will be within the scope of responsibilities of the Health, Safety, Environment and Communities Committee of the Board.
Cyber security	The Committee continued to review the Company and Group's exposure to cyber-attack and discussed with management any actions directed at addressing those exposures.
Financial reporting	The Committee seeks to ensure the accurate maintenance of accounting records and related transactions. Considering the volatility of oil prices and the uncertainty over the Group's continued viability as a going concern, the Committee focused on the review of going concern, the viability statement and impairment.

Internal control system

The Group's internal control system is aimed at mitigating risks and improving efficiency. These include:

- Segregation of authorities and duties at various levels;
- Policies and procedures covering Directors' remuneration, compliance, accounting and reporting and health, safety and environment as described in the relevant sections of the Annual Report;
- Training and internal communications; and
- Continuous monitoring by senior management and the Board of short-term, medium-term and long-term planning and decision-making processes.

In the Committee's view, the Group maintained robust and defensible systems of risk management and internal control, and the Committee made recommendations to senior management on further improvements as and when considered necessary.

Details of the procedures related to compliance control are set out below (including compliance liaison equivalent to a hotline). No instructions for any conflict of interest settlement or compliance control forms were in use in 2020. No sanctions or disciplinary actions were applied in respect of internal control in 2020.

Internal audit

The primary role of the internal audit function is to assist the Board and senior management to protect the assets, reputation and sustainability of the organisation. This is achieved through:

- Building strong and effective risk awareness within the Group;
- Continuously improving risk management and control processes so that they operate effectively and efficiently, and reflect leading practice; and
- Sharing best practice regarding risk management and assurance across the Group.

The Group does not have a dedicated internal audit function. Instead, the Group outsources the work to specialists in relevant areas on a case-by-case basis. However, the travel and other restrictions imposed in 2020 in response to COVID-19 mean that the Group has not performed any internal audit reviews in the year.

To mitigate the exposure caused, the Group has introduced a Contracts Board comprising the Chief Executive Officer, the Interim Chief Financial Officer and the Chief Operating Officer.

The Contracts Board meets weekly and its purpose is to review and approve all expenditure commitments in excess of $10,000.

Also, in the Committee's view, the Group has sufficient internal processes providing assurance to the management, Audit Committee and the Board about the effectiveness of systems of internal control and risk management: for instance monthly reports to the Board on operations, liquidity and legal issues and assurance provided by QHSE and security personnel.

3. Compliance with laws and regulations

The Chief Legal Officer and Company Secretary attends the Committee's meetings, which allows the Committee to raise any concerns related to legal, compliance or whistleblowing matters and the status of any ongoing litigation.

UK Corporate Governance Code

Following the appointment of Kaat van Hecke as Chief Executive Officer on 16 December 2019, the Audit Committee was no longer comprised entirely of independent Non-Executive Directors, which contravened Provision 24 of the 2018 version of the UK Corporate Governance Code. Therefore, on 27 January 2020 Ms van Hecke stepped down as a member of the Audit Committee, to ensure that the composition of the Committee's membership is in full compliance with the Code.

Following the appointment of Martin Cocker as Interim Chief Financial Officer on 31 March 2020 the Audit Committee again no longer comprised only independent Non-Executive Directors, which contravened Provision 24 of the 2018 version of the UK Corporate Governance Code. Mr Cocker remained a member of the Committee until 8 October 2020.

From 31 March 2020 the Committee comprised two independent Non-Executive Directors and the Interim Chief Financial Officer (who would have attended by invitation) until the resignation of Mr Mark Martin effective 15 July 2020. Thereafter, the Committee comprised one independent Non-Executive Director and the Interim Chief Financial Officer until 8 October 2020 when Ms van Hecke, who had been redesignated as an independent Non-Executive Director on 10 September 2020 following her resignation as Chief Executive Officer, was reappointed to the Committee.

The Board and the Committee acknowledges that this was not an ideal situation. However, given the amount of scrutiny to which the financial reporting, risk management and Board decisions became subject to in the second half of 2020 as part of the bond restructuring and the fact that the Board met every four weeks from the end of the first quarter of 2020, and following legal guidance, the Committee and Board believe that this non-compliance with Provision 24 of the 2018 version of the UK Corporate Governance Code has not led to any material shortfalls in the Committee adequately discharging its responsibilities throughout 2020.

Whistleblowing arrangements

Nostrum has a Group Whistleblowing Policy and, to ensure that all Group employees have access to someone who can provide them with support and guidance, the Group has two compliance liaison officers: one Russian-speaking officer based in Kazakhstan and another Dutch- and English-speaking officer based in Brussels. The Audit Committee maintained close contact with the compliance liaison officers. No whistleblowing activity was reported in 2020.

4. External audit

Appointment of external auditor

Since 2007, Ernst & Young LLP (Kazakhstan) has been the auditor of the predecessor Group of companies. On the recommendation of the Committee and subsequent approval by the Company's shareholders, Ernst & Young LLP (UK) was first appointed as auditor of the Group on 19 May 2014.

The Committee carried out a tender for the external audit arrangements in 2015 to ensure that the Group was receiving the highest possible quality of audit services commensurate with the best available price. Based on the results of the tender, it was concluded that it would be in the best interests of the stakeholders to continue engaging Ernst & Young LLP (UK) as the Group's external auditor.

Following a recommendation to that effect from the Board, the shareholders approved the reappointment of Ernst & Young LLP (UK) at the Annual General Meeting held on 9 June 2020. Mr William Binns succeeded Mr Richard Addison as lead audit engagement partner in 2019.

Compliance with other legal requirements

There were no material fines or other sanctions against the Group in 2020. There was no antitrust litigation against the Group in 2020.

Product liability

There were no cases relating to product liability in 2020.

2020 audit

During Q4 2020, the Audit Committee reviewed and discussed the detailed audit plan prepared by Ernst & Young LLP (UK) which identified the audit scope and its assessment of significant risks. The key risks monitored by the Committee corresponded with those identified and assessed by management and the external auditor. All members of the Committee supported the application of professional scepticism by the Group's external auditor.

During 2020, the members of the Committee held private meetings with the external auditor, which provided a mutual opportunity for open dialogue and feedback without management being present. Topics covered at such meetings included:

- The status of the Group's bond restructuring exercise and the impact on the future viability of the Group;
- The external auditor's assessment of significant risks and related management actions;
- Confirmation that there had been no restriction in the scope placed on it by management;
- The adequacy of the audit fees; and
- The independence of its audit and how the auditor had exercised professional scepticism.

The Committee reviewed the auditor's annual report for 2020, giving consideration to the audit procedures and findings in the areas of significant judgements and estimates. The Committee also reviewed the letter of management representations in respect of the annual audit, which were subsequently signed by management.

The Committee evaluated the effectiveness of the external audit process for the year ended 31 December 2020, by completing a questionnaire which addressed areas such as processes, audit team, audit scope, communications, technical expertise, audit governance and independence and audit fees. Based on such evaluation, the Committee concluded that the performance of the external auditor remains at an appropriately high level and recommends its reappointment.

Non-audit services

The main principle of the Group's policy on the provision of non-audit services by the external auditor is that non-audit services may only be provided by the external auditor where the external auditor maintains the necessary degree of independence and objectivity, and that standard supplier selection procedures are carried out.

Committee pre-approval is required before the external auditor is engaged to provide any permitted non-audit services (as defined in the policy) in addition to any other approvals required by the Board and management pursuant to powers delegated by the Board or Nostrum's internal approvals policies.

The Committee monitors the external auditor to ensure that it does not provide non-audit services that are prohibited by the FRC and limits such services to due diligence services and other assurance services. The revised policy is available on the Group's website at www.nog.co.uk and will be reviewed and amended as and when required.

Audit fees for 2020 totalled US$1,076,000 (2019: US$491,000). There were no audit-related assurance services provided in 2020 (2019: US$171,000) nor any services relating to corporate finance transactions (2019: US$578,000). A detailed breakdown of audit and non-audit fees for 2020 can be found in Note 31 to the consolidated financial statements of the Group on page 150. The ratio of audit fees to non-audit fees in 2020 is not relevant since there were no non-audit fees paid (2019: 0.66)

By operating in accordance with the above policy and other practices established within the Group, the Committee was satisfied that adequate safeguards were in place to ensure the objectivity and independence of the external auditor.

Sir Christopher Codrington, Bt.
Chairman, Audit Committee
Independent Non-Executive Director

27 April 2021

Letter from the Chairman

2020 has been a busy year for the Nomination and Governance Committee.

Following the resignation of Kai-Uwe Kessel as Chief Executive Officer on 16 December 2019, a committee comprising myself, Atul Gupta and Martin Cocker was established to lead the search for Mr Kessel's successor. An extensive search was launched and whilst several candidates were identified, the Group's engagement with bondholders in quarter 2 and quarter 3 2020 resulted in the search being relaunched in October 2020 with bondholder representatives as part of the interview committee.

I am delighted that the relaunched search eventually proved fruitful and Arfan Khan was appointed as Chief Executive Officer on 26 January 2021. Arfan has many qualities that will benefit the Group in these challenging times. On behalf of the entire Board, I welcome Arfan and wish him the very best in this vital role.

In March 2020, I was invited by the Chairman to re-assume the role of Chairman of the Audit Committee with effect from 1 April 2020. This was as a result of the then current chairman, Martin Cocker, being asked to assume the role of Interim Chief Financial Officer from 31 March 2020. The Committee considered this proposal carefully and approved recommending this proposal to the Board, which the Board approved.

Effective 15 July 2020, Mr Mark Martin resigned from the Board and effective 4 September 2020 Mr Michael Calvey also resigned from the Board. The appointment of Mr Tav Morgan as alternate director for Mr Calvey ceased at the same time as Mr Calvey's resignation.

Finally, effective 4 January 2021, Mr Simon Byrne resigned as a Director. The appointment of Mr Pankaj Jain as alternate director for him ceased at the same time as Mr Byrne's resignation.

This means that the Board now comprises five members: myself, Atul Gupta, Kaat van Hecke, Martin Cocker and Arfan Khan. Accordingly, the commitment that is being asked of each Director is significant, especially bearing in mind the restructuring exercise that the Group is currently engaged in. However, the Nomination and Governance Committee believed, and the Board agreed, that it was not appropriate to recruit non-executive resource to the Board at this time of significant uncertainty and transition.

Therefore, the Company will proceed with the restructuring exercise until there is clarity on the likely outcome. At that point the Committee will consider the structure, size and composition requirements of the Board for the future management of the Group and make appropriate recommendations to the Board.

In the meantime, the Committee and the Board are satisfied that there is sufficient resource, experience and knowledge on the Board.

COVID-19, the engagement with the bondholders and the re-assignment or resignation of Board members has meant that the formal Board self-evaluation in 2020 was postponed until 2021. However, the members of the Board were in frequent discussion in 2020 such that any ad-hoc challenge or initiative could be identified and actioned.

Committee meetings

The Nomination and Governance Committee met formally once during 2020. A number of other matters that might otherwise have been discussed by the Committee were discussed directly by the Board. The attendance of each Committee member at Committee meetings held during 2020 is shown on page 77. As a separate agenda item, the Committee reports to the Board at each monthly Board meeting on any activities of the Committee since the last Board meeting.

Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting, as and when appropriate.

Key responsibilities of the Nomination and Governance Committee

The key responsibilities of the Committee are to:

- Lead the process for Board appointments and make recommendations to the Board regarding candidates for appointment or reappointment as Directors;
- Monitor and make recommendations to the Board on Board governance and corporate governance issues, to enable the Board to operate effectively and efficiently;
- Regularly review the structure, size and composition (including skills, knowledge and experience) of the Board;
- Keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace; and
- Review annually the time required from Non-Executive Directors.

Membership

Sir Christopher Codrington, Bt.	Chairman
Kaat van Hecke	
Mark Martin	to 15 July 2020

The Chairman does not have any other significant commitments to report.

Diversity

More information on the Group's actions and policies in relation to diversity and inclusion can be found on pages 41 –42.

All Directors will stand for re-election at the 2021 Annual General Meeting with the full support of the Board.

Sir Christopher Codrington, Bt.
Chairman, Nomination and Governance Committee

27 April 2021

Letter from the Chairwoman

As might be expected, COVID-19 demanded a lot of attention during the year. The situation in west Kazakhstan was quite severe during July, after which the number of cases dropped significantly from August to October, before a further rise in the last quarter saw a return to restrictions on the number of people allowed to attend work in the office.

Within our Company, the primary focus was to ensure the safety of our employees and contractors. In accordance with our own and local guidelines, we implemented stringent precautionary measures. All field personnel, both employees and contractor staff, were required to test negative before being allowed to return to the field. Regular temperature checks were conducted whilst they remained at the production facilities. At various times during the year, employees were restricted from attending the office in Uralsk in order to comply with local and national directives. Our London office adopted remote working practices from March which were kept in operation throughout the rest of 2020.

As a result, the number of positive cases within our employee base remained at relatively low levels throughout the year, at less than 0.5% of our workforce per month. Thankfully, all affected staff recovered and were able to return to work.

We saw no material impact from COVID-19 on our operations in 2020 although there were some small logistical supply disruptions and equally small restrictions on personnel travelling into, out of and within Kazakhstan.

Despite the attention to prevention measures against COVID-19 infection demanded during the year, the Committee also remained focused on the QHSE pillars established in 2019 which define our approach to sustainable operations.

Those pillars are:

- HSE leadership;
- Rigorous incident investigation;
- Process safety-critical elements identified and maintained;
- Contractor HSE management; and
- Commitment to reduce GHG emissions.

In line with these pillars, other notable achievements in 2020 were:

- We had only two LTIs in 2020 and the LTIR dropped to 0.8 in 2020 (per million man-hours, compared to an LTIR of 1.39 in 2019). Proactive reporting of all hazardous situations continues to be encouraged, as can be seen by an increase of the TRIR to 3.8 in 2020 (compared to a TRIR of 2.96 in 2019).
- A target of 600 submitted Hazard Observation Cards was set for 2020. I am delighted to report that this target was met in November, well before the year end. A KPI for a similar number of Hazard Observation Cards has been agreed for 2021 but this time with a focus on a larger population of employees and as well as on contractors submitting the cards.
- Environment and climate change remained a focus. The Group again made its annual CDP climate change submission in August 2020 according to the stated deadlines and was graded "C". We will again complete the submission for 2020 in 2021. In line with the UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, the Company reports on its greenhouse gas emissions and this information can be found on pages 48 and 49. The Committee will continue to work with the Audit Committee and the Board to include climate change among the principal risks and uncertainties faced by Nostrum and to endeavour to quantify climate-change-related risks.

Key responsibilities of the Health, Safety, Environment and Communities Committee

The key responsibilities of the committee are to:

- Attention to climate change issues;
- Working with the Group's operational teams on site to compile and evaluate the relevant information for the Company to self-report environmental data using the CDP submission process;
- Assessing the requirements for TCFD disclosures and analysing our preparedness to meet these; and
- Working with the Audit Committee and Board to include climate change in the principal risks faced by the Group and to endeavour to quantify climate change related risks.

Membership	
Kaat van Hecke	Committee Chairwoman
Martin Cocker	
Atul Gupta[1]	

1. Atul Gupta was a member of the Health, Safety, Environment and Communities Committee for the period 1 September 2020 to 25 January 2021 during which he was the Interim Chief Financial Officer.

- We continued with our contractor HSE management. We ensured that matters identified in 2019 were closed out. Although COVID-19 limited the number of audits that we could conduct in 2020, we managed to perform two contractor HSE management and two internal management system audits in accordance with our Golden Rules. A number of findings were raised. Our senior operations management discussed these with senior contractor representatives to stress the importance of good Health, Safety, Environment and Communities Committee management. Review audits will be conducted in 2021 to ensure remediation measures have been implemented.
- The Committee continued to emphasise that process safety must not be confused with industrial safety. A total of 13 safety declarations were developed and registered with the Process Safety Authority Industrial Development and Process Safety Committee in Nur-Sultan.
- In terms of diversity, at 31 December 2020 the Group reported 23% female representation across all levels of our active work population, which is a slight increase from the level of 22% reported at the end of 2019. Our result is comparable to our industry peers' diversity statistics, but low in comparison to other industry sectors. This is because despite having fair recruitment policies in place, more job applicants are male due to the nature of the Group's activities. I was pleased to note that a number of women were promoted to senior positions during the year and we will continue to implement incentives to encourage female applicants and promotions, such as flexi-working arrangements, childcare voucher schemes, childcare provisions and identification of "high-potential" employees. Further information on the Group's approach to diversity is set out on page 41.

The Committee met three times during 2020. The attendance of each Committee member at Committee meetings held during 2020 is shown on page 77. Only members of the Committee have the right to attend Committee meetings. However, the Group QHSE Manager, Chief Operating Officer, Chief HR Officer and Chief Legal Officer all have standing invitations to all meetings of the Committee and are tasked with reporting to the Committee on key areas linked to the work of the Committee that fall within their responsibilities.

The meetings of the Committee were supplemented by monthly meetings in 2020 between myself, the QSHE group, the Chief Operating Officer and the Head of Field Operations during the time that I was in Uralsk as acting Chief Executive Officer. This enabled the safety messages to be brought down into the field directly from the Chief Executive Officer, which further underlined their importance to our employees and contractors.

I reported to the Board, as a separate agenda item, on the activities of the QSHE group and the Committee at each Board meeting.

The Committee reviews its terms of reference annually, which can be viewed on our website.

Kaat van Hecke
Chairwoman, Health, Safety, Environment and Communities Committee

27 April 2021

Letter from the Chairwoman

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report, which has been approved by both the Remuneration Committee and the Board for the year ended 31 December 2020.

Remuneration Policy

The aim of our Remuneration Policy, amongst other things, is to align the remuneration of executives and senior management with the interests of the Company's shareholders and to ensure that rewards are justified by performance. As reported last year, a significant number of shareholders expressed concerns at the AGM in 2019 on our Remuneration Policy, in particular around the long-term incentive plan (LTIP) and the potential use of "Golden Hellos" in connection with the recruitment of new Directors.

Following consultation with shareholders in 2019 and after careful consideration, the Board and the Remuneration Committee concluded that modifying the provisions of the LTIP would not be the right course of action. Therefore, our Remuneration Policy remained unchanged throughout 2019 and 2020.

Only two Directors were part of the LTIP. The Chief Executive Officer, Kai-Uwe Kessel, left the Group on 16 December 2019 and was replaced at the same time by myself. Tom Richardson resigned as Chief Financial Officer on 31 March 2020 and was replaced on the same date by Martin Cocker, who until that time was serving on the Board as an independent Non-Executive Director.

In accordance with the pre-determined plan, I stepped down as Chief Executive Officer on 31 August 2020 and was replaced from 1 September 2020 by Atul Gupta, who was, and remained, the Company's Executive Chairman.

Mr Gupta, Mr Cocker and I did not join the LTIP or receive any financial inducements to take on the executive roles. Accordingly, the main aspects of our Remuneration Policy that caused challenges to our shareholders previously have not been in play in any way in 2020.

As noted elsewhere in this Annual Report, the Group is in discussions with an informal ad-hoc noteholder group regarding a possible restructuring of the Group's debt. The Board has determined not to review our Remuneration Policy, including the LTIP, until such time as those discussions have been completed and the financial stability of the Group has been re-established. However, we will seek shareholder approval for the purposes of section 226B(1)(b) for the Companies Act 2006, for the payment to the Chief Executive Officer, Arfan Khan, of an annual bonus of up to a maximum of 240% of base compensation. A modified Remuneration Policy will not be put to vote at the 2021 Annual General Meeting. However, the full Remuneration Policy is included in the remuneration report in full for ease of reference. As required by section 439A of the Companies Act 2006, the Remuneration Policy is to be submitted to shareholders for a binding vote every three years or where there is a change in the Remuneration Policy. In accordance with the Act, a resolution to approve the Remuneration Policy will next be submitted to shareholders for a binding vote at the 2022 Annual General Meeting.

The 2020 Report on Remuneration will be subject to an advisory vote at our 2021 Annual General Meeting.

Remuneration for 2020

Further details of Executive Director performance against the 2020 KPIs can be found on page 95. In setting these targets, the Committee focused on areas critical for the Company, which were:

- Stabilising annual average sales volumes;
- Reducing operational and G&A cash costs;
- Pursuing strategic objectives to monetise the spare capacity within our world-class processing facilities;
- Ensuring all of our operations are carried out as safely as possible; and
- Actively managing our greenhouse gas emissions.

Our strategic targets all remain commercially sensitive and, therefore, have not been disclosed.

I am the only person who served as an Executive Director during 2020 who has been assessed for a bonus against achievement of these KPIs. The assessment was completed by Sir Christopher Codrington in September 2020 in his role as Chair of the Committee and it was determined that 67.3% of the KPIs had been achieved by the end of August 2020.

The 2021 key performance indicators for the Executive Directors and senior managers were agreed by the Board in January 2021 (in contrast to previous years where KPIs for the year were only developed in March of that year) and are set out on page 101. Senior management, including the Chief Executive Officer but excluding, currently, the Interim Chief Financial Officer, are assessed for bonuses based on these KPIs. Certain strategic objective KPIs have been carried forward from 2019 but are still considered to be commercially sensitive and so have not been disclosed. It is our intention to publish these, together with the bonus outcome, as required in the first Remuneration Report following their achievement.

The Committee exercised discretion in deciding not to make any awards under the LTIP in 2020 to anyone who qualified for such an award.

The Committee, with Mark Martin as Chair, recommended to the Board that the remuneration payable to myself under the short-term Interim Chief Executive contract be substantially on the same terms as applied under the previous Chief Executive Officer's service agreement. The Committee, under the same Chair, also recommended to the Board that the remuneration payable to Martin Cocker as Interim Chief Financial Officer be the equivalent to the base salary of Mr Richardson. On the recommendation of the Committee under the chairmanship of Sir Christopher Codrington, Mr Gupta's remuneration changed only marginally when he assumed the role of Chief Executive Officer.

In December 2020 a limited pay rise of 6.1% on average was awarded to two of our UK employees below senior manager level, and in October 2020, a 5.4% pay increase, backdated to 1 April 2020, was granted to our Kazakh employee population who are paid in Kazakh Tenge.

However, it was agreed that, given the continued volatility in the market, the Executive Directors and other members of senior management would not receive any salary increases in 2020.

Fees payable to the two independent Non-Executive Directors were reduced to US$50,000 per Director per annum from 1 April 2020 but increased to $120,000 per annum for the two remaining Non-Executive Directors from the date of signing the Forbearance Agreement on 23 October 2020. The increased levels of fees for the Non-Executive Directors will remain in force until the end of the forbearance period.

The fees payable to Mr Byrne and Mr Calvey during 2020 were waived by those Directors from 1 April 2020.

UK Corporate Governance Code

In light of my appointment as Chief Executive Officer on 16 December 2019, I stepped down as a member of the Remuneration Committee on 27 January 2020 and Martin Cocker was appointed as a member of the Remuneration Committee to ensure that the Committee was comprised solely of independent Non-Executive Directors.

Following the appointment of Martin Cocker as Interim Chief Financial Officer on 31 March 2020, he was no longer considered by the Board as independent for the purposes of the Code and as a result his continued membership of the Remuneration Committee until 8 October 2020 contravenes Provision 32 of the Code.

Mark Martin resigned from the Committee effective 15 July 2020 when he also resigned as a Director of the Company. Sir Christopher Codrington became the Chairman of the Committee and its only independent Non-Executive member until I rejoined the Committee on 8 October 2020 as its Chairwoman.

The Committee recognises that for parts of the year it was not in strict compliance with the Code. However, given the amount of scrutiny that decisions of the Committee and Board became subject to in the second half of 2020 as part of the bond restructuring, I believe that the Committee has been able to adequately discharge its responsibilities throughout 2020.

Further information on compliance with the Code can be found on page 68 – 69

Compliance statement

This report has been prepared in accordance with the UK's regulations on remuneration reporting. The Companies Act 2006 requires the auditor to report to shareholders on certain parts of the Directors' Remuneration Report and to state whether, in the auditor's opinion, those parts of the report have been properly prepared in accordance with the above regulations. This Annual Statement and the Policy Report are not subject to audit. The sections of the remuneration report that are subject to audit are indicated accordingly.

On behalf of the Committee, I would like to thank shareholders for their continuing support.

Kaat van Hecke
Chairwoman, Remuneration Committee

27 April 2021

2020 annual report on remuneration

Remuneration Committee

The remuneration of the Chairman, the Chief Executive, the Chief Financial Officer, the Company Secretary and all other senior members of executive management is determined by the Committee under delegated powers from the Board and in accordance with the Committee's terms of reference. The Chairman and the executive members of the Board determine the remuneration of all Non-Executive Directors, including members of the Committees.

In accordance with the terms of reference, members of the Committee shall be appointed by the Board on the recommendation of the Nomination and Governance Committee in consultation with the Chair of the Committee. The Committee must always include at least three independent Non-Executive Directors who comprise a majority of the Committee.

During 2020, the Committee was comprised solely of independent Non-Executive Directors, except for Martin Cocker (serving as Interim CFO) during the period from 31 March 2020 to 8 October 2020. However, only two independent Non-Executive Directors served on the Committee for the period 27 January to 16 July and only one independent Non-Executive Director served on the Committee for the period 16 July to 8 October. This was because of Non-Executives stepping into executive positions on an interim basis and resigned independent Non-Executive Directors not being replaced.

Kaat van Hecke was appointed as Chief Executive Officer on 16 December 2019 and, therefore, from this date until 27 January 2020, when Ms van Hecke stepped down from the Committee, she had day-to-day involvement with the business. Ms van Hecke was redesignated as an independent Non-Executive Director on 10 September 2020 and was reappointed to the Committee as its Chairwoman on 8 October 2020.

The primary responsibilities of the Committee are set out in its terms of reference which are reviewed and updated annually, and which are available to download from the Company's website. Alternatively, copies can be obtained on request from the Company Secretary.

When making recommendations to the Board regarding Executive Directors' remuneration the Committee is able to consider corporate performance on environmental, social and governance issues and ensures that any incentive structures do not raise any environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The Committee held four meetings in 2020 and the attendance of each committee member at such meetings is shown on page 77.

Key responsibilities of the Remuneration Committee

In summary, the Committee's key responsibilities include:

- Making recommendations to the Board on the Company's overall framework for remuneration and its cost and, in consultation with the Executive Chairman and Chief Executive Officer, determining the remuneration packages of each of the Executive Directors;
- Reviewing the scale and structure of Executive Directors' remuneration and the terms of their service or employment contracts, including share-based schemes, other employee incentive schemes adopted by the Company from time to time and pension contributions;
- Demonstrating to the shareholders of the Company that the remuneration of the executive directors of the Company and other senior members of executive management of the Company and its subsidiaries is set by a committee of the Board whose members have no personal interest in the outcomes of the decisions of the committee and who will have due regard to the interests of the shareholders; and
- Ensuring payments made on termination comply with the relevant provisions of the Company's Remuneration Policy.

The members of the Committee during 2020 were:

Name	Membership start date	Membership end date
Mark Martin (Chairman to 16 July 2020)	19 May 2014	15 July 2020
Sir Christopher Codrington, Bt. (Chairman from 16 July to 8 October 2020)	19 May 2014	
Kaat van Hecke (Chairwoman from 8 October 2020)	31 December 2016 8 October 2020	27 January 2020
Martin Cocker	27 January 2020	8 October 2020

Their biographies are given on pages 70 – 71. The Company Secretary acts as secretary to the Committee.

The principal agenda items at the formal meetings were as follows:

Meeting	Agenda item
March 2020	• Review and approval of key performance indicators. • Approval of Executive Director and senior management compensation and bonuses. • Review and approval of the 2019 remuneration report.
May 2020	• Review of pension arrangements across the Group. • Review of Kazakh staff bonus and salary arrangements.
August 2020	• Discussion of proposal for bonus award to Ms van Hecke.
Sept 2020	• Further discussion and recommendation to the Board of the bonus award to Ms van Hecke. • Extension of the contract for the Interim Chief Financial Officer. • Discussion and approval of the Executive Chairman's remuneration for assuming the position of Chief Executive Officer on an interim basis.
November 2020	• Development and recommendation to the Board of the 2021 key performance indicators. • Alignment and approval of the remuneration package for the new Chief Executive Officer.

With the exception of the Chairman of the Board and the Interim Chief Financial Officer, no other Directors participated in meetings of the Committee during 2020.

During the year, the Committee received advice internally from Kaat van Hecke (from 1 January to 31 August 2020 during her appointment as Interim Chief Executive Officer), Atul Gupta (from 1 September 2020 as Interim Chief Executive Officer) and Martin Cocker (from 1 April 2020 as Interim Chief Financial Officer) and Thomas Hartnett (Company Secretary).

Mr Gupta and Ms van Hecke were consulted on the remuneration of the other executive directors and senior members of executive management and on matters relating to the performance of the Company. The Company Secretary was consulted on regulatory requirements.

None of the Executive Chairman of the Board, the Interim Chief Executive Officers, the Interim Chief Financial Officer nor the Company Secretary participated in decisions on their own remuneration.

Members of the Group's human resources team may attend relevant portions of Committee meetings to ensure appropriate input on matters related to the remuneration of senior members of the executive management team below Board level.

Voting on remuneration matters

Section 439A of the Companies Act 2006 (the Act) requires the Remuneration Policy to be submitted to shareholders for a binding vote every three years or where there is a change in the Remuneration Policy. The Remuneration Policy was last approved by shareholders at the 2019 Annual General Meeting. There were no proposed changes to the Remuneration Policy for 2020.

