

RIGHT PLACE RIGHT TIME



Nostrum is an independent mixed-asset energy company owning world-class gas processing facilities and an export hub in north-west Kazakhstan with a strong focus on ESG performance.



Our purpose

To unlock the value of our full potential for all our stakeholders through securing our business by working as a well-integrated team across all disciplines.



Our vision

To contribute materially to the total marketable commercial gas potential and its affordability in Kazakhstan whilst moving towards a cleaner energy mix.



Our values

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



For more details please visit
www.nostrumoilandgas.com

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RIGHT PLACE RIGHT TIME

Nostrum is a mixed-asset energy company well positioned to become a major third-party gas processor with state-of-the-art gas processing facilities and export hub, cash generative asset portfolio and mixed-asset opportunity pipeline, and strong focus on ESG performance, now governed by a new highly experienced Board of Directors.

GRI 2-1

2022 overview

Financial

Revenue
US\$m

199.7

2021: 195.3

Opex+G&A costs¹
US\$m

43.1

2021: 43.8

EBITDA
US\$m

115.7

2021: 112.5

Cash at year end
US\$m

233.6

2021: 165.2

Non-financial

Production
boepd

13,200

2021: 17,032

Employees

566

2021: 559

LTIR
incidents per million
man-hours

0

2021: 0.81

**Total greenhouse gas
emissions ktCO₂e**

170

2021: 187

1. Opex excluding DD&A and inventory adjustment. G&A costs excluding DD&A. See page 53 for details.

A new chapter...



We will convert our competitive advantage into value with near term catalysts, whilst nursing our balance sheet in that process."



On behalf of the Board, and for my first time as its Chair, I am pleased to present the Nostrum's 2022 Annual Results and Report.

Let me start by recognising that we have ground to make up after the Company's disappointing performance prior to our restructuring process that began in 2020. However, we have a new team, a new balance sheet in place and a new, advantaged strategy.

2022 Results

Undoubtedly, 2022 has been a volatile year due to a challenging macroeconomic backdrop fuelled by a combination of global post-pandemic demand recovery together with supply uncertainty, rising global inflation and the Russia-Ukraine conflict which disrupted the energy supply.

Despite being in the process of completing the debt restructuring, under Arfan's capable leadership Nostrum has navigated emerging challenges in the global economy throughout the year remarkably well. In 2022, activities aiming to preserve and increase the Company's liquidity remained a primary focus. Over US\$68m in positive cash flow was generated resulting in a US\$233.6m balance in unrestricted cash at the end of 2022. A high hydrocarbon price backdrop across all our products has been important as well as cost optimisation, which created operating leverage allowing the Company to benefit from the upward price swing. This served the Company well in offsetting the natural production decline exhibited by our mature Chinarevskoye field. We have also successfully taken action to comply with the extensive and rapidly evolving global sanctions legislation.

We are structurally addressing our cost base and building a cost-conscious culture to support our growth ambitions, improve our balance sheet, offset inflationary pressures, and thereafter gear our business to deliver operating leverage consistently

Cash at year end

Through our continuous efforts to further optimise production along with rigorous cost controls whilst safeguarding sales netbacks and favourable oil prices, we were able to increase our cash reserves in 2022 by US\$68.3m.

Cash at year-end

US\$233.6m

2021: US\$165.2m

Lower debt service burden

Following restructuring, Nostrum's annual coupon payments are reduced from US\$86m to circa US\$16m which will help optimise liquidity and allow us to focus on future growth.

Coupon payments

US\$16m

2021: US\$86m

Right Place, Right Time

We believe we are now at the right place and at the right time following major changes in the Government of the Republic of Kazakhstan last year as well as due to a launch of its new energy transition strategy to achieve carbon neutrality by 2060. Kazakhstan's 2015-2030 General Gasification Scheme sets out the further development of the gas transportation system and gasification of the population.

Kazakhstan is a member of the WTO, has a wealth of natural reserves, robust transport and communication infrastructure and highly skilled workforce. Kazakhstan is an important player in the global economy and an attractive investment destination. Strategically, it links the fast-growing markets of China and South-East Asia to the Middle East and Western Europe, about 65 percent of the world's gross domestic product, with roads and railroads as well as with the ports of the Caspian Sea.

Nostrum 2.0

With the debt restructuring completion in early 2023, Nostrum has started a new chapter of its development which we call 'Nostrum 2.0'. Post restructuring, our shareholder register comprises of blue-chip institutional investors, a new, highly experienced Board and we have a healthy balance sheet with unrestricted cash reserves of US\$233.6 million. We have recommenced our semi-annual cash interest payments and US\$17.5 million has already been paid to the bondholders earlier this year.

High calibre Board members to guide the business post restructuring



Stephen Whyte
Chairman and Non-Executive Director

Date of appointment:
14 February 2023

Total industry experience: ~35 Years

Technical background:
Geophysics



Arfan Khan
Chief Executive Officer

Date of appointment:
26 January 2021

Total industry experience: ~35 Years

Technical background:
Petroleum Engineering



Fiona Paulus
Independent Non-Executive Director

Date of appointment:
14 February 2023

Total industry experience: ~37 Years

Technical background:
Investment Banking



Chris Cox
Independent Non-Executive Director

Date of appointment:
14 February 2023

Total industry experience: ~40 Years

Technical background:
Petroleum Engineering



Martin Gudgeon
Non-Executive Warrant Director

Date of appointment:
14 February 2023

Total industry experience: ~30 Years

Technical background:
Corporate Finance



Chris Hopkinson
Independent Non-Executive Director

Date of appointment:
14 February 2023

Total industry experience: ~35 Years

Technical background:
Petroleum Engineering

New Board of Directors

I am pleased that Nostrum has attracted new, high calibre Board members to guide the business post restructuring. I would like to welcome the new directors who joined the Board with me in February 2023: Chris Cox, Chris Hopkinson, Fiona Paulus, and Martin Gudgeon. Each of them brings significant local and global experience and expertise in driving business expansion, innovation and sustainability, which will be invaluable to Nostrum as we implement our new mixed-asset energy strategy.

The new Board has commenced the year with an early engagement with the shareholders and bondholders by arranging bilateral meetings with our largest shareholders and holding a Capital Markets Day to communicate the Company's new strategy to the investment community.

Mixed-Asset Energy Strategy

The new Board has set a new strategy to capitalise on the advantaged position of our existing infrastructure and attract third party volumes. Nostrum is already no longer a single asset company. We have secured the tie-back project with Ural Oil & Gas and we are awaiting government approvals for our recent acquisition of our second subsoil use licence, containing the Stepnoy Leopard fields. It holds between 50 mmboe and 150 mmboe of recoverable volumes with over 20% estimated to be liquids.

We believe our under-utilised, new and modern infrastructure can attract 4 bcma or more third party gas and thereby provide an accelerated processing solution at a materially lower cost than other infrastructure providers. We believe this is the best opportunity available to rapidly increase domestic supply by nearly 20%. We can make a significant contribution to Kazakhstan's long-term gasification scheme.

Mixed-Asset Energy Strategy: a new strategy to capitalise on the advantaged position of our existing infrastructure and attract third party volumes



[▶ Read more on page 11](#)

Strong ESG performance focus: contributing to energy security and transition to cleaner energy

ESG risk rating

Receiving our first rating by the ESG rating agency marks another milestone in the implementation of Nostrum's sustainability strategy.

34th

percentile in the Oil & Gas Producers industry

In 2023, we will continue to focus on developing our assets, cost optimisation and work alongside all key stakeholders as we pivot toward renewed growth presented by our new mixed-asset energy strategy and the value creation opportunity pipeline it presents.

We will evaluate and continue to invest in both upstream and midstream opportunities where we see the right risk/reward opportunities. This could be either by processing third party hydrocarbons in our world-class infrastructure and/or by scaling up our own production.

ESG Performance

We have always acted with Sustainability and Safety at our core, protecting and developing our people, the environment and our licence to operate. We have however upped our game in our transparency and documenting of our ESG performance.

In 2022, Nostrum received its first ESG risk rating, which is instrumental in making the Group's progress in this area visible. The Company's ESG risk rating places it in the 34th percentile in the Oil and Gas Producers' industry as assessed by Sustainalytics. In addition, Nostrum received its first "B-" grade from the CDP Water Security Questionnaire and improved its CDP Climate Change Questionnaire score from "C" to "B-."

Conclusion

Looking ahead, we are committed and confident in our ability to deliver on our new mixed-asset energy strategy. We will convert our competitive advantage into value with near term catalysts, whilst nursing our balance sheet in that process.

I would like to take this opportunity to thank our investors, our employees and the Government of Kazakhstan for their ongoing commitment and support as we strive for an exciting and busy year ahead.

