PIVOTING TOWARDS GROWTH AND CLEANER ENERGY

Annual Report & Accounts **2021**

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.

2021 OVERVIEW

Production
boepd

17,032

2020: **22,337**

Employees

559

2020: **564**

Operating cash flow
US$ m

117.4

2020: **82.7**

Total greenhouse gas emissions
tCO_2e

187

2020: **188**

Revenue
US$ m

195.3

2020: **175.9**

LTIR, incidents
per million man-hours

0.81

2020: **0.84**

Cash at year end
US$ m

165.2

2020: **78.6**

Hazard observation cards

1,278

2020: **665**

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.

For more details please visit
www.nostrumoilandgas.com

Contents

Gearing up for future growth and contributing to cleaner energy solutions

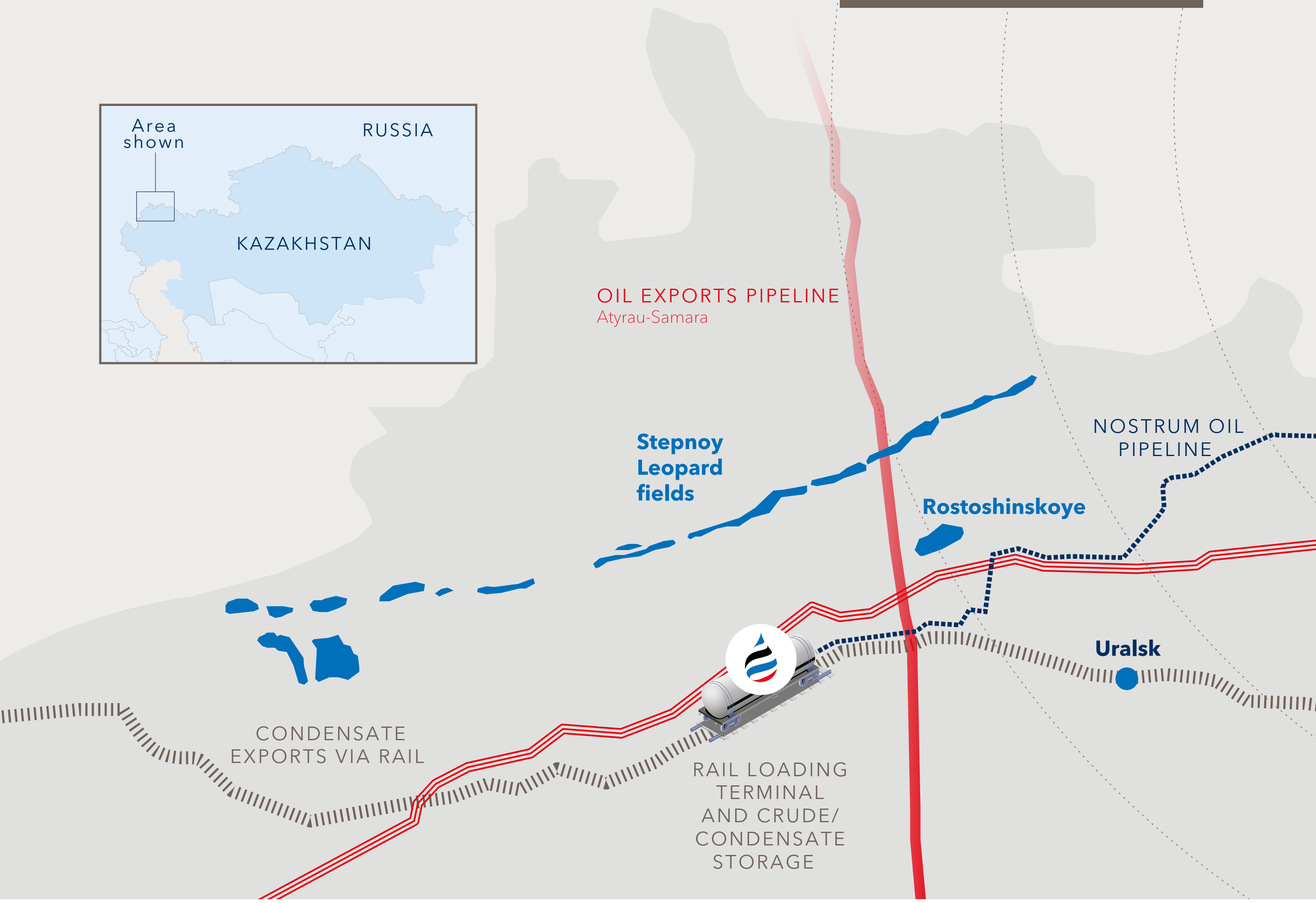
Nostrum is working with stakeholders and potential business partners with an eye to increase utilisation of its state-of-the-art infrastructure hub.

This hub is a unique asset in north-western Kazakhstan that provides a processing answer to regional energy companies with stranded upstream assets to develop them and contribute to supporting the national goal of producing more gas and improving the clean-energy mix.

Our fully commissioned gas processing facilities, with a combined capacity of 4.2bcm per year, are ideally located to support the production and sale of our own produced and third party gas. 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.

Fully-commissioned 4.2bcm GTF

Unique to north-western Kazakhstan, state-of-the-art infrastructure, of which around 15% is utilised. There is an opportunity to construct a high-sulphur gas sweetening plant tied-back within 200km of our existing gas processing infrastructure which will provide job opportunities and investment and will be a significant contribution to the RoK's ambition to develop cleaner energy resources.



Bond restructuring is well advanced

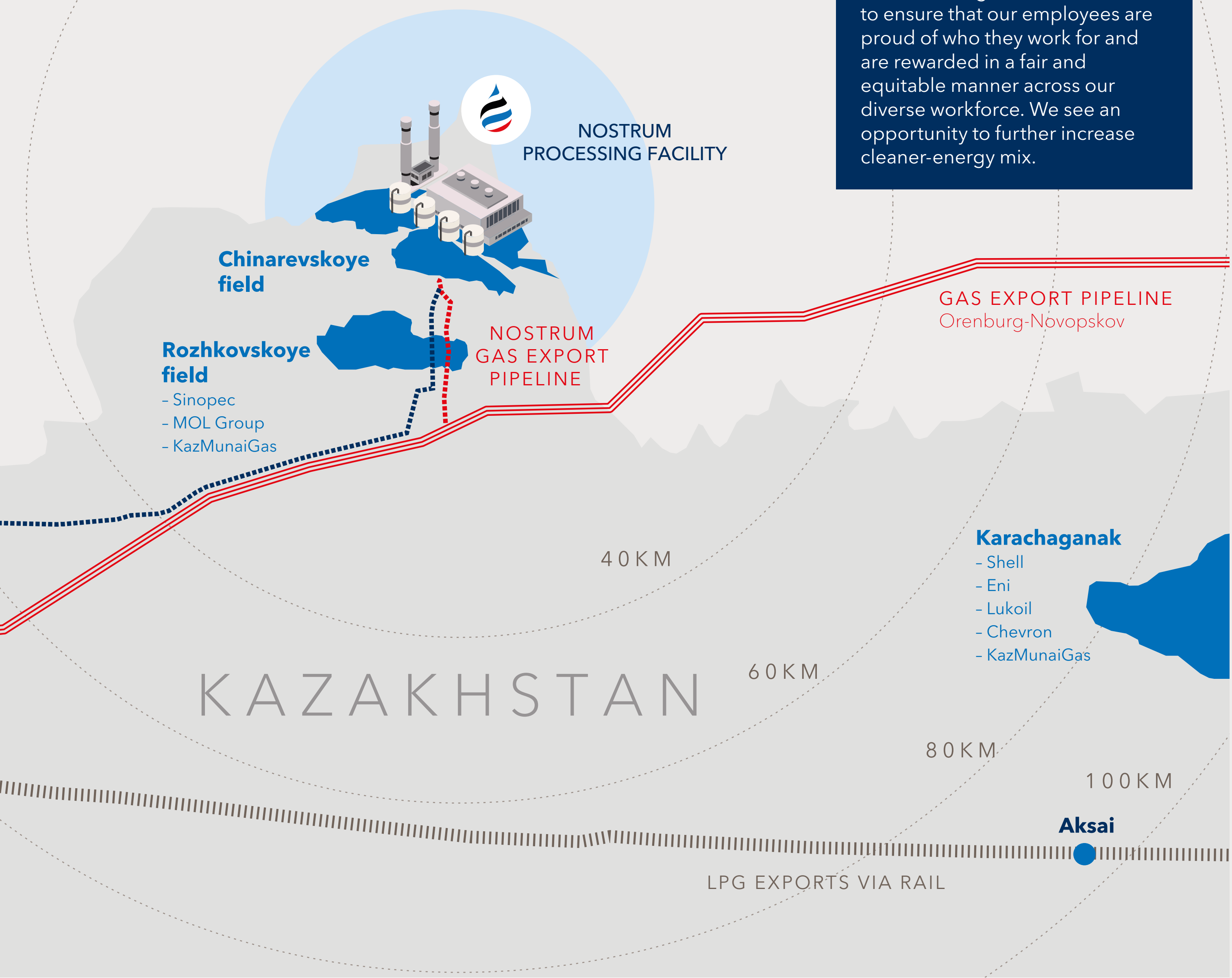
Approximately 77.73% of noteholders signed up or acceded to the Lock-up Agreement in December 2021 and January 2022 and we plan to complete our restructuring in Q3 of 2022.

Attractive access routes

Located in north-western Kazakhstan with multiple transportation routes 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.

Committed to ESG

We are committed to health and safety, our people, social responsibility, the environment and transparent governance. We compare favourably to our regional competitors with zero fatalities in three successive years and no losses of life amongst our staff to COVID. We pride ourselves in ensuring that safety is ingrained into our culture and into the processes we employ across our organisation. We strive to ensure that our employees are proud of who they work for and are rewarded in a fair and equitable manner across our diverse workforce. We see an opportunity to further increase cleaner-energy mix.



DELIVERING ON OUR STRATEGIES

- 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.

1,278

Hazard Observation Cards issued in 2021, an increase of nearly 92% versus 2020.

131 tonnes

Reduction in GHG emissions in 2021 versus 2020.

Numerous engagements with stakeholders

Top management, executives and directors are continuously meeting with stakeholders and delivering the message that we are a capable, competent and eager business partner willing to invest substantial capital to more fully utilise our asset base for the benefit of all stakeholders and secure the long-term viability and stability of our business.

"C" grade

in an annual CDP submission for the third year in a row which shows our commitment in climate disclosure area. The Group also made its inaugural Water Security CDP submission in 2021.

77.73%

of noteholders signed up or acceded to the Lock-up Agreement.

US$165.2m cash at year end

Through cost control, substantially achieving our production and sales plans, a robust commodities pricing backdrop and prudent investment we were able to increase our cash reserves in the year by US$86.6m.

99.99%

Shareholders approving the terms of the restructuring.

OPTIMISING OUR PERFORMANCE

We are extremely cost sensitive and endeavour to spend in cost effective ways with a goal to squeeze value out of our remaining reserves and improve our liquidity and balance sheet while we restructure our debt and prepare ourselves to execute our growth plan.

11.8%

Reduction in the combined total of Opex, G&A and Marketing & Transportation costs in 2021.[1]

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

15.0%

Reduction in G&A costs in 2021.[2]

2. G&A costs excluding DD&A.

17,032
boepd

Production in 2021, exceeding our guidance of 17,000 boepd.

7 wells worked over with a rig

and additional 21 rigless operations during 2021.

MAXIMISING OUR POTENTIAL

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$117.4m

Operating cash flow generated in 2021, a 42% increase year-on year.

US$165.2m

Cash balance as at 31 December 2021 doubled year-on year.

US$600m high-sulphur gas sweetening plant

Project opportunity in north-western Kazakhstan which will play a pivotal role in supporting national goals of balancing the clean-energy mix.

91% Kazakhstan nationals

in the total headcount
as at 31 December 2021.

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.

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.

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 2021 and costs reduced.

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.

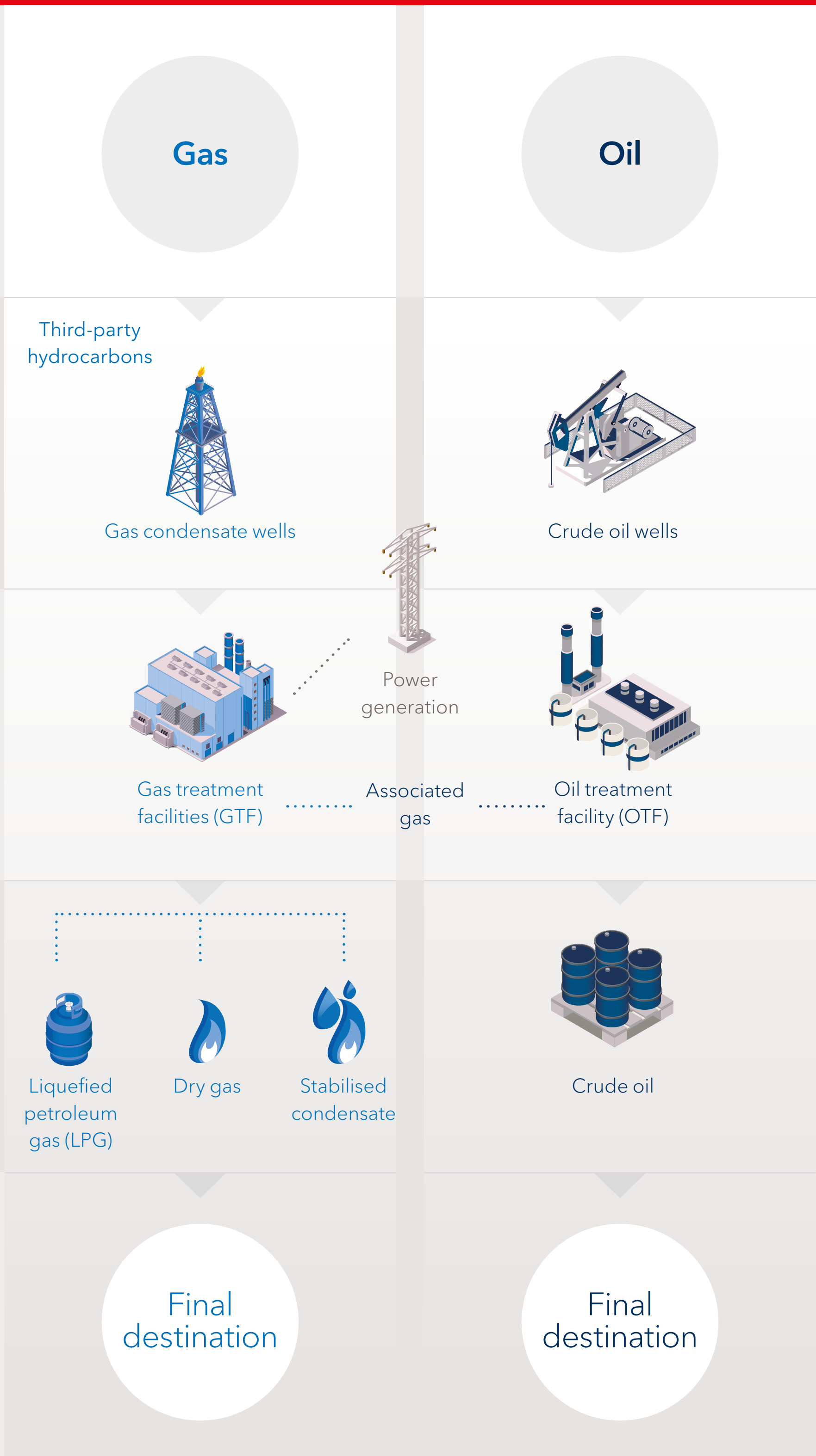
Experienced management team

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, and we hold a valuable key to unlocking future development of otherwise stranded natural resources.

Investors

Significant progress has been made on the restructuring which is planned to be finalised in 2022 which will allow the Company to focus on realising its whole potential with an improved capital structure.

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

Deliver on our production and project plans. Constant communication with our key customers and suppliers.

Governments and regulators

We paid US$12.7m of tax in 2021 to governments. We offer an opportunity for US$600m of investment in facilities to process over 3.5 bcm of Kazakh sourced gas that is currently not commercially developed.

Please see our website for more information at www.nostrumoilandgas.com

Pivoting towards growth

In 2022, we look forward to streamline our capital structure and work alongside all key stakeholders as we pivot towards renewed growth."

We emerged from 2021 in relatively good shape following a year of recovery from the onset of the COVID-19 crisis and the related energy commodity price crash experienced in 2020. Restructuring the Group's outstanding bonds has been a huge strategic focus and I am pleased that we have reached an agreement with our bondholders and shareholders to move forward with a new, more manageable capital structure.

We are continuing our efforts to close out the remaining completion steps so that the Company's next evolutionary chapter can be realised. Our future strategic initiatives include profitably filling our world class 4.2 bcma gas processing facilities. I'll talk more about the restructuring and this strategic effort later in my note.

Operationally, the Group performed well despite difficult circumstances and successfully delivered over US$86.6m in positive cash flow in the year, leaving us with US$165.2m in unrestricted cash in the bank at the end of 2021. We benefited from a high hydrocarbon price backdrop across all our products and have been meticulous in cost optimisation, creating operating leverage which allowed us to enjoy the upward swing in prices and this served the Group well in offsetting the natural production decline exhibited from our mature Chinarevskoye field.

Environmental, Social and Corporate Governance was a focus area in 2021 and we intend to progress our efforts on this in 2022. We're absolutely committed to continuous improvement in reducing the environmental impact from operations and ensuring transparency in our reporting – on point, I am pleased that our reporting is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Please refer to pages 51 – 59 for our responses. We will continue to invest in efforts to ensure an ever cleaner environment in all the areas in which we operate as we are a business designed for the future in the face of a changing climate.

In 2022, we look forward to streamline our capital structure and work alongside all key stakeholders as we pivot towards renewed growth.

Strategic pillars

Our strategic pillars remained the same during 2021: **Delivering**, **Optimising** and **Maximising**.

- **Bond restructuring:** the restructuring is progressing very well and we are aiming to close out all remaining milestones over the next few months. The process has taken longer than all would have liked, but 2021 has seen all stakeholders pull together and come to a mutually beneficial agreement. **Delivering** on this, post completion, we'll have a leaner balance sheet with a more manageable debt structure, allowing us to re-build equity value through pursuit of the strategic initiatives outlined below. Please refer to pages 26 – 27 for a summary of the restructuring process to date.

- **GTU capacity utilisation:** filling the spare capacity of our 4.2 bcma gas processing facility remains a top priority. We've engaged with several regional raw gas producers and stakeholders to discuss our capabilities and have invited them to visit our world class facilities in the field. We strongly believe that our processing capabilities will prove a key contributor to the energy security and needs of Kazakhstan and will continue to push this partnership agenda during 2022. **Delivering** on this strategy of **Maximising** capacity utilisation at our gas processing facility will not only be value accretive for Nostrum and its shareholders but will also generate benefits for Kazakhstan in increased tax payments and enhanced local employment opportunities.
- **Optimisation of capital and resources:** cost control was a key focus in 2021 and, to continue this theme, we've set management KPIs in 2022 to reduce operating costs and general & administrative expenses. Diligent liquidity management in 2021 enabled us to more than double our unrestricted cash reserves to US$165.2m by the year end. The 2021 workover and well intervention programs helped enhance production as well as reserves in our latest reserve audit. We have retained a workover rig to continue this targeted reservoir management and are hopeful we will continue to offset some of the natural reservoir decline.

Sustainability

I am proud of our ongoing commitment to ESG and other socially responsible goals.

The safety of our people and assets remains our number one priority. No employee was severely injured in operations throughout 2021 and we intend to continue the safeguarding of employees in 2022. In light of the ongoing global COVID-19 pandemic, we maintained our strict testing regimes for all employees working at the field and in the offices. As a Company, we constantly monitor the global, national, and regional situation and make workplace changes as necessary to ensure the safety of our staff. We have also considered the possible impact on the Group of US, UK, EU and other sanctions on Russian infrastructure, state and other businesses, banks and individuals following the recent Russia-Ukraine conflict. At the date of this report, whilst current sanctions may disrupt transactions with certain customers and suppliers, any impact on the Group has been minimal as the current sales routes for the Group remained unaffected. We will continue to evaluate the potential effects and mitigating actions, such as identification of alternative sales routes, as the conflict and corresponding international reactions to it evolve.

I'm pleased to announce the Company is reporting its first year under the recommendations of the TCFD. The Company is supportive of improved transparency in corporate reporting relating to climate-related risks and opportunities, and the TCFD exercise has made us conscious of the wider risks and opportunities facing us in the future. We reaffirmed a 'C' rating for our Climate Change response of the Carbon Disclosure Project ('CDP') and submitted our very first Water Security module response. We aim to build on both ratings over time by engaging with CDP to ascertain areas for business improvement. I believe there is room for improvement in our reporting and transparency, but I also believe our efforts in 2021 demonstrate our committed adherence to evolving regulatory requirements and our openness to stakeholders.

Finally, as we move forward, our aim is to align our strategy with Kazakhstan's wider gasification strategy. Not only will this allow us to play an integral role in the energy security of Kazakhstan, but we will also transition away from high emitting hydrocarbon products thereby reducing our overall carbon intensity.

Board and Management

Our Chief Executive Officer, Arfan Khan, was appointed on 26 January 2021 and he brought with him a wealth of operational and management experience across exploration and production. 2021 marked his first full year in the job and I am pleased how quickly he has settled in; bringing great energy and ideas to the Board. In addition, Martin Cocker stepped down from his interim role as Chief Financial Officer, with Shane Drader joining as his replacement on 30 August 2021. Martin continues on the Board and I would like to thank him for his efforts in supporting management during the intervening period. We are confident both Arfan and Shane will navigate the remaining milestones of the restructuring and propel the Company towards growth.

I'd also like to thank my fellow Board members for their continued support and guidance in what has been a difficult few years for the Company. We'll continue to work hard to ensure the restructuring is closed and Nostrum is left in a fantastic position from which to realise its strategic ambitions.

Our Team

Nostrum has always valued its people – we firmly believe our employees are our most valuable asset. I'm immensely grateful to all our staff for their commitment, dedication, and flexibility in these very challenging times. We will continue to strive to have a lean and highly skilled team who are committed to safely and smartly driving value for our investors, our host government and each other.

Key objectives for 2022

Moving forward, we remain committed to keeping our people and the environment safe, maximising output from the Chinarevskoye field, delivering on the completion of the capital restructuring, and improving utilisation of our gas processing facilities. We will focus on what is in our control to deliver on the operational and financial targets we have set. We are confident that the restructuring reset to our balance sheet will unlock our path to value growth. We look to build on our ESG ratings and transparency initiatives, learning from feedback and peer reviews. Finally, costs discipline will be a mindset we adopt and continue into the foreseeable future as we look to deliver cash from Chinarevskoye and beyond.

I would like to thank our investors, our host governments and our staff for the support you have provided us over the course of this difficult and challenging year.

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.

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 (please refer to page 15 where we discuss the impact of Russian sanctions resulting from the Russia-Ukraine conflict on our business).

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. Kazakhstan is a landlocked country that relies on its neighbours for access to markets.
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.
Celebrating our 25th year in 2022 and have excellent employer/employee relationships.	Social tension associated with being an emerging market economy and a fledgling democracy.
Strong relationships with local and National Government, as well as with the community through a number of local initiatives.	US, UK, EU and other sanctions on Russian infrastructure, businesses, banks and individuals following the recent Russia-Ukraine conflict may disrupt transactions with certain customers and suppliers.

Key macroeconomic and microeconomic trends

Oil prices

Oil prices trended upwards through 2021 led largely by the global rollout of COVID-19 vaccines and the subsequent easing of restrictions and re-opening of global economies. The recovery in oil prices has been largely demand led. The resumption of air travel and general economic activity has provided some confidence in the future demand for oil. Prices rose over $20/bbl in the year, closing around $75/bbl by the year end. Prices have continued to tick upwards into 2022, and has seen large volatility on the back of the Russia-Ukraine conflict. Prices reached in excess of $130/bbl. OPEC+ countries unanimously agreed in 2021 to relax production output cuts introduced in 2020. Whilst global supply has increased in 2021, this has done little to restrict the growth in prices led by positive demand-side factors.

What it means for us

The rise in oil prices has led to increased free cash flow generation for the Company. The completion of the debt restructuring 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 2021 we had cash reserves in excess of US$165.2m (31 December 2020: US$78.6m) excluding US$22.7m placed into a secured cash account under the terms of the Forbearance Agreement with the informal ad-hoc noteholder group.

Kazakh economy

The Kazakh economy is bouncing back from its pandemic-driven decline in 2020. GDP has expanded 3.5% in 2021, boosted by household consumption, the easing of COVID-19 restrictions, and supportive fiscal measures. Higher than average inflation across day-to-day items such as food stuffs and fuel has led to demands for wage adjustments. This, coupled with the release of pent-up demand caused by COVID-19 restrictions, raised inflation to 8.4%. The Kazakhstan Tenge (KZT) depreciated by 3% in 2021 ending the year at 431.67 KZT per US$.

What it means for us

Whilst the economy of Kazakhstan has been 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.

Cost pressures on our supply chain and staff base will impact our profitability. As a Company we will continue to be pragmatic in our negotiations with employees and suppliers with respect to wage and general cost inflation, to ensure we maintain our margins.

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.

Russia-Ukraine conflict

The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding.

What it means for us

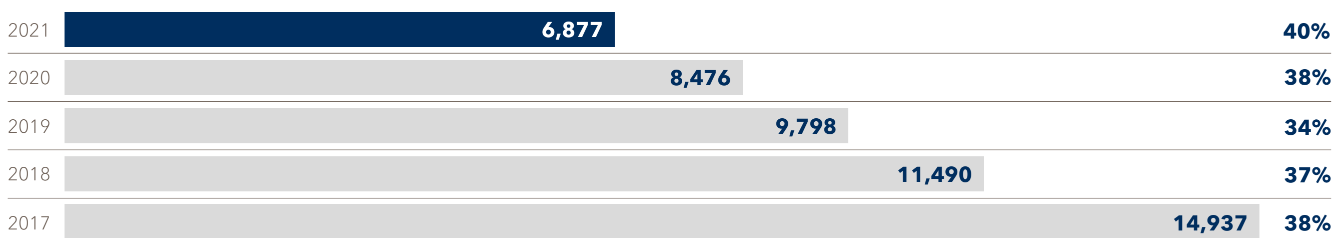
Vast distances between Central Asian markets, long-established trading relationships and in-place infrastructure promote co-dependency between FSU exporters. Kazakhstan naturally benefits from its geo-strategic position between Russia and China. Nostrum is situated at the heart of the export corridor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

Given our geographical position, we are very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions been imposed on it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends c.40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Company contracts with a limited number of Russian service companies. We will need to be cognisant of the current and evolving sanctions list to ensure we are conducting business in compliance with these sanctions and, if we foresee that we will not be, we will need to set up the necessary alternatives to be compliant whilst continuing to conduct our ordinary course of business.

Our products

	Crude oil	Stabilised condensate
Quality	• Density – 0.828g/cm^3 • API – 39.3 degrees • Average sulphur – 0.55%	• Density – 0.740g/cm^3 • API – 59.6 degrees • Average sulphur – <0.06%
Sales	• PSA requires at least 15% to be sold domestically with remaining 85% exported • In 2021, 23.5% was sold domestically and the remaining volumes exported in accordance with the PSA, which is in line with the past few years and expectations (i.e. up to 25% of crude oil could be supplied to the domestic market)	• 100% exported • Destinations are the Russian port of Kaliningrad and the Dutch port of Rotterdam
Pricing	• Urals-based pricing for pipeline exports • Domestic sales at over 60% discount • Prices negotiated directly with the purchaser	• Brent-based pricing, negotiated directly with the purchaser
Transportation	• During 2021, 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 (please refer to page 15 where we discuss the impact of Russian sanctions resulting from the Russia-Ukraine conflict on our business)	• 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 abroad

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



Reserves

The Chinarevskoye field (Chinarevskoye) is the only 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 2021. 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.

Group Management provided an estimate of the Chinarevskoye Proven, Probable and Possible reserves as of 31 December 2021, which were audited by independent engineers Ryder Scott (RS) and under the guidelines set forth in the 2018 Petroleum Resources Management System (SPE-PRMS). The audit covered volumes of reserves, production and discounted future net income estimated by Management.

Production and future net income were derived from a drilling and well intervention programme to extract the estimated Proven, Probable and Possible reserves at a long-term oil price of US$65 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.

LPG	Dry gas
• Field-grade quality • No olefins and low sulphur content	
• 100% exported • Destinations include the Russian Black Sea ports, Ukraine and Tajikistan	• 100% sold to KazTransGas
• International Mediterranean LPG price Sonatrach for Black Sea deliveries • Argus quotations for specified destinations (Ukraine, Tajikistan, Kyrgyzstan, Belorussia and Poland)	• Price formula agreed until the end of 2024
• 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	• 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** (%)

2021	2,065	12%
2020	2,795	13%
2019	3,569	13%
2018	3,865	12%
2017	4,615	12%

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

2021	8,090	48%
2020	11,065	50%
2019	15,173	51%
2018	15,900	51%
2017	19,647	50%

Total 2P (Proven plus Probable) reserves are 34.3 mmboe as of 31 December 2021, this represents a reserves replacement ratio of 25% after adjusting for production of 6.2 mmboe in 2021. Our ability to replace reserves in the year is due to better-than-expected production from the Tournaisian and Biyski-Afoninski North-East reservoirs, as well as production associated from the 2021 workover and rigless intervention campaign. The Proven and Probable reserves volume requires 17 CAPEX interventions of which five are rigless, with an additional seven OPEX well interventions for production maintenance (2020: 39.0 mmboe requiring 15 CAPEX interventions).

Reserves continued

Management's estimates of reserves of 31st December 2021 and a comparison with the reserves of 31st December 2020 are summarised in Table 1.

Table 1 – Nostrum Reserves, mmboe

	2021	2020	Change
Total PDP	24.8	27.7	-2.9
Total PUD/PDNP	1.4	1.2	0.2
Total 1P	**26.2**	**28.9**	**-2.7**
Total Probable	8.1	10.1	-1.9
Total 2P	**34.3**	**39.0**	**-4.6**
Possible	9.7	n/a	n/a
Total 3P	**44.0**	**n/a**	**n/a**

Note: Barrel of oil equivalent (boe) totals are management estimates using a conversion factor of 5.327 mcf/boe.

The Total 1P (Proven) reserves for Chinarevskoye stood at 26.2 mmboe, 9.3% or 2.7 mmboe down year-on-year due to 6.2 mmboe of production in 2021 which was partially offset by a positive revision in the main Tournaisian North-East oil reservoir and Biyski-Afoninski North-East reservoirs as well as production associated from the 2021 workover and rigless intervention campaign. 1P reserves volumes are comprised of 24.8 mmboe for Proven, Developed Producing (PDP) from 44 current wells and 1.4 mmboe for the Proven, Undeveloped (PUD) category. It should also be noted that there has been some increase in volumes in undeveloped reservoirs associated with additional interventions and improved economics associated with higher realised hydrocarbon prices compared to the previous year.

The current 2P case drilling assumptions include the side-tracking of four existing wells, the deepening of one well, and drilling one well in the Mullinski and Bashkirian reservoirs respectively along with five workover recompletions and five rigless interventions. The Company has suspended all drilling on the field since 2020 and has since executed a targeted well workover and rigless well intervention programme to offset some of the field production decline. In 2022, Nostrum plans to continue this workover and well intervention programme by targeting seven wells at an estimated cost of US$7.1m (US$7.7m in 2021). This programme, together with the 44 existing producers, cover the estimated 2P reserves as at 31 December 2021.

In addition to Proven and Probable categories, the Company has for the first time in more than 10 years, evaluated its Possible reserves and these were included in the annual reserves audit at 9.7 mmboe resulting in a total 3P (Proven plus Probable plus Possible) reserves of 44.0 mmboe.

Table 2 shows the breakdown of each reserves category by products.

Table 2 – Nostrum Reserves, by product and by reserves category

Fluid	Unit	Proven Producing (PDP)	Proven Non-Producing & Undeveloped (PDNP & PUD)	Total Proven (1P)	Probable (P2)	Total Proven plus Probable (2P)	Possible (P3)	Total Proven, Probable and Possible (3P)
Oil/condensate	barrels	9,879,068	978,334	10,857,402	3,710,908	14,568,310	5,292,213	19,860,523
Plant products (LPG)	barrels	3,013,320	111,398	3,124,718	840,674	3,965,392	920,862	4,886,254
Gas (after shrink)	mmcf	63,445	1,626	65,071	19,014	84,085	18,381	102,466
Gas (after shrink)	boe	11,911,178	305,331	12,216,509	3,569,758	15,786,267	3,450,806	19,237,073
Total	**boe**	**24,803,566**	**1,395,063**	**26,198,629**	**8,121,340**	**34,319,969**	**9,663,881**	**43,983,850**

Reserves by reservoir

The breakdown by reservoir is given in Table 3. A summary and comparison of the workover and drilling programme by reservoir is given in Table 4.

Table 3[1] – Comparison of reserves by reservoir 2021 versus 2020

	31 December 2021				31 December 2020				Change			
Reservoir	Proven, mmboe	Probable, mmboe	Possible, mmboe	Total 3P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	Total 2P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	Total 2P, mmboe
Biyski/Afoninski NE	11.5	1.9	1.1	14.5	13.8	2.1	n/a	15.9	-2.3	-0.2	n/a	-2.4
Tournaisian NE – oil	8.9	1.9	1.6	12.4	8.7	2.2	n/a	10.9	0.2	-0.3	n/a	-0.1
Tournaisian NE – WI	0.0	1.2	0.0	1.2	0.0	1.1	n/a	1.1	0.0	0.1	n/a	0.1
Tournaisian South	0.7	0.3	0.9	1.8	0.9	0.2	n/a	1.1	-0.1	0.0	n/a	-0.1
Tournaisian West	0.3	0.0	0.2	0.5	0.1	0.0	n/a	0.1	0.2	0.0	n/a	0.2
Ardatovski NE	2.5	1.8	0.3	4.6	2.8	2.0	n/a	4.8	-0.3	-0.1	n/a	-0.5
Ardatovski S	0.3	0.0	0.0	0.4	0.2	0.0	n/a	0.2	0.1	0.0	n/a	0.2
Frasnian N	0.4	0.4	2.8	3.5	1.3	0.7	n/a	2.0	-0.9	-0.3	n/a	-1.3
Mullinski South	0.0	0.0	0.7	0.7	0.0	0.0	n/a	0.0	0.0	0.0	n/a	0.0
Mullinski North	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a	0.0
Mullinski NE	0.7	0.1	1.1	1.8	0.3	0.1	n/a	0.4	0.3	0.0	n/a	0.3
Bashkirian NE & W	0.5	0.3	0.1	0.9	0.7	0.1	n/a	0.8	-0.2	0.2	n/a	0.0
Filippovski	0.3	0.2	0.9	1.4	0.1	1.6	n/a	1.7	0.1	-1.3	n/a	-1.2
Bobrikovski South	0.1	0.0	0.0	0.1	n/a	n/a	n/a	n/a	0.1	0.0	n/a	0.1
Total	**26.2**	**8.1**	**9.7**	**44.0**	**28.9**	**10.1**	**n/a**	**39.0**	**-2.7**	**-1.9**	**n/a**	**-4.6**

1. Some differences due to rounding

Biyski-Afoninski North-East

2P reserves are estimated at 13.4 mmboe, down by 2.5 mmboe compared to 2020 year end (15.9 mmboe) which includes 3.3 mmboe of production in 2021. This represents a slight positive increase due to higher condensate volumes observed which resulted in some of the former Probable reserves being upgraded to the Proven category in the 2021 Reserves Report. Gas production in 2021 was in line with expectations.

Gas Lift was successfully introduced on three wells in 2020-2021 to maintain production levels with increasing water cut and this is planned to be expanded across five further wells in 2022-2024 mainly through low cost rigless interventions and using the planned expanded Gas Lift system due for commissioning later in 2022.

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

No new drilling is planned in this area. The 2019 Schlumberger study concluded that the potential of further infill drilling is limited, which corresponds with management's opinion.

Tournaisian North-East, West and South

The Tournaisian North-East has a total 2P of 12 mmboe, representing a 0.1 mmboe decline year-on year, despite 1.8 mmboe production in 2021. Production decline was offset by a positive revision based on performance of existing wells and two workovers with two rigless interventions (additional perforations).

Proven Undeveloped volumes are associated with one deepening and one sidetrack well in 2023 whilst Probable Undeveloped Reserves are associated with one sidetrack producer, one waterflood sidetrack and two workover recompletions for the extension of the water-flood all in the period 2022-2024.

Possible Undeveloped volumes are associated with two planned workover recompletions in 2022 in the Tournaisian North-East and Tournaisian West, respectively.

In the Tournaisian South, there are limited PDP volumes associated with the three remaining producers and Possible reserves associated with one new well currently planned for 2026.

Reserves continued

Ardatovski North-East and South
Proven Producing volumes are associated with three current producers. One Probable side-track well is planned for the Ardatovski North-East reservoir in 2025. No further reserves development is planned for the Ardatovski South reservoir, beyond the current producer.

Frasnian North
During 2021 a re-mapping of the seismic, assessment of the in-place volumes and analysis of well performance resulted in a revised distribution of reserves and resources and associated development plan with a total of three Possible Undeveloped side-tracks planned for 2024-2025.

Proven Producing, Probable Producing and Possible Producing reserves are attributed to the existing well and in light of studies confirming that this well is in a compartment and not accessing the total Frasnian oil in place volume, forecasts have been downgraded compared to last year.

Mullinski North-East, North and South
Proven Developed Producing reserves remain for two wells in the North-East and North respectively. Proven Undeveloped volumes are attributed to one new well in the North-East block which is now estimated to be economic based on higher current and expected hydrocarbon pricing and planned for drilling in 2024.

Two Possible Undeveloped category well locations have been identified in the North-East block and are side-tracks of existing wells, while one new Possible well is planned for drilling in the Mullinski South. All three wells are planned for 2025-2026.

Bashkirian North-East & West
PDP reserves remain for two wells produced via Electric Submersible Pumps (ESPs). One Probable new vertical well is proposed in the Bashkirian North-East which was formerly in resources but upgraded due to improved realised oil price.

Filippovski
Five low-cost workover recompletions (one Probable and four Possible) have been identified for the Filippovski reservoir. These are planned, subject to further technical and economic evaluation, to be carried out in 2022-2023. The previous report assumed a total of eight Filippovski wells in the Probable category, however, due to an unsuccessful Workover recompletion in 2021 the majority of these wells have been re-categorised either as Possible Undeveloped or as contingent resources which has resulted in a reduction of the 2P total by 1.1 mmboe.

Bobrikovski South
PUD volumes are assigned to one well to be worked over in 2022. There were no undeveloped reserves considered in this reservoir in the previous years' audit due to poorer economics associated with lower hydrocarbon pricing.

Table 4 – Summary of the 31 December 2021 well programme supporting the reserves estimates compared to the previous year (excluding rigless interventions)

	31 December 2021					31 December 2020				
Reservoir	**Proven wells**	**Probable wells**	**Possible wells**	**Appraisal**	**Total**	**Proven wells**	**Probable wells**	**Possible Wells**	**Appraisal**	**Total**
Biyski/Afoninski NE	1	–	–	–	1	–	–	n/a	–	–
Tournaisian NE – oil	2	1	1	–	4	3	–	n/a	–	3
Tournaisian NE – WI	–	3	–	–	3	–	2	n/a	–	2
Tournaisian South	–	–	1	–	1	–	–	n/a	–	–
Tournaisian West	–	–	1	–	1	–	–	n/a	–	–
Mullinski South	–	–	1	–	1	–	–	n/a	–	–
Mullinski North	–	–	–	–	0	–	–	n/a	–	–
Mullinski NE	1	–	2	–	3	–	–	n/a	–	–
Bashkirian NE & W	–	1	–	–	1	–	–	n/a	–	–
Ardatovski NE	–	1	–	–	1	–	1	n/a	–	1
Ardatovski S	–	–	–	–	0	1	–	n/a	–	1
Frasnian N	–	–	3	–	3	–	–	n/a	–	–
Filippovski	–	1	4	–	5	–	8	n/a	–	8
Bobrikovski South	1	–	–	–	1	–	–	n/a	–	–
Appraisal				5	5	–	–	n/a	6	6
Total	**5**	**7**	**13**	**5**	**30**	**4**	**11**	**n/a**	**6**	**21**

2021 development

Production in 2021 was 17,032 boepd, which represents a 24% decline compared to 2020, and materially in line with plan (greater than 98% of plan achieved in 2020 and 2021).

No drilling took place in 2021 as Nostrum decided to halt drilling in an effort to manage financial liquidity and to focus instead on lowering costs and lowering the investment risk by focussing on activities such as production maintenance, workovers and rigless recompletions.

The rig workover campaign in 2021 consisted of nine interventions on a range of horizons for oil and gas-condensate wells. Rigless recompletions, additional perforations and acid stimulations were also carried out on a number of oil, gas-condensate and water-injection wells.

At this time, Nostrum does not plan to resume drilling during 2022. However, in 2022, there are plans to continue the work over and well intervention programme with one workover rig and associated equipment for low-cost rigless recompletions that will contribute to the development of remaining reserves and appraisal of some horizons.

As noted in the Reserves section, extraction of the 2P volumes will require further interventions. More workover activities are planned in the period from 2022 to 2024 with drilling operations starting again in Chinarevskoye from 2023. However, execution of the programme to recover the 2P reserves is dependent on Nostrum successfully refinancing its liabilities and maintaining sufficient liquidity to fund such a programme. There is no guarantee that Nostrum will be able to achieve this, and that could have a material impact on Nostrum's ability to develop the remaining Proven and Probable Reserves at Chinarevskoye.

Planned shut-downs for regular maintenance were performed in the last three quarters of 2021 in compliance with RoK regulations. The work included inter alia inspection and maintenance of compressors, vessels and incinerators and inspection and calibration of instruments. The turnaround was faster than planned resulting in lower production deferment and cost savings in excess of US$700,000.

No significant material losses were attributable to weather and/or electricity supply issues during the year, mainly due to upgrades of the overhead lines infrastructure in 2020. COVID-19 had no discernible impact on production in 2021 either, despite changes to work schedules and strict compliance with special practices entering the Field, creating a safe operating bubble. Office staff where possible were allowed to work remotely.

As at 31 December 2021, the Company had 44 production (26 oil and 18 gas condensate) wells in operation in the Chinarevskoye field.

Infrastructure

Demonstrating the value of our infrastructure

Over the last 16 years we have built a world-class infrastructure processing hub that is currently underutilised but that can support the production and sale of billions of cubic meters of gas in north-western Kazakhstan for years to come.

The core strategy for Nostrum to create value for its stakeholders is to commercialise the investment made in its infrastructure, the focus being on filling 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 to be delivered by Ural Oil & Gas LLP ("Ural OG") from the Rozhkovskoye field, which is situated less than 20km from the Chinarevskoye field. Ural OG will fund the connection of existing wells at the Rozhkovskoye field to Nostrum's licence area after which Nostrum will process all of the hydrocarbons coming into the field. To tie the production into our facility, Nostrum plans to spend US$4.1m in 2022 out of a total spend of US$4.6m with an expected completion date in October 2023. Ural OG is a company owned by KazMunaiGas (KMG) (50%), Sinopec (27.5%) and MOL Group (MOL) (22.5%).