The resolution put to shareholders at the 2020 Annual General Meeting relating to Directors' remuneration was a resolution to approve the Directors' annual report on remuneration and, in accordance with the Act, the resolution was subject to an advisory vote. The votes received are set out in the table below.

Resolution	Votes FOR	% of votes cast	Votes AGAINST	% of votes cast	Votes WITHHELD
Approval of Directors' annual report on remuneration	122,697,311	99.87%	165,214	0.13%	0

At the 2021 Annual General Meeting, the Directors' remuneration report will be put to shareholders for approval by way of an advisory vote. No changes are proposed to the Remuneration Policy and this Policy will not be put to shareholders at the 2021 Annual General Meeting. However, we will seek shareholder approval, for the purposes of section 226B(1)(b) of the Companies Act 2006, for the payment to the Company's Chief Executive Officer, Arfan Khan, of an annual bonus of up to a maximum of 240% of base compensation. In accordance with the Act, a resolution to approve changes to the Remuneration Policy will next be submitted to shareholders for a binding vote at the 2022 Annual General Meeting.

Single total figure of remuneration for Executive Directors

The table below shows the single total figure of remuneration for the year ended 31 December 2020 for each Executive Director that served as an Executive Director at any time during the year. The information contained in the table is as prescribed by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and contains a single total figure of remuneration for each Executive Director.

The Executive Directors are remunerated in either EUR, GBP, US$ or KZT and, to avoid any anomalies in the figures reported owing to fluctuations in the EUR/US$, GBP/US$ and KZT/US$ exchange rate, the Company has decided not to convert amounts paid to Executive Directors into US$, the Group's functional currency, but instead to report all figures in relation to Executive Director remuneration in EUR throughout this report.

Director[2] Amounts in EUR[5]	Period	Salary and fees	Benefits in kind	Annual bonus[4]	Phantom Share Option Plan	LTIP[8]	Pension[7]	Total (audited)	Total fixed remuneration	Total variable remuneration
Atul Gupta (Executive Chairman)	2020	453,383	462	–	–	–	12,927	**466,771**	466,771	–
	2019	455,203	179	–				**455,382**	455,382	–
Kai-Uwe Kessel[1] (Chief Executive Officer)	2020	–	–	–	–	–	–	–	–	–
	2019	1,275,239[13]	34,602[3]	–	–	–	7,530	**1,317,371**	1,317,371	–
Tom Richardson (Chief Financial Officer)	2020	212,180[11]	3,121	–	–	–	4,233[11]	**219,535**	219,535	–
	2019	580,899	33,617[6]	–	–	–	31,815	**646,331**	646,331	–
Kaat van Hecke (Chief Executive Officer)	2020	550,412[10]	11,481	116,405	–	–	21,532	**699,830**	583,425	116,405
	2019	48,400[9]	961	–	–	–	3,075	**52,436**	52,436	–
Martin Cocker (Chief Financial Officer)	2020	374,471[12]	–	–	–	–	–	**374,471**	374,471	–
	2019	–	–	–	–	–	–	–	–	–

1. Mr Kessel stepped down as Chief Executive Officer on 16 December 2019.
2. Mr Kessel and Ms van Hecke (from December 2019 to August 2020 when she was in role as Chief Executive Officer) received part of their remuneration under a contract for services as a director and part under separate service agreements for their role as a Group executive. Mr Richardson and Mr Gupta (from November 2018 when he was appointed as Executive Chairman) receive their remuneration under Group executive service contracts. Prior to November 2018, Mr Gupta was not an Executive Director. For clarity, this table presents their total remuneration from the Group whether received under a contract for services as a Director or a Group executive services contract.
3. Mr Kessel was provided with a Company car and payments in lieu of the provision of life insurance under his employment contract for his role as Chief Executive Officer and not under his service contract as an Executive Director but, for completeness, the amount received has been included in this table.
4. No bonuses for 2019 performance were paid to Executive Directors. Ms van Hecke received a bonus in 2020 for her contribution to the operating, commercial, strategic and environmental objectives of the Group. None of the bonus awarded to Ms van Hecke was in relation to the appreciation or depreciation of the Company's share price.
5. Mr Gupta is remunerated in US$, Mr Richardson and Mr Cocker in GBP, Mr Kessel in EUR, US$ and KZT and Ms van Hecke in EUR and KZT. For the purposes of this table the following exchange rates have been used:
   2020: GBP:EUR 1.129; EUR:US$ 1.131; EUR:KZT 431
   2019: GBP:EUR 1.134225; EUR:US$ 1.125; EUR:KZT 420
6. This amount was paid to Tom Richardson in lieu of the provision of medical insurance under his employment contract for his role as Chief Financial Officer and not under his service contract as an Executive Director but, for completeness, the amount received has been included in this table.
7. The Company did not operate a pension scheme for Executive Directors in 2019 or 2020 but may make a pension contribution or a payment in lieu of pension contributions to Executive Directors under their employment contracts as executives of the Group as opposed to under their service agreements as Directors of the Company. The total amount paid to Executive Directors in 2020 in lieu of pension contributions was EUR 38,692 (2019: EUR 38,655). Executive Directors are not entitled to any additional benefit if they retire early.
8. Awards made under the LTIP in 2017 have not vested yet and so no amounts have been received/are receivable by the Executive Directors in respect of such awards. No awards made under the LTIP in 2018 are capable of vesting as the performance conditions were not met in 2018. No awards were made under the LTIP in 2019 or 2020.
9. Mr Kessel stepped down as Chief Executive Officer effective 16 December 2019. Ms van Hecke was paid her Chief Executive Officer salary for the period 1-31 December 2019, which included a two-week handover period.
10. Ms van Hecke was paid as Chief Executive Officer for the period 1 January to 31 August 2020.
11. Mr Richardson resigned as Chief Financial Officer and as a Director of the Company on 31 March 2020. The payment to Mr Richardson in 2020 includes GBP 37,500 in salary and fees and GBP 1,875 in pension being one month's pay in lieu of notice.
12. Mr Cocker was appointed Interim Chief Financial Officer from 31 March 2020.
13. Mr Kessel was remunerated on a net guarantee basis and his gross remuneration was adjusted to achieve the relevant agreed level of net remuneration. The salary and fees figure shown in the table represents the total cost to the Company in connection with his employment.

Single total figure of remuneration for Non-Executive Directors

The table below shows the single total figure of remuneration for each of the Non-Executive Directors. Non-Executive Directors are remunerated in US dollars.

Director[1,2] Amounts in US$	Period	Fees	Total (audited)
Sir Christopher Codrington, Bt.[3]	2020	94,098	**94,098**
	2019	127,500	**127,500**[4]
Mark Martin[5]	2020	51,023	**51,023**
	2019	130,000	**130,000**
Kaat van Hecke[3,6]	2020	29,968	**29,968**
	2019	99,167	**99,167**
Martin Cocker[7]	2020	27,500	**27,500**
	2019	105,781	**105,781**
Simon Byrne[8]	2020	25,000	**25,000**
	2019	100,000	**100,000**
Michael Calvey[8]	2020	25,000	**25,000**
	2019	100,000	**100,000**

1. Between 1 January and 31 March 2020, Non-Executive Directors were paid a fee of $100,000 per annum. Additional amounts were awarded for being Chair of one of the Board's committees and also for being the Senior Independent Non-Executive Director.
2. From 1 April to 22 October 2020, the independent Non-Executive Directors were paid a fee of $50,000 per annum with no additional amounts payable for being Chair of any of the Board's committees nor the Senior Independent Non-Executive Director.
3. From 22 October 2020, Sir Christopher Codrington and Kaat van Hecke were paid fees of $120,000 per annum. No additional amounts were payable for being Chair of any of the Board's committees nor the Senior Independent Non-Executive Director.
4. Sir Christopher Codrington received an additional fee for being the Chairman of the Nomination and Governance Committee and for being the Non-Executive Director responsible for workforce engagement. Sir Christopher also received an additional fee for being Chairman of the Audit Committee until 4 June 2019.
5. Mr Martin received an additional fee for being Senior Independent Non-Executive Director and the Chairman of the Remuneration Committee.
6. Ms van Hecke became Chief Executive Officer on 16 December 2019 and her salary increased to EUR 480,000 to reflect her additional responsibilities. Amounts paid to Ms van Hecke from 1-31 December 2019 and from 1 January 2020 to 31 August 2020 for her role as Chief Executive officer are reported in the table on page 93. Ms van Hecke resigned as Chief Executive Officer on 31 August 2020 and was redesignated as an independent Non-Executive Director effective 10 September 2020.
7. Mr Cocker received an additional fee for being Chairman of the Audit Committee from 4 June 2019. Mr Cocker stepped down as Chairman of the Audit Committee on 1 April 2020 following his appointment as Interim Chief Financial Officer on 31 March 2020. His salary was increased to GBP 450,000 from 1 April 2020 to reflect his additional responsibilities. Amounts paid to Mr Cocker from 1 April 2020 are reported in the table on page 93.
8. Michael Calvey and Simon Byrne waived all of their fees from 1 April 2020 until their resignation from the Board effective 4 September 2020 and effective 4 January 2021, respectively.

Notes on the single total figure of remuneration table

Base salaries

Executive Directors' salaries were considered by the Committee at the time of appointment to post in 2020.

When reviewing salaries, the Committee considered the provisions of the Remuneration Policy and the situation of the Company.

Annual bonus

In 2020, Ms van Hecke was the only Executive Director eligible for a bonus.

In accordance with the Company's Remuneration Policy, the maximum annual bonus opportunity in 2020 was 40% of base compensation and is assessed against financial and operational objectives.

All bonuses are discretionary and can be reduced from the maximum annual bonus opportunity level for reasons such as poor performance by the employee or due to disappointing financial performance of the Group as a whole.

Ms van Hecke resigned as Chief Executive Officer on 31 August 2020 and so her bonus was assessed on her total remuneration for the period 1 January to 31 August 2020.

The key performance indicators for annual cash bonuses for Executive Directors were as follows:

2020 bonus performance measures	Weight	Actual	% of base salary
Operational and financial	**50%**	**36.3%**	**14.52%**
Achieve annual average sales (boepd) from 19,000 boepd (0%) to 21,000 boepd (100%) (sliding scale)	15%	15%	6%
Reduce operational and G&A cash costs from US$63m (0%) to US$50m (100%) (sliding scale)	20%	16.3%	6.52%
Re-start GTU 3 with stable (one month uninterrupted) sales volumes (in Q3 (100%), in Q4 (50%))	10%	0%	0%
LPS 4th compressor start-up before year end	5%	5%	2%
Strategic objectives	**40%**	**23%**	**9.2%**
A commercially sensitive strategic target, therefore not disclosed	20%	13%	5.2%
A commercially sensitive strategic target, therefore not disclosed	20%	10%	4.0%
HSE, social and governance	**10%**	**8%**	**3.2%**
Demonstrate active GHG emissions management	5%	4%	1.6%
Assessment by the Health, Safety, Environment and Communities Committee of achievement of the HSE Plan for 2019 (provided that there have been no fatalities)	5%	4%	1.6%
Total	**100%**	**67.3%**	**26.92%**

The Committee considered the performance of the Interim Chief Executive Officer in the period 1 January to 31 August 2020. Against a backdrop of extreme uncertainty in the financial stability of the Group as a result of the collapse of the oil price in early 2020 compounded by the impact of COVID-19, the Chief Executive Officer had, in a comparatively short period of time:

- Successfully stabilised the financial position of the Group through targeted cost-cutting initiatives;
- Reduced the rate of decline in production through a successful well workover and intervention programme;
- Established strong commercial relationships that had moved the Group significantly towards achieving the two commercially sensitive strategic targets;
- Continued to pay attention to HSE, social and governance concerns.

Therefore, despite financial results continuing to be disappointing, the Committee recommended to the Board that the bonus be awarded in full.

The Company does not provide for any clawback provisions regarding annual bonuses, as annual bonuses are awarded on a lump sum basis based on past performance and payable in the following year, and so the rationale behind a clawback mechanism is less relevant. This also applies to LTIP awards for which performance conditions have been satisfied.

Long-term incentive awards

In 2017, the Company implemented its new performance-based long-term incentive plan (LTIP) and granted additional awards on 28 November 2018.

The LTIP awards granted are based on performance over one calendar year, which is followed by an additional two-year holding period such that no awards may vest before the third anniversary of the date of grant.

The Committee decided not to make any awards in 2020, and so there is no information to be provided in relation to performance conditions for the reporting year.

Pension entitlements

The Company did not operate a pension scheme for Executive Directors in 2020 but may make a contribution to a private pension fund or a payment in lieu of pension contributions to Executive Directors, under their employment contracts as executives of the Group as opposed to under their service agreements as Directors of the Company.

Payments to past Directors

No payments were made to past directors of the Company during the year ended 31 December 2020.

Payments for loss of office

Mr Richardson received a payment equivalent to one month's basic salary (i.e. excluding any benefits in kind or bonus but including payment in lieu of pension contribution). This was calculated by reference to his contractual notice period under his contract for services as a director of the Company. The total amounts paid were GBP 37,500 being one month's salary for his role as Chief Financial Officer and GBP 1,875 being one month's payment in lieu of pension contribution.

All amounts mentioned above have been audited.

Non-executive Director fees

The Committee reviewed and proposed to the Board that Non-Executive Director fees be reduced from $100,000 per annum to $50,000 per annum from 1 April 2020. This was to reflect the financial uncertainty surrounding the Group.

The Committee reviewed and proposed to the Board that Non-Executive Director fees be increased to $10,000 per month from 23 October 2020 following the signing of the Forbearance Agreement. This was to reflect the additional work required from each Non-Executive Director as a result of the bond restructuring as well as a reduction in the number of Non-Executive Directors following resignations during the year.

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company as at 31 December 2020 were as follows:

Director	Total (audited)
Atul Gupta	178,357
Sir Christopher Codrington, Bt.	3,312
Kaat van Hecke	–
Simon Byrne	25,000
Martin Cocker	–

The Company has not been notified of any change in Directors' shareholdings since the year end.

Please refer to the text in the Remuneration Policy table on page 105 in relation to shareholding guidelines applicable to Directors.

No shares have been granted to Directors so there was no requirement on any Director to hold them in accordance with the guidelines. With the exception of Mr Gupta, none of the Executive Directors held shares in 2020 as encouraged by the guidelines.

Phantom share option plan

The Company operates one non-performance-related phantom share option plan (the Plan). The Executive Directors eligible to participate in the Plan were Kai-Uwe Kessel and Tom Richardson. Each held options over Ordinary Shares of the Company, generally vesting over a five-year period, exercisable at either US$4.00 or US$10.00 per Ordinary Share and expiring 10 years from the date of grant, pursuant to the Plan.

Mr Kessel left the Company by mutual consent on 16 December 2019 and, in accordance with the terms of the Plan, all outstanding options lapsed as at the same date.

Mr Richardson resigned as Chief Financial Officer and as a Director of the Company on 31 March 2020 and, in accordance with the terms of the Plan, his options remained exercisable for one year from the date of his departure. At the date of this Annual Report, those options have lapsed. The details of those options are:

(audited) Director	Date of grant	Options held at 31 December 2020	Face value at date of grant (in US$)	Options exercised during the financial year 2020	Options lapsed during the financial year 2020	Options held at 31 December 2020	Option exercise price (US$ per option)	Expiry date
Tom Richardson	26 March 2013	110,000	9,900	–	–	110,000	10.0	30 March 2021

No awards were made under the Plan in 2020 (2019: nil). It is intended that once the Group has re-established financial stability through restructuring its long-term debt then a new long-term incentive plan will be introduced which will replace the Plan going forward. Therefore, it is not currently envisaged to make any further awards under the Plan.

The Plan rules do not contain any malus or clawback mechanisms. However, should further awards be considered under the Plan, then management will require any recommendations by the Company to the option trustee of an option award to be made subject to an express right for the Company to suspend further vesting and to claw back unvested options previously awarded where there have been exceptional circumstances of misstatement or misconduct, misbehaviour, significant risk failures or material downturns in the Group's financial performance prior to vesting.

Long-term incentive plan

On 24 August 2017, the Board approved the making of certain initial grants under the Company's new long-term incentive plan (LTIP). Awards under the LTIP were made in 2017 and 2018 but no further awards were made in 2019 or 2020.

The table below provides details of the LTIP awards made to Directors in 2017 and 2018. However, Mr Kessel left the Company on 16 December 2019 and Mr Richardson left the Company on 31 March 2020. In accordance with the LTIP rules, all of their outstanding options lapsed as of these respective dates.

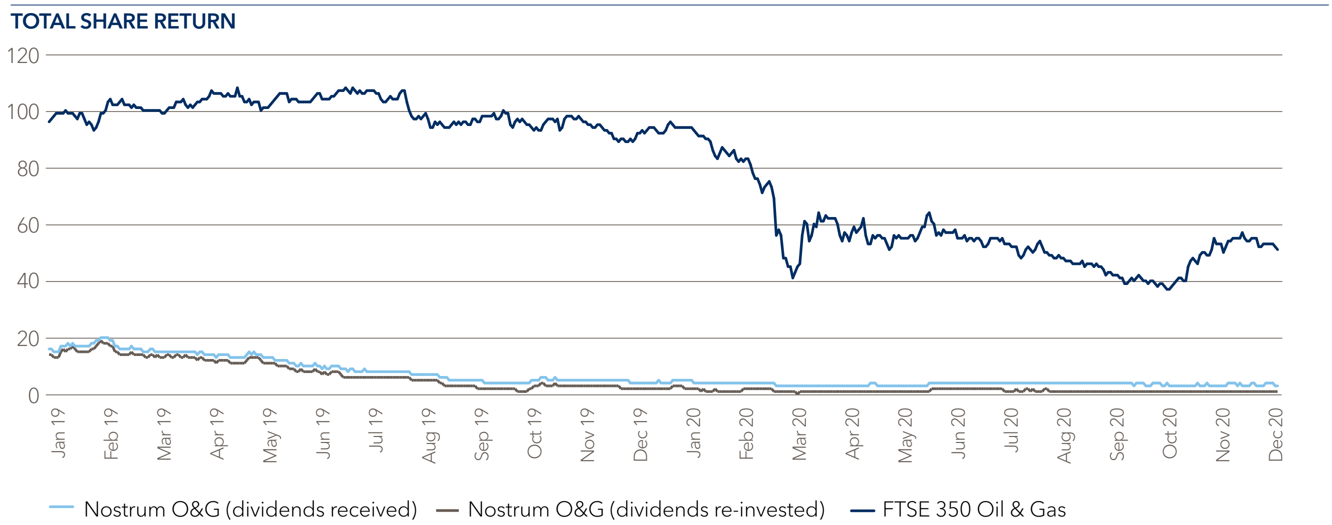
Director	Date of grant	Options at date of grant	Options capable of vesting as at 31 December 2020	Face value (in GBP)[2]	Options capable of being exercised during the financial year 2020[1]	Expiry date
Kai-Uwe Kessel	28 November 2018	332,706	0	0	0	N/A
Kai-Uwe Kessel	10 October 2017	332,706	0	0	0	N/A
Tom Richardson	28 November 2018	174,900	0	0	0	N/A
Tom Richardson	10 October 2017	174,900	71,195	218,458	0	N/A

1. None of the options granted were exercisable as at 31 December 2020.
2. The face value has been calculated by multiplying the number of options capable of vesting by the fair value of the options at grant date (£2.76 for the 2017 options), and as performance conditions for 2018 were not met the 2018 options have no face value. A nominal amount of 0.01p per option will be payable by all Directors upon exercise. The Company has the option to waive the nominal cost.

All Non-Executive Directors who had been granted awards under the LTIP (including the Chairman) have formally renounced such awards and the Company has amended the terms of its LTIP to make Non-Executive Directors ineligible to participate in the LTIP.

Remuneration statistics and comparisons

The following performance graph shows the growth in value of a notional £100 invested in the Company since the premium listing of the Company compared with the growth in the FTSE 350 Oil & Gas Index over the same period. The Committee selected the FTSE 350 Oil & Gas Index as the most appropriate comparator as it feels that it is a broad-based index which includes many of the Company's competitors.



History of Chief Executive Officer remuneration

The total remuneration figures compared with a respective maximum opportunity for the Chief Executive Officer during each of the last five financial years are shown in the table below. Kai-Uwe Kessel was in the position for the period 1 January 2015 to 16 December 2019, Kaat van Hecke was the Chief Executive Officer from 16 December 2019 to 31 August 2020 and Atul Gupta from 1 September to 31 December 2020.

The total Chief Executive Officer remuneration figure for 2020 therefore includes all amounts paid to Kaat van Hecke for the period 1 January 2020 to 31 August 2020 and Atul Gupta for the period 1 September 2020 to 31 December 2020 for Chief Executive Officer services provided to the Group. Mr Gupta remained as Executive Chairman throughout the period 1 September to 31 December, 2020. Therefore, the amount attributed to his role as Chief Executive Officer is the incremental value in his remuneration only, which was the pension contribution.

Please refer to the single total figure of remuneration table on page 93 for more information.

Year	Total CEO remuneration (EUR)	Annual bonus as % of maximum opportunity
2016	915,900	75%
2017	888,451	31.25%
2018	617,765	0%
2019	1,369,807	0%
2020	712,757	61%

Annual percentage change in Director and average employee remuneration

The table below shows the percentage changes in the 2020 salary, benefits and annual bonus of the Directors compared to the percentage increases of the workforce as a whole.

Executive Directors (EUR)	Salaries	Benefits	Annual Bonus
Executive Chairman[1]			
2020	453,383	462	–
2019	455,203	179	–
% change	(0.4)%	158.1%	–
Chief Executive Officer			
2020	550,412	11,481	116,405
2019	1,323,639	35,563	–
% change	(58.4)%	(67.7)%	N/A
Chief Financial Officer			
2020	586,651	3,121	–
2019	580,899	33,617	–
% change	1.0%	(90.7)%	0.0%

Non-Executive Directors (US$)	Salaries	Benefits	Annual Bonus
Sir Christopher Codrington Bt			
2020	94,098	–	–
2019	127,500	–	–
% change	(26.2)%	0.0%	0.0%
Kaat van Hecke			
2020	29,968	–	–
2019	99,167	–	–
% change	(69.8)%	0.0%	0.0%
Mark Martin			
2020	51,023	–	–
2019	130,000	–	–
% change	(60.8)%	0.0%	0.0%
Martin Cocker			
2020	27,500	–	–
2019	105,781	–	–
% change	(74.0)%	0.0%	0.0%
Michael Calvey			
2020	25,000	–	–
2019	100,000	–	–
% change	(75.0)%	0.0%	0.0%
Simon Byrne			
2020	25,000	–	–
2019	100,000	–	–
% change	(75.0)%	0.0%	0.0%
Employees of the Group on an FTE basis			
% change	(13.0)%	(11.4)%	(0.5)%

1. Mr Gupta is remunerated in US$. He did not receive any increase in salary during 2020 in respect of is role as Executive Chairman and so any movement against 2019 is as a result of changes in exchange rates.
2. Ms van Hecke was Chief Executive Officer from 1 January to 31 August 2020. Mr Gupta assumed the role of Chief Executive Officer from 1 September 2020 but received no increment in salary, benefits or annual bonus as a result of assuming this role as well as that of Executive Chairman. Therefore, the figures for the remuneration of the Chief Executive Officer in 2020 reflects only the amounts paid to Ms van Hecke.

Relative importance of spend on pay

The table below shows the Group's actual spend on pay (for all employees) relative to dividends.

Key expenditure areas In thousands of US$	2020	2019	% change
Remuneration paid to all employees[1]	**22,693**	38,755	(41.5)%
Dividends to shareholders (total)	**0**	0	0%
Dividends	**0**	0	0%
Share buy-back	**0**	0	0%

1. Total remuneration reflects overall payroll and related taxes. Refer to the consolidated financial statements for further information.

For further information on dividends and expenditure on remuneration for all employees, please see the notes to the consolidated financial statements.

Service contracts

Details of the Executive Directors' service agreements' and the Non-Executive Directors' letters of appointment can be found in the Company's Remuneration Policy on pages 107 and 108 respectively of this Annual Report. All Directors are subject to annual reappointment and accordingly all executive and Non-Executive Directors will stand for election or re-election (as appropriate) at the Annual General Meeting.

Statement of 2020 Remuneration Policy implementation

The Company's Remuneration Policy was put to a shareholder vote at the 2019 Annual General Meeting and was approved by 74.65% of shareholders.

There is no requirement for a vote on the Policy until the 2022 Annual General Meeting unless any changes to the Policy are proposed. The Committee feels that the Policy continues to remain appropriate and aligned with the Company's strategy and business needs and no changes are proposed for the coming year. However, we will seek shareholder approval for the purposes of section 226B(1)(b) of the Companies Act 2006 for the payment to the Company's Chief Executive Officer, Arfan Khan, of an annual bonus of up to a maximum of 240% of base compensation.

Salaries and bonuses of the Executive Directors are reviewed and determined annually to ensure they remain appropriate. The Company's bonus year runs from 1 January to 31 December each year, with bonus amounts being determined between December and March and becoming payable between April and August of each year.

Remuneration in 2021 will be consistent with the Policy described on pages 102 – 108 subject to the payment to the Company's Chief Executive Officer, Arfan Khan, of an annual bonus of up to a maximum of 240% of base compensation if shareholder approval is obtained.

Salaries and service fees

The Group appointed a new Chief Executive Officer on 26 January 2021. As part of that process, the level of remuneration to be paid was agreed by the Committee and approved by the Board.

Annual bonus

In accordance with the Remuneration Policy applicable in 2020, the Executive Director annual bonus opportunity was up to 40% of base compensation. Annual performance will be assessed against a performance scorecard of which a portion is based on operational and financial measures, a portion on strategic objectives and a portion on HSE, social and governance objectives.

The Committee has compiled a list of suitable key performance indicators against which the performance of the Executive Directors will be measured at the end of 2021 to determine the annual bonus amounts payable to Executive Directors in 2022. Details of any non-commercially sensitive KPIs are set out below. 2021 performance will be measured against these key performance indicators and the Committee will consider such performance together with the Company's financial position, in deciding whether and at what level to award.

2021 bonus performance measures	Weight %
Operational and financial	**30%**
Achieve annual average sales from 16,000 boepd (0%) to 20,000 boepd (100%), excluding inventory movement. (Sliding scale.)	15%
Reduce the total of opex and G&A from US$43.4m (0%) to US$34.7m (100%). Accruals basis. (Sliding scale.)	10%
Reduce Chinarevskoye capex, excluding well workover costs, from US$7.9m (0%) to US$6.4m (100%). Excludes new projects. Applies to agreed workscope. Reduce well workover/well intervention costs for programme approved as at 31 December 2020 from US$7.3m (0%) to US$5.8m (100%). (Sliding scale.)	5%
Strategic objectives	**200%**
Complete the restructuring of the Company's capital structure, including receipt of all required governmental approvals	20%
A commercially sensitive strategic target, therefore not disclosed	120%
A commercially sensitive strategic target, therefore not disclosed	45%
A commercially sensitive strategic target, therefore not disclosed	10%
A commercially sensitive strategic target, therefore not disclosed	5%
Environmental, social and governance	**10%**
Reduce GHG emissions to below 200,000 tonnes CO_2 equivalent and implement GHG action plan.	5%
Assessment by the Health, Safety, Environment and Communities Committee of achievement of the HSE Plan for 2021 (provided that there have been no fatalities).	5%
Total	**240%**

These bonus performance measures apply to the Chief Executive Officer only. Currently, no other director is eligible for any bonus payment relating to 2021 performance based on these performance measures.

Phantom share option plan

The Committee does not envisage the award of any additional phantom share options to Executive Directors in 2021.

Long-term incentive plan

As noted, the Committee expects that the Company's long-term incentive plan will be revised following the successful restructuring of the Group's debt. Therefore, the Committee does not envisage any awards under the Company's existing long-term incentive plan in 2021. Therefore, no performance conditions have been set for 2021.

Non-Executive Directors

As noted, Non-Executive Director fees were reviewed in March 2020 and again in September 2020 and certain adjustments made. The next review of Non-Executive Director fees will be conducted in 2021.

Approval of the Directors' remuneration report

The Directors' remuneration report was approved by the Board on 27 April 2021.

On behalf of the Board

Martin Cocker
Interim Chief Financial Officer

27 April 2021

Arfan Khan
Chief Executive Officer

27 April 2021

Directors' Remuneration Policy

Future Directors' Remuneration Policy

This part of the Directors' remuneration report sets out the Remuneration Policy for the Company and has been prepared in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority. This Policy was last approved by shareholders at the 2019 Annual General Meeting held on 4 June 2019 and took effect from that point. Whilst we do not envisage making any changes to our Policy prior to the Company's 2022 Annual General Meeting, we will seek shareholder approval, for the purposes of section 226B(1)(b) of the Companies Act 2006, for the payment to the Company's Chief Executive Officer, Arfan Khan, of an annual bonus of up to a maximum of 240% of base compensation.

The Policy in full is as detailed below.

Policy coverage

This Policy applies to all payments to Directors of the Company from the date of the Company's 2019 AGM.