Stephen Whyte

Chairman and Non-Executive Director

Update on Bond restructuring

Over the past three years completing the Restructuring has been a major milestone that has now enabled the Company to pivot towards growth and maximise stakeholder returns.

Background and engagement with stakeholders

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

In May 2020, the Group engaged Rothschild & Cie as financial advisers and White & Case LLP as legal advisers to assist in the restructuring of the Notes.

Nostrum entered into a forbearance agreement in October 2020, with an informal ad-hoc Committee of noteholders. Under the terms of that forbearance agreement, certain holders agreed to forbear from exercising of certain rights and remedies under the indentures governing the 2022 and 2025 notes, including an agreement not to accelerate the notes obligation as a result of the missed interest payment. In May 2021 that agreement was replaced by a second forbearance agreement, which was the same in form and substance to the first forbearance agreement. Several further extensions to the Forbearance Agreement were made during 2021.

Further key milestones in the Restructuring process are summarised below:

Restructuring terms

Partial reinstatement of notes	- US\$250m Senior Secured Notes (SSN) – 5% cash coupon, interest accrues from 1 January 2022 - US\$300m Senior Unsecured Notes (SUN) – 1% cash coupon, 13% payment in kind, interest accrues from 1 January 2022 - New notes mature on 30 June 2026 - 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)
Conversion to equity	- Remaining notes and accrued interest converted to equity - Existing ordinary shareholders diluted to 11.11% - Issue of warrants to new noteholders, which may further dilute existing ordinary shareholders to 10.00%.
Corporate Governance Arrangements	- Cash sweep mechanism to debt service retention account - Transfer to Standard Listing segment of the London Stock Exchange - Board to consist of 6 Directors (previously 5)

The shareholders (99.99% of voting) voted for the implementation of the restructuring which meant that the restructuring continues under a UK scheme of arrangement under Part 26 of the Companies Act 2006.

The Company issued a notice inviting Scheme creditors to a Scheme meeting on 21 August 2022 to acquire such new shares and warrants.

23 December 2021

The Lockup Agreement was signed and shareholders voted in favour of the restructuring resolution at a General Meeting convened on 29 April 2022. The summary terms agreed by the creditors and shareholders are summarised in the table above.

04.02.2022

The Company received the required consents from noteholders after a solicitation process to approve the amendments to the Existing Notes indentures.

29.04.2022

The High Court of Justice of England and Wales has made an order granting the Company permission to convene a meeting for the Scheme creditors to approve the restructuring.

20.06.2022

01.06.2022

The Company received the required consents from the Kazakhstan Ministry of Energy («MOE») with respect to the issue of new shares and warrants (in partial repayment of the Existing Notes) and the waiver of the State of Kazakhstan's priority right to acquire such new shares and warrants.

01.08.2022

Simplified Group Structure post Bond Restructuring

(9 February 2023)

Key shareholders:

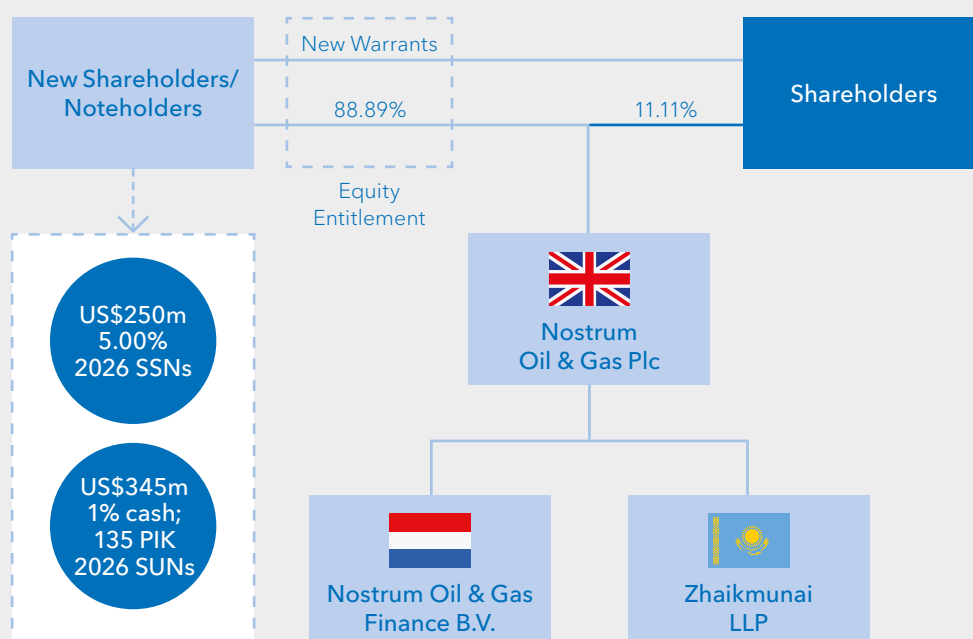
- EMOV
- Amundi
- Fidelity
- ICU Trading



Listed on LSE with
symbol: NOG



Listed on AIX with
symbol: NOG



The Scheme Sanction Hearing took place, whereby the Court made an order sanctioning the Scheme.

The prospectus was approved by the FCA and published by the Company (the 'Prospectus').

Implementation of the Restructuring on the key terms as agreed under Lockup Agreement, and pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022.

Delisting of ordinary shares from the official list of the Kazakhstan Stock Exchange (KASE).

26.08.2022

31.08.2022

14.10.2022

01.2023

09.02.2023

10.02.2023

14.03.2023

The Scheme Sanction Order was lodged with Companies House and the Scheme thereby took effect and binds (amongst other parties) all Scheme Creditors and the Company by its terms.

The Company received the required licence from the Office of Financial Sanctions Implementation (OFSI).

Admission to the London Stock Exchange (LSE).

Admission to the Astana International Exchange (AIX).

Nostrum 2.0

Nostrum has changed, Kazakhstan has changed

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

Key macroeconomic and microeconomic trends

Oil prices

Throughout 2022 oil prices were highly volatile due largely to the imposition of tough sanctions against Russia and the slowdown in global economic growth. Oil prices spiked to \$100/bbl in early 2022 and exceeded \$130/bbl in the middle of 2022 before falling by about one-third from their June highs and remaining extremely volatile, closing around \$75/ bbl at the end of 2022. Conflicting supply and demand factors have increased uncertainty in oil price forecasts. Fears of a recession have intensified in both the US and Europe, which could hurt oil demand. The actions of the world's central banks, which have repeatedly hiked interest rates to fight surging inflation, along with an economic slowdown in China, have also influenced the prospects of falling demand for the commodity. OPEC+ countries unanimously agreed in 2022 to relax production output cuts introduced in 2020, but later revised the ceiling of oil production due to the slowdown in the global economy.

What it means for us

The rise in world oil prices has offset production decline and resulted in higher cash flow 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 2022 we had cash reserves in excess of US\$233.6m (31 December 2021: US\$165.2m) excluding US\$22.8m placed into a secured cash account under the terms of the Forbearance Agreement with the informal ad-hoc noteholder group and US\$8.2 m of liquidation fund deposits, which are kept as required by the subsoil use rights for abandonment and site restoration liabilities.

Kazakhstan's economy

The ongoing Russia-Ukraine conflict slowed post-COVID recovery for Kazakhstan's economy in 2022 but the economy benefitted from high prices for key export commodities. The GDP rate slowed to 3.3%. Inflation soared reaching an all-time high exceeding 20% YoY, mainly driven by external factors, domestic demand, and supply-chain disruptions that pushed up manufacturing costs. The Kazakhstan Tenge (KZT) depreciated by 7% in 2022 ending the year at 462.65 KZT per US\$.

What it means for us

Cost pressures on our supply chain and staff compensation 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.

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.



RUSSIA



KAZAKHSTAN

CHINA

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 10 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 with a growing need for gas processing.

Energy transition plan of RoK

In 2022 Kazakhstan presented the Strategy (plans) to achieve carbon neutrality until 2060, which is being developed by Kazakhstan and that will become a guideline for energy transition. Kazakhstan's energy sector has the following focus areas: improving cleaner energy mix and strengthening energy security.

Government's comprehensive energy development plans:

- 2015-2030 General Gasification Scheme in place that sets out the further development of the gas transportation system and gasification of the population.
- Increase the gas resources base through geological exploration and new production projects.
- Increase the volume for domestic gas consumption from over 19bn cubic meters in 2022 to 30bn cubic meters by 2029.
- Establish a new gas pricing model.
- Increase the reliability of the gas infrastructure.

What it means for us

Our vision and Strategy are aligned with Kazakhstan's plans to strengthen its cleaner-energy mix:

- Our vision
 - Contribute materially to the total commercial gas potential in Kazakhstan whilst strengthening cleaner energy mix
 - Regional independent midstream gas operator
 - Major supplier of commercial processed gas in Western Kazakhstan for domestic and export markets
 - Preferred partner of choice for handling and processing 3rd party gas in Western Kazakhstan.
- Our Strategy
 - Consolidate owned and potential 3rd party sources of upstream gas fields with midstream solutions
 - Compete for project execution and operatorship by demonstrating excellence in project delivery and operations
 - Leverage own and external capital to optimise the commercial opportunities
 - Collaborate with stakeholders and potential partners to expand the market.