In July 2021, Zhaikmunai and Ural OG have agreed to extend the deadline under the agreements for Ural OG's first delivery of gas and liquid gas-condensate hydrocarbons to Zhaikmunai by approximately six months, from 9 April 2023 to 31 October 2023. The extension was requested by Ural OG as a result of circumstances relating to the COVID-19 pandemic.

Zhaikmunai and Ural OG have also agreed to co-operate in order to achieve first deliveries as foreseen in the original agreements and in any case by the amended deadline set out therein.

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. In 2021, 1.297 mmboe of condensate and 1.270 mmboe of oil was transferred through the pipeline. Up to 560km^3 recycled lift-gas per day was compressed and made available to enhance oil production.

Raw Gas Treatment Facility

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 with a by-product of granulated sulphur. The gas treatment facility includes three gas treatment units (GTU1,2 & 3) which have the capacity to treat 4.2 billion cubic metres of raw gas per annum.

Gas Lift System

A Gas Lift system (GL) has been installed to enhance well production; current installed capacity is 23,000 standard cubic metres per hour with a plan to further increase to 38,000 standard cubic metres per hour in Q4 2022 as future demand is expected to increase as the Chinarevskoye field matures.

Low-Pressure System

A low-pressure system (LPS) has been installed to facilitate the reduction of the GTF inlet pressure from 42 to 10 bar, so as to prolong the run-life of wells, primarily gas-condensate. Installed capacity of gas compression is 48,000 standard cubic metres per hour in total with 19 wells flowing through the LPS as of the end of 2021.

Power generation plant

The gas-fired power generation plant is linked to the GTF and has an output of 26 megawatts electrical power. The generation capacity of the plant is sufficient to meet the existing and maximum need in the future if the plant is run at its maximum capacity. Backup generation capacity of up to 15 megawatts is available at the processing facilities.

Storage facilities

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

Gas pipeline

Nostrum has its own 17km dry gas pipeline which is linked to the Orenburg-Novopskov gas pipeline. The pipeline has sufficient capacity to export the entire GTF maximum production capacity dry gas volumes.

Liquids pipeline

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

Rail Loading Terminal

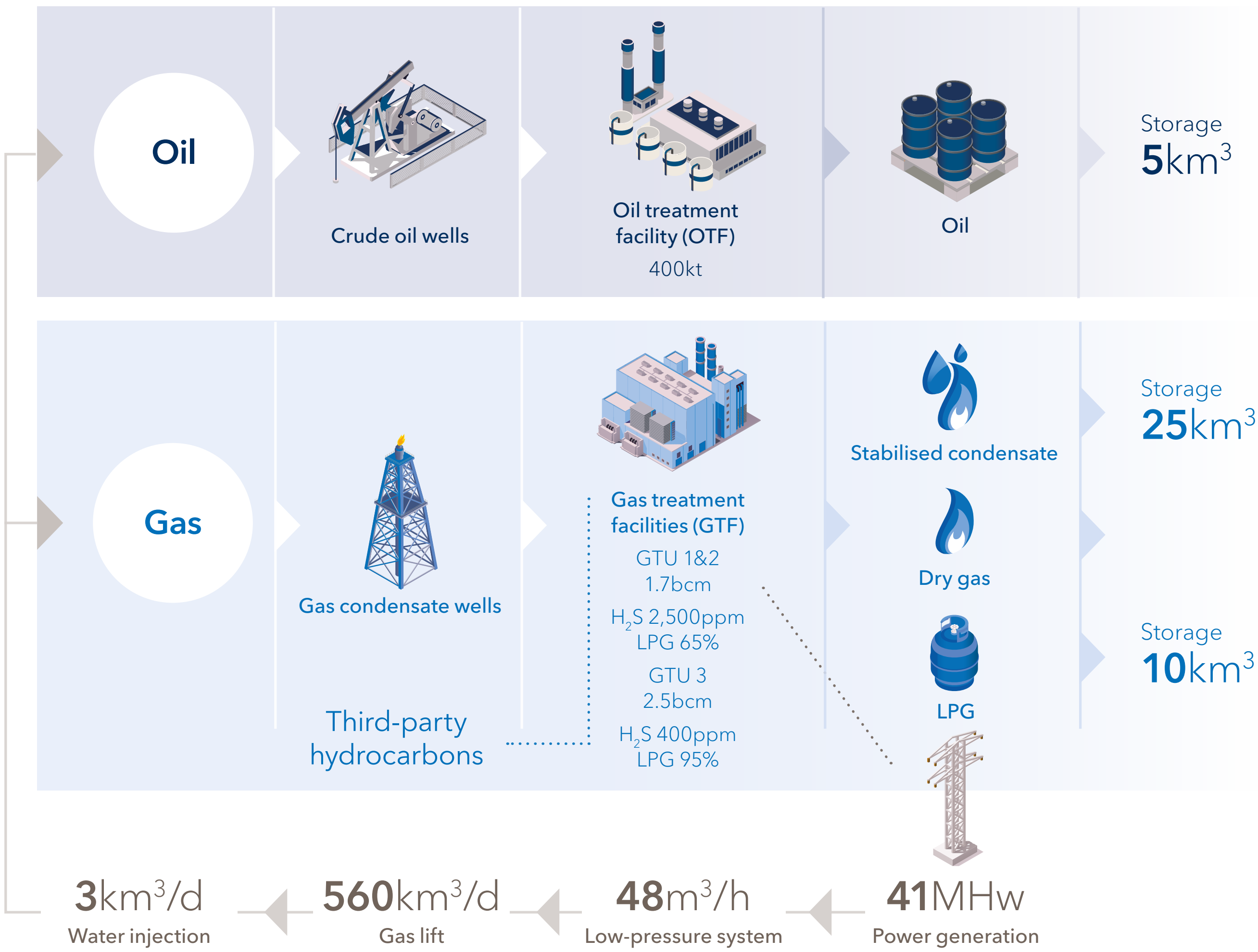
Nostrum has its own automated rail loading terminal at Beles, located near the city of Uralsk, that receives all produced crude oil and condensate and has a capacity of approximately four million tonnes of liquid hydrocarbons per annum.

KTO pipeline connection

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

Additional third-party volumes

Nostrum is focused on entering into additional agreements which can fill all the remaining capacity at its GTF. Nostrum is working with counterparties to secure long-term streams of raw gas from which it can generate significant revenues.



Tight financial discipline and responsible, safe operations

Financial KPIs

Whilst Nostrum has successfully built infrastructure and produced over 100 mmboe from the Chinarevskoye field, it has incurred substantial debts of over US$1bn and has faced declining production from its producing field. This has subsequently led the Group to embark on a restructuring of its debt and to reinforce its tight financial discipline to maintain liquidity and safeguard our core business.

CASH AT THE YEAR END (US$M)

US$**165.2**m

2021	165.2
2020	78.6
2019	93.9
2018	121.8
2017	127.0

OPERATING COSTS PER BOE (US$ PER BOE)

US$/boe**5.13**

2021	5.13
2020	3.91
2019	3.98
2018	4.37
2017	3.93

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

US$/boe**1.92**

2021	1.92
2020	1.72
2019	1.86
2018	1.78
2017	2.17

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

US$/boe**3.84**

2021	3.84
2020	3.57
2019	4.25
2018	4.64
2017	4.82

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. In 2021, Nostrum ESG KPIs were:

- Reduce GHG emissions to below 200,000 tonnes CO_2 equivalent and implement GHG action plan.
- Assessment by the Health, Safety, Environment and Communities Committee of achievement of the HSE Plan for 2021.

SALES VOLUMES (BOEPD)

15,330boepd

2021	15,330
2020	21,514
2019	26,671
2018	29,516
2017	37,844

HAZARD OBSERVATION CARDS (UNITS)

1,278units

2021	1,278
2020	665
2019	216
2018	0[1]
2017	0[1]

ROAD TRAFFIC INCIDENT FREQUENCY (INCIDENTS[2])

1.46

2021	1.46
2020	0.72
2019	0.72
2018	0.80
2017	1.86

LOST TIME INJURY FREQUENCY (INCIDENTS[3])

0.81

2021	0.81
2020	0.84
2019	1.39
2018	1.05
2017	2.48

TOTAL GREENHOUSE GAS EMISSIONS (tCO_2e)

187tCO_2e

2021	187
2020	188
2019	223
2018	255
2017	255

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

Update on Bond restructuring

On 23 December 2021 the Group signed a lock-up agreement (the "Lock-up Agreement" or "LUA") and terms of a restructuring agreement with holders of its 8.0% Senior Notes due 2022 and 7.0% Senior Notes due 2025 (together, the "Existing Notes"). The Company's shareholders later voted in favour of the restructuring agreement (the "Restructuring Resolution") at a General Meeting on 29 April 2022; paving the way for implementation of the restructuring by early Q3.

Background and engagement with stakeholders

Appointing advisors

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

Forbearance Agreements

The Company signed its First Forbearance Agreement ("First FBA") with the AHG on 23 October 2020 and a new Forbearance Agreement ("Second FBA") on 19 May 2021. The First and Second FBA were on substantially the same terms and prohibited the AHG from exercising certain rights and remedies under the Existing Note indentures. The FBAs were intended to provide the Group with a short-term solution to its liquidity issues and a platform to engage in discussions with the noteholders in relation to a potential restructuring. The Company has not made coupon payments due under the Existing Notes since March 2020 and this has helped free cash flow generation in 2021.

As part of the signing of the First and Second FBA, the Company agreed to pay consent fees to existing noteholders as well as agreeing to deposit a portion of the missed initial coupon payments into a Restricted Account. A total of $6,701,973 was paid in consent fees during the signing and various extensions of the First and Second FBA ($1,116,990 was paid in 2021). A total of US$22,658,980 has been deposited into the Restricted Account under the terms of the FBAs, with Nostrum having access to the funds under certain circumstances (i.e. liquidity falling below an agreed threshold).

Lock-up Agreement

On 23 December 2021, the Group entered into a Lock-up Agreement with the AHG and subsidiaries of ICU Holdings Limited ("ICU"), the Company's largest shareholder, collectively holding in excess of 54% of the Existing Notes. An accession period was made available until 14 January 2022 allowing other noteholders and shareholders to accede to the Lock-up Agreement. Following the accession period, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises 77.73% of the total aggregate principal amount of both series of Notes. A fee of 50bps is payable to each noteholder and shareholder who signed or acceded to the LUA – this accession fee will be paid upon closing of the restructuring.

The Company has also in parallel with the Lock-up Agreement extended the Second Forbearance Agreement with the AHG on substantially similar terms to the existing forbearance agreement. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date (23 August 2022).

The agreement of the LUA, and the percentage of noteholders that either signed or acceded to the LUA, enables the Group to launch the restructuring with a greater degree of certainty. The LUA commits signees to take steps necessary to support, facilitate, implement, consummate, or otherwise give effect to the restructuring. In addition, noteholders also commit to vote in favour of the scheme at the relevant creditor meeting further in the process. We describe the key terms agreed in the Lock-up Agreement in the section below.

Shareholder Circular and General Meeting Vote

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

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

The Circular is published on our website, and we refer readers to the document for further details on the Resolutions and scheme details.

Terms of the Restructuring

The LUA was signed on 23 December 2021 and shareholders voted in favour of the Restructuring Resolution at a General Meeting convened on 29 April 2022. The agreed, go forward terms which will proceed under a UK scheme of arrangement, are as follows:

1. Partial reinstatement of the Existing Notes in the form of new:

a) Senior Secured Notes ("SSNs")

- Principal amount of US$250,000,000;
- Cash coupon of 5.00% per annum;
- Interest accrues from 1 January 2022;
- Maturing on 30 June 2026; and
- SSNs are not convertible upon maturity.

b) Senior Unsecured Notes ("SSNs")

- Principal amount of US$300,000,000;
- Cash coupon of 1.00% per annum;
- Payment-in-kind interest of 13.00% per annum;
- Interest accrues from 1 January 2022;
- Maturing on 30 June 2026; and
- If not repaid in cash at maturity, the SUNs will be repayable in specie through the issuance of equity of the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Company (up to a maximum of 99.99% of the Company's fully diluted equity).

2. Conversion of the remainder of the Existing Notes and accrued interest into equity by way of a UK scheme of arrangement:

- Existing noteholders will own 88.89% of the expanded share capital of the Company on closing of the restructuring;
- Existing noteholders will also own warrants (to be held by trustee) allowing them to subscribe for an additional 1.11% of the share capital of the Company upon exercise – increasing noteholder ownership of the Company to 90.00%
- The existing shareholders will hold 11.11% upon closing of the restructuring
- The existing shareholders will be diluted to 10.00% if the warrants held by existing noteholders are exercised;

3. New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilisation of the Group's cashflows, including the proposal to transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

For material terms of the restructuring, we refer readers to the Regulatory News Service ("RNS") announcement issued on 23 December 2021 and the published restructuring Circular to shareholders which can be found on our website.

Next steps

The implementation of the restructuring is still subject to satisfaction of certain conditions precedent, negotiation and execution of all necessary implementation documentation and obtaining all required regulatory consents. The Company has made relevant applications for consents – the results of some of these have been obtained.

We continue to work with our advisors to close out the remaining milestones pursuant to closing the restructuring, which we currently expect to be Q3 2022.

Ready to move forward

> "The key ... is to complete the restructuring thereby unlocking Nostrum's future, delivering on maximising shareholder value ... without compromising safety."

In addition to 2021 being my first year as CEO of Nostrum, it proved to be another challenging year for the Group and certain of our local stakeholders. Our team made a collective effort to focus on our strategic pillars of Delivering, Optimising and Maximising and herein I will expand upon the progress made against these pillars.

I re-confirm my commitment to pivoting Nostrum to growth and continuing to be a reliable and trustworthy partner to the Republic of Kazakhstan ("ROK") in its ongoing evolution to secure cleaner and more reliable energy sources. Notwithstanding the global focus on reducing the use of fossil fuels, I believe that oil and gas will remain an integral part of the energy mix for some time to come, generating material wealth and social and economic advantages for our host country. The logical conclusion is that there is a need for oil and gas resources to be developed and produced in a responsible way minimising environmental impact while providing employment and multiple other benefits to the community in which we operate.

Our strategy

The key priority in meeting two of our strategic pillars of Delivering and Maximising is to utilise the spare capacity in our world-class 4.2 bcma gas processing plant by sourcing nearby third-party stranded or underrealised gas resources and/or acquiring additional nearby reserves. First gas from the neighboring Ural Oil & Gas project is expected to reach our facilities by Q4 2023 and this will be a significant milestone in our transition.

I have met on a regular basis with other potential partners and stakeholders to explore how we can further utilise our processing facilities to everyone's advantage. The positive message that filling up our plant with gas resources produced locally is certainly gaining traction. Our vision includes making additional investment potentially including the construction of a sour gas sweetening plant and these investments would contribute to the profitability of the Group and to the industrial development of our region and the ROK as a whole. The ROK has already announced its plans to increase the share of gas used for electricity generation from 20% to 25% by 2030 and to redirect gas exports to domestic processing and manufacturing facilities. The country is set to benefit from utilisation of the full capacity of our facilities as this directly correlates to Kazakhstan's effort to increase the gasification level.

We also continue to maximise output from our sole producing field, Chinarevskoye. Although on a declining production curve we endeavor to delay this decline through low-cost, high-impact workover and well intervention activities. In addition, we remain on the lookout for viable targets in the region for further development.

Our third priority pillar, Optimisation, is being met by managing costs while ensuring that we are sufficiently resourced to meet our strategies of maximising Chinarevskoye production and delivering on projects to fully utilise our gas processing facility.

HSE/Sustainability

The health and safety of our employees and host communities is always a key priority and COVID-19 remained a key focus for us at Nostrum during 2021. We were continually testing all employees between shift changes and are performing regular testing when they arrive on site. We encourage our employees and contractors to take the vaccine and its booster when offered. As at the end of 2021, 78% of Nostrum's employees were vaccinated, which is significantly greater than the 43% of eligible Kazakh citizens being vaccinated at the same date. So far, we've been successful in our mitigation efforts and continue to see no material impact from COVID-19 on our operations and more importantly no loss of life to any of our staff from this pandemic.

In January 2022 there was political and civil unrest in the ROK that culminated in significant loss of life, arrests and property damage and resulted in a state of emergency being declared and military units from surrounding former CIS countries being called in to assist the local security forces. During this period no Group employees were harmed and we experienced no disruptions to our operations in the field or at the head office.

Environment and climate change is of the upmost priority and I and the team are committed to constantly challenging ourselves and the organisation to reduce our impact on the environment.

The Company made its third consecutive annual CDP climate change submission in August 2021 and was graded a "C", which is in line with our peers, but lower than our ambition which we will address in 2022 and beyond.

We have also initiated several projects on our emission reduction journey including the installation of automatic emissions monitors, moving to a single train of operation at the gas processing facility and upgrading our water treatment process to ensure full capture of hydrocarbon vapors.

I intend to keep HSE at the top of my strategic and operational agenda and will ensure that each member of my senior management team and employees embraces this as well.

Our operations

Production of 17,032 boepd was 24% lower year-on-year but in line with our guidance for the second year in a row. The decline in production was flattened out to some extent in 2020 and 2021 because of the successful well intervention work-over campaign that helped mitigate the decline. The well interventions have been successful with rigless operations providing production uplifts at very little cost. These workovers and well intervention campaigns are not game changers, but rather they represent a very cost-effective means to enhance production and have a very rapid payback.

We continue to explore commercial and cost-effective targets in the field and may look to reintroduce a drilling rig on site if viable opportunities are identified, but no such activity has been included in the financial forecast for 2022.

Our financial stability and restructuring

As a result of the robust commodity prices, combined with our cost discipline and liquidity management, our cash balance at the year-end doubled from 2020 to $165.2m. This does not include an additional $22.7m cash held in a restricted account under the terms of our Forbearance Agreement.

At the end of the year we were able to agree the terms of the proposed restructuring with the majority of the holders of our outstanding Notes who entered into a Lock-up Agreement on the basis of those terms.

This was then followed up by 99.99% of voting shareholders voting in favour of those same restructuring terms. The restructuring has been a long and arduous process and, with the signing of the agreement, we are now on target to complete the restructuring in 2022. This is key to unlocking our ability to move forward with execution of our strategy and to rebuild shareholder value in Nostrum.

Conclusion

After my first full year as the CEO, I can say with certainty that Nostrum has a substantial opportunity set, with committed and talented people, and a promising future. I believe the road ahead is an exciting and potentially rewarding one.

The key task ahead is to complete the restructuring thereby unlocking Nostrum's future, delivering on maximising shareholder value, of course without compromising safety, from an optimised cost and resource base. I am certain that you will witness over the course of 2022 how committed we are to those goals and that the decisive actions we have already taken are only our first steps towards ensuring ever stronger foundations for an attractive and profitable future.

I would like to thank all our stakeholders for your support during 2021 and I look forward to working with you to drive success in 2022.

Arfan Khan
Chief Executive Officer

A strategy for the future

The Company's strategy remains intact for 2022 as it was for 2021 and Nostrum adheres to the three strategic pillars set out for 2021: **Delivering**, **Optimising**, **Maximising**.

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	2022 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 adherence to "Golden Rules". • Develop methane emissions management policy and a policy on energy use and resource efficiency.
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 our recently agreed sustainable restructuring terms with our noteholders and key shareholder that leaves sufficient headroom for raising further capital for our growth projects.	• Complete the restructuring process. • Continue to challenge costs whilst pivoting towards growth and transitioning into a multi-asset energy company. • Evaluate all sales routes for sustainability and profitability.
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 rig and rigless activities as well as other technologies to minimise existing production decline. • Continue studies to identify viable opportunities for future drilling planning.

KPIs	Risks	Forecasts, objectives and prospects for 2022-2024
• Conclude commercial processing contracts. • Total recordable injury frequency. • Lost time injury frequency. • Road traffic incidents. • Greenhouse gas emissions. • HSE Stop Cards. • Focus on improvements across ESG and ultimate upgrade in rating.	• 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.
• Manage Opex and reduce G&A. • Balance sales mix and maximise netbacks.	• 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. • Deliver gaslift expansion project.	• 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 page 24 – 25

See Risk Management section on page 60

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 79 – 125

Read more about delivering our responsible business practices on pages 34 – 50.

Key stakeholders

Workforce

The Group had a workforce of 559 full-time employees at 31 December 2021, the majority based in Kazakhstan and of whom 91% were Kazakhstan nationals.

Investors

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

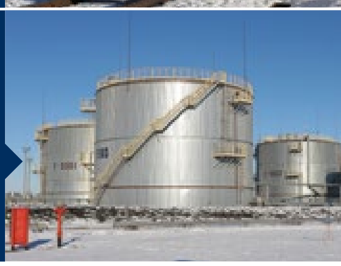
Local communities

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.	• Increased interactions between management and the workforce including cooperation meetings and town hall events. • Annual wage indexation to help alleviate effects of inflation including moving indexation from April 1st to January 1st in 2022. • Successful management of operations through the Covid pandemic. • Functioning hot line.
• 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.	• Signed the Lock Up Agreement in December 2021. Shareholders voted in favour of the terms in April 2022. On track to complete the restructuring in 2022. • Regular update and disclosure around results including conference calls and press releases as and when required. • 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.	Throughout 2021, the Company actively interacted with the local community. During the year sponsorship and charitable assistance was provided to various public associations and local communities. The Company supported the following: • Partial financing of the repair of secondary schools in settlements near to the infrastructure of Zhaikmunai. • Financing of socially significant events on the territories of the Company's activities. • Sponsoring the participation of talented children in Republican sports competitions. • Purchase of school supplies for children from low-income families (Republican charity event "Road to School"). • Purchase of New Year gifts for children from low-income families. • Support for the local hospital by purchasing wheelchairs. • Assistance in providing residential mobile wagons to the Border Service of the Republic of Kazakhstan. • Assistance to local community representatives in the organisation of environmental studies of the areas surrounding Chinarevskoye field.
• Our suppliers must meet high safety, legal and ethical standards. • We recognise our role as a leading contributor to the local and national economy, therefore we continue to engage local suppliers to meet our operating needs.	• Where commercially attractive, contracts were extended ensuring continuation of relationships and building further on raising HSE and operating standards. • In some cases contract scopes were split to maintain relationships with the service providers, in particular new construction.
• 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. • Increasing engagements to bring the reality of Nostrum's current situation to light as it moves through restructuring and on the path to growth that will benefit all stakeholders.

Ensuring that sustainability is embedded in all we do

Sustainability is integral to our business and underpins everything we do. Nostrum is in close communication with our key stakeholder groups including host governments and communities, shareholders, bondholders and our employees on sustainability initiatives.

We work together to ensure that first and foremost we provide a safe work place for our employees while operating in a sustainable and ethical manner for the benefit of the community, our stakeholders and the environment.

Our approach to sustainability

Sustainability has been a primary focus of Nostrum since inception, but has gained even more prominence with the evolution of stakeholder expectations. The framework that we deploy for sustainability is outlined below and is constantly evaluated taking into account our performance, ambitions and stakeholder interests. By focussing on Health and Safety, Our People, Social Responsibility and the Environment, we are able to progress our sustainability agenda. Within each focus area we establish actionable activities and projects which are monitored by all levels of management and the board. This approach and some of the results are described below and in the remainder of this report.

Sustainability focus areas

Focus area	Material issues	Relevant UN Sustainable Development Goals	More information
Health and safety	• Health and safety • Responsible production	3 GOOD HEALTH AND WELL-BEING	Read more on pages 35 – 39.
Our people	• Promoting diversity and equality • Training and development	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 3 GOOD HEALTH AND WELL-BEING	Read more on pages 40 – 42.
Social responsibility	• Tax contribution • Community engagement • Local content and responsible procurement	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Read more on pages 43 – 44.
Environment	• GHG emissions • Water management • Energy efficiency	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 6 CLEAN WATER AND SANITATION	Read more on pages 45 – 50, including TCFD report on pages 51 – 59.

Health and safety

Providing a safe work environment for our employees and contractors is mission critical for Nostrum. Our QHSE training and procedures are rigorous and of an international standard. We take no shortcuts in our approach to safety and strive to continuously improve awareness and execution in this regard.

Safety Culture

The Group implements safety practices to maintain a positive safety culture. We recognise that our operations cannot be successful without an appropriate level of safety culture. The continuous improvement of the safety culture involves all personnel of Nostrum and contractors at all levels to improve safety performance including risk identification and awareness.

We have established four pillars in our approach: HSE leadership; rigorous incident investigation; process safety/asset integrity and contractor HSE management. In addition to the pillars, we have implemented "Golden Rules", provide extensive training on safety practices and apply a comprehensive Governance framework (please see TCFD Governance recommendations on pages 52 – 53).

In order to effectively manage the "Golden Rules", Nostrum applies rigorous consequence management which means that we take a risk based approach to guide people and leaders through the processes required when they witness or have reported to them inappropriate behaviour in the workplace. For serious violations of safety rules, staff or contractors risk immediate dismissal. For that purpose, consequence management is split into two categories. The more serious category which results in immediate dismissal is applied in case of alcohol/drug abuse. Less severe cases, such as safety belt violation, result initially in a warning followed by dismissal if a repeat violation is observed.

Golden Rules

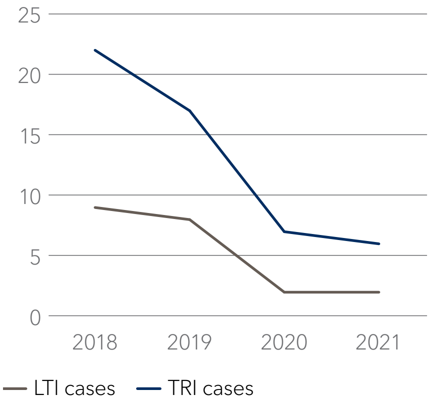
1. Seatbelts must always be worn by the driver and all passengers
2. Do not exceed the speed limit and reduce speed for impaired road conditions
3. Do not use phones or operate devices while operating a motor vehicle
4. Alcohol and drugs of any kind (excluding approved medicines) are forbidden
5. Where required work with a valid permit
6. Obtain authorisation before entering a confined space
7. Confirm that hazardous energy sources have been isolated, enclosed and tagged
8. Obtain authorisation before overriding or disabling safety controls
9. Never walk under a suspended load
10. Protect yourself against a fall when working at heights

Incidence rates and investigation

In 2021, as was the case in 2020, there were two lost time injuries (LTIs), however Nostrum did achieve a significant milestone by working one full year since its last Lost Time incident (which occurred in April 2020). The Group registered four road traffic incidents in 2021 versus three in 2020. For all incidents we follow our incident investigation procedure based on the "five whys" methodology to determine the root causes, and apply SMART principles to mitigate future risks.

The Group's activities are potentially hazardous. Nostrum's management, employees and contractors are trained to understand that no accidents are inevitable as we strive to culture an environment where safety consciousness and mitigating actions are such that zero incidents are possible and achievable.

LOST TIME INJURY INCIDENTS (LTIS) AND TOTAL RECORDABLE INCIDENTS (TRIS)



The number of LTIs and total recordable incidents (TRIs) were:

	2018	2019	2020	2021
LTI cases Nostrum	1	0	1	1
LTI cases Contractors	8	8	1	1
TRI cases Nostrum	3	4	4	2
TRI cases Contractors	19	13	3	4
Total	**31**	**25**	**9**	**8**

The LTIR for 2021 was 0.81 incidents per million man-hours, against a target of 1.3. The TRI rate for 2021 was 2.4 incidents per million man-hours, 37% lower than in 2020.

For the third consecutive year the Group and its contractors had zero fatalities across its operations, significantly better than what our regional peers' experience.

Health and safety continued

Contractors

Since contractors represented 60% of the total hours worked at Nostrum facilities in 2021, effective contractor selection, communication and training in our safety culture and practices as well as strong monitoring are essential to maintain the high level of safety embraced by Nostrum.

In 2021 we continued with our contractor HSE management implementation. We ensured that matters identified in 2020 were closed out and learning incorporated throughout operations including at our contractors. Although COVID-19 limited the number of audits that we could conduct in 2021, we managed to perform four external contractor HSE management audits and two internal management system audits to test compliance with our HSE management system. In 2021 we also implemented formal bi-annual HSE performance meetings with six of our key contractors. In these meetings our senior operations management discussed with senior contractor representatives HSE issues and stressed the importance of good Health, Safety, Environment and Communities management.

In 2021 two new major local contractors (KazGeotech for Coil Tubing operations and Kaspiy for Electric Wire Line operations) were introduced into our operations along with our New Contractor HSE Management System, which included two assessments of each contractor performed during the year. Review audits and bi-annual HSE performance meetings with our key contractors will continue to be conducted in 2022.

Nostrum seeks to promote safe behaviour among its contractors and has established a wide range of methods to ensure that operations at facilities are carried out in full compliance with local legislation and Nostrum rules and regulations. In addition to the measures already discussed Nostrum continues to use the hazard observation cards initiative introduced in 2019 (described more fully on pages 36 – 37).

In our operations there are several stages to ensure contractor compliance with HSE spanning from pre-contract award to contract close-out with significant roles for the contract owner, contract holder, contracts and procurement and HSE staff. This process is more fully described below:

Pre-Award

Stage 1 – Vendor Qualification

To be a qualified bidder, vendors must meet our Qualification standards, which includes five fundamental HSE criteria. This process is meant to help us select those vendors that both adhere to and support our basic HSE culture.

Stage 2 – Scope of Work preparation by contract holders

Our procurement group has developed a standard checklist which is used by contract holders in compiling specifications for scope of work/services. This checklist includes HSE issues identified by contract holders as mandatory and which must be complied with by the selected contractor. The depth of these questions depends on the complexity and risk profile of the services to be provided with more comprehensive questioning of potential contractors that would be engaged in safety critical operations or where the HSE risk is considered high. HSE risk ratings (ranging from high to low) are assigned to all services to be tendered. The contracts and procurement department ensures all these requirements are properly addressed in the Invitation to Tender (ITT) Package.

Stage 3 – Tender

Our standard ITT Package includes:

- Tender Evaluation Questionnaire, with appropriate HSE related questions depending on the HSE risk rating;
- Standard Model Contract with HSE Schedule. Tenderers must confirm in writing their acceptance of the terms of this Schedule when submitting their Tender Proposal, otherwise they are automatically disqualified;

Stage 4 – Contract execution

The selected contractor signs the contract which incorporates a HSE Schedule as an integral part.

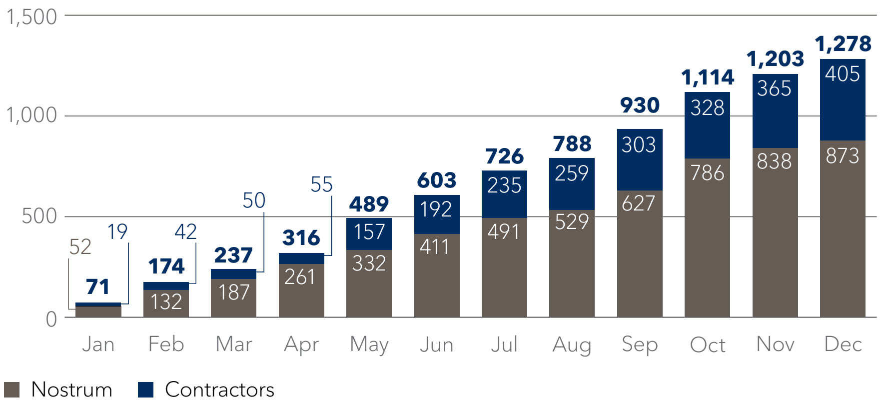
Post-Award

Stage 5 – Contract Performance

The contract holder, with support of HSE representatives, is responsible for the management of HSE performance of the Contractor.

All new contractors start their engagement with Nostrum with kick-off meetings organised by the contract supervisor and supported by HSE representatives at which Nostrum's expectations are explained in detail. Further topics of discussions are clear identification of KPIs related to HSE, introduction of HSE responsible staff from both sides, and induction into our procedures and regulations.

HAZARD OBSERVATION CARDS BY NOSTRUM AND ITS CONTRACTORS (CUMULATIVE)

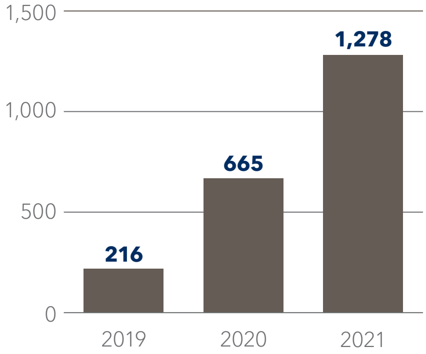


Hazard Observation Cards

From 2019 the Company has engaged in the filling out of Hazard Observation Cards in line with our established Golden Rules. All employees and contractors are encouraged to report any unsafe conditions observed in the workplace. This helps to ensure that our employees and contractors are always mindful of safe working conditions and continuously improve the safety of our operations.

In 2021 we focussed on ensuring that our staff and contractors were engaging with and supporting the filling out of Hazard Observation Cards. For the year, the goals included to have 500 cards submitted by our staff, of which greater than 50% would be created by different individuals, and 100 cards to be received from the four largest contractors by contract value.

HAZARD OBSERVATION CARDS IN 2019 – 2021 (UNITS)



In 2021, Nostrum and the four main contractors' personnel raised 1,278 hazard observation cards.

In-house HSE training and examination process

In 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. In 2021, a special facility dedicated for training was built at Camp-3.

HSE communication and awareness

In addition to the 2021 initiatives outlined above, Nostrum also introduced the following communication and awareness initiatives:

- Daily safety awareness pop-up windows on each individual computer screen at first log-in each day.
- HSE posters published at all locations.
- Issuance of monthly QHSE reports to communicate HSE performance.

In 2022, additional spot checks and audits will be introduced to ensure compliance, especially with respect to transportation. This initiative was tested in Q4 2021 and resulted in a dramatic improvement in compliance from the initial spot check to a follow-up check performed a couple of weeks later.

Process safety

In 2021, 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 Tier 2 safety incident is 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 safety critical or non-safety critical, is based on the impact that such equipment failure has on safety. Nostrum employs a specific safety critical equipment maintenance program whereby resources are allocated in order of priority with the critical systems taking precedence.

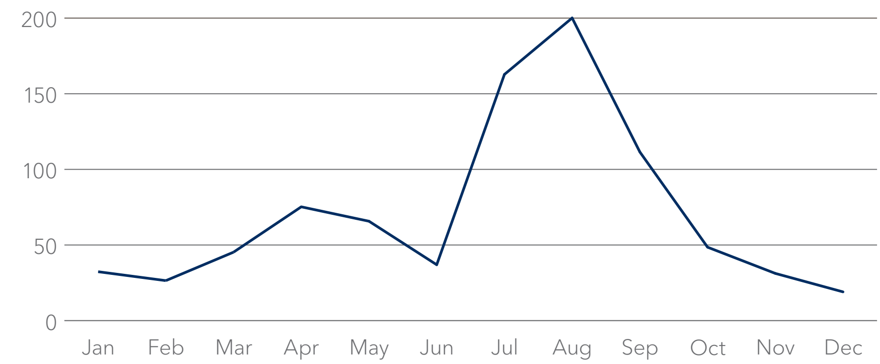
Our response to COVID-19

A significant amount of effort was spent during 2020-2021 on reducing the risk of COVID-19 infection and to comply with governmental notices. All employees were provided with masks, gloves and antiseptic and 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.

The situation with respect to COVID in Kazakhstan was quite severe with cases elevating in Q2 and the summer months, after which the number of cases dropped significantly from October onwards.

The vaccination campaign in the country kicked-off slowly at the beginning of the year, however it has ramped-up steadily throughout the year. In accordance with our own COVID measures as well as all Kazakhstan guidelines, we implemented stringent precautionary measures to ensure the safety of our employees and contractors and the community at large. Within Nostrum the vaccination of our staff started in April 2021 and reached above 78% of employees fully vaccinated by the end of 2021, which was considerably higher than the national fully vaccinated rate of approximately 43%.

COVID-19 CASES IN KAZAKHSTAN IN 2021 ('000)



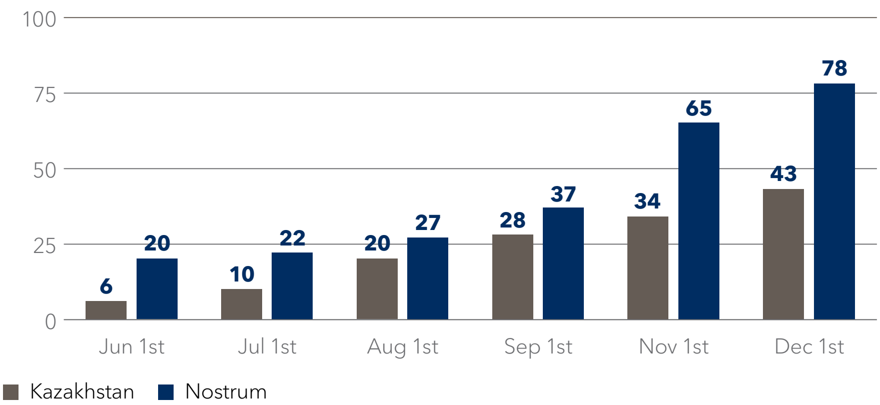
Health and safety continued

All field personnel, both employees and contractor staff, were required to test negative before being allowed to return to their shift at the field. Regular temperature checks were conducted whilst they remained at the production facilities. At various times during the year, and in full compliance with the regional and national directives, employees were again restricted from being present in the office in Uralsk. Our London office, which adopted remote working practices in March 2020, remained this way throughout 2021.

For 2022, our primary focus will remain to safeguard our employees and contractors and reduce the risk of contagion from and distribution of the virus in addition to complying with governmental legislation.

Non-essential events were postponed. Other activities, such as contractor audits, were significantly curtailed. As of the date of this report, no production has been lost and, more importantly, no employee has died due to COVID-19, which unfortunately was not the case for many of our peers.

VACCINATION FROM COVID-19 PROGRESS IN 2021
(%)



Progress against 2021 initiatives and 2022 targets and initiatives

COVID-19-related activities necessarily required an immense amount of our HSE resources. However, focus was not lost on the other initiatives that were planned for 2021. The below table summarises the achievements from 2021 and lays out our 2022 targets for HSE and other focus areas:

Focus area	2021 initiatives	What we achieved in 2021	2022 targets and initiatives
Health & Safety	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.	LTIR data for 2021 was 0.81, compared to an LTIR of 0.84 for 2020. This single LTI occurred in Kazakhstan and involved a male employee. We did not meet the target on Road traffic incidents and the actual RTI rate was 1.46. TRIR was 2.4 in 2021 (compared to a TRIR of 3.8 in 2020). All of Nostrum's total recordable injuries occurred in Kazakhstan. The gender of those involved was not recorded. Our contractors' LTIR and TRIR were not recorded.	TRIR of no more than 2.0 per million-man hours worked, Lost time incident frequency of no more than 1.0 per million working hours, 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.	In total 1,278 Hazard Observation cards were issued by Nostrum and its contractors in 2021. 355 cards were issued by our four major contractors. However, only 35% of Nostrum staff issued cards with the shortfall versus target being at least due partly to the remote working that characterised much of 2021.	At least 1,000 Hazard Observation Cards to be issued of which at least 500 should be issued by more than 60% of Nostrum employees and at least 500 cards by the four largest Nostrum contractors by contract value.

Focus area	2021 initiatives	What we achieved in 2021	2022 targets and initiatives
Health & Safety	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.	Completed.	Report back on 2021 Golden rules compliance & consequence management to HSEC committee meetings.
	Establish contract HSE management plan for all new services contracts with a value in excess of US$100,000 per annum.	Kick-off HSE meetings with the new contractors and HSE management system audits with existing Nostrum contractors have been held with involvement of contract holders.	Continued adherence to the developed Contract Management procedures. Two Contract HSE performance meetings for major contractors (2 per year for each scope). Contract Holder to present outcome when requested in internal HSE meetings. Set up Contract HSE management plan for all new services contracts with 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.	Completed in Q2 as part of shutdown and finalised in Q3 after all vessels not requiring shutdown were inspected.	Plan has been established for 2022 and will be implemented.
Environment	Maximum of 200,000 tonnes of CO_2 emissions.	Target has been achieved with actual CO_2 emissions of around 187,479 tonnes.	Reduce GHG emissions by 5% of the 2021 actual CO_2 equivalent level. Develop methane emissions management policy and a policy on energy use and resource efficiency.
	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.	Based on new RoK regulation installation is required at one unit (GTS 26mW). Tendering process completed and successful bidder selected in Q4 2021, with the installation by Q3 2022.	Documentation/installation of air pollutant and GHG emission sensors as per RoK directive (completion in 2022). Develop surveillance program for 26 MW gas turbine, develop 2022 planned compressor maintenance system and track effect on emissions against targets.
	Participate in CDP questionnaire for climate change and aim for "C" level evaluation score.	Nostrum obtained "C" score for the climate change module and participated for the first time in the water security module.	Participate in CDP questionnaire for (1) Climate Change and (2) water security module and aim for at least one "C" level and one "B" level evaluation score.
Diversity	Increase female representation in the workforce from the current 23% at Group level.	Female representation is 23% at Group level. We increased our female recruitment ratio from 7% to 13%. We also reduced the pay discrepancies between male and female employees.	Further increase female representation at the senior management and at the department head level. Encourage female job promotions in case of equal competences and capacities. Conduct a formal evaluation of any existing gender pay gap discrepancies and develop a mitigation plan.

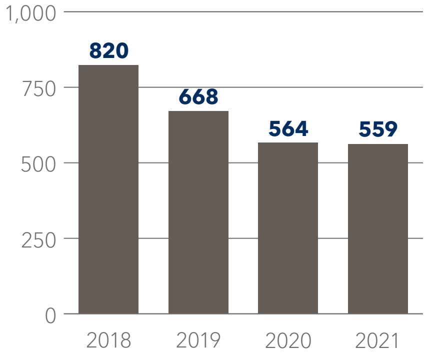
Our people

Fostering equality and cultural diversity is a top challenge and opportunity the world is facing in these times. Businesses play a significant role by focusing on good principles and acting as positive role models. Improving equality and diversity within our Group is not only the correct thing to do, we believe that it enhances the qualities that make companies better and stronger as there are synergies created.

To that end, Nostrum is proud to provide a home to a diverse and inclusive workforce. With respect to anti-discrimination measures, 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.

Our people really are the most important element of our success. We need a motivated, engaged, and diverse workforce to deliver our purpose and strategy. Engaging in people with different assessments and perceptions leads to better decision-making, more innovation, and a deeper commitment in the workplace. It is for these reasons that we pay particular attention to the continuous improvement of diversity in our Company.

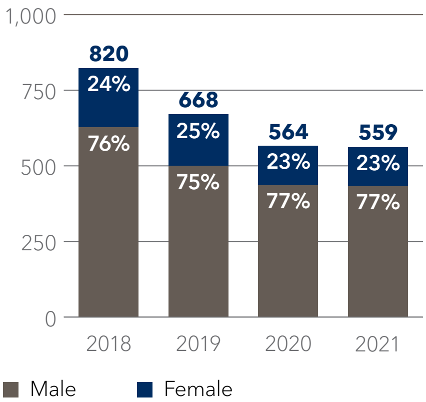
NUMBER OF EMPLOYEES
as at 31 December



Strength through 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 2021, 23% (2020: 23%) of Group employees based in Kazakhstan were female. In the UK, 25% of employees were female (2020: 20%).