Policy objectives

This policy is designed to:

- Provide that the Company may not make any LTIP awards to its Non-Executive Directors or Chairman;
- Provide a structure and level of pay that attracts and retains high-calibre directors capable of delivering the Company's strategic objectives;
- Provide clear and transparent performance incentives in a manner that is consistent with best practice and aligned with the interests of the Company's shareholders;
- Align the remuneration of executives with the interests of the Company's shareholders, and ensure that rewards are justified by performance;
- Ensure that the pay of the Executive Directors takes into account: (i) pay and conditions throughout the Company; and (ii) corporate governance best practice, including health and safety, environmental, social and governance risks;
- Allow for future bonuses to be paid in whole or part in deferred shares; and
- Allow for pension contributions to Executive Directors for their services under service contracts up to a 10% maximum opportunity, or higher if required by applicable law.

Peer group

For the purposes of benchmarking appropriate compensation, the Committee currently regards the following companies as the most relevant peer group for Nostrum:

- FTSE 350 companies of a similar size to Nostrum;
- Oil and gas E&P companies globally which compete for scarce skills within the industry; and
- Companies operating predominantly in the FSU which compete for expatriate and local staff.

Risk management

The Committee will review incentive arrangements regularly to ensure that they comply with the Group's risk management systems, and that controls are operating effectively. The Committee also ensures that inappropriate operational or financial risk-taking is neither encouraged nor rewarded through the Company's remuneration policies. Instead, a sensible balance will be struck between fixed and variable pay, short- and long-term incentives and cash and equity.

The Committee has access to the Audit Committee and senior executive management as and when required to discuss any matters of risk assessment.

Nostrum operates in an industry that is inherently subject to operational risks. Particular emphasis is therefore placed on ensuring that health and safety best practice is reinforced by this Policy. The Committee consults regularly to ensure that this is the case.

Ongoing review of Policy

The Committee will periodically review whether this Policy is operating appropriately. Any actions arising from this review will be assigned to an appropriate person with a deadline to report back to the Committee. The level and structure of the compensation system will also be reviewed annually by the Committee.

Remuneration Policy table

The table on the following pages sets out the key components of the reward package for Executive Directors.

Executive Directors' Remuneration Policy table

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
BASE PAY	To provide market-competitive base salaries.	There is no prescribed maximum annual increase. The Committee takes into account remuneration levels at peer group companies together with the performance of the Company and each individual's personal contribution.	Base salary is reviewed annually and fixed for 12 months.	None
BENEFITS	To reflect market practice and provided in line with peer companies.	The aggregate value of such benefits should not constitute a significant proportion of any employee's compensation.	Benefits include: • Medical insurance; • Life insurance; • Permanent health insurance (long-term disability or income protection insurance); and • A Company car may be provided for the Chief Executive Officer. The Company may make payments to Directors in lieu of benefits and may also make separate benefit arrangements for Executive Directors in connection with their service as Executives of Group.	None
ANNUAL BONUS	Executive Directors may be eligible for an annual bonus in cash and/or deferred shares for good performance (as determined at the Board's discretion).	In general, maximum opportunity of 40% of base salary.	The annual bonus is determined by reference to performance in the prior calendar year. Annual bonuses are generally paid sometime between April and August of each year. Malus and clawback provisions apply to the award of annual bonuses such that Executive Directors may be liable to repay some or all of their annual bonus if there is a material misstatement of results, or error in calculation of any KPI, or serious misconduct. The discovery period is one year commencing on the date on which the bonus is determined.	Key performance indicators against which the performance of the Executive Directors will be measured in the following year are determined at the end of each year and all non-commercially-sensitive key performance indicators are disclosed in the Directors' Remuneration Report. Any commercially sensitive performance measures will be disclosed retrospectively following completion of the relevant financial year. Performance against key performance indicators for the previous year is also disclosed in the Directors' Remuneration Report to show how the Board has determined Executive Director performance against the relevant key performance indicators for that year, and consequently the levels of annual bonus payable to the Executive Directors.

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
NOSTRUM OIL & GAS PLC 2017 LONG-TERM INCENTIVE PLAN (LTIP)	To incentivise Executive Directors and employees over a longer timeframe, and to increase their interest in the Company's long-term business goals and performance through share ownership. To help retain executives and other key employees, and align their interests with shareholders through building a shareholding in the Company.	200% of base salary in any financial year.	Awards of nominal-cost options are made at the sole discretion of the Committee. It was anticipated that awards would be granted annually in the period 2017 to 2019 subject to annual performance conditions. Generally, awards have a one-year performance period attached to them and will not vest for an additional two years following the date on which the Committee determines whether or not a performance condition has been wholly or partly satisfied, such that no award may vest before the third anniversary of the date of grant. The Committee has the discretion to decide, on or before the grant of an award, that a participant shall be entitled to receive dividend equivalents arising over the period between the grant date and the vesting date, with such amounts being payable in cash or shares in respect of shares which vest. Malus and clawback provisions apply to the LTIP such that participants are liable to repay/forfeit some or all of their shares if there is a material misstatement of results, or error in calculation, or if there is serious misconduct. The discovery period is three years commencing on the date on which the award vests, which can be extended by the Committee for an additional two years if an event occurs which the Committee determines could result in the operation of recovery or withholding provisions.	Performance measures are generally measured over one year though the Committee has the discretion to apply a longer performance period to awards. The Committee has the discretion to set any performance condition attaching to awards granted under the LTIP. Vesting of awards would ordinarily be based: • In part on average accrued sales volumes measured in barrels of oil equivalent per day; and • In part on reserves measurement on the basis of 2P barrels of oil per share.

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
PHANTOM SHARE OPTION PLAN (THE PLAN)	The Board places great importance on minimising dilution of existing shareholders' equity. Share awards will therefore only be made to senior management who are able to make a material contribution to shareholder value that substantially exceeds the value of any share awards made. The Plan has effectively been replaced by the LTIP and no awards were made under the Plan in 2019.	Share awards will only be made on the basis of achieving concrete long-term objectives defined in advance by the Committee. Share awards will vest over several years. In accordance with the Plan rules, the total number of shares that may be granted pursuant to the Plan is five million.	Intertrust Employee Benefit Trustee Limited administers the Plan and is responsible for granting rights under the Plan. Each right entitles holders to receive, on exercise, a cash amount equal to the excess of the market value on the exercise date of the Ordinary Shares of the Company to which it relates over a base value set at the date of grant. All Executive Directors of the Company are eligible to participate in the Plan at the discretion of the Board. Awards vest on the basis described in the notes on the following page. Long-term objectives are to be reviewed at every Committee meeting to ensure that they are appropriate, relevant and rigorous. Share awards made in future may be reduced at any time prior to vesting, at the discretion of the Committee, following events such as (but not restricted to) a material misstatement of results, failure of risk management, breach of health and safety regulations or serious reputational damage to the Company.	None
PENSIONS	To remain competitive in the marketplace and provide income in retirement.	10% or, if higher, any minimum pension contribution which may be required under applicable law.	There are ordinarily no pension contributions or provisions for Directors, although there may be pension arrangements made for Executive Directors in connection with their service as executives of Group companies.	None
SHAREHOLDING GUIDELINE	Aligns interests of executive directors with those of shareholders.	Executive Directors are encouraged to maintain a holding in the Company to align their interests with shareholders.	If the Company grants shares to Directors outside the LTIP by way of bonus or otherwise, they will be required to hold 50% of such shares for a three-year period. The Committee monitors the holdings of all Directors.	None
FEES FOR NON-EXECUTIVE DIRECTORS AND CHAIRMAN	Attract and retain high-performing individuals.	No prescribed maximum annual increase in fees.	Any fee increases are usually considered at the end of each year and the Board and, where applicable, the Committee considers pay data at comparable companies of a similar scale. The Senior Independent Non-Executive Director and the Chairmen of the Committees receive additional fees. No eligibility for participation in bonuses but limited benefits may be delivered (e.g. provision of iPad and travel-related expenses). Non-Executive Directors and the Chairman are not eligible to participate in the LTIP.	None

Phantom share option plan

The Company operates the Plan in accordance with the Plan rules, the Listing Rules, the Disclosure and Transparency rules and other applicable rules. In order to retain talent, options are generally granted in tranches exercisable at the following times:

- As to 20% of the Ordinary Shares in respect of which an option is granted, from the first anniversary of the date of grant;
- As to a further 20% of the Ordinary Shares in respect of which an option is granted, from the second anniversary of the date of grant;
- As to a further 20% of the Ordinary Shares in respect of which an option is granted, from the third anniversary of the date of grant;
- As to a further 20% of the Ordinary Shares in respect of which an option is granted, from the fourth anniversary of the date of grant; and
- As to the remaining 20% of the Ordinary Shares in respect of which an option is granted, from the fifth anniversary of the date of grant.

The Board retains discretion over a number of areas relating to the operation and administration of the Plan, which include, but are not limited to: (i) who participates; (ii) the timing of the grant of an award; and (iii) the size of the award.

Treatment of existing arrangements

For the avoidance of doubt, authority is given to the Company to honour any commitments entered into with current or former Directors notwithstanding the approval of the Policy. This will last until the existing incentives vest (or lapse) or the benefits of any contractual arrangements no longer apply.

Remuneration scenarios for Executive Directors

The bar charts below provide estimates of the potential remuneration of the executive directors for 2020. Three scenarios are presented for each executive director which are based on the following assumptions:

The "minimum" columns are intended to show the fixed level of remuneration to which executive directors are entitled in 2020 irrespective of performance levels, namely base salary, benefits using the details set out in the single-figure table provided on page 93 (which includes any payments made in lieu of benefits made under the executive directors employment contracts for their roles as executives of the Group and not under their service contracts as executive directors) and any payments made in lieu of the provision of a pension scheme (which are paid under the executive directors employment contracts for their roles as executives of the Group and not under their service contracts as executive directors). No bonus payments are assumed for minimum performance.

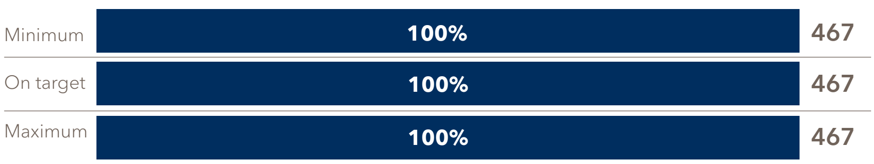
The "on target" scenario seeks to illustrate the remuneration the executive directors would receive if performance was in line with expectation.

The "maximum" columns illustrate total remuneration levels in circumstances where the variable elements pay out in full, namely an annual bonus payment of 40% for Ms van Hecke.

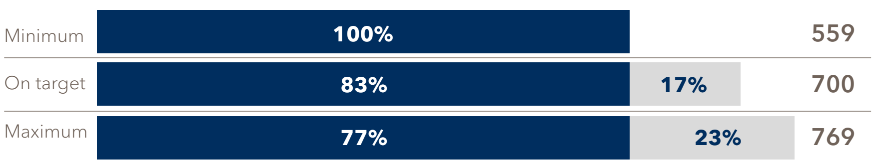
Atul Gupta and Martin Cocker did not participate in the bonus scheme in 2020. Tom Richardson participated from 1 March 2020 to 31 March 2020 but did not receive any bonus in respect of 2020. Kaat van Hecke participated in the bonus scheme for the period 1 January to 31 August 2020 when she acted as Interim Chief Executive Officer. Her bonus for 2020 of EUR 116,405 was awarded in September 2020 and the calculation is detailed on page 95. The maximum bonus award was 40% of base remuneration. Accordingly, the maximum bonus that could have been awarded was EUR 173,872.

No Executive Director participated in the LTIP and the Board will not award any shares under the Phantom Share Scheme for 2021.

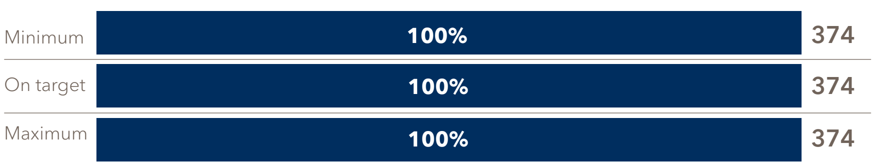
ATUL GUPTA – EXECUTIVE CHAIRMAN
(amounts in EUR thousand)



KAAT VAN HECKE – INTERIM CHIEF EXECUTIVE OFFICER
(amounts in EUR thousand)



MARTIN COCKER – INTERIM CHIEF FINANCIAL OFFICER
(amounts in EUR thousand)



Fixed salary Bonus

Recruitment

The Committee expects any new Executive Directors to be engaged on terms that are consistent with this Policy, but the Committee acknowledges that it cannot always predict the circumstances under which any new Executive Director may be recruited and so, accordingly, in each case, the Committee will consider:

- The objective of attracting, motivating and retaining the highest calibre directors in a manner that is consistent with best practice and aligned with the interests of the Company's shareholders;
- Salary, benefits, annual bonus and long-term incentives will be determined within the framework of the Remuneration Policy table on pages 102 – 105;
- Where an individual would be forfeiting valuable remuneration in order to join the Company, the need to retain flexibility should be considered in order for the Committee to be able to set base salaries at a level necessary to facilitate the hiring of the highest calibre candidates, including awards or payments to compensate for remuneration arrangements forfeited on leaving a previous employer. The Committee would require reasonable evidence of the nature and value of any forfeited compensation and would, to the extent practicable, ensure any compensation awarded was no more valuable than the forfeited award;
- Judgement will be exercised to determine the appropriate measure of compensation for any forfeited award by taking account of relevant factors such as the value of any lost award, performance conditions and the time over which they would have vested or been paid;
- Where an existing employee of the Company is promoted to the Board, the Company will honour any commitment to remuneration made in respect of a prior role, including any outstanding awards of options under the Plan;
- The need, in order to recruit the best candidates, for the Company to offer sign-on remuneration, the necessity and level of which will depend on circumstances; and
- Where an individual is relocating in order to take up a role, the Company may provide certain one-off benefits including, but not limited to, reasonable relocation expenses, accommodation, housing allowance and assistance with visa applications.

In making any decisions on remuneration for new joiners, the Committee will endeavour to balance the expectations of shareholders with current market and corporate governance best practice and the requirements of any new joiner, and would strive to pay no more than is necessary to attract the right talent to the role.

Service agreements

Summary details of each Director's service agreement are as follows:

	Director's service agreement date	As currently effective (GBP)[1,2]
Atul Gupta	Dated 28 November 2018	352,388
Arfan Khan	26 January 2021	450,000
Martin Cocker	Originally dated 27 April 2020 and most recently amended on 19 September 2020 (effective 1 October 2020)	150,000[3]

1. Mr Gupta's remuneration is denominated in US$. The remuneration of Mr Khan and Mr Cocker is denominated in GBP. 2020: GBP:US$:1.277
2. Annual salary and fees represents the total salary and fees (excluding benefits/pension, and discretionary remuneration) from the Group for both the Director's executive and director service roles.
3. Mr Cocker's consultancy agreement currently expires on 30 April 2021.

The appointment of each of the Executive Directors continues until the Company's Annual General Meeting and their ongoing appointment is subject to being re-elected as a director at each subsequent Annual General Meeting. Each Executive Director may be required to resign at any time in accordance with the Company's Articles or for any regulatory reason such as the revocation of any approvals required from the Financial Conduct Authority (FCA). The Company may lawfully terminate the Executive Directors' employment in the following ways:

- At any time upon 12 months' written notice (Mr Gupta and Mr Khan) or upon four weeks' written notice (Mr Cocker); and
- Without notice in circumstances where the Company is entitled to terminate for cause.

The lawful termination mechanisms described above are without prejudice to the employer's ability in appropriate circumstances to terminate in breach of the notice period referred to above, and thereby to be liable for damages to the Executive Director.

The Executive Directors are not permitted to take up any office or employment with, or have any direct or indirect interest in, any firm or company which is in direct or indirect competition with the company or any other member of the Group, or any company in which any member of the Group has an interest, without the consent of the Board.

In addition, the Chief Executive Officer is subject to non-solicitation covenants in relation to Group companies for 12 months from the date of termination of his service contract.

Copies of the Executive Directors' service agreements and the Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Payments for departing Executive Directors

Provision	Policy
Notice period and compensation for loss of office in service contracts	12 months' notice from the Company to Mr Gupta and Mr Richardson; four weeks' notice to Mr Cocker. Base salary is paid in line with the notice period. Notice period payments will either be made as normal (if the Executive Director continues to work during the notice period or is on gardening leave) or they will be made as monthly payments in lieu of notice (subject to mitigation if alternative employment is found).
Treatment of annual bonus on termination	No entitlement.
Treatment of unvested share option awards under the Plan	An Executive Director's awards will generally lapse to the extent they have not vested on the date of voluntary cessation of employment and any portion that remains outstanding but unexercised after 12 months following such cessation will lapse. Ms van Hecke, Mr Gupta and Mr Cocker did not participate in the Plan.
Treatment of unvested awards under the LTIP	For a Director considered to be a "good leaver" before the original vesting date (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or in other circumstances determined by the Committee), outstanding awards will be pro-rated for time and vest subject to performance on the original vesting date. For a director who is considered a "good leaver" after the original vesting date, any awards will remain exercisable for a period of 12 months commencing on the date of cessation. For a Director whose employment is terminated for any other reason, the award will lapse in full. Ms van Hecke, Mr Gupta and Mr Cocker did not participate in the LTIP.

In particular circumstances, an arrangement may be agreed to facilitate the exit of a particular individual. Any such arrangement would be made bearing in mind the desire to minimise costs for the Group and only in circumstances where it is considered in the best interests of shareholders.

Change of control

In accordance with the LTIP rules and the terms of the awards granted in 2017 and 2018 under the LTIP, if there is a sale of all or substantially all of the Company or the Company's business in circumstances where such sale has been approved by a majority of shareholders and is at a price of $10 per share or more, then all awards granted will vest in full regardless of the achievement or otherwise of applicable performance conditions on the date of such event if they have not already vested, and all awards will remain exercisable for one month from such date. To the extent that any option is not exercised in such period, it shall lapse at the end of that period.

Non-Executive Directors

The Chairman and Executive Directors set the remuneration package for Non-Executive Directors in line with the Non-Executive Directors' Remuneration Policy table and subject to the Company's Articles of Association (the Articles).

Non-Executive Director appointment letters

The following table provides details of Non-Executive Director appointment letters:

Name	Position	Date of letter of appointment	Expiry of current term
Sir Christopher Codrington, Bt.	Independent Non-Executive Director	19 May 2020	19 May 2023
Kaat van Hecke	Independent Non-Executive Director	2 September 2020	2 September 2023

The Company intends to comply with Provision 18 of the UK Corporate Governance Code and accordingly all Directors will stand for re-election by shareholders at future Annual General Meetings until the Board determines otherwise.

Each appointment is for an initial term of three years, subject to being re-elected at each Annual General Meeting, save that a Non-Executive Director or the Company may terminate the appointment at any time upon one month's written notice, or that a Non-Executive Director may be required to resign at any time in accordance with the Articles of the Company, the UK Corporate Governance Code or for any regulatory reason such as the revocation of approvals required from the FCA.

Each of the Non-Executive Directors is entitled to an annual fee paid quarterly and to reimbursement of reasonable expenses. There is no entitlement for Non-Executive Directors to participate in the Plan or the LTIP.

The Non-Executive Directors are not permitted to take up any office or employment with, or have any direct or indirect interest in, any firm or company that is in direct or indirect competition with the Company without the consent of the Board. Upon termination of the appointment and where such termination is for any reason other than due to the Non-Executive Director's gross misconduct, material breach of the terms of the appointment, act of fraud or dishonesty or wilful neglect of the Non-Executive Director's duties, the Non-Executive Director will be paid a pro-rated amount of their fees in respect of the period between the beginning of the quarter in which termination took place and the termination date. Otherwise, none of the Non-Executive Directors are entitled to any damages for loss of office and no fee shall be payable in respect of any unexpired portion of the term of the appointment.

Statement of consideration of employment conditions elsewhere in the Company

We have not consulted with employees on the executive Remuneration Policy. However, when determining the Policy for Executive Directors we have been mindful of the pay and employment conditions of employees across the Group as a whole.

Statement of consideration of shareholder views

Senior executive management of the Company regularly meet with shareholders and solicit their views on the Company's policies in relation to Director and Executive remuneration, and take such views into account when formulating remuneration policies and remuneration levels in specific cases.

Directors' report

The Directors submit their report and the consolidated audited financial statements of the Group and the audited parent financial statements of the Company for the year ended 31 December 2020.

This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The following are incorporated by reference and shall be deemed to form part of this Directors' Report:

- The Strategic Report on pages 2 – 65;
- The Board and Governance report (which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report) on pages 66 – 77 and 89 – 101 respectively; and
- The energy and global greenhouse gas emissions disclosure on pages 48 – 49.

In addition, the following information is also incorporated into this Directors' Report by reference:

Directors

Full biographical details of all current Directors of the Company (all of whom held office at some point during the reported year) and the Board Committees of which they are members are set out on pages 70 and 71 of this Annual Report.

Dividends

No dividends were paid during the year ended 31 December 2020.

No dividend is proposed to be paid in 2021 in respect of the year ended 31 December 2020.

Auditor

In accordance with section 418(2) of the Companies Act 2006, each Director in office at the date of this Directors' Report confirms that (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and (b) the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Ernst & Young LLP has confirmed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

Directors' liabilities and indemnities

The Company maintains liability insurance for its Directors. All Directors are also in receipt of an indemnity from the Company under the Company's Articles of Association (the Articles) in respect of (a) liability incurred by any Director due to negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, or any subsidiary undertaking or (b) any liability incurred by any Director in connection with the activities of the Company, or any subsidiary undertaking, in its capacity as a trustee of an occupational pension scheme; in both instances to the extent permitted under the Companies Act 2006. Copies of the Company's Articles are available on the Company's website or at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

In May 2015, the Board approved a policy for the indemnification of Directors, officers and other designated beneficiaries and the entry by the Company into an accompanying deed of indemnity.

The policy clarifies that the Company will seek to provide the maximum indemnification and protection to Group Directors and officers permissible under applicable law, except in cases of fraud or wilful default, including but not limited to: (i) providing compensation for losses suffered in the course of acting as a Director or officer in the interests of the Group, (ii) providing Directors and officers with quality external legal representation and external professional advisers, (iii) assisting Directors or officers with repatriation following a third-party claim, (iv) continuing to make payment of a Director's or officer's remuneration and benefits while such Director or officer is under suspension, investigation or detention by order of a third party, (v) taking reasonable steps to place any such Director or officer in a similar position working in another location or elsewhere in the Group which would allow his/her employment to continue and to compensate for any adverse financial consequences they incur as a result of their loss of office, or (vi) maintaining customary Directors' and officers' liability insurance policies.

The deed of indemnity is intended to cover any insufficiency in the protection granted to Directors and officers under the Articles which could expose such persons to substantial liability to third parties, including governmental authorities, in particular in jurisdictions where significant uncertainty exists in relation to the interpretation and application of the law. The deed of indemnity allows Directors, officers and other designated beneficiaries to enforce the protection provided for under the Articles without any further action by the Company being required.

Political donations

The Group made no political donations during the year 2020.

Contributions to non-EU political parties

No contributions to non-EU political parties were made during the year 2020.

Research and development

The Group is not involved in any activities in the field of research and development.

Branches

The Company is registered in England and Wales and during 2018 moved its place of effective management and tax residence from the Netherlands to the United Kingdom. As the Group is a global business, our interests and activities are held or operated through subsidiaries and branches and subject to the laws and regulations of many different jurisdictions.

Share capital

As of 31 December 2020, the Company's issued share capital was £1,881,829.58 divided into 188,182,958 Ordinary Shares each having a nominal value of £0.01, all of which are in free circulation. All of the Company's issued Ordinary Shares are fully paid up and rank equally in all respects. The rights attached to them, in addition to those conferred on their holders by law, are set out in the Articles.

Subject to applicable law and the Company's Articles the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares, subject to an appropriate authority being given to Directors by shareholders in a General Meeting and any conditions attaching to such authority. The current authority, approved at the 2020 Annual General Meeting, for the allotment of relevant securities is for a nominal amount of up to: (i) £1,240,000 less the nominal amount of any securities allotted under part (ii) of the authority and (ii) equity securities up to a nominal amount of £620,000 less the nominal amount of any securities allotted under part (i) of the authority in excess of £620,000. No shares were allotted during the year.

Furthermore, at the 2020 Annual General Meeting, shareholders authorised the Directors to make market purchases up to a maximum of approximately 10% of the Company's issued share capital (being 18,600,000 Ordinary Shares) excluding treasury shares. Any shares purchased under this authority may either be cancelled or may be held as treasury shares provided that the number of shares held does not exceed 10% of the issued share capital. No shares were bought back during the year.

Resolutions to renew these authorities will be proposed at the 2021 AGM.

Intertrust Employee Benefit Trustee Limited (the Trust) holds shares in the Company in trust for the purposes of the Company's phantom share option plan, and the rights attaching to these shares are exercised by independent trustees. As at 31 December 2020, the Trust held 2,948,879 Ordinary Shares in the Company.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the shareholders by ordinary resolution or, if the Company passes a resolution, the Directors.

Voting rights

There are no restrictions on voting rights or transfers of shares in the Articles and at a general meeting every shareholder present in person or by proxy has one vote for every share held by him or her. No shareholder shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

Transfer of shares

The Articles provide that transfers of certificated shares must be effected in writing duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered on the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of the relevant electronic system unless the Uncertificated Securities Regulations 2001 provide otherwise.

The Directors may refuse to register a transfer of shares in favour of more than four persons jointly.

Directors, Articles and purchase of shares

The Articles were adopted on 19 May 2014 and may only be amended by special resolution at a general meeting of the shareholders.

The Directors' powers are conferred on them by UK legislation and by the Articles. In accordance with the Articles, the Board has the power at any time to elect any person to be a Director. Any person so appointed by the Directors will retire at the next Annual General Meeting in accordance with the UK Corporate Governance Code; retiring Directors may be eligible for annual re-election.

The Company did not repurchase any shares during 2020. The Board has the power conferred on it by shareholders to purchase its own shares and will seek a renewal of that power at the forthcoming Annual General Meeting within the limits set out in the notice of the meeting.

Shareholders holding 3% or more of the Company's issued share capital

As of 31 December 2020, the following significant shareholdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure Guidance and Transparency Rule (DTR) 5 or otherwise.

Name	Number of Ordinary Shares	% of issued Ordinary Shares	Nature of Holding
ICU Investment Mgt	44,837,071	23.83	Direct
Mayfair Investments BV	32,222,200	17.12	Direct
Dehus Dolmen Nominees Limited[1]	30,588,054	16.25	Direct
AT Investments	21,648,100	11.50	Direct
Trafigura Ventures	8,352,557	4.44	Direct
FPP Asset Mgt	6,438,421	3.42	Indirect
Veles Capital	5,827,330	3.10	Direct

1. Dehus Dolmen Nominees Limited holds on trust for entities with which Baring Vostok Investments PCC Limited (which holds 3,119,990 shares being 1.66%) is affiliated.

Details of all information provided to the Company pursuant to Financial Conduct Authority's (FCA) DTRs is publicly available to view via the regulatory information service on the Company's website. No such disclosures have been made to the Company under DTRs or otherwise since 31 December 2020.

This publicly available information also covers the requirements of the Kazakh Stock Exchange to provide information about all major transactions (including those with the listed company's shares in the reporting period and any changes in the structure of shareholders holding five and more per cent of the outstanding shares) over the reporting period.

Financial risk management

The Company's financial risk management objectives and policies, including its use of financial instruments, can be found in Note 33 to the financial statements.

Significant contractual arrangements

On 19 May 2014, the Company entered into a relationship agreement with KazStroyService Global B.V. (KSS Global) (the Relationship Agreement) to regulate, in part, the degree of influence that KSS Global and its affiliates may exercise over the management of the Company. The principal purpose of the Relationship Agreement was to ensure that the Company is capable at all times of carrying on its business independently of KSS Global and its affiliates and that all of the Company's transactions and relationships with KSS Global and its affiliates are at arm's length and on normal commercial terms.

Under the Relationship Agreement, KSS Global agreed that it will:

- And will procure its affiliates will, allow the Company and its affiliates at all times to carry on its business independently of KSS Global and its affiliates;
- Not, and will procure its affiliates will not, act in any way which shall prejudice the ability of the Company and its affiliates to carry on its business independently of KSS Global or its affiliates;
- Comply with, and will procure its affiliates comply with, the Disclosure and Transparency Rules in respect of its interests in the Ordinary Shares;
- Not, and will procure its affiliates will not, take any action (or omit to take any action) that will prejudice the Company's status as a listed company or its suitability for listing under the Listing Rules after Admission has occurred or the Company's ongoing compliance with the Listing Rules and the Disclosure and Transparency Rules, or have the effect of preventing the Company from complying with its obligations under the Listing Rules, provided that this shall not prevent KSS Global (or any other person) from:
  - (i) Accepting a Takeover Offer for the Company in relation to their respective interests in the Company or, where such Takeover Offer is made by way of a CA2006 Scheme, voting in favour of such CA2006 Scheme at the court and related shareholder meetings or otherwise agreeing to sell their Ordinary Shares in connection with a Takeover Offer; or
  - (ii) Making a Takeover Offer by way of a general offer for all the outstanding Ordinary Shares or by way of a CA2006 Scheme and de-listing the Company after such Takeover Offer has become wholly unconditional or, in the case of a CA2006 Scheme, after it has become effective;
- Not, and will procure that its affiliates will not, influence the day-to-day running of the Company at an operational level or hold or acquire a material shareholding in one or more significant subsidiaries of the Company; and
- Exercise its voting rights in such a manner as to procure (to the extent possible) that:
  - (i) At least half of the Board comprises independent Directors (excluding the Chairman of the Board);
  - (ii) The Audit Committee shall comprise entirely independent Directors and the Remuneration Committee shall comprise not less than three independent Directors; and
  - (iii) The Nomination and Governance Committee and any other committee of the Board to which significant powers, authorities or discretions are delegated shall at all times consist of a majority of independent Directors.