Nostrum 2.0 continued

Impact of the consequences following Russia-Ukraine conflict

The Russia-Ukraine conflict which emerged in the beginning of 2022 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 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. Furthermore, the

Company contracts with a limited number of Russian service companies.

During 2022 the price of Urals traded with a higher discount relative to Brent due to sanctions, which affected the Company's export prices for oil and condensate. During the spring and summer of 2022, the discount reached \$40 per barrel and then declined to \$18-20 per barrel as compared to \$3 per barrel average in 2021.

In addition to the widening of Urals discount used in calculation of export prices on oil and condensate, certain operational matters have been impacted by sanctions, such as the work underway on GTU3 and the extension of the Company's gas lift facilities.

Nostrum has considered and analysed alternative export routes where export prices are not linked to Urals quotation for oil and gas condensate supplies and has made all necessary efforts to address the widening Urals spread.

Nostrum is committed to complying with UK, EU and US sanctions relating to the Russia-Ukraine conflict. The Company has obtained advice from external legal counsel on the requirements for sanctions compliance, maintains and regularly updates lists of sanctioned persons and entities as these are supplemented or modified by the relevant authorities to prevent Group companies transacting with such persons and entities, has terminated previous commercial relationships that might be impacted by relevant sanctions, makes enquiries with commercial counterparties to mitigate risk of sanctions violations, analyses sanctions restrictions on the sale, export or shipment of products and consults with legal counsel when appropriate on questions that may arise in connection with the foregoing matters.

CRUDE OIL PRICE HISTORY



Mixed-asset energy strategy

We will evaluate and continue to invest in both upstream and midstream opportunities where we see the right risk/reward opportunities. This could be either by processing third party hydrocarbons in our world-class infrastructure and/or by scaling up our own production.

Potential acquisition of a new asset

In March 2023, Nostrum agreed to acquire 80% of Positive Invest LLP, which holds the subsoil use right to the contract No. 25 for estimation, development and production of hydrocarbons for the area "Kamenskoe" and the development area "Kamensko-Teplovsko-Tokarevskoe" (the "Stepnoy Leopard Fields") in the West Kazakhstan region of the RoK dated 3 March 1995, for US\$20m. Management estimates that the Stepnoy Leopard Fields hold between 50 mmbbl and 150 mmbbl of recoverable volumes which are considered contingent resources, with over 20% estimated to be liquids. There are eight fields within the licences with over 100 wells drilled in the Soviet era, the majority of which have confirmed hydrocarbons to be present. The resources are considered by management to be contingent due to the appraisal and development risks, noting the fields have not previously been developed in part due to the lack of related infrastructure. If the proposed acquisition completes, Nostrum plans to implement an appraisal programme in 2023, with the intention of preparing a technical expert's report which could allow re-classification of certain of the hydrocarbon resources into reserves.



Additional third-party volumes

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 O&G from the Rozhkovskoye field, which is situated less than 20km from the Chinarevskoye field. Ural O&G 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. Since Ural O&G feedstock is expected to be delivered at the end of October 2023, Nostrum started with construction of tie-in pipeline to Ural O&G facilities and spent US\$1.0m in 2022 out of a total planned spend of US\$5m. Completion of this tie-in is planned for Q3 2023.

In July 2021, Zhaikmunai and Ural O&G agreed to extend the deadline under the agreements for Ural O&G'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 O&G as a result of circumstances relating to the COVID-19 pandemic.

Ural O&G is a company owned by KazMunaiGas (KMG) (50%), Sinopec (27.5%) and MOL Group (MOL) (22.5%).

Nostrum is also 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.

Integrated gas opportunity

Nostrum is now at the right place and at the right time to participate in Kazakhstan's transition to a cleaner energy strategy and to strengthen its energy security.

Mixed asset energy framework

Upstream

Nostrum operated and potential third-party sources of upstream gas fields

Major opportunities in the region to secure long-term supply of raw gas.

Nostrum asset

1	Chinarevskoye field	Producing field: 1P reserves of 20mmboe 2P reserves of 28mmboe
2	Stepnoy Leopard field	80% owned field subject to appraisal: 50-150mmboe contingent resources over 20% liquids

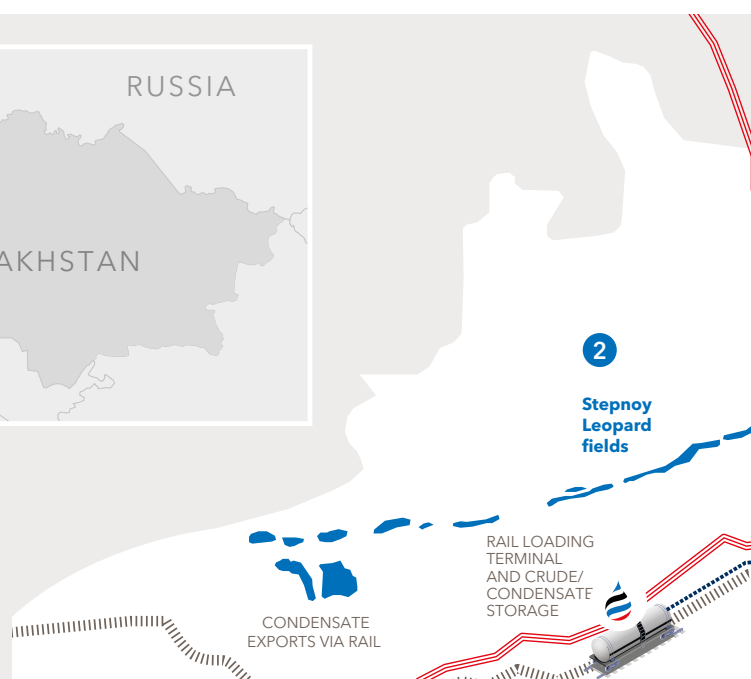
Third party asset

3	Rozhkovskoye field	Gas tie-back project in progress: Phase I – EPCI stage Phase II – potential subject to appraisal/feasibility assessment
4	Karachaganak field and other 3rd Parties	Possible midstream tie-back opportunities

Strategically located world-class gas processing facilities and export hub

c.98%

of Kazakhstan's natural gas reserves are located in Western Kazakhstan

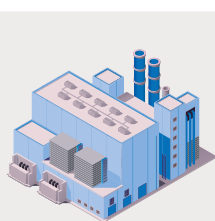


Midstream

Well-positioned to become a major third-party gas processor with an export hub

State-of-the-art 4.2bcm infrastructure hub, 85% of which is not utilised by our own production.

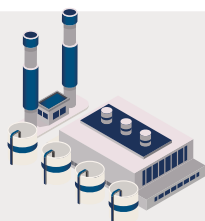
Strategic location, attractive access to multiple transportation routes.



Gas treatment facilities (GTF)

GTU 1&2 – 1.7bcm

GTU 3 – 2.5bcm



Oil treatment facility (OTF)

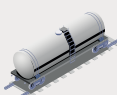
400kt



Power generation plant



Storage facilities



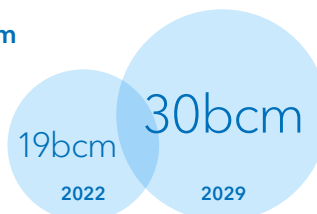
Rail loading terminal



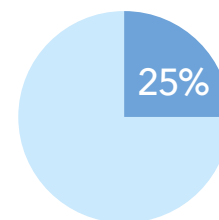
Gas and liquids pipelines

Domestic and Export Gas Supply Kazakhstan's focus on energy transition strategy

Increase domestic gas consumption from over 19 bcm in 2022 to 30 bcm by 2029.