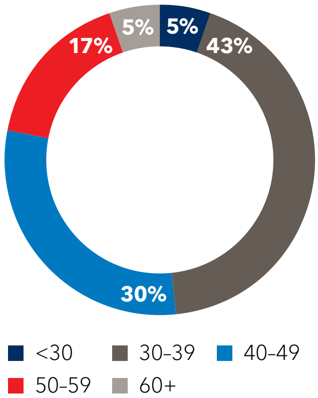
GENDER DIVERSITY
as at 31 December



Diversity of employees, 2021, by gender

	Male	Female
Senior Management	7	2
Department heads	23	8
Employees	401	118
Total	**431**	**128**

BREAKDOWN OF EMPLOYEES AND TOP MANAGEMENT BY AGE, 31 DECEMBER 2021 (%)



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 26% of employees at department head level are female (2020: 24%). Our Senior Management Team includes 22% of females (2020: 0%). In 2021, two women joined the Senior Management Team as opposed to the 2020 year end when no females were in the Senior management team. The Company also pays particular attention to diversity in terms of nationalities. Although there have been changes in the team, we have been able to maintain diversity by having six different nationalities within our team. The Senior Management Team includes three Kazakh nationals out of the nine members.

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. In this regard, in 2021, 12.90% of Group recruitment was female while in 2020 only 7% of Group recruitment was female.

There were no recorded discrimination incidents raised by any of the Group's employees in 2021.

In 2021, six employees took parental leave and three employees returned from parental leave, all female.

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 99% of Group employees engaged locally and 91% RoK nationals. At 31 December 2021, Nostrum had a total of 559 staff from 16 countries, broken down by gender as follows (data by age group was not recorded):

- Uralsk: 422 males, 124 females.
- Nur-Sultan: 1 female.
- London: 3 males, 1 female.
- Brussels: 4 males, 1 female.
- Amsterdam: 1 male.
- 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 2021 locally engaged employees had their salary in tenge increased by 7.5% in accordance with the Company's annual wage indexation policy.

In an effort to promote gender equality, we continued to monitor gender pay discrepancies. In 2021, the average employee salary in Kazakhstan was 7% higher for males and the median employee salary in Kazakhstan was 3% higher for males. In 2022 we will continue to address the issue of any gender pay discrepancy by having a calculation methodology determined and agreed with the Board in the first half of the year followed up by defined targets and activities to address any inequalities discovered.

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.

In 2021, 446 employees benefited from education and training programmes (2020: 537 employees). Our total Group training costs in 2021 were US$0.5 million (2020: US$0.9 million) and the total number of training days in 2021 was 5,026 days (2020: 7,214 days). The reduced training in 2021 relative to 2020 was due to reduced training budget in line with the PSA.

In 2021, Nostrum supported numerous educational programs, including gas processing and product quality improvement, intercasing pressure management, well completion and workover and other engineering and geology topics.

Training was undertaken by operational teams, department heads, specialist engineers and other technicians at different levels across the organisation.

HSE training (including fire safety) is carried out at least annually in accordance with our operating practices and as required by the PSA.

Hiring and staff turnover

In 2021, 36 employees were released or resigned, and their positions not filled (2020: 118 employees). This was the main cause of staff turnover. The number and percentage of new employees hired in 2021 was 31 or 5.5% (of which 4 were female and 27 were male).

Workforce representation

In 2018, the Company put collective agreements in place to provide for workforce representation. Sir Christopher Codrington was 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 and 2021, although a mechanism for feedback from the workforce has been maintained.

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 Group to notify its employees of significant changes relating to its activities.

Our people continued

Nostrum Code of Conduct

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

Human Rights Policy

Throughout 2021, the Company had a Human Rights Policy which reflects the desire to comply with industry best practice.

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 website in both Russian and English and can be downloaded from our website: www.nostrumoilandgas.com.

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.nostrumoilandgas.com.

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 two 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. More information on this matter is provided on page 89.

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.nostrumoilandgas.com.

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 2021, the Group was represented by 77% male and 23% female employees (2020: 77% male and 23% female employees). As mentioned above, in 2021, two women joined the Senior Management Team as opposed to 2020 year end when no females were in the Senior Management Team. We are targeting to further increase female representation at the senior management and at the department head level. We encourage female job promotions in case of equal competences and capacities. More rapid progress is hampered by the lack of qualified female candidates willing to work in the field, where most of our jobs are situated, or on a rotational shift basis.

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;
- Continuing to provide equal opportunities for men and women;
- Conclude gender pay gap analysis;
- Encourage work-life balance for female employees, including flexible work schedules in jobs and locations where they can be accommodated; personal leave days; maternity retention;
- Create and implement work-life policies that make the Company more accommodating for women; and
- Determine mentoring and coaching for female employees with potential for career development.

In our resolutions for 2022, the Company places particular emphasis on diversity and inclusion. It is a priority for us to lead this project both by working on the strategy that the management will adopt, making equity, diversity and inclusion the responsibility of all leaders and managers and committing our Senior Management Team to zero tolerance of harassment and bullying. We are also establishing key steps to take in communication throughout the organisation to ensure alignment amongst all our people. Each individual in the Company will be required to be aware of and sensitive to ensuring we continue to have an inclusive and diverse workplace.

Labour practices

There were two complaints filed against the Group for violation of labour practices in 2021. One case was settled amicably. The court found against the Group in the other case and the Group is appealing. The details of the complaints system existing in the Group are set out on pages 32 – 33 and 42.

Social responsibility

Firms that embrace social responsibility are organised in a manner that empowers them to be and act in a positive and socially responsible way. Nostrum is a proud community partner and strives to foster a culture of the highest social responsibility promoting environmental cleanliness, high ethical standards, philanthropy and economic civic responsibility. We are pleased that we were able to contribute towards these objectives to promote the wellbeing of local residents and the communities we operate in.

Philanthropy: 2021 key initiatives

Throughout 2021, the Company actively interacted with the local community. Sponsorship and charitable assistance was provided to various public associations and local communities, including:

- Partial financing of the repair of secondary schools in settlements near to the infrastructure of Zhaikmunai;
- Financing of socially significant events on the territories of the Company's activities;
- Sponsoring the participation of talented children in Republican sports competition;
- Purchase of school supplies for children from low-income families through the nationwide charity event "Road to School";
- Purchase of New Year gifts for children from low-income families;
- Support to the local hospital through purchasing wheelchairs;
- Assistance in providing residential mobile wagons to the Border Service of the Republic of Kazakhstan;
- Assistance to local community representatives in the organisation of environmental studies of areas surrounding the Chinarevskoye field.

In addition, 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.

Civil duty: 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 2021, a total of US$12.65 million was paid to governments by Nostrum and its subsidiary undertakings. We will report on 2022 payments to governments in the first half of 2023. For more details, please see the Governance page of our website.

Nostrum takes this civic responsibility seriously with the knowledge that paying the right amount of taxes is directly linked to local economic development and the ability of local government to support its residents.

Economic responsibility: Spend with local suppliers

We are committed to partnering with local companies and in 2021 we spent 64.3% (in 2020, 73%) of our supplier budget with Kazakh national suppliers.

Environmentally friendly: Liquidation fund contribution

Under the terms of the Chinarevskoye PSA, Nostrum must accumulate a cash reserve of liquidation funds by the end of the PSA totalling US$12.0 million to eliminate the consequences of our 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 Nostrum, the local community, and government. At the end of 2021, US$7.8 million was held on restricted cash accounts in respect of the liquidation fund deposits for Chinarevskoye (2020: US$7.7 million, which included liquidation fund deposits for Chinarevskoye and a deposit for the subsoil use agreement for Rostoshinskoye).

High ethical standards: Anti-Corruption and Bribery Policy

For more information on the Group's Anti-Corruption and Bribery Policy, please see pages 32 – 33 and 89.

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	Environment, pages 45 – 50
	Liquidation fund contribution	Communities and social review, pages 43 – 44
Employees	Group Code of Conduct and Human Rights	Our people, pages 40 – 42
	Whistleblowing policy	Health and safety, pages 35 – 39
	Health and Safety policy	Total Recordable Injury Frequency, page 35
Respect for human rights	Modern Slavery Statement	Our people, pages 40 – 42
	Equality and Diversity Policy	
Social matters	Sponsorship of community events	Communities and social review, pages 43 – 44
Anti-corruption and anti-bribery	Anti-corruption and bribery policy	Communities and social review, pages 43 – 44
	Anti-facilitation of tax evasion policy	Our Governance Framework, pages 86 – 89
	Payments to governments	
Description of principal risks and impact of business activity	Principal risks and uncertainties, pages 62 – 66	
	Performance review, pages 16 – 23	
Description of the business model	Business model, pages 10 – 11	
Non-financial key performance indicators	Key performance indicators, pages 24 – 25	
	Our strategic priorities, pages 30 – 31	

Environment

Nostrum recognises its impact on the environment and is committed to a transition that results in a cleaner energy mix. We are focused on being a responsible operator whose activities are structured and conducted in a manner that minimises any adverse impacts on the environments in which we work. We abide by RoK regulatory requirements which are modelled on international environmental protection standards and are actively working on GHG emission reduction initiatives. There were no fines or other sanctions against the Group as regards non-compliance with environmental requirements in 2021.

Climate change

The nature of our business as a producer contributes to GHG emissions and we recognise that we must work to responsibly minimise impact on the climate. Reducing emissions is a corporate goal of top importance.

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 2021 was to minimise the impact of our operations on climate change. This remains a key goal for Nostrum.

Most of our emissions are generated as a result of combustion of fuel gas within gas turbine units, boilers, process heaters and compressors. There are additional emissions resulting from flaring which happens when there is absolutely no other alternative. Our levels of emissions are decreasing year-on-year and can be viewed in the chart below. These are currently monitored on behalf of the Board by the Health, Safety, Environment and Communities Committee.

Current and future technological investment is necessary for Nostrum to continue to detect, monitor and prevent excessive GHG emissions. The Company has the following technology in place to proactively monitor, limit and reduce its GHG emissions:

- 397 methane detectors to monitor equipment maintenance and pressure valve replacement exercises;
- Mobile methane detectors in gas flowlines;
- Automated Reporting System (ARS) which integrates the above monitors and provides real-time information to Management;
- Vapour Recovery Systems (VRS) installed in oil and condensate tanks to inhibit hydrocarbon evaporation during storage and transfer;
- Hydrocarbon Recovery System (HCRS) installed in LPG loading terminal to prevent hydrocarbon 'bleeding' into the atmosphere;
- 26 MW power station generates electricity for use in the field and therefore limits use of diesel-powered heaters;
- Well stock has local skids that will automatically shut-in the well bore to prevent full blowdown of the surface lines and resultant GHG emitting;

The Company is also appraising and investing in the following technologies to assist in the reduction and detection of GHG emissions:

- Fuel gas flowmeters to allow quantification of CO_2 emissions;
- Upgrade of water treatment system to mitigate methane and other light hydrocarbon vapour being released;
- GHG emission quantification tools that give a holistic view of the entire hydrocarbon value chain as well as forecasting capabilities.

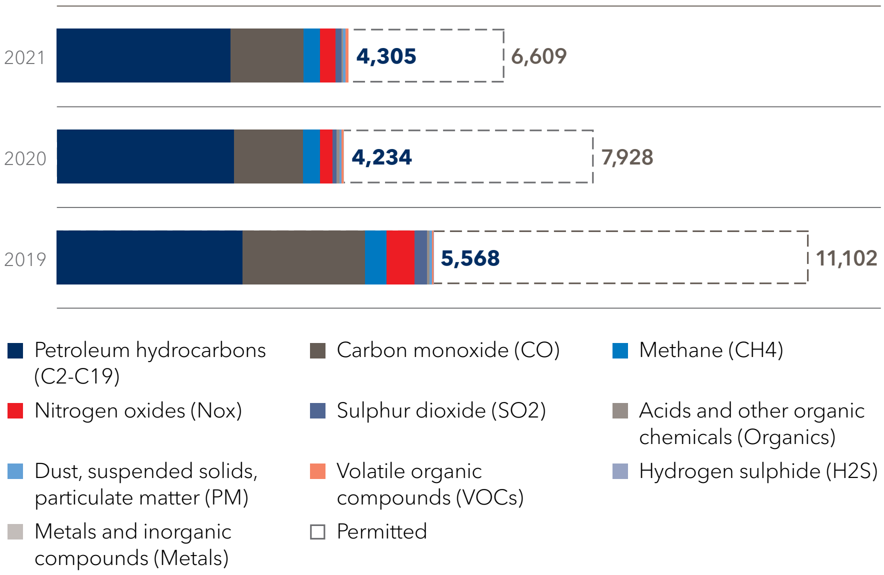
The technology for GHG detection and quantification is constantly evolving, however the Company continues to explore key technologies that will assist with the objective of GHG emissions reduction.

Nostrum structures its activities to ensure compliance with the emissions limits that are established in the Environmental Emissions Permit issued by Kazakhstan and apply internal stretch targets that are much more stringent than those approved by the authorities.

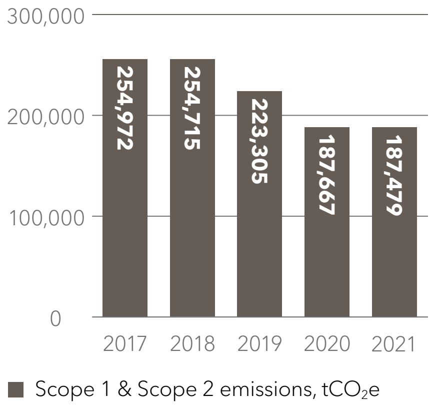
When applying for an Environmental Emissions Permit, draft norms of maximum permissible emissions are calculated and take into consideration the last 2-3 years of historical data.

Environment continued

AIR EMISSIONS ACTUAL/PERMITTED (TONNES)



GHG EMISSIONS FOR SCOPE 1 & SCOPE 2 (TCO_2E)



The Health, Safety, Environment and Communities Committee is responsible for ensuring that Nostrum complies fully with Listing Rule 14.3.27R and Listing Rule 9.8.6R(8) in this annual report. In addition, the Committee is also responsible for the governance, strategies, risk assessment, management systems and KPIs that have been established for climate change and GHG emissions.

GHG emissions reporting approach

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 Kazakhstan regulatory requirements with regard to GHG emissions and has been monitoring and reporting GHG emissions since 2011. In 2021, we participated for the third time in the CDP disclosure process demonstrating our commitment to improvement and transparency in this area.

In the first half of 2022, Nostrum will expand on its ARS by including approximately 700 "tags" in the process calculations, allowing real time readout of data directly related to process related GHG emissions. By the second quarter of 2022, data will be added on a daily basis to the non-processing related GHG emissions, reconciled and reported. In addition, Nostrum will install one external GHG emission measuring unit near the main gas turbine unit. This unit will be used to calibrate the ARS calculations.

As a dual-listed entity, Nostrum adheres to both UK and Kazakhstan reporting requirements. The Company's GHG reporting period is aligned with the period in respect of which the Directors' Report is prepared.

According to the 2021 Kazakhstan National GHG allocation Plan, 212,998 tonnes of CO_2 were allocated to Nostrum. Our actual CO_2 emissions in 2021 were 180,922 tonnes and our actual GHG emissions in CO_2 equivalent were 187,479 tonnes, which include three other gas types as provided in Table 1 on page 49.

A new national GHG allocation Plan for 2022-2025 is presently under approval by the RoK. More detailed information on GHG emissions in 2021 are presented on pages 48 – 50.

Future GHG reduction initiatives

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 emergency or technical flaring, and the implementation of a gas utilisation programme has led to a decrease in gas flaring. A small increase in gas flaring in 2021 relative to 2020 was due to the greater scope of planned maintenance in 2021 relative to 2020.

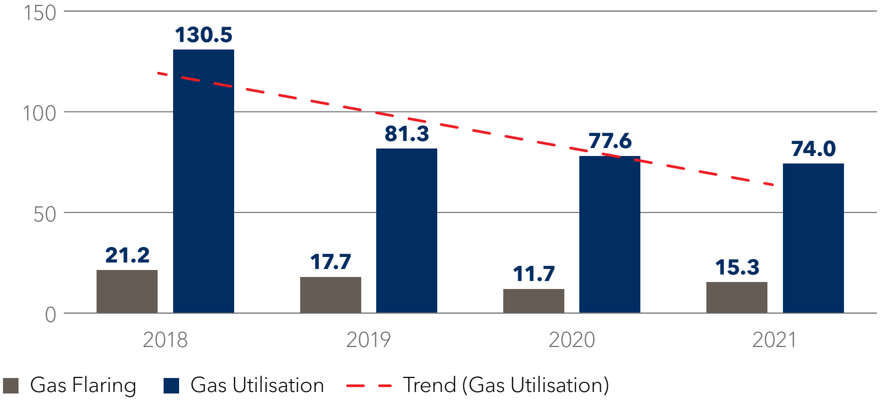
In recent years, the Company has implemented a number of projects which have had a continuous GHG reduction effect, such as:

- Well automation flaring prevention on three wells during processing – 1,983.61 tCO_2/year;
- Electric driven LPS compressor instead of fuel gas driven – 1,697.76 tCO_2/year;
- Waste Heat Recovery project at GTU-3 with an annual GHG reduction of 2,072 tonnes of CO_2.

In order to further reduce GHG emissions, the transportation of personnel working at production facilities is via buses rather than the use of personal vehicles.

In line with the RoK President's message about widespread greening of the country (planting of 2 billion trees in the forest fund and 5 million trees in villages) and to implement the Nostrum's 2021 Environmental Protection Plan approximately 230 trees were planted in October 2021 close to Nostrum's oil terminal near Beles village.

GAS UTILISATION AND FLARING IN 2018-2021
(MCM)



This green initiative will continue over the next few years near Beles. Nostrum is also considering various additional GHG reduction initiatives for 2022 and future years.

Climate disclosures

In 2021, 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. Nostrum made submissions under the Climate Change and for the first time ever under the Water Security modules of CDP in 2021.

Our Climate Change response was independently assessed and Nostrum received a "C" grade for the third consecutive year. This score evidences that 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 to maintain an open dialogue, both internally and externally, on this important issue.

An ambitious KPI target of "B" has been set for 2022 for the Climate Change module and Nostrum management will be reporting to the Committee on their actions and progress towards obtaining this improved grade.

The Group also made its inaugural Water Security CDP submission in 2021 and received a "no score" to indicate the Company has made an inaugural submission. Our first official scoring will be made in 2022, at which point we intend to engage with CDP to identify reporting improvements.

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 watertesting to ensure sanitary and epidemiological compliance with Kazakh legislation.

Waste management

Waste management includes the daily control of sites for temporary storage of production and consumption waste, accounting, transportation and transfer to a third-party contractor.

All generated waste is transferred under a contract to the following third-party specialised organisations:

- West Dala LLP
- Help Ecoil LLP
- TuranPromResurs LLP
- Trans-Ecology IE

In 2021, the volume of waste generated at the Company's facilities totalled 2,876 tonnes, consisting of 40 different types of industrial (used filters, cartridges, medical wastes, batteries, etc.) and domestic waste (plastic bottles, used paper), 93.8% of which was transferred for processing by the abovementioned contracted companies.

Drilling waste was processed in the Field by Help Ecoil. Soil and water survey results demonstrated compliance with all applicable environmental legislation.

Year	2019	2020	2021
Waste generated, tonnes	21,855	2,151	2,876
Transferred for processing, tonnes	15,059	1,496	2,699
Transferred for processing, %	68.9%	69.5%	93.8%

Water management

We operate in a region with scarce water resources and recognise that availability of fresh water is valuable. Therefore, it is a priority for us to efficiently manage water consumption and we endeavour to implement the most efficient water management methods in order to handle fresh water in a rational and sustainable way.

Nostrum's water injection requirements are up to 1,200 m^3 per day (average injection approximately 900 m^3 per day), of which 500-650 m^3 per day are injected from the formation water production. The deficit is compensated through production from water ground wells. None of these water wells competes with fresh water supply to nearby communities. Five out of seven injectors are currently in operation with one disposal well used as a backup. The current system has sufficient capacity and flexibility to handle forecasted water injection volumes. The Company has initiated a series of measures to improve formation water treatment and injection processes. These measures include focusing its resources on process improvement in the treatment of water used in upstream operations which will lead to combating corrosion, reducing oil contamination, reducing growth of sulfate, reducing bacteria and the formation of inorganic scale. A full review was initiated in 2021 on process effectiveness and chemical efficiencies and mitigating actions taken.

The deliverable of this review is to ensure compliance with Kazakhstan's environmental regulations and has the additional benefit of reducing water treatment costs.

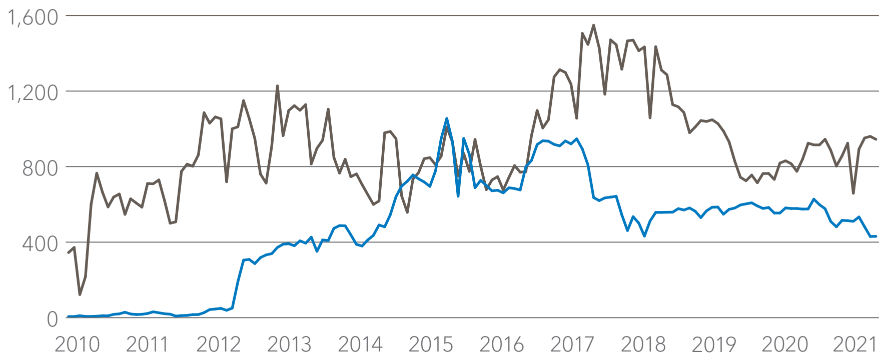
Environment continued

Currently, efforts are being undertaken to optimise existing water treatment and injection capacities (at no/minor additional cost) as part of Phase 1 and include:

- Assessment of water quality
- Modification of injection points of applied chemicals
- Introduction of a second water storage tank with a capacity of 1,000 m³ at the Oil Treatment Unit
- Work with vendors of oilfield chemicals to select less harmful chemicals for oil and water treatment. Lab tests are currently in progress to be followed by field trials in February-March 2022.

Based on the results of Phase 1, the Phase 2 scope will be defined.

FORMATION WATER PRODUCTION AND AVERAGE DAILY WATER PROFILE
(MCM)



Wastewater discharges

To prevent the negative impact of wastewater on the environment, we process wastewater using special artificial reservoirs such as evaporation ponds, filtration fields and a landfill for formation water and industrial wastewater.

We have the following artificial ponds:

- Evaporation ponds GTP-1,2,3 "conditionally clean" storm wastewater;
- Polygon for formation water and industrial wastewater disposal;
- Filtration fields, domestic wastewater after treatment at the liquid mud plant.

Disposal of Domestic and Sanitary Wastewater in 2019-2021

	2019		2020		2021	
Disposal indices	**Permitted**	**Actual**	**Permitted**	**Actual**	**Permitted**	**Actual**
Disposed Sanitary Wastewater, m³	85,775	48,830	85,775	25,090	85,775	26,188
Discharges to ponds evaporators, m³ GTU-1,2,3	16,074	16,074	84,810	21,398	84,810	22,338
Drilling wastewater and associated water, m³	46,132	14,603	45,900	1,740	45,900	4,573

For more detailed information, please visit our website at www.nostrumoilandgas.com.

Energy and resource efficiency policy and methane emissions management policy

We are developing our policies on energy use and improving efficiency and methane emissions management. These policies will be finalised and issued in 2022.

GHG emission results

The baseline in the GHG emissions allocation plan was set as the mean value of total emissions for the years 2017-2019 (in carbon dioxide emissions equivalent). According to the established limit, GHG emissions for 2021 should not exceed the baseline. Direct GHG emissions (Scope 1) sources are flares, heaters, incinerators, boilers, gas turbine plants, electric power stations and compressors.

Total direct GHG emissions (Scope 1) subdivided by gas types and by sources are summarised below 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 2021.

Table 1: Scope 1 GHG emissions subdivided by gas type (tCO2e)

	2015	2016	2017	2018	2019	2020	2021
Carbon dioxide	208,466	195,453	242,276	244,379	213,520	180,527	180,922
Methane	13,920	10,817	10,723	8,436	8,429	6,133	5,614
Nitrous oxide	126	1,046	1,305	1,304	1,034	917	903
Hydrofluorocarbons	34	345	28	37	24	28	28
Total	**222,546**	**207,350**	**254,332**	**254,156**	**223,008**	**187,598**	**187,467**

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. The equipment includes boilers, heaters, diesel stations, gas turbine units and 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 (tCO2e)

	2015	2016	2017	2018	2019	2020	2021
Stationary combustion	205,702	195,576	243,001	245,362	214,536	181,403	181,765
Mobile combustion	1,498	758	435	105	89	66	86
Fugitive sources	15,346	11,016	10,896	8,536	8,359	6,130	5,616
Total	**222,546**	**207,350**	**254,332**	**254,003**	**223,008**	**187,599**	**187,467**

Stationary combustion sources formed the majority of emitted GHGs.

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 (tCO2e)

	2015	2016	2017	2018	2019	2020	2021
Direct energy (Scope 1)	222,546	207,350	254,332	254,156	223,008	187,599	187,467
Indirect energy (Scope 2)	5,482	2,263	640	559	297	68	12
Total	**228,029**	**209,613**	**254,972**	**254,715**	**223,305**	**187,667**	**187,479**

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 – crude oil, stabilised condensate, LPG and dry gas – the chosen intensity ratio is expressed in metric tonnes of CO_2e ($mtCO_2$e) per tonne of oil equivalent (mmboe).

Table 4 shows intensity ratios for total (Scope 1 and Scope 2) emissions in the period 2015-2021.

Table 4: Emissions intensity ratios for total GHG emissions

	2015	2016	2017	2018	2019	2020	2021
Production, tonnes of oil equivalent (toe)	2,152,421	2,156,171	2,088,917	1,878,026	1,520,928	1,186,383	907,648
tCO_2/toe	0.106	0.097	0.122	0.136	0.1	0.2	0.2
Production, mmboe	14.7	14.8	14.3	12.9	10.0	8.1	6.2
tCO_2/mmboe	15,467	14,193	17,820	19,801	21,434	23,094.8	30,157

	2018	2019	2020	2021
Gross emissions of air pollutants into atmosphere	0.0037	0.0037	0.0035	0.0048

Environment continued

Table 5: Global GHG emissions and energy use data

	Current reporting year 2021		Comparison reporting year 2020	
	UK and offshore[1]	**Global (excluding UK and offshore)**	**UK and offshore[1]**	**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	187,467.0	No data collection	187,598.6
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) tCO_2e	No data collection	12.2	No data collection	68.0
Total gross Scope 1 + Scope 2 emissions tCO_2e	No data collection	187,479.3	No data collection	187,666.6
Energy consumption used to calculate Scope 1 emissions: kWh	No data collection	No data collection	No data collection	No data collection
Energy consumption used to calculate Scope 2 emissions: kWh	No data collection	No data collection	No data collection	No data collection
Total energy consumption used to calculate Scope 1 and Scope 2 emissions: kWh	No data collection	377,064,532.4	No data collection	377,270,641.4
Intensity ratio: tCO_2e (gross Scope 1 + 2)/ mmboe	No data collection	30,157.0	No data collection	23,094.8
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.
Principal measures taken for the purpose of increasing the Company's energy efficiency.	None	None	None	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.

1. In Belgium, the Netherlands and the UK, the Group rents serviced office space but the owner does not collect the data required to be reported.

Taskforce on Climate-related Financial Disclosure (TCFD)

This is the inaugural TCFD disclosure made by the Company, and we intend to build on the disclosures in future years as well as respond to evolving TCFD guidance. In this section, Nostrum reports on a 'comply or explain' basis against TCFD Recommendations and Recommended Disclosures for the year ended 31 December 2021.

Below, we provide our disclosures against each TCFD Recommendation and Recommended Disclosure – noting where the Company is in full or partial compliance or where further work is planned to be undertaken in 2022 so as to be fully compliant in next year's Annual Report & Accounts.

The Company believes the disclosures below are compliant with all TCFD Recommendations and Recommended Disclosures and therefore are compliant with Listing Rule 9.8.6R.

Governance

TCFD recommendation:

Disclose the organisation's governance around climate related risks and opportunities.

a) Describe the board's oversight of climate-related risks and opportunities, and

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Read more about our governance on pages 86 – 89.

The board and its associated committees, including the HSEC, Audit and Nomination and Governance Committees, where appropriate, have oversight of climate-related matters, which include climate risks and opportunities. Material issues and principal risks, including climate change indicators, are reviewed on a regular basis.

Nostrum has a Board-level HSEC Committee which meets at least quarterly. Emerging risks are flagged by the HSEC Committee to the Board or by the Board to the Committee/CEO for transmission to line management. Annual KPIs relating to climate change and emissions targets are approved by the Board and progress against those KPIs monitored. The Company has set for 2022 the following climate-related KPIs: improvement across ESG assessment score and reducing GHG emissions. Any significant capex or operating expenditure is assessed for its climate related impact.

The Chief Operating Officer and Chief Financial Officer have standing invitations to attend the HSEC Committee meetings.

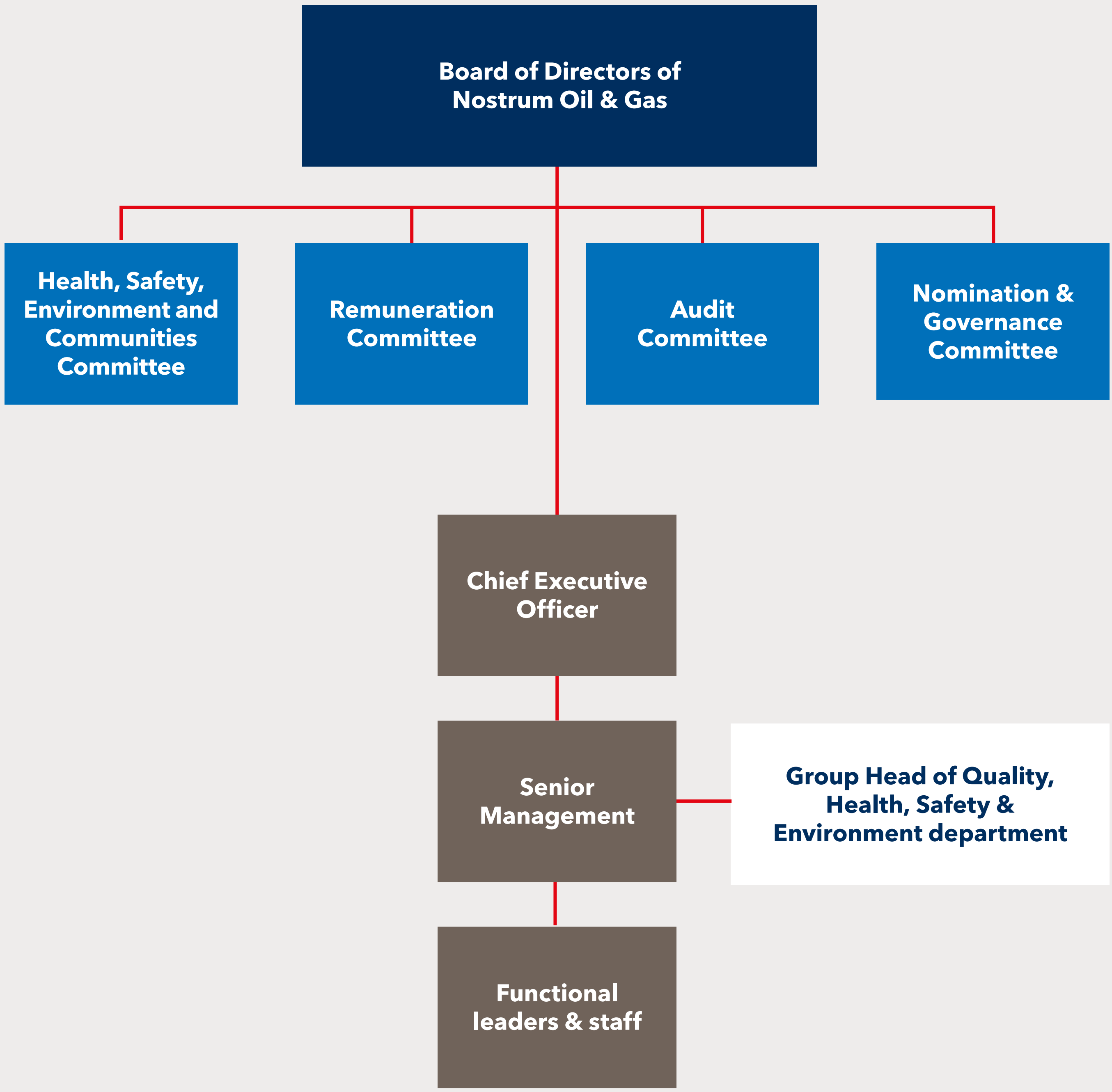
The HSEC Committee assists the Board in ensuring that appropriate policies and management systems are in place and, provides a deep-dive in HSEC areas (including climate change) as required by the Board. The Committee also:

- Monitors progress against goals and implementation of climate change initiatives;
- Identifies any emerging issues and agrees proposed remedial actions;
- Ensures adequate capital spend on climate change areas such as waste and water management and emission and air quality monitoring and measurement systems;
- Assesses preparedness and ensures focus in respect of statutory reporting requirements and changing legislative environments in the UK, Kazakhstan and internationally, and
- Ensures that emerging climate change risks are identified and properly evaluated.

The Group Head of QHSE is responsible for the day-to-day management of HSE matters including climate change related risks. The Chief Operating Officer is responsible for day-to-day operations, including identification and evaluation of climate related risks and opportunities. Both the Chief Operating Officer and Group Head of QHSE report directly to the CEO. The CEO reports to each Board meeting (currently at least eight per annum) on HSEC matters including performance against climate change related KPIs.

In addition to HSEC Committee meetings which are held at least four times per year, the CEO, Chief Operating Officer and Group Head of QHSE together with appropriate operational staff meet at least four times a year in the Senior Management HSE Group (the 'HSE Group'). The HSE Group monitors all HSE matters including those relating to climate change, monitoring and reducing emissions, progress against KPIs, water and waste management, compliance with Kazakh statutory emissions, climate related impact of any significant capex or operating expenditure and identifying and agreeing a course of action on climate related initiatives, including energy reduction/transition, emission management and prevention of unnecessary flaring. The HSE Group also assesses preparedness and ensures focus in respect of statutory reporting requirements such as TCFD and changing legislative environments and investor requirements in the UK, Kazakhstan and internationally. Climate related matters discussed at the HSE Group drive climate related KPIs proposed by management to the Board.

Climate Change Organisational Structure



Strategy

TCFD recommendation:
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Read more about our strategy on pages 30 – 31.

The table below outlines the principal climate-related risks (transition and physical) and opportunities identified as relevant to Nostrum. These risks and opportunities have been categorised into the short, medium, and long term. Short, medium and long-term horizons are defined below the table, and we provide explanations for our risk assessments.

Transition Risks		Short term	Medium term	Long term
Policy and Legal	• Regulatory and statutory reporting obligations by the Republic of Kazakhstan leading to higher compliance costs. • Global and regional litigation relating to climate change that lead to present or future financial obligations for the Group. These include, but not limited to, imposition of carbon taxation, fines for flaring or more punitive mineral extraction State taxation. • Policy changes that potentially lead to early asset retirement. Such policy changes may include Kazakhstan committing to net zero emissions targets which will put pressure on E&Ps to cease operations. Further changes include carbon pricing which may make operations commercially unviable and fast-track the retirement of our assets.	✓	✓	✓
Technology	• New capital investments that reduce emissions may lead to reallocation of internal funds for investment purposes. Capital may be dedicated to non-value accretive ventures and there may be ongoing costs associated to adopting the technology.		✓	✓
Market	• Changing global demand for products may result in lower demand for Nostrum's product base and decrease in revenues. • Hydrocarbon market prices across all Nostrum's products (Brent crude oil, stabilised condensate, LPG, dry gas). • Increased cost of raw materials due to climate-related supply disruptions.	✓	✓	✓
Reputation	• Increased stakeholder concerns may result in key stakeholders becoming disengaged with the investment story. • Changing perception of climate change may result in an inability for Nostrum to access to capital markets for future growth opportunities.	✓	✓	✓
Physical Risks				
Acute	• Severe weather events such as floods from local rivers that lead to disruption in our field production and sales to final off-taker customers.	✓	✓	✓
Chronic	• Severe weather events such as increased snow and rain can lead to disruption in our field production and sales to final off-taker customers.	✓	✓	✓
Opportunities				
Resource efficiency	• Reduced water usage and consumption can lead to reduced operating costs. • Making head office and field buildings energy efficient will lead to lower costs, higher fixed asset valuations and increased employee satisfaction.		✓	✓
Energy source	• Continued use of own gas for electricity needs means no exposure to power price increases in the regions. • Investment in new technologies to become energy efficient may result in lower GHG emissions.	✓	✓	✓

Key
- Risk/opportunity present but has a potentially minor financial impact
- Risk/opportunity is present and has a potentially medium financial impact
- Risk/opportunity persists and has potentially material financial impact

The Board and Senior Management Team define time horizons as the following:

Short term: 5-year period to the end of 2026 as defined by a detailed business plan covering the period of the debt as it is expected to be amended by the restructuring. The Company has a detailed financial plan which is actively managed and adapted according to changes in external circumstances. The International Energy Agency's Sustainable Development Scenario forecasts fossil fuels to remain in the energy mix for a reasonable period; and as such we deem the climate-related risks to be present in the short-term but not as prevalent as they would be in the medium and long term.

Medium term: 10-year period to the end of 2031. This covers the full term of the PSA and is defined by annual cash flow and valuation models for the Chinarevskoye field and the signed Ural Oil & Gas offtake agreement. Projections over the medium term will adjust according to the longer-term Sustainable Development Scenarios. Climate-related risks are factored into investment decisions on the Chinarevskoye field. Economics assessments are performed on various hydrocarbon price and off-take demand scenarios and, where investment hurdles are not met, the Board will not incorporate those field investment proposals into the Group's strategy.

Long term: period covering beyond 2031. This is defined by opportunities identified in line with the Group's strategic initiatives. We believe that the biggest climate-related risks will impact our strategy in the long term. To execute our strategic initiatives, may require access to financial and capital markets. As the shift towards a cleaner global economy accelerates, we may find finance providers want to reduce their exposure to the oil and gas sector and our ability to borrow to fund large-scale investment programmes may be limited. Other risks include the ability to access the insurance markets for standard oil and gas insurance which might leave the Company exposed to an extreme negative event.

Policy and legal risks facing Nostrum and other players in the oil & gas industry through increased statutory regulation through carbon taxes or punitive flaring fines or outright bans in various jurisdictions. These pressures may lead to increased financial costs for the business through future taxes, penalties and fines. We believe this risk is relatively small in the short-term but grows over time as the global movement towards net zero strengthens.

Technological risks are highlighted as a risk that will impact the Company in the medium and long-term. We believe as global and jurisdictional legislation evolves, we may need to allocate capital into emissions reduction investments such as carbon capture and storage. The financial impact on the Company is investing capital into non-value accretive projects (i.e. projects that do not provide direct revenue) and therefore impacting the medium-long term value of the Company. In the short-term, we do not face pressures to invest in such technologies.

Market risks exist through reduction in fossil fuel demand and, hence, a reduction in our revenues, although we view this risk to be more prevalent in the medium and long term. In the short-term, the Company has long-standing off-takers which guarantees short-term demand for products. However, we note in the longer term our customers may transition away from fossil fuels and, hence, the financial impact on the Company will be through reduced revenues.

Reputational risks include facing increasing pressure from our shareholders and noteholders to transition towards cleaner hydrocarbons and energy sources, but also increasing difficulty in accessing financing for various projects. We believe this risk is less of a concern in the short-term since the Company has longstanding relations with its key shareholders (and noteholders through the restructuring) and has no concern over pressures to adopt stricter measures, nor has access to the capital markets been restricted. We do however feel this becomes a bigger risk in the medium and long term.

Physical risks we face today include severe snow conditions that make operating the field difficult and can lead to disruptions to production. As climate change continues on the path it is today, we believe these severe weather events will occur more regularly and during unexpected periods of time; further impact the business operationally and financially. Today, we operate successfully in the middle of winter where temperatures on the ground can drop to -300 C. If temperatures were to drop lower due to climate change, this could impact operations negatively. Further, flood events with overflowing riverbanks can severely impact our ability to transport LPG to the market and hence reduce our revenues.

Opportunities exist through the use of our own gas for electricity needs. We do this today and will continue to do this in the medium and longer-term to be as resourceful as possible. Financially, this saves us money by not purchasing electricity from the grid. Making our offices energy efficient is an opportunity that has been identified for the medium-to-long term.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Read more on page 65.

We acknowledge that the transition to a lower carbon economy presents both risks and opportunities for Nostrum. As described above, the impact on our short-term strategy and financial planning remains minimal, but we have in place the necessary flexibility to adapt as and when we see the risks evolve. In respect of medium term and long-term financial planning, we are cognisant of the climate-related risks and our ability to execute various projects. Hurdle rates have increased on various investment proposals with carbon intensity, stressed hydrocarbon price scenarios and energy demand scenarios factored into decision papers. With respect to physical risks, we have factored this into our strategic planning through extended and more frequent maintenance periods. This reflects a period of downtime during which operations and revenues cease.

Strategy continued

We deem all transition risks (policy and legal, market, technological and reputation) to be material for the business in our strategic and financial planning. The transition risks, as outlined in (a) above, impact (i) reduced demand and lower pricing for our final products – resulting in lower future revenues, (ii) higher supply and material costs in our supply chain as suppliers shift away from servicing the oil and gas industry leaving a small number of viable options, (iii) high investment spend relating to climate risk mitigation activities through increased spend on climate-related research and development and operationally through increased downtime due to extreme weather events.

All transition risks are provided equal weighting in our future business, strategy and financial planning. Physical risks, while important from a governance perspective, we apply a slightly lower weighting in our planning. Whilst present, we deem the financial and operational impact to be lower as we currently operate successfully in extreme weather today and believe we will do so going forwards. We take a conservative approach in our forward planning and therefore do not factor in opportunities that may arise in the short, medium or long-term through climate change.

As described in the Governance section, we have a robust climate-change governance matrix in place to consider these risks widely. We have now devoted more resources into this governance matrix (including reporting) and this features in our future strategic and financial planning. The matrix looks at the strength of the risks and opportunities identified in a) above across the short, medium and long-term and assesses which of those risks has a direct financial impact.

In our CDP Climate Change submission for 2021, we estimated the financial impact of several of the transition and physical risks outlined above. Since the 2021 disclosure we have further refined our risk assessment pursuant to the materiality table outlined in section (a) and intend to conduct a detailed financial impact assessment in 2022. This will be also reflected in this year's CDP Climate Change disclosure, and we intend to publish these results in next year's TCFD report.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Read more on pages 67 – 69 and 75 – 76.

We adopted the Sustainable Development Scenarios (SDS) referenced in the World Energy Outlook 2021. The SDS represents a gateway to the outcomes targeted by the Paris Agreement and is based on a surge in clean energy policies, investment in clean technologies and assumes all net zero pledges are achieved in full (advanced economies by 2050, China by 2060 and all other countries by 2070). Under SDS, global temperatures rise to 1.65°C with 50% probability and a rise of 1.5°C reached by 2100.