Deed of adherence with Mayfair Investments B.V.

On 30 January 2015, KSS Global transferred its holding of 50 million Ordinary Shares in the company as follows: (a) 48,333,300 shares to Mayfair Investments B.V. (Mayfair), a company indirectly owned by KSS Global's three principal shareholders on the date of the transfer, and (b) 1,666,700 shares to KSS Global's other shareholder on such date.

In connection with such transfer, Mayfair entered into a Deed of Adherence with Nostrum pursuant to which Mayfair has undertaken to Nostrum to be bound by the Relationship Agreement in all respects and to observe and perform all of the provisions and obligations of such Relationship Agreement previously applicable to or binding on KSS Global in so far as they fall to be observed or performed on or after the date of the transfer.

Termination

Effective 4 January 2021, Mayfair's nominated Board member resigned as a Non-Executive Director of the Company and confirmed on behalf of Mayfair that Mayfair did not wish to nominate a replacement director and requested that the Relationship Agreement be terminated.

At the Board meeting of 21 January 2021, the Board approved that the Company enter into a Deed of Termination of the Relationship Agreement with Mayfair. The Deed of Termination became effective on 4 February 2021.

Change of control

The following are significant agreements the Company has entered into which would be affected on a change of control of the Company following a takeover:

- In the event of a takeover of the Company, all options under the Company's phantom share option plan shall be deemed to have vested and the Board shall direct Intertrust Employee Benefit Trustee Limited to allow each option-holder to exercise his or her options at any time from the date of the change of control up to the 10th anniversary of the date of grant (the Period). Any options that have not been exercised will lapse at the end of the Period; and
- In the event of a takeover of the Company, all options under the Company's employee long-term incentive plan shall be deemed to have vested and the Board shall direct Intertrust Employee Benefit Trustee Limited to allow each option-holder to exercise his or her options during the one-month period following the change of control event. Any options that have not been exercised will lapse at the end of this period.

The 2012 Bonds, 2014 Bonds, 2017 Bonds and 2018 Bonds contain change of control provisions. If a change of control occurs, the Company will be required to offer to repurchase the 2012 Bonds, 2014 Bonds, 2017 Bonds and 2018 Bonds at 101% of their principal amount, plus accrued and unpaid interest to the date of the purchase.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment or otherwise that occurs specifically because of a takeover.

Corporate governance statement

Pursuant to Disclosure Guidance and Transparency Rule 7, certain parts of the Corporate Governance statement are required to be outlined in the Directors' Report. This information is laid out in the corporate governance section of this Annual Report. Information regarding the main features of the Company's internal control and risk management arrangements in relation to the financial reporting process can be found in the Strategic Report and the report of the Audit Committee.

Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed.

Information required	Sub-section of Listing Rule 9.8.4R	Reference
Capitalised interest	(1)	Please refer to Notes 4 and 6 to the financial statements
Publication of unaudited financial information	(2)	Not applicable
Details of any long-term incentive schemes established to specifically recruit or retain a director	(4)	Not applicable
Waiver of emoluments by a director	(5) (6)	Please refer to the report of the Chairwoman of the Remuneration Committee
Allotment of equity securities for cash	(7) (8)	No such share allotments
Participation in a placing of equity securities	(9)	Not applicable
Contracts of significance	(10)	Please refer to the Directors' Report
Contracts for the provisions of services by a controlling shareholder	(11)	Not applicable
Dividend waiver	(12) (13)	Under the trust deed relating to the phantom share option plan and the LTIP, the trustee has agreed to waive any dividends on shares held under both plans
Agreements with controlling shareholder From 1 April 2020 two Non-Executive Directors waived their fees. See page 94.	(14)	Not applicable as the Company does not have a "controlling shareholder" within the definition under Listing Rule 6.1.2A R; however, please see the Directors' Report for details of Relationship Agreements the Company has entered into with certain shareholders

Important events since the end of the financial year

Major events after 31 December 2020 are disclosed in Note 34 to the consolidated audited financial statements.

This report was approved by the Board on 27 April 2021.

On behalf of the Board

Martin Cocker
Interim Chief Financial Officer

27 April 2021

Arfan Khan
Chief Executive Officer

27 April 2021

Nostrum Oil & Gas PLC, registered number 8717287

Responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year and, with regard to Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared individual accounts in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with IFRS as adopted persuant to Regulation (EC) No 1606/2002 as it applies to the European Union. The accounts are required by law and IFRS to present fairly the financial position of the Company and the Group and the performance for that period. The Directors must not approve such accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the consolidated Group.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes and Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- State that the Group and the Company have complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- Provide additional disclosures when compliance with specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
- Prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, and having reviewed the Annual Report (including the Strategic Report), the Directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors have responsibility for:

- Ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 2006;
- Taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities; and
- The maintenance and integrity of the corporate and financial information on the Company's website.

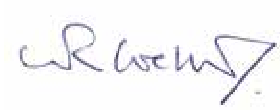
Each of the Directors whose names and functions are listed on pages 70 – 71 confirms, that to the best of their knowledge:

- The Company and Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Arfan Khan
Chief Executive Officer

27 April 2021



Martin Cocker
Interim Chief Financial Officer

27 April 2021

Contents

Independent auditor's report to the members of Nostrum Oil and Gas PLC

Opinion

In our opinion:

- Nostrum Oil & Gas PLC's group financial statements and Parent Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nostrum Oil & Gas PLC (the Parent Company) and its subsidiaries (the Group) for the year ended 31 December 2020 which comprise:

Group	Parent Company
Consolidated statement of financial position	Parent Company statement of financial position
Consolidated statement of comprehensive income	
Consolidated statement of cash flows	Parent Company statement of cash flows
Consolidated statement of changes in equity	Parent Company statement of changes in equity
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 16 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainties related to going concern

We draw attention to note 2 in the financial statements, which highlights the following events or conditions in connection with the restructuring of the Group's Notes and which may cast significant doubt on the Group and Parent Company's ability to continue as going concerns:

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

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that material uncertainties exist that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, notwithstanding the material uncertainties described above, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the directors' going concern assessment process and the key factors and assumptions that were considered in their assessment;
- Obtaining the director's going concern assessment, including the cash flow forecast and covenant calculations for the going concern period which covers 18 months from the year ended 31 December 2020 to 30 June 2022. The directors have modelled a number of adverse scenarios in order to incorporate unexpected changes to the forecast liquidity of the Group. We evaluated the sufficiency of those adverse scenarios as stress tests of the Group's forecast liquidity;
- Assessing the key factors and assumptions adopted in the assessment of going concern and the cash flow model. We considered whether there was any evidence to suggest management had exercised any bias in selecting their assumptions;
- Assessing the appropriateness of the method used to calculate the cash flow forecast and covenant calculations and testing the mathematical accuracy of the calculations;
- Checking the consistency of the factors and assumptions adopted in the going concern assessment with other areas of our audit, including the oil and gas asset impairment test;
- Assessing the director's ability to restructure the Group's Notes to an affordable level through the going concern period. We engaged our Restructuring Specialists to support us in this evaluation. We:
  - Understood the status and expected outcome of the directors' efforts to restructure the Group's Notes and critically examined the implication on the Group's ability to continue as a going concern;
  - Performed direct inquiries of the Group's financial and legal advisor to corroborate management's assertions around the restructuring plan; to understand the approvals that will be required; and to understand the key risks to the execution of the restructuring. We challenged the likelihood that a restructuring could be achieved;
  - Reviewed the Forbearance Agreement to understand the terms under which the Noteholders agreed to forbear certain rights and remedies under the bond indentures and verified that the Group were in compliance with these conditions; and
  - Read correspondence between the Group and the advisors to the informal ad hoc group of holders of the Notes, which provided evidence of the restructuring terms proposed by the advisors. We considered the affordability of these terms and the likelihood that a restructuring would be executed in this form and that the necessary approvals and waivers could be obtained in order to implement the restructuring.
- Performing a reverse stress test in order to identify what factors would lead to the Group utilising all liquidity during the going concern period. We assessed the likelihood of these factors in the context of the outlook for commodity prices and against historic market lows as well as our own industry experience;
- Challenging whether the ongoing COVID-19 pandemic threatens the Group's ability to achieve the forecast cash flows, noting limited operational disruption as a result of the pandemic; and
- Considering whether management's disclosures, in the Annual Report and Accounts, sufficiently and appropriately captured the material uncertainties in respect of on the going concern conclusion through consideration of the relevant disclosure standards and our understanding of the bond restructuring process.

Based on the results of our audit procedures, we consider management's going concern assessment process to be appropriate. We observed that the directors' going concern assessment, including the cash flow forecast, assumes a successful restructuring of the Group's Notes that reflects the current preliminary restructuring terms discussed with the advisors to the AHG. While progress has been made by the directors in their efforts to restructure the Group's Notes to an affordable level, material uncertainties exist in the eventual outcome of the restructuring process as described in note 2 to the financial statements. On the basis of insights we gained from the market consensus outlook for commodity prices and historic market lows, the likelihood of the factors identified in the reverse stress test materialising are remote. However, it is important to recognise that the stress tested cash flow forecasts reflect financing cash flows consistent with the current preliminary restructuring terms discussed with the advisers to the AHG, which is a significant assumption made by the directors and the source of a material uncertainty.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in respect of the directors' identification in the financial statements of any material uncertainties to the Group and Parent Company's ability to continue as a going concern for the period to 30 June 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Parent Company's ability to continue as a going concern.

We draw attention to the Viability Statement on page 56, which indicates that an assumption to the statement of viability is management's ability to restructure the Group's Notes. The directors consider that the material uncertainties referred to in respect of going concern may cast significant doubt over the future viability of the Group and Parent Company should these events not complete. Our opinion is not modified in respect of this matter.

Overview of our audit approach

Materiality	Overall Group and Parent Company materiality of $1.6m which represents 2% of the Group's adjusted earnings before interest, tax, depreciation and amortisation, excluding non-recurring items (Adjusted EBITDA).
Audit scope	We performed an audit of the complete financial information of three components across the United Kingdom and Kazakhstan and audit procedures on specific balances for a further two components across Belgium and the Netherlands. The components where we performed full or specific audit procedures accounted for 101% of Adjusted EBITDA, 100% of Revenue and 98% of Total assets.
Key audit matters	We identified the following key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the audit team's efforts: • Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation (DD&A) and the decommissioning provision • Impairment of oil & gas assets • Revenue recognition Although going concern was considered to represent a key audit matter, detail on our audit procedures and key observations are summarised in the 'Material uncertainties related to going concern' section of our report as opposed to the key audit matters table below.

An overview of the scope of the Parent Company and Group Audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls and changes in the business environment when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 10 reporting components of the Group, we selected 5 components covering entities within the United Kingdom, Kazakhstan, Belgium and the Netherlands, which represent the principal business units within the Group.

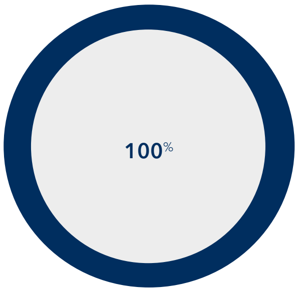
Of the five components selected (2019: four), we performed an audit of the complete financial information of three (2019: three) components (full scope components) which were selected based on their size or risk characteristics. For the remaining two (2019: one) components (specific scope component), we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The principal change in audit scope relative to the prior year was the inclusion of one additional specific scope component, which was driven by the reduction in materiality and the relative size of the specific account balances in that component.

The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed the United Kingdom, Kazakhstan, and Netherlands locations to perform specified procedures on the existence and valuation of cash balances and the completeness of payables. The audit scope for specified procedures are those where we perform procedures that address only specific account assertions rather than the account balance as a whole.

Of the remaining 5 (2019: 6) components that together represent -1% (2019: -3%) of the Group's Adjusted EBITDA, we performed other procedures, including analytical review, inquiries and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

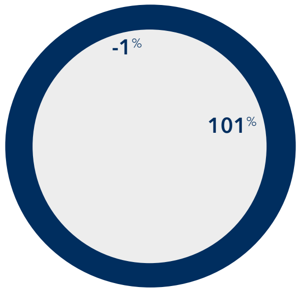
Our audit coverage by full scope components, specific scope components and other procedures is illustrated below:

REVENUE



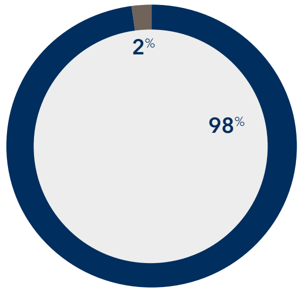
- 100% Full scope components
- 0% Specific scope components
- 0% Other procedures

ADJUSTED EBITDA



- 101% Full scope components
- 0% Specific scope components
- -1% Other procedures

TOTAL ASSETS



- 98% Full scope components
- 2% Specific scope components
- 0% Other procedures

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit team, or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on two of these directly by the primary audit team and one by the component audit teams. One of the specific scope components and one full scope component, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. The remainder of the components were audited directly by the primary audit team.

The Group audit team adopted their approach to interact with and oversee local EY teams in response to the COVID-19 pandemic. Due to COVID-19 travel restrictions imposed by governments, we did not complete our planned visits to the locations. In lieu of site visits, the primary team designed alternative procedures in our audit strategy to provide sufficient oversight and involvement with the work of the component teams to fulfil its responsibilities under auditing standards to evaluate, review and oversee the work of component teams on a remote basis.

Our remote oversight procedures included:

- An increased frequency of dialogue with our local EY component teams. This included additional meetings with our component teams and local management via videoconference;
- Performing remote reviews of the key workpapers associated with the component team's audit procedures, particularly in areas of significant risk, such as oil and gas reserves estimates, impairment and revenue recognition, through the interactive capability of EY Canvas, our global audit workflow tool; and
- Attending the closing meeting between our full scope local EY component team and local management by videoconference, to ensure that we were fully aware of the audit status and results of their audit procedures.

These procedures, together with the additional procedures performed at a Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the ‘Material uncertainties related to going concern’ section of our report, we identified the following key audit matters:

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation (DD&A) and the decommissioning provision Refer to the Audit Committee Report page 82; the estimates, assumptions and judgements on page 134; and the disclosures in Note 6 of the Consolidated Financial Statements (page 141). As at 31 December 2020, Nostrum reported 39 million barrels of oil equivalent (mmboe) of proved and probable (2P) reserves (2019:138 mmboe) and 146 mmboe of contingent (2C) resources (2019:185 mmboe). This was a significant risk due to the subjective nature of reserves estimates and the pervasive impact on the financial statements through impairment testing, DD&A calculations and the decommissioning provision estimate. Reserves are also considered a fundamental indicator of the future potential of the Group’s performance and its ability to continue as a going concern. The estimation of oil and gas reserves is a significant area of estimation due to the technical uncertainty in assessing reserves quantities. The estimation is potentially susceptible to management bias, including by recording revisions to estimates in the incorrect period. Management’s reserves and resource estimates are prepared by internal specialists and are audited by Ryder Scott, an independent reserves consultant. The scope of our procedures in respect to reserve estimation included contingent resources that impact the financial statements, primarily being those included in management’s oil and gas asset impairment test. There is also a risk that management may influence the significant judgements and estimates in respect of commercial assumptions in order to portray favourable reserves disclosure to the market and understate the impact of impairment charges and the calculation of DD&A. The risk has increased compared with the prior year.	Our audit procedures have focused on management’s estimation process, including whether bias exists in the determination of reserves. We assessed management’s assumptions, including commercial assumptions, to ensure that they are based on supportable evidence. We have: • carried out procedures to walkthrough and understand the Group’s internal process and key controls associated with oil and gas reserves estimation; • assessed the competence of internal management’s specialists, to satisfy ourselves that they are appropriately qualified to carry out the volumes estimation; • met with management’s external specialist during the planning and execution of the audit and assessed their competence and objectivity by enquiry of their qualifications, practical experience and independence. We checked the completeness and accuracy of the data transferred to the external specialist for audit; • reviewed the oil and gas reserves audit report prepared by management’s external specialist to understand the conclusion of their audit and any related audit findings. We performed direct inquiries of Ryder Scott; • corroborated management’s commercial assumptions by checking that they lie within an acceptable range compared to publicly available benchmarks where available. We compared management’s internal assumptions to the latest plans and budgets for consistency. We also challenged management’s capabilities to execute on such plans by comparison to prior performance; • assessed the appropriateness of the downward revision in 2P reserves to be recorded in the current year, and tested bias towards overstating reserves estimates in the previous year, through understanding the factors that led to the change in the estimate; • validated that the updated reserves estimates were appropriately included in the Group’s consideration of oil and gas asset impairment testing, in accounting for DD&A and the determination of decommissioning dates; and • reviewed the accuracy of the reserves and resource estimates disclosure in the Annual Report.	Based on the audit procedures performed we concluded that the reserves and resource estimations are reasonable for use in impairment testing, management’s going concern assessment, the calculation of DD&A and the determination of decommissioning dates. We did not identify any indication of management bias in the estimation process and we are satisfied that the reduction in reserves recorded in 2020 has been recorded in the correct period.

We performed full scope audit procedures over this risk area in one location (Kazakhstan).

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of impairment of oil & gas assets Refer to the Audit Committee Report on page 82; the estimates, assumptions and judgements on page 135 and the disclosures in notes 6 to 7 of the Consolidated Financial Statements page 141). Impairment charge in 2020 of $245 million was recorded (2019: $1,355 million). At 31 December 2020, the carrying value of oil & gas assets $339 million (2019: $650 million). Owing to the reduction in the Group's reserves estimates and oil price volatility in 2020, there was a significant risk of further impairment to that recorded in 2019. We focused on this area due to the significance of the carrying value of the Cash Generating Unit (CGU), the current economic environment and the judgements involved in the key assumptions of the future prices of oil, natural gas and related products, the discount rate applied to future cash flow forecasts and the assumptions relevant to production volumes. The recoverable amount of the CGU is sensitive to changes in key inputs and assumptions. As a result of the impairment recorded in 2019, there is no headroom in the carrying value of the CGU compared to its recoverable amount. There is also a risk that management may influence the significant judgements and estimates in respect of management's key assumptions in order to understate the impairment charge to achieve targeted result. The risk has increased compared with the prior year.	In addressing the risk of impairment of oil & gas assets we utilised our valuation specialists and evaluated management's impairment assessment by testing the key assumptions. We have: • evaluated management's assessment of indicators of impairment or impairment reversal; • walked through the controls designed by the Group relating to the assessment of the recoverable amount of oil & gas assets for impairment; • assessed whether the value in use (VIU) or the fair value less costs of disposal (FVLCD) is the higher recoverable amount; • tested the integrity of the discounted cash flow model with the assistance of our own specialists; • evaluated the oil & gas prices and discount rate assumptions by comparing forecast price assumptions to the latest market evidence available, including forward curves, broker's estimates and other long-term price forecasts; and benchmarking the discount rate to the risks faced by the Group; • considered the existence of any contradictory evidence to challenge the recoverable amount determined on the basis of the discounted cash flow model, including the Group's enterprise value; • assessed the appropriateness of the oil and gas reserves and resources estimates, as described in the key audit matter above in this report, and evaluated the risking factors applied in estimating the value associated with the contingent resources; • challenged the valuation methodology for estimating the recoverable amount; specifically the value attributed to the contingent resources and the opportunity for utilising the spare GTU processing capacity, including the related judgements around risking; • tested forecast cash flows by comparing the assumptions used within the impairment models to the approved budgets, business plans and other evidence of future intentions; • assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance; • compared the exchange rate assumptions to external market data; • evaluated management's sensitivity analysis in order to assess the potential impact of a range of reasonably possible outcomes. These sensitivities included adjustments to the discount rate, oil & gas prices, future production volumes, opex and capex assumptions; and • evaluated the appropriateness of the financial statement disclosures.	In our view the Group's reserves and resources estimates, forecast costs and discount rate are appropriate and within reasonable ranges. The Group's oil and gas price assumptions are within reasonable ranges. In estimating the recoverable amount, the inclusion of risked value associated with contingent resources and the opportunity for utilising the spare GTU processing capacity, is appropriate and consistent with the requirements of a FVLCD valuation approach. We concluded that the estimated recoverable amount of the CGU fell within the range of acceptable valuations, including implied valuations based on the market value of the Group's equity and debt. Based on the results of the audit procedures performed, we concluded that the impairment charge was reasonable, there is no evidence of management bias in the determination of significant judgements and estimates, and that the related disclosures provided in the Group's financial statements are appropriate.

In addressing this risk, audit procedures were performed by the component team in Kazakhstan and the Group engagement team. By performing these procedures, we obtained full coverage of the related balances.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition Refer to the Audit Committee Report on page 83; The Summary of significant accounting policies on page 140 and the disclosures in note 21 of the Consolidated Financial Statements (page 146). Revenue for the year ended 31 December 2020 amounts to $176 million (2019: $322 million). Revenue includes sales of crude oil, gas condensate, dry gas and liquefied petroleum gas (LPG). There is the risk of management manipulation to overstate revenue. This could be achieved by potentially recording sales in an incorrect period. The risk has remained consistent with the prior year.	Our component team in Kazakhstan performed procedures to walkthrough and understand the process and key controls associated with the revenue recognition and accounts receivable process. We performed enquiries of management and analysed contracts to evaluate whether revenue was recognised in accordance with the contractual terms. We also performed procedures that are designed to address the risk of manipulation of accounting records and the ability of management to override controls. We have: • tested a sample of third-party evidence to verify revenue transactions are recorded appropriately, this included inspection of sales contracts with customers and delivery documents. We performed substantive audit procedures on cash accounts to verify cash collection from customers; • analysed the entire population of revenue transactions and identified revenue journals for which the corresponding entry was not posted against trade receivables and where trade receivables were not cleared through cash. We assessed the appropriateness of these journals. Of the outstanding trade receivables due at the year-end, we confirmed the material balances with the relevant counterparties as well as tested that trade receivables were collected subsequent to year-end; • performed cut-off procedures at the period-end date to determine that transactions are recorded in the proper period; • tested the appropriateness of journal entries impacting revenue, using data extracted from the accounting system, as well as other adjustments made in the preparation of the financial statements; • carried out analytical review procedures on each revenue stream using disaggregated data, by volume, by product, by customer and by month to assess the respective products' underlying performance and corroborate the appropriateness of the timing of revenue recognition; and • evaluated the appropriateness of the financial statement disclosures.	We concluded that revenue is recognised consistently with the terms of sales agreements. We also concluded that the financial statements disclosures with respect to revenue fulfilled the requirements of the accounting standards.
We performed full scope audit procedures over this risk area in one location (Kazakhstan). By performing these procedures, we obtained full coverage of the risk amount.		

In the prior year, our auditor's report included a key audit matter in relation to risk of management override. In the current year, we determined that the risk of management override does not represent a separate key audit matter, on the basis that it is our assessment that this risk principally manifests itself through the estimation of oil and gas reserves, the risk of impairment of oil & gas assets and revenue recognition, where there are a number of significant judgements and estimates involved that are susceptible to management bias.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $1.6 million, which is 2% of Adjusted EBITDA. Adjusted EBITDA is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We also noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We, therefore, considered EBITDA to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be the most relevant performance measure to the stakeholders of the Group. In adjusting EBITDA we have excluded non-recurring items, which in 2020 related to the impairment charge of $245 million.

We determined materiality for the Parent Company to be $1.6 million, which is based on 0.5% of the Parent Company's operating expenses.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely $800 thousand. We have set performance materiality at this percentage due to our past experience of the audit that indicates a higher risk of misstatements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $0.4 million to $0.7 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $80 thousand, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report including the Strategic Report (set out on pages 2 – 65), Corporate Governance (set out on pages 66 – 114), Regulatory Information and Additional Disclosures sections (set out on pages 167 – 175), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 (set out on pages 2 – 65) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Aside from the impact of the matters disclosed in the 'Material uncertainties related to going concern section' of our report, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 130 and 131;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 56;
- Directors' statement on fair, balanced and understandable set out on page 114;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 52;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 50; and;
- The section describing the work of the audit committee set out on page 78.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 114, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below and in the key audit matters section above, where those risk areas are susceptible to management bias.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employee matters, data protection, environmental and anti-bribery and corruption practices;
- We understood how the Group is complying with those frameworks by making inquiries of management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it considered there was susceptibility to fraud. We considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business, inquiries of those charged with governance, inquiries of both Group and local management, and focused testing, as referred to in the key audit matters section above; and
- Based on the results of our audit procedures, there were no significant instances of non-compliance with laws and regulations identified at the Group or component level.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters we are required to address

Following the recommendation from the Audit Committee, we were re-appointed by the Company on 9 June 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the period from our initial appointment through to the year 31 December 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 April 2021

Consolidated statement of financial position

In thousands of US Dollars	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	6	**339,406**	650,229
Right-of-use assets	7	**2,755**	6,875
Advances for non-current assets	8	**9,034**	8,412
Restricted cash	12	**20,613**	7,620
		371,808	673,136
Current assets			
Inventories	9	**28,805**	35,849
Prepayments and other current assets	10	**12,303**	12,040
Income tax prepayment		**379**	90
Trade receivables	11	**13,540**	31,239
Cash and cash equivalents	12	**78,583**	93,940
		133,610	173,158
TOTAL ASSETS		**505,418**	846,294
Equity and liabilities			
Share capital and reserves	13		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained deficit and reserves		**(761,294)**	(433,627)
		(759,751)	(432,084)
Non-current liabilities			
Long-term borrowings	15	**–**	1,100,453
Long-term lease liabilities	16	**35**	641
Abandonment and site restoration provision	17	**28,936**	27,502
Due to Government of Kazakhstan	18	**4,832**	5,070
Deferred tax liability	29	**8,505**	42,787
		42,308	1,176,453
Current liabilities			
Current portion of long-term borrowings	15	**1,186,269**	35,633
Current portion of lease liabilities	16	**2,790**	6,735
Employee share option plan liability		**3**	4
Trade payables	19	**8,502**	27,638
Advances received		**186**	335
Current portion of due to Government of Kazakhstan	18	**1,031**	1,031
Other current liabilities	20	**24,080**	30,549
		1,222,861	101,925
TOTAL EQUITY AND LIABILITIES		**505,418**	846,294

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

Signed on behalf of the Board:

Arfan Khan
Chief Executive Officer

27 April 2021

Martin Cocker
Interim Chief Financial Officer

27 April 2021

The accounting policies and explanatory notes on pages 129 through 152 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

In thousands of US Dollars	Notes	For the year ended 31 December 2020	2019
Revenue			
Revenue from export sales		**140,843**	218,511
Revenue from domestic sales		**35,096**	103,617
	21	**175,939**	322,128
Cost of sales	22	**(125,392)**	(172,002)
Gross profit		**50,547**	150,126
General and administrative expenses	23	**(14,671)**	(21,399)
Selling and transportation expenses	24	**(31,037)**	(45,875)
Taxes other than income tax	25	**(14,113)**	(22,886)
Finance costs	26	**(102,067)**	(43,047)
Employee share options - fair value adjustment	27	**496**	(584)
Impairment charge	4	**(244,923)**	(1,354,651)
Foreign exchange (loss) / gain, net		**(1,827)**	361
Interest income		**253**	86
Other income	28	**4,757**	7,210
Other expenses	28	**(7,606)**	(12,490)
Loss before income tax		**(360,191)**	(1,343,149)
Current income tax expense		**(1,516)**	(4,972)
Deferred income tax benefit		**34,282**	358,194
Income tax benefit	29	**32,766**	353,222
Loss for the year		**(327,425)**	(989,927)
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		**253**	211
Other comprehensive income		**253**	211
Total comprehensive loss for the year		**(327,172)**	(989,716)
Loss for the period attributable to the shareholders (in thousands of US dollars)		**(327,425)**	(989,927)
Weighted average number of shares		**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	14	**(1.77)**	(5.34)

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

The accounting policies and explanatory notes on pages 129 through 152 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December 2020	2019*
Cash flow from operating activities:			
Loss before income tax		**(360,191)**	(1,343,149)
Adjustments for:			
Depreciation, depletion and amortisation	22,23,24	**89,777**	143,291
Impairment charge	4	**244,923**	1,354,651
Finance costs	26	**102,067**	43,047
Employee share option plan fair value adjustment		**(496)**	584
Interest income		**(253)**	(86)
Foreign exchange (gain)/loss on investing and financing activities		**(129)**	160
Loss on disposal of property, plant and equipment		**737**	96
Payments under derivative financial instruments		**–**	(3,741)
Accrued expenses		**–**	(5,096)
Operating profit before working capital changes		**76,435**	189,757
Changes in working capital:			
Change in inventories		**7,043**	(6,266)
Change in trade receivables		**17,699**	4,493
Change in prepayments and other current assets		**(132)**	5,494
Change in trade payables		**(9,171)**	3,949
Change in advances received		**(150)**	(59)
Change in due to Government of Kazakhstan		**(1,031)**	(1,031)
Change in other current liabilities		**(5,951)**	5,977
Cash generated from operations		**84,742**	202,314
Income tax paid		**(1,996)**	(5,477)
Net cash flows from operating activities		**82,746**	196,837
Cash flow from investing activities:			
Interest received		**253**	86
Purchase of property, plant and equipment		**(25,797)**	(114,762)
Exploration and evaluation works		**(483)**	(984)
Advances for non-current assets		**(622)**	(4,731)
Transfer to restricted cash		**(13,452)**	(599)
Net cash used in investing activities		**(40,101)**	(120,990)
Cash flow from financing activities:			
Finance costs paid		**(43,000)**	(86,000)
Other finance costs		**(10,013)**	–
Payment of principal portion of lease liabilities		**(5,064)**	(14,856)
Finance charges on lease liabilities		**(354)**	(2,853)
Net cash used in financing activities		**(58,431)**	(103,709)
Effects of exchange rate changes on cash and cash equivalents		**429**	49
Net decrease in cash and cash equivalents		**(15,357)**	(27,813)
Cash and cash equivalents at the beginning of the year	12	**93,940**	121,753
Cash and cash equivalents at the end of the year	12	**78,583**	93,940

** In the consolidated financial statements for the year ended 31 December 2019 transfer to restricted cash of US$599 thousand was presented within financing cashflows. The 2019 comparative above has been restated to be consistent with the classification in the current year.*

"Other finance costs" primarily represent bondholder consent fees in the amount of US$5,585 thousand and advisor fees of US$4,428 thousand paid by the Group in relation to the forbearance agreement and ongoing discussions with its bondholders regarding a possible restructuring of the Group's outstanding bonds. For more details on forbearance agreement and the consent fees see Note 1.