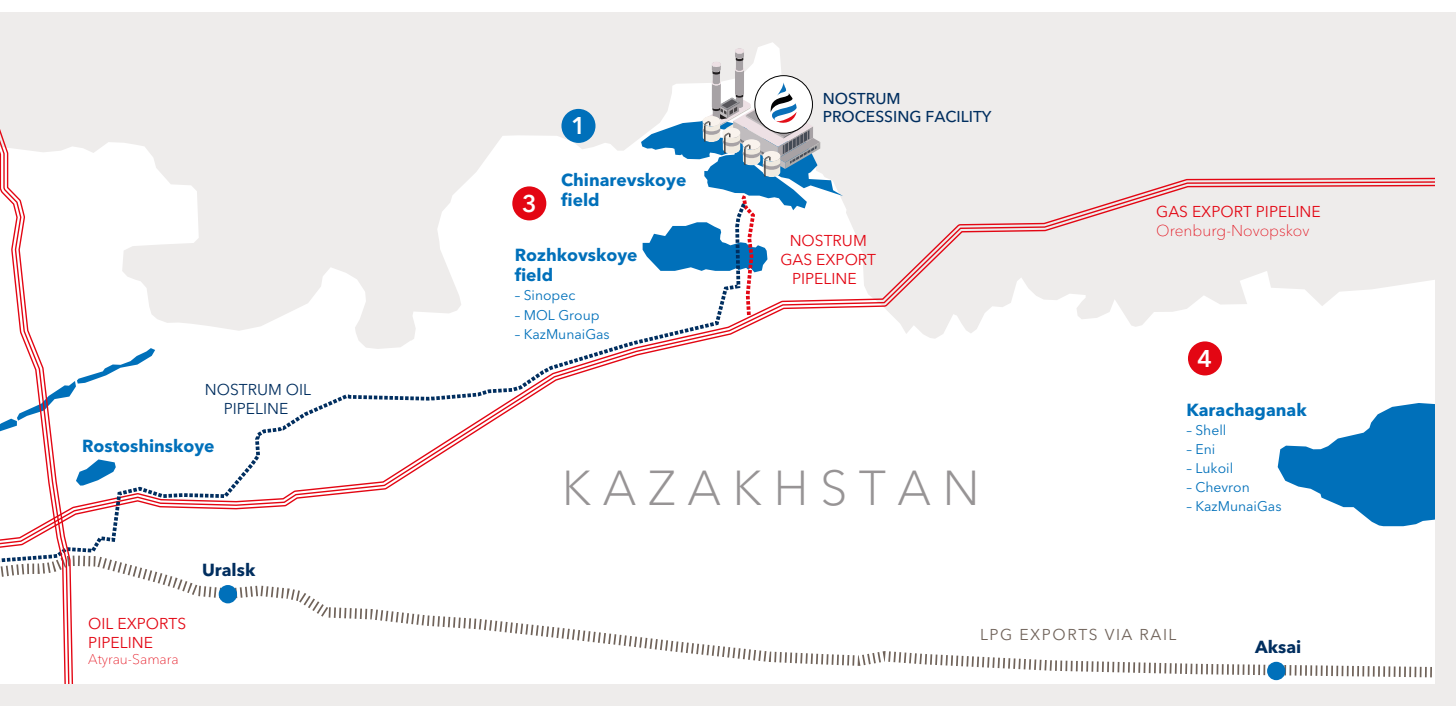


Increase the share of gas used for electricity generation from 20% to 25% by 2030.



Strategy to achieve carbon neutrality by 2060.¹

¹ On 2nd February 2023, the President of RoK approved the Strategy on Achieving Carbon Neutrality by 2060. Source: The World Bank



Nostrum 2.0 – A mixed-asset energy company



Nostrum's under-utilised 4.2 bcma state-of-the-art gas processing infrastructure is well-positioned to provide an immediate solution for third party raw gas, at an affordable cost, and as such it represents one of the best opportunities to rapidly increase the commercial gas supply by nearly 20%."



Having completed the Restructuring in early 2023 with a healthy balance sheet, cash reserves and a new, high-calibre Board, Nostrum has entered a new stage of its development that we call 'Nostrum 2.0'.

As an energy company, we are at the crossroads of change at the Company level and the environment in which we operate, especially Kazakhstan. There have been several changes in Kazakhstan with the establishment of a new administration that is actively re-shaping the priorities in the energy sector with greater emphasises on energy security and transition.

The Government of Kazakhstan is developing a comprehensive gasification scheme to meet rapidly rising demand for commercial gas and its corresponding share in the structure of fuel and energy balance of the country. The majority of the gas produced in Kazakhstan is currently re-injected to enhance liquids recovery, with only a little over a third available for commercial purposes. Nostrum's under-utilised 4.2 bcma state-of-the-art gas processing infrastructure is well-positioned to provide an immediate solution for third party raw gas, at an affordable cost, and as such it represents one of the best opportunities to rapidly increase the commercial gas supply by nearly 20%.

Nostrum has already succeeded in its transformation from a single-asset (Chinarevskoye Field) to a mixed-asset company by adding another upstream field (Stepnoy Leopard), sanctioning the upcoming startup of the midstream tie-back project by Ural Oil & Gas (Rozhkovskoye Field), and completing an internal feasibility assessment of a possible midstream project from the Karachaganak Field.

New Board of Directors

The Company is very fortunate to have attracted such high calibre new Board members. Nostrum is assured of a bright future with Steve Whyte as Chair. Steve has extensive experience with supermajors and independent companies in the sector and has also served as a Board observer appointed by Nostrum's bondholders for the past two years. The other new directors are Fiona Paulus, a seasoned investment banker, Martin Gudgeon who has deep experience in financial restructuring and the bond markets, and both Chris Cox and Chris Hopkinson who have served in key leadership roles running E&P companies as petroleum engineers.

Our upstream operations

Chinarevskoye Field

The annual average production in 2022 was 13,200 boepd. As expected, our production has continued to decline from the maturing primary reservoirs, with the decline averaging 23% annually over the past three years. Nostrum stopped drilling in 2019 after the significant subsurface failures. Further, the primary producing reservoirs also experienced premature water breakthrough, rapidly rising water cut and pressure depletion. The majority of the producing wells require gas lift to sustain production and to reduce abandonment pressures at highest possible water cut. Even some of the gas wells are now being placed on gas lift to help remediate waterlogging at bottomhole. To keep up with the rapidly rising demand for gas lift, our compressors have been operating near their design limits with combined capacity of 500 thousand m³/day. Early in 2022 we funded the addition of further compression to raise the capacity to 900 thousand m³/day for circa US\$8 million, to help safeguard the production against equipment failures and to keep wells from going offline. The delivery of the new compressor experienced significant delays due to the Russian sanctions, and this has created significant challenges for the production technologists in the judicious allocation of gas lift to optimise production. After a nearly 9-month delay, we expect the new compressor to startup in Q3 2023. Lastly, our capital workover program that targets behind-pipe proved-undeveloped reserves has also been largely exhausted.

The focus of the well intervention campaigns in the field has shifted to well surveillance and maintenance, including corrosion and well integrity management. We keep on standby both a workover rig and a coil tubing unit to mitigate delays in reacting to well failures.

Slowing the production decline with best-in-class WRM while maintaining cost discipline remains a constant focus of our team. We succeeded in holding our costs flat or slightly lower and delivered exceptional opex and G&A performance against mounting geopolitical pressures on supply-chain and inflation. Operations also delivered production system availability of better than 98% with under 5% production deferment. Our exports were executed without interruption despite the Russia-Ukraine conflict and delivered circa 4.6 mmbœ in sales volumes. To protect and improve our netbacks, we re-negotiated the gas sales price and completed new offtake agreements for crude and condensate.

In 2022, we also initiated subsurface studies to update the geologic and reservoir models with the additional information gained since 2019 and completed re-processing of the 3D seismic. This work will also be used to determine low-risk reservoir infill targets that will enable the Company to resume limited-scale drilling operations later in 2023, targeting the 1P and 2P reserves of 20.2 and 28.3 mmbœ, respectively, as of 31 December 2022. The Group's PDP reserves are determined at 19 mmbœ at end 2022.

Stepnoy Leopard Field

In March 2023, we agreed to acquire 80% of Positive Invest LLP for US\$20 million. We estimate that the Stepnoy Leopard fields hold between 50 mmbœ and 150 mmbœ of recoverable volumes which presently are classified as contingent resources. Upon completion of the proposed acquisition we plan to implement an appraisal programme in 2023, with the intention of preparing a Competent Person's Report (CPR). This would allow re-classification of certain of the contingent resources to proven reserves and help determine the commercially viable development schemes. A broad range of development concepts have been defined that include a smaller-scale Early Production System (EPS) for fastest production startup to Full-Field Development (FFD) requiring installation of the tie-back infrastructure.

Located about 100 km west of our world-class full-process infrastructure, the Stepnoy Leopard field is potentially an attractive Nostrum-operated upstream tie-back project that could deliver material reserves addition to the Group's rapidly depleting resource base at Chinarevskoye.

Monetising midstream infrastructure

With our 4.2 bcma world-class gas processing infrastructure and direct transport links to the markets, we are well positioned to leverage these advantages with midstream tie-back projects from the nearby upstream fields that are operated by others.

Rozhkovskoye Field (operated by Ural O&G)

In 2022, we sanctioned this midstream project at circa US\$5million that connects our process facilities at the southern manifold to the tie-back infrastructure that is under construction by Ural Oil & Gas. First gas from the Rozhkovskoye Field is expected in Q4 2023 with 5 wells producing, ramping up to potentially 0.2 to 0.5 bcma of production. Nostrum will process the gas under a processing agreement that covers gas, LPG, and condensate. This inaugural midstream project demonstrates the efficacy of our mixed-asset strategy.