We refer to the Going Concern and Viability Statement sections where we consider the resilience of our strategy in the short term pursuant to the SDS. Below we outline the key SDS policy assumptions and the specific policy measure assumptions that will impact the business:

Sustainable Development Assumptions	
Cross-cutting policies	
Power sector policies	
Buildings sector policies	
Transport sector policies	
Industry sector policies	

Specific measure impacting Nostrum's strategy	Application of measure to Nostrum Viability assessment
• Staggered introduction of CO_2 prices • Maximum sulphur content of oil and gas products capped • Policies promoting production and use of alternative fuels and technologies (including CCUS)	• Flat reduction in hydrocarbon demand by 20% in the next three years. • Flat reduction in all hydrocarbon pricing by 20% in next three years • Compliance cost increase of $5-10 million per annum to account for breaches in sulphur requirement (estimate) • 10% higher operating costs for CO_2 pricing
• Efficiency and emissions standards that prevents the refurbishment of old inefficient fossil fuel plants • Stringent pollution emissions limits	• 10% higher operating expenses and 10% higher capital expenses assumed for upgrade works and ongoing maintenance to make Nostrum's facilities efficient. • $5-10 million per annum compliance cost for pollution limit breaches.
• Phase out least efficient appliances by 2030 • Mandatory energy performance standards for appliances • Net zero requirements for all new buildings by 2030 • Energy efficiency and CO_2 emissions reduction measures in buildings	• 10% higher general & administrative costs for efficiency appliances in the head and regional offices as well as energy performance standard impositions.
• On road vehicle stock emissions intensity limits • Emission limit restrictions on light and heavy-duty vehicles • GHG emissions reduction strategy for international shipping	• 10% reduction in sales volumes as LPG sales are delayed due to renting/ purchasing emission compliant vehicles for transportation. • 10% higher capex for upgrading fleet of LPG trucks to meeting the emissions intensity limits. • 10% reduction in crude and condensate volumes as shipping offtakers for those products face difficulty in chartering ships whilst meeting international emissions quotas.
• Policies to support CCUS • Mandatory energy management systems or energy audits	• 5% higher capital expenditures as the Company begins research and development into emissions-reducing technology. • 5% higher general & administrative costs as more frequent emissions-based audits are run throughout the business.

The Group's application of the SDS policy measure assumptions (shown in the third column) is a high-level conservative estimate. In the absence of detailed analysis, we chose extreme scenarios to test our short-term strategy against the SDS scenario. We intend to perform a detailed assessment of these specific policy measures and the likely quantitative impact to our strategy across all time horizons in 2022. Our detailed assessment will involve working out our strategy and operational activities around this climate change scenario, setting targets and communicating those in next year's TCFD Report.

Stressing our short-term financial projections for these high-level conservative policy measure assumptions demonstrates that the Company's strategy in the short-term is resilient taking into account a 1.65°C climate-related scenario. Furthermore, it is our view that the Company has a solid financial base and sufficient flexibility in its business plan to be able to adjust adequately to extreme climate-related impacts. Please refer to the Viability section on pages 67 – 69 for further details of the assessment.

Our strategy is validated annually by the Board of Directors to ensure it remains relevant and resilient. Please refer to the Governance process for further details. The strategy will be adjusted during the year if there are significant changes in the wider global environment. For example, if the push to decarbonise the economy escalates in the medium term, the Company notes its strategic initiative of shifting towards becoming a mid-stream operator by processing stranded raw gas streams in the region.

The Company is working on the medium and longer-term resilience of our strategy in light of the SDS. The analysis will assess the financial viability of the company in the medium and long term; building on the short-term resilience analysis covered in the Going Concern and Viability sections of the Annual Report. The Company will use the same SDS assumptions in assessing longer-term strategy resilience; building upon the assessment conducted for the short-term horizon. As highlighted in section (a), we deem longer-term financial and operational risks to be more prevalent to our business generally and therefore the SDS sensitivities applied may be more punitive to stress-test the viability of our longer-term strategy. We look forward to reporting on our medium and long-term strategy resilience in next year's TCFD report, as well as reporting again on our short-term assessment.

Risk Management

TCFD recommendation:
Disclose how the organisation identifies, assesses, and manages climate-related risks.

a) Describe the organisation's processes for identifying and assessing climate-related risks;

b) Describe the organisation's processes for managing climate-related risks, and

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Read more about our risk management on pages 60 – 61.

Nostrum has a robust governance structure through which climate-related risks are identified and managed. Specifically, the HSEC Committee is the conduit through which climate-related risk management is enacted. The HSEC Committee operates under the principals of 5 pillars: (i) HSE leadership; (ii) rigorous incident investigation; (iii) process safety and asset integrity; (iv) contractor HSE management and (v) environment and climate change including a commitment to reduce GHG emissions. The fifth pillar is an integral part of our climate-related risk identification, assessment, and management process. Both classifications of climate-related risks (transition risks and physical risks) are considered as part of the process. More information is presented on pages 101 – 102.

The HSEC Committee oversees the design and implementation of systems of climate-related risk management and internal controls and manages and reports on risks. The Group Head of QHSE supports the Board in its oversight and monitoring role and performs management and reporting on the risks.

The QHSE department is responsible for identifying climate-related risks which include potential effects on operations at asset level, performance and Group level and developments at regional level from transition to lower carbon economy or extreme weather events.

The processes described above are embedded into our overall Group Risk Management framework and form an integral part of Nostrum's risk management and internal controls system. We include "climate change risks" as a principal risk and uncertainty on our Company risk register (see page 65) thus allowing the HSEC Committee to manage any identified risks. This risk covers both physical and transitional climate-related risks and is reviewed annually by the Nostrum Board of Directors.

Metrics and Targets

TCFD recommendation:

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Read more on pages 45 – 50.

Key climate-related metrics and targets are set out in the Climate Change section of this report.

Nostrum uses several metrics across the transition and physical risks spectrum to assess climate-related risks. For climate change our key risk metric is focussing on carbon emissions, air quality and flaring frequency. All of these are measured, managed and reported to the Board with a specific KPI around reduction in GHG (see (c) below). Beyond KPIs we have identified certain activities and projects to help reduce emissions that have included but are not limited to reducing vehicles at head office and encouraging the sharing of vehicles, eliminating taking private vehicles to the field by making buses mandatory, promoting work from home and electric replacing diesel for heaters, boilers and other devices.

Climate change-related risks and opportunities are incorporated into the overall remuneration of the senior management. Please refer to the Remuneration Committee Report for details on climate change KPIs.

Moving forwards, the Company intends to include carbon pricing into its economic evaluation of future investment opportunities both within Chinarevskoye and outside. Following a benchmarking analysis of our peers, majors in the sector and research on regional plans for carbon pricing, we'll incorporate an appropriate carbon price (cost to the business) in our investment decisions – implicitly increasing the hurdle rate for project approvals.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Read more on pages 49 – 50.

In the Environment (GHG Emissions Results) section of this report, we disclose our Scope 1 and Scope 2 GHG emissions. For more information please see pages 49 – 50.

Scope 1 and scope 2 GHG emissions have been reported on an annual basis in our Annual Report and Company website. The level of reporting has expanded in line with our commitment to being transparent to our stakeholders. Furthermore, GHG emissions reporting is a State legislative requirement as required by the Republic of Kazakhstan (the country is in alignment with the GHG Protocol).

We are working towards Scope 3 reporting that is relevant and reliable to the end user. We intend to report Scope 3 emissions in our 2022 Annual Report subject to finding an appropriate service provider to assist us and also developing within our Company skills required to appropriately identify, measure and communicate our Scope 3 emissions. This further strengthens our commitment to further expand our reporting and transparency amongst the investor community.

With respect to other activities that we will focus on with respect to reducing emissions, it is our plan to continue to work with our contractors to identify energy efficient opportunities in their supply chain and assist them to implement sustainable initiatives. Internal focus will also be placed on reducing emissions from business and commuting travel.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Read more on pages 45 – 50.

Nostrum is making efforts to not exceed the quota for greenhouse gas emissions set by Kazakhstan and sets this target as a KPI in the annual HSE plan in order to reduce the actual value of greenhouse gas emissions by 5% compared to the previous year. While our approved quota of GHG emissions for 2021 was 212,998 tonnes of CO_2, the Nostrum HSEC Committee set a goal of maximum 200,000 tonnes of CO_2 for 2021 and both targets were met since the actual GHG emissions for 2021 were in the order of 187,479 tonnes of CO_2. For more information please see pages 45 – 46.

Furthermore, Nostrum continues to provide transparent disclosure through participating in the Carbon Disclosure Project (CDP). The Company is targeting a B score for the Climate Change module in 2022 and also a minimum "C" score for its first scored Water Module submission in 2022 following on from the initial submission of this report in 2021.

Risk management

The Group has a system of internal controls consisting of its governance framework, segregation of authorities and duties, various policies and procedures, training and internal communications as well as monitoring by senior management and the Board of the planning and decision-making processes. The risk management system is embedded in these components of the system of internal controls in order to identify, manage and report on the relevant risks that may impact achievement of the Group's strategic objectives, and ensure compliance with applicable regulatory requirements.

Risk management framework

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.

Operational day-to-day risks are inherent in the various business functions and processes of the Group. These are categorised as business function risks and are identified and managed by the relevant staff and managers in the course of their activities to ensure safety, compliance, and efficiency. The members of the Senior Management Team have overall responsibility for managing such business function risks aggregated at the level of their functional responsibility, but can delegate such responsibilities to their direct reports. At the highest level the identified risks are aggregated and categorised into the following categories of principal risks and uncertainties: strategic, operational, financial, compliance and other, which are respectively managed and monitored at Board level.

Based on 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 2021, 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.

Following the year end, the Board has acknowledged the weaknesses in internal control over financial reporting relating to the prior year errors identified in relation to impairment as well as the non-disclosure of related party balances. Responding to this weakness, the Board has carefully considered the wider implications for governance and controls relating to the Group's management of their impairment testing and related party identification and disclosure processes. A number of improvements have been implemented including additional oversight of both processes.

Environmental, social and governance (ESG) matters

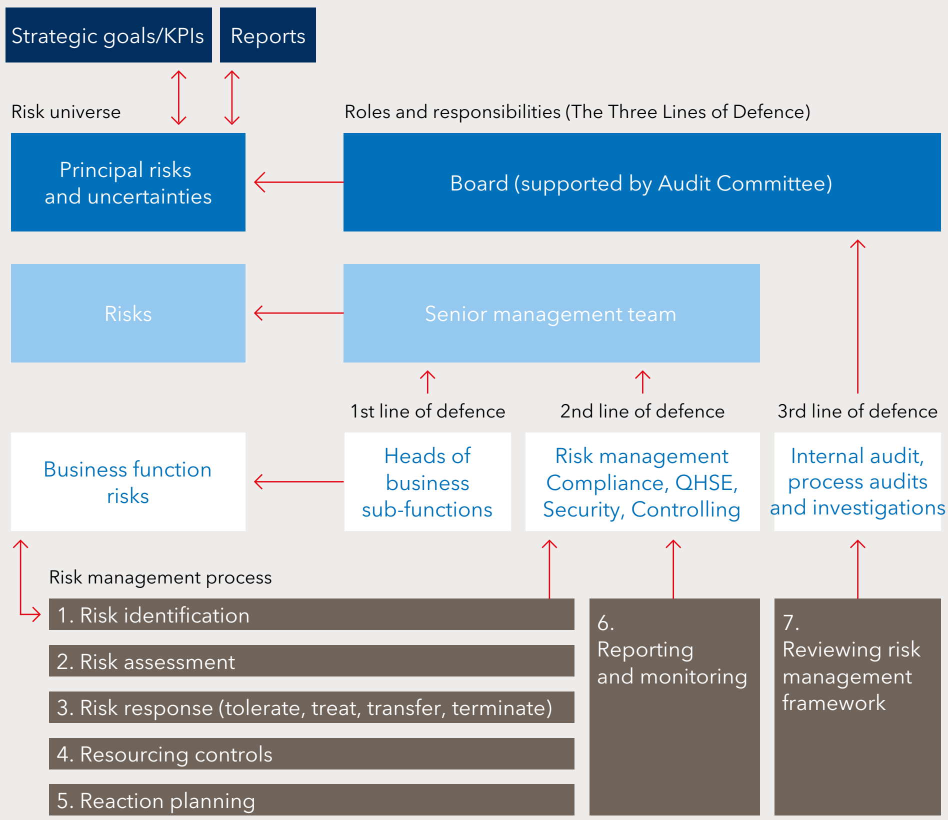
ESG matters form an integral part of the areas covered by the Group's systems of risk management and internal controls, and the Board recognises their significance and importance. Identified ESG risks and related responses can be seen within Operational, Climate Change and Other risks in the "Principal risks and uncertainties" disclosure on pages 62 – 66.

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 34.

Changes from prior-year risk assessment

Key developments in the global economic, political, regulatory, social and environmental environments in 2021 and early 2022 led to certain changes in how the Board and senior management define, assess and monitor principal risks and uncertainties. The following table summarised these updates:

2020 Principal risks and uncertainties		**2021 Principal risks and uncertainties**	
Strategic risks	Business and market environment	Geopolitical factors	Strategic risks
		Product price volatilities	
	Strategic development initiatives	Filling the spare gas processing capacity	
Operational risks	Oil and gas reserves and operations	Oil and gas reserves and production	Operational risks
		Cybersecurity risks	
Operational risks	Health, safety and the environment	Risks of incidents, including risk of explosion	Environmental, social and governance risks
		COVID-19	
		Governance risks	
		Environmental risks	
Climate change risks	Climate change	Climate change	Climate change risks
Compliance risks	Subsoil use agreements	Subsoil use agreements	Compliance risks
	Compliance with laws and regulations	Compliance with laws and regulations	
Financial risks	Liquidity risks	Liquidity risks	Financial risks
	Refinancing risk	Refinancing risks	
	Tax risks and uncertainties	Tax risks and uncertainties	
Other risks	Other significant risks	Other significant risks	Other risks



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.

During 2021 the Group did not have a dedicated internal audit function, as was the case for the past few years where the Group has relied on third party audits and ad-hoc audits/process reviews performed by employees and overseen by management with results reported into the relevant Board committee. To mitigate this exposure, the Group has identified and strengthened internal processes providing assurance to management, the Audit Committee and the Board about the effectiveness of systems of internal control and risk management, such as contracts board meetings, monthly reports to the Board on operations, liquidity and legal issues and assurance provided by QHSE and security personnel. In 2022 the Group has approved a budget amount to hire a dedicated Head of Internal Audit.

The risks listed on the following pages 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.

Principal risks and uncertainties

Description of risk	Risk management
Strategic risks	
Geopolitical factors	
The Group's operations are exposed to risks associated with the political and business environment in Kazakhstan, being the Group's sole country of commercial operations, as well as its neighbouring countries. In January 2022, following a rise in fuel prices, certain mass demonstrations and gatherings occurred in various cities across Kazakhstan. Such political and civil unrest and the occurrence of any such factors could result in new regulatory requirements that can be onerous and expensive, and other related changes that could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects. On the one hand, Nostrum has historically benefited from its geo-strategic position in the heart of an export corridor between Russia and markets to the west of the Caspian, but on the other hand, the Group has been respectively exposed to the risks associated with the economic and political situation in Russia, being reliant on its transport routes and ports. Severe sanctions and trade restrictions imposed by, among others, the US, UK and EU on Russia in March 2022 as a response to Russia's actions in Ukraine, have increased the economic and political uncertainty and may have a material adverse impact on the Group's business, results of operations, financial condition and prospects.	Nostrum's Senior Management Team is pro-actively engaged with key stakeholders among state authorities to address and resolve any potential issues at early stages. In addition, the Group endeavours to identify legislative changes at early stages before their introduction and to the extent possible participate in the relevant working groups engaged in development of such changes. To mitigate 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. The Group is currently analysing the impact of sanctions imposed on Russia on its transportation of crude oil, condensate and LPG via rail or pipeline, and also assessing alternative routes and destinations as a potential mitigating action, if needed. Due to the US, UK and EU sanctions, the senior management and the Board have also decided that it would be in the best interest of the Group to terminate its relationships with the Sberbank subsidiary in Kazakhstan. In addition, the Group is also evaluating and implementing control processes and procedures around compliance with the sanctions imposed on Russia and Belarus as well as institutions and individuals specifically identified in those sanctions. These include evaluation of counterparties and their banks, contract procedures, and liaising with external legal advisers. Such actions also include collating and regularly updating lists of all persons/entities sanctioned in order to ensure Nostrum does not enter into transactions with any of the persons/entities on these lists.
Product price volatilities	
The Group's operations and financial performance are exposed to changes in the market prices for its products driven by external business and political factors, which are outside the Group's control. Oil and gas prices are subject to volatility due to a variety of factors beyond the Group's control. Factors affecting crude oil prices include supply and demand fundamentals, economic outlooks, production quotas set by OPEC and political events. In recent years, as a result of factors including weaker outlook for global demand growth combined with excess supply, oil and gas prices worldwide have been subject to significant volatility and there can be no assurance that the recent recovery in oil prices or the recent high gas prices relative to historical averages will continue for extended periods of time. In addition, dry gas prices are also influenced by the price for dry gas paid by GazProm at the Kazakh border and the prices of various oil-based products. Also, the Group could be compelled by governmental authorities, purportedly acting based on Kazakh legislation, to sell its oil, condensate, LPG and gas domestically at prices determined by the Kazakh Government, which could be significantly lower than prices which the Group could otherwise achieve. Lower oil and gas prices may reduce the economic viability of the Group's operations and proposed operations and materially adversely affect its business, results of operations, financial condition and prospects. In particular, the Group's ability to produce economically from the Chinarevskoye Field or any prospective fields will be determined, in large part, by the difference between the revenue received for its products and the operating costs, taxation costs, royalties and costs incurred in transporting and selling those products. The Group's strategy and business model are not directly influenced by any significant risk resulting from Brexit.	The Group quarterly revisits the product price assumptions used in its short-term, medium-term and long-term financial models, and performs stress testing of such forecasts to fluctuations in product prices and these are monitored by senior management and the Board. 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 identifying reductions in operating costs, general and administrative, and selling and transportation costs that could be implemented without having a negative impact on production or operations in the going concern period. The Group continued these optimisation initiatives throughout 2021 and as a result 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. In previous years, the Group has entered into hedging instruments to mitigate the volatility of commodity prices. The last such instrument expired in 2018. In 2021 the Group has produced a draft hedging policy and updated its relationships with multiple financial institutions which would allow for hedges to be placed. In light of the favourable commodity pricing environment, backwardation of the forward oil price curve, cash resources available to meet its operational and capital requirements for the next fiscal year and other factors the Board has not taken the decision to enter into any hedges in 2021.

Description of risk	Risk management
Filling the spare gas processing capacity	
The activities in the Chinarevskoye oil and gas condensate field are currently the Group's sole source of revenue. The field is a mature declining asset with a proved and probable reserves base at a level that will produce volumes of hydrocarbons including raw gas sufficient to utilise the less than 15 percent of capacity available at the Group's gas treatment facilities, which have a combined 4.2 billion cubic meters capacity per annum. The Company is therefore reliant on acquiring and developing nearby assets with significant resource potential and/or processing third party gas through its processing facilities to continue to produce free cash flows and build sufficient cash reserves to repay future indebtedness. The ability to negotiate and secure these strategic acquisitions is highly uncertain and the ability to fund the development of such projects, the costs of which may be substantial and require external funding, may not materialise. Oil and gas exploration and production activities are capital intensive and subject to financing limitations and inherent uncertainty in their outcome. Further, significant expenditure is required to establish the extent of oil and gas reserves through seismic and other surveys and drilling. Therefore, there can be no certainty that further commercial quantities of oil and gas will be discovered or acquired by the Group to enable it to utilise the spare capacity in its treatment facilities.	From end of 2019 the Board came to conclusion that diversification of its sources of feedstock to the processing facilities would provide the Group with an opportunity to gain from expanding the use of available capacities, technological resources and human capital, and ultimately benefit from its underutilised infrastructure. The Group signed agreements with Ural OG in 2018 for the purchase of gas and processing of condensate from the Rozhkovskoye field for a period of four years with first deliveries planned for Q4 2023. The Group continues to actively engage in discussions with other third parties interested in supplying raw gas to completely fill its spare processing capacity. Also, the Group continues to mature its assessment of the Stepnoy Leopard licences for acquisition and development, as well as a number of additional area-wide opportunities under review that may serve to strengthen the Group's upstream and midstream portfolio in the coming years.

Operational risks

Oil and gas reserves and production	
Estimating the value and quantity of economically recoverable oil and natural gas reserves and resources, and consequently the rates of production, necessarily depend upon a number of variables and assumptions, such as ultimate reserves recovery, interpretation of geological and geophysical data, marketability of oil and gas, future product prices, operating costs, development and production costs and workover and remedial costs, all of which may vary from actual results, which would affect the Group's financial performance and achievement of strategic objectives. The recent reclassifications of significant amounts of oil and gas reserves from 2P to contingent resources were result of crystallising of such risks. Even if the Group is able to discover or acquire commercial quantities of oil and gas in the future, there can be no assurance that these will be commercially developed. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of an entire field be more fully understood. Completion of the Group's development plans does not ensure a profit on the investment or recovery of drilling, completion and operating costs, as various field operating conditions may adversely affect production from successful wells including delays in obtaining governmental approvals, shut ins of connected wells, other unusual or unexpected geological, oceanographic and mechanical conditions. Finally, given that the Chinarevskoye reservoir is a mature and declining asset, the Group has been actively performing well workover and intervention to reduce the rate of decline of the reservoir. Such 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 geologists who perform periodic assessments of its 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 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. 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 in 2021 is still being evaluated. 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. Maintenance of 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 are in place to monitor risk management in operations, including completion of the well workover and intervention programme according to budget and production targets.
Cybersecurity risks	
Nostrum may be vulnerable to the unauthorised or inappropriate access to data, or the unlawful use, disclosure, disruption, deletion, corruption, modification, inspection, recording, or devaluation of information. Such cybersecurity failures may significantly adversely affect the Group's operations and financial results through disruptions, shutdowns and delays in production and other activities.	The Group uses a number of dashboards such as MS Secure and MS Compliance, which monitor security and compliance, and also help to identify areas where security might be enhanced. At the start of employment each new employee is briefed on the Group's Information Security Policy and signs a confidentiality agreement. All mailboxes and data are placed on Microsoft servers with appropriate levels of protection. Passwords have complexity requirement and double authorisation has been introduced for most users. All data traffic, servers and computers are subject to scanning and protection by anti-virus software. Physical access to data storages is restricted to authorised personnel.

Principal risks and uncertainties continued

Description of risk	Risk management
Environmental, Social and Governance risks	
Risks of incidents, including risk of explosion	
The Group's operations are subject to hazards and risks common in its industry, including encountering unusual or unexpected rock formations or geological pressures, fires, explosions or power shortages, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of oil, gas or well fluids, or water cut levels, pollution and other environmental risks. Failure to prevent or adequately mitigate these hazards can have a broad range of results, including, but not limited to, injury of employees or local residents, a partial or total shutdown of operations, significant damage to equipment, suspension or withdrawal of licences and relevant sanctions. Any of the above could materially and adversely affect the Group's business, results of operations, financial condition and prospects. It should also be noted that the legal framework for operational safety is not yet fully developed in Kazakhstan and given the changing nature of environmental regulations, there is a risk that the Group will not be in full compliance with all such regulations at all times.	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 is held for employees. Nostrum's operations are based on the five QHSE pillars: HSE leadership; rigorous incident investigation; process safety-critical elements identified and maintained; contractor HSE management; and environment and climate change. The Health, Safety, Environment and Communities Committee was formed for oversight of HSE matters at the Board level. Monthly QHSE reports are issued to communicate HSE performance. Management KPIs include lost time injury frequency, total recordable injury frequency and numbers of Hazard Observation Cards submitted. Through the system of Hazard Observation Cards, employees and contractors report any unsafe conditions observed in the workplace, which helps to ensure their awareness of safe working conditions at all times. All incidents are investigated, their causes identified and corrective action plans developed. There is a classification of equipment as critical or non-critical. 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. For example, devices are installed at well-sites to automatically close the wells in the case of shutdown, preventing blowdown by flaring. Contractor HSE performance is managed by identifying and mitigating risks, setting HSE performance criteria, monitoring, auditing and reporting HSE performance, and subsequently using this information for continuous development and feedback into the process of contractor selection.
COVID-19	
The spread of coronavirus (COVID-19) significantly affected the world economy, including the oil and gas industry in 2020. The global economy has been gradually recovering and 2021 showed some positive developments in global markets of oil and gas. However, any further outbreaks of COVID-19 may have a disruptive effect. For example, uncontrolled spread of the coronavirus among employees on the field site could lead to the mass quarantine of workers and could have a negative impact on the Group's operations and financial results.	The senior management and the Board continued to closely monitor COVID-19 throughout the Group's operations, and assess the impact of the pandemic on all stakeholders. No production was lost as a result of COVID-19 during 2021 and thankfully none of the Group's workers succumbed to the disease. Extensive measures remain in place to protect the safety of employees and contractors and mitigate the impact on operations arising from COVID-19. These include: • 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 staff.
Governance risks	
By virtue of being a dual-listed entity, Nostrum must adhere to both UK and Republic of Kazakhstan corporate governance and reporting requirements. Governance risk factors are usually related to board composition and structure, executive remuneration, internal controls and risk management framework, corporate policies and procedures, risks of corruption and bribery, and others. Lack of adequate controls and policies, or a failure of those to operate effectively, could lead to loss of company resources, non-compliance with regulations, and respective significant fines, penalties, as well as reputational damage.	As described on pages 86 – 89, the Group has established a robust governance framework which covers all aspects of the Group's activities through respective Board committees and functional teams under senior management. Although the composition of the Board and its committees was not ideal during the reporting period due to the transition period, compensating controls and procedures were put in place such as additional scrutiny over the Board decisions and more frequent Board meetings. The corporate governance framework is supported by an extensive range of policies and procedures covering division of responsibilities, bribery, corruption and whistle-blowing, anti-facilitation of tax evasion, as described on page 89 and various other policies and practices related to social and environmental matters described across other section of the report. Such policies and procedures are designed and implemented to ensure that all required compliance obligations are met.

Description of risk	Risk management
Environmental risks	
The Group's operations are subject to environmental risks inherent in oil and gas exploration and production industries. Examples of environmental risks include risks stemming from more intense extreme weather events, rising energy intensity in the oil and gas industry, the changing regulatory landscape, the risk of fugitive emissions and climate change policies driving down demand. Compliance with environmental regulations may make it necessary for the Group at substantial cost to undertake measures in connection with the storage, handling, transportation, treatment or disposal of hazardous materials and waste and the remediation of contamination. In addition, the legal framework for environmental protection and operational safety is not yet fully developed in Kazakhstan. Stricter environmental requirements may be adopted in the near future, and the environmental authorities may move towards a stricter interpretation of existing legislation. The costs associated with compliance with such regulations could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.	The Group actively plans and manages projects designed to mitigate certain environment-related risks. Limiting GHG emissions is a management KPI. The Group's operations continuously put effort and commitment into improving energy efficiency, reducing flaring, venting and leaks, and monitoring and effectively managing emissions and waste. Also, the Group has recently started recycling utilised water at the campsite. The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures. The HSEC committee currently has responsibility for ESG related matters. A review of the Group's public ESG related information is being conducted to identify and rectify gaps. In 2022, the Company intends to issue a Nostrum policy which addresses energy use and improving efficiency and a methane emissions management policy.

Climate change risks

Description of risk	Risk management
Climate change	
Continued attention to climate change issues by governments, investors and customers and relevant developments in laws and regulations, investor and customer preferences may have significant adverse impact on the Group's business. New requirements, laws, policies and regulations may result in substantial additional expenditures on capital construction, compliance, operations and maintenance. The level of expenditure required to comply with these laws and regulations is uncertain. In addition, any perceived weakness in environment related policies, procedures and efforts, sub-optimal assessment by an ESG rating agency and comparison to peers, might adversely impact the Group's access to capital markets, reduce ability to raise additional financing, increase financing costs and have a negative impact on the Group's business plans and financial performance.	The Group is actively planning and managing projects designed to mitigate certain climate change related risks. For instance: • To decrease its exposure to rising fuel prices, drilling rigs have been retooled to derive more power from electricity rather than diesel; • In operations there is a permanent effort and commitment improve energy efficiency and to reduce flaring, venting and leaks; and • At campsite most of the water the Group utilises now is recycled. Climate change is on the Board's agenda. The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures.

Compliance risks

Description of risk	Risk management
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 or agree amendments to the field development plan, 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 or for amendments to the field development plan, 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 its subsoil use agreement. In the event of non-compliance with a provision of the 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 effective corporate governance and compliance with laws, regulations and rules, the Group has adopted a number of policies and procedures, as mentioned above. 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. In addition, management maintains an open dialogue with its sponsors in relation to any matter related to non-compliance with Listing Rules and other regulatory requirements.

Principal risks and uncertainties continued

Description of risk	Risk management
Financial risks	
Liquidity risks	
Forecasting to maintain an adequate liquidity position is subject to the risk that inaccurate information or assumptions are used for forecasts, and to risks of counterparty delay or a counterparty's failure to meet their contractual obligations owing to severe market conditions. Moreover, the Group's current and planned expenditures are subject to unexpected problems, costs and delays, and the economic results and actual costs may differ significantly from the Group's current estimates. Prices for the materials and services the Group depends on to conduct and expand its business may increase to levels that no longer enable the Group to operate profitably. All the above factors in combination with a 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 actual and forecast liquidity position to ensure that sufficient funds are available to meet any commitments as they arise. In addition, management and the Board assess 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, to understand the resilience of the business and to be prepared for taking necessary remedies. Further efforts are made on cost optimisation to reduce capital expenditures, operating costs and general and administration costs.
Refinancing risks	
The Group has US$1.125bn of debt principal outstanding, US$725m of which matures in July 2022. From May 2020 the Group has been engaged with its bondholders in connection with a possible restructuring of its debt and has not been making interest payments from mid-2020. In December 2021, the Group entered into a Lock-Up Agreement and agreed the terms of a restructuring with bondholders. These terms were supported by our shareholders at a General Meeting in April 2022. The successful implementation of restructuring depends on certain conditions that need to be fulfilled or waived, such as permission for the proposed restructuring from its shareholders, and permission for the restructuring and a waiver from the Government of the Republic of Kazakhstan. Moreover, the Lock-up Agreement contains termination provisions allowing for termination in certain, specified circumstances. Hence, 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 primary focus of the Board and Senior Management Team. Work continues towards this objective with all stakeholders. Following the original accession period for the Lock-Up Agreement, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises approximately 77.73% of the total aggregate principal amount of both series of Notes. 99.99% of voting shareholders voted in favour of the restructuring on the same terms following the convening of a General Meeting on 29 April 2022. However, the necessary steps are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Group.
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. 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. 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. 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.
Other risks	
Other significant risks, including emerging risks	
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; • 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. The Group has a wide range of internal controls over its supply chains and accounting and reporting processes, including policies, procedures, segregation of duties for authorisation of matters, periodic training for employees and so on. The Contracts Board was established to meet weekly to review and approve the placement of all contracts with a potential value in excess of $10,000. 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.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the future medium-term viability of the Group over a period longer than 12 months (see Note 1 for entities that are included in the Group). The Directors believe a period of three years is sufficient as a viability assessment period as it represents a period in which management can make reasonable estimates of future Group performance and financial position.

The Group's viability assessment is built through integration of the principal risks and uncertainties (described on pages 62 – 66) into a financial model, based on the elements of corporate planning and modelling process, which includes:

- Medium-term development planning based on three-year financial projections, using Management's internal estimate of forecast production from the Chinarevskoye field. No third-party volumes or strategic initiative projects have been included in the viability assessment as there is currently no certainty they will arrive prior to the end of 2024; 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.

Viability time horizon

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 the Group's future performance. 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 30 – 31).

Material uncertainty

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 (together the "Existing Notes") are restructured in line with the terms agreed in the Lock-up Agreement ("LUA") with noteholders representing over 77% of the aggregate principal of both sets of Notes and also voted in favour of by shareholders at the recent General Meeting. The LUA was signed on 23 December 2021 and commits acceded noteholders and our largest shareholder ICU (c.24% holder, also a noteholder) to pursue the restructuring on an agreed set of terms. Nostrum shareholders were invited to vote on these terms ("Restructuring Resolution") at a General Meeting held on 29 April 2022. 99.99% of voting shareholders voted in favour of the Restructuring Resolution at the General Meeting; allowing the Group to proceed with the restructuring via a UK scheme of arrangement under Part 26 of the Companies Act 2006.

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

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

There are several milestones that must be completed prior to the successful closing of the restructuring including UK Court sanction for the scheme of arrangement procedure and Republic of Kazakhstan consent and pre-emption waivers. Please refer to the "Going Concern" and "Update on Bond Restructuring" sections of this Annual Report and the Restructuring Circular published on 13 April 2022, where these are discussed in more detail.

The Board highlighted in its Going Concern assessment that the ability to restructure the Existing Notes by satisfying the above milestones is a material uncertainty. This is because the remaining milestones have not yet concluded and because the outcomes of those milestone are uncertain and largely outside of the Group's control. The same material uncertainty may also cast significant doubt over the future viability of the Group.

Based on the current progress of the restructuring closing steps, the Directors' view is that there is a reasonable prospect that the restructuring will be executed around July 2022.

Viability statement continued

Viability assessment

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

- The assumption that the Existing Notes are restructured on the agreed terms set out above: all remaining milestones are executed and the restructuring closes in July 2022;
- Production forecasts reflecting management's internal view of Chinarevskoye production under a no further field activity scenario. This production forecast is more conservative than that used in the impairment testing process (proved and probable reserves base used) as the viability assessment basis is more akin to the proven developed producing reserves base as outlined in the Ryder Scott reserves audit for 2021;
- Exclusion of throughput volumes from the signed agreement with Ural Oil & Gas LLP and we assume we do not utilise the spare capacity of our Gas Treatment Facilities despite being a key strategic focus of Management for the medium-term horizon; and
- Price assumptions used assume a Brent oil price of $72/bbl, $68/bbl and $67/bbl, for 2022, 2023, and 2024 respectively. This is the Brent average broker consensus forward curve as at 31 December 2021 and, due to conservatism, does not consider the recent upward shift in the forward curve following the Russia-Ukraine conflict and the impact on global oil supplies.

For the purpose of sensitivity testing, several principal risks and uncertainties were selected (from those described on pages 62 – 66), 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 the following scenarios:

Principal risk and uncertainty	Description	Viability assessment
Strategic risks	Deterioration in the business and market environment and geopolitical risks	10% reduction in oil, LPG and gas prices over the period of assessment
Operational risks	Production issues from the field and/or transportation issues along the sales routes	10% reduction in forecast production and sales volumes over the period of assessment
Liquidity risks	Cost pressures in the ordinary course of business supply chain and with Group personnel	10% increase in capital expenditures and operating cost over the period of assessment
Compliance risks	Unexpected and unbudgeted fines and penalties for various non-compliance issues	$5 million per annum Work Programme non-fulfilment fines and $10 million per annum legal claim over the period of assessment

The Directors considered 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 medium 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.

Other viability assessment considerations

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict and COVID-19:

Russia-Ukraine conflict: please refer to the "Going Concern" and "Governance" sections for details of the Russia-Ukraine conflict and related sanctions, and the relevance to the Group's operations. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports and the Group also contracts with a limited number of Russian service companies. In its going concern and viability assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be sufficient cash reserves at the end of the viability assessment period. There is currently no material impact on the Group's future viability at the time of publication of these consolidated financial statements as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions. The Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the viability assessment period.

COVID-19: There was no loss of production as a result of COVID-19 in 2020 or 2021 and contingency plans are in place to protect the workforce and ensure that there are sufficient personnel to continue operations. 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, nor do the Directors foresee a material impact in the viability period, however, it is recognised that there is uncertainty around the future developments of COVID-19.

Taskforce on Climate-related Financial Disclosure

As per the requirements of the Taskforce on Climate-related Financial Disclosure ("TCFD"), the Directors are required to describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (TCFD Strategy (c)). The Directors performed this resilience analysis in the viability assessment. The Directors chose the Sustainable Development Scenarios ("SDS") referenced in the World Energy Outlook 2021 as the preferred climate-related scenario and, on page 56 – 57, we list the specific policy measures required to limit global temperature rises to 1.65°C by 2050.

The following sensitivities were applied to the base case to quantify the policy measures per SDS: reduction in hydrocarbon demand by 20% to account for change in consumer demand, 20% product price reduction as fossil fuel demand falls, $10mn sulphur and other pollution compliance breaches per annum, 10% higher operating costs for CO_2 taxation, 10% higher capital expenditures for facility upgrade works, upgrading the Group's LPG truck fleet and research and development into emissions reducing technology, 10% higher general & administrative costs to improve energy performance standards and 10% lower crude and condensate sales as ship chartering becomes increasingly difficult. Please refer to page 56 – 57 for further details of the SDS policy measures and the Group's application to the base case.

The Group maintains sufficient cash reserves at the end of the viability period when sensitising the base case for the above climate-related assumptions. Following the assessment, the Directors confirm the future strategy and future viability remain resilient against the chosen climate-related scenario.

Longer term viability

The Directors also considered the viability of the business beyond the medium term. The new instated Notes following the conclusion of the restructuring mature in June 2026 and, under the base case scenario in the current viability assessment model, the Directors have a reasonable expectation the SSNs ($250 million) will be repaid in full at maturity. Under no reasonable scenario do the Directors believe the SUNs (accruing 13.00% payment in kind interest until maturity) will be repaid in cash at maturity, and therefore reasonably expects this to either be repaid in specie through the issuance of new shares (further diluting the existing shareholders at the time) or have its maturity extended through another restructuring exercise (or a combination of equity issuance and debt restructuring). The implementation of the major strategic initiatives described on pages 30 – 31 will inevitably support future long-term viability of the Group, however the Directors note this is not required in the base case scenario to repay the SSN at maturity in 2026.

Viability statement conclusion

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

- In the event that the Group is able to successfully close out the remaining steps to restructure its Existing Notes, the Group's viability conclusion is not exposed to plausible downside risks arising in isolation relating to the Group's strategy, operations, liquidity or compliance;
- In the event that the Group is able to successfully close out the remaining steps to restructure its Existing Notes, but a combination of the risks occur, then the Group's viability conclusion is not exposed in the event that a combination of any three of the four considered plausible downside 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 remaining steps to complete the restructuring are not achieved, 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 Existing 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 2024. Nevertheless, as highlighted above, the material uncertainty 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.

Arfan Khan
Chief Executive Officer

4 May 2022

Financial review

Results of operations for the years ended 31 December 2021 and 2020

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2021 and 2020 in US Dollars and as a percentage of revenue.

In thousands of US Dollars	2021	% of revenue	2020*	% of revenue
Revenue	195,285	100.0%	175,939	100.0%
Cost of sales	(87,849)	(45.0)%	(125,392)	(71.3)%
Gross profit	**107,436**	**55.0%**	50,547	28.7%
General and administrative expenses	(12,124)	(6.2)%	(14,671)	(8.3)%
Selling and transportation expenses	(23,066)	(11.8)%	(31,037)	(17.6)%
Taxes other than income tax	(17,083)	(8.7)%	(14,113)	(8.0)%
Finance costs	(116,696)	(59.8)%	(102,067)	(58.0)%
Employee share options – fair value adjustment	247	0.1%	496	0.3%
Impairment reversal/(charge)	74,186	38.0%	(286,569)	(162.9)%
Foreign exchange loss, net	(285)	(0.1)%	(1,827)	(1.0)%
Interest income	319	0.2%	253	0.1%
Other income	5,886	3.0%	4,757	2.7%
Other expenses	(13,218)	(6.8)%	(7,606)	(4.3)%
Profit/(loss) before income tax	**5,602**	**2.9%**	(401,837)	(228.4)%
Income tax (expense)/benefit	(31,720)	(16.2)%	37,478	21.3%
Loss for the year	**(26,118)**	**(13.4)%**	(364,359)	(207.1)%
Currency translation difference	(203)	(0.1)%	253	0.1%
Total comprehensive loss for the year	**(26,321)**	**(13.5)%**	(364,106)	(207.0)%

* Certain amounts shown here do not correspond to the 2020 report and reflect adjustments made. For more details, please see page 145 (correction of errors and reclassifications).

General note

For the year ended 31 December 2021 (the "reporting period") the total comprehensive loss amounted to US$26.3 million, a decrease in loss by US$337.8 million from US$364.1 million for 2020. The decrease in total comprehensive loss is mainly driven by the reversal of impairment in 2021 in the amount of US$74.2 compared to $286.6 million impairment charge in 2020, which was offset by income tax expense in the current period, as opposed to income tax benefit in the previous period. In addition, increase in revenues primarily resulting from higher hydrocarbon prices, as well as lower operating costs and selling and transportation expenses have also contributed to the decrease in loss during the reporting period as compared to 2020. These are explained in more detail below.

As noted elsewhere in the Annual Report, on 23 December 2021, the Group signed a Lock-up Agreement with a majority of holders of the aggregate principal amount of the Group's outstanding Notes (including largest shareholder ICU Holdings Limited ("ICU")) with the terms of a proposed restructuring agreed by the parties. For more details on the key terms of restructuring please refer to pages 26 – 27.

Revenue

The Group's revenue increased by 11.0% to US$195.3 million for the reporting period (2020: US$175.9 million). This is mainly explained by the higher product prices which was offset by lower sales volumes derived from a decrease in production during 2021 as shown in the table below. The average Brent crude oil price increased by 64.4% from US$43.2 /bbl during 2020 to US$ 71.0 /bbl during the reporting period.

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$143.1 million, US$18.2 million and US$8.7 million (2020: US$118.9 million, US$29.7 million and US$7.4 million).

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

In thousands of US Dollars	2021	2020	Variance	Variance, %
Revenue from oil and gas condensate sales	150,290	123,861	26,429	21.3%
Revenue from gas and LPG sales	44,978	52,078	(7,100)	(13.6)%
Revenue from sulphur sales	17	–	17	100.0%
Total revenue	**195,285**	175,939	19,346	11.0%
Average Brent crude oil price (US$/bbl)	71.0	43.2	28	64.2%

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

In thousands of US Dollars	2021	2020	Variance	Variance, %
Revenue from export sales	169,825	140,843	28,982	20.6%
Revenue from domestic sales	25,460	35,096	(9,636)	(27.5)%
Total revenue	**195,285**	175,939	19,346	11.0%

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

In boe	2021	2020	Variance	Variance, %
Oil and gas condensate sales volumes	2,378,019	3,274,374	(896,354)	(27.4)%
Gas and LPG sales volumes	3,217,443	4,601,467	(1,384,024)	(30.1)%
Total sales volumes	**5,595,462**	7,875,841	(2,280,379)	(29.0)%
Production volumes	**6,216,764**	8,175,342	(1,958,578)	(24.0)%

Cost of sales

In thousands of US Dollars	2021	2020*	Variance	Variance, %
Depreciation, depletion and amortisation	55,569	86,296	(30,727)	(35.6)%
Payroll and related taxes	14,603	14,083	520	3.7%
Repair, maintenance and other services	6,610	7,717	(1,107)	(14.3)%
Materials and supplies	4,561	4,219	342	8.1%
Well repair and maintenance costs	2,726	3,360	(634)	(18.9)%
Transportation services	2,559	1,908	651	34.1%
Environmental levies	201	114	87	76.3%
Change in stock	403	7,279	(6,876)	(94.5)%
Other	617	416	201	48.3%
	87,849	125,392	(37,543)	(29.9)%

* Certain amounts shown here do not correspond to the 2020 report and reflect adjustments made. For more details, please see page 145 (correction of errors and reclassifications).

Cost of sales Cost of sales decreased by 29.9% to US$87.8 million for the reporting period (2020: US$125.4 million). On a barrel of oil equivalent (boe) basis, cost of sales decreased by US$0.22 from US$15.92 in 2020 to US$15.70 for the reporting period and cost of sales excluding depreciation increased by US$0.74 to US$5.70 in the reporting period (2020: US$4.96).

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

Depreciation, depletion and amortisation decreased by 35.6% to US$55.6 million for the reporting period (2020: US$86.3 million). Depreciation is calculated applying the units of production method. The decrease in depreciation in 2021 in comparison with the prior period is a consequence of the impairment charge recognised as at 31 December 2020, which substantially reduced the depreciable asset base from 1 January 2021. 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.