The accounting policies and explanatory notes on pages 129 through 152 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Treasury capital	Other reserves	Retained earnings / (deficit)	Total
As at 1 January 2019		**3,203**	**(1,660)**	**262,233**	**293,223**	**556,999**
Loss for the year		–	–	–	(989,927)	(989,927)
Other comprehensive income		–	–	211	–	211
Total comprehensive loss for the year		**–**	**–**	**211**	**(989,927)**	**(989,716)**
Share based payments under LTIP*		–	–	633	–	633
As at 31 December 2019		**3,203**	**(1,660)**	**263,077**	**(696,704)**	**(432,084)**
Loss for the year		–	–	–	(327,425)	(327,425)
Other comprehensive income		–	–	253	–	253
Total comprehensive loss for the year		**–**	**–**	**253**	**(327,425)**	**(327,172)**
Share based payments under LTIP*		–	–	(495)	–	(495)
As at 31 December 2020		**3,203**	**(1,660)**	**262,835**	**(1,024,129)**	**(759,751)**

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

The accounting policies and explanatory notes on pages 129 through 152 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. General

Overview

Nostrum Oil & Gas PLC ("the Company" or "the Parent") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 9th Floor, 20 Eastbourne Terrace, London, W2 6LG, UK.

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

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

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

As at 31 December 2020, the Group employed 564 employees (2019: 636).

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.

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

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

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

The contract for exploration and production of hydrocarbons from the Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. Subsequently, the exploration period was extended until 31 December 2021. In October 2020, the rights and obligations related to the Darjinskoye field were disposed to a third party.

The contract for exploration and production of hydrocarbons from the Yuzhno-Gremyachinskoye field dated 28 July 2006 originally included a 5-year exploration period and a 20-year production period. Subsequently, the exploration period was extended until 31 December 2021. In October 2020, the rights and obligations related to the Yuzhno-Gremyachinskoye field were disposed to a third party.

Royalty payments

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

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

Government "profit share"

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

Forbearance agreement

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

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

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

Notes to the consolidated financial statements continued

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

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. Within 21 days of the effective date of the Forbearance Agreement an amount equal to 30% of the missed interest payments, equating to US$12,900 thousand, was transferred into the secured account (Note 12). The amount in the secured accounts was increased by a further transfer of 17.50% of the missed interest payments, equating to US$7,525 thousand 180 days after the effective date of the Forbearance Agreement. This transfer was made subsequent to the year end. The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level. At the date of this Annual report, the full amount of US$20,425 thousand required by the Forbearance Agreement has been transferred into secured account along with a further supplemental amount of US$1,117 thousand as discussed below;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

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

The Company agreed to pay, or procure payment of, certain consent fees in cash (Consent Fee) to each forbearing holder. At the date of this Annual Report, all Consent Fees have been paid. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid subsequent to the year end on 20 February 2021. The consent fees were recorded in the income statement (for more details please see Note 26).

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021. The extensions were to provide time for a final agreement to be reached with shareholders and bondholders.

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

2. Basis of preparation and consolidation

Basis of preparation

These consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated financial statements have been prepared based on a historical cost basis (Note 4). The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires from management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2020. 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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries

Nostrum Oil & Gas UK Ltd. registered and incorporated in the United Kingdom under Companies Number 08071559 is exempt from the requirements of the UK Companies Act 2006 relating to the audit of the individual accounts by virtue of the section 479A of the Act.

Going concern

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

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

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

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

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

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

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. At the date of this Annual Report, the full amount of US$21,541,990 required by the Forbearance Agreement has been transferred into secured account and is treated as restricted cash. The amount transferred as at 31 December 2020 was US$12,900,000;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

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

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

The extensions were to provide more time for a lock-up and restructuring agreement to be reached with bondholders and potentially with other stakeholders. At the time of publication of this Annual Report and Accounts, negotiations with members of the AHG continue. The final form of the lock-up agreement and associated restructuring agreement is anticipated to be concluded by 20 May 2021. The key terms relevant to the consideration of going concern are that the debt will be foregone materially and interest on the restructured debt will partially be paid in cash and partially rolled up into the debt. As part of the agreement, it is likely that additional equity will be issued to bondholders, in which case significantly diluting the interests of the current equity holders.

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

The Directors' going concern assessment is supported by future cash flow forecasts. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $45/bbl and $50/bbl, for 2021 and 2022, respectively. The forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current preliminary restructuring terms discussed with the advisors to the AHG, reflecting the terms outlined above.

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

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

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

After careful consideration of these material uncertainties, and on the assumption that a restructuring of the Notes to an affordable level is completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2022, being a period of not less than 12 months from the date of this report. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts. Accordingly, the accompanying 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 2022, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on page 56 which highlights that the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Group. In the event that the Group is unable successfully to restructure its Notes, then under all reasonable assumptions the Group will be unable to meet its US$725m debt liability due in July 2022.

Notes to the consolidated financial statements continued

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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 Group is currently assessing the impact the amendments will have on current practice and whether existing borrowing agreements will be renegotiated.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments had no impact on the consolidated financial statements of the Group.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021 the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group does not expect early application of these amendments.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021 the IASB issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group does not expect early application of these amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

4. Summary of significant accounting policies

Exploration expenditure

Costs directly associated with exploration wells are capitalised within exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials, fuel used, rig costs, payments made to contractors and asset retirement obligation fees.

Significant estimates and assumptions: Exploration expenditure

If hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery, which is subject to estimation uncertainties. When this is no longer the case, the costs are written off.

Subsoil use rights acquisition costs are initially capitalised in exploration and evaluation assets. Subsoil use rights acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the subsoil use rights have been relinquished or has expired, the carrying value of the subsoil use rights acquisition costs is written off through profit or loss.

The Group owns licence for the Rostoshinskoye field where the exploration period will expire on 16 August 2022. More detailed information on the subsoil use rights terms is disclosed in Note 1.

Property, plant and equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalised within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligations, if any.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

All capitalised costs of oil and gas properties are depleted using the unit-of-production method based on estimated proved developed reserves of the field, except the Group depreciates its oil pipeline and oil loading terminal on a straight-line basis over the life of the relevant subsoil use rights. In the case of assets that have a useful life shorter than the lifetime of the field the straight-line method is applied.

Notes to the consolidated financial statements continued

Other properties

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	7-15
Vehicles	8
Machinery and equipment	3-13
Other	3-10

For more detailed information in relation to property plant and equipment, please refer to Note 6.

Significant accounting judgment: oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortisation (the "DD&A"). Management used significant accounting judgement in selecting proved developed hydrocarbon reserves for calculating the unit-of-production depletion rate, as it reflects the expected pattern of consumption of future economic benefits by the Group.

Significant estimates and assumptions: oil and gas reserves

The Group uses internal estimates to assess the oil and gas reserves of its fields. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (the "SPE") and are confirmed or audited by independent reserve engineers. All reserve estimates involve some degree of uncertainty, which depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, as well as long-term hydrocarbon pricing, which may affect classification of reserves.
The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Reserves estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy.

Management's estimates of the Chinarevskoye 2P (Proven plus Probable) volume as at 31 December 2020 was 39 mmboe requiring 16 interventions (2019: 138.1mmboe requiring 45 interventions). The reduction of 99.2 mmboe was due to generally lower Type Well volumes, reduced hydrocarbon pricing rendering some previously planned wells uneconomic, as well as production of 8.1 mmboe in 2020.

The field development plan assumed in the estimations did not take into account any restructuring or repayment of the Company's 2022 and 2025 bonds and the ability to maintain sufficient liquidity to fund such a plan. There is no guarantee that the Group will be able to achieve this, which can have a material impact on the Group's ability to develop the remaining proven and probable reserves at Chinarevskoye.

Further downward revision of the proved developed reserves estimates by 5% would lead to additional DD&A expense of $1,211 thousand in Q4 2020.

Estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the Group (see Impairment related significant judgements, estimates and assumptions for further details).

Details on carrying values of oil and gas properties and related depreciation, depletion and amortization are shown in Note 6.

In addition, provisions for decommissioning may require revision — where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities (see Decommissioning related significant judgements, estimates and assumptions for further details).

Impairment of property, plant and equipment, exploration and evaluation assets

The Group assesses assets or groups of assets, called cash-generating units (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; for example, changes in the Group's business plans, significant decreases in the market commodity prices, low plant utilisation, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the Group makes an estimate of the asset's recoverable amount. Individual assets are grouped into CGU for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and an impairment loss is recognised for the excess of carrying amount over recoverable amount.

The business cash flow internal model, which is approved on an annual basis by senior management, is the primary source of information for the determination of the recoverable amount. It contains forecasts for oil and gas production, sales volumes for various types of products, revenues, costs and capital expenditure. As an initial step in the preparation of this model, various assumptions are set by senior management. These assumptions take account of commodity prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing the recoverable amount, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate.

Significant accounting judgment: identification of cash-generating unit

Judgement is required to identify cash-generating units for the purpose of testing the assets for impairment. Management has determined a single cash-generating unit within the Group's non-current assets consisting of all Group's assets related to its Chinarevskoye and exploration fields as well as facilities. This is mainly based on the fact that hydrocarbons extracted from the Chinarevskoye field are processed and passed through a combination of various facilities.

Significant estimates and assumptions: impairment of property, plant and equipment, exploration and evaluation assets

Determination as to whether, and by how much, the CGU is impaired involves management's best estimates on highly uncertain matters such as future commodity prices, operating expenses and capital expenditures estimates, discount rate, fiscal regimes, proved and probable reserves, contingent resources and respective future production profiles.

Based on the management assessment the recoverable amount was determined by the fair value less costs of disposal (FVLCD) of the CGU, which was higher than its value-in-use. FVLCD was based on the discounted cash flow model as no recent third-party transactions existed on which a reliable market-based fair value could be established.

The discounted cash flow model takes into consideration cashflows, which are expected to arise until 2032, i.e. during the licence term of the Chinarevskoye field, and is considered a level 3 valuation under the fair value hierarchy. The period exceeding five years is believed to be appropriate based on the proved and probable reserves audited by independent engineers. The model also takes into account risked-value cashflows from contingent resources on the basis a market participant would place value on these resources.

The key assumptions used in the Group's discounted cash flow model reflecting past experience and taking into account external factors are subject to periodic review. These assumptions are:

- Oil prices (in real terms): US$50/bbl for 2021, and US$55/bbl throughout 2021-2032 (2019: US$45/bbl for 2020, US$50/bbl for 2021, US$55/bbl for 2022, and US$60/bbl for 2023-2032);
- Proved and probable hydrocarbon reserves confirmed by independent reserve engineers;
- Contingent resources as confirmed by independent reserve engineers split into risk categories for valuation purposes;
- Production profiles based on Group's internal estimates confirmed by independent reserve engineers;
- All cash flows are projected on the basis of stable prices, i.e. inflation/growth rates are ignored;
- Cost profiles for the development of the fields and subsequent operating costs consistent with reserves estimates and production profiles; and
- GTU spare capacity utilization – risk-weighted option value from processing under UOG contract;
- Post-tax discount rate of 8.0% (2019: 10.5%).

The Group identified indicators of impairment resulting from the further significant reduction of the 2P reserves as disclosed above in the significant estimates and assumptions related to oil and gas reserves.

The CGUs recoverable amount was estimated, and compared to its carrying amount, and a further impairment charge on oil and gas assets in the amount of US$244,744 thousand was recorded as at 31 December 2020, in addition to the US$1,301,640 thousand and US$150,000 thousand impairment charge recognized in 2019 and 2018, respectively, resulting in the carrying amount of property, plant and equipment of US$339,406 thousand (2019: US$650,229 thousand), equalling its recoverable amount.

The impairment charge has been allocated as follows:

	For the year ended 31 December	
In thousands of US Dollars	**2020**	2019
Working oil and gas assets	**212,203**	1,169,828
Construction in progress	**27,031**	106,825
Other property, plant and equipment	**5,510**	24,987
	244,744	1,301,640
Exploration and evaluation assets	**179**	50,533
Exploration and evaluation related VAT assets	**–**	2,478
	244,923	1,354,651

More detailed information related to carrying values of oil and gas properties and related depreciation, depletion, amortisation and impairment are shown in Note 7.

The following table summarizes sensitivity of the recoverable amount and respective additional impairment charges that would result from changes in the key assumptions:

Key assumption	Change	Impairment sensitivity
Oil price assumption	$10/bbl	103,892
Reserves downgrade by	10.0%	125,278
Contingent resources downgrade by	10.0%	19,133
Post-tax discount rate increase by	3.5%	62,417
Operating costs increase by	10.0%	50,963

On the other hand, certain positive development like successful mitigation of reservoir risks in the future and respective changes in the drilling plans and results, with the relevant increase in 2P reserves, or increase in utilisation of the Group's processing facilities, could have the effect of reversing the impairment. Any reversal would be limited so that the carrying amount of the CGU does not exceed the lower of its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment charge been recognised for the CGU in prior years.

Leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the consolidated financial statements continued

Separation of lease and non-lease components

When contracts for lease (like lease of drilling rigs and rail-tank cars) include various additional services like personnel cost, maintenance, drilling related activities, and other items, the Group splits such non-lease components and recognises them separately. Where the additional services are not separately priced, the consideration paid is allocated based on the relative stand-alone prices of the lease and non-lease components.

Distinguishing fixed and variable lease payment elements

Certain lease contracts include fixed rates for when the asset is in operation, and various alternative rates (like "cold-stack rates" for leases of drilling rigs) for periods where the asset is engaged in specified activities or idle, but still under contract. In general, variability in lease payments under these contracts has its basis in different use and activity levels, and the variable elements have been determined to relate to non-lease components only. Consequently, the lease components of these contractual payments are considered fixed for the purposes of IFRS 16.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$ 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are subsumed in goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a Cash Generating Unit ("CGU") and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax bases of income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that apply to the relevant taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For more detailed information in current and deferred income tax disclosure as at 31 December 2020 and 2019, please see Note 29.

Significant accounting judgment: 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. 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 December 2020.

The Group is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for taxes for which it is considered probable will be payable, based on professional advice and consideration of the nature of current discussions with the tax authority.

As at 31 December 2020 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. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. For more information, see Note 29.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

The functional currency of the Company is the United States dollar (the "US dollar" or "US$"). The functional currencies of the Group's subsidiaries are as follows:

Company	Functional currency
Nostrum Associated Investments LLP	Tenge
Nostrum E&P Services LLC	Russian rouble
Nostrum Oil & Gas Coöperatief U.A.	US dollar
Nostrum Oil & Gas BV	US dollar
Nostrum Oil & Gas Finance BV	US dollar
Nostrum Oil & Gas UK Ltd.	British Pound
Nostrum Services Central Asia LLP	Tenge
Nostrum Services N.V.	Euro
Zhaikmunai LLP	US dollar

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In the consolidated financial statements, the assets and liabilities of non-US dollar functional currency subsidiaries are translated into US dollars at the spot exchange rate on the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries are translated into US dollars using average rates of exchange. In the consolidated financial statements, exchange adjustments arising when the opening net assets and the profits for the year retained by non-US dollar functional currency subsidiaries are translated into US dollars are reported in the statement of comprehensive income.

Borrowing costs

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortised, provided that work is in progress at that time. Qualifying assets mostly include wells and other operations field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

For more detailed information in relation to capitalisation of borrowing costs, please refer to Note 6.

Advances for non-current assets

Advances paid for capital investments/acquisition of non-current assets are qualified as advances for non-current assets regardless of the period of supplies of relevant assets or the supply of work or services to close advances. Advances paid for the purchase of non-current assets are recognised by the Group as non-current assets and are not discounted.

For more detailed information in relation to advances for non-current assets, please refer to Note 8.

Inventories

Inventories are stated at the lower of cost or net realisable value ("NRV"). Cost of oil, gas condensate and liquefied petroleum gas ("LPG") is determined on the weighted-average method based on the production cost including the relevant expenses on depreciation, depletion and impairment and overhead costs based on production volume. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

For more information in relation to the breakdown of inventories as at 31 December 2020 and 2019, please see Note 9.

Other current liabilities

The Group makes accruals for liabilities related to the underperformance and/or adjustments of work programs under subsoil use agreements (SUA) on a regular basis. When evaluating the adequacy of an accrual, management bases its estimates on the latest work program included in the SUA, and relevant signed supplements and potential future changes in payment terms (including the currency in which these liabilities are to be settled).

Future changes in the work programs may require adjustments to the accrual recorded in the consolidated financial statements.

Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed by the Group at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group classifies as contingent liabilities those possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise and the present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognise contingent liabilities but discloses contingent liabilities in Note 32, unless the possibility of an outflow of resources embodying economic benefits is remote.

Notes to the consolidated financial statements continued

Significant accounting judgment: provisions and contingencies

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

Significant management judgment is required to evaluate any claims and actions to determine whether a provision relating to a specific litigation should be recognized or revised, or a contingent liability is required to be disclosed, since the outcome of litigation is difficult to predict.

Decommissioning

Provision for decommissioning is recognised in full, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The Group estimates future dismantlement and site restoration costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the obligation at current year prices discounted at applicable real rate.
The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas properties. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit-of-production basis.

The Group reviews site restoration provisions at each financial reporting date and adjusts them to reflect current best estimates in accordance with IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

- are added to, or deducted from, the cost of the related asset in the current period. If deducted from the cost of the asset the amount deducted shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately in the profit or loss; and
- if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Movements in the abandonment and site restoration provision are disclosed in Note 17.

Significant estimates and assumptions: provisions and contingencies

The Group holds provision for the future decommissioning of oil and gas properties and site restoration. The estimation of the future dismantlement and site restoration costs involves use of significant estimates and assumptions by management, specifically for determining the timing of the future cash outflows and discount rate.

Management made its estimates based on the assumption that cash flow will take place at the expected end of the subsoil use rights. Therefore, the most decommissioning events are many years in the future and the precise date of wells abandonment and site restoration may change with the relative impact on the cash outflows.

Management of the Group believes that the long-term US Treasury real yield curve rates adjusted for country risk premium of Kazakhstan provides the best estimates of applicable real discount rate.

Any changes in the expected future costs are reflected in both the provision and the asset. Moreover, actual decommissioning costs can differ from estimates because of constantly changing decommissioning technologies as well as changes in environmental laws and regulations and public expectations.

As a result, there could be significant adjustments to the provisions established which would affect future financial results. For more details on abandonment and site restoration provision please refer to Note 17.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Group determines the classification of its financial assets at initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash, long-term and short-term deposits, trade and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition, measurement and derecognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, long-term borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, long-term borrowings, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing borrowings. For more information, refer to Note 15.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedging

The Group from time to time uses hedging contracts for oil export sales to cover part of its risks associated with oil price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

Notes to the consolidated financial statements continued

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover decommissioning obligations or as required by the forbearance agreement.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

For more detailed information in relation to cash and cash equivalents as at 31 December 2020 and 2019, please see Note 12.

Revenue recognition

The Group sells crude oil, gas condensate and LPG under agreements priced by reference to Platt's and/or Argus' index quotations and adjusted for freight, insurance and quality differentials where applicable. The Group sells gas under agreements at fixed prices.

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer. For sales of crude oil, gas condensate and LPG, this generally occurs when the product is physically transferred into a vessel, pipe, railcar, trucks or other delivery mechanism; for sales of gas, it is when the product is physically transferred into a pipe.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other reserves. Voting rights related to treasury shares are nullified for the Group and no distributions are accepted in relation to them. Share options exercised during the reporting period can be satisfied with treasury shares.

Share-based payments

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element, which is not remeasured subsequently until the settlement date.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them.

5. Exploration and evaluation assets

As at 31 December 2020 and 31 December 2019 exploration and evaluation assets comprised the following:

In thousands of US Dollars	Subsoil use rights	Geological and geophysical studies	**Total**
Balance at 1 January 2019, net*	**15,835**	**34,406**	**50,241**
Additions	–	292	292
Impairment	(15,835)	(34,698)	(50,533)
Balance at 31 December 2019, net*	**–**	**–**	**–**
Additions	–	179	179
Disposals	(12,422)	(26,226)	(38,648)
Disposals impairment reversal	12,422	26,226	38,648
Impairment (Note 4)	–	(179)	(179)
Balance at 31 December 2020, net*	**–**	**–**	**–**
Cost	15,835	34,698	50,533
Impairment	(15,835)	(34,698)	(50,533)
Balance at 31 December 2019, net*	**–**	**–**	**–**
Cost	3,413	8,651	12,064
Impairment	(3,413)	(8,651)	(12,064)
Balance at 31 December 2020, net*	**–**	**–**	**–**

** Balances, net of impairment*

During the year ended 31 December 2020 the Group had additions to exploration and evaluation assets of US$179 thousand which mainly includes capitalised social and training commitment expenditures (2019: additions of US$920 thousand offset with derecognition of the capitalised social expenditures US$628 thousand in the view of the amendments to the subsoil agreement for Rostoshinskoye field). Interest was not capitalised on exploration and evaluation assets.

During the year ended 31 December 2020, the Group has written-off accumulated costs in the amount of US$11,283 thousand against respective impairment in relation to certain exploration and evaluation works on Rostoshinskoye field.

In October 2020, the rights and obligations under the Darjinskoye and Yuzhno-Gremyachinskoye contracts for exploration and production of hydrocarbons were disposed to the third party. The exploration and evaluation costs related to these fields in the amount of US$16,622 thousand and US$10,564 thousand, respectively, and corresponding impairment balances have been derecognized at the date of disposal with no effect on the profit and loss for the period.

6. Property, plant and equipment

As at 31 December 2020 and 31 December 2019 property, plant and equipment comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Oil and gas properties	**332,145**	637,048
Other property, plant and equipment	**7,261**	13,181
	339,406	650,229

Oil and gas properties

The category "Oil and gas properties" represents mainly wells, oil and gas treatment facilities, oil transportation and other related assets. The movement of oil and gas properties for the years ended 31 December 2020 and 2019 was as follows:

In thousands of US Dollars	Working assets	Construc-tion in progress	**Total**
Balance at 1 January 2019, net*	**1,083,132**	**796,833**	**1,879,965**
Additions	15,044	151,837	166,881
Transfers	839,331	(842,083)	(2,752)
Disposals	(90)	–	(90)
Disposals depreciation	41	–	41
Depreciation and depletion charge	(130,344)	–	(130,344)
Accumulated impairment transfers	(43,234)	43,234	–
Impairment charge	(1,169,828)	(106,825)	(1,276,653)
Balance at 31 December 2019, net*	**594,052**	**42,996**	**637,048**
Additions	1,824	16,285	18,109
Transfers	57,479	(57,479)	–
Disposals	(144)	–	(144)
Disposals depreciation	127	–	127
Depreciation and depletion charge	(83,761)	–	(83,761)
Accumulated impairment transfers	(61,038)	61,038	–
Impairment charge	(212,203)	(27,031)	(239,234)
Balance at 31 December 2020, net*	**296,336**	**35,809**	**332,145**
As at 31 December 2018			
Cost	2,029,203	846,668	2,875,871
Accumulated depreciation**	(946,071)	(49,835)	(995,906)
Balance*	**1,083,132**	**796,833**	**1,879,965**
As at 31 December 2019			
Cost	2,883,488	156,422	3,039,910
Accumulated depreciation**	(2,289,436)	(113,426)	(2,402,862)
Balance*	**594,052**	**42,996**	**637,048**
As at 31 December 2020			
Cost	2,942,647	115,228	3,057,875
Accumulated depreciation**	(2,646,311)	(79,419)	(2,725,730)
Balance*	**296,336**	**35,809**	**332,145**

** Balances, net of accumulated depreciation, depletion and impairment*
*** Accumulated depreciation, depletion and impairment*

The category "Construction in progress" is represented by employee remuneration, materials and fuel used, rig costs, payments made to contractors, and asset retirement obligation fees directly associated with development of wells until the drilling of the well is complete and results have been evaluated.

The depletion rate for oil and gas working assets was 15.39% and 12.02% in 2020 and 2019, respectively. The Group engaged independent petroleum engineers to perform a reserves audit as at 31 December 2020. Depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the long-term inflation rate and discount rate used to determine the abandonment and site restoration provision (Note 17) in the year ended 31 December 2020 resulted in the increase of the oil and gas properties by US$4,297 thousand (31 December 2019: an increase of US$4,354 thousand).

The Group incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Borrowing costs including amortisation of arrangement fee	**93,183**	92,543
Capitalisation rate	**8.44%**	8.62%
Capitalised borrowing costs	**388**	52,144

Other property, plant and equipment

In thousands of US Dollars	Buildings	Machi-nery & equip-ment	Vehicles	Others	Constru-ction in progress	**Total**
Balance at 1 January 2019*	**27,967**	**3,867**	**664**	**7,154**	**45**	**39,697**
Additions	–	564	–	1,592	–	2,156
Transfers	135	25	–	2,592	–	2,752
Disposals	(33)	(68)	(16)	(482)	–	(599)
Disposals depreciation	33	26	7	463	–	529
Depreciation	(3,867)	(1,087)	(147)	(1,303)	–	(6,404)
Impairment charge	(16,147)	(2,291)	(326)	(6,223)	–	(24,987)
Translation difference	–	–	–	37	–	37
Balance at 31 December 2019*	**8,088**	**1,036**	**182**	**3,830**	**45**	**13,181**
Additions	8	1,035	–	438	–	1,481
Transfers	28	(47)	–	19	–	–
Disposals	(385)	(249)	–	(1,317)	–	(1,951)
Disposals depreciation	376	242	–	746	–	1,364
Depreciation	(781)	(188)	(24)	(302)	–	(1,295)
Impairment charge	(3,164)	(789)	(68)	(1,470)	(19)	(5,510)
Translation difference	–	–	–	(9)	–	(9)
Balance at 31 December 2020*	**4,170**	**1,040**	**90**	**1,935**	**26**	**7,261**
As at 31 December 2018						
Cost	50,487	20,283	1,676	16,513	45	89,004
Accumulated depreciation**	(22,520)	(16,416)	(1,012)	(9,359)	–	(49,307)
Balance	**27,967**	**3,867**	**664**	**7,154**	**45**	**39,697**
As at 31 December 2019						
Cost	50,589	20,804	1,660	20,252	45	93,350
Accumulated depreciation**	(42,501)	(19,768)	(1,478)	(16,422)	–	(80,169)
Balance	**8,088**	**1,036**	**182**	**3,830**	**45**	**13,181**
As at 31 December 2020						
Cost	50,240	21,543	1,660	19,383	45	92,871
Accumulated depreciation**	(46,070)	(20,503)	(1,570)	(17,448)	(19)	(85,610)
Balance	**4,170**	**1,040**	**90**	**1,935**	**26**	**7,261**

** Balances, net of accumulated depreciation, amortisation and impairment*
*** Accumulated depreciation, amortisation and impairment*

Notes to the consolidated financial statements continued

7. Right-of-use assets

The movement of right-of-use assets for the years ended 31 December 2020 and 2019 was as follows:

In thousands of US Dollars	Machinery & equipment	Vehicles	Total
Balance at 1 January 2019, net*	**26,825**	**7,359**	**34,184**
Modification of lease agreements	(1,467)	(16)	(1,483)
Termination of lease agreements	(10,086)	–	(10,086)
Depreciation	(12,089)	(3,651)	(15,740)
Balance at 31 December 2019, net*	**3,183**	**3,692**	**6,875**
Modification of lease agreements	2,371	(1,858)	513
Depreciation	(2,884)	(1,749)	(4,633)
Balance at 31 December 2020, net*	**2,670**	**85**	**2,755**
As at 31 December 2019			
Cost	7,643	7,339	14,982
Accumulated depreciation	(4,460)	(3,647)	(8,107)
Balance*	**3,183**	**3,692**	**6,875**
As at 31 December 2020			
Cost	2,670	698	3,368
Accumulated depreciation	–	(613)	(613)
Balance*	**2,670**	**85**	**2,755**

** Balances, net of accumulated depreciation, depletion and impairment*

8. Advances for non-current assets

As at 31 December 2020 and 31 December 2019 advances for non-current assets comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Advances for other non-current assets	**8,444**	8,038
Advances for construction services	**369**	100
Advances for construction materials	**221**	274
	9,034	8,412

As at 31 December 2020 and 31 December 2019, advances for other non-current assets mainly comprised prepayments made to suppliers of services as part of the development of new opportunities. Such costs include technical, legal, advisory and other professional fees and have been capitalized in the course of potential acquisition of assets. In the event that new opportunities do not materialise as currently intended then the amounts will be written off.