Karachaganak Field (operated by KPO)

Full utilisation of our 4.2 bcma gas process facilities will require additional third party raw gas sources beyond what is currently available from the Chinarevskoye, Stepnoy Leopard, and Rozhkovskoye fields. We have been conducting internal technical and economic evaluation of potential tie-back concepts from the Karachaganak field that currently produces over 18 bcma, with half of such gas re-injected for liquids recovery (gas re-cycling) and half exported to the Orenburg Plant in Russia. The total gas production from the field is expected to increase significantly over the coming years owing to the drying of the reservoir.

Our gas process infrastructure with significant available ullage, located only about 100 km north of the Karachaganak field, represents a compelling value proposition to both the Republic of Kazakhstan and KPO, especially as an alternative to increasing supplies to or from Russia. Further, with both rapidly rising demand for commercial gas and field-gas production, our existing gas process infrastructure offers the fastest possible startup solution at the lowest possible cost. We have conducted internal detail engineering and concept trade-off studies to define the optimal solution for bringing the raw gas supplies from the Karachaganak field to our facilities at Chinarevskoye and delivering the fully processed dry gas into the Intergas Central Asia (ICA) line, operated by QazaqGas, to which we are already connected via a 17-km 24" gas pipeline.

Restructuring

Over the past three years the Company went through an onerous process of restructuring its US\$725 million 8.0% Senior Notes due July 2022 and US\$400 million 7.0% Senior Notes due February 2025. This included the exchange of a portion of the legacy notes for new notes comprising US\$250 million Senior Secured Notes and US\$300 million Senior Unsecured Notes, and the conversion of the remainder of the notes into shares, as well as the issue of new warrants and implementation of new corporate governance requirements as described in more detail on pages 88-127. Implementation of the restructuring has helped the Company to improve its balance sheet and reduce the cash debt servicing requirement from US\$86 million to around US\$17 million annually, which has enabled us to improve liquidity and focus on future growth.

Hence, completion of the Restructuring was an important milestone for our Group, and we could not have reached this momentous occasion without the tremendous hard work and dedication of our people and advisors, with patience and support from our investors. This enabled the Company to move expeditiously to unlock the full potential and value of its existing world-class gas processing infrastructure, acting in the best interest of our investors and other stakeholders, whilst strengthening the energy security of the region.

Our financials

The financial performance of the Group during the year was quite stable and positive due to an increase in commodity pricing. This was achieved notwithstanding the natural decline in production, alongside inflationary and other macroeconomic challenges.

Despite the downward trend in production, Brent referenced prices remained relatively favourable in 2022, averaging at around \$100/bbl, which helped the Group to generate revenues of US\$199.7 million while our EBITDA amounted to US\$115.7 million with an increase of 2.8% compared to last year. In addition, our continued cost-conscious approach to operations helped maintain a healthy 57.9% EBITDA margin for 2022.

The Brent - Urals differential, which affected our crude oil and condensate sales, impacted our revenues in 2022. Even though it has been up from around US\$3/bbl at the beginning of the period to around US\$35/bbl towards the end of 2022, we continued optimising the netbacks for crude oil and condensate. We analysed alternative export routes with export prices unrelated to the Urals quotation for oil and gas condensate supplies and have made all necessary efforts to address the widening Urals spread.

In 2022, the Company successfully generated US\$68.3 million in positive cash flow, resulting in total cash balances of US\$233.6 million as of 31 December 2022, excluding US\$22.8 million held in an escrow account. The strong cash flow performance combined with a successful restructuring of existing debt put the Company in a strong position to be able to invest into economically favourable strategic projects.

HSE

The safety of every person working for Nostrum has always been at the top of our priorities. 2022 marks the fourth consecutive year with zero fatalities among employees and contractors during operations. Nostrum is also proud to report zero lost time injuries and zero injuries on the road.

In 2022, we recorded a 36% decline in the TRIR safety performance indicator as compared to 2021. These positive developments are attributable to Nostrum's continuous efforts in implementing its safety improvement plan, active leadership interventions and encouraging a good reporting culture.

The reporting year recorded our best HSE performance to date since 2019. HSE remains a big part of the Company's agenda and we will continue to facilitate change by continuous adoption of best practices and strategies to strive for above-peer safety performance.

In addition to these achievements, since the beginning of the COVID-19 pandemic Nostrum has been adopting new protective procedures by adding risk management practices, protocols and other measures to avoid business disruptions. These have allowed us to ensure and continue safe production operations while minimising risks.

Our ESG Roadmap

We take our ESG commitments very seriously. We are one of the largest employers in the West Kazakhstan region with over 500 Kazakh nationals representing over 92% of our workforce. Nostrum is very active in the community where we operate by developing its human capital: anti-bribery and corruption and diversity & inclusion training, stellar records of industrial safety and security, full compliance with applicable environmental, emissions and permitting regulations permitting and with internal targets. In 2022 we formed a separate internal task force which is focused on these matters and on improving our performance in energy & water efficiency, HSE, human capital, and governance matters.

The year 2022 brought many important milestones in improving ESG, including our ESG task force. The task force has been working closely with Sustainalytics, an internationally recognised rating agency, which performed a full ESG review of the Company. As a result, we received our first ESG Risk Rating of 40.5. A lot of effort has been made to improve our performance during 2022 and while our current ESG rating means we still fall slightly within the "Severe Risk" range we are within 0.5 points from the "High Risk" category. This performance is encouraging and consistent with that of most of our peers in the energy sector.

In 2022, our greenhouse gas ("GHG") emissions were reduced from 187 thousand tons to 170 thousand tons emissions in CO₂ equivalent in a year, which is considerably ahead of Kazakhstan's National GHG Plan.

The Company continues to report on TCFD and has for the first time disclosed one category of Scope 3 emissions in 2023.

Nostrum always strives to be a responsible operator committed to minimising the Company's impact on its surrounding environment.

Zhaikmunai LLP, Nostrum's wholly-owned subsidiary, put the cherry on top of the accomplishments mentioned above by winning the Paryz 2022 Award for "Contribution to the Environment." We appreciate this national recognition of our efforts in mitigating the environmental impact of the company's activities and listing us among socially responsible businesses in Kazakhstan.

As a gas-focused company, we can play an important role in the transition to cleaner energy. Our ESG roadmap is intricately linked with our integrated gas strategy:

- Significant opportunity to improve the cleaner energy-mix with investments in energy efficient infrastructure - tie-back example (electrification), H₂S, CO₂ reinjection
- Human Capital
- Governance

We will endeavour to achieve best-in-class status with regard to ESG and be part of the solution for Kazakhstan's strategy to transition to cleaner energy and achieve carbon neutrality by 2060.

Conclusion

In 2023, we will press ahead with further improving our ESG performance and strengthening our culture of continuous operational improvement. I strongly believe in our long-term success given the commitment of our employees, who represent the forefront of the industry.

The emerging global challenges have significantly raised uncertainty in the future business climate. Yet we are confident that our agility and flexibility in decision-making, redesigning our supply chains, as well as our commitment to responsible business practices will help us meet the challenges and maximise shareholder value without compromising safety, from an optimised cost and resource base.

The completion of the restructuring this year unlocked Nostrum's potential to deliver maximised shareholder value, while prioritising occupational safety, from an optimised cost and resource base. The bold steps we have taken in 2022 and earlier are only the beginning of our way of ensuring solid foundations for a rewarding and profitable future. I am certain that our strong commitments to the said goals will demonstrate a palpable difference over the course of 2023.

No man is an island. These accomplishments would have been impossible without our dedicated team. I'm grateful and proud that Nostrum is run by a committed and talented pool of professionals that create a substantial opportunity for growth and a promising future. Our relentless focus on our strategic priorities will continue to create incremental value for shareholders.

I would like to take this opportunity to thank all our stakeholders and the host governments for your trust and support during 2022. We are looking forward to continuing our established relationships and to growing these further in 2023. I believe that the road ahead is an exciting and rewarding one.

Arfan Khan

Chief Executive Officer

Launching our strategy



Upstream

We remain confident in our long-term growth strategy, while broadening our opportunities with investments in future growth best-in-class facilities and continuous improvement of our portfolio in the industry

Potential acquisition of new asset - Stepnoy Leopard fields

In March 2023 Nostrum agreed to acquire 80% of Positive Invest LLP, which holds the subsoil use right to the Stepnoy Leopard Fields in the West Kazakhstan region for US\$20m.

Management estimates its recoverable volumes between 50 mmboe and 150 mmboe which are considered to be contingent resources.