Repair, maintenance and other services decreased by 14.3% from US$7.7 million to US$6.6 million for the reporting period. These expenses include costs of repairs 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 the cost optimisation efforts that were initiated in 2020 and ran throughout the 2021.

Well repair and maintenance costs decreased by 18.9% to US$2.7 million for the reporting period (2020: US$3.4 million), which was driven by the cost optimisation efforts by the Group that were initiated in 2020 and ran throughout the 2021.

Change in stock for the year mainly represents the movement in oil and condensate inventories. The negative adjustment of US$-0.4 million in 2021 is a result of a build-up of oil and condensate inventories as at 31 December 2021 which were then sold early in 2022. The charge of US$7.3 million in 2020 is the result of sale of oil and condensate volumes which were built-up as at 31 December 2019 and sold during 2020.

The above-mentioned decrease in costs was partially offset by increase in the following components of cost of sales:

Payroll and related taxes increased by 3.7% from US$14.1 million in 2020 to US$14.6 million for 2021, resulting from annual salary indexation, which was partially offset by changes in foreign exchange rates.

Transportation services increased by 34.1% to US$2.6 million for the reporting period (2020: US$1.9 million), which is caused by the change in terms of the transport lease agreements. In 2020, part of the transportation expenses were capitalised as lease liabilities and respective right-of-use assets, and therefore reflected through depreciation and unwinding of interest. In 2021, due to changes in the terms of lease agreements they did not meet the requirements for recognition under lease accounting in accordance with IFRS16 Leases, and therefore the related costs were directly expensed as transportation services in the income statement.

General and administrative expenses

In thousands of US Dollars	2021	2020	Variance	Variance, %
Payroll and related taxes	6,123	7,102	(979)	(13.8)%
Professional services	4,113	4,655	(542)	(11.6)%
Insurance fees	601	633	(32)	(5.1)%
Short-term leases	290	567	(277)	(48.9)%
Business travel	204	128	76	59.4%
Communication	182	183	(1)	(0.5)%
Depreciation and amortisation	170	600	(430)	(71.7)%
Materials and supplies	144	139	5	3.6%
Bank charges	71	95	(24)	(25.3)%
Other	226	569	(343)	(60.3)%
	12,124	14,671	(2,547)	(17.4)%

General and administrative expenses decreased by 17.4% to US$12.1 million for the reporting period (2020: US$14.7 million). This was driven by decrease in payroll and related taxes (by US$1.0 million or 13.8%), professional services (by US$0.6 million or 11.6%), depreciation and amortisation (by US$0.4 million or 71.7%), short-term leases (by US$0.3 million or 48.9%). This reflected a reduction in headcount, non-core activities and office space as a result of the cost optimisation programme.

Selling and transportation expenses

In thousands of US Dollars	2021	2020	Variance	Variance, %
Transportation costs	9,545	12,760	(3,215)	(25.2)%
Loading and storage costs	6,869	8,813	(1,944)	(22.1)%
Marketing services	2,167	3,724	(1,557)	(41.8)%
Depreciation of right-of-use assets	1,556	2,881	(1,325)	(46.0)%
Payroll and related taxes	1,520	1,501	19	1.3%
Other	1,409	1,358	51	3.8%
	23,066	31,037	(7,971)	(25.7)%

Selling and transportation expenses decreased by 25.7% to US$23.1 million for the reporting period (2020: US$31.0 million), primarily due to 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	2021	2020	Variance	Variance, %
Royalties	7,786	7,016	770	11.0%
Export customs duty	7,655	5,017	2,638	52.6%
Government profit share	1,628	2,044	(416)	(20.4)%
Other taxes	14	36	(22)	(61.1)%
	17,083	14,113	2,970	21.0%

Royalties, which are calculated based on production volumes and market prices for the different products, increased by 11.0% to US$ 7.8 million for the reporting period (2020: US$7.0 million), which corresponds to the increase in hydrocarbon revenues.

Export customs duty on crude oil increased by US$2.6 million or 52.6% to US$7.7 million for the reporting period (2020: US$5.0 million), mainly owing to the corresponding higher export custom duties rates caused by higher hydrocarbon prices.

Government profit share decreased by US$0.4 million to US$1.6 million for the reporting period (2020: US$2.0 million), which corresponds to the related decrease in hydrocarbon production.

Impairment charge

In 2021, as a result of the higher hydrocarbon prices being reflected in the impairment model the Group reversed the impairment on the property, plant and equipment in the amount of US$74.2 million.

In 2020, as a result of the reserves downgrade and respective reflection of the updated future production profiles in the impairment model the Group recognised non-cash impairment charge of US$ 286.6 million. Further details of impairment testing and assumptions used are disclosed in the Note 4 to the consolidated financial statements of the Group on page 147.

Finance costs

In thousands of US Dollars	2021	2020	Variance	Variance, %
Interest expense on borrowings	103,115	92,794	10,321	11.1%
Other finance costs	12,386	7,968	4,418	55.4%
Unwinding of discount on amounts due to Government of Kazakhstan	762	793	(31)	(3.9)%
Unwinding of discount on lease liability	157	354	(197)	(55.6)%
Unwinding of discount on abandonment and site restoration provision	276	158	118	74.7%
	116,696	102,067	14,629	14.3%

Finance costs increased by US$14.6 million to US$116.7 million for the reporting period (2020: US$102.1 million) mainly due to higher interest expense on borrowings of US$103.1 million (2020: US$92.8 million) and higher other finance costs of US$12.4 million (2020: US$8.0 million). Increase in interest expense on borrowings is due to the additional interest cost in the amount of US$9.1 million, which was calculated on the interest on Notes as per the terms of the Notes. Other finance costs primarily represent bondholder consent fees in the amount of US$2.9 million and advisor fees of US$9.3 million (2020: US$3.8 million and US$4.1 million, respectively) incurred by the Group in relation to the forbearance agreements, lock-up agreement and discussions with its bondholders regarding the restructuring of the Group's outstanding bonds. For more details on the restructuring and related information see Note 1 to the consolidated financial statements.

Other

Other expenses increased to US$13.2 million for the reporting period (2020: US$7.6 million). The increase is mainly attributable to the write-off of and loss allowance for the advances for other non-current assets in the amount of US$9.1 million, which mainly comprised costs associated with the development of new opportunities, including technical, legal, advisory and other professional fees. This increase was partially offset by relatively smaller amounts of additional taxes and penalties in 2021 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.

Income tax

Income tax expense amounted to US$31.7 million for the reporting period, a difference of US$ 69.2 million as compared to income tax benefit of US$37.5 million in 2020. Such a significant amount of income tax benefit in 2020 corresponds to respective impairment charges recognised as of 31 December 2020 and corresponding derecognition of deferred tax liabilities. An impairment reversal was booked in 2021 and the increase in the difference between the IFRS base and the tax base of the property, plant and equipment resulted in additional deferred tax liabilities and corresponding income tax charge.

Liquidity and capital resources

During the period under review, Nostrum's principal source of funds was cash from operations. Following the negotiations to restructure the Notes, during 2020 and 2021, the focus turned to preservation of cash by optimising the spend on capital expenditures and working capital requirements.

Cash Flows

The following table sets forth the Group's consolidated cash flow statement data for 2021 and the prior year:

In thousands of US Dollars	2021	2020
Cash and equivalents at the beginning of the period	**78,583**	93,940
Net cash flows from operating activities	117,415	82,746
Net cash used in investing activities	(19,778)	(40,101)
Net cash used in financing activities	(10,862)	(58,431)
Effects of exchange rate changes on cash and cash equivalents	(112)	429
Cash and equivalents at the end of the period	**165,246**	78,583

Net cash flows from operating activities

Net cash flow from operating activities was US$117.4 million for the reporting period (2020: US$82.7 million) and was primarily attributable to:

- loss before income tax for the reporting period of US$5.6 million (2020: US$401.8 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$57.3 million (2020: US$89.8 million), finance costs of US$116.7 million (2020: US$102.1 million) and impairment reversal of US$74.2 million (2020: impairment charge of US$286.6 million).
- US$7.0 million decrease in working capital (2020: US$8.3 million) is primarily attributable to decrease in trade receivables of US$6.9 million (2020: US$17.7 million), decrease in inventories of US$2.5 million (2020: US$7.0 million), partially offset by the decrease in trade payables of US$1.7 million (2020: US$9.2 million), and decrease in other current liabilities of US$0.1 million (2020: US$6.0 million).
- income tax paid of US$2.7 million (2020: US$2.0 million).

Net cash used in investing activities

Net cash used in investing activities for the reporting period was US$19.8 million (2020: US$40.1 million) due primarily to payment of expenditures related to well workover & intervention programme of US$3.6 million for the reporting period (2020: US$12.7 million), gas lift infrastructure development of US$2.8 million (2020: US$0.5 million), the low-pressure system of US$1.0 million (2020: US$2.8 million) and transfer to the restricted cash of US$9.8 million as required by the forbearance agreements and the subsoil use rights for abandonment and site restoration liabilities of the Group (2020: US$13.5 million).

Net cash used in financing activities

Net cash used in financing activities during the reporting period made up US$10.9 million (2020: US$58.4 million), and was mainly represented by the payment of fees related to forbearance agreement and restructuring negotiations of US$9.1 million (2020: US$10.0 million) and the payment of US$1.7 million under lease agreements (2020: US$5.4 million). In 2020, net cash used in financing activities also included the payment of US$43.0 million of the finance costs on the Group's Notes.

Going concern

The Group monitors on an ongoing basis its liquidity position, near-term forecasts, and key financial ratios to ensure that sufficient funds are available to meet its commitments as they arise and liabilities as they fall due. The Group reforecasts its rolling 24-month cashflows on a monthly basis and stress tests its future liquidity position for changes in product prices, production volumes, costs and other significant events. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include the ongoing efforts to restructure the Existing Notes, as well as further cost optimisation to reduce capital expenditures, operating costs and general and administration cost.

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2023. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $72/bbl for 2022 and $68/bbl for 2023. The favourable hydrocarbon pricing in 2021 and forbearance of making interest payments under the terms of the Forbearance Agreement with noteholders (refer to "Update on Bond Restructuring" section for further details) meant that the Group was able to grow its unrestricted cash reserves by over US$86 million. As a result, the Group had unrestricted cash balances of US$165.2 million as at 31 December 2021, with a further $22.7 million in a restricted bank account with limited access as per the terms of the Forbearance Agreement. Under the base case going concern assessment to the period to 30 June 2023, the Group is forecast to have total cash reserves of over U$$200 million, inclusive of cash swept into the restricted account, as explained below.

In 2020, the Group began formal proceedings for the restructuring of its Existing Notes, the largest of which would become due and repayable in July 2022. A Forbearance Agreement was entered into with an informal ad hoc committee of noteholders (the "AHG") in the same year which, amongst other things, forbears the AHG from accelerating the Existing Notes' obligations as a result of missed interest payments. During this period of forbearance the Company and the AHG endeavoured to agree on the terms of a consensual restructuring of the Existing Notes. On 23 December 2021, the Group announced the execution of a Lock-Up Agreement ("LUA") and terms of a restructuring agreement initially with the AHG and ICU Holdings Limited ("ICU") (the Company's largest shareholder, holding c.24% of the share capital). Subsequently, the LUA was acceded to by holders of over 77% of the total aggregate principal amount of the Existing Notes. On 13 April 2022, the Group issued a Circular and served notice convening a General Meeting of its shareholders to vote on the restructuring terms ("Restructuring Resolution"). On 29 April 2022, 99.99% of voting shareholders voted in favour of the Restructuring Resolution at the General Meeting; allowing the Group to proceed with the restructuring via a UK scheme of arrangement under Part 26 of the Companies Act 2006 (refer to "Update on Bond Restructuring" section and Note 1 to the consolidated financial statements for the latest on the Bond Restructuring process).

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

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

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

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

- The Company receiving all authorisations including securing a waiver from the Government of the Republic of Kazakhstan for the right to pre-empt newly issued shares in the Company on closing of the restructuring.
- The UK Court sanctioning the UK scheme of arrangement.

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

The Directors have also considered any additional risks to liquidity posed by the ongoing Russia-Ukraine conflict, which has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions include the US, UK and EU and these sanctions have been sequentially expanding. Given the geographical position of the Group's operations, it is very close to the evolving situation in Ukraine. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Nostrum currently sends approximately 40% of its products by volume produced via Russian transport infrastructure and ports and the Group also contracts with a limited number of Russian service companies. The Directors are cognisant of the current and evolving sanctions list to ensure the Group is conducting business in compliance with these sanctions.

In its going concern assessment, the Group sensitised its base case by adjusting for zero oil and condensate sales through Russian infrastructure; noting that even with zero sales for these products, there is forecast to be cash reserves in excess of US$100 million at the end of the going concern period to 30 June 2023, inclusive of cash swept into the restricted account. There is currently no material impact on the Group's operations and liquidity at the time of publication of these consolidated financial statements as a result of the ongoing Russia-Ukraine conflict and resultant Russian sanctions. The Directors have concluded that even under this severe scenario modelled, the Group would have sufficient liquidity over the going concern review period.

Additionally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and 2021. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity, nor do the Directors foresee a material impact in the going concern period, however, it is recognised that there is uncertainty around the future developments of COVID-19.

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

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

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 2021 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 2021						
Borrowings	1,298,926	43,000	43,000	–	–	1,384,926
Trade payables	7,853	–	546	–	–	8,399
Other current liabilities	14,636	–	–	–	–	14,636
Due to Government of Kazakhstan	–	258	773	4,124	4,381	9,536
	1,321,415	**43,258**	**44,319**	**4,124**	**4,381**	**1,417,497**
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**

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$8.6 million (2020: US$25.8 million). This mainly reflects costs associated with well workover/intervention program and other field infrastructure development projects (2020: well workover/intervention program 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. This unit is in hot stand-by mode and a discrete maintenance scope for 2022 was approved to improve further recovery efficiency of products from the raw gas stream.

Dividend policy

The Group currently pays no dividend and has not done so since 2015, 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)	2021	2020	2019	2018	2017
EBITDA reconciliation					
Profit/(loss) before income tax	5.6	(401.8)	(1,343.1)	(92.2)	26.0
Add back					
Finance costs	116.7	102.1	43.0	49.4	59.8
Impairment charge	(74.2)	286.6	1,354.7	150.0	–
Employee share options – fair value adjustment	(0.2)	(0.5)	0.6	(1.3)	(2.1)
Foreign exchange loss/(gain), net	0.3	1.8	(0.4)	1.0	0.7
Loss on derivative financial instrument	–	–	–	12.4	6.7
Interest income	(0.3)	(0.3)	(0.1)	(0.5)	(0.4)
Other expenses	13.2	7.6	12.5	8.5	22.0
Other income	(5.9)	(4.8)	(7.2)	(4.4)	(4.1)
Depreciation, depletion and amortisation[1]	57.3	89.8	143.3	117.1	123.0
Purchase of derivative financial instruments[2]	–	–	(3.7)	(8.6)	–
EBITDA	**112.5**	**80.5**	**199.6**	**231.3**	**231.6**
Operating costs reconciliation					
Cost of sales	87.8	125.4	172.0	165.1	177.2
Less:					
Depreciation, depletion and amortisation	(55.6)	(86.3)	(136.8)	(115.2)	(120.7)
Change in stock[3]	(0.4)	(7.3)	6.2	(0.1)	(0.3)
Operating costs	**31.8**	**31.8**	**41.4**	**49.8**	**56.3**
G&A reconciliation					
General and administrative expenses	12.1	14.7	21.4	22.2	33.3
Adjusted for:					
Depreciation and amortisation	(0.2)	(0.6)	(2.0)	(1.9)	(2.3)
G&A	**11.9**	**14.1**	**19.4**	**20.3**	**31.0**
Net debt reconciliation					
Long-term borrowings	–	–	1,100.5	1,094.0	1,055.9
Current portion of long-term borrowings	1,289.6	1,186.3	35.6	35.6	31.6
Less:					
Cash and cash equivalents	165.2	78.6	93.9	121.8	127.0
Net debt	**1,124.4**	**1,107.7**	**1,042.2**	**1,007.8**	**960.5**
Net cash flows from operating activities	117.4	82.7	196.8	214.0	181.5
Net cash used in investing activities	(19.8)	(40.1)	(121.0)	(172.0)	(192.4)
Net cash (used in)/from financing activities	(10.9)	(58.4)	(103.7)	(47.0)	34.6
EBITDA margin[4]	**57.6%**	**45.7%**	**61.9%**	**59.3%**	**57.1%**
Share price at end of period (US$)	0.07	0.10	0.22	1.03	4.41
Shares outstanding ('000s)	188,183	188,183	188,183	188,183	188,183
Options outstanding ('000s)	3,432	3,432	3,432	3,432	3,333

* Certain amounts shown here do not correspond to the 2020 report and reflect adjustments made. For more details, please see Note 3 to the consolidated financial statements.

1. Depreciation as it applies to operating assets only.
2. Purchase of derivative financial instruments represents the cash paid under the hedging contract which in accordance with IAS7 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, non-core income or expenses and taxes, and includes any cash proceeds received or paid out from hedging activity. This metric is relevant as it allows management to assess the operating performance of the Group in absence of exceptional and non-cash items.

Operating costs

Operating costs are the cost of sales less depreciation and change in stock. This metric is relevant as it allows management to see the cost base of the Company on a cash basis.

Arfan Khan
Chief Executive Officer

4 May 2022

Executive Chairman's overview

During 2021, the board and management primarily focused on the safety of our staff and contractors, restructuring the balance sheet to provide future financial stability, seeking third party volumes for our world class gas-processing infrastructure and continuing operations in a cost-effective manner to improve liquidity and efficiently manage reservoir decline.

Dear shareholder,

Much of our effort and attention during 2021 was focused on stabilising the financial position of the Group in order to secure its future, whilst ensuring that operations continued such that our employees and contractors remained safe.

Our principal objectives for 2021 were to successfully restructure our 2022 and 2025 bonds so that the Group has the security and balance sheet strength to move forward. To that end, on 23 December 2021 we announced the signing of a lockup agreement with our bondholders that outlined the main terms of the restructuring. This was later voted in favour by 99.99% of voting shareholders on 29 April 2022 at a General Meeting. In addition, we continued to engage with various stakeholders to secure third-party agreements for additional volumes for our gas treatment facilities.

Alongside our principal objectives, our other key priority tasks were to:

- Maintain financial discipline to minimise costs and improve liquidity. This was achieved.
- Reduce the impact of our operations on the environment. This was achieved.
- Continue studies to identify viable technologies to mitigate sub-surface risk. This was achieved.
- Stay alert to the threat of COVID-19 such that our employees remain protected and our operations continue uninterrupted. This was achieved.
- Our 2021 workover and intervention programme delivered mixed results but nevertheless remains a cost-effective means of mitigating the impacts of natural reservoir decline.

Board changes

As I reported last year, on 26 January 2021 Arfan Khan joined the Group as Chief Executive Officer and member of the Company's board of Directors.

Also, as I reported last year, effective 31 March 2020 Tom Richardson resigned as a Director of the Company and was succeeded as Chief Financial Officer by Martin Cocker on an interim basis until a new permanent Chief Financial Officer (Non-Director) was recruited. Martin had served on the board as an independent Non-Executive Director since 16 November 2017.

A formal board evaluation was completed in 2021 during which the board structure, membership and skill set were reviewed.

Remuneration policy

A resolution was put to shareholders at the 2021 Annual General Meeting relating to the Directors' annual report on remuneration for 2021. In accordance with the UK Companies Act 2006, this resolution was subject to an advisory vote, which was passed. At the 2021 Annual General Meeting a resolution was also passed to allow 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, which permission expires on the date of the 2022 Annual General Meeting.

At the 2022 Annual General Meeting, the Directors' annual report on remuneration for 2021 will be put to shareholders for approval by way of an advisory vote. In accordance with the Companies Act 2006, a resolution to approve changes to the Remuneration Policy will also be submitted to shareholders for a binding vote at the 2022 Annual General Meeting.
The only changes that are proposed to the Remuneration Policy are to allow 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.

For further information, please see the letter from the Chairman of the Remuneration Committee on pages 103 – 104.

Atul Gupta

Atul Gupta
Executive Chairman

4 May 2022

Executive Chairman's overview continued

Compliance with the Code

The UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 (the "Code") sets out the governance principles and provisions that applied to the Company during 2021. 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 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 82 – 83.

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 40 – 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 60.

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 32 – 33 and 90 – 91.

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 40 – 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 86.

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 86 – 87.

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 86.

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 87 – 89.

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 87 and 89.

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 89 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 90.

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 92 – 98.

The Board should present a fair, balanced and understandable assessment of the company's position and prospects. See pages 67 and 125.

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 60.

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 103 – 112.

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 113 – 116.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See pages 103 – 112.

Statement of compliance

Nostrum fully complied throughout 2021 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

Mr Cocker joined the Board of the Company on 16 November 2017, serving as an independent Non-Executive Director.

Following the departure of Mr Richardson as Chief Financial Officer in March 2020, Mr Cocker was asked by the Board to assume the executive responsibilities of the Chief Financial Officer on an interim basis. Mr Cocker agreed to do so and from 31 March 2020 to 30 August 2021 he was not considered an independent Non-Executive Director by the Board.

Following the completion of his duties as interim Chief Financial Officer, the Board considered whether it was appropriate that Mr Cocker resume his 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 Mr Cocker previously served as an independent Non-Executive Director of the Company for more than two years, for a period of 17 months he assumed executive responsibilities and was remunerated for this, 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 Mr Cocker 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 his ability to act independently as foreseen in Provision 10 of the Code.

The Board considered that Mr Cocker had demonstrated throughout the period during which he acted as an independent Non-Executive Director of the Company that he acted independently in his role as a Director. The Board was of the view that following the end of his interim role Mr Cocker 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 his deep knowledge of the Company and its business and stakeholders gained as a result of his interim role, Mr Cocker can make unique contributions to the Board as contemplated by the Guidance.

Accordingly, the Board considers Mr Cocker to be independent and redesignated him as an independent Non-Executive Director of the Company on 30 August 2021.

Provision 11

Following the appointment of Ms Van Hecke as Chief Executive Officer on 16 December 2019 and until the redesignation of Mr Cocker as an independent director on 30 August 2021, at least half of the board, excluding the Chair, were no longer considered to be independent. Given recent changes in various Directors' roles, the Company's 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 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

Date of birth: 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.
- 40 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).

Board committees

- (A) Audit Committee
- (N) Nomination and Governance Committee
- (H) Health, Safety, Environment and Communities Committee
- (R) Remuneration Committee
- ● Chairman/Chairwoman

(A) (H) (N) (R)

Kaat Van Hecke

Independent Non-Executive Director

Date of birth: 7 December 1971

Nationality: Belgian

Date of appointment: 31 December 2016

Other current appointments:

- Glover Gas & Power B.V. – Independent Non-Executive Director.
- Axxela Limited – Independent Non-Executive Director.
- Axxela Funding 1 Plc – Independent Non-Executive Director.
- Trinity Exploration & Production PLC – Independent Non-Executive Director[1].

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.

1. Effective 22 February 2022

Arfan Khan

Chief Executive Officer
from 26 January 2021

Date of birth: 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 (Romania).
- From April 2014 to December 2019, COO of Amni International Petroleum (Nigeria).
- From April 2012 to March 2014, Petroleum Engineering Director at Maersk Oil (Angola).
- From August 2002 to March 2012, Chief Production Engineer at Shell (Nigeria & Kazakhstan).
- Pre-2002: 12 years with ExxonMobil Gulf-of-Mexico Reservoir Development (US).
- Member of the Society of Petroleum Engineers.
- Holds a Bachelor of Science degree from Texas A&M University and an MBA from Tulane University.

A N R

Sir Christopher Codrington, Bt.
Independent Non-Executive Director

Date of birth: 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.

A H N R

Martin Cocker
Interim Chief Financial Officer 31 March 2020 to 30 August 2021

Redesignated as an Independent Non-Executive Director on 30 August 2021

Date of birth: 19 September 1959

Nationality: British

Date of appointment: 16 November 2017

Other current appointments:

- Etalon Group PLC – Non-Executive Director[1].
- Tinkoff Credit Systems Group Holdings – Non-Executive Director[2].
- Headhunter Group PLC – Non-Executive Director[3].
- JEC Property Management Limited – Director.

Skills and experience:

- Chartered accountant with over 30 years' business experience.
- Held several line management, project leader, CEO-and CFO-level positions and has also been independent Non-Executive Director and Chairman of the Audit Committee at Etalon Group PLC, Headhunter 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.

1. Resigned on 4 March 2022
2. Resigned on 11 March 2022
3. Resigned on 5 March 2022

Directors resigned in 2021:

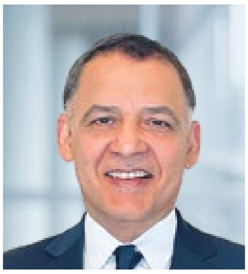
Simon Byrne,
Non-Executive Director

Resigned effective 4 January 2021

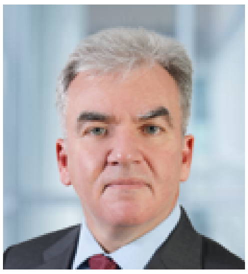
Board committees

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

Senior management team



Arfan Khan
Chief Executive Officer from 26 January 2021



Shane Drader
Chief Financial Officer from 30 August 2021

Date of birth: 5 November 1969

Nationality: Canadian

Skills and experience:

- Appointed as Chief Financial Officer of the Group effective 30 August 2021.
- Chartered accountant with over 25 years of experience in business and professional services.
- Most recently served as Managing Director, Head of IPO Office at JSC NC "KazMunayGas". Mr Drader was also a member of the management board at KazMunaiGas Exploration and Production JSC where he also had the roles of Managing Director, Financial Controller and Acting Chief Financial Officer.
- Holds a Bachelor of Commerce degree from the University of Calgary.
- Member in good standing with the Chartered Professional Accountants of Alberta, Canada.

Robert Tinkhof
Chief Operating Officer

Date of birth: 8 April 1962

Nationality: Dutch

Skills and experience:

- Appointed as Chief Operating Officer of the Group on 12 February 2019.
- 35 years of experience in the oil and gas industry, mainly Royal Dutch Shell with assignments in the Netherlands, UK, Syria, Iran, Egypt, Dubai, Iraq and Russia.
- Before taking the position as Chief Operating Officer, held several senior management positions since 2000 as General Manager Wells in Shell and Managing Director at the Scientific Research Institute of KMG for Production and Technology in Kazakhstan.

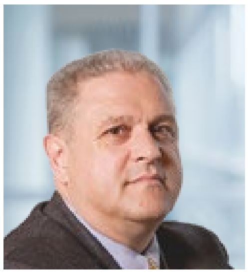
Thomas Hartnett
Chief Legal Officer & Company Secretary and Acting Head of Human Resources

Date of birth: 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 30 years of post-qualification experience, including 16 years 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.
- Served as Senior Corporate Counsel in the EMEA headquarters of Intercontinental Hotels Group from 1996-1998.
- Holds a Bachelor of Arts degree in Comparative and Developmental Politics from the Universityof Pennsylvania and a Juris Doctor degree from New York University School of Law.
- Member of the New York Bar and the Association of International Energy Negotiators.



Arkadi Epifanov[1]
Chief Commercial Officer

Date of birth: 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.

Martin Cocker
Interim Chief Financial Officer until 30 August 2021

See biographies of Arfan Khan and Martin Cocker on pages 82 and 83

1. Mr Epifanov was succeeded by Abi Zivs on 4 February 2022.

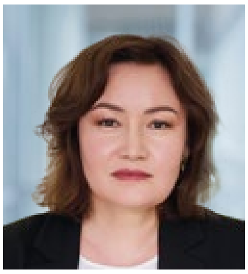
Zhomart Darkeyev
General Director of Zhaikmunai LLP

Date of birth: 1 January 1966

Nationality: Kazakh

Skills and experience:

- Appointed as General Director of Zhaikmunai LLP on 14 November 2016.
- At Zhaikmunai LLP, Mr Darkeyev has also held the positions of Administrative Director, Assistant General Director, Chief Administrative Manager, Engineer Manager and Deputy General Manager.
- Before Zhaikmunai LLP, Mr Darkeyev worked for Derkl Oil & Gas drilling as assistant driller and for Kazakhgas State Holding Company as a leading reservoir engineer.
- Graduate of Furmanov Secondary School with further education completed at the Ivano-Frankivsk Institute of Oil & Gas with a specialisation in drilling of oil and gas wells.



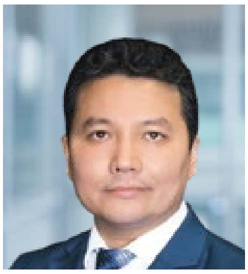
Gulnara Shadeyeva
Head of HR in the RoK

Date of birth: 28 March 1972

Nationality: Kazakh

Skills and experience:

- Appointed as Head of HR of Zhaikmunai LLP in October 2013.
- 22 years of experience in the oil and gas industry in several senior positions in Human Resources in KIOS, Baker Hughes Services Inc., AMEC, Exterran, Bolashak-Atyrau.
- Holds Bachelor's degrees in Automatics Engineering from the Gubkin Russian State University of Oil & Gas (Moscow), in Accounting from the West Kazakhstan State University and Master's degrees in Human Resources Management from the RANEPA (Moscow) and in International Human Resource Management from Kingston University in the UK.



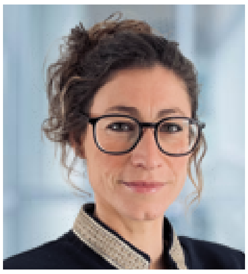
Daulet Tulegenov
Group head of QHSE

Date of birth: 29 January 1980

Nationality: Kazakh

Skills and experience:

- Appointed as Group head of QHSE in October 2018.
- 2017-2018 HSE Transformation team leader at KazMunaiGas JSC.
- 2010-2016 HSE manager at Lukoil.
- 2009-2010 Senior HSE expert at KazMunaiTeniz JSC.
- 2006-2009 Senior HSE specialist at LUKOIL.
- 2003-2006 Safety specialist at Tengizchevroil.
- Over 19 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.



Melody Pinet
Head of HR outside the RoK

Date of birth: 17 February 1988

Nationality: Belgian

Skills and experience:

- Appointed as Nostrum's Head of HR outside the RoK in May 2018.
- 2016-2018 HR Manager at Bee Engineering in Belgium.
- 2015-2016 HR consultant at Tempo-Team' Randstad company in Belgium.
- 2013-2014 Fieldworker at Terres Rouges in Senegal.
- Holds two Bachelor's degrees from the Université catholique de Louvain (one in Political Science and Government and one in Psychology).
- Holds Master's degree from the Université catholique de Louvain in International relations and the management of diplomatic conflicts.

Our governance framework

The Board

The Board is chaired by Atul Gupta and normally meets a minimum of four times a year. In 2021, 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 92 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 99 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 103 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 101 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: Shane Drader

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 86. 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 81, 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.

Related Party Transactions

In December 2021 the Company became aware that the employment of Serge Lens (the spouse of Company director Kaat Van Hecke) from December 2019 through August 2020 as an Adviser to the CEO was a potential or actual related party transaction giving rise to various regulatory obligations for the Company. The Company believes that the employment of Mr Lens and the remuneration paid to him was in the best interests of the Group and was fair and reasonable as far as the shareholders of the Company are concerned. However, the Company did not obtain the guidance of a sponsor at the time of Mr Lens' employment as to the application of the Listing Rules, Disclosure Requirements and Transparency Rules to a transaction that is or might be a related party transaction as required by Listing Rule 8.2.3R. At the time the Company's directors and officers believed that Mr Lens' employment was in the ordinary course of business and therefore not a related party transaction for purposes of the Listing Rules because his remuneration was similar to that paid by the Group and other companies in the industry to senior employees with similar experience and expertise, and that entry into such service agreements was not unusual for the Group. Nevertheless, upon review the Company has concluded that its failure to obtain the guidance of a sponsor regarding this matter constituted non-compliance with its obligations under Listing Rule 8.2.3R.

Total remuneration (including salary, bonus and other payments) paid by the Group to Mr Lens amounted to EUR 423,031 and would, if deemed a transaction not in the ordinary course, constitute a smaller related party transaction under Listing Rule 11.1.10.

In addition, during the period in which Thomas Richardson served as CFO of the Company and as a director (from September 2016 through March 2020) the Company employed his spouse Kirsten Hamilton-Smith as Head of Investor Relations (Mrs Hamilton-Smith was employed by the Company in 2012, a point at which she was not a related party or an associate of a related party). The Company also believes that Mrs Hamilton-Smith's employment and the remuneration paid to her was in the best interests of the Group, was fair and reasonable as far as the shareholders of the Company are concerned and did not involve any unusual practice or extraordinary benefits for her.

Total remuneration (including salary and bonus) paid by the Company to Mrs Hamilton-Smith on occasion exceeded 0.25% of the market capitalisation of the Company and would, if deemed a transaction not in the ordinary course, constitute a smaller related party transaction under Listing Rule 11.1.10.

The employment of both Mr Lens and Mrs Hamilton-Smith also constituted related party transactions for the purposes of International Accounting Standards (IAS 24) such that specific disclosure of their employment and remuneration should have been included in the Company's annual reports. Further, the Company should have included details of their remuneration in the disclosure regarding their spouse's remuneration in the Directors' Remuneration Reports in its Annual Accounts as required by Section 420(1) of the Companies Act 2006.

Our governance framework continued

Notwithstanding that the Company's failure to comply with its regulatory obligations as noted above was an unintentional oversight, the Nominations & Governance Committee of the Board determined that it was necessary to improve the robustness of the Company's procedures to prevent any such non-compliance in future. At the committee's request the Company carried out a review of these and other potential related party transactions, including examination of internal correspondence relating to these matters and of historic payroll and other payments to check for any potential related party transactions and reported to the Board thereon. As a result of such review the Company has taken the following actions:

I. information regarding these past related party transactions has been included in this Annual Report and detail of the amounts paid to Mr Lens and Mrs Hamilton-Smith in 2020 has been included in the notes to the Group's Annual Accounts;

II. more formality is now required around all decisions of the Nominations & Governance Committee, Remuneration Committee and the Board and consideration of any potential related party transaction is now regularly scheduled at the time of Board and committee meetings;

III. the Group's Related Party Transactions Policy has been modified to further clarify the Company's obligation to (a) obtain the guidance of a sponsor in accordance with Listing Rule 8.2.3R prior to proposing any transaction that is or may be a related party transaction for purposes of the Listing Rules, and (b) meet its disclosure and other obligations in relation related party transactions for purposes of the Listing Rules, Disclosure Requirements and Transparency Rules (including as regards IAS 24);

IV. such Policy has been re-distributed to the Group's directors and officers and other management personnel; and

V. all Group directors and senior managers have been given additional training regarding the Company's obligations under the Listing Rules, Disclosure Requirements and Transparency Rules.

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 Existing 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 2021.

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 2021 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 further increase the percentage of female employees at the Senior Management ad at the department head level within the Group.
- 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 2021 these procedures were enforced and adhered to appropriately.

Appointment and tenure

All Executive Directors have service agreements with the Company with the exception that Martin Cocker was engaged as interim Chief Financial Officer through a consultancy agreement that expired on 30 August 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 2021. No employees were trained on anti-corruption policies in 2021.

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.

One whistleblowing activity was reported in 2021 and is under investigation as at the date of this report.

Both policies were reviewed by the Audit Committee in 2021 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 2021

During the financial year, the Board held 8 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 2021 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 – 78 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.
Risk	• Review of all interim financial results announcements and the 2020 Annual Report and Accounts. • Consideration of the Group's going concern assessment, 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.
Governance	• Approved the appointment of Arfan Khan as Chief Executive Officer and Shane Drader as Chief Financial Officer. • Considered the salaries of Mr Khan and Mr Drader at the time of their appointments. • 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 2021 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. 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.

A formal Board evaluation took place in 2021.

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 2021

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]	8	8	–	–	–	–	–	–	–	–
Arfan Khan – from 26.01.2021[3]	7	7	–	–	–	–	–	–	5	5
Martin Cocker – up to 30.08.2021[4]	5	5	5	5	–	–	–	–	3	3
NON-EXECUTIVE DIRECTORS										
Kaat Van Hecke[5]	8	8	7	7	3	3	1	1	5	5
Martin Cocker – from 30.08.2021[6]	3	3	2	2	2	2	1	1	2	2
Sir Christopher Codrington Bt.[7]	8	8	7	7	3	3	1	1	–	–
Simon Byrne[8] (alternate Pankaj Jain)	0	0	–	–	–	–	–	–	–	–
Stephen Whyte – Board observer	8	8	6	3	0	0	0	0	5	2

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 Khan was appointed on 26 January 2021.
4. Mr Cocker attended meetings of the Audit Committee and the Health, Safety, Environment and Communities Committee before 30 August 2021 in his capacity as interim Chief Financial Officer but was not a member of the respective committees.
5. Ms Van Hecke is Chairwoman of the Health, Safety, Environment and Communities Committee and Chairwoman of the Remuneration Committee.
6. Mr Cocker was appointed as a member of the Audit Committee, the Nomination and Governance Committee, the Remuneration Committee and the Health, Safety, Environment and Communities Committee on 30 August 2021.
7. Sir Christopher Codrington Bt is the Chairman of the Nomination and Governance Committee as well as the Chairman of the Audit Committee.
8. 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.

Letter from the Chairman

Dear shareholder,

As with 2020, the year just passed has been one of uncertainty for the Group. The recovery in oil prices following the slump in early 2020 together with a continued cost management focus helped the Group to move into a cash generative position for much of the year. However, the absence of a formal lock up agreement to facilitate restructuring of the Existing Notes meant that the continued future operation of the Group was not certain throughout 2021. 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 unaudited 2021 quarterly Group 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.

We were also pleased that the FRC agreed to our request to allow Ernst & Young LLP to assist us on the restructuring after we had determined that in doing so their independence as external auditor of our financial statements would not be compromised.

The continued impact of COVID-19 on travel and work practices across the globe has meant that our internal audit processes have continued to be significantly disrupted in 2020. The additional mitigation control processes, introduced in 2020, continued to operate throughout 2021 and so the Committee believes that these measures, together with the continued simplification of our activities, means that the risk of any significant control failure has been mitigated.

The Committee met seven times in the year. In those Committee meetings, in addition to being very mindful as to whether the Company and Group remained a going concern, we have also:

- Reviewed the risks facing the Group and how those risks are managed;
- Continued to monitor the progress at the Chinarevskoye field and evaluate financial models based on the current production profile to ensure that there are no further negative impacts on the carrying value of our oil and gas assets;
- Ensured that there was adequate and accurate disclosure in the quarterly financial statements and the Annual Report on the progress of the restructuring discussions.
- Reviewed areas where critical judgements and estimates have been applied by management, and which are described in more detail in the report below to ensure they were appropriate and that complete disclosure had been made.

As an oil and gas producer, we take our responsibilities to limit climate change very seriously. Our actions to mitigate the impact that our operations have on the environment considered in the Sustainability review section on pages 34 – 50 and the relevant issues are also summarised in the report of the Health, Safety, Environment and Communities Committee on pages 101 – 102.

COVID-19 remains of key concern to the Board and was considered at each Board meeting throughout 2021 and is described in the Viability Statement on pages 67 – 69. The Board considers that Brexit has had, and is likely to continue to have, little or no impact on the Company's and Group's operations since (1) our UK operation is insignificant compared to the total operations of the Group and (2) it has little or no direct interface with Europe.

Since the end of the reporting period, the Committee and the Board have also considered the possible impact on the Group of US, UK, EU and other sanctions on Russian infrastructure, state and other businesses, banks and individuals following the recent Russia-Ukraine conflict. At the date of this report, whilst current sanctions may disrupt transactions with certain customers and suppliers, any impact on the Group has been minimal as the current sales routes for the Group remained unaffected. We will continue to evaluate the potential effects and mitigating actions, such as identification of alternative sales routes, as the conflict and corresponding international reactions to it evolve.

Our cohort of non-executive directors remains small and so when Martin Cocker relinquished his role as the interim Chief Financial Officer on August 30, 2021, I was pleased to welcome him back onto the Audit Committee. Whilst I recognise that optically this might look to be a strange move, I believe that Martin has the experience to act independently in thought and action and so his wealth of knowledge and insight into the day-to-day operations of the Company and Group will serve the Committee well.

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

4 May 2022

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 2021 were as follows:

- Review the Group's annual audited and interim unaudited consolidated financial statements;
- Review the formal announcement of the financial results, investor presentations and any other related announcements;
- Review the effectiveness of any investigations or internal audits performed;
- 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; Member from 30 August 2021.
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 considered to be independent Non-Executive Directors. More information is provided on page 87.

The qualifications presented in the biographies of the members of the Committee on pages 82 – 83, 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

The Committee meets normally a few days in advance of each board meeting. The Interim Chief Financial Officer from 1 January to August 30, 2021 and then the Chief Financial Officer from 30 August 2021, the Chief Legal Officer, the Company Secretary are invited to all meetings with the external auditor being invited when appropriate. The Committee held seven meetings during 2021 and the attendance of each Committee member at meetings of the Committee is shown on page 91.

Matters highlighted by the Financial Reporting Council (FRC)

In its report of October 2021, the FRC highlighted a number of key matters that it believes are relevant to the 2021/22 financial reporting season. Those matters include:

- Disclosures around the judgemental areas when applying new accounting standards, particularly IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. The Group is not impacted by IFRS 15 and has limited leased assets. However, the Committee considered the disclosures around IFRS 16 and concluded that all current disclosures in respect of IFRS 15 and IFRS 16 were appropriate;
- Reporting in respect of the impact of COVID-19, particularly in respect of going concern and liquidity. This is addressed in the Viability Statement on pages 67 – 69. The Committee has scrutinised the Viability Statement to ensure that readers are readily able to assess how COVID-19 has, and is likely to, impact the Group;
- The provision of full information about the future impact of climate change on the business, particularly in the areas of impairment review, asset lives and carrying values, decommissioning and restoration provisions and segmental reporting. In this regard, the Committee studied closely the impairment analysis, challenging assumptions on future pricing and costs;
- The correct classification of items within the cash flow statements, especially novel or unusual cashflow items. In this respect, the Committee has placed increased focus on any non-standard items within the cashflow statement, particularly those items associated with the forbearance agreements signed during the year and the costs associated with negotiating the lock-up agreement;

The Committee also paid attention to:

- The Viability and Going Concern statements, with particular focus on ensuring that the specific material uncertainties around the continued viability of the Group were clearly and fully explained and the key assumptions upon which the board concluded that the Group was a going concern were identified.
- 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.
- Ensuring 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; and
- Reviewing the definitions, explanations, reconciliations, prominence and consistency of alternative performance measurements such as EBITDA, for their compliance with ESMA's Guidelines.

Self-assessment

A formal review of the Committee's performance and effectiveness was made in 2021.

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 the quarterly unaudited and annual audited 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, in particular those relating to the ongoing discussions with the AHG;
- 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 2021 has been its continued viability as a going concern.

Throughout the year, the Group has been in discussion, through its advisers, with the AHG concerning the restructuring of the Existing Notes. Whilst conclusion of those discussions has taken some time, the Committee remained confident that the few matters that were causing delay were very likely to be resolved successfully. This proved to be the case when on 23 December 2021 the Company announced that a Lock-Up agreement had been signed with a significant majority of its noteholders. Furthermore, our shareholders voted in favour of the restructuring terms at a General Meeting on 29 April 2022. Despite the important agreement having been reached with the bondholders and shareholders, the actual restructuring has still to be completed and so there remains uncertainty.