9. Inventories

As at 31 December 2020 and 31 December 2019 inventories comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Spare parts and other inventories	**23,735**	23,500
Gas condensate	**2,907**	8,446
Crude oil	**2,018**	3,650
LPG	**69**	112
Dry Gas	**63**	67
Sulphur	**13**	74
	28,805	35,849

As at 31 December 2020 and 31 December 2019 inventories are carried at cost.

For the purpose of these consolidated financial statements the Group presents "Sulphur" as a separate line within Inventories. Previously, the "Sulphur" balances were included in "Spare parts and other inventories".

10. Prepayments and other current assets

As at 31 December 2020 and 31 December 2019 prepayments and other current assets comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Advances paid	**5,269**	6,035
VAT receivable	**4,741**	3,186
Other taxes receivable	**1,502**	1,716
Other	**791**	1,103
	12,303	12,040

Advances paid consist primarily of prepayments made to service providers. As at 31 December 2020, there were no impaired advances paid (31 December 2019: US$1,751 thousand). In 2020 the advances paid in amount of US$1,751 thousand were fully written off against the impairment provision made in 2018.

There were no other movements in the provision for impairment of advances paid during the years ended 31 December 2020 and 2019.

11. Trade receivables

As at 31 December 2020 and 31 December 2019 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Their average collection period is 30 days.

As at 31 December 2020 and 31 December 2019 there were neither past due nor impaired trade receivables. Based on the assessments made, the Group concluded that no provision for expected credit losses should be recognized as at 31 December 2020 and 31 December 2019.

12. Cash and cash equivalents

In thousands of US Dollars	**31 December 2020**	31 December 2019
Current accounts in US Dollars	**73,412**	88,420
Current accounts in Tenge	**2,791**	791
Current accounts in Euro	**1,862**	3,997
Current accounts in other currencies	**514**	721
Petty cash	**4**	11
	78,583	93,940

For the purpose of these consolidated financial statements the Group presents "Current accounts in Euro" as a separate line within Cash and cash equivalents. Previously, the "Current accounts in Euro" were included in Current accounts in other currencies".

In addition to the cash and cash equivalents in the table above, the Group has restricted cash accounts as a liquidation fund deposit for the amount of US$446 thousand with Sberbank in Kazakhstan and US$7,267 thousand with Halyk bank (31 December 2019: US$805 thousand and US$6,815 thousand, respectively), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

In 2020, the Group transferred US$12,900 thousand to a secured cash account opened for the benefit of the holders of the Group's Notes under the terms of the Forbearance Agreement (Note 1). The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level.

13. Share capital and reserves

As at 31 December 2020 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01.

Number of shares	In circulation	Treasury capital	Total
As at 1 January 2019	**185,234,079**	**2,948,879**	**188,182,958**
Share options exercised	–	–	–
As at 31 December 2019	**185,234,079**	**2,948,879**	**188,182,958**
Share options exercised	–	–	–
As at 31 December 2020	**185,234,079**	**2,948,879**	**188,182,958**

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

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

In thousands of US Dollars	Group reorgani-sation reserve	Foreign currency translation reserves	Share-option reserves	Total
As at 1 January 2019	**255,459**	**2,841**	**3,933**	**262,233**
Currency translation difference	–	211	–	211
Share based payments under LTIP	–	–	633	633
As at 31 December 2019	**255,459**	**3,052**	**4,566**	**263,077**
Currency translation difference	–	253	–	253
Share based payments under LTIP	–	–	(495)	(495)
As at 31 December 2020	**255,459**	**3,305**	**4,071**	**262,835**

Group reorganisation reserve in the amount of US$255,459 thousand represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014. Share-option reserves include amounts related to sale of treasury shares under ESOP as well as share-based payments under LTIP (for more details please see Note 27).

Distributions

There were no distributions made during the years ended 31 December 2020 and 2019.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 31 December 2020 the book value per share amounted to US$4.12 negative (31 December 2019: US$2.30 negative).

14. Earnings per share

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

	For the year ended 31 December	
	2020	2019
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(327,425)**	(989,927)
Weighted average number of shares	**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	**(1.77)**	(5.34)

15. Borrowings

Borrowings are comprised of the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Notes issued in 2017 and maturing in 2022	**767,956**	732,886
Notes issued in 2018 and maturing in 2025	**418,313**	403,200
	1,186,269	1,136,086
Less amounts due within 12 months	**(1,186,269)**	(35,633)
	–	1,100,453

2022 Notes

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

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

Period	**Redemption Price**
2020	104.0%
2021 and thereafter	100.0%

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

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

Notes to the consolidated financial statements continued

2025 Notes

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

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

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

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

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

Reclassification to current liabilities

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

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

Covenants contained in the 2022 Notes and 2025 Notes

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

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

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

Changes in liabilities arising from financing activities

In thousands of US Dollars	**1 January**	Cash outflows	Borrowing costs including amortisation of arrangement fees	Finance charges under leases	Modification and termination of leases	Reclassification from non-current to current	Other	**31 December**
2020								
Long-term borrowings	**1,100,453**	–	–	–	–	(1,100,453)	–	–
Current portion of long-term borrowings	**35,633**	(43,000)	93,183	–	–	1,100,453	–	**1,186,269**
Long-term lease liabilities	**641**	–	–	–	–	(606)	–	**35**
Current portion of lease liability	**6,735**	(5,418)	–	354	513	606	–	**2,790**
2019								
Long-term borrowings	**1,093,967**	–	6,486	–	–	–	–	**1,100,453**
Current portion of long-term borrowings	**35,633**	(86,000)	86,000	–	–	–	–	**35,633**
Long-term lease liabilities	**16,011**	–	–	1,351	(11,952)	–	(4,769)	**641**
Current portion of lease liability	**18,173**	(17,709)	–	1,502	–	–	4,769	**6,735**

16. Lease liabilities

In thousands of US Dollars	**31 December 2020**	31 December 2019
Lease liability as at 1 January	**7,376**	34,184
Modification of lease agreements	**513**	(1,483)
Termination of lease agreements	**–**	(10,469)
Finance charges	**354**	2,853
Paid during the period	**(5,418)**	(17,709)
	2,825	7,376
Less amounts due within 12 months	**(2,790)**	(6,735)
	35	641

The lease liabilities are recognized for leases of vehicles, drilling rigs, and railway cars. The lease was recognized based on the future rentals as determined under IFRS 16. See Note 6 for right-of-use-assets. Short-term lease expenses are disclosed in the Note 23.

In 2019, as a result of the early termination of the drilling rigs lease agreements the relevant right-of-use assets and respective lease liabilities were derecognized with net result reflected within profit and loss. In 2020, extension of the lease of railway cars has been recognized as additional right-of-use assets in the amount of US$2,371 thousand and respective lease liabilities, which was offset by derecognition of right-of-use assets in the amount of US$1,858 thousand (Note 7) and respective lease liabilities relating to reduction in the scope of vehicles leases during 2020.

The total cash outflows in respect of the Group's lease arrangements was US$5,985 thousand for the year ended 31 December 2020 (2019: US$18,431 thousand).

17. Abandonment and site restoration provision

The summary of changes in abandonment and site restoration provision during years ended 31 December 2020 and 2019 is as follows:

In thousands of US Dollars	**2020**	2019
Provision as at 1 January	**27,502**	21,894
Unwinding of discount	**158**	164
Additional provision	**115**	1,100
Provision used	**–**	(10)
Provision disposed	**(376)**	–
Change in estimates	**1,537**	4,354
Provision as at 31 December	**28,936**	27,502

Management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2033. There are uncertainties in estimation of future costs as Kazakh laws and regulations concerning site restoration evolve.

The real discount rate used to determine the abandonment and site restoration provision at 31 December 2020 was 0.98% (31 December 2019: long-term inflation and discount rates of 1.90% and 2.49%, respectively).

The change in the long-term inflation rate and discount rate during the year ended 31 December 2020 resulted in the increase of the abandonment and site restoration provision by US$ 4,297 thousand (31 December 2019: the increase by US$4,354 thousand).

18. Due to government of Kazakhstan

The amount due to Government of the Republic of Kazakhstan has been recorded to reflect the present value of a liability in relation to the expenditures made by the Government in the time period prior to signing the Contract that were related to exploration of the Contract territory and the construction of surface facilities in fields discovered therein and that are reimbursable by the Group to the Government during the production period. The total amount of liability due to Government as stipulated by the Contract is US$ 25,000 thousand.

Repayment of this liability commenced in 2008 with the first payment of US$1,030 thousand in March 2008 and with further payments by equal quarterly instalments of US$258 thousand until 26 May 2031. The liability was discounted at 13%.

The summary of the changes in the amounts due to Government of Kazakhstan during the years ended 31 December 2020 and 31 December 2019 is as follows:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Balance as at 1 January	**6,101**	6,311
Unwinding of discount	**793**	821
Paid during the year	**(1,031)**	(1,031)
Balance as at 31 December	**5,863**	6,101
Less: current portion	**(1,031)**	(1,031)
Non-current portion	**4,832**	5,070

19. Trade payables

Trade payables comprise the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Tenge denominated trade payables	**4,028**	12,852
US Dollar denominated trade payables	**2,114**	9,864
Euro denominated trade payables	**2,101**	4,617
Russian Rouble denominated trade payables	**7**	170
Trade payables denominated in other currencies	**252**	135
	8,502	27,638

20. Other current liabilities

Other current liabilities comprise the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Training obligations accrual	**10,088**	11,325
Taxes payable, including corporate income tax	**7,397**	9,005
Accruals under the subsoil use agreements and other accruals	**4,216**	5,689
Due to employees	**1,852**	3,010
Other current liabilities	**527**	1,520
	24,080	30,549

Accruals under subsoil use agreements mainly include amounts estimated in respect of the contractual obligations for exploration and production of hydrocarbons from the Rostoshinskoye field (31 December 2019: Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields).

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21. Revenue

In thousands of US Dollars	For the year ended 31 December 2020	2019
Revenue from oil and gas condensate sales	**123,861**	196,176
Revenue from gas and LPG sales	**52,078**	125,947
Revenue from sulphur sales	**–**	5
	175,939	322,128

The pricing for all of the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price the year ended 31 December 2020 was US$43.2/bbl (2019: US$64.2/bbl).

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

During the year ended 31 December 2020 the revenue from sales to three major customers amounted to US$118,861 thousand, US$29,748 thousand and US$7,386 thousand respectively (2019: US$190,343 thousand, US$95,064 thousand and US$9,252 thousand respectively). The Group's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

22. Cost of sales

In thousands of US Dollars	For the year ended 31 December 2020	2019
Depreciation, depletion and amortisation	**86,296**	136,776
Payroll and related taxes	**14,083**	18,465
Repair, maintenance and other services	**10,769**	14,242
Materials and supplies	**3,970**	4,481
Transportation services	**1,907**	2,129
Well workover costs	**505**	1,766
Environmental levies	**114**	167
Change in stock	**7,279**	(6,228)
Other	**469**	204
	125,392	172,002

23. General and administrative expenses

In thousands of US Dollars	For the year ended 31 December 2020	2019
Payroll and related taxes	**7,102**	10,162
Professional services	**4,655**	4,966
Insurance fees	**633**	1,256
Depreciation and amortisation	**600**	2,026
Short-term leases	**567**	722
Communication	**183**	276
Materials and supplies	**139**	170
Business travel	**128**	617
Bank charges	**95**	133
Other	**569**	1,071
	14,671	21,399

24. Selling and transportation expenses

In thousands of US Dollars	For the year ended 31 December 2020	2019
Transportation costs	**12,760**	12,405
Loading and storage costs	**8,813**	11,783
Marketing services	**3,724**	10,554
Depreciation of right-of-use assets	**2,881**	4,489
Payroll and related taxes	**1,501**	2,293
Other	**1,358**	4,351
	31,037	45,875

25. Taxes other than income tax

In thousands of US Dollars	For the year ended 31 December 2020	2019
Royalties	**7,016**	12,802
Export customs duty	**5,017**	7,281
Government profit share	**2,044**	2,802
Other taxes	**36**	1
	14,113	22,886

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

26. Finance costs

In thousands of US Dollars	For the year ended 31 December 2020	2019
Interest expense on borrowings	**92,794**	40,399
Other finance costs	**7,968**	294
Unwinding of discount on amounts due to Government of Kazakhstan	**793**	821
Unwinding of discount on lease liability	**354**	1,369
Unwinding of discount on abandonment and site restoration provision	**158**	164
	102,067	43,047

Other finance costs primarily represent bondholder consent fees in the amount of US$3,761 thousands and advisor fees of US$4,088 thousand incurred by the Group in relation to the forbearance agreement and ongoing discussions with its bondholders regarding a possible restructuring of the Group's outstanding bonds. For more details on forbearance agreement and the consent fees see Note 1.

27. Employees' remuneration

The average monthly number of employees (including Executive Directors) employed was as follows:

In thousands of US Dollars	For the year ended 31 December 2020	2019
Management and administrative	**162**	177
Technical and operational	**439**	601
	601	778

Their aggregate remuneration comprised:

In thousands of US Dollars	For the year ended 31 December 2020	2019
Wages and salaries	**20,937**	33,655
Social security costs	**2,252**	3,692
Share-based payments	**(496)**	584
	22,693	37,931

Part of the Group's staff costs shown above is capitalised into the cost of intangible and tangible oil and gas assets under the Group's accounting policy for exploration, evaluation and oil and gas assets.

The amount ultimately remaining in the income statement was US$22,106 thousand (2019: US$31,784 thousand).

Key management personnel remuneration

In thousands of US Dollars	For the year ended 31 December 2020	2019
Short-term employee benefits	**4,124**	5,210
Share-based payments	**(131)**	155
	3,993	5,365

Directors' remuneration

In thousands of US Dollars	For the year ended 31 December 2020	2019
Short-term employees benefits	**2,258**	3,471
Share-based payments	**(228)**	121
	2,030	3,592

Employee share option plan (ESOP)

The Group's Phantom Option Plan was adopted by the board of directors of the Company on 20 June 2014 to allow for the continuation of the option plan previously maintained by Nostrum Oil & Gas LP. The rights and obligations in relation to this option plan were transferred to Nostrum Oil & Gas PLC from Nostrum Oil & Gas LP following the reorganisation.

Employees (including senior executives and executive directors) of members of the Group or their associates received remuneration in the form of equity-based payment transactions, whereby employees render services as consideration for share appreciation rights, which can only be settled in cash ("cash-settled transactions").

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

During 2008-2015, 4,337,958 equity appreciation rights (SARs) which can only be settled in cash were granted to senior employees and executive directors of members of the Group or their associates. These generally vest over a five-year period from the date of grant, so that one fifth of granted SARs vests on each of the five anniversaries from the date of grant. The contractual life of the SARs is ten years. The fair value of the SARs is measured at the grant date using a trinomial lattice valuation option pricing model taking into account the terms and conditions upon which the instruments were granted. SARs are exercisable at any time after vesting till the end of the contractual life and give its holder a right to a difference between the market value of the Group's ordinary shares at the date of exercise and a stated base value. The services received and a liability to pay for those services are recognised over the expected vesting period.

Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss as part of the employee benefit expenses arising from cash-settled share-based payment transactions.

The carrying value of the liability relating to 1,125,000 of SARs at 31 December 2020 is nil (31 December 2019: 1,225,000 of SARs with carrying value of nil). During the year ended 31 December 2020 8,000 SARs were fully vested (2019: 8,000). Based on the estimations of the carrying value of the liability, during the year ended 31 December 2020 the Group has not recognized any income or expense from employee share options fair value adjustment (2019: income of US$40 thousand).

The following table illustrates the number ("No.") and exercise prices ("EP") of, and movements in, SARs during the year:

	2020		2019	
	No.	**EP,US$**	No.	EP,US$
Total outstanding at 1 January	**100,000**	4	800,974	4
Total outstanding at 1 January	**1,125,000**	10	1,125,000	10
Total outstanding at 1 January	**1,225,000**		1,925,974	
Share options lapsed	**(100,000)**	4	(700,974)	4
Share options lapsed	**–**	10	–	10
Total outstanding at 31 December	**1,125,000**		1,225,000	
Total exercisable at 31 December	**1,209,000**		1,201,000	

There were no SARs granted during the years ended 31 December 2020 and 2019. As at 31 December 2020 the weighted average remaining contractual life of the outstanding options was 3.92 years (2019: 4.92 years).

The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for the plan for the years ended 31 December 2020 and 2019:

	2020	2019
Price at the reporting date (US$)	**0.12**	0.20
Distribution yield (%)	**0%**	0%
Expected volatility (%)	**64.6%**	53.5%
Risk-free interest rate (%)	**0.16%**	0.3%
Expected life (years)	**10**	10
Option turnover (%)	**10%**	10%
Price trigger	**2.0**	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and is may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

2017 Long-term incentive plan

In 2017 the Group started operating a Long-term incentive plan ("the LTIP"), that was approved by the shareholders of the Company on 26 June 2017 and adopted by the board of directors of the Company on 24 August 2017. The LTIP is a discretionary benefit offered by the Company for the benefit of selected employees. Its main purpose is to increase the interest of the employees in the Company's long-term business goals and performance through share ownership. The LTIP is an incentive for the employees' future performance and commitment to the goals of the Company. The remuneration committee of the board of the Company has the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

Employees (including senior executives and executive directors) of members of the Group or their associates may receive an award, which is a "nominal cost option" over a specified number of ordinary shares in the capital of the

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Company. The option has an exercise price of 1p per share (but the Company has the discretion to waive this prior to exercise). In addition, under the Rules of the LTIP the Company has discretion to settle awards other than by transfer of shares such as by way of cash settlement. Generally, the awards are classified as equity-settled transactions. The share options are treated as equity-settled since there are no legal limitations expected on issue of shares for these upon vesting, the Group has a choice of settlement and the intention is to settle them in equity. However, in certain jurisdictions due to regulatory requirements the Company may not be able to settle the awards other than by transfer of cash, in which case the awards are classified as cash-settled transactions, and accounted for similar to SARs.

The award ordinarily vests and becomes exercisable as from later of the third anniversary of grant or two years after the date on which the Company determines whether the performance condition has been satisfied, subject to employee's continued service and to the extent to which the performance condition is satisfied, till the end of the contractual life. The contractual life of the share options is ten years.

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element of "shares to be issued under LTIP", which is not remeasured subsequently until the settlement date.

The following table summarizes the movement in the number of share options during the year ended 31 December 2020:

	Equity-settled awards	Cash-settled awards	**Total awards**
Total outstanding as at 31 December 2018	**1,544,253**	**98,906**	**1,643,159**
Share options performance adjusted	(1,058,073)	(67,349)	(1,125,422)
Share options forfeited	(19,070)	–	(19,070)
Total outstanding as at 31 December 2019	**467,110**	**31,557**	**498,667**
Share options forfeited	(248,217)	(4,938)	(253,155)
Total outstanding as at 31 December 2020	**218,893**	**26,619**	**245,512**

In 2017 the Company granted 1,208,843 share options, of which 542,243 share options remained outstanding as at 31 December 2020 (2019: 1,101,342 share options). On 23 March 2018 the remuneration committee of the board of the Company determined the level of performance conditions that were met for the performance conditions set upon issue of the share options granted in 2017. After adjusting for the nonachievement of performance conditions, 245,512 share options are capable of vesting as of 31 December 2020 (2019: 498,667 share options) and all of these share options were vested as of 31 December 2020, in accordance with the management's best estimate.

On 28 November 2018 the Company granted a further 1,163,040 share options, however due to the performance conditions not being met none of these share options are capable of vesting.

The carrying value of the liability relating to 26,619 cash-settled share-options at 31 December 2020 is US$4 thousand (31 December 2019: 31,557 share options with carrying value of US$4 thousand). Based on the estimations of the carrying value of the liability, during the year ended 31 December 2020 the Group recognized a gain of US$1 thousand from employee share options fair value adjustment (2019: loss of US$11 thousand).

In accordance with the management's best estimate 245,512 share options were vested as at 31 December 2020. The fair value of the equity-settled share options at the valuation dates of 28 November 2018 and 23 March 2018 amounted to US$ 1.25 and US$ 2.76 per share option, respectively. Based on these estimations, during the year ended 31 December 2020 the Group recognized income from reversal of employee share option expense in the amount of US$495 thousand (2019: an expense of US$633 thousand).

The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for valuation of the share options at the grant date:

	10 October 2017	11 December 2017
Price at the reporting date (US$)	1.25	2.76
Distribution yield (%)	0%	0%
Expected volatility (%)	43.4%	40.4%
Risk-free interest rate (%)	1.38%	1.45%
Expected life (years)	10	10
Option turnover (%)	10%	10%
Price trigger	2.0	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

28. Other income and expenses

For the years ended 31 December 2020 and 2019 other income comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2020**	2019
Reversals of other accruals	**1,473**	5,017
Reversals of training accruals	**950**	–
Refunds of taxes paid in previous periods	**433**	6
Goods received free of charge	**426**	45
Reversals of accruals under subsoil use agreements	**784**	12
Currency conversion	**169**	126
Compensation for damages	**12**	1,266
Other	**510**	738
	4,757	7,210

Other expenses comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2020**	2019
Other taxes and penalties	**3,820**	–
Accruals under subsoil use agreements	**114**	3,054
Training	**890**	2,808
Loss on disposal of property, plant and equipment	**812**	–
Loss on disposal of inventories	**392**	–
Social program	**337**	313
Currency conversion	**223**	211
Compensation	**140**	3,576
Business development	**70**	1,495
Sponsorship	**–**	77
Other	**808**	956
	7,606	12,490

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.

29. Income tax

The income tax expense comprised the following:

In thousands of US Dollars	For the year ended 31 December 2020	2019
Deferred income tax expense	**(62,711)**	(358,194)
Adjustment in respect of the deferred income tax for the prior periods	**28,429**	–
Corporate income tax expense	**755**	4,146
Withholding tax	**1,146**	898
Adjustment in respect of the current income tax for the prior periods	**(385)**	(72)
	(32,766)	(353,222)

The Group's profits are assessed for income taxes mainly in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US Dollars	For the year ended 31 December 2020	2019
Loss before income tax	(360,191)	(1,343,149)
Tax rate applicable to the subsoil use rights	30%	30%
Expected tax provision	**(108,057)**	**(402,945)**
Effect of exchange rate on the tax base	15,653	13,302
Adjustments in respect of current income tax of previous years	(384)	(72)
Effect of loss / (income) taxed at different rate[1]	(128)	(121)
Non-deductible interest expense on borrowings	27,798	26,210
Non-deductible exploration assets impairment	–	9,012
Deferred tax asset not recognised	1,557	228
Non-deductible taxes and penalties	932	484
Adjustments to tax base balances brought forward	28,429	–
Net foreign exchange gain	491	(109)
Non-deductible social expenditures	–	81
Non-deductible cost of technological loss	133	209
Non-deductible loss on disposal of PPE	167	–
Other non-deductible expenses	643	499
Income tax benefit reported in the consolidated financial statements	**(32,766)**	**(353,222)**

1 Jurisdictions which contribute significantly to this item are Republic of Kazakhstan with an applicable statutory tax rate of 20% (for activities not related to the Contract), and the Netherlands with an applicable statutory tax rate of 25%.

Certain revisions to previous period tax assessments were made considering new information, which was not available at the time of preparation of respective financial information, and relevant interpretations by the management. While there were not adjustments to income taxes of previous periods resulting from such revisions, the tax base of property, plant and equipment has been adjusted to reflect the changes, which are reflected above as adjustments to tax base balances brought forward.

The Group's effective tax rate for the year ended 31 December 2020 is 9.1% (2019: 26.2%). The Group's effective tax rate, excluding effect of movements in exchange rates and non-deductible interest expense on borrowings, for the year ended 31 December 2020 is 21.2% (2019: 29.2%).

As at 31 December 2020 the Group has tax losses of US$105,432 thousand (2019: US$103,624 thousand) that are available to offset against future taxable profits in the companies in which the losses arose within 9 years after generation and will expire in the period 2023-2029. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

Deferred tax liability is calculated by applying the Kazakhstani statutory tax rate applicable to the Chinarevskoye subsoil use rights to the temporary differences between the tax amounts and the amounts reported in the consolidated financial statements and are comprised of the following:

In thousands of US Dollars	31 December 2020	31 December 2019
Deferred tax asset		
Accounts payable and provisions	**3,778**	8,835
Deferred tax liability		
Property, plant and equipment	**(5,479)**	(42,761)
Inventories	**(3,011)**	(3,648)
Long-term borrowings	**(3,793)**	(5,213)
Net deferred tax liability	**(8,505)**	(42,787)

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	2020	2019
Balance as at 1 January	**42,787**	400,981
Current period charge to statement of comprehensive income	**(34,282)**	(358,194)
Balance as at 31 December	**8,505**	42,787

30. Related party transactions

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

Accounts payable to related parties represented by entities controlled by shareholders with significant influence over the Group as at 31 December 2020 and 31 December 2019 consisted of the following:

In thousands of US Dollars	31 December 2020	31 December 2019
Trade payables		
JSC OGCC KazStroyService	**230**	430

During the years ended 31 December 2020 and 2019 the Group had the following transactions with related parties represented by entities controlled by shareholders with significant influence over the Group:

In thousands of US Dollars	For the year ended 31 December 2020	2019
Purchases		
JSC OGCC KazStroyService	**–**	11,322

On 28 July 2014 the Group entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Group's gas treatment facility (as amended by fourteen supplemental agreements since 28 July 2014). The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 December 2020 owned approximately 17.1% of the ordinary shares of Nostrum Oil & Gas PLC.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$3,908 thousand for the year ended 31 December 2020 (2019: US$5,210 thousand).

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31. Audit and non-audit fees

During the years ended 31 December 2020 and 2019 audit and non-audit fees comprise the following:

	For the year ended 31 December	
In thousands of US Dollars	**2020**	2019
Audit of the financial statements	**1,076**	491
Total audit services	**1,076**	491
Audit-related assurance services	**–**	171
Services relating to corporate finance transactions	**–**	578
Other non-audit services	**–**	4
Total non-audit services	**–**	753
	1,076	1,244

The audit fees in the table above include the audit fees of US$10 thousand in relation to the Parent.

The audit fees for the year ended 31 December 2020 include fees related to the audit of the 2019 financial statements in the amount of US$221 thousand.

32. 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 December 2020. As at 31 December 2020 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 31 December 2020, the Group had contractual capital commitments in the amount of 6,167 thousand (31 December 2019: US$27,552 thousand), mainly in respect to the Group's oil field development activities.

Social and education commitments

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

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

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

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

- invest at least US$ 10,409 thousand for exploration of the field during the exploration period;
- create a liquidation fund to cover the Group's asset retirement obligations.

The Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed of in October 2020 (see Note 1). All outstanding obligations under these licences were transferred to the purchaser.

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.

33. Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, payables to Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets consist of trade and other receivables and cash and cash equivalents that derive directly from its operations.

The Group is exposed to commodity price risk, foreign currency risk, liquidity risk and credit risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Commodity price risk

The Group is exposed to the effect of fluctuations in price of crude oil, which is quoted in US dollar on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

Interest rate risk

The Group is not exposed to interest rate risk in 2020 and 2019 as the Group had no financial instruments with floating rates as at years ended 31 December 2020 and 2019.

Foreign currency risk

As a significant portion of the Group's operation is Tenge denominated, the Group's statement of financial position can be affected by movements in the US dollar / Tenge exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in US dollars and denominating sales in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. A devaluation of Tenge against US dollar by 14% would lead to decrease in the net Tenge liability position by US$1,633 as of 31 December 2020 and respective reduction of the loss before income tax for the year ended 31 December 2020. The impact on equity is the same as the impact on profit before tax.

	Change in Tenge to US dollar exchange rate	Effect on profit before tax (In thousands of US Dollars)
2020	**14%**	1,633
	-11%	(1,644)
2019	**60%**	1,253
	-20%	(835)

The Group's foreign currency denominated monetary assets and liabilities were as follows:

In thousands of US Dollars	Tenge	Russian Roubles	Euro	Other	**Total**
As at 31 December 2020					
Cash and cash equivalents	2,791	95	1,862	423	5,171
Trade receivables	877	–	–	–	877
Trade payables	(4,028)	(7)	(2,101)	(207)	(6,343)
Other current liabilities	(12,940)	–	(299)	(105)	(13,344)
	(13,300)	**88**	**(538)**	**111**	**(13,639)**
As at 31 December 2019					
Cash and cash equivalents	797	107	4,003	613	5,520
Trade receivables	24,276	–	–	–	24,276
Trade payables	(12,852)	(170)	(4,617)	(135)	(17,774)
Other current liabilities	(15,561)	(53)	(1,131)	(828)	(17,573)
	(3,340)	**(116)**	**(1,745)**	**(350)**	**(5,551)**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Group monitors its risk to a shortage of funds using a liquidity planning tool. The tool allows selecting severe stress test scenarios. To ensure an adequate level of liquidity a minimum cash balance has been defined as a cushion of liquid assets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, export financing and leases.