Acquisition price

US\$20m

Contingent resources

50-150

mmboe

Midstream

Well-positioned to become a major third-party gas processor

Ural O&G Capex

US\$5m

Total processing capacity

4.2

bcm

Expected delivery to process Ural O&G's hydrocarbons in 4Q 2023

Construction of the tie-in pipeline is in progress with a total expected capex of around US\$5m, of which US\$1m was spent in 2022. The first delivery of third-party hydrocarbons for processing is expected in 4Q 2023.

Potential tie-back concept from the Karachaganak field

Our gas process infrastructure with significant available ullage, located only about 100 km north, offers a compelling value proposition to both RoK and KPO, especially as an alternative to increasing supplies to or from Russia. We have been conducting internal technical and economic evaluation of potential tie-back concepts from the Karachaganak field.



Strategy for the future

Following the completion of the Restructuring the Company will focus on unlocking the full potential and value of its existing world-class gas processing infrastructure.



Our purpose

To unlock the value of our full potential for all our stakeholders through securing our business by working as a well-integrated team across all disciplines.



Our vision

To contribute materially to the total marketable commercial gas potential and its affordability in Kazakhstan whilst strengthening a cleaner energy mix.



Our values

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

Strategic pillars

2023 priorities

SETTING THE FOUNDATION FOR FUTURE GROWTH

- Strengthening of corporate governance with new, highly experienced Board
- Completion of major bond restructuring unlocks new opportunities to chart the next chapter of our growth
- Strong ESG performance focus: contributing to energy security and transition to cleaner energy

- Advance ongoing discussions with third parties interested in supplying raw gas to take advantage of the Group's gas processing capacity.
- Complete EPCI scope for the UOG midstream tie-back.
- Appraise additional upstream assets to strengthen Group's hydrocarbon resource base.
- Ensure the safety of employees, contractors and the environment.
- Continue adherence to "Golden Rules".
- Further improve ESG Risk rating (Sustainalytics scoring).

MANAGING OUR LIQUIDITY

- We are structurally addressing our cost base and building a cost-conscious culture to support our growth ambitions, improve our balance sheet, offset inflationary pressures, and thereafter gear our business to deliver operating leverage consistently
- Cash flow growth through disciplined capital and cost management

- Continue to challenge costs whilst pivoting towards growth and transitioning into a multi-asset energy company.
- Evaluate all sales routes for sustainability and profitability.

LAUNCHING OUR STRATEGY

- We remain confident in our long-term growth strategy, while broadening our opportunities with investments in future growth best-in-class facilities and continuous improvement of our portfolio in the industry
- We have developed multiple strategies to commercialise the spare capacity in our world-class gas processing facilities
- Well-positioned to become a major third-party gas processor

- Utilise workover rig and rigless activities as well as other technologies to slow existing production decline.
- Complete subsurface studies to allow resumption of low-risk drilling campaign.
- Complete field development feasibility studies of newly acquired upstream assets.

KPIs	Risks	Forecasts, objectives and prospects for 2023-2024
- Operational readiness to receive raw-gas supplies from UOG. - Conclude commercial processing contracts. - Total recordable injury frequency. - Lost time injury frequency. - Road traffic incidents. - Greenhouse gas emissions. - Focus on improvements across ESG and ultimate upgrade in rating. - For overall ESG "Severe" risk rating to reach higher score level.	- UOG project execution delays due to weather and installation of fiscal metering. - 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.	- Safe startup of UOG midstream project. - Execute binding commercial contracts to fill the Group's spare gas processing capacity with third-party volumes. - Improve contractor safety management. - Achieve objectives set in the HSE plan (HSE Leadership, Incident management, Personal Safety, Contractor management, Process safety/Asset integrity).
- Control Opex and G&A. - Balance sales mix and maximise netbacks.	- Sustained higher prices can lead to cost inflation in Kazakhstan. - Further spend on CHN reservoir development will likely be needed to satisfy regulatory and licence-to-operate requirements.	Manage "operational" liquidity and cash reserves to ensure continuity of operations whilst unlocking the future growth opportunities.
- Maximise uptime of existing wells and production facilities. - Deliver gas lift expansion project. - Commission GTU3. - Resumption of limited-scale infill drilling at CHN. - Completion of acquisition of new fields.	- At low production levels, unexpected sub-surface events could severely impact the Group's operating cash flow. - Significant subsurface uncertainties and risks could negatively impact drilling and appraisal campaigns.	- Reduce decline rates in existing producing wells. - Identify technologies to increase well productivity and reduce sub-surface risk for drilling programmes at Chinarevskoye. - Addition of proven reserves from new upstream fields.

Understanding our stakeholders

Regular engagement ensures we operate in a balanced and responsible way, both in the short and longer term. We engage by sharing information about our activities and discussing with stakeholders their interests and concerns. Understanding our stakeholders and their views is integral to the successful delivery of our corporate objectives.

Section 172(1) statement

GRI 203-2

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 in good faith, consider what is most likely to promote the success of the Company for the benefit of its members as a whole.

▶ [Read more about our governance on pages 88-127.](#)

▶ [Read more about delivering our responsible business practices on pages 54-87.](#)

Key stakeholders

Workforce



The Group had a workforce of 566 full-time employees at 31 December 2022, the majority based in Kazakhstan and of whom 92% 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

- The physical and mental wellbeing of our employees is essential to the continued safe operation of our Group.

- 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 its infrastructure.
- In addition, further financing will be required if Nostrum is to be successful in those plans.

- 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.

- 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.

- 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.

How we engage

- Increased interactions between management and the workforce including cooperation meetings and town hall events.
- Annual wage indexation to help alleviate effects of inflation including indexation with effect from 1 January 2022.

- In February 2023 Nostrum completed the implementation of the restructuring after obtaining all required licenses and approvals. As a result, US\$1.125bn of existing notes have been replaced with US\$250m Senior Secured and US\$300m Senior Unsecured notes due in 2026. The remaining portion of existing notes were converted into the Company's equity and the existing ordinary shareholders were diluted to 11.11%, subject to further dilution if the warrants held by existing noteholders are exercised.
- 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.
- In March 2023, Nostrum's Board and senior management team held a Capital Markets Day in London to update investors and shareholders on the strategy and the Company's performance following the completion of the restructuring.

Throughout 2022, the Company actively interacted with the local community. During 2022, sponsorship and charitable assistance was provided to various public associations and local communities.

The Company's support in 2022 is evidenced by the following:

- Partial financing of the repair of secondary schools in settlements near the infrastructure of Zhaikmunai.
- Purchase of school supplies for children from low-income families through the nationwide charity event "Road to School".
- Financing of socially significant events on the territories of the Company's activities.
- Organizing a New Year's dinner for 25 high-school students from the village of Yanvarcevo including the provision of transportation.
- Sponsoring the participation of talented children in Republican sports competitions.
- Financial support to the specialized children's preschool institutions for procurement of healthcare facilities and equipment and children in need of medical treatment.
- Allocation of funds to support consumers through the reduction of hydrocarbon gas retail prices.
- Providing support on an as-needed basis to the region we operate in, such as lending necessary equipment in emergency situations in rural districts on occasions of extreme snow or infrastructure accidents and also providing transportation to residents to medical institutions or to enable them to vote in elections.

- 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 in relation to new construction projects.

- 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.
- With the completion of restructuring in early 2023, the Company is now well-positioned to move expeditiously to unlock the full potential and value of its existing world-class gas processing infrastructure, acting in the best interest of our investors and other stakeholders, whilst strengthening the energy security of the region.

Our value proposition

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 unlock the value of our full potential for all our stakeholders through securing our business by working as a well-integrated team across all disciplines.



Our vision

To contribute materially to the total marketable commercial gas potential and its affordability in Kazakhstan whilst strengthening a cleaner energy mix.



Our values

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

Key strengths

Right place, right time

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

Nostrum's existing 4.2 bcma dry gas processing infrastructure is a gamechanger to participate in Kazakhstan's transition to a cleaner energy strategy and to strengthen its energy security.

A mixed-asset energy company

Own and potential third-party sources of upstream gas fields with midstream solutions

Low operating costs

Operations streamlined in 2022 and costs reduced.