Therefore, throughout 2021, 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. Our cashflow in 2021 has been positive and the Group continues to challenge expenditures to identify reductions in operating costs and general and administration costs that can be implemented without having an impact on forecast production in the going concern period of assessment;
- Oil prices have recovered from the lows of early 2020, although 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 and financial advisers on the likelihood that the Existing Notes will be successfully restructured;
- 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 crude oil, LPG, dry gas and stabilised condensate at which the Group was cash-positive during 2021; and
- Management's monitoring on an ongoing basis of its liquidity position, 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 2023, 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, especially the new variants of the disease that are being identified. 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 regular 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 regular Board meetings, members of the Committee considered and challenged the assumption that COVID-19 was not affecting production or operations. In addition, the Group uses a conservative forward price deck for its budget and liquidity models (i.e. for 2022 the budget price for Brent being used is $65 USD/barrel).	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 expenses, 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 2021.
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. Committee reviewed the findings of a third party tax review conducted by a member of the Big 4 conducted in 2021 for consistency with Management's views on potential tax exposures and provisioning positions.	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.

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 60 – 66.

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 with the exception of the non-compliance disclosed on page 60, 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 2021. No sanctions or disciplinary actions were applied in respect of internal control in 2021.

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 at various times throughout 2021 in response to COVID-19 mean that the Group has not performed any internal audit reviews for the second consecutive year.

To mitigate the exposure caused, the Group continued to operate the Contracts Board comprising the Chief Executive Officer, the 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

The Committee was in compliance with the Code throughout 2021.

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 English, Kazakh and Russian-speaking officer based in Uralsk and another Dutch- and English-speaking officer based in Brussels. The Audit Committee maintained close contact with the compliance liaison officers. One whistleblowing activity was reported in 2021 and was satisfactorily resolved.

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.

The Company plans to retender the audit in Q2 2022.

Compliance with other legal requirements

There were no material fines or other sanctions against the Group in 2021. There was no antitrust litigation against the Group in 2021. See the discussion on pages 87 – 88 regarding non-compliance with certain obligations in connection with actual or potential related party transactions.

Product liability

There were no cases relating to product liability in 2021.

2021 audit

During Q4 2021, 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 2021, 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 audit fees.

The Committee reviewed the auditor's annual report for 2021, 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 will evaluate the effectiveness of the external audit process for the year ended 31 December 2021, by completing a questionnaire which will address 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.

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 2021 totalled US$1,248,000 (2020: US$1,076,000).

In 2021, EY were appointed to act as the reporting accountant in connection with the required issuance of a Class 1 Circular in accordance with Listing Rule 9.5.12R in relation to the Company's proposed reconstruction and refinancing and subsequent required issuance of a Prospectus for the proposed listing and admission of new ordinary shares of the Company (the 'Transactions').

However, the proposed fees for the work would exceed the 70% non-audit services fee cap in FY 2021 by £188,000. In addition, the total expected fees subject to the non-audit service cap was estimated to represent approximately 110% of the average audit fees for the three preceding years (2018 to 2020).

The Committee considered whether the appointment of EY as reporting accountants would impair their independence as auditor. In making its judgement, the Committee considered that:

i. The reporting accountants work is a permissible non-audit service under the FRC's 2019 Revised Ethical Standard included within paragraph 5.39;

ii. At the time of the appointment in May 2021, the work was expected to commence in early June 2021, with the planned issuance of the Circular by 30 June 2021 and subsequent Prospectus by 30 September 2021. Therefore, the majority of the work was expected to be performed by EY in 2021 only;

iii. The total non-audit fees for the reporting accountants would exceed the 70% cap. However, the Company did not expect to undertake further similar transactions in the near future because, if successful, the refinancing process will deal with the expected refinancing needs;

iv. Completion of the refinancing was proposed to run to an extremely tight schedule and so the timetable for completion of the Transactions was a critical factor. EY already had significant knowledge and understanding to carry out the required work obtained from the audit of the financial statements. In addition, restrictions on travel and site visits as a result of COVID-19 made it extremely difficult, if not impossible, for another firm to visit the main locations in the UK and Kazakhstan. Therefore, the Committee considered that another firm would not have time to obtain the required knowledge and understanding of the Group in the short timeframe available. The Committee also considered that for this reasoning, splitting the work between EY and other firms was not practical;

v. EY had confirmed to the Committee that whilst the Audit Partner would be involved in the work because their understanding of the Company was relevant to the subject matter, the working capital exercise would be carried out by a separate transaction team, a separate Partner and separate quality control Partner. EY also confirmed that the Audit Partner would not be evaluated on permitted non-audit services provided to Company will be no self-interest threat for (as per paragraph 4.36 of the Ethical Standard). There is also limited self-interest threat as the level of fees is not material to the firm or the office.

After careful consideration, the Committee unanimously concluded that appointment of EY as reporting accountants did not impair their independence as auditors.

The Committee noted that EY would need to seek an exemption from the Financial Reporting Council for the breach of the 70% fee cap in respect of the financial year ended 31 December 2021. That application was made on May 26, 2021 and the FRC granted the exemption on May 27, 2021. There were no audit-related assurance services provided in 2020.

A detailed breakdown of audit and non-audit fees for 2021 can be found in Note 30 to the consolidated financial statements of the Group on page 161.

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

4 May 2022

Letter from the Chairman

Dear shareholder,

2021 has been a challenging year for all and this is much the same for the Nomination and Governance Committee.

Whilst Arfan Khan the newly-appointed CEO successfully relocated to Kazakhstan amidst the challenges of the COVID-19 pandemic, the Committee then considered the succession and replacement for the interim Chief Financial Officer Martin Cocker, whose service contract was extended through to end-August 2021. The Committee recommended to the Board an initiative to carry out a new search for a permanent Chief Financial Officer position with the assistance of Cripps Sears, which has no other connection with the Company.

After a successful search was completed, Shane Drader joined the Group and was appointed as Chief Financial Officer during the third quarter of 2021. Shane was welcomed to the Company and has also relocated to Uralsk.

Mr Cocker stepped down from his interim Chief Financial Officer position and the Committee worked with the Board, the Company's advisers and the advisers to an ad hoc group of holders of the Group's notes to reconstitute the Board.

The above consulted parties recommended to the Board that Mr Cocker resume his prior role as an independent non-executive director and as a member of the Audit, Nomination & Governance and Remuneration Committees of the Board. The Board is now comprised of five members: Atul Gupta (Chairman), Kaat Van Hecke, Martin Cocker, Arfan Khan and myself. Accordingly, the commitments that are being asked of each director continue to be significant, especially bearing in mind the restructuring exercise in which the Group is currently engaged. However, after seeking and obtaining guidance from the Company's advisers and engaging in dialogue with both the Board and the advisers to the Company's various stakeholders, the Committee concluded that it would not be appropriate to recruit an additional non-executive director onto the Board at this time of significant uncertainty and transition prior to completion of the proposed restructuring.

Additionally, the Board completed its self-evaluation in 2021 and the results of this process will be taken into consideration by the Board as the Company seeks to implement the proposed restructuring announced in December 2021 and as clarity emerges on the governance structure and arrangements proposed to take effect post-restructuring. In connection with such implementation the Committee will once again consider the structure, size and composition of the Board for the future management of the Company and make appropriate recommendations to the Board.

In the meantime, the Committee and the Board are satisfied that there are sufficient resources, experience and knowledge on the Board to work with the full commitments and demands placed on it whilst the Company is in the restructuring process.

Related party transactions

In December 2021 the Company became aware that through an unintentional oversight it had in two instances in the past failed to identify the employment of the spouses of directors by Group companies as potential related party transactions requiring consultation with a sponsor and public disclosure under the Company's own related party transactions policy and the UK Listing Rules, Disclosure Requirements and Transparency Rules.

Whilst the Committee and the Board believe that such employment was proper and in the Company's best interest in both cases, I apologise on behalf of the Company for the Company's failure in these two instances to meet its regulatory obligations in relation to these actual or potential related party transactions. The Company considers compliance with its regulatory obligations to be a matter of the highest importance and has conducted an internal review of this matter, in consultation with a sponsor and its auditors and legal counsel, and has approved and taken various remedial actions and initiated additional training and revision and distribution of the Company's policies and procedures around potential related party transactions in order to ensure that they are robust, known to all relevant personnel and consistently implemented.

More information regarding this matter can be found on pages 87 – 88.

The Committee will closely monitor the Company's consideration of possible related party transactions to ensure that going forward the Company fully complies with its regulatory obligations and internal policies and procedures in this area.

Committee meetings

The Nomination and Governance Committee met formally once during 2021. A number of other matters that might otherwise have been discussed by the Committee were discussed directly by the full Board. The attendance of each Committee member at Committee meetings held during 2021 is shown on page 91. 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.

Diversity

More information on the Group's actions and policies in relation to diversity and inclusion can be found on pages 40 – 42.

All Directors will stand for re-election at the 2022 Annual General Meeting with the full support of the Board.

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

4 May 2022

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	
Martin Cocker	

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

Letter from the Chairwoman

Dear shareholder,

I am pleased to present my third report as Chairwoman of the Health, Safety, Environment and Communities Committee. During 2021, the Committee continued its journey on the five HSEC pillars we established in 2019 and which define our approach to sustainable operations within the Company. The pillars are: HSE leadership; rigorous incident investigation; process safety/ asset integrity; contractor HSE management and commitment to reduce GHG emissions. Notable achievements in 2021 are described below.

As for the prior year, COVID-19 continued to be a key focus for the HSEC Committee and the Group at large during 2021. In accordance with our own COVID measures as well as implementing all Kazakhstan guidelines we implemented stringent precautionary measures to ensure the safety of our employees and contractors and the wider community. I am happy to report that the vaccination of our staff started in April 2021 and reached above 78% of employees fully vaccinated by the end of 2021, which is considerably higher than the RoK fully vaccinated rate as of the same date of approximately 43%. The number of positive cases within our employee base was low and appropriate isolation and distancing measures were undertaken which avoided mass contagion in the year. We are very grateful that all affected staff recovered and were able to return to work.

COVID did not have a material effect on our operations in 2021, with no production losses arising that can be attributed to the pandemic or our actions in managing our response to it.

In terms of diversity, at 31 December 2021 the Group reported 23% female representation across all levels of our active work population, which is at the same level of 23% reported at the end of 2020. 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 and with the majority of the positions requiring physical presence in a remote field camp on a rotational basis. 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 provisions and identification of "high-potential" employees. Also, to increase awareness of the inclusive measures that can be taken in favour of greater diversity, specific training for management in this area is expected to be provided in 2022. In 2021, two women joined the Senior management team as opposed to 2020 year end when no females were in the Senior management team. We are targeting to further increase female representation at the Senior management and at the department head level. Further information on the Group's approach to diversity is set out on page 40 – 42.

The Committee met five times during 2021. The attendance of each Committee member at Committee meetings held during 2021 is shown on page 91. Only members of the Committee have the right to attend Committee meetings. However, the Group Head of QHSE, Chief Operating Officer, Chief HR Officer, Chief Legal Officer and Chief Financial 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 bi-monthly internal QHSE meetings in 2021 with attendance of the CEO, the QHSE group, the Chief Operating Officer and the Head of Field Operations. This enabled the safety messages to be brought down into the field directly from the Chief Executive Officer and Chief Operating 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 QHSE 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

4 May 2022

Committee activities during the year

Notable achievements in 2021 in relation to our pillars were:

- We had two LTIs in 2021 and the LTIR was 0.81 in 2021 (per million man-hours, compared to an LTIR of 0.84 in 2020). Proactive reporting of all hazardous situations continues to be encouraged, with the TRIR at 2.4 in 2021 (compared to a TRIR of 3.8 in 2020). For all incidents the Company follows its updated incident investigation procedure based on the "five whys" methodology and applies the SMART principles for the actions proposed.
- In line with expectations and for the third consecutive year the Company and its contractors had zero fatalities across its operations.
- A target of 600 submitted Hazard Observation Cards was set again for 2021, now with the focus on a larger population of employees as well as on contractors submitting the cards. I am delighted to report that 1,278 cards were submitted in 2021, of which over 40% by contractor staff and more than 35% of our employees submitted cards. A target of more than 1,000 of Hazard Observation Cards has been agreed for 2022 with a focus on an even 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 2021 according to the stated deadlines and was graded "C". An ambitious KPI target of "B" has been set for 2022. In addition, the Group also submitted the CDP water security module for the first time 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 45 – 50.
- We continued with our contractor HSE management implementation. We conducted four external contractor HSE management system audits and two internal management system audits in 2021 to ensure proactive approach in identifying areas for improvement and demonstrating our ongoing commitment to improved contractor management. In 2021, we implemented – in a structured way – bi-annual HSE performance meetings with six of our key contractors, during which Nostrum senior operation representatives discuss with senior contractor staff any HSE related findings. Review audits and bi-annual HSE performance meetings with our key contractors will continue to be conducted in 2022.
- 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 2021, significant effort was made to inspect all vessels in line with the agreed vessel inspection program. During the extended plant shutdown, all vessels that required internal inspection by RoK law were inspected, some for the first time. While no major issues were found, lessons have been learned to ensure continued preventive maintenance measures for all process safety critical equipment. The exhaust chimney of the Sulphur Recovery Unit was found to have a crack and was duly repaired. Finally, a special monitoring program, using drone technology, has been developed.

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

The key responsibilities of the Committee are:

- Paying attention to health, safety, environment, climate change and diversity 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 ensuring 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]	
Arfan Khan	

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 Executive Officer.

Annual statement 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 2021.

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 previously, a significant number of shareholders expressed concerns at the AGM in 2019 regarding our Remuneration Policy, in particular around the Company's 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 at that time. Therefore, our Remuneration Policy has remained unchanged throughout 2019, 2020 and 2021.

Only two Directors were participants in the LTIP. They were the former Chief Executive Officer, Kai-Uwe Kessel, who left the Group on 16 December 2019 and Tom Richardson, the former Chief Financial Officer who resigned 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.

The Group was pleased to announce the appointment of Arfan Khan as Chief Executive Officer on 26 January 2021. Mr Khan assumed the role of chief executive of the Group from Executive Chairman Atul Gupta, who had performed such duties on an interim basis. Mr Gupta reverted to his previous role as Executive Chairman. Mr Khan also joined the Board at the same time.

The Group was also pleased to announce the appointment of Shane Drader as Chief Financial Officer on 30 August 2021. On the same date, Martin Cocker, who had been acting as interim Chief Financial Officer, stepped down from that role and resumed his role on the Board as an independent non-executive director.

None of the Executive Directors on seat in 2021, being Mr Gupta, Mr Khan and Mr Cocker, were participants in the LTIP or received any signing bonuses or similar financial inducements or "Golden Hellos" to take on executive roles. Accordingly, those elements of the Remuneration Policy that gave rise to concerns expressed by certain shareholders previously have not been invoked by the Company in any way in 2021.

As noted elsewhere in this Annual Report, in accordance with the Companies Act 2006 a resolution to approve the Remuneration Policy will be submitted to shareholders for a binding vote at the 2022 Annual General Meeting.

Remuneration for 2021

The 2021 Directors' Remuneration Report will also be subject to an advisory vote at our 2022 Annual General Meeting.

Further details of Executive Director performance against the 2021 KPIs can be found on pages 107 – 108. In setting these targets, the Committee focused on areas critical for the Company, which were:

- Minimising annual decline of 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.

Mr Khan is the only person who served as an Executive Director during 2021 who has been assessed for a bonus against achievement of these KPIs. The assessment was prepared by the Remuneration Committee as a recommendation to the Board, and was considered and agreed by the Board (other than Mr Khan himself) on 31 March 2022. It was determined that 30.3% of the KPIs had been achieved over the year 2021.

Few production and cost KPIs were satisfied (5% out of a possible 30%), the ESG KPIs had been partly met (8% out of a possible 10%) and tangible progress had been made on the strategic objectives (17.3% out of a possible 200%). Accordingly, the Committee recommended and the Board approved a bonus of 30.3% for the Chief Executive Officer for 2021.

The 2022 key performance indicators for the CEO and senior managers were initially proposed by the CEO and then developed in consultation with the Remuneration Committee and were agreed by the Board in December 2021. Such KPIs are set out on page 112. Senior management, including the Chief Executive Officer, are assessed for bonuses based on these KPIs. Certain KPIs relating to strategic objectives have been carried forward from 2021 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 Directors' Remuneration Report following their achievement.

The Committee also exercised its discretion in deciding not to make any awards under the LTIP in 2021 to any LTIP participants.

As regarding the Group's personnel as a whole, the collective agreement with employees of the Company's subsidiary Zhaikmunai LLP working in the Republic of Kazakhastan provides for annual indexation of salaries and effective 1 April 2021 a 7.5% pay increase was granted to such employees who are paid in Kazakh Tenge to cover the increase in the cost of living there during 2020. Effective on 1 January 2022 an additional increase of 8.4% was granted to cover the increase in the cost of living there during 2021.

However, executive Directors and other members of senior management did not receive any salary increases in 2021.

Fees payable to the independent non-executive Directors in 2021 remained at the level of $120,000 per annum, introduced from the date of entry by the Company into the Forbearance Agreement on 23 October 2020.

The Committee notes that it has come to its attention that as a result of an unintentional oversight total remuneration figures reported by the Company for two directors in the Directors' Remuneration Report for certain past years, including 2020, did not include remuneration paid to their associated persons who were also employed by Group companies. Such figures for 2020 have been corrected in the comparative tables found in the remuneration report for 2021.

More information regarding this matter can be found on pages 87 – 88.

UK Corporate Governance Code

The Company complied with the provisions of the Code relating to remuneration throughout 2021. Further information on compliance with the Code can be found on page 80.

The Committee has addressed the factors in Provision 40 of the Code as to clarity, simplicity, risk and predictability by refining the CEO's KPIs applying in 2022 relative to those which applied in 2021 to (a) reduce ambiguity; (b) increase the level of granularity; and (c) agree them with relevant stakeholders (such as the bondholders) in good time.

Compliance statement

This report has been prepared in accordance with the UK's regulations on remuneration reporting. The Companies Act 2006 requires the Company's 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 Directors' 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

4 May 2022

2021 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 2021, the Committee was comprised solely of independent Non-Executive Directors.

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 incentive structures do not raise any environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The Committee held three meetings in 2021 and the attendance of each committee member at such meetings is shown on page 91.

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

Meeting	Agenda item
April 2021	• Extension of interim Chief Financial Officer's service agreement. • Employee bonuses in respect of 2020. • Indexation of salaries for Kazakh personnel.
November 2021	• Discussion of 2021 and 2022 KPIs.
December 2021	• Further discussion of 2022 KPIs as recommendation to the Board.

The Chief Executive Officer attended the meetings in November and December 2021. No other Directors participated in meetings of the Committee during 2021.

During the year, the Committee received advice internally from Arfan Khan (from 26 January 2021), Atul Gupta (from 1 January 2021 to 25 January 2021 during his appointment as interim Chief Executive Officer), Martin Cocker (from 1 January 2021 to 30 August 2021 during his appointment as interim Chief Financial Officer), Shane Drader (from 30 August 2021) and Thomas Hartnett (Company Secretary).

Mr Gupta and Mr Khan 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 Directors nor the Company Secretary participated in decisions on his 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.

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.

Membership

Name	Membership start date	Membership end date
Sir Christopher Codrington, Bt.	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 30 August 2021	8 October 2020

Their biographies are given on pages 82 – 83. The Company Secretary acts as secretary to the Committee.

Corporate governance

Voting on remuneration matters

The resolution put to shareholders at the 2021 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	105,579,672	99.80%	214,349	0.2%	997,735

At the 2022 Annual General Meeting, the Directors' remuneration report will be put to shareholders for approval by way of an advisory vote. In accordance with the Companies Act 2006, a resolution to approve changes to the Remuneration Policy will 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 2021 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[1,2] Amounts in EUR	Period	Salary and fees	Taxable benefit	Annual bonus[3]	Phantom Share Option Plan	LTIP[4]	Pension[5]	Total (audited)	Total fixed remuneration	Total variable remuneration
Atul Gupta (Executive Chairman)	2021	431,031	3,542	–	–	–	3,221	437,794	437,794	–
	2020	453,383	462	–	–	–	12,927	466,771	466,771	–
Arfan Khan (Chief Executive Officer)	2021	532,809	38,555	161,257			33,836	766,458	605,200	161,257
	2020	–	–	–	–	–	–	–	–	–
Kaat Van Hecke (Chief Executive Officer)[6]	2021	–	–	–	–	–	–	–	–	–
	2020 restated[7]	948,998	11,481	140,850	–	–	21,532	1,122,861	982,011	140,850
Martin Cocker (Chief Financial Officer)[8]	2021	375,604	–	–	–	–	–	375,604	375,604	–
	2020	374,471	–	–	-	–	–	374,471	374,471	–
Tom Richardson (Chief Financial Officer)[9]	2021	–	–	–	–	–	–	–	–	–
	2020 restated[10]	378,047	3,121	–	–	–	4,233	385,402	385,402	–

1. Mr Khan 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 Cocker (from March 2020 to August 2021 when he was in role as Chief Financial Officer) 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.
2. Mr Gupta is remunerated in US$, Mr Cocker was remunerated in GBP, Mr Khan is remunerated in GBP and KZT and Ms van Hecke was remunerated in EUR and KZT. For the purposes of this table, the following exchange rates have been used:
   2021: GBP: EUR 1.159; EUR:US$ 1.188; EUR:KZT 505
   2020: GBP: EUR 1.129; EUR:US$ 1.131; EUR:KZT 431
3. Ms Van Hecke received a bonus in 2020 for her contribution to the operating, commercial, strategic and environmental objectives of the Group in 2020. None of the bonus awarded to Ms Van Hecke was in relation to the appreciation or depreciation of the Company's share price. Mr Khan received a bonus for his contribution to the operating, commercial, strategic and environmental objectives of the Group in 2021. None of the bonus awarded to Mr Khan was in relation to the appreciation or depreciation of the Company's share price. No other Executive Directors received bonuses in respect of 2019, 2020 or 2021.
4. Awards made under the LTIP in 2017 have vested but no awards have been exercised 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, 2020 or 2021.
5. The Company did not operate a pension scheme for Executive Directors in 2020 or 2021 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 2021 in lieu of pension contributions was 37,057 EUR (2020: EUR 38,692). Executive Directors are not entitled to any additional benefit if they retire early.
6. Ms Van Hecke was Chief Executive Officer from 16 December 2019 to 31 August 2020.
7. The amount published in 2021 in respect of payments to Ms Van Hecke in 2020 has been corrected to include the amount of EUR 423,031 paid to her spouse in 2020. For the purpose of this table all the amounts paid to Ms Van Hecke's spouse were included in the Salary and fees, Total (audited) and Total fixed remuneration columns. Please see pages 87 – 88 for more information on this related party transaction.
8. Mr Cocker was paid as Chief Financial Officer for the period 31 March 2020 to 29 August 2021.
9. 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.
10. The amount published in 2021 in respect of payments to Mr Richardson in 2020 has been corrected to include the amount of EUR 165,867 paid to his spouse in 2020. For the purpose of this table all the amounts paid to Mr Richardson's spouse were included in the Salary and fees, Total (audited) and Total fixed remuneration columns. Please see pages 87 – 88 for more information on this related party transaction.

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]	2021	120,000	120,000
	2020	94,098	94,098
Kaat Van Hecke[3, 6]	2021	120,000	120,000
	2020	29,968	29,968
Martin Cocker[7]	2021	40,000	40,000
	2020	27,500	27,500
Simon Byrne[8]	2021	–	–
	2020	25,000	25,000
Michael Calvey[8]	2021	–	–
	2020	25,000	25,000
Mark Martin[5]	2021	–	–
	2020	51,023	51,023

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 January 2020 to 31 August 2020 for her role as Chief Executive officer are reported in the table on page 106. 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 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 to 29 August 2021 are reported in the table on page 106. Mr Cocker resigned as Chief Financial Officer on 30 August 2021 and was redesignated as an independent Non-Executive Director on 30 August 2021.
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 and 2021.

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

Annual bonus

In 2021, Mr Khan was the only Executive Director eligible for a bonus.

In accordance with the shareholder approval given at the Company's 2021 AGM for the purposes of section 226B(1)(b) of the Companies Act 2006, the maximum annual bonus opportunity for Mr Khan in respect of 2021 was 240% 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.

The key performance indicators for annual cash bonuses for the Chief Executive Officer were as follows:

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%

2021 bonus performance measures	Weight %
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.

The Committee considered the performance of the Chief Executive Officer in the period 26 January to 31 December 2021. Production and cost KPIs were partly satisfied (5% out of a possible 30%), the ESG KPIs had been partly met (8% out of a possible 10%) and tangible progress had been made on the strategic objectives (17.3% out of a possible 200%). Accordingly, the Committee recommended and the Board approved a bonus of 30.3% on 31 March 2022 for the Chief Executive Officer for 2021 (EUR 161,257). The maximum bonus that could have been awarded was 240% of base remuneration.

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 2021, 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 2021 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 2021.

Payments for loss of office

No payments were made to Directors in 2021 for loss of office.

Non-executive Director fees

No changes were made to Non-Executive Director fees in 2021, which were kept at $10,000 per month.

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company as at 31 December 2021 were as follows:

Director	Total (audited)
Atul Gupta	178,357
Arfan Khan	–
Sir Christopher Codrington, Bt.	3,312
Kaat Van Hecke	–
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 115 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 2021 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, all outstanding options lapsed on 30 March 2021.

No awards were made under the Plan in 2021 (2020: 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, 2020 or 2021.

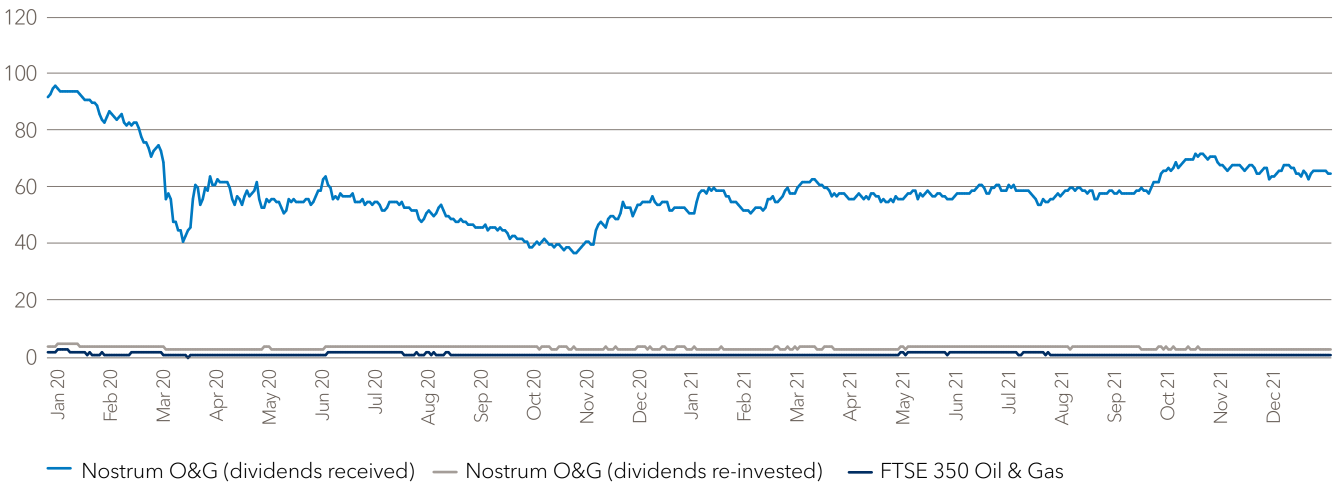
In accordance with the LTIP rules, all outstanding options that had been issued to two Executive Directors, Mr Kessel and Mr Richardson, who had left the Company on 16 December 2019 and 31 March 2020, respectively, lapsed as of 16 December 2019 and 30 March 2021, respectively.

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.

TOTAL SHARE RETURN



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 25 January 2021.

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 2020 to 25 January 2021. 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 106 for more information.

Year	Total CEO remuneration (EUR)	Annual bonus as % of maximum opportunity
2012	792,812	100.00%
2013	889,217	100.00%
2014	2,050,323[1]	100.00%
2015	971,224	80.00%[2]
2016	915,900	75.00%
2017	888,451	31.25%
2018	617,765	0.00%
2019[3]	1,401,813	0.00%
2020[4]	1,135,788	60.33%
2021	797,416	12.61%

1. Total CEO remuneration for 2014 includes remuneration from the exercise of share options.
2. These figures include a bonus amount of EUR 236,262 paid in 2015 in respect of 2014 performance. No bonuses were paid for 2015 performance.
3. The amounts published in 2021 in respect of payments to Ms Van Hecke in 2019 have been corrected to include the amount of EUR 32,006 paid to her spouse in 2019.
4. The amounts published in 2021 in respect of payments to Ms Van Hecke in 2020 have been corrected to include the amount of EUR 423,031 paid to her spouse in 2020.

Annual percentage change in Director and average employee remuneration

The table below shows the percentage changes in the salary, benefits and annual bonus of the Directors compared to the percentage increases of the workforce as a whole for each financial year beginning on or after 1 June 2019.

Executive Directors (EUR)	Salaries	Taxable benefits	Annual Bonus
Executive Chairman[1]			
2021	431,031	3,542	–
2020	453,383	462	–
% change	(4.9)%	666.7%	–
Chief Executive Officer[2,3]			
2021	561,049	38,864	161,257
2020	973,443	11,481	116,405
% change	42.4%	238.5%	38.5%
Chief Financial Officer[4]			
2021	375,604	–	–
2020	752,519	3,121	–
% change	(50.1)%	(100.0)%	0.0%

1. Mr Gupta is remunerated in US$. He did not receive any increase in salary during 2021 in respect of his role as Executive Chairman and so any movement against 2020 is a result of changes in exchange rate.
2. Ms Van Hecke was Chief Executive Officer from 16 December 2019 to 31 August 2020. Mr Gupta discharged the role of Chief Executive Officer from 1 September 2020 to 25 January 2021 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 2019, 2020 and 2021 reflect only the amounts paid to Ms Van Hecke (and her spouse) and Mr Khan.
3. The amounts published in 2021 in respect of payments to Ms Van Hecke in 2020 have been corrected to include amounts paid to her spouse in 2020.
4. The amounts published in 2021 in respect of payments to Mr Richardson in 2020 have been corrected to include amounts paid to his spouse in 2020. The amounts for 2021 only include Chief Financial Officer's compensation up until 30 August 2021, at which time the position was removed as an Executive Director.

Non-Executive Directors (US$)	Salaries	Benefits	Annual Bonus
Sir Christopher Codrington Bt			
2021	120,000	–	–
2020	94,098	–	–
% change	27.5%	0.0%	0.0%
Kaat Van Hecke			
2021	120,000		
2020	29,968	–	–
% change	300.4%	0.0%	0.0%
Mark Martin			
2021	–	–	–
2020	51,023	–	–
% change	(100.0)%	0.0%	0.0%
Martin Cocker			
2021	40,000	–	–
2020	27,500	–	–
% change	45.5%	0.0%	0.0%
Michael Calvey			
2021	–	–	–
2020	25,000	–	–
% change	(100.0)%	0.0%	0.0%
Simon Byrne			
2021	–	–	–
2020	25,000	–	–
% change	(100.0)%	0.0%	0.0%
Employees of the Group on an FTE basis			
% change	(8.0)%	(5.3)%	6.6%

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$	2021	2020	% change
Remuneration paid to all employees[1]	22,242	22,693	(2)%
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 117 and 118 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 2021 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.

In accordance with the Companies Act 2006, a resolution to approve changes to the Remuneration Policy will be submitted to shareholders for a binding vote at the 2022 Annual General Meeting.

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 respect of 2021 will be consistent with the current policy described on pages 113 – 119 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 in accordance with the shareholder approval given at the Company's 2021 AGM for the purposes of section 226B(1)(b) of the Companies Act 2006.

Remuneration in respect of 2022 will be consistent with the new policy described on pages 113 – 119 if that new policy is approved by shareholders at the 2022 Annual General Meeting.

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

The Executive Director annual bonus opportunity in respect of 2021 was up to 40% of base compensation in accordance with the current policy, 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 in accordance with the shareholder approval given at the Company's 2021 AGM for the purposes of section 226B(1)(b) of the Companies Act 2006. 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 2022 to determine the annual bonus amounts payable to Executive Directors in 2023. Details of any non-commercially sensitive KPIs are set out below. 2022 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.

2022 bonus performance measures	Weight
Production and Costs	**40%**
Achieve annual No-Further-Activity PDP volume available for sales from 12 100 boepd (0%) to 12 700 boepd (100 %). Sliding scale.	15%
Deliver 6 well WOWI campaign within USD 5.8 mln budget and with an annual cumulative production volume in 2022 ranging from 192 kboe (0%) to 396 kboe (100%). Sliding scale.	10%
Reduce Opex and G&A from USD 45.5 mln (0%) to USD 41.76 mln (100%). Accruals basis. Sliding scale.	10%
Deliver gaslift expansion project by Oct 2022, within USD 8 mln budget and run compressor stable (one month uninterrupted). If project delivery is one week faster and in budget (100%); if on target and in budget (75%) ; if 2 months delay and above budget (0%).	5%
Strategic Objectives	**50%**
A commercially sensitive strategic target, therefore not disclosed.	40%
A commercially sensitive strategic target, therefore not disclosed.	5%
Improvement of Refinitiv ESG assessment score to 55/100 by December 31, 2022. Sliding scale.	5%
HSE	**10%**
Achievement of the approved 2022 HSE Plan (provided that there have been no fatalities). KPIs: • Reduce GHG emissions with 5% of 2021 actual CO_2 equivalent level • Safety KPIs: LTI < 1.0; RTI < 0.8; TRIF < 2.0; Number of HSE stop cards > 1000; >60% participation of ZKM employees in HSE stop cards	10%
	100%

These bonus performance measures apply to the Chief Executive Officer and if the future remuneration policy on pages 113 – 119 of this report is approved at the 2022 AGM, the percentage result (from the above table out of 100%) will be applied to his maximum opportunity of 240%. Currently, no other director is eligible for any bonus payment relating to 2022 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 2022.

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 2022. Therefore, no performance conditions have been set for 2022.

Non-Executive Directors

As noted, Non-Executive Director fees were last reviewed in October 2020. The next review of Non-Executive Director fees will be conducted following the successful restructuring of the Group's debt.

Future 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.

The Company's current remuneration policy was approved by shareholders at the Company's 2019 AGM and is now due for renewal. We will be asking our shareholders to approve a new policy at our 2022 AGM. The proposed new policy in full is as detailed below. The only changes to the existing policy are to envisage 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.

Given that the new policy is being requested for approval only in order to comply with the three-year deadline in section 439A of the Companies Act 2006, no further disclosures will be made as regards the decision-making process for its determination, review and implementation and measures to avoid or manage conflicts of interest and, where applicable, the role of the remuneration committee or other committees concerned.

Policy coverage

This Policy applies to all payments to Directors of the Company from the date of the Company's 2022 AGM and until the approval of a revised Remuneration Policy.

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).	Maximum opportunity of 240% of base compensation for the Chief Executive Officer, Arfan Khan. In all other cases, 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
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

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
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 2022. Three scenarios are presented for each executive director which are based on the following assumptions:

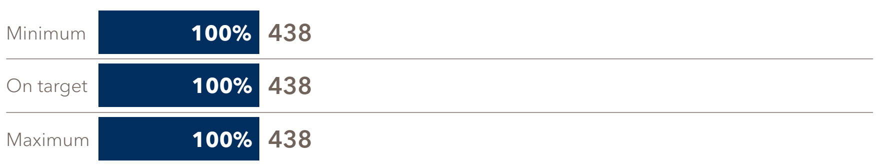
The "minimum" columns are intended to show the fixed level of remuneration to which executive directors are entitled in 2022 irrespective of performance levels, namely base salary, benefits using the details set out in the single-figure table provided on page 106 (which includes any payments made in 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.

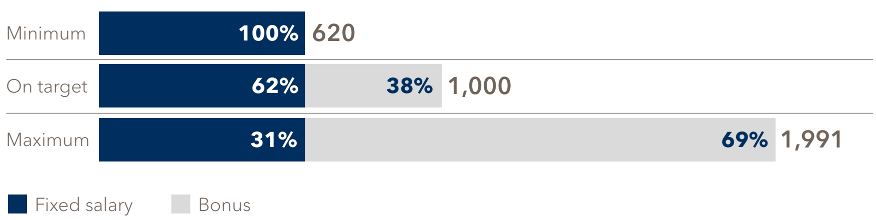
The "maximum" columns illustrate total remuneration levels in circumstances where the variable elements pay out in full, namely an annual bonus payment of 240% for Arfan Khan, the Company's Chief Executive Officer.

No Executive Director participated in the LTIP and the Board will not award any shares under the Phantom Share Scheme for 2022.

ATUL GUPTA – EXECUTIVE CHAIRMAN (AMOUNTS IN EUR THOUSAND)



ARFAN KHAN – CHIEF EXECUTIVE OFFICER (AMOUNTS IN EUR THOUSAND)



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 113 – 115;
- 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 most recently amended (GBP)
Atul Gupta	Dated 28 November 2018	326,678.77
Arfan Khan	26 January 2021	450,000
Martin Cocker	Originally dated 27 April 2020 and amended on 19 September 2020 and 29 April 2021, expired 30 August 2021	450,000

1. Mr Gupta's remuneration is denominated in US$. The remuneration of Mr Khan and Mr Cocker is denominated in GBP. 2021: GBP/USD: 1,378.
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.

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), 6 months' written notice (Mr Khan) or one month's 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, 6 months' notice from the Company to Mr Khan; one month's notice from the Company 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. Mr Gupta, Mr Khan 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. Mr Gupta, Mr Khan 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
Martin Cocker	Independent Non-Executive Director	30 August 2021	30 August 2024

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.

Approval of the Directors' remuneration report

The Directors' remuneration report was approved by the Board on 4 May 2022.

On behalf of the Board

Arfan Khan
Chief Executive Officer

4 May 2022

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 2021.

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 – 78;
- The Board and Governance report (which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report) on pages 79 – 91 and 103 – 119 respectively; and
- The energy and global greenhouse gas emissions disclosure on pages 49 – 50.

In addition, the following information is also incorporated into this Directors' Report by reference:

Subject matter	Page
Likely future developments within the Group	67
Related party transactions	87
Going concern statement	142
Financial position and performance of the Group	70 – 78
Greenhouse gas emissions	49 – 50
Directors' share interests	108
Corporate governance statement	80 – 81
Diversity	40 – 42

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 82 and 83 of this Annual Report.

Dividends

No dividends were paid during the year ended 31 December 2021.

No dividend is proposed to be paid in 2022 in respect of the year ended 31 December 2021.

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.

The Company plans to retender the audit in Q2 2022.

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 2021.

Contributions to non-UK political parties

No contributions to non-UK political parties were made during the year 2021.

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 2021, 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 2021 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. However, there was a significant minority vote (37.34%) against approval of this authority. No shares were allotted during the year.

In addition, in response to feedback received from shareholders and shareholder advisory bodies prior to the 2021 AGM, the Company withdrew before the 2021 AGM, the previously proposed resolutions that authorised the Company to:

- dis-apply statutory pre-emption rights pursuant to Section 570 of the Companies Act 2006,
- make market purchases of its own ordinary shares pursuant to section 693(4) of the Companies Act 2006, and
- make off-market purchases of its own ordinary shares pursuant to Section 693(2) of the Companies Act 2006.

The Board has consulted with shareholders and has discussed the views of shareholders in relation to these matters. The main themes expressed by some shareholders and shareholder advisers during the engagement process in relation to these matters were that in their view it was inappropriate for the Company to request such authorisations at that time, given that the Company was seeking to agree upon the terms of a restructuring of its debt at the same time and various actions for which authorisation was being sought could affect such a restructuring.

Notwithstanding that it is market practice for listed companies to request such authorisations from their shareholders at the AGM and that the Company has done so in the past, the Board accepts that such authorisations were not strictly necessary at the time of the AGM for the Company to conduct its business and pursue its strategy.

After discussing the points mentioned above the Board concluded that going forward (and in particular prior to the completion of any restructuring of the Company's debt), the Board does not intend to seek such authorisations from its shareholders unless the same may be necessary or desirable to meet an identified current or prospective business need of the Company or to pursue its strategy, and where the Company believes based on its ongoing dialogue with its shareholders that such proposals have a good prospect of being supported by the requisite majority of shareholders.

The Board is committed to continuing its engagement and dialogue with the Company's shareholders and their advisory bodies on these and other matters and welcomes their feedback.

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 2021, 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' report continued

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 acquire any of its own shares during 2021 either itself or through a person acting in his own name but on the Company's behalf. None of the circumstances referred to in paragraphs 8 and 9 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 applies.

Paragraph 10 Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

The Company's policy is to:

- Give full and fair consideration to applications for employment made by disabled persons.
- Continue the employment of, and arrange training for, employees who have become disabled when they were employed by the Company.
- Eliminate bias in relation to the training, career development and promotion of disabled persons employed by the Company.

Paragraph 11 Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008

Action taken to introduce, maintain or develop arrangements aimed at the following is described on page 41:

- Providing employees with information on matters of concern to them as employees.
- Consulting employees or their representatives on a regular basis so that the employees' views can be taken into account in making decisions which are likely to affect their interests.
- Encouraging employee involvement in the Company's performance by an employees' share scheme or other means.
- Achieving common employee awareness of the financial and economic factors affecting the Company's performance.

Shareholders holding 3% or more of the Company's issued share capital

As of 31 December 2021, 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 Holdings Limited	44.837.071	23.83	Direct
Dehus Dolmen Nominees Limited*	30,588,054	16.25	Direct
AT Investments Limited	22 162 116	11.78	Direct
FRASELI Investments S.à r.l.	16 111 100	8.56	Direct
STEPPE RESOURCES INVESTMENTS FZE	16 111 100	8.56	Direct
Trafigura Ventures V B.V.	8,352,557	4.44	Direct
FPP Asset Management	6,438,421	3.38	Direct
Veles Capital	6,335,163	3.38	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 2021.

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 32 page 161 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:

- 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.

Directors' report continued

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 5 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 until his resignation effective 4 January 2021, one Non-Executive Director waived his fees. See page 107.	(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 2021 are disclosed in Note 33 to the consolidated audited financial statements.

This report was approved by the Board on 4 May 2022.

On behalf of the Board

Arfan Khan
Chief Executive Officer

4 May 2022

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 UK Adopted International Accounting Standards. The Directors have prepared individual accounts in accordance with UK Adopted International Accounting Standards. 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 82 – 83 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

4 May 2022

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 2021 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2021 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 33 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 15 to the Parent Company financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards to 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and Parent Company 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.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which highlights that the following milestones, that are largely outside of the Group's control, need to be achieved for the Group to successfully complete the restructuring of the Group's Existing Notes:

- The Company receiving all authorisations including securing a waiver from the Government of the Republic of Kazakhstan for the right to pre-empt newly issued shares in the Company on closing of the restructuring.
- The UK Court sanctioning the UK scheme of arrangement.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists 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.

We draw attention to the viability statement in the Annual Report on page 67, which indicates that an assumption to the statement of viability is that the Group's Notes are successfully restructured on the terms consistent with the Lock-up Agreement. The directors consider that the material uncertainty 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.