The Group's total outstanding debt consists of two notes: US$725 million issued in 2017 and maturing in 2022 and US$400 million issued in 2018 and maturing in 2025. Based on the assessments and other matters considered by the Board during the year, on the assumption that the Notes are successfully restructured, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its restructured liabilities as they fall due through the three-year viability assessment period ending 31 December 2023. Nevertheless, as highlighted in the Viability assessment, the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Group. For more information on analysis of the Group's ability to meet its liabilities on repayment of the Notes please see "Viability statement" section on the Annual report on pages 56-57.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2020 and 31 December 2019 based on contractual undiscounted payments:

In thousands of US Dollars	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	**Total**
As at 31 December 2020						
Borrowings	1,203,633	43,000	43,000	–	–	1,289,633
Lease liabilities	–	760	2,279	40	–	3,079
Trade payables	7,774	–	728	–	–	8,502
Other current liabilities	16,491	–	–	–	–	16,491
Due to Government of Kazakhstan	–	258	773	4,124	5,412	10,567
	1,227,898	**44,018**	**46,780**	**4,164**	**5,412**	**1,328,272**
As at 31 December 2019						
Borrowings	–	43,000	43,000	953,000	414,000	1,453,000
Lease liabilities	6,735	641	–	–	–	7,376
Trade payables	21,685	–	5,953	–	–	27,638
Other current liabilities	30,286	–	–	–	–	30,286
Due to Government of Kazakhstan	–	258	773	4,124	6,443	11,598
	58,706	**43,899**	**49,726**	**957,124**	**420,443**	**1,529,898**

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

The Group places its cash and deposits primarily with Citibank, N.A., ING Bank N.V., SB Sberbank JSC, and Halyk bank JSC with most recent credit ratings from Moody's rating agency of Aa3 (Stable), Aa3 (Stable), Ba1 (Stable), and Ba1 (Stable), respectively.

The Group sells its products and makes advance payments only to recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low. Also, the Group's policy is to mitigate the payment risk on its off-takers by requiring all purchases to be prepaid or secured by a letter of credit from an international bank.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Fair values of financial instruments

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

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

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

	Carrying amount		Fair value	
In thousands of US Dollars	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019
Interest bearing borrowings	1,186,269	1,136,086	270,000	526,156
Total	**1,186,269**	**1,136,086**	**270,000**	**526,156**

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 years ended 31 December 2020 and 2019 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.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the notes that define capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. There have been no breaches in the financial covenants of the notes in the current period nor the prior period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or increase share capital. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, less cash, short-term deposits and long-term deposits.

In thousands of US Dollars	**31 December 2020**	31 December 2019
Borrowings	1,186,269	1,136,086
Less: cash and cash equivalents	(78,583)	(93,940)
Net debt	**1,107,686**	**1,042,146**
Equity	(759,751)	(432,084)
Total capital	**(759,751)**	**(432,084)**
Capital and net debt	**347,935**	**610,062**
Gearing ratio	318%	171%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

34. Events after the reporting period

Relationship agreement

On 4 February 2021 the Company announced that the Company and Mayfair Investments BV ("Mayfair"), a shareholder in the Company, have by mutual agreement terminated the relationship agreement between them dated 19 May 2014 (as adhered to by Mayfair on 30 January 2015) (the "Relationship Agreement").

In the Relationship Agreement Nostrum had granted Mayfair the right to nominate a director to the Company's Board of Directors and Mayfair had made various undertakings to the Company designed to ensure that the Company is managed independently of Mayfair. Nostrum and Mayfair mutually agreed to terminate the Relationship Agreement given that Mayfair's shareholding in the Company reduced significantly in May 2020 and in January 2021 Mayfair decided to cease to nominate a director to the Company's Board of Directors.

Forbearance agreement

On 20 February 2021 pursuant to the requirements of the Forbearance Agreement the Company made the payment of the final consent fee for 9.9288 bps equating to US$1,116,990.

On 19 March 2021 the Company transferred into the secured account an amount of US$7,525 thousand, equating to 17.50% of the missed interest payments, and an additional amount of US$1,116,990, equating to 9.9288 bps of the outstanding Notes.

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021. The extensions were to provide time for a final agreement to be reached with shareholders and bondholders. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the Note 1.

Contents

Parent company statement of financial position

In thousands of US Dollars	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment		**20**	42
		20	42
Current assets			
Prepayments and other current assets		**287**	285
Receivables from related parties	6	**1,109**	665
Cash and cash equivalents	7	**615**	1,522
		2,011	2,472
TOTAL ASSETS		**2,031**	2,514
Equity and liabilities			
Share capital and reserves			
Share capital	8	**3,203**	3,203
Retained deficit and reserves		**(792,553)**	(436,960)
		(789,350)	(433,757)
Non-current liabilities			
Financial guarantees, long-term	9	**–**	434,117
		–	434,117
Current liabilities			
Current portion of financial guarantees	9	**790,121**	–
Employee share option plan liability		**3**	4
Advances received from related parties	14	**–**	304
Payables to related parties	10	**568**	859
Trade payables		**444**	158
Income tax payable		**135**	–
Other current liabilities		**110**	829
		791,381	2,154
TOTAL EQUITY AND LIABILITIES		**2,031**	2,514

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in the Company's financial statements.

The Company reported a loss of US$355,098 thousand for the financial year ended 31 December 2020 (2019: loss of US$544,405 thousand). During the reporting periods there were no transactions impacting the statement of other comprehensive income.

The financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors. Signed on behalf of the Board:

Signed on behalf of the Board:

Arfan Khan
Chief Executive Officer

27 April 2021

Martin Cocker
Interim Chief Financial Officer

27 April 2021

The accounting policies and explanatory notes on pages 157 through 166 are an integral part of these financial statements

Parent company statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December 2020	2019
Cash flow from operating activities:			
Loss before income tax		**(354,897)**	(544,405)
Adjustments for:			
Depreciation		**28**	25
Finance costs		–	44
Employee share option plan fair value adjustment		**(27)**	41
Income from share premium distribution		–	(1,000)
Foreign exchange gain on investing and financing activities		–	(2)
Financial guarantee loss	9	**356,004**	428,436
Impairment (reversal) / charge	5	**(469)**	117,361
Operating profit before working capital changes		**639**	500
Changes in working capital:			
Change in other current assets		**(2)**	(107)
Change in receivables from related parties		**(444)**	564
Change in trade payables		**286**	(336)
Change in payables to related parties		**(595)**	(592)
Change in accrued liabilities		–	(39)
Change in other current liabilities		**(719)**	–
Cash generated from operations		**(835)**	(10)
Income tax paid		**(66)**	–
Net cash flows from operating activities		**(901)**	(10)
Cash flow from investing activities:			
Purchase of property, plant and equipment		**(7)**	(7)
Subsidiary share premium received		–	1,000
Net cash (used in) / from investing activities		**(7)**	993
Cash flow from financing activities:			
Funds borrowed		–	500
Net cash from financing activities		**–**	500
Effects of exchange rate changes on cash and cash equivalents		1	1
Net (decrease) / increase in cash and cash equivalents		**(907)**	1,484
Cash and cash equivalents at the beginning of the year	7	**1,522**	38
Cash and cash equivalents at the end of the year	7	**615**	1,522

During 2019 the Company entered into Intra-Group Payment Set-Off Agreement according to which the Company performed non-cash settlement of its loan payable to its indirect subsidiary Nostrum Oil & Gas Finance B.V. in the amount of US$3,000 thousand (Note 10) against its receivables from its subsidiary Nostrum Oil & Gas Coöperatief U.A. in the amount of US$3,000 thousand (Note 6). These transactions had impact on “change in receivables from related parties” and “change in payables to related parties” above.

As at 31 December 2020 the Company recognized bad debt allowance in the amount of US$291 thousand (2019: US$8,073 thousand) against the loan receivable from Nostrum employee benefit trust and a similar but opposite amount against its loan payable to its subsidiary Nostrum Oil & Gas Coöperatief U.A. (Notes 6 and 10). These transactions had impact on “change in receivables from related parties” and “change in payables to related parties” above.

The accounting policies and explanatory notes on pages 157 through 166 are an integral part of these financial statements

Parent company statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Other reserves	Retained earnings / (deficit)	Total
As at 1 January 2019		**3,203**	**711**	**106,101**	**110,015**
Loss for the year		–	–	(544,405)	(544,405)
Total comprehensive loss for the year		**–**	**–**	**(544,405)**	**(544,405)**
Share based payments under LTIP	13	–	633	–	633
As at 31 December 2019		**3,203**	**1,344**	**(438,304)**	**(433,757)**
Loss for the year		–	–	(355,098)	(355,098)
Total comprehensive loss for the year		**–**	**–**	**(355,098)**	**(355,098)**
Share based payments under LTIP	13	–	(495)	–	(495)
As at 31 December 2020		**3,203**	**849**	**(793,402)**	**(789,350)**

The accounting policies and explanatory notes on pages 157 through 166 are an integral part of these financial statements

Notes to the parent company financial statements

1. General

Overview

Nostrum Oil & Gas PLC ("the Company") 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 6LA, United Kingdom.

The subsidiary undertakings of the Company as at 31 December 2020 and the percentage holding of their capital are set out below:

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

Forbearance agreement

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

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

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

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

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. Within 21 days of the effective date of the Forbearance Agreement an amount equal to 30% of the missed interest payments, equating to US$12,900 thousand, was transferred into the secured account. The amount in the secured accounts was increased by a further transfer of 17.50% of the missed interest payments, equating to US$7,525 thousand 180 days after the effective date of the Forbearance Agreement. This transfer was made subsequent to the year end. The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level. At the date of this Annual report, the full amount of US$20,425 thousand required by the Forbearance Agreement has been transferred into secured account;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

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

The Company agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. At the date of this Annual Report, all Consent Fees have been paid. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid subsequent to the year end on 20 February 2021. The consent fees were recorded in the income statement (for more details please see Note 26).

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021. The extensions were to provide time for a final agreement to be reached with shareholders and bondholders.

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

2. Basis of preparation and consolidation

Basis of preparation

The Company financial statements for the year ended 31 December 2020 have been prepared on a going concern basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company financial statements have been prepared based on a historical cost basis. The Company financial statements are presented in US dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

Going concern

These Company financial statements have been prepared on a going concern basis.

The Company is dependent on liquidity generated by its subsidiaries to continue in operation and its ability to meet its liabilities as they become due for the foreseeable future, a period of not less than 12 months from the date of this report. Respectively, the following Group-level going concern matters and analysis are considered directly relevant for the Company.

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

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

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

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

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

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

The Forbearance Agreement is subject to certain conditions, including:

- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. At the date of this Annual Report, the full amount of US$21,541,990 required by the Forbearance Agreement has been transferred into secured account and is treated as restricted cash. The amount transferred as at 31 December 2020 was US$12,900,000;
- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

The company agreed to pay, or procure payment of, certain consent fees in cash (Consent Fee) to each forbearing holder. The Consent Fees were payable by reference to the total aggregate principal amount of the Notes outstanding. The first Consent fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second Consent Fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid subsequent to the year end on 20 February 2021.

On each occasion, consent fees were paid to all of the total bondholders who agreed to forbear, equating to approximately 90% by value of each series of the Notes and evidencing an engaged and supportive creditor group. Further details of the forbearance agreement are disclosed in Note 1 to these consolidated financial statements.

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

The extensions were to provide more time for a lock-up and restructuring agreement to be reached with bondholders and potentially with other stakeholders. At the time of publication of this Annual Report and Accounts, negotiations with members of the AHG continue. The final form of the lock-up agreement and associated restructuring agreement is anticipated to be concluded by 20 May 2021. The key terms relevant to the consideration of going concern are that the debt will be foregone materially and interest on the restructured debt will partially be paid in cash and partially rolled up into the debt. As part of the agreement, it is likely that additional equity will be issued to bondholders, in which case significantly diluting the interests of the current equity holders.

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

The Directors' going concern assessment is supported by future cash flow forecasts. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $45/bbl and $50/bbl, for 2021 and 2022, respectively. The forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current preliminary restructuring terms discussed with the advisors to the AHG, reflecting the terms outlined above.

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

- A restructuring of the Notes being agreed with the AHG and subsequently with sufficient bondholders consistent with the preliminary restructuring terms discussed with the advisors to the AHG, that is affordable for the Group through the going concern period to 30 June 2022. Should the Group be unable to reach an agreement with the AHG by the end of the forbearance period, then bondholders may seek to enforce their rights under the bond indentures, including accelerating the Notes' obligations as a result of the missed interest payments; and

- If agreement is reached with the AHG and subsequently with sufficient bondholders, the Group being able to obtain the necessary permissions and waivers. Specifically, the Group may need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan. If agreement is reached with the bondholders but the Group is unable to obtain the necessary approvals and waivers, then the agreement with bondholders may not be implementable.

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

After careful consideration of these material uncertainties, and on the assumption that a restructuring of the Notes to an affordable level is completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2022, being a period of not less than 12 months from the date of this report. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts. Accordingly, the accompanying 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 2022, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on page 56 which highlights that the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Group. In the event that the Group will be unable successfully to restructure its Notes, then under all reasonable assumptions the Group will be unable to meet its US$725m debt liability due in July 2022.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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 Company is currently assessing the impact the amendments will have on current practice and whether existing borrowing agreements will be renegotiated.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments had no impact on the financial statements of the Company.

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021 the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Company does not expect early application of these amendments.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021 the IASB issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Company does not expect early application of these amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

4. Summary of significant accounting policies

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

The functional currency of the Company is the United States dollar (the "US dollar" or "US$").

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Investments

Investments in subsidiaries are recorded at cost. Subsequently, the Company determines whether it is necessary to recognise an impairment loss on its investment in a subsidiary. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the impairment loss in the statement of profit or loss.

Significant estimates and assumptions: impairment of investments in subsidiaries

Determination as to whether, and by how much, the investment in a subsidiary is impaired involves management's best estimates on highly uncertain matters such as future revenues of the subsidiary, operating expenses, discount rate, as well as fiscal regimes.

As at 31 December 2019, the Company had recorded impairment for the full amount of the investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V. in the amount of US$117,139 thousand and US$222 thousand, respectively. Such impairment has been recognized in view of the decrease in the net assets of these subsidiaries, and the reduction of the 2P reserves expected to be recovered from the main operating subsidiary of the Company over the period of 2020-2032, with the relevant decrease in the expected future net cash proceeds of Nostrum Oil & Gas Coöperatief U.A.

As at 31 December 2020, impairment for the full amount of investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V. remained appropriate considering further significant reduction in the 2P reserves to be recovered from the main operating subsidiary of the Company. However, a reversal of impairment in the amount of US$469 thousand has been recognized (Note 5) corresponding to the decrease in the amount of investment in Nostrum Oil & Gas Coöperatief U.A. resulting from the adjustment under the Long-term Incentive Plan (Note 13).

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Company determines the classification of its financial assets at initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash and receivables from related parties.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition, measurement and derecognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, long-term borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, payables related parties and financial guarantee liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantees

Financial guarantee is initially recognised in the financial statements at fair value at the time the guarantee is issued. The Company estimates the fair value of the financial guarantee contract as the difference between the net present value of the contractual cashflows required under a debt instrument, and the net present value of the net contractual cashflows that would have been required without the guarantee. The present value is calculated using a risk-free interest rate.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the amount of expected credit losses (ECL). Financial guarantee ECL reflect the cash shortfalls adjusted by the risks that are specific to the cashflows. If the ECL exceeds the initially recognised guarantee amount less cumulative amortisation the difference is taken to profit and loss.

A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires, or if the guarantee is withdrawn or cancelled. The carrying amount of the financial guarantee is taken to the statement of profit or loss.

Share-based payments

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element, which is not remeasured subsequently until the settlement date.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

5. Investments in subsidiaries

As at 31 December 2020 and 31 December 2019 Investments of the Company comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Nostrum Oil & Gas Coöperatief U.A.	**116,669,664**	117,139,106
Nostrum Oil & Gas BV	**222,271**	222,271
Impairment of investments	**(116,891,935)**	(117,361,377)
	–	–

The investments in Nostrum & Gas Cooperatief U.A. include the guarantees initial cost in the amount of US$9,881 thousand as described in the Note 9 (2019: US$9,881 thousand) as well as US$789 thousand capitalized costs under the Long-term Incentive Plan 2017 (2019: US$1,258 thousand).

As a result of the impairment testing performed at 31 December 2019 the Company recognized impairment charge of US$117,361 thousand for its investments in subsidiaries. For more details please refer to Note 4.
As at 31 December 2020 the Company has partially reversed previously recognized impairment of investments in subsidiaries in the amount of US$469 thousand, corresponding to the adjustment under the Long-term Incentive Plan 2017.

6. Receivables from related parties

Receivables from related parties are comprised of the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**745**	–
Receivables from Nostrum Oil & Gas UK Ltd.	**–**	10
	24,557	23,822
Less: bad debt allowance	**(23,448)**	(23,157)
	1,109	665

Receivables from the Nostrum Oil & Gas Benefit Trust ("the Trust") represent the loan provided to support the Company's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") (Note 13). The loan is interest free and unsecured. The loan is repayable in the case of an advance used to acquire securities to satisfy the exercise of options granted pursuant to the rules of ESOP, and unless otherwise agreed in writing between the parties, the earlier of 1) ten years from the Date of Grant, or 2) 30 days after the exercise date, and in all other cases any other date agreed in writing between the parties.

Considering the fact that the loan is repayable to the extent of the assets of the Trust, which are reflected in treasury shares held by the Trust, the Company has recognized a bad debt allowance as at 31 December 2020 in the amount of US$23,448 thousand (2019: US$23,157 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2020.

During 2019 the Company entered into Intra-Group Payment Set-Off Agreement according to which the Company performed non-cash settlement of receivables from its subsidiary Nostrum Oil & Gas Coöperatief U.A. in the amount of US$3,000 thousand against the loan payable to its indirect subsidiary Nostrum Oil & Gas Finance B.V. in the amount of US$3,000 thousand (Note 10).

7. Cash and Cash Equivalents

As at 31 December 2020 and 31 December 2019 cash and cash equivalents comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Current accounts in Pounds Sterling	**340**	588
Current accounts in US Dollars	**207**	877
Current accounts in Euro	**68**	57
	615	1,522

8. Shareholders' equity

Nostrum Oil & Gas PLC became the new holding company for the business of Nostrum Oil & Gas LP based on the resolution passed by its limited partners on 17 June 2014 followed by the Company reorganisation referred to in that resolution.

Share capital of Nostrum Oil & Gas PLC

As at 31 December 2020 the ownership interests in the Company consist of ordinary shares, which are listed on the London Stock Exchange, these shares have been issued and fully paid. As at 1 January 2014 the Company had subscriber shares and redeemable preference shares, all of which were cancelled on 7 August 2014.

The subscriber and redeemable preference shares had a nominal value of GBP 1 and the ordinary shares have a nominal value of GBP 0.01.

9. Financial guarantees

Financial guarantees are comprised of the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Financial guarantee as at 1 January	**434,117**	5,681
Charge for expected credit losses	**356,004**	428,436
Financial guarantee as at 31 December	**790,121**	434,117

The Company acts as a guarantor under the Group's US$725 million 8.0% Senior Notes due July 2022 and/or its US$400 million 7.0% Senior Notes due February 2025 (the 'Notes'). Since the guarantees are issued in favour of the Company's indirect subsidiaries, related costs at initial recognition are capitalized into the investments in subsidiaries (Note 5).

In 2019 and 2020, the Company performed an assessment of the value of the guarantees issued under the 2022 and 2025 Notes, taking into account the Group's financial position as at 31 December in both years and the fact that the Company is the parent entity in the Group and so would ultimately assume the guarantee obligations of its subsidiaries in the event of their inability to meet such obligations. As a result, the Company has recognized the guarantee liabilities for the total amount of US$790,121 thousand as at 31 December 2020 (31 December 2019: US$ 434,117 thousand), representing the amount of expected credit losses as of the reporting date. Further details on the Notes are provided below.

During 2020 the Company engaged with its bondholders regarding a possible restructuring of the Group's Notes. On 23 October 2020 the Company announced that, together with certain of its subsidiaries (the "Note Parties"), it had entered into a forbearance agreement with members of the AHG. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the 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

(the "2022 Notes"). The 2022 Notes bear interest at a rate of 8.00% per year, payable on 25 January and 25 July of each year, maturing in 2022.

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

2025 Notes

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

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

Reclassification to current liabilities

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

Considering these facts and circumstances, as at 31 December 2020 the Company has reclassified the balance of the financial guarantees into current liabilities and presented them as the current portion of financial guarantees.

10. Payables to related parties

Payables to related parties are comprised of the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Payables to Nostrum Oil & Gas Coöperatief U.A.	**364**	655
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	568	859

As at 31 December 2020 amounts payable to Nostrum Oil & Gas Coöperatief U.A. represent the arrangements in respect of the Nostrum employee benefit trust. For more details please refer to Note 6. Based on the service agreement, the amounts payable to Nostrum Oil & Gas Coöperatief U.A. in respect to the employee benefit trust, are only repayable to the extent of amounts received (or recovered) from the Trust. Considering the fact that the loan is repayable to the extent of the assets of the Trust, which are reflected in treasury shares held by the Trust, the Company has remeasured and reduced the loan payable as at 31 December 2020 by US$23,448 thousand (31 December 2019: US$23,157 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2020.

As at 31 December 2020 amounts payable to Nostrum Oil & Gas Finance B.V. represent interest accrued in the amount US$204 thousand (31 December 2019: US$204 thousand). In 2018 the Company received a loan from its indirect subsidiary Nostrum Oil & Gas Finance B.V. in the amount of US$ 2,500 thousand, at the interest rate of 7%, which is repayable on demand. During 2019 the Company received further proceeds on the loan agreement in the amount of US$500 thousand. Further during 2019 the Company entered into Intra-Group Payment Set-Off Agreement according to which the Company performed non-cash settlement of its loan payable to its indirect subsidiary Nostrum Oil & Gas Finance B.V. in the amount of US$3,000 thousand against its receivables from its subsidiary Nostrum Oil & Gas Coöperatief U.A. in the amount of $3,000 thousand.

11. Auditors' remuneration

For the year ended 31 December 2020 the fees for the audit of the Company amount to US$10 thousand (2019: US$10 thousand).

12. Employee's remuneration

The average monthly number of employees employed was as follows:

	For the year ended 31 December	
In thousands of US Dollars	**2020**	2019
Executive Directors	**1**	2
Administrative personnel	**7**	12
	8	14

Their aggregate remuneration comprised:

	For the year ended 31 December	
In thousands of US Dollars	**2020**	2019
Wages and salaries	**1,490**	2,739
Social security costs	**204**	426
Share-based payments	**(28)**	41
Pension contributions	**46**	59
Other benefits	**30**	42
	1,742	3,307

The directors of the Company are also directors of the Group. The aggregate amount of remuneration paid to or receivable by executive directors in respect of qualifying services for the financial year ended 31 December 2020 was US$1,998 thousand (2019: US$2,777 thousand) and also includes remuneration paid by other companies of the Group. In addition, US$260 thousand (2019: US$662 thousand) was paid by the Company to the non-executive directors. The directors do not believe that it is practicable to apportion these amounts between their services as directors of the Company and their services as directors of the Group.

For the year ended 31 December 2020 the Company employed an average of 2 non-executive directors (2019: 6 non-executive directors).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 91-100 of the annual report.

13. Long-term incentive plan

2017 Long-term incentive plan

In 2017 the Company started operating a Long-term incentive plan ("the LTIP"), that was approved by the shareholders of the Company on 26 June 2017 and adopted by the board of directors of the Company on 24 August 2017. The LTIP is a discretionary benefit offered by the Company for the benefit of selected employees. Its main purpose is to increase the interest of the employees in the Company's long-term business goals and performance through share ownership. The LTIP is an incentive for the employees' future performance and commitment to the goals of the Company. The remuneration committee of the board of the Company has the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

Employees (including senior executives and executive directors) of members of the Group or their associates may receive an award, which is a "nominal cost option" over a specified number of ordinary shares in the capital of the Company. The option has an exercise price of 1p per share (but the Company has the discretion to waive this prior to exercise). In addition, under the Rules of the LTIP the Company has discretion to settle awards other than by transfer of shares such as by way of cash settlement. Generally, the awards are classified as equity-settled transactions. The share options are treated as equity-settled since there are no legal limitations expected on issue of shares for these upon vesting, the Company has a choice of settlement and the intention is to settle them in equity. However, in certain jurisdictions due to regulatory requirements the Company may not be able to settle the awards other than by transfer of cash, in which case the awards are classified as cash-settled transactions, and accounted for similar to SARs.

The award ordinarily vests and becomes exercisable as from later of the third anniversary of grant or two years after the date on which the Company determines whether the performance condition has been satisfied, subject to employee's continued service and to the extent to which the performance condition is satisfied, till the end of the contractual life. The contractual life of the share options is ten years.

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element of "shares to be issued under LTIP", which is not remeasured subsequently until the settlement date.

The following table summarizes the movement in the number of share options during the year ended 31 December 2020:

	Equity-settled awards	Cash-settled awards	**TOTAL awards**
Total outstanding as at 31 December 2018	**1,544,253**	**98,906**	**1,643,159**
Share options performance adjusted	(1,058,073)	(67,349)	(1,125,422)
Share options forfeited	(19,070)	–	(19,070)
Total outstanding as at 31 December 2019	**467,110**	**31,557**	**498,667**
Share options forfeited	(248,217)	(4,938)	(253,155)
Total outstanding as at 31 December 2020	**218,893**	**26,619**	**245,512**

In 2017 the Company granted 1,208,843 share options, of which 542,243 share options remained outstanding as at 31 December 2020 (2019: 1,101,342 share options). On 23 March 2018 the remuneration committee of the board of the Company determined the level of performance conditions that were met for the performance conditions set upon issue of the share options granted in 2017. After adjusting for the nonachievement of performance conditions, 245,512 share options are capable of vesting as of 31 December 2020 (2019: 498,667 share options) and all of these share options were vested as of 31 December 2020, in accordance with the management's best estimate.

On 28 November 2018 the Company granted a further 1,163,040 share options, however due to the performance conditions not being met none of these share options are capable of vesting.

The carrying value of the liability relating to 26,619 cash-settled share-options at 31 December 2020 is US$3 thousand (31 December 2019: 31,557 share options with carrying value of US$4 thousand). Based on the estimations of the carrying value of the liability, during the year ended 31 December 2020 the Company has recognized gain of US$ 1 thousand from employee share options fair value adjustment (2019: loss of US$11 thousand).

The fair value of the equity-settled share options at the valuation dates of 28 November 2018 and 23 March 2018 amounted to US$ 1.25 and US$ 2.76 per share option, respectively. Based on these estimations, during the year ended 31 December 2020 the Company recognized income from reversal of employee share option expense in the amount of US$27 thousand and a reduction in the investments in subsidiaries in the amounts of US$469 thousand (2019: an expense of US$41 thousand and increase in investments in subsidiaries of US$582 thousand).

The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for valuation of the share options at the grant date:

	10 October 2017	11 December 2017
Price at the reporting date (US$)	1.25	2.76
Distribution yield (%)	0%	0%
Expected volatility (%)	43.4%	40.4%
Risk-free interest rate (%)	1.38%	1.45%
Expected life (years)	10	10
Option turnover (%)	10%	10%
Price trigger	2.0	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

14. Related party transactions

Related parties of the Company include its direct and indirect subsidiaries, key management personnel and other entities that are under the control or significant influence of the key management personnel.

Accounts receivable from related parties represented by Company's subsidiaries as at 31 December 2020 and 31 December 2019 consisted of the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**745**	–
Receivables from Nostrum Oil & Gas UK Ltd.	–	10
	24,557	23,822
Less: bad debt allowance	**(23,448)**	(23,157)
	1,109	665

Accounts payable to related parties represented by Company's subsidiaries as at 31 December 2020 and 31 December 2019 consisted of the following:

In thousands of US Dollars	31 December 2020	31 December 2019
Payables to Nostrum Oil & Gas Coöperatief U.A.	**364**	655
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	568	859

Financial guarantees are comprised of the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	31 December 2020	31 December 2019
Financial guarantee as at 1 January	**434,117**	5,681
Charge for expected credit losses	**356,004**	428,436
Financial guarantee as at 31 December	**790,121**	434,117

There were no advances received from related parties as at 31 December 2020 (31 December 2019: advances received from Nostrum Oil & Gas Coöperatief U.A. in the amount of US$304 thousand).

During the years ended 31 December 2020 and 2019 the Company had the following transactions with related parties represented by Company's subsidiaries:

	For the year ended 31 December	
In thousands of US Dollars	2020	2019
Income from provision of services		
Nostrum Oil & Gas Coöperatief U.A.	**6,956**	7,590
Loss from financial guarantee		
Nostrum Oil & Gas Finance B.V. (Note 9)	**(356,004)**	(428,436)

15. Financial risk management objectives and policies

The Company's financial assets consist of receivables from shareholders and cash and cash equivalents. The Company's financial liabilities consist of payables to related parties, trade and other payables and accrued liabilities.

The main risks arising from the Company's financial instruments are foreign exchange risk and credit risk. The Company's management reviews and agrees policies for managing each of these risks, which are summarized below.

Foreign currency risk

Most of the Company's operation is denominated in USD, therefore the Company's statement of financial position is not significantly affected by exchange rate movements.

Credit risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of receivables and cash in banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Company considers that its maximum exposure is reflected by the amount of receivables from shareholders and cash and cash equivalents.

The Company places its US Dollar, British Pound and Euro denominated cash with ING which has a credit rating of P-1 (upper medium grade) from Moody's rating agency at 31 December 2019.

Receivables are amounts receivable from Group companies, thus risk of credit default is low, except for the loan receivable from the Trust for which loss allowance has been recognized.