High-quality local input

A significant number of our contractors and suppliers are local Kazakhstan 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 Board of Directors and Senior Management Team

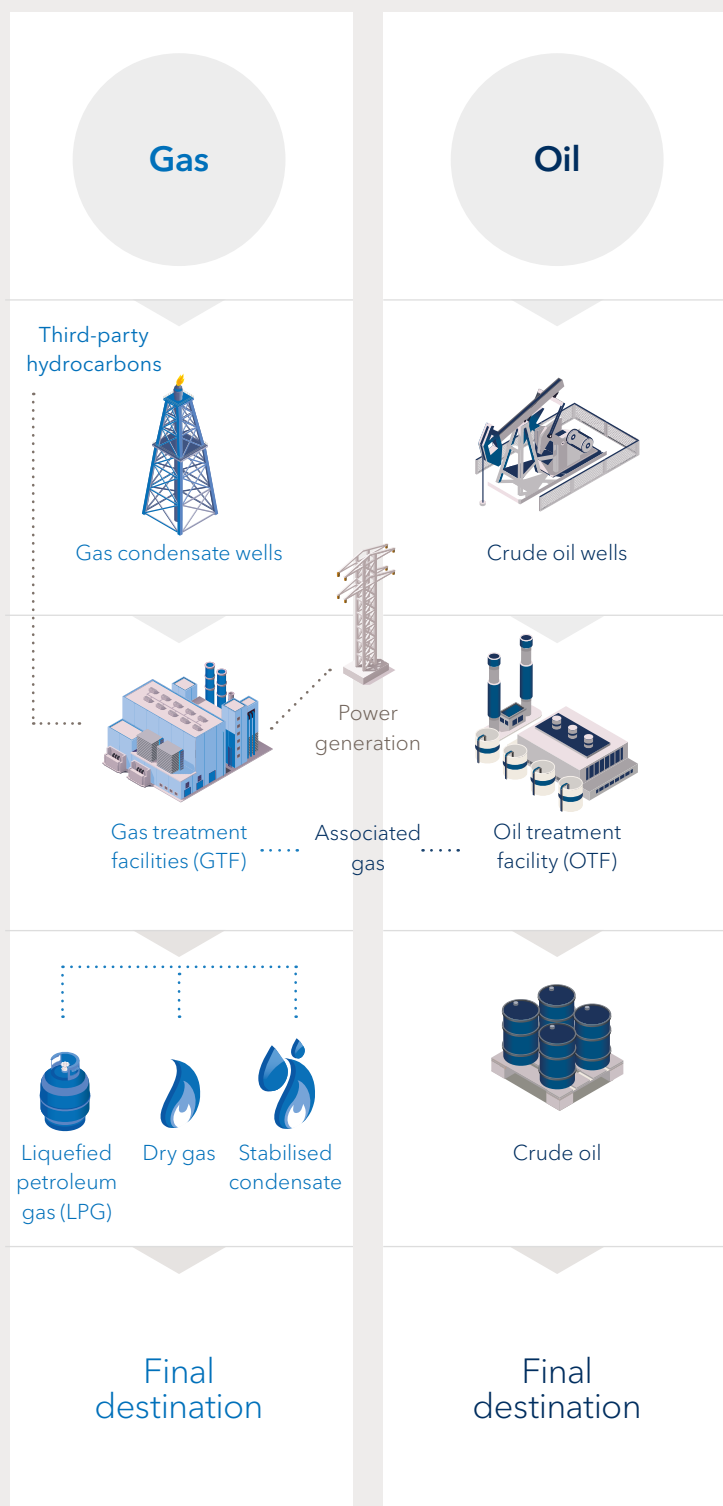
Nostrum's BoD and Senior Management Team is seasoned, close-knit and well-integrated across critical disciplines, with proven skills in project execution and production operations.

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



Kazakhstan's Energy Sector

Nostrum is a major supplier of commercial processed gas in Western Kazakhstan for domestic and export markets. Aiming to be the preferred partner of choice for handling and processing third-party gas in Western Kazakhstan.

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

In February 2023, Nostrum completed the implementation of the restructuring after obtaining all required licenses and approvals. As a result, US\$1.125bn of existing notes have been replaced with US\$250m Senior Secured and US\$300m Senior Unsecured notes due in 2026. The remaining portion of existing notes were converted into the Company's equity and the existing ordinary shareholders were diluted to 11.11%, subject to further dilution if the warrants held by existing noteholders are exercised.

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\$31.9m of tax in 2022 to governments. Our gas process infrastructure with significant available ullage, located only about 100 km north, offers a compelling value proposition to both RoK and KPO, especially as an alternative to increasing supplies to or from Russia.

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

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 debt and faces declining production from its producing field. In 2023 the Group has restructured its debt and reinforced its tight financial discipline to maintain liquidity and safeguard our core business.

CASH AT THE YEAR END

US\$**233.6**_m

2022	233.6
2021	165.2
2020	78.6
2019	93.9
2018	121.8

G&A COSTS

US\$/boe**2.47**

2022	2.47
2021	1.92
2020	1.72
2019	1.86
2018	1.78

OPERATING COSTS

US\$/boe**6.47**

2022	6.47
2021	5.13
2020	3.91
2019	3.98
2018	4.37

SELLING AND TRANSPORTATION COSTS

US\$/boe**4.36**

2022	4.36
2021	3.84
2020	3.57
2019	4.25
2018	4.64

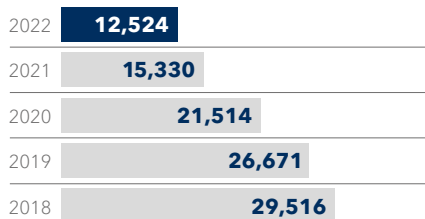
Non-financial KPIs

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 2022, Nostrum ESG KPIs were:

- Reduce GHG emissions with 5% of 2021 actual CO₂ equivalent level.
- HSE KPIs:
 - Improvement of Refinitiv ESG assessment score to 55/100 by December 31, 2022. Sliding scale.
 - Achievement of the approved 2022 HSE Plan (provided that there have been no fatalities).

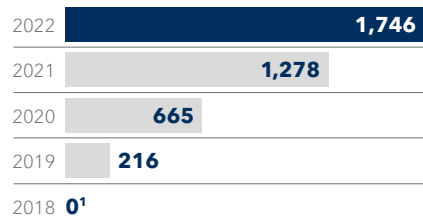
SALES VOLUMES

12,524 boepd



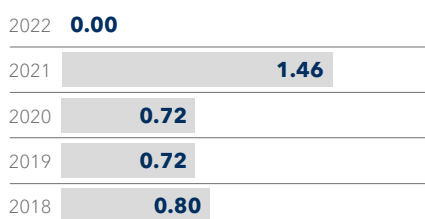
HAZARD OBSERVATION CARDS

1,746 units



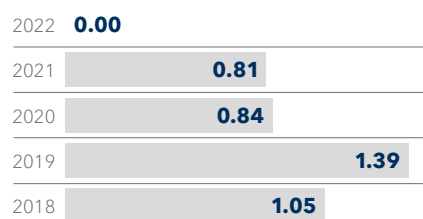
ROAD TRAFFIC INCIDENT FREQUENCY

Zero incidents²



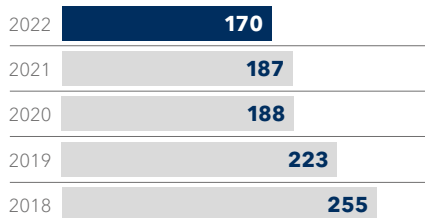
LOST TIME INJURY FREQUENCY

Zero incidents³



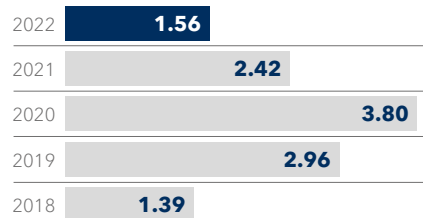
TOTAL GREENHOUSE GAS EMISSIONS

170 ktCO₂e



TOTAL RECORDABLE INCIDENT RATE

1.56 incidents³



1. Hazard Observation Card initiative introduced in 2019.

2. Per million km driven.

3. Per million hours.

Ensuring that sustainability is embedded in all we do

Working responsibly means taking care of people, the environment and assets. We continuously review our approach to ESG by engaging with and taking into account views of our host governments and communities, shareholders, bondholders and our employees.

We strive to emphasise the cultivation of a robust and safe workplace for our employees while operating in a sustainable and ethical manner for the benefit of the community, our stakeholders, and the environment.

Our approach

Environmental, Social and Governance (ESG) considerations are integrated into the policies and principles that govern our business and reflect our commitment to sustainable growth. To maintain focus on this important area, we have made ESG one of the key foundations of our business since it plays a vital role in our success. As an independent oil and gas company, we are increasingly cognisant of stakeholder interest in the ethos and sustainability for our business, and we strive for continuous improvements in all aspects of ESG performance.

At Nostrum, we are committed:

- to have a positive environmental impact by doing our part to minimise the threat that climate change poses and recognising the importance of reducing emissions;
- to make ourselves socially responsible by promoting diversity and equality that generate value for all stakeholders, providing a good place to work that delivers a stimulating experience for our employees, as well as ample opportunity to contribute to our communities and culture.

- to thorough and responsible governance of our corporate practices by incorporating our ESG practices into our business goals on the corporate and individual level and ensuring Board oversight of our ESG strategy.

These areas reflect how we are working as a team to deliver solutions to global challenges and create lasting value for our customers, communities, employees, stakeholders and businesses.

This approach and some of the results are described below and in the remainder of this report.