In auditing the financial statements, 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:

- Determining if the directors' process was sufficiently rigorous to make the going concern assessment;
- Obtaining the directors' going concern assessment, including the cash flow forecast for the going concern period to 30 June 2023. 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 the sensitivities performed, in particular whether the adverse scenarios met the severe but plausible test;

- Auditing the key factors and assumptions adopted in the assessment of going concern and the cash flow model, including considering whether management had exercised any bias in selecting their assumptions, by comparing against past performance and available market data;
- Assessing the appropriateness of the method used to calculate the cash flow forecast. We tested the methodology and 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 directors' ability to restructure the Group's Notes. 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;
  - Following the Company's General Meeting on 29 April 2022, where shareholders voted in favour of the Restructuring Resolutions, we obtained evidence of the outcome of the General Meeting. We also performed further inquiries of the Group's financial and legal advisors, and those charged with governance, to verify that no further execution risks had arisen;
  - 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;
  - Reviewed the Lock-up Agreement to understand the restructuring terms agreed with Noteholders. Through inquiries of the Group's financial and legal advisors, and consultation with our Restructuring Specialists, we considered the sustainability of these terms and the likelihood that a restructuring would be executed in this form and approved by the relevant stakeholders; and
  - Understood the proposed corporate governance arrangements and cashflow management mechanism that will be implemented after executing the restructuring. Through reviewing the terms of the Lock-up Agreement and inquiries of the Group's legal advisors we assessed the Group's ability to access cash in the Blocked Account.
- Considering the results of the 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 the impact of the Russia/Ukraine war on the going concern conclusion, including whether this threatened the Group's ability to achieve forecast production and cash flows, whether there had been a loss of suppliers or customers, or whether sanctions inhibited the Group's ability to execute the restructuring; and;
- Considering whether management's disclosures in the Annual Report and Accounts were appropriate, including those in relation to the material uncertainty in respect of the going concern conclusion, through consideration of the relevant disclosure standards and our understanding of the bond restructuring process.

Going concern has also been determined to be a key audit matter.

Based on the procedures performed, we observed that the directors' going concern assessment, including the cash flow forecast, assumes a successful restructuring of the Group's Notes reflecting the terms of the Lock-up Agreement. We also observed that the cash flow forecast reflects the cash flow management mechanism required by the terms of the Lock-up Agreement, and, particularly relevant to the going concern assessment, assumes the Group have the ability to access cash in the Blocked Account should this be required to fund operations. This assumption has been made on the basis that cash from the Blocked Account can be readily released with approval from the majority of independent non-executive directors.

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 2023.

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.

Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of three components in the United Kingdom and Kazakhstan and audit procedures on specific balances for a further two components in Belgium and the Netherlands. The components where we performed full or specific audit procedures accounted for 100% of Adjusted EBITDA, 100% of Revenue and 99% 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; • Risk of impairment or impairment reversal; and • 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 uncertainty related to going concern' section of our report as opposed to the key audit matters table below.
Materiality	Overall Group materiality of $2.1 million which represents 2% of the Group's adjusted earnings before interest, tax, depreciation and amortisation, excluding non-recurring items ('Adjusted EBITDA').

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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 nine reporting components of the Group, we selected five components covering entities within the United Kingdom, Kazakhstan, Belgium and the Netherlands, which represent the principal business units within the Group.

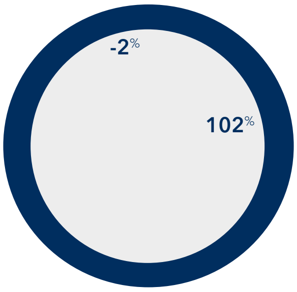
Of the five components selected (2020: five), we performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two (2019: two) components ("specific scope components"), we performed audit procedures on specific accounts within that component 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 audit scope of these specific scope 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 four (2020: five) components that together represent 0% 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.

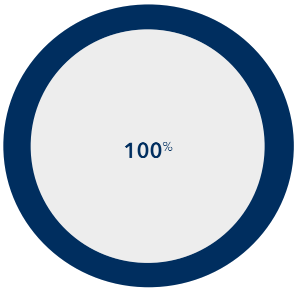
The charts below illustrate the coverage obtained from the work performed by our audit teams.

ADJUSTED EBITDA



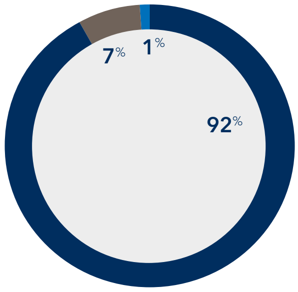
- 102% Full scope components
- -2% Specific scope components
- 0% Other procedures

REVENUE



- 100% Full scope components
- 0% Specific scope components
- 0% Other procedures

TOTAL ASSETS



- 92% Full scope components
- 7% Specific scope components
- 1% 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 engagement 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 team. For 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.

Due to the on-going COVID-19 travel restrictions, consistent with the 2020 audit cycle, it was not possible to complete an in-person visit to the Kazakhstan full scope component. In lieu of a site visit, 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 video conference;
- Performing remote reviews of the key workpapers associated with the component team's audit procedures, focusing on, but not limited to, areas of significant risk, being 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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from potential falls in demand and hydrocarbon prices, disruption in field production and sales to final off-taker customers, investments required to reduce emissions and higher compliance cost arising from regulatory and statutory reporting obligations. These are explained on pages 51 to 59 in the required Task Force for Climate related Financial Disclosures and on pages 62 to 66 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in note 2 and 32 to the Consolidated Financial Statements, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards. In note 2 and 32 to the Consolidated Financial Statements narrative disclosure has been provided highlighting the areas of the financial statements that may be impacted from changes in legislation and regulation implemented to address climate change risks.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 54 and 55 have been appropriately reflected in asset values, estimating the recoverable value of non-current assets and associated disclosures where values are determined through modelling future cash flows. Details of our procedures and findings in respect of the risk of impairment or impairment reversal of oil & gas assets are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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 uncertainty 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 on page 95; the estimates, assumptions and judgements on page 146; and the disclosures in note 5 of the Consolidated Financial Statements (page 153). As at 31 December 2021, Nostrum reported 34 million barrels of oil equivalent (mmboe) of proved and probable (2P) reserves (2020: 39 mmboe) and 28 mmboe of contingent (2C) resources (2020:146 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 long-term viability. 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. Reserve estimation includes those 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. The risk has remained consistent 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 verify that management's estimates were within their audit tolerance. 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; • 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 also concluded that reserves and resource estimates are appropriately disclosed in the Annual Report. We did not identify any indication of management bias in the estimation process
In addressing this risk, audit procedures were performed by the component team in Kazakhstan and the Group engagement team.		

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk of impairment or impairment reversal of oil & gas assets Refer to the Audit Committee Report on page 95; the estimates, assumptions and judgements on page 147 and the disclosures in note 5 of the Consolidated Financial Statements (page 153). An impairment reversal in 2021 of $74 million was recorded. Following the identification of an error during 2021, the previously reported impairment charge in 2020 of $245 million was restated to $287 million. At 31 December 2021, the carrying value of oil & gas assets was $320 million (2020: $298 million, as restated). Owing to the improved commodity prices environment relative to 2020, there was a significant risk of the previously recorded impairments of oil & gas assets reversing. 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 impairments recorded in previous years, 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 its key assumptions in order to understate the impairment charge to achieve a targeted result. The risk has remained consistent 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) represents the higher recoverable amount; • tested the integrity of the discounted cash flow model with the assistance of our own specialists. Following the identification of the prior period error, we enhanced the testing performed on the integrity of the model, involving our specialists, with a particular focus on the valuation of contingent resources; • evaluated the oil & gas prices and discount rate assumptions by comparing forecast price assumptions to the latest market evidence available, including forward curves, brokers' 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; • challenged the assessment of whether climate change risks impact the modelled recoverable amount of the Group's CGU and the appropriateness of climate-related costs incorporated in the impairment model. This was performed with reference to the Group's assessment of the risks of climate change and Kazakhstan's current climate-related policies; • where the financial impacts of climate related risks are either yet to be determined and/or not reflected in management's estimates of recoverable value we challenged what sensitivities may be appropriate in the financial statements to demonstrate the reasonably possible impact of these; • audited the corrections made to the 2020 impairment assessment and resulting restatement of the previously reported impairment charge; and • evaluated the appropriateness of the financial statement disclosures, including those in respect of the prior period restatement.	Based on the results of the audit procedures performed, we concluded that the impairment reversal recorded in the current year was reasonable. In our view the Group's reserves and resource estimates, forecast costs, discount rate and oil and gas price assumptions are reasonable or within reasonable ranges and there is no evidence of management bias in the determination of significant judgements and estimates. 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. We concluded that it was appropriate to correct the error identified in respect of the 2020 impairment assessment retrospectively, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, by restating the prior period comparatives. The related disclosures provided in the Group's financial statements are appropriate, including those in respect of the prior period restatement.

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 96; the Summary of significant accounting policies on page 152 and the disclosures in note 20 of the Consolidated Financial Statements (page 158) Revenue for the year ended 31 December 2021 amounts to $195 million (2020: $176 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 journals and identified revenue journals for which the corresponding entry was not posted against trade receivables and where trade receivables were not cleared through cash journals. 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 for counterparties where confirmations were not obtained; • performed cut-off procedures at the period-end date to determine that transactions are recorded in the appropriate period; • tested the appropriateness of manual 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.
The component team 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.		

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 $2.1 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 2021 related to the impairment reversal of $74 million.

We determined materiality for the Parent Company to be $7.9 million, which is based on 1% of the Parent Company's Equity.

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 $1.1 million.

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 $1.1 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 $106 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 1 – 78), Corporate Governance (set out on pages 79 – 125), Regulatory Information and Additional Disclosures sections (set out on pages 179 – 188), 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.

In connection with our audit of the financial statements, 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 this gives rise to a material misstatement in the financial statements or a material misstatement of the other information. 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 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 Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Aside from the impact of the matters disclosed in the 'Material uncertainty 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 page 142 and 143;
- 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 67;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 69;
- Directors' statement on fair, balanced and understandable set out on page 125;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 68;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 60; and;
- The section describing the work of the audit committee set out on page 92.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 125, 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.

Our approach was as follows:

- 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
- Where possible instances of non-compliance with laws and regulations were identified we assessed and challenged management's response. We involved internal forensic specialists to develop responsive audit procedures, to consider the appropriateness of management's response and the conclusions reached.

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 Group on 9 June 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the period from our initial appointment through to the year 31 December 2021.

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

4 May 2022

Contents

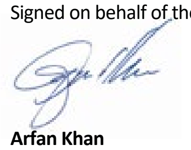
Consolidated statement of financial position

In thousands of US Dollars	Notes	31 December 2021	31 December 2020 (restated*)
Assets			
Non-current assets			
Property, plant and equipment	5	**320,125**	297,760
Right-of-use assets	6	**–**	2,755
Advances for non-current assets	7	**1,418**	9,034
Restricted cash	11	**30,438**	20,613
		351,981	330,162
Current assets			
Inventories	8	**31,387**	28,805
Prepayments and other current assets	9	**9,735**	12,303
Income tax prepayment		**300**	379
Trade receivables	10	**6,659**	13,540
Cash and cash equivalents	11	**165,246**	78,583
		213,327	133,610
TOTAL ASSETS		**565,308**	463,772
Equity and liabilities			
Share capital and reserves	12		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained deficit and reserves		**(824,796)**	(798,228)
		(823,253)	(796,685)
Non-current liabilities			
Long-term lease liabilities	15	**–**	35
Abandonment and site restoration provision	16	**29,008**	28,936
Due to Government of Kazakhstan	17	**4,563**	4,832
Deferred tax liability	28	**34,072**	3,793
		67,643	37,596
Current liabilities			
Current portion of long-term borrowings	14	**1,289,603**	1,186,269
Current portion of lease liabilities	15	**–**	2,790
Employee share option plan liability		**–**	3
Trade payables	18	**8,399**	8,502
Advances received		**9**	186
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	19	**21,876**	24,080
		1,320,918	1,222,861
TOTAL EQUITY AND LIABILITIES		**565,308**	463,772

** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

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

4 May 2022

The accounting policies and explanatory notes on pages 140 through 163 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 2021	2020 (restated*)
Revenue			
Revenue from export sales		**169,825**	140,843
Revenue from domestic sales		**25,460**	35,096
	20	**195,285**	175,939
Cost of sales	21	**(87,849)**	(125,392)
Gross profit		**107,436**	50,547
General and administrative expenses	22	**(12,124)**	(14,671)
Selling and transportation expenses	23	**(23,066)**	(31,037)
Taxes other than income tax	24	**(17,083)**	(14,113)
Finance costs	25	**(116,696)**	(102,067)
Employee share option expense reversals		**247**	496
Impairment reversal / (charge)	4	**74,186**	(286,569)
Foreign exchange loss, net		**(285)**	(1,827)
Interest income		**319**	253
Other income	27	**5,886**	4,757
Other expenses	27	**(13,218)**	(7,606)
Profit / (loss) before income tax		**5,602**	(401,837)
Current income tax expense		**(1,441)**	(1,516)
Deferred income tax (expense) / benefit		**(30,279)**	38,994
Income tax (expense) / benefit	28	**(31,720)**	37,478
Loss for the year		**(26,118)**	(364,359)
Other comprehensive (loss) / income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		**(203)**	253
Other comprehensive (loss) / income		**(203)**	253
Total comprehensive loss for the year		**(26,321)**	(364,106)
Loss for the period attributable to the shareholders (in thousands of US dollars)		**(26,118)**	(364,359)
Weighted average number of shares		**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	13	**(0.14)**	(1.97)

** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

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

The accounting policies and explanatory notes on pages 140 through 163 are an integral part of these consolidated financial statements

Financial report

Consolidated statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December 2021	2020 (restated*)
Cash flow from operating activities:			
Profit / (loss) before income tax		**5,602**	(401,837)
Adjustments for:			
Depreciation, depletion and amortisation	21,22,23	**57,295**	89,777
Impairment (reversal) / charge	4	**(74,186)**	286,569
Finance costs	25	**116,696**	102,067
Employee share options expense reversals		**(247)**	(496)
Interest income		**(319)**	(253)
Foreign exchange loss on investing and financing activities		**(94)**	(129)
Loss on disposal of property, plant and equipment		**–**	737
Gain on disposal of exploration and evaluation assets		**(749)**	–
Write-off and impairment of new development costs	7	**9,056**	–
Operating profit before working capital changes		**113,054**	76,435
Changes in working capital:			
Change in inventories		**2,451**	7,043
Change in trade receivables		**6,881**	17,699
Change in prepayments and other current assets		**741**	(132)
Change in trade payables		**(1,686)**	(9,171)
Change in advances received		**(177)**	(150)
Change in due to Government of Kazakhstan		**(1,031)**	(1,031)
Change in other current liabilities		**(147)**	(5,951)
Cash generated from operations		**120,086**	84,742
Income tax paid		**(2,671)**	(1,996)
Net cash flows from operating activities		**117,415**	82,746
Cash flow from investing activities:			
Interest received		**319**	253
Purchase of property, plant and equipment		**(8,611)**	(25,797)
Exploration and evaluation works		**(226)**	(483)
Advances for non-current assets		**(1,440)**	(622)
Transfer to restricted cash		**(9,820)**	(13,452)
Net cash used in investing activities		**(19,778)**	(40,101)
Cash flow from financing activities:			
Finance costs paid		**–**	(43,000)
Other finance costs		**(9,130)**	(10,013)
Payment of principal portion of lease liabilities		**(1,575)**	(5,064)
Finance charges on lease liabilities		**(157)**	(354)
Net cash used in financing activities		**(10,862)**	(58,431)
Effects of exchange rate changes on cash and cash equivalents		**(112)**	429
Net increase / (decrease) in cash and cash equivalents		**86,663**	(15,357)
Cash and cash equivalents at the beginning of the year	11	**78,583**	93,940
Cash and cash equivalents at the end of the year	11	**165,246**	78,583

** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

"Other finance costs" primarily represent bondholder consent fees in the amount of US$1,117 thousand (2020: US$5,585 thousand) and advisor fees of US$8,013 thousand (2020: US$4,428 thousand) paid by the Group in relation to the forbearance agreements, lock-up agreement and ongoing discussions with the bondholders regarding the restructuring of the Group's outstanding bonds. For more details see Note 1.

The accounting policies and explanatory notes on pages 140 through 163 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 deficit	Total
As at 1 January 2020		**3,203**	**(1,660)**	**263,077**	**(696,704)**	**(432,084)**
Loss for the year		–	–	–	(364,359)	(364,359)
Other comprehensive income		–	–	253	–	253
Total comprehensive loss for the year		**–**	**–**	**253**	**(364,359)**	**(364,106)**
Share based payments under LTIP*		–	–	(495)	–	(495)
As at 31 December 2020 (restated)**		**3,203**	**(1,660)**	**262,835**	**(1,061,063)**	**(796,685)**
Loss for the year		–	–	–	(26,118)	(26,118)
Other comprehensive loss		–	–	(203)	–	(203)
Total comprehensive loss for the year		**–**	**–**	**(203)**	**(26,118)**	**(26,321)**
Share based payments under LTIP*		–	–	(247)	–	(247)
As at 31 December 2021		**3,203**	**(1,660)**	**262,385**	**(1,087,181)**	**(823,253)**

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

*** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

The accounting policies and explanatory notes on pages 140 through 163 are an integral part of these consolidated financial statements

Financial report

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

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

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

As at 31 December 2021 the Group employed 559 employees (2020: 564).

Subsoil use rights terms

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

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

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

The rights and obligations related to the Darjinskoye and the Yuzhno-Gremyachinskoye fields were disposed to a third party in October 2020. The rights and obligations related to the Rostoshinskoye field were disposed in September 2021.

Royalty payments

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

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

Government "profit share"

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

Forbearance and Lock-up agreements

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

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

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

The Forbearance Agreement was subject to certain conditions, including:

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

The Group agreed to pay, or procure payment of, certain consent fees in cash ("Consent Fee") to each forbearing holder. The first Consent Fee for the first 90 days of 29.7866 basis points, totalling US$3,350,992, was paid on 19 November 2020. The second consent fee of 19.8577 bps, totalling US$2,233,991, was paid on 22 December 2020. The final consent fee of 9.9288 bps, equating to US$1,116,990, was paid on 20 February 2021. The consent fees were recorded in the income statement (for more details please see Note 25).

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

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

Under the terms of the Lock-up Agreement, the Group, the AHG and ICU have agreed to implement a transaction which restructures the Notes (the "Restructuring"). The key features of the proposed Restructuring are as follows:

1. Partial reinstatement of the Notes in the form of new: (a) senior secured notes in a principal amount of US$250,000,000 ("SSNs") with cash coupon of 5.00% per annum; and (b) senior unsecured notes in a principal amount of US$300,000,000 ("SUNs") with cash coupon of 1.00% per annum and payment-in-kind interest of 13.00% per annum. The SSNs and SUNs will mature on 30 June 2026;
2. Conversion of the remainder of the Notes into equity through:
    - Preferred restructuring route: Holders of the Existing Notes will own 88.89% of the share capital of the Company and warrants to subscribe for an additional 1.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 11.11% upon closing of the restructuring and will be diluted to 10.00% if the warrants are exercised. Executing the preferred restructuring route will require the approval by shareholders at a general meeting (“GM”); or
    - Alternative restructuring route: If the required approvals are not received from shareholders at the GM, the holders of the Existing Notes will own 98.89% of the share capital of the Company and warrants to subscribe for an additional 0.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 1.11% upon closing of the restructuring and will be diluted to 1.00% if the warrants are exercised; and
3. New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows, including the proposal to transfer the Parent's listing to the Standard Listing segment of the London Stock Exchange.

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

Holders of over 77% of the total aggregate principal amount of the Notes have signed or acceded to the Lock-up Agreement including a majority of holders of aggregate principal amount of both Senior Notes and an affiliate of ICU.

Following execution of the Lock-up Agreement, the Company has commenced implementation of the Restructuring, which is expected to become effective in 2022. It is currently expected that implementation will be effected through a process under Part 26 or Part 26A of the Companies Act 2006. Parallel processes in other jurisdictions relevant to the Group and/or the Notes may also be involved.

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

On 13 April, the Financial Conduct Authority (“FCA”) approved the Company’s shareholder circular in relation to the proposed restructuring as outlined above. The Circular is published on the Company’s website and has been made available to shareholders for their consideration. Also notice has been provided convening a General Meeting of our shareholders on 29 April 2022 to consider and approve the resolutions in respect of the Restructuring. The Circular and General Meeting also includes a resolution to vote in favour of the Related Party Transactions with ICU in respect of new ordinary shares being issued to ICU pursuant to the restructuring – only independent shareholders (excluding ICU) are required to vote on this specific resolution.

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

Notes to the consolidated financial statements continued

2. Basis of preparation and consolidation

Basis of preparation

These consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with the UK adopted International Accounting Standards.

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.

The Group recognises that there may be potential financial implications in the future from changes in legislation and regulation implemented to address climate change risk. Over time these changes may have an impact across a number of areas of accounting including asset impairment, increased costs, provisions, onerous contracts and contingent liabilities. However, as at the reporting sheet date, the Group believes there is no material impact on the balance sheet carrying values of assets or liabilities. This is not considered a significant estimate.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the 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. The Group reforecasts its rolling 24-month cashflows on a monthly basis and stress tests its future liquidity position for changes in product prices, production volumes, costs and other significant events. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include the ongoing efforts to restructure the Existing Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2023. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $72/bbl for 2022 and $68/bbl for 2023. The favourable hydrocarbon pricing in 2021 and forbearance of making interest payments under the terms of the Forbearance Agreement with noteholders (refer to "Update on Bond Restructuring" section for further details) meant that the Group was able to grow its unrestricted cash reserves by over US$86 million. As a result, the Group had unrestricted cash balances of US$165.2 million as at 31 December 2021, with a further $22.7 million in a restricted bank account with limited access as per the terms of the Forbearance Agreement. Under the base case going concern assessment to the period to 30 June 2023, the Group is forecast to have total cash reserves of over U$$200 million, inclusive of cash swept into the restricted account, as explained below.

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

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

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

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

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

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

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

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

Additionally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and 2021. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity, nor do the Directors foresee a material impact in the going concern period, however, it is recognized that there is uncertainty around the future developments of COVID-19.

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

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

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

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

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

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions.

Standards issued but not yet effective

Amendments to IAS 12

On May 7, 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction " that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition

Financial report

Notes to the consolidated financial statements continued

that result in the recognition of equal deferred tax assets and liabilities.

The entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Group is currently assessing the impact the amendments will have on current practice and whether the amendments will have impact on the consolidated financial statements.

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.

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. It is not expected that the amendments will have an 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.

Correction of errors and reclassifications

Impairment of property, plant and equipment

When preparing the consolidated financial statements for the year ended 31 December 2020, the Group estimated through its FVLCD discounted cash flow model that the recoverable amount of its property, plant and equipment represented by single CGU was US$339,406 thousand, and, accordingly, recognised an impairment charge of US$244,744 thousand (excluding $179 thousand related to exploration and evaluation assets). During the preparation of the financial statements for the year ended 31 December 2021, the Group noted an error in the calculation for determining the 2020 impairment charge. The error results in a lower recoverable amount of US$297,760 thousand for the property plant and equipment as at 31 December 2020, and so a corresponding additional impairment charge of US$41,646 thousand for the year then ended and derecognition of deferred tax liability of US$4,712 thousand.

The Group does not present the statement of financial position as at the beginning of the previous annual period ("opening balance sheet"), since the correction of an error has no effect on the opening balance sheet or the periods preceding the previous annual period.

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

In thousands of US Dollars	Reported	Impairment correction	As adjusted
Consolidated statement of financial position			
Property, plant and equipment	339,406	(41,646)	297,760
Non-current assets	**371,808**	**(41,646)**	**330,162**
TOTAL ASSETS	**505,418**	**(41,646)**	**463,772**
Retained deficit and reserves	(761,294)	(36,934)	(798,228)
Share capital and reserves	**(759,751)**	**(36,934)**	**(796,685)**
Deferred tax liability	8,505	(4,712)	3,793
Non-current liabilities	**42,308**	**(4,712)**	**37,596**
TOTAL EQUITY AND LIABILITIES	**505,418**	**(41,646)**	**463,772**
Consolidated statement of comprehensive income			
Impairment reversal / (charge)	(244,923)	(41,646)	(286,569)
Loss before income tax	**(360,191)**	**(41,646)**	**(401,837)**
Deferred income tax benefit	34,282	4,712	38,994
Loss for the year	**(327,425)**	**(36,934)**	**(364,359)**
Consolidated statement of cash flows			
Loss before income tax	(360,191)	(41,646)	(401,837)
Impairment charge	244,923	41,646	286,569
Net cash flows from operating activities	**82,746**	**–**	**82,746**

Reclassifications and comparative figures

Certain reclassifications have been made to the previous year's disclosure of cost of sales to enhance comparability with the current year's presentation following management's periodic assessment of the improvement of the information presentation. As a result, the comparative amounts for the year ended 31 December 2020 in the certain line items within cost of sales disclosure in Note 21 have been amended to conform to the current year's presentation as follows:

In thousands of US dollars	As previously reported	Reclassifi-cation	As adjusted
Depreciation, depletion and amortisation	86,296	–	86,296
Payroll and related taxes	14,083	–	14,083
Repair, maintenance and other services	10,769	(3,052)	7,717
Materials and supplies	3,970	249	4,219
Transportation services	1,907	1	1,908
Well repair and maintenance costs	–	3,360	3,360
Well workover costs	505	(505)	–
Environmental levies	114	–	114
Change in stock	7,279	–	7,279
Other	469	(53)	416
	125,392	–	125,392

Previous period related party disclosures

The Group has policies and procedures in place for the identification of potential related party transactions which are designed to ensure that all required approvals are obtained and all legal obligations are met in relation to any related party transaction. Also, the Group has internal procedures on identification of related party transactions and balances which are designed to ensure that all required disclosures are made in the financial statements. As part of these procedures the Group prepares lists of companies and individuals related to directors and key management personnel.

During 2021 the Group became aware that it had failed to identify the past employment of two persons, each of whom was the spouse of a director of the Company, as potential related party transactions and did not comply with its disclosure obligations in relation thereto. Total remuneration paid to such employees during 2020 amounted to US$666 thousand, and such employment and remuneration should have been disclosed as required under IAS 24 Related parties. Those amounts have been appropriately accounted for and so there is no requirement to make an adjustment of any balances as of 31 December 2020 and any costs for the year then ended.

As a result of the above, management have restated the comparative amounts for remuneration of key management personnel for 2020 within the related party note in the current year. Refer to Note 29. Further disclosure regarding this matter is also set out in the Company's Annual Report for 2021 on pages 87-88. In addition, management has carried out a comprehensive search for any other undisclosed related party transactions and balances and made adjustments to its internal controls to ensure completeness of the relevant disclosures going forward.

Notes to the consolidated financial statements continued

4. Summary of significant accounting policies

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.

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 5.

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 (Proved plus Probable) volume as at 31 December 2021 was 34.3 mmboe requiring 12 capital interventions (2020: 39.0 mmboe requiring 16 interventions). The reduction was primarily due to 2021 production of 6.3 mmboe, which was offset by 1.6 mmboe increase due to better than forecasted performance of certain wells.

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. Please refer to Note 1 for further information on the Bond restructuring.

Downward revision of the proved developed reserves estimates by 5% would lead to additional DD&A expense of $596 thousand in Q4 2021.

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 5.

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 field and 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 cash flows, 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 cash flows 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$72.3/bbl for 2022, US$67.6/bbl for 2023, US$67.3/bbl for 2024, US$67.2/bbl for 2025, and US$65/bbl throughout 2026-2032 (2020: US$50/bbl for 2021 and US$55/bbl for 2022-2032);
- 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 Ural OG contract;
- Post-tax discount rate of 8.5% (2020: 8.0%).

The impairment testing carried out by the Group has resulted in the recoverable amount exceeding the carrying amount of the Group's property, plant and equipment. This has primarily resulted from the upward revision of the product price assumptions, as described above. Hence, as of 31 December 2021 the Group recognised a reversal of the previously recognised impairment in the amount of US$74,186 thousand.

As at 31 December 2020 the Group recorded an impairment charge on oil and gas assets in the amount of US$286,569 thousand (restated), in addition to the US$1,301,640 thousand and US$150,000 thousand impairment charge recognized in 2019 and 2018, respectively.

The impairment reversal as at 31 December 2021 and charge as at 31 December 2020 has been allocated as follows:

In thousands of US Dollars	**31 December 2021**	31 December 2020 (restated*)
Working oil and gas assets	**63,118**	(248,563)
Construction in progress	**9,420**	(31,425)
Other property, plant and equipment	**1,648**	(6,402)
	74,186	(286,390)
Exploration and evaluation assets	**–**	(179)
Total impairment reversal / (charge)	**74,186**	(286,569)

As at 31 December 2021 the recoverable amount of property, plant and equipment was US$ 320,125 thousand (31 December 2020: US$297,760 thousand).

More detailed information on carrying values of oil and gas properties and related depreciation, depletion, amortisation and impairment are shown in Note 5.

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	52,595
Reserves downgrade by	10.0%	79,821
Contingent resources downgrade by	10.0%	1,995
Post-tax discount rate increase by	4.0%	48,568
Operating costs increase by	10.0%	37,072

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.

Notes to the consolidated financial statements continued

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.

Separation of lease and non-lease components

When contracts for a lease (such as 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 included 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 2021 and 2020, please see Note 28.

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 2021.

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 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained. 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 28.

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 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.

Notes to the consolidated financial statements continued

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 5.

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 7.

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 2021 and 2020, please see Note 8.

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 31, unless the possibility of an outflow of resources embodying economic benefits is remote.

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.

For more detail on provisions and contingencies, please refer to Note 31.

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 pre-tax rate that reflects current market assessment of the time value of money and the risks specific to liability.

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 16.

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, 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 16.

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.

Notes to the consolidated financial statements continued

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 14.

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.

Cash and cash equivalents

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.

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are 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 2021 and 2020, please see Note 11.

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. Property, plant and equipment

As at 31 December 2021 and 31 December 2020 property, plant and equipment comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020 (restated*)
Oil and gas properties	**313,009**	291,389
Other property, plant and equipment	**7,116**	6,371
	320,125	297,760

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 2021 and 2020 was as follows:

In thousands of US Dollars	Working assets	Construction in progress	Total
Balance at 1 January 2020, net*	**594,052**	**42,996**	**637,048**
Additions	1,822	16,285	18,107
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	(248,563)	(31,425)	(279,988)
Balance at 31 December 2020, net* (restated)	**259,974**	**31,415**	**291,389**
Additions	992	7,840	8,832
Transfers	7,664	(6,882)	782
Disposals	(556)	(5,049)	(5,605)
Disposals depreciation	526	–	526
Depreciation and depletion charge	(55,453)	–	(55,453)
Accumulated impairment transfers	(4,221)	4,221	–
Impairment reversal	63,118	9,420	72,538
Balance at 31 December 2021, net*	**272,044**	**40,965**	**313,009**
As at 1 January 2020			
Cost	2,884,519	158,018	3,042,537
Accumulated depreciation**	(2,290,467)	(115,022)	(2,405,489)
Balance*	**594,052**	**42,996**	**637,048**
As at 31 December 2020			
Cost	2,943,678	116,823	3,060,501
Accumulated depreciation** (restated)	(2,683,704)	(85,408)	(2,769,112)
Balance* (restated)	**259,974**	**31,415**	**291,389**
As at 31 December 2021			
Cost	2,951,778	112,732	3,064,510
Accumulated depreciation**	(2,679,734)	(71,767)	(2,751,501)
Balance*	**272,044**	**40,965**	**313,009**

** 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 24.7% and 15.39% in 2021 and 2020, respectively. The Group engaged independent petroleum engineers to perform a reserves audit as at 31 December 2021. Depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the discount rate used to determine the abandonment and site restoration provision (Note 16) in the year ended 31 December 2021 resulted in the increase of the oil and gas properties by US$ 112 thousand (31 December 2020: an increase of US$1,537 thousand).

The Group incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Borrowing costs including amortisation of arrangement fee	**103,334**	93,182
Capitalisation rate	**8.44%**	8.44%
Capitalised borrowing costs	**219**	388

Other property, plant and equipment

In thousands of US Dollars	Buildings	Machinery & equipment	Vehicles	Others	Total
Balance at 1 January 2020*	**8,088**	**1,036**	**182**	**3,875**	**13,181**
Additions	8	1,035	–	438	1,481
Transfers	28	(47)	(9)	28	–
Disposals	(270)	(90)	–	(1,470)	(1,830)
Disposals depreciation	374	242	–	746	1,362
Depreciation	(781)	(188)	(24)	(302)	(1,295)
Impairment charge	(3,954)	(851)	(68)	(1,529)	(6,402)
Impairment transfers	–	–	–	(117)	(117)
Impairment reallocation	(2,436)	751	(41)	1,726	–
Translation difference	–	–	–	(9)	(9)
Balance at 31 December 2020*	**1,057**	**1,888**	**40**	**3,386**	**6,371**
Additions	–	–	–	457	457
Transfers	21	297	–	(1,100)	(782)
Disposals	(10)	(211)	–	(495)	(716)
Disposals depreciation	8	166	–	208	382
Depreciation	(66)	(49)	(3)	(126)	(244)
Impairment reversal	1,648	–	–	–	1,648
Balance at 31 December 2021*	**2,658**	**2,091**	**37**	**2,330**	**7,116**
As at 1 January 2020					
Cost	50,589	20,804	1,660	20,297	93,350
Accumulated depreciation**	(42,501)	(19,768)	(1,478)	(16,422)	(80,169)
Balance	**8,088**	**1,036**	**182**	**3,875**	**13,181**
As at 31 December 2020					
Cost	49,247	21,670	1,591	18,930	91,438
Accumulated depreciation**	(48,190)	(19,782)	(1,551)	(15,544)	(85,067)
Balance	**1,057**	**1,888**	**40**	**3,386**	**6,371**
As at 31 December 2021					
Cost	49,258	21,756	1,591	17,792	90,397
Accumulated depreciation**	(46,763)	(19,611)	(1,544)	(15,363)	(83,281)
Balance	**2,495**	**2,145**	**47**	**2,429**	**7,116**

** Balances, net of accumulated depreciation, amortisation and impairment*
*** Accumulated depreciation, amortisation and impairment*

Notes to the consolidated financial statements continued

6. Right-of-use assets

The movement of right-of-use assets for the years ended 31 December 2021 and 2020 was as follows:

In thousands of US Dollars	Machinery & equipment	Vehicles	Total
Balance at 1 January 2020, 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**
Modification of lease agreements	(924)	–	(924)
Termination of lease agreements	(256)	–	(256)
Depreciation	(1,490)	(85)	(1,575)
Balance at 31 December 2021, net*	**–**	**–**	**–**
As at 31 December 2020			
Cost	2,670	698	3,368
Accumulated depreciation	–	(613)	(613)
Balance*	**2,670**	**85**	**2,755**
As at 31 December 2021			
Cost	–	–	–
Accumulated depreciation	–	–	–
Balance*	**–**	**–**	**–**

** Balances, net of accumulated depreciation, depletion and impairment*

7. Advances for non-current assets

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

In thousands of US Dollars	31 December 2021	31 December 2020
Advances for other non-current assets	**–**	8,444
Advances for construction services	**1,059**	369
Advances for construction materials	**359**	221
	1,418	9,034

The advances for other non-current assets mainly comprised prepayments made to suppliers of services as part of the development of new opportunities. Such costs included technical, legal, advisory and other professional fees and were capitalized in the course of potential acquisition of assets. During the year ended 31 December 2021 additional expenses in the amount of US$611 thousand were incurred on such activities. Although the Group continues to actively pursue these new opportunities, based on the management assessment it was concluded that it is less than probable that the Group would recover these costs in the future, hence as of 31 December 2021 the total amount of US$8,605 thousand was written off to profit and loss in the reporting period, and advances in the amount of US$450 thousand were impaired.

8. Inventories

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

In thousands of US Dollars	31 December 2021	31 December 2020
Spare parts and other inventories	**26,720**	23,735
Gas condensate	**4,265**	2,907
Crude oil	**306**	2,018
LPG	**57**	69
Dry Gas	**32**	63
Sulphur	**7**	13
	31,387	28,805

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

9. Prepayments and other current assets

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

In thousands of US Dollars	31 December 2021	31 December 2020
VAT receivable	**4,882**	4,741
Advances paid	**2,370**	5,269
Other taxes receivable	**1,668**	1,502
Other	**815**	791
	9,735	12,303

Advances paid consist primarily of prepayments made to service providers. As at 31 December 2021 the impaired advances paid amounted to US$41 thousand (31 December 2020: nil). 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 2021 and 2020.

10. Trade receivables

As at 31 December 2021 and 31 December 2020 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Their average collection period is not more than 120 days.

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

11. Cash and cash equivalents

In thousands of US Dollars	31 December 2021	31 December 2020
Current accounts in US Dollars	**157,981**	73,412
Current accounts in Tenge	**5,736**	2,791
Current accounts in Euro	**1,020**	1,862
Current accounts in other currencies	**500**	514
Petty cash	**9**	4
	165,246	78,583

In addition to the cash and cash equivalents in the table above, as at 31 December 2021 the Group had restricted cash accounts as a liquidation fund deposit of US$47 thousand with Sberbank in Kazakhstan and US$7,719 thousand with Halyk bank (31 December 2020: US$446 thousand and US$7,267 thousand, respectively), which are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

During the years ended 31 December 2020 and 2021, the Group transferred funds to a secured cash account opened for the benefit of the holders of the Group's Notes under the terms of the FBAs (Note 1). As at 31 December 2021 the balance of the secured cash account was US$22,672 thousand (31 December 2020: US$12,900 thousand). The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level.

12. Share capital and reserves

As at 31 December 2021 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01. There were no movements in the number of shares during the years ended 31 December 2020 and 2021 and comprised of the following:

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

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

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

In thousands of US Dollars	Group reorgani-sation reserve	Foreign currency translation reserves	Share-option reserves	Total
As at 1 January 2020	**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**
Currency translation difference	–	(203)	–	(203)
Share based payments under LTIP	–	–	(247)	(247)
As at 31 December 2021	**255,459**	**3,102**	**3,824**	**262,385**

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

Distributions

There were no distributions made during the years ended 31 December 2021 and 2020.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 31 December 2021 the book value per share amounted to US$4.44 negative (31 December 2020: US$4.30 negative).

13. Earnings per share

As at 31 December 2021 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£0.01.

	For the year ended 31 December	
	2021	2020 (restated*)
Loss for the period attributable to the shareholders (in thousands of US dollars)	**(26,118)**	(364,359)
Weighted average number of shares	**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	**(0.14)**	(1.97)

14. Borrowings

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

In thousands of US Dollars	**31 December 2021**	31 December 2020 (restated)
Notes issued in 2017 and maturing in 2022	**720,655**	713,823
Notes issued in 2018 and maturing in 2025	**395,022**	393,813
Accrued interest	**173,926**	78,633
	1,289,603	1,186,269
Less amounts due within 12 months	**(1,289,603)**	(1,186,269)
	–	–

2022 Notes

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

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

Period	**Redemption Price**
2020	104.0%
2021 and thereafter	100.0%

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

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

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 had occurred under the terms of the indenture governing 2022 Notes resulting from the Issuer's non-payment of interest due and payable on 25 July 2020 to the holders of the 2022 Notes and the expiration of the 30-day grace period which commenced on the same date. Following this, the Issuer also did not pay interest on 2025 Notes when due and upon the expiration of the 30-day grace period in respect of such payment. On 23 December 2021, the Group announced the execution of a lock-up agreement (the "Lock-up Agreement") and terms of a restructuring agreed with bondholders. More detailed information related to the forbearance agreement and the lock-up agreement is disclosed in the Note 1.

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

Covenants contained in the 2022 Notes and 2025 Notes

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

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

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

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
2021								
Current portion of long-term borrowings	**1,186,269**	–	103,334	–	–	–	–	**1,289,603**
Long-term lease liabilities	**35**	–	–	–	–	(35)	–	**–**
Current portion of lease liability	**2,790**	(1,732)	–	157	(1,250)	35	–	**–**
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**

15. Lease liabilities

In thousands of US Dollars	**2021**	2020
Lease liability as at 1 January	**2,825**	**7,376**
Modification of lease agreements	(955)	513
Termination of lease agreements	(295)	–
Finance charges	157	354
Paid during the period	(1,732)	(5,418)
Lease liability as at 31 December	–	**2,825**
Less amounts due within 12 months	–	(2,790)
	–	**35**

The lease liabilities are recognised for leases of vehicles, drilling rigs, and railway cars. The lease was recognised 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 22.

As of 31 December 2021, there are no lease liabilities to be recognised under IFRS 16. In 2020, extension of the lease of railway cars has been recognised 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 6) 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$1,732 thousand for the year ended 31 December 2021 (2020: US$5,418 thousand).

16. Abandonment and site restoration provision

The summary of changes in abandonment and site restoration provision during years ended 31 December 2021 and 2020 is as follows:

In thousands of US Dollars	**2021**	2020
Provision as at 1 January	**28,936**	27,502
Unwinding of discount	**276**	158
Additional provision	**85**	115
Provision disposed	**(401)**	(376)
Change in estimates	**112**	1,537
Provision as at 31 December	**29,008**	28,936

Management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2032. 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 2021 was 0.92% (31 December 2020: 0.98%).

The change in the discount rate during the year ended 31 December 2021 resulted in the increase of the abandonment and site restoration provision by US$112 thousand (31 December 2020: US$1,537 thousand).

17. 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 2021 and 31 December 2020 is as follows:

In thousands of US Dollars	**2021**	2020
Balance as at 1 January	**5,863**	6,101
Unwinding of discount	**762**	793
Paid during the year	**(1,031)**	(1,031)
Balance as at 31 December	**5,594**	5,863
Less: current portion	**(1,031)**	(1,031)
Non-current portion	**4,563**	4,832

18. Trade payables

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

In thousands of US Dollars	**31 December 2021**	31 December 2020
Tenge denominated trade payables	**5,433**	4,028
US Dollar denominated trade payables	**1,397**	2,114
Euro denominated trade payables	**464**	2,101
Russian Rouble denominated trade payables	**122**	7
Trade payables denominated in other currencies	**983**	252
	8,399	8,502

19. Other current liabilities

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

In thousands of US Dollars	**31 December 2021**	31 December 2020
Training obligations accrual	**8,684**	10,088
Taxes payable, including corporate income tax	**6,709**	7,397
Other accruals	**3,318**	3,223
Due to employees	**2,479**	1,852
Accruals under the subsoil use agreements	**–**	993
Other current liabilities	**686**	527
	21,876	24,080

Accruals under subsoil use agreements were derecognised upon disposal of the the Rostoshinskoye field in September 2020 (Note 1).

Notes to the consolidated financial statements continued

20. Revenue

In thousands of US Dollars	For the year ended 31 December 2021	2020
Revenue from oil and gas condensate sales	**150,290**	123,861
Revenue from gas and LPG sales	**44,978**	52,078
Revenue from sulphur sales	**17**	–
	195,285	175,939

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 2021 was US$71.0/bbl (2020: US$43.2/bbl).