Fair values of financial instruments

The fair value of the financial assets represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The management assessed that its assets and liabilities approximate their carrying amounts largely due to their nature or the short-term maturities of these instruments.

Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

16. Events after the reporting period

Relationship agreement

On 4 February 2021 the Company announced that the Company and Mayfair Investments BV ("Mayfair"), a shareholder in the Company, have by mutual agreement terminated the relationship agreement between them dated 19 May 2014 (as adhered to by Mayfair on 30 January 2015) (the "Relationship Agreement").

In the Relationship Agreement Nostrum had granted Mayfair the right to nominate a director to the Company's Board of Directors and Mayfair had made various undertakings to the Company designed to ensure that the Company is managed independently of Mayfair. Nostrum and Mayfair mutually agreed to terminate the Relationship Agreement given that Mayfair's shareholding in the Company reduced significantly in May 2020 and in January 2021 Mayfair decided to cease to nominate a director to the Company's Board of Directors.

Forbearance agreement

On 20 February 2021 pursuant to the requirements of the Forbearance Agreement the Company made the payment of the final consent fee for 9.9288 bps equating to US$1,116,990.

On 19 March 2021 the Company transferred into the secured account an amount of US$7,525 thousand, equating to 17.50% of the missed interest payments, and an additional amount of US$1,116,990, equating to 9.9288 bps of the outstanding Notes.

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021. The extensions were to provide time for a final agreement to be reached with shareholders and bondholders. More detailed information related to forbearance agreement and discussions with bondholders is disclosed in the Note 1.

Investor information

Contact information

Investor contacts
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Registered office
Nostrum Oil & Gas PLC
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London W2 6LG
United Kingdom
Tel: +44 20 3740 7430
Registered number: 8717287
Place of registration: England and Wales
VAT GB302 9250 35

Zhaikmunai LLP registered office
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Kazakhstan
Tel: +7 7112 933900
Fax: +7 7112 933901

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Registrar
Link Group
10th Floor, Central Square,
29 Wellington Street
Leeds LS1 4DL
United Kingdom
Tel: +44 371 664 0391

Nostrum Oil & Gas BV
Activity: Holding Company
Registered office and principal place of business:
Bloemendaalseweg 139
Hofstede Sparrenheuvel
2061 CH
Bloemendaal
The Netherlands
Directors:
Jan-Ru Muller
Thomas Hartnett

Nostrum Oil & Gas Coöperatief UA
Activity: Holding Company
Registered office and principal place of business:
Bloemendaalseweg 139
Hofstede Sparrenheuvel
2061 CH
Bloemendaal
The Netherlands
Directors:
Jan-Ru Muller
Thomas Hartnett

Nostrum Oil & Gas Finance BV
Activity: Finance Company
Registered office and principal place of business:
Bloemendaalseweg 139
Hofstede Sparrenheuvel
2061 CH
Bloemendaal
The Netherlands
Directors:
Jan-Ru Muller
Thomas Hartnett BVBA

Nostrum Services NV
Activity: Holding Company
Registered office and principal place of business:
Chaussée de Wavre 20
1360 Perwez
Belgium
Directors:
Jan-Ru Muller
Thomas Hartnett BVBA

Nostrum Associated Investments LLP
Activity: Dormant
Registered office and principal place of business:
43B Karev Street
090000 Uralsk
Republic of Kazakhstan
General Director:
Dinara Urazova

Nostrum Oil & Gas UK Limited
Activity: Dormant
Registered office and principal place of business:
9th Floor
20 Eastbourne Terrace
London W2 6LG
United Kingdom
Directors:
Martin Cocker
Thomas Hartnett

Nostrum Services Central Asia LLP
Activity: Dormant
Registered office and principal place of business:
Building 75/38
Microrayon Aksay 3a
050031 Almaty
Republic of Kazakhstan
General Director:
Kalamkas Shakenova

Nostrum E&P Services LLC
Activity: Dormant
Registered office and principal place of business:
Prospekt Liteniy 26A
191028 St Petersburg
Russian Federation
General Director:
Tatiana Kichina

Website and electronic communications details

Nostrum's website provides information on the activities of the Company, both regulatory and other, as well as the opportunity to sign up to our mailing list to ensure stakeholders are kept up to date with the most recent information. Please see www.nog.co.uk for more information.

In addition, to reduce our impact on the environment, we encourage all shareholders to opt for electronic shareholder communications, including annual reports and notices of meetings.

Share price information

Exchange	London Stock Exchange
Ticker	NOG.LN
Reuters code	NOGN.L
ISIN code	GB00BGP6Q951

Capitalisation-weighted index of FTSE 350 E&P

Earnings per share (as at 31 December 2020): US$(1.77)/share

Book value per share (as at 31 December 2020): US$4.12 negative per share

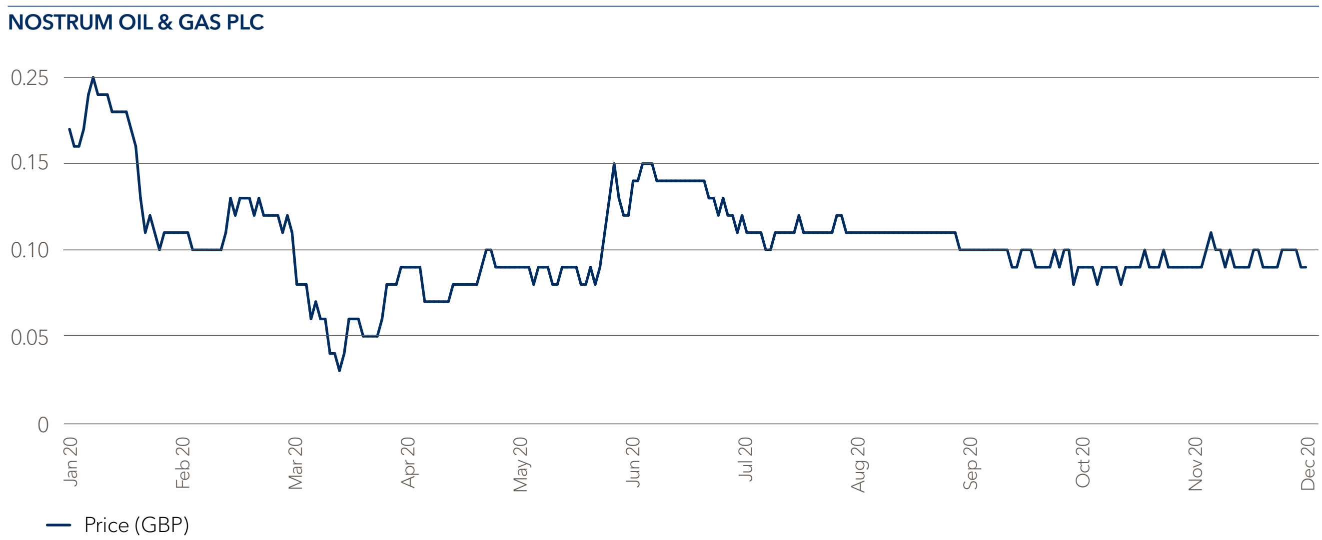
Financial calendar 2021

Q1 2021	Operational update	30 April 2021
Q1 2021	Financial results	18 May 2021
H1 2021	Operational update	30 July 2021
H1 2021	Financial results	17 August 2021
Q3 2021	Operational update	29 October 2021
Q3 2021	Financial results	16 November 2021

Share price performance

Equity financing

Equity raising	Timing	Amount	Lead manager
IPO	March 2008	US$100m	ING Bank NB
Secondary equity issue	September 2009	US$300m	ING Bank NV Mirabaud Securities Renaissance Securities



Debt financing

Current outstanding bond issues for Nostrum Oil & Gas PLC are detailed in the following table:

Settlement	Maturity	Currency	Amount (m)	Coupon	Listing		RegS	Rule 144A
Jul 2017	Jul 2022	US$	725	8.000%	Dublin	CUSIP	N64884AB0	66978CAB8
						ISIN	USN64884AB02	US66978CAB81
						Common Code	16453439	164534073
Feb 2018	Feb 2025	US$	400	7.000%	Dublin	CUSIP	N64884AD6	66978CAC6
						ISIN	USN64884AD67	US66978CAC64
						Common Code	176959886	176959878

For a summary of certain covenants relating to the 2017 and 2018 Notes, please see the consolidated financial statements.

Internally held bond financing of the Nostrum Group

Bond issues wholly owned by Nostrum Oil & Gas Finance BV are provided in the following table:

Settlement	Maturity	Currency	Amount (m)	Coupon	Listing		RegS	Rule 144A
Feb 2014	Jan 2033	US$	400	9.5%	Dublin/ Almaty	CUSIP	N64884AA2	66978CAA0
						ISIN	USN64884AA29	US66978CAA09
						Common Code	103302323	103302307
Nov 2012	Jun 2033	US$	560	9.5%	Dublin/ Almaty	CUSIP	N97716AA7	98953VAA0
						ISIN	USN97716AA72	US98953VAA08
						Common Code	085313177	085259776

Credit ratings

Nostrum Oil & Gas PLC is currently being rated by two credit rating agencies: Standard and Poor's and Moody's Investor Services:

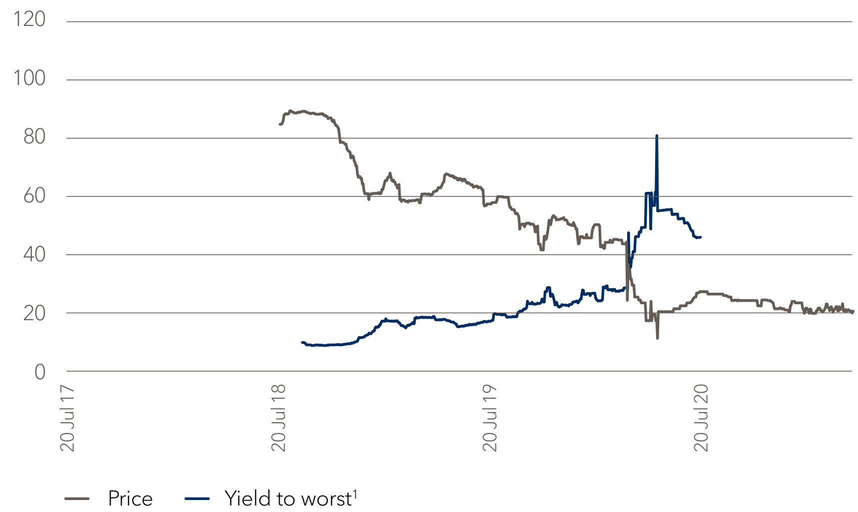
Agency	Rating	Outlook
Standard and Poor's	SD	NM
Moody's	Ca	Negative

Zhaikmunai LLP is a wholly-owned indirect subsidiary of Nostrum and its equity is not listed, while Nostrum's equity is listed on the premium segment of the London Stock Exchange and on the Kazakhstan Stock Exchange.

The Group's investor relations programme aims to develop open and transparent communication between the Group (including Zhaikmunai LLP) and its shareholders, providing information about the financial and operational performance of the Company. The Investor Relations department of the Group seeks to ensure all questions received from any of the Group's stakeholders are dealt with in a timely manner based on the underlying principle that the Group is approachable and responsive to any potential queries.

NOSTRUM OIL & GAS FINANCE BV 8.0% 25 JULY 2022

NOSTRUM OIL & GAS FINANCE BV 7.0% 16 FEBRUARY 2025



1. Yield to worst was not calculated following the default in payment of interest.

Glossary

2010 Notes	10.500% notes issued in 2010.
2012 Notes	7.125% notes issued in 2012.
2014 Notes	6.375% notes issued in 2014.
2017 Notes	8.000% notes issued in 2017.
2018 Notes	7.000% notes issued in 2018.

A

API	American Petroleum Institute.
API gravity	The industry standard method of expressing specific density of crude oil or other liquid hydrocarbons as recommended by the American Petroleum Institute. Higher API gravities mean lower specific gravity and lighter oils. When the API gravity is greater than 10, the product is lighter and floats on water; when it is less than 10, it is heavier than water and sinks. Generally speaking, oil with an API gravity between 40 and 45 commands the highest prices.
appraisal well	A well or wells drilled to follow up a discovery and evaluate its commercial potential.
associated gas	Gas which occurs in crude oil reservoirs in a gaseous state.

B

barrel/bbl	The standard unit of volume: 1 barrel = 159 litres or 42 US gallons.
basin	A large area holding a thick accumulation of sedimentary rock.
bcm	Billion cubic metres.
Boe	Barrels of (crude) oil equivalent, i.e. the factor used by Nostrum to convert volumes of different hydrocarbon production to barrels of oil equivalent.
Boepd	Barrels of (crude) oil equivalent per day.
Bopd	Barrels of crude oil per day.

C

C1	Methane.
C2	Ethane.
C3	Propane.
C4	Butane.
C5	Pentane.
C6	Hexane.
C7	Heptane.
CAC	A pipeline with two branches originating in Turkmenistan and meeting in Kazakhstan before crossing into Russia and connecting to the Russian pipeline system, with an annual throughput capacity of 60.2 billion cubic metres.
Cash	Cash and cash equivalents, including current and non-current investments.
Casing	Relatively thin-walled, large diameter steel rods that are screwed together to form a casing string, which is run into a core hole or well and cemented in place.
Caspian region	Parts of countries adjacent to the Caspian Sea.
CDP	CDP is an organisation based in the United Kingdom which supports companies in disclosing their environmental impact (formerly known as the Carbon Disclosure Project).
Chinarevskoye field	The Chinarevskoye oil and gas condensate field.
CO_2	Carbon dioxide.
commissioning	Process to assure a facility or plant, such as Nostrum's GTU 3, is tested to verify it functions according to technical objectives and specifications before use.
Competent Authority	The State's central executive agency, designated by the Government to act on behalf of the State to exercise rights relating to the execution and performance of subsoil use contracts, except for contracts for exploration and production of commonly occurring minerals. This is the Ministry of Energy of the Republic of Kazakhstan ("MOE") with respect to the oil and gas industry.
condensate	Hydrocarbons which are gaseous in a reservoir, but which condense to form a liquid as they rise to the surface where the pressure is much less.

contingent resources	Deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable.
cost oil	Cost oil denotes an amount of crude oil produced in respect of which the market value is equal to Nostrum's monthly expenses that may be deducted pursuant to the PSA (q.v.) (including all operating costs, exploration costs and development costs up to an annual maximum of 90% of the annual gross realised value of hydrocarbon production).
crude oil	A mixture of liquid hydrocarbons of different molecular weights.

D

development	During development, engineering teams design the most efficient development options to build wells and associated infrastructure to produce hydrocarbons from a gas field within a proven productive reservoir (as defined by exploration and appraisal activities). The three phases of development are exploration and appraisal, development and production.
downstream	Downstream refers to all petroleum operations occurring after delivery of crude oil or gas to a refinery or fractionation plant.
Development Plans	The development plans approved by the SCFD in March 2009.
Directors or Board	The Directors of the Company.
dry gas	Dry gas is natural gas (methane and ethane) with no significant content of heavier hydrocarbons. It is gaseous at both sub-surface and surface conditions.

E

E&P	Exploration and production.
EBITDA	Profit before tax non-recurring expenses + finance costs + foreign exchange loss/(gain) + ESOP + depreciation – interest income + other expenses/(income).
Environmental Code	The Kazakhstan Environment Code (No. 212, dated 9 January 2007, as amended).
Exploration Permit	The geological allotment (Annex to the Licence) issued by the Competent Authority to Zhaikmunai LLP.
exploration phase	The phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys, followed up where appropriate by exploratory drilling.
exploration well	Well drilled purely for exploratory (information-gathering) purposes in a particular area.

F

farm-in	Transfer of a percentage of an oil or gas permit held by the farmor in return for (partial or complete) delivery of the work programme by the farmee(s). Note that this work would normally have had to have been delivered and paid for by the farmor.
farm-out	A contractual agreement with the holder of an oil and gas permit to assign all (or a percentage of) that interest to another party in exchange for delivering the work programme required by the permit, or fulfilling other contractually specified conditions.
FCA	Financial Conduct Authority of the United Kingdom.
FCA Uralsk	Sales made under free carrier terms according to which Nostrum delivers to the terminal in Uralsk and transportation risk and risk of loss are transferred to the buyer after delivery to the carrier.
field	An area consisting of a single reservoir or multiple reservoirs all grouped in or related to the same individual geological structure feature and/or stratigraphic condition.
FOB	Sales made under "free on board" terms.
FSU	Former Soviet Union.

G

G&A	General and administrative expenses.
gas	Petroleum that consists principally of light hydrocarbons. It can be divided into lean gas, primarily methane, but often containing some ethane and smaller quantities of heavier hydrocarbons (also called sales gas), and wet gas, primarily ethane, propane and butane, as well as smaller amounts of heavier hydrocarbons; partially liquid under atmospheric pressure.
gas condensate	The mixture of liquid hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir.
Gas Treatment Facility (GTF)	Facility for the treatment of associated gas and gas condensate resulting in different products (stabilised condensate, LPG and dry gas) for commercial sales.
	GTU 1 means the first unit of Nostrum's Gas Treatment Facility.
	GTU 2 means the second unit of Nostrum's Gas Treatment Facility.
	GTU 3 means the third unit of Nostrum's Gas Treatment Facility.
GDRs	The global depository receipts of Nostrum Oil & Gas LP.
greenhouse gas	A gas that contributes to the greenhouse effect by absorbing infrared radiation, e.g. carbon dioxide.
Group	Nostrum Oil & Gas PLC and, as the context requires, its direct and indirect consolidated subsidiaries.

H

HSE	Health, safety and environment.
hydrocarbons	Compounds formed from the elements hydrogen (H) and carbon (C), which may be in solid, liquid or gaseous form.
hydrocarbon reserves	Hydrocarbon reserves that have been proved, and are referred to as 3P, 2P and 1P depending on the likelihood of commercial production from a given field.

I

IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards.
INED	Independent Non-Executive Director.

J

joint venture	A joint venture is a set of trading entities who have agreed to act in concert to share the cost and rewards of exploring for and producing oil or gas from a permit.
joule	Unit of energy used for measuring gas volumes. megajoules = 106 gigajoules = 109 terrajoules = 1012 petajoules = 1015

K

KASE	Kazakhstan Stock Exchange.
Kazakhstan	The Republic of Kazakhstan.
KazMunaiGas	State-owned oil and gas company of Kazakhstan.
KazMunaiGas Exploration Production ("KMG EP")	Onshore oil and gas exploration production subsidiary of KazMunaiGas.
KazTransOil (KTO) pipeline	A tie-in to the KTO pipeline enables crude oil export sales via the Atyrau-Samara international export pipeline.

L

Licence	Licence series MG No. 253-D (Oil) issued to Zhaikmunai LLP by the Government on 26 May 1997, including amendments.
Licensing Law	The Kazakhstan Law "On Licensing" (No. 214, dated 11 January 2007, as amended, which came into effect on 9 August 2007).
liquids	A sales product in liquid form produced as a result of further processing by the onshore plant; for example, condensate and LPG.
LNG	Liquefied natural gas. Comprises mainly methane.
Listing Rules	The listing rules made by the Financial Services Authority (FSA) under section 73A of the FSMA.
LSE	London Stock Exchange.
LPG	Liquefied petroleum gas, the name given to the mix of propane and butane in its liquid state.
LTIP	Long-term incentive plan.

M

m	Metre(s).
m^3	Cubic metres.
m^3/d	Cubic metres per day.
Man-hour	An hour regarded in terms of the amount of work that can be done by one person within this period.
Mboe	Thousands of barrels of oil equivalent.
Mechanical completion	Final construction or installation phase, after which a facility can undergo commissioning activities.
Mmbbls	Millions of barrels of oil.
Mmboe	Millions of barrels of oil equivalent.

N

NBK	National Bank of Kazakhstan.
NED	Non-Executive Director.
Nostrum	Nostrum Oil & Gas PLC, the listed company of the Group.
Nostrum Oil & Gas PLC	Registered Office: 9th Floor 20 Eastbourne Terrace London W2 6LG United Kingdom

O

OPEC	The Organization of the Petroleum Exporting Countries.
operator	The individual or company responsible for conducting oil and gas exploration, development and production activities on an oil and gas lease or concession on its own behalf and/or if applicable, for other working interest owners, generally pursuant to the terms of a joint operating agreement or comparable agreement.

P

Partnership	Nostrum Oil & Gas LP, which was the holding company of the Group before the reorganisation.
PCR testing	Polymerase chain reaction testing, a test for COVID-19.
petroleum	Hydrocarbons, whether solid, liquid or gaseous. The proportion of different compounds in a petroleum find varies from discovery to discovery. If a reservoir primarily contains light hydrocarbons, it is described as a gas field. If heavier hydrocarbons predominate, it is called an oil field. An oil field may feature free gas above the oil and contain a quantity of light hydrocarbons, also called associated gas.
Possible Reserves (3P)	Possible Reserves are those reserves that, to a low degree of certainty (10% confidence), are recoverable. There is relatively high risk associated with these reserves. Proven, Probable and Possible Reserves are referred to as 3P.
Probable Reserves (2P)	Probable Reserves are those reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that reserves recovered will exceed Probable Reserves. Proven plus Probable Reserves are referred to as 2P.
processing	Processing of saleable product from hydrocarbons sourced from oil wells and gas wells.
Production Permit	The mining allotment (Annex to the Licence), issued by the Competent Authority to Zhaikmunai LLP.
production well	A well that has been drilled for producing oil or gas, or one that is capable of production once the producing structure and characteristics are determined.
Profit oil	Profit oil is the difference between cost oil and the total amount of crude oil produced each month, which is shared between the State and Zhaikmunai LLP.
Prospective resources	Quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.
Proven Reserves (1P)	Proven or Proved Reserves (1P) are those reserves that, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves. Proven Developed Reserves are reserves that can be recovered from existing wells with existing infrastructure and operating methods. Proven Undeveloped Reserves require development.
PRMS	2007 Petroleum Resources Management System, which is a set of definitions and guidelines designed to provide a common reference for the international petroleum industry, sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society for Petroleum Evaluation Engineers.
Production Sharing Agreement (PSA)	The contract for additional exploration, production and production sharing of crude oil hydrocarbons in the Chinarevskoye oil and gas condensate field in the West-Kazakhstan oblast No. 81, dated October 31 1997, as amended, between Zhaikmunai LLP and the Competent Authority (currently MOE), representing the State.
PSA Law	Kazakhstan Law No. 68-III "On Production Sharing Agreements for Constructing Offshore Petroleum Operations", dated 8 July 2005.

Q

QHSE	Quality, Health, Safety and the Environment.

R

recovery	The second stage of hydrocarbon production during which an external fluid such as water or gas is injected into the reservoir to maintain reservoir pressure and displace hydrocarbons towards the wellbore.
Reservoir	A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers, and is individual and separate from other reservoirs.
RoK	Republic of Kazakhstan.
Royalty	An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production.
Ryder Scott	Independent petroleum consultants Ryder Scott Company LP, headquartered at 621 Seventeenth Street, Suite 1550, Denver, Colorado, 80293, USA.

S

sales gas	Natural gas that has been processed by gas plant facilities and meets the required specifications under gas sales agreements.
seismic	The use of shock waves generated by controlled explosions of dynamite or other means to ascertain the nature and contours of underground geological structures.
shut in	Cease production from a well.
side-track well	A well or borehole that runs partly to one side of the original line of drilling.
social infrastructure	Assets that accommodate social services, e.g. hospitals, schools, community housing etc.
spud	The commencement of drilling operations.
stakeholder	A person or entity who may affect, be affected by or perceive themselves to be affected by an entity's decisions or activities.
State	Republic of Kazakhstan.
State share	The share of hydrocarbon production due (in cash or kind) to the Republic of Kazakhstan under the PSA (q.v.).
Suspended well	A suspended well is not currently used for assessment or production and has been shut in. It will either be returned to assessment or production, or will be plugged and abandoned.

T

TCFD	Task Force on Climate-related Financial Disclosures.
tenge or KZT	The lawful currency of the Republic of Kazakhstan.
tonne	Metric tonne.
trillion	10 to the power of 12.

U

UNGG	Refers to the Uralsk Oil and Gas Explorations Expedition. The Government of the Kazakh Soviet Socialist Republic decided in March 1960 to create a consortium "Uralskneftegazrazvedka" for conducting oil and gas exploration in the Uralsk region. In the 1960s, the consortium was involved in more than 59 exploration projects. In 1970, the consortium was renamed "Uralsk Enlarged Oil-Gas Exploration Expedition".
UOG	Ural Oil & Gas LLP.
UK Corporate Governance Code	Set of principles of good corporate governance for listed companies promulgated by the UK Financial Reporting Council.

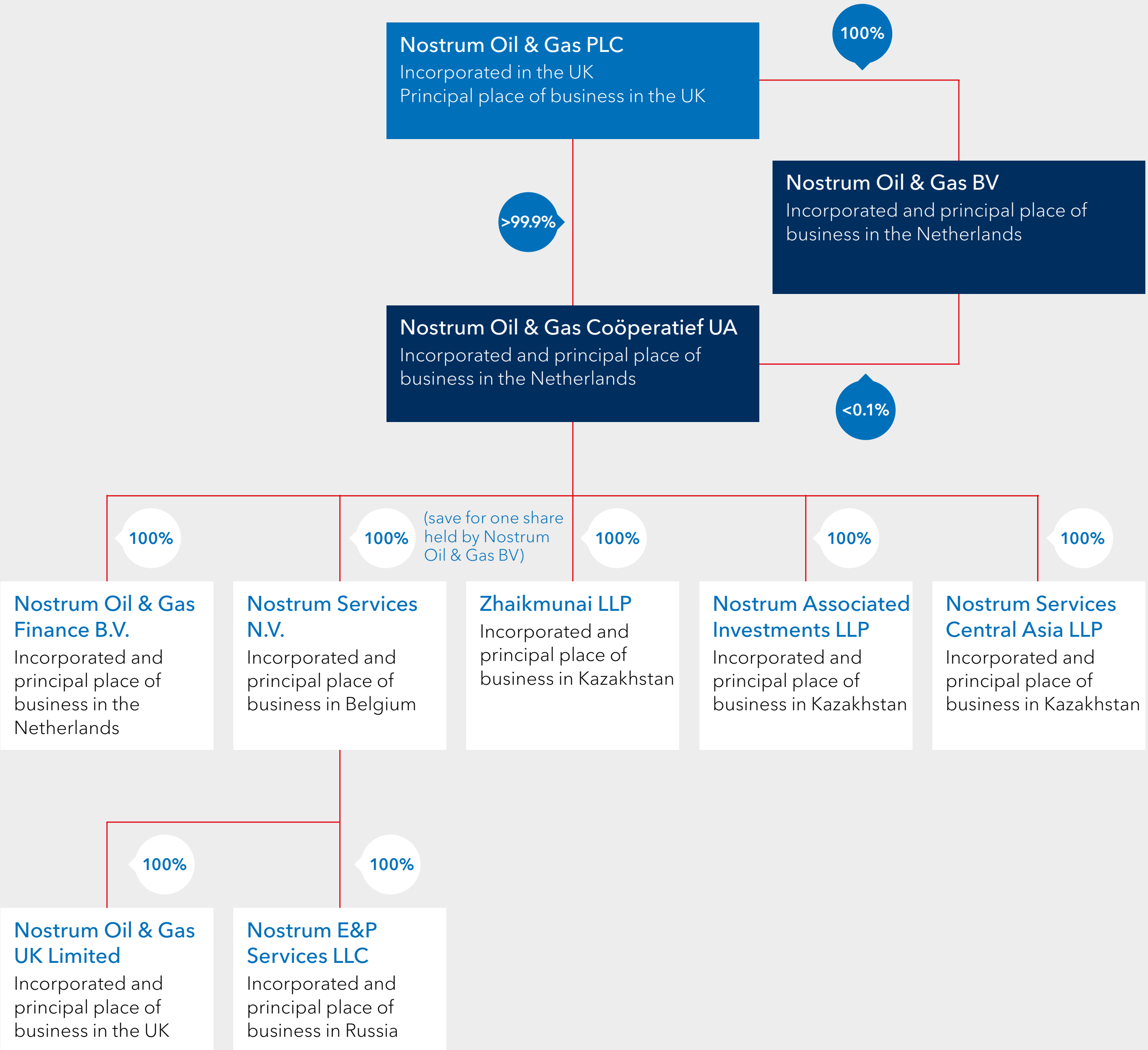
W

well	A hole drilled to test an unknown reservoir or to produce from a known reservoir.
wellhead	The wellhead includes the forged or cast steel fitting on top of a well (welded or bolted to the top of the surface casing), as well as casingheads, tubingheads, Christmas tree, stuffing box and pressure gauges.
work programme	A schedule of works agreed between parties (permit holders, farmees and government) contracted to be delivered in a defined timeframe.
workover	Routine maintenance or remedial operations on a producing well in order to maintain, restore or increase production.
WUP or Water Use Permit	The permit granted by the relevant government authority with respect to water use pursuant to the Water Code.

Z

Zhaikmunai LLP	Principal operating entity of the Group Corporate office: 43/1 Karev str. Uralsk, 090000 Republic of Kazakhstan

Nostrum Group structure chart as at 31 December 2020



Apart from the external debt held by Nostrum Oil & Gas Finance B.V, the contribution and results of Nostrum Oil & Gas PLC and all of its subsidiaries (other than Zhaikmunai LLP) to the KPIs and results of the Group were insignificant. Except as stated above, there are no minority shareholdings.

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Nostrum Oil & Gas Annual Report & Accounts 2020