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

During the year ended 31 December 2021 the revenue from sales to three major customers amounted to US$143,054 thousand, US$18,207 thousand and US$8,704 thousand respectively (2020: US$118,861 thousand, US$29,748 thousand and US$7,386 thousand respectively). The Group's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

21. Cost of sales

In thousands of US Dollars	For the year ended 31 December 2021	2020
Depreciation, depletion and amortisation	**55,569**	86,296
Payroll and related taxes	**14,603**	14,083
Repair, maintenance and other services	**6,610**	7,717
Materials and supplies	**4,561**	4,219
Well repair and maintenance costs	**2,726**	3,360
Transportation services	**2,559**	1,908
Environmental levies	**201**	114
Change in stock	**403**	7,279
Other	**617**	416
	87,849	125,392

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

22. General and administrative expenses

In thousands of US Dollars	For the year ended 31 December 2021	2020
Payroll and related taxes	**6,123**	7,102
Professional services	**4,113**	4,655
Insurance fees	**601**	633
Short-term leases	**290**	567
Business travel	**204**	128
Communication	**182**	183
Depreciation and amortisation	**170**	600
Materials and supplies	**144**	139
Bank charges	**71**	95
Other	**226**	569
	12,124	14,671

23. Selling and transportation expenses

In thousands of US Dollars	For the year ended 31 December 2021	2020
Transportation costs	**9,545**	12,760
Loading and storage costs	**6,869**	8,813
Marketing services	**2,167**	3,724
Depreciation of right-of-use assets	**1,556**	2,881
Payroll and related taxes	**1,520**	1,501
Other	**1,409**	1,358
	23,066	31,037

24. Taxes other than income tax

In thousands of US Dollars	For the year ended 31 December 2021	2020
Royalties	**7,786**	7,016
Export customs duty	**7,655**	5,017
Government profit share	**1,628**	2,044
Other taxes	**14**	36
	17,083	14,113

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

25. Finance costs

In thousands of US Dollars	For the year ended 31 December 2021	2020
Interest expense on borrowings	**103,115**	92,794
Other finance costs	**12,386**	7,968
Unwinding of discount on amounts due to Government of Kazakhstan	**762**	793
Unwinding of discount on lease liability	**157**	354
Unwinding of discount on abandonment and site restoration provision	**276**	158
	116,696	102,067

Other finance costs primarily represent bondholder consent fees in the amount of US$2,941 thousands and advisor fees of US$9,324 thousand (2020: US$3,761 thousands and US$4,088 thousand, respectively) incurred by the Group in relation to the forbearance agreements, lock-up agreement and discussions with its bondholders regarding the restructuring of the Group's outstanding bonds. For more details on forbearance agreements, lock-up agreement and the consent fees see Note 1.

Interest expense on borrowings for the year ended 31 December 2021 includes interest on defaulted interest related to prior period in the amount of US$1,373 thousand accrued in accordance with the indentures governing 2022 Notes and 2025 Notes.

26. Employees' remuneration

The average monthly number of employees (including Executive Directors) employed was as follows:

	For the year ended 31 December	
	2021	2020
Management and administrative	**136**	162
Technical and operational	**405**	439
	541	601

Their aggregate remuneration comprised:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Wages and salaries	**18,740**	19,398
Social security costs	**3,749**	3,791
Share-based payments	**(247)**	(496)
	22,242	22,693

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$22,185 thousand (2020: US$22,106 thousand).

Key management personnel remuneration

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Short-term employee benefits	**4,042**	4,314
Share-based payments	**–**	(131)
	4,042	4,183

Directors' remuneration

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Short-term employees benefits	**1,877**	2,657
Share-based payments	**–**	(228)
	1,877	2,429

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").

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 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.For more details please see Note 27 to the Groups' consolidated financial statements for the year ended 31 December 2020.

27. Other income and expenses

For the years ended 31 December 2021 and 2020 other income comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Compensation for damages	**1,549**	12
Reversals of training accruals	**1,490**	950
Reversals of other accruals	**1,244**	1,473
Disposal of exploration assets	**749**	784
Insurance compensation	**162**	116
Currency conversion	**78**	169
Refunds of taxes paid in previous periods	**–**	433
Goods received free of charge	**–**	426
Other	**614**	394
	5,886	4,757

Other expenses comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Write-off of new development costs (Note 7)	**9,055**	–
Other taxes and penalties	**2,613**	3,820
Training	**505**	890
Social program	**312**	337
Currency conversion	**135**	223
Loss on disposal of property, plant and equipment	**58**	812
Loss on disposal of inventories	**–**	392
Compensation	**–**	140
Accruals under subsoil use agreements	**–**	114
Business development	**–**	70
Sponsorship	**26**	–
Other	**514**	808
	13,218	7,606

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.

Notes to the consolidated financial statements continued

28. Income tax

The income tax expense comprised the following:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Deferred income tax expense	**30,279**	(67,423)
Adjustment in respect of the deferred income tax for the prior periods	**–**	28,429
Corporate income tax expense	**751**	755
Withholding tax	**58**	1,146
Adjustment in respect of the current income tax for the prior periods	**632**	(385)
	31,720	(37,478)

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:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Profit/ (loss) before income tax	5,602	(401,837)
Tax rate applicable to the subsoil use rights	30%	30%
Expected tax provision	**1,681**	**(120,551)**
Effect of exchange rate on the tax base	2,630	15,653
Adjustments in respect of current income tax of previous years	632	(384)
Effect of loss / (income) taxed at different rate[1]	1,529	(128)
Non-deductible interest expense on borrowings	24,782	27,798
Recognition of previously unrecognised deferred tax	(1,312)	–
Deferred tax asset not recognised	–	9,339
Non-deductible taxes and penalties	784	932
Adjustments to tax base balances brought forward	–	28,429
Net foreign exchange gain	95	491
Reversal of training provisions	(296)	–
Non-deductible cost of technological loss	–	133
Non-deductible loss on disposal of PPE	(225)	167
Non-deductible marketing expenses	651	–
Non-deductible unwinding of discount	311	–
Other non-deductible expenses	458	643
Income tax benefit reported in the consolidated financial statements	**31,720**	**(37,478)**

[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 2021 is 566.2% (2020: 9.3%). 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 2021 is 76.9% (2020: 20.1%).

As at 31 December 2021 the Group has tax losses of US$113,371 thousand (2020: US$105,432 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. On 21 May 2021, a Royal Decree was issued in the Netherlands, which dictates that the tax losses can now be carried forward indefinitely from 1 January 2022, subject to annual limit on carry back loss utilization. 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 2021**	31 December 2020
Deferred tax asset		
Accounts payable and provisions	**4,189**	3,011
Deferred tax liability		
Property, plant and equipment	**(33,630)**	–
Inventories	**(3,183)**	(3,011)
Long-term borrowings	**(1,448)**	(3,793)
Net deferred tax liability	**(34,072)**	(3,793)

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	**2021**	2020
Balance as at 1 January	**3,793**	42,787
Current period charge to statement of comprehensive income	**30,279**	(38,994)
Balance as at 31 December	**34,072**	3,793

29. 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 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 December 2021**	**31 December 2020**
Trade payables		
JSC OGCC KazStroyService	**227**	230

On 28 July 2014 the Group entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Group's gas treatment facility (as amended by fourteen supplemental agreements since 28 July 2014). The Contractor is an affiliate of Mayfair Investments B.V., which as at 31 December 2021 owned approximately 8.56% of the ordinary shares of Nostrum Oil & Gas PLC.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$4,042 thousand for the year ended 31 December 2021 (2020 (restated – refer Note 3): US$4,314 thousand, including US$666 thousand paid to the spouse of the executive directors). There was no compensation to close members of the families of the key management personnel for the year ended 31 December 2021.

30. Audit and non-audit fees

During the years ended 31 December 2021 and 2020 audit and non-audit fees comprise the following:

In thousands of US Dollars	For the year ended 31 December 2021	2020
Audit of the financial statements	**1,009**	1,076
Total audit services	**1,009**	1,076
Audit-related assurance services	**–**	–
Services relating to corporate finance transactions	**239**	–
Other non-audit services	**–**	–
Total non-audit services	**239**	–
	1,248	1,076

The audit fees for the year ended 31 December 2021 in the table above include the audit fees of US$10 thousand in relation to the Parent (2020: US$10 thousand).

The audit fees for the year ended 31 December 2021 include fees related to the audit of the 2020 financial statements in the amount of US$92 thousand (2020: US$221 thousand related to audit of 2019 financial statements).

31. 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 2021. As at 31 December 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

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 2021, the Group had contractual capital commitments in the amount of 10,029 thousand (31 December 2020: US$6,167 thousand), mainly in respect to the Group's oil field development activities.

Social and education commitments

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

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

The Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed in October 2020 and the Rostoshinskoye field was disposed in September 2021 (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.

32. Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, payables to the 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.

Climate change

Management has considered how the Group's identified climate risks and climate related goals (as discussed in Climate Change and GHG Emissions in the Group's 2021 Annual Report) may impact the estimation of the recoverable value of cash-generating unit tested for impairment. The anticipated extent and nature of the future impact of climate on the Group's operations and future investment depends on the development of new technologies and production processes employed and the level of emissions, energy efficiency and use of renewable energy. The sensitivity of the Group's impairment assessment to these factors is also impacted by the extent that estimated recoverable value exceeds the carrying value of an individual cash-generating unit – where this is lower there is an increased risk of a future impact. The Group is in the process of identifying a range of actions and initiatives to progress towards the Group's goals, including reduction of greenhouse gas emissions, wastewater discharges and increase of waste utilisation. In certain cases, the costs of such actions have been quantified and are included in the Group's forecasts which are used to estimate recoverable value for the Group's cash-generating unit. Other actions and initiatives continue to be explored by the Group but are not sufficiently certain to be reflected in the Group's forecasts of estimated recoverable value.

Notes to the consolidated financial statements continued

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 2021 and 2020 as the Group had no financial instruments with floating rates as at years ended 31 December 2021 and 2020.

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 13% would lead to decrease in the net Tenge liability position by US$1,085 thousand as of 31 December 2021 and respective reduction of the loss before income tax for the year ended 31 December 2021. 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)
2021	**13%**	1,085
	-10%	(1,048)
2020	**14%**	1,633
	-11%	(1,644)

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 2021					
Cash and cash equivalents	5,745	–	1,020	500	7,265
Trade receivables	1,531	–	–	–	1,531
Trade payables	(5,433)	(122)	(464)	(983)	(7,002)
Other current liabilities	(11,273)	–	(299)	(105)	(11,677)
	(9,430)	**(122)**	**257**	**(588)**	**(9,883)**
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)**

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 2024. 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 67-69.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2021 and 31 December 2020 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 2021						
Borrowings	1,298,926	43,000	43,000	–	–	1,384,926
Trade payables	7,853	–	546	–	–	8,399
Other current liabilities	14,636	–	–	–	–	14,636
Due to Government of Kazakhstan	–	258	773	4,124	4,381	9,536
	1,321,415	**43,258**	**44,319**	**4,124**	**4,381**	**1,417,497**
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**

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. and Halyk bank JSC with most recent credit ratings from Moody's rating agency of Aa3 (Stable), Aa3 (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 2021**	31 December 2020	**31 December 2021**	31 December 2020
Interest bearing borrowings	1,289,603	1,186,269	303,375	270,000
Total	**1,289,603**	**1,186,269**	**303,375**	**270,000**

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

During the years ended 31 December 2021 and 2020 there were no transfers between the levels of fair value hierarchy of the Group's financial instruments.

Capital management

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

Since the engagement with the AHG in discussions on potential restructuring of the Notes and signing of the FBAs in 2020 (see Note 1), the Group's focus was on maintaining short-term liquidity and preserving cash. Successful cost optimisation programme, favourable hydrocarbon pricing and forbearance of making interest payments during 2020 and 2021 enabled the Group to grow its unrestricted cash balances to the level of US$165,246 thousand as at 31 December 2021. After successful implementation of the restructuring, the Group intends to revise and evolve its capital management policy in line with new requirements and shareholder expectations.

33. Events after the reporting period

Lock-up agreement accession

On 18 January 2022, the Group announced that following the original accession period, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises approximately 77.73% of the total aggregate principal amount of both series of Notes.

2022 supplemental indentures

As part of the restructuring implementation plan, on 7 February 2022, the Group announced receipt of required consents in respect of solicitation and provided an update on Lock-Up Agreement Accessions relating to the 2022 Notes and 2025 Notes.

The Group solicited consents to the Proposed Amendments in order to facilitate the implementation of a scheme of arrangement or a restructuring plan by helping to establish a sufficient connection with England, such that the High Court of England and Wales will accept jurisdiction with respect to the scheme of arrangement or the restructuring plan. Holders were not offered a consent payment to vote in favour of the Proposed Amendments. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes have provided consents. Holders can no longer revoke their consents.

Shareholder Circular and General Meeting Vote

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

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

Impact of sanctions on Russia

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

Political and civil unrest in the Republic of Kazakhstan

In January 2022, following a rise in fuel prices, certain mass demonstrations and gatherings occurred in various cities across Kazakhstan that culminated in significant loss of life, arrests and property damage and resulted in a state of emergency being declared and military units from surrounding former CIS countries being called in to assist the local security forces. During this period no Group employees were harmed, and the Group experienced no disruptions to its operations in the field or at the head office.

Contents

Parent company statement of financial position

In thousands of US Dollars	Notes	**31 December 2021**	31 December 2020 (restated*)
Assets			
Non-current assets			
Property, plant and equipment		**2**	20
		2	20
Current assets			
Prepayments and other current assets		**489**	287
Receivables from related parties	6	**1,000**	1,109
Cash and cash equivalents	7	**549**	615
		2,038	2,011
TOTAL ASSETS		**2,040**	2,031
Equity and liabilities			
Share capital and reserves			
Share capital	8	**3,203**	3,203
Retained deficit and reserves		**(812,101)**	(834,199)
		(808,898)	(830,996)
Current liabilities			
Current portion of financial guarantees	9	**809,812**	831,767
Employee share option plan liability		**–**	3
Payables to related parties	10	**476**	568
Trade payables		**480**	444
Income tax payable		**61**	135
Other current liabilities		**109**	110
		810,938	833,027
TOTAL EQUITY AND LIABILITIES		**2,040**	2,031

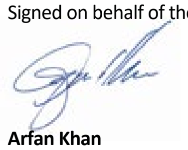
** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

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 profit of US$22,342 thousand for the financial year ended 31 December 2021, which includes current income tax expense of US$64 thousand (2020: a loss of US$396,744 thousand including current income tax expense of US$201 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

4 May 2022

The accounting policies and explanatory notes on pages 168 through 178 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 2021	2020 (restated*)
Cash flow from operating activities:			
Profit / (loss) before income tax		**22,406**	(396,543)
Adjustments for:			
Depreciation		**19**	28
Employee share option plan fair value adjustment		**(14)**	(27)
Financial guarantee (gain) / loss	9	**(21,957)**	397,650
Impairment reversal		**(232)**	(469)
Operating profit before working capital changes		**222**	639
Changes in working capital:			
Change in other current assets		**(202)**	(2)
Change in receivables from related parties		**109**	(444)
Change in trade payables		**36**	286
Change in payables to related parties		**(92)**	(595)
Change in other current liabilities		**(1)**	(719)
Cash generated from operations		**72**	(835)
Income tax paid		**(138)**	(66)
Net cash flows from operating activities		**(66)**	(901)
Cash flow from investing activities:			
Purchase of property, plant and equipment		**(1)**	(7)
Net cash used in investing activities		**(1)**	(7)
Cash flow from financing activities:			
Net cash from financing activities		**–**	–
Effects of exchange rate changes on cash and cash equivalents		**1**	1
Net decrease in cash and cash equivalents		**(66)**	(907)
Cash and cash equivalents at the beginning of the year	7	**615**	1,522
Cash and cash equivalents at the end of the year	7	**549**	615

** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

As at 31 December 2021 the Company recognised bad debt allowance in the amount of US$93 thousand (2020: US$291 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 168 through 178 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 deficit	Total
As at 1 January 2020		**3,203**	**1,344**	**(438,304)**	**(433,757)**
Loss for the year		–	–	(396,744)	(396,744)
Total comprehensive loss for the year		**–**	**–**	**(396,744)**	**(396,744)**
Share based payments under LTIP	13	–	(495)	–	(495)
As at 31 December 2020 (restated*)		**3,203**	**849**	**(835,048)**	**(830,996)**
Profit for the year		–	–	22,342	22,342
Total comprehensive income for the year		**–**	**–**	**22,342**	**22,342**
Share based payments under LTIP	13	–	(244)	–	(244)
As at 31 December 2021		**3,203**	**605**	**(812,706)**	**(808,898)**

** Certain amounts shown here do not correspond to the 2020 financial statements and reflect adjustments made, please refer to Note 3 for more details.*

The accounting policies and explanatory notes on pages 168 through 178 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 2021 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, 2061 CH Bloemendaal, The Netherlands	Members' interests	100
Nostrum Oil & Gas B.V.	Bloemendaalseweg 139, 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 Oil & Gas Finance B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace, London W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Services Central Asia LLP	Aksai 3a, 75/38, 050031 Almaty, Republic of Kazakhstan	Participatory interests	100
Nostrum Services N.V.	Chaussee de Wavre 20, 1360 Perwez, Belgium	Ordinary shares	100
Zhaikmunai LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100

The entire holding in the equity of Nostrum E&P Services LLP of the subsidiary was disposed on 30 April 2021.

The Company and its wholly-owned subsidiaries are hereinafter referred to as "the Group".

Forbearance and Lock-up agreements

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

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

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

The Forbearance Agreement was subject to certain conditions, including:

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

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

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

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

Under the terms of the Lock-up Agreement, the Group, the AHG and ICU have agreed to implement a transaction which restructures the Notes (the "Restructuring"). The key features of the proposed Restructuring are as follows:

1. Partial reinstatement of the Notes in the form of new: (a) senior secured notes in a principal amount of US$250,000,000 ("SSNs") with cash coupon of 5.00% per annum; and (b) senior unsecured notes in a principal amount of US$300,000,000 ("SUNs") with cash coupon of 1.00% per annum and payment-in-kind interest of 13.00% per annum. The SSNs and SUNs will mature on 30 June 2026;
2. Conversion of the remainder of the Notes into equity through:
   - Preferred restructuring route: Holders of the Existing Notes will own 88.89% of the share capital of the Company and warrants to subscribe for an additional 1.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 11.11% upon closing of the restructuring and will be diluted to 10.00% if the warrants are exercised. Executing the preferred restructuring route will require the approval by shareholders at a general meeting ("GM"); or

- Alternative restructuring route: If the required approvals are not received from shareholders at the GM, the holders of the Existing Notes will own 98.89% of the share capital of the Company and warrants to subscribe for an additional 0.11% of the share capital of the Company upon exercise of all of the warrants. The existing shareholders will hold 1.11% upon closing of the restructuring and will be diluted to 1.00% if the warrants are exercised; and

3. New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows, including the proposal to transfer the Parent's listing to the Standard Listing segment of the London Stock Exchange.

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

Holders of over 77% of the total aggregate principal amount of the Notes have signed or acceded to the Lock-up Agreement including a majority of holders of aggregate principal amount of both Senior Notes and an affiliate of ICU.

Following execution of the Lock-up Agreement, the Company has commenced implementation of the Restructuring, which is expected to become effective in 2022.

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

On 13 April 2022, the Financial Conduct Authority ("FCA") approved the Company's shareholder circular in relation to the proposed restructuring as outlined above. The Circular is published on the Company's website and has been made available to shareholders for their consideration. Also notice has been provided convening a General Meeting of our shareholders on 29 April 2022 to consider and approve the resolutions in respect of the Restructuring. The Circular and General Meeting also includes a resolution to vote in favour of the Related Party Transactions with ICU in respect of new ordinary shares being issued to ICU pursuant to the restructuring – only independent shareholders (excluding ICU) are required to vote on this specific resolution.

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

2. Basis of preparation

Basis of preparation

The Company financial statements for the year ended 31 December 2021 have been prepared on a going concern basis and in accordance with UK Adopted International Accounting Standards.

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.

The Company recognises that there may be potential financial implications in the future from changes in legislation and regulation implemented to address climate change risk. Over time these changes may have an impact across a number of areas of accounting including asset impairment, increased costs, provisions, onerous contracts and contingent liabilities. However, as at the reporting sheet date, the Company believes there is no material impact on the balance sheet carrying values of assets or liabilities. This is not considered a significant estimate.

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

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2023. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $72/bbl for 2022 and $68/bbl for 2023. The favourable hydrocarbon pricing in 2021 and forbearance of making interest payments under the terms of the Forbearance Agreement with noteholders (refer to "Update on Bond Restructuring" section for further details) meant that the Group was able to grow its unrestricted cash reserves by over US$86 million. As a result, the Group had unrestricted cash balances of US$165.2 million as at 31 December 2021, with a further $22.7 million in a restricted bank account with limited access as per the terms of the Forbearance Agreement. Under the base case going concern assessment to the period to 30 June 2023, the Group is forecast to have total cash reserves of over U$$200 million, inclusive of cash swept into the restricted account, as explained below.

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

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

- Partial reinstatement of debt in the form of US$250 million Senior Secured Notes (SSNs) bearing interest at a rate of 5.00% per year payable in cash and maturing on 30 June 2026. The SSNs are not convertible;
- Partial reinstatement of debt in the form of US$300 million Senior Unsecured Notes (SUNs) bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in

Notes to the parent company financial statements continued

kind and maturing on 30 June 2026. The SUNs are repayable in specie through the issuance of equity in the Company on maturity;

- The exchange of the remainder of the Group's existing debt along with accrued but unpaid interest for equity in the Company, thereby significantly diluting the interests of the current equity holders;
- New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism into which cash above US$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Company can access with approval of the majority of Independent Non-Executive Directors of the Company; and
- Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

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

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

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

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

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

Additionally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and 2021. Therefore, the Directors have concluded that there is currently no material impact on the Group's operations and liquidity, nor do the Directors foresee a material impact in the going concern period, however, it is recognized that there is uncertainty around the future developments of COVID-19.

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

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

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards issued but not yet effective

Amendments to IAS 12

On May 7, 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction " that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

The entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Company is currently assessing the impact the amendments will have on current practice and whether the amendments will have impact on the financial statements.

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.

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. It is not expected that the amendments will have any 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.

Notes to the parent company financial statements continued

Correction of errors

Financial guarantee

When preparing the consolidated financial statements for the year ended 31 December 2020, the Group estimated through its FVLCD discounted cash flow model that the recoverable amount of its property, plant and equipment was US$339,406 thousand, and recognised an impairment charge of US$244,744 thousand. During the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group noted an error in the calculation for determining the 2020 impairment charge. The error results in a lower recoverable amount of US$297,760 thousand for the property plant and equipment as at 31 December 2020, and so a corresponding additional impairment charge of US$41,648 thousand for the year then ended and derecognition of deferred tax liability of US$4,712 thousand.

This had an impact on the Company's assessment of the fair value of the guarantees issued under the 2022 and 2025 Notes, which is based on the Group's financial position as at 31 December 2020. As a consequence, the balance of the financial guarantee liability as at 31 December 2020 was understated.

The Company does not present the statement of financial position as at the beginning of the previous annual period ("opening balance sheet"), as the correction of an error has no effect on the opening balance sheet or the periods preceding the previous annual period. This error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	Reported	Financial guarantee correction	As adjusted
Statement of financial position			
Retained deficit and reserves	(792,553)	(41,646)	(834,219)
Share capital and reserves	**(789,350)**	**(41,646)**	**(830,996)**
Current portion of financial guarantees	790,121	41,646	831,767
Current liabilities	**791,381**	**41,646**	**833,027**
TOTAL EQUITY AND LIABILITIES	**2,031**	**–**	**2,031**
Statement of cash flows			
Loss before income tax	(354,897)	(41,646)	(396,543)
Financial guarantee loss	356,004	41,646	397,650
Net cash flows from operating activities	**(901)**	**–**	**(901)**

Previous period related party disclosures

The Company has policies and procedures in place for the identification of potential related party transactions which are designed to ensure that all required approvals are obtained and all legal obligations are met in relation to any related party transaction. Also, the Company has internal procedures on identification of related party transactions and balances which are designed to ensure that all required disclosures are made in the financial statements. As part of these procedures the Company prepares lists of companies and individuals related to directors and key management personnel.

During 2021 the Company became aware that it had failed to identify the past employment of two persons, each of whom was the spouse of a director of the Group, as potential related party transactions and did not comply with its disclosure obligations in relation thereto. Total remuneration paid to such employees during 2020 amounted to US$666 thousand, and such employment and remuneration should have been disclosed as required under IAS 24 Related parties. Those amounts have been appropriately accounted for and so there is no requirement to make an adjustment of any balances as of 31 December 2020 and any costs for the year then ended.

As a result of the above, management have restated the comparative amounts for remuneration of key management personnel for 2020 within the employee remuneration note in the current year. Refer to Note 12. Further disclosure regarding this matter is also set out in the Company's Annual Report for 2021 on pages 87-88. In addition, management has carried out a comprehensive search for any other undisclosed related party transactions and balances and made adjustments to its internal controls to ensure completeness of the relevant disclosures going forward.

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$116,437 thousand and US$222 thousand, respectively. Such impairment has been recognised 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.

A reversal of impairment in the amount of US$232 thousand (Note 5) was recognised as at 31 December 2021 (31 December 2020: US$469 thousand) 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 2017.

As at 31 December 2021, 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.

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.

Notes to the parent company financial statements continued

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 2021 and 31 December 2020 Investments of the Company comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Nostrum Oil & Gas Coöperatief U.A.	**116,437,306**	116,669,665
Nostrum Oil & Gas BV	**222,271**	222,271
Impairment of investments	**(116,659,577)**	(116,891,936)
	–	–

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 (2020: US$9,881 thousand) as well as US$789 thousand capitalized costs under the "Long-term Incentive Plan 2017" (2020: US$789 thousand).

As a result of the impairment testing performed at 31 December 2019 the Company recognised an impairment charge of US$117,361 thousand for the full amount of its investments in subsidiaries. For more details, please refer to Note 4. As at 31 December 2021 and 31 December 2021 the Company has partially reversed previously recognised impairment of investments in subsidiaries in the amount of US$232 thousand and US$469 thousand, relatively, 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 2021 and 31 December 2020:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**729**	745
	24,541	24,557
Less: bad debt allowance	**(23,541)**	(23,448)
	1,000	1,109

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 2017 ("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 recognised a bad debt allowance as at 31 December 2021 in the amount of US$23,541 thousand (2020: US$23,448 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2021.

7. Cash and Cash Equivalents

As at 31 December 2021 and 31 December 2020 cash and cash equivalents comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Current accounts in Pounds Sterling	**319**	340
Current accounts in US Dollars	**230**	207
Current accounts in Euro	**–**	68
	549	615

8. Shareholders' equity

As at 31 December 2021 the ownership interests in Nostrum Oil & Gas PLC consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01. There were no movements in the number of shares during the years ended 31 December 2020 and 2021 and comprised of the following:

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

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

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.

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 2021 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 2021 and 31 December 2020:

In thousands of US Dollars	**2021**	2020
Financial guarantee as at 1 January	**831,767**	434,117
Charge for expected credit losses	**(21,955)**	397,650
Financial guarantee as at 31 December	**809,812**	831,767

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 2021 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 recognised the guarantee liabilities for the total amount of US$ 809,812 thousand as at 31 December 2021 (2020 restated: US$831,767 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. On 23 December 2021, the Company announced the execution of a lock-up agreement. Under the terms of the Lock-up Agreement, the Group, ICU and the AHG have agreed to implement a transaction which restructures the Notes. 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.

Notes to the parent company financial statements continued

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, from 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 2021 and 31 December 2020:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Payables to Nostrum Oil & Gas Coöperatief U.A.	**272**	364
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	476	568

As at 31 December 2021 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 2021 by US$23,541 thousand (2020: US$23,448 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2021.

As at 31 December 2021 and 2020 amounts payable to Nostrum Oil & Gas Finance B.V. represent interest accrued in the amount US$204 thousand on the loan from Nostrum Oil & Gas Finance B.V. The loan on which the above interest amounts were calculated was settled against the receivables due from Nostrum Oil & Gas Coöperatief U.A. in the amount of $3,000 thousand in 2019.

11. Auditors' remuneration

For the year ended 31 December 2021 the fees for the audit of the Company amount to US$10 thousand (2020: 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	**2021**	2020
Executive Directors	**1**	1
Administrative personnel	**4**	7
	5	8

Their aggregate remuneration comprised:

	For the year ended 31 December	
In thousands of US Dollars	**2021**	2020
Wages and salaries	**960**	1,490
Social security costs	**148**	204
Share-based payments	**–**	(28)
Pension contributions	**23**	46
Other benefits	**17**	30
	1,148	1,742

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 2021 was US$1,877 thousand (2020 restated: US$2,429 thousand) and also includes remuneration paid by other companies of the Group. In addition, US$280 thousand (2020: US$260 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 2021 the Company employed an average of 2 non-executive directors (2020: 2 non-executive directors).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 105-119 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, until 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 outstanding share options capable of vesting during the years ended 31 December 2021 and 31 December 2020:

	Equity-settled awards	Cash-settled awards	TOTAL awards
As at 31 December 2019	**467,110**	**31,557**	**498,667**
Share options forfeited	(248,217)	(4,938)	(253,155)
As at 31 December 2020	**218,893**	**26,619**	**245,512**
Share options forfeited	(62,854)	(26,619)	(89,473)
As at 31 December 2021	**156,039**	**–**	**156,039**

In 2017 the Company granted 1,208,843 share options, of which 344,631 share options remained outstanding as at 31 December 2021 (2020: 542,243 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, 156,039 share options are capable of vesting as of 31 December 2021 (2020: 245,512 share options) and all of these share options were vested as of 31 December 2021, 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.

There were no cash-settled share-options at 31 December 2021 (2020: 26,619 share options with carrying value of US$3 thousand). Based on the estimations of the carrying value of the liability, during the year ended 31 December 2021 the Company recognised a gain of US$3 thousand from employee share options fair value adjustment (2020: loss of US$1 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 2021 the Company recognised income from reversal of employee share option expense in the amount of US$11 thousand (2020: US$27 thousand) and a reduction in the investments in subsidiaries in the amounts of US$244 thousand (2020: US$469 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 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**729**	745
	24,541	24,557
Less: bad debt allowance	**(23,541)**	(23,448)
	1,000	1,109

Accounts payable to related parties represented by Company's subsidiaries as at 31 December 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Payables to Nostrum Oil & Gas Coöperatief U.A.	**272**	364
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	476	568

Financial guarantees are comprised of the following as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	**2021**	2020
Financial guarantee as at 1 January	**831,767**	434,117
Charge for expected credit losses	**(21,955)**	397,650
Financial guarantee as at 31 December	**809,812**	831,767

During the years ended 31 December 2021 and 2020 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	**2021**	2020 (restated*)
Income from provision of services		
Nostrum Oil & Gas Coöperatief U.A.	**5,831**	6,956
Loss from financial guarantee		
Nostrum Oil & Gas Finance B.V. (Note 9)	**21,955**	(397,650)

Notes to the parent company financial statements continued

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.

Climate change

Management has considered how the Company's identified climate risks and climate related goals (as discussed in Climate Change and GHG Emissions in the Group's 2021 Annual Report) may impact the estimation of the recoverable value of cash-generating unit tested for impairment and therefore of the finance guarantee provision. The anticipated extent and nature of the future impact of climate on the Group's operations and future investment depends on the development of new technologies and production processes employed and the level of emissions, energy efficiency and use of renewable energy. The sensitivity of the Group's impairment assessment to these factors is also impacted by the extent that estimated recoverable value exceeds the carrying value of an individual cash-generating unit – where this is lower there is an increased risk of a future impact. The Group is in the process of identifying a range of actions and initiatives to progress towards the Group's goals, including reduction of greenhouse gas emissions, wastewater discharges and increase of waste utilisation. In certain cases, the costs of such actions have been quantified and are included in the Group's forecasts which are used to estimate recoverable value for the Group's cash-generating unit. Other actions and initiatives continue to be explored by the Group but are not sufficiently certain to be reflected in the Group's forecasts of estimated recoverable value.

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 2021.

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 recognised.

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

Lock-up agreement accession

On 18 January 2022, the Group announced that following the original accession period, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises approximately 77.73% of the total aggregate principal amount of both series of Notes.

2022 supplemental indentures

As part of the restructuring implementation plan, on 7 February 2022, the Group announced receipt of required consents in respect of solicitation and provided update on Lock-Up Agreement Accessions relating to the 2022 Notes and 2025 Notes.

The Group solicited consents to the Proposed Amendments in order to facilitate the implementation of a scheme of arrangement or a restructuring plan by helping to establish a sufficient connection with England, such that the High Court of England and Wales will accept jurisdiction with respect to the scheme of arrangement or the restructuring plan. Holders were not offered a consent payment to vote in favour of the Proposed Amendments. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes have provided consents. Holders can no longer revoke their consents.

Shareholder Circular and General Meeting Vote

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

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

Impact of sanctions on Russia

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

Political and civil unrest in the Republic of Kazakhstan

In January 2022, following a rise in fuel prices, certain mass demonstrations and gatherings occurred in various cities across Kazakhstan that culminated in significant loss of life, arrests and property damage and resulted in a state of emergency being declared and military units from surrounding former CIS countries being called in to assist the local security forces. During this period no Group employees were harmed, and the Group experienced no disruptions to its operations in the field or at the head office.

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Ulugbek Makhmadiyarov

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General Director:
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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 2021): US$(0.14)/share.

Book value per share (as at 31 December 2021): US$(4.44)/share.

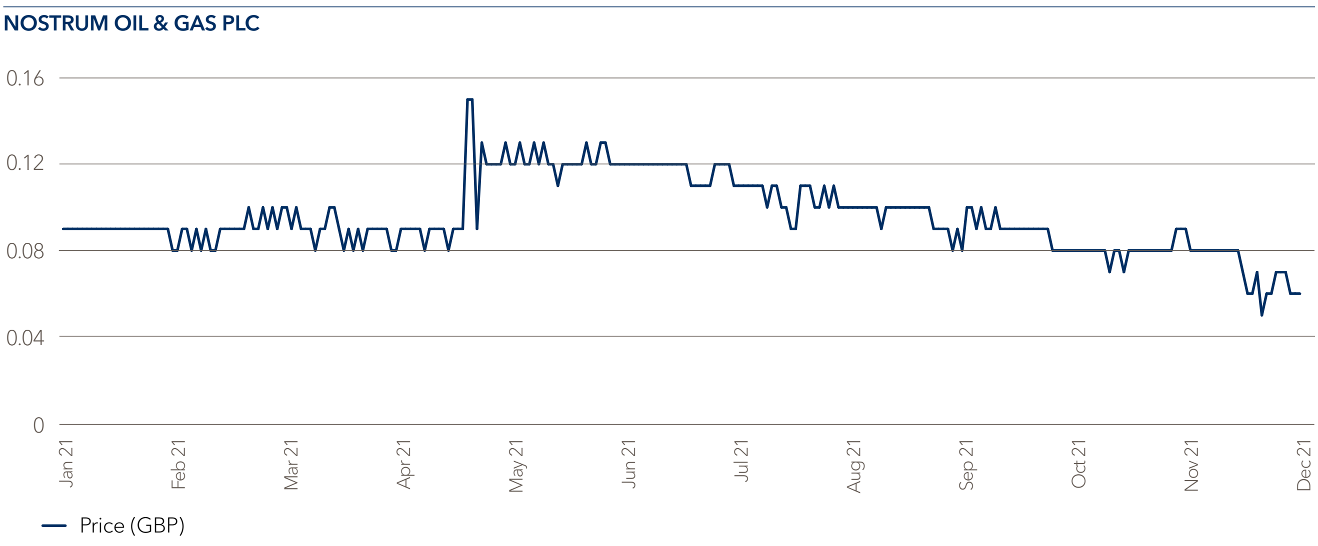
Financial calendar 2022

Q1 2022	Operational update	6 May 2022
Q1 2022	Financial results	24 May 2022
H1 2022	Operational update	29 July 2022
H1 2022	Financial results	16 August 2022
Q3 2022	Operational update	28 October 2022
Q3 2022	Financial results	15 November 2022

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

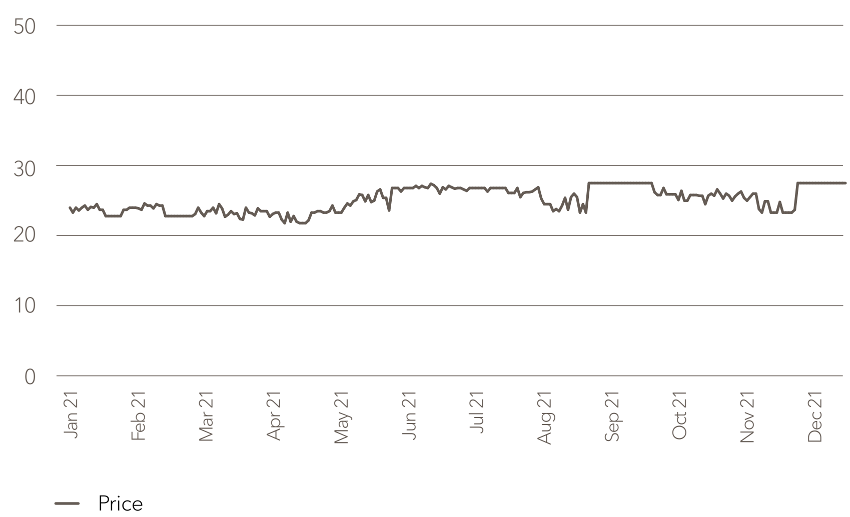
Nostrum Oil & Gas PLC is currently being rated by two credit rating agencies: Standard and Poor's and Moody's Investor Services:

Agency	Rating	Outlook
Standard and Poor's	SD	NM
Moody's	Ca	Negative

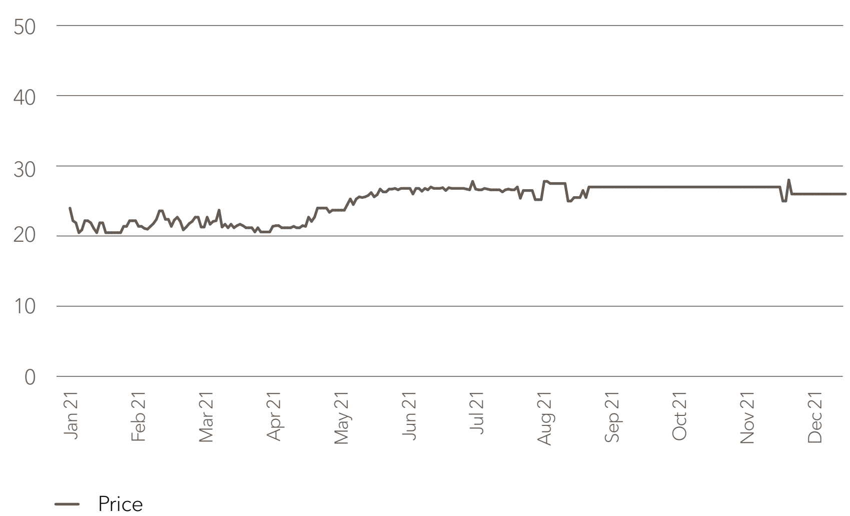
Zhaikmunai LLP is a wholly-owned indirect subsidiary of Nostrum and its equity is not listed, while Nostrum's equity is listed on the premium segment of the London Stock Exchange and on the Kazakhstan Stock Exchange.

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.

Regulatory information

Additional information to comply with KASE listing requirements

There are no KPIs related to corporate governance. There are no environmental KPIs other than the ESG KPIs listed on page 25.

In addition to the information provided in the 'Sustainability review' section of this report on pages 34 – 50, the Company reports that:

- There were no fires in 2021. 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. It was not possible to record workplace health and safety issues in addition to those mentioned in this report.
- The average number of training hours per employee by gender and category was not recorded.
- There was no advanced training in 2021 in addition to that required under the PSA. There was no assistance in 2021 for employees who stopped working as a result of retirement or termination of employment. There were no official performance assessments during 2021.
- Age related data and location of new employees hired were not recorded.
- Age group, category and workplace data for gender pay discrepancies were not recorded.
- There was no training on the Company's Human Rights Policy in 2021 (2020: none).

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 Organisation 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".
UK Corporate Governance Code	Set of principles of good corporate governance for listed companies promulgated by the UK Financial Reporting Council.
Ural OG	Ural Oil&Gas LLP

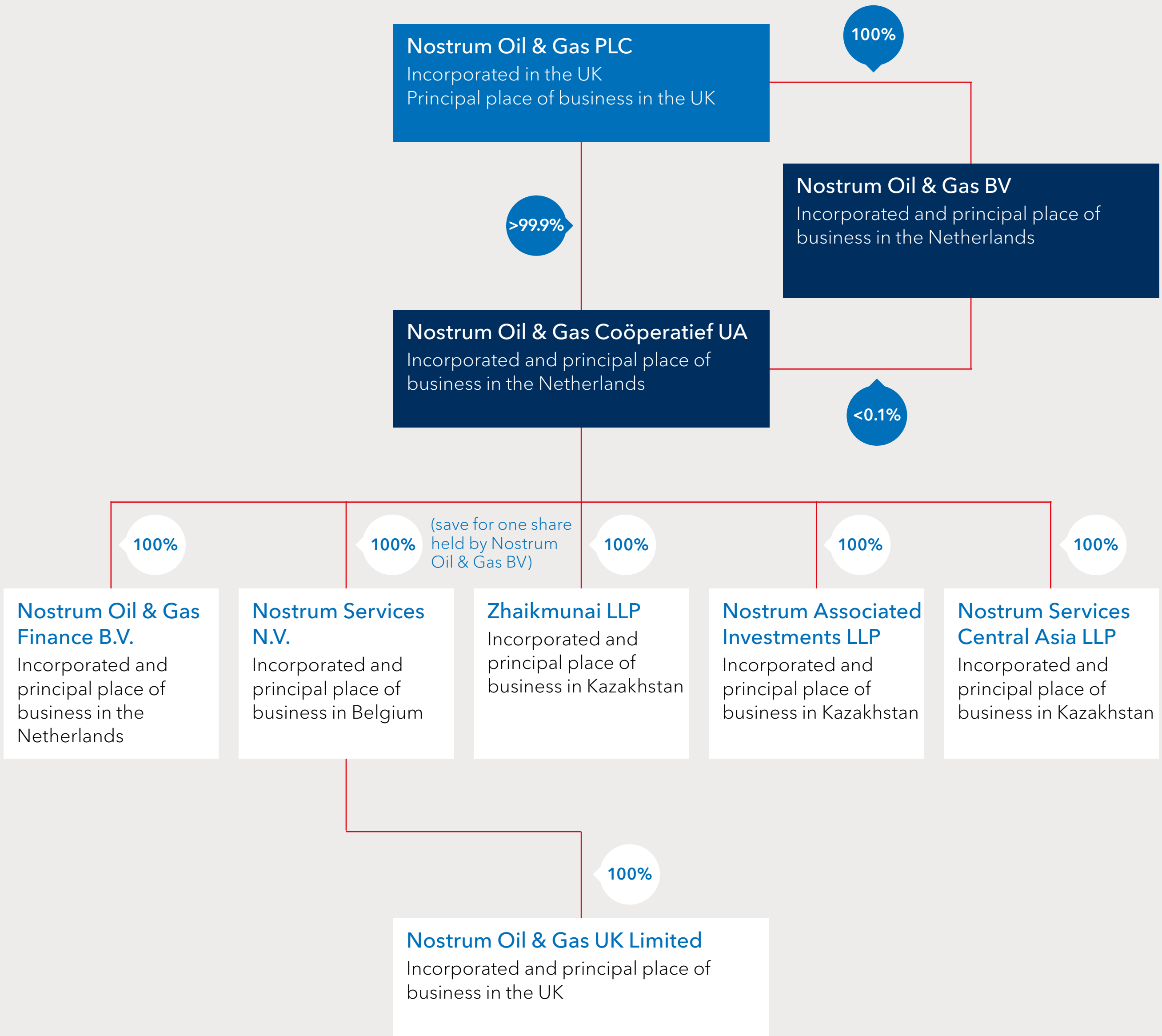
W

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 2021



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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