We see our responsibility to participate in sustainable development not only as a duty to society but as an opportunity to do well by doing good. By embracing sustainable development, we aim to deliver value to our employees, customers, suppliers, partners, shareholders and to society as a whole. The ESG roadmap sets out clear targets to achieve our sustainable development ambitions. The roadmap uses metrics to track our progress toward achieving our goals.

2022 highlights

Fatalities	Road traffic accidents	Lost time incidents	Reduction in GHG emissions	Employees
Zero	Zero	Zero	10%	566

Our reporting framework

TCFD

Current ESG rating



SUSTAINALYTICS

40.5



Climate Change

B-

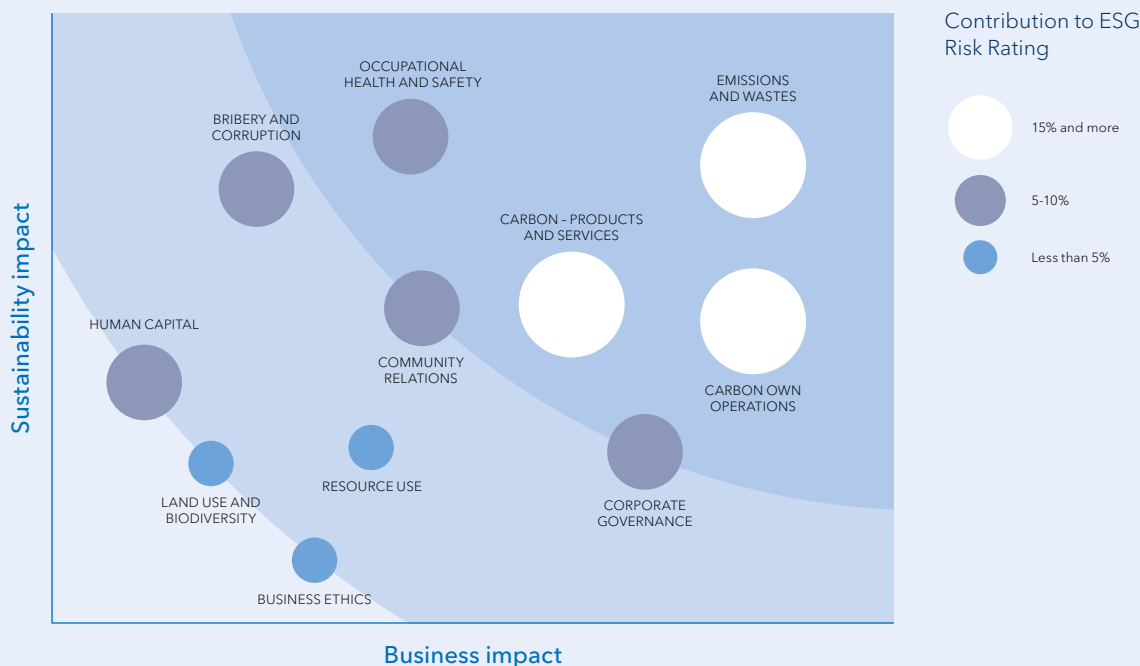


Water Security

B-

Material ESG issues

GRI 3-2



Environmental

- Climate change
- GHG and other air emissions
- Climate disclosures
- Decommissioning
- Waste, water and soil management
- Land Use and Biodiversity
- Energy and resource efficiency policy and methane emissions management policy
- Renewable energy use

▶ See pages 70-87, including TCFD report on pages 79-87

Social

- Process safety
- Road safety
- Hazard Observation Cards
- Vessel and Flowline inspection programme
- Emergency response, Civil Protection Planning and Prevention
- Emergency response and accidents preparatory activities
- Oil spill prevention
- Alert system for employees and communities
- Civil defence and emergency prevention measures
- Strength through diversity
- Employee relations and social guarantees
- Education and training
- Workforce representation
- Human Rights Policy
- Labour practices
- Philanthropy
- Civil duty: Payment to governments
- Economic responsibility: Spend with local suppliers
- Environmentally friendly: Liquidation fund contribution

▶ See pages 57-68

Governance

- Corporate governance
- Governance framework
- Independence
- Conflict of interest
- Appointment and tenure
- Bribery, corruption and Whistleblowing
- Anti-facilitation of tax evasion
- Risk management
- Audit & Financial Reporting

▶ We describe Nostrum's overall governance framework on pages 88-127. It provides information on the roles of the Board, its committees, and the Executive Committee.

▶ Risk management on pages 38-39

2022 developments

Production in 2022 was 13,200 boepd, which represents a 22% decline compared to 2021, and consistent with expectations.

As in 2021, no drilling took place in 2022 as Nostrum continued focussing on managing financial liquidity by lowering overall costs by concentrating on production maintenance, workovers and rigless activities.

The rig workover campaign in 2022 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.

Nostrum provisionally plans to resume drilling during late 2023 whilst continuing with workover and well intervention programmes, utilising one workover rig and associated equipment.

Supplementary Agreement 19 to the PSA was registered in January 2023 approving a 2022 Work Programme which assumed no drilling in 2022. Furthermore, during 2022 an Analysis of the Field Development Plan (AFDP) for the period of 2023-2024 (including drilling of two wells in 2023) was developed by Zhaikmunai with a RoK licensed institute, and reviewed by the RoK Authorities in November 2022. The AFDP was approved and will become the basis for Supplementary Agreement 20, which is aimed to be registered in 2023.

Our products

	Crude oil	Stabilised condensate
Quality	- Density - 0.834g/cm³ - API - 38.2 degrees - Average sulphur - 0.55%	- Density - 0.755g/cm³ - API - 55.9 degrees - Average sulphur - <0.06%
Sales	- PSA requires at least 15% to be sold domestically with remaining 85% exported - In 2022, 24.3% 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 include the Russian port of Kaliningrad and the Dutch port of Rotterdam
Pricing	- Brent and Urals based pricing for pipeline exports - Domestic sales at over 60% discount - Prices negotiated directly with the purchaser	Brent, Urals and Nafta product-based pricing, negotiated directly with the purchaser
Transportation	- During 2022, 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 120 km pipeline from the field site. From here the crude is delivered via trunk pipelines.	- Sent through our own 120 km 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 (%)

2022	5,696	43%
2021	6,877	40%
2020	8,476	38%
2019	9,798	34%
2018	11,490	37%

As noted in the Reserves section, extraction of 2P volumes will require further interventions (side-tracks, new drilling and workovers) up to 2026. More workover activities are planned in the period from 2023 - 2024 with drilling operations expected to be started again in Chinarevskoye from H2 2023. However, execution of the programme to recover the 2P reserves is dependent on Nostrum successfully identifying low risk drilling targets, and to this end seismic and geological work is ongoing. There is no guarantee that Nostrum will be able to achieve such de-risking, which could have a material impact on Nostrum's ability to develop the remaining Proven and Probable Reserves at Chinarevskoye.

With the main shutdown completed in 2021, no major shutdowns were required in 2022. The RoK requirement for vessel inspection was changed in 2022, allowing external inspections of vessels and pipelines without the need for shutdown but the frequency of such inspections was increased to be performed annually. Effectively, this means higher costs but the ability to produce more without the need for associated shutdowns.

As advance preparation for processing of future third party feedstock which is expected to have a higher H₂S concentration, in 2022 Nostrum initiated modification of the sulphur recovery unit to enable its future operation both in direct oxidation process mode (as operated currently for low H₂S content in acid gas) and in Claus process mode (for higher H₂S content in acid gas). Completion of these modifications is planned in 2023.

No significant material losses were attributable to weather and/or electricity supply issues during 2022. As of 31 December 2022, the Company had 44 production (28 oil and 16 gas condensate) wells in operation in the Chinarevskoye field.

	LPG 	Dry gas 
Quality	- Field-grade quality - No olefins and low sulphur content	
Sales	100% exported - Destinations include the Russian Black Sea ports, Ukraine and Poland	100% sold to NC QazaqGaz
Pricing	- International Mediterranean LPG price Sonatrach for Black Sea deliveries - Argus quotations for specified destinations (Ukraine, Tajikistan, Belorussia and Poland)	Price formula agreed until the end of 2024
Transportation	- Loaded onto LPG trucks at the field site and trucked to the third-party rail loading terminal located in Zhelaevo - 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 (%)

2022	1,650	13%
2021	2,065	12%
2020	2,795	13%
2019	3,569	13%
2018	3,865	12%

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

2022	5,854	44%
2021	8,090	48%
2020	11,065	50%
2019	15,173	51%
2018	15,900	51%

Reserves

The Chinarevskoye field (Chinarevskoye) is the only field owned by the Group. Its governing PSA is dated 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 100% owned by Zhaikmunai, the Group's Kazakhstan 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 2022, which was audited by the independent petroleum engineering and consulting firm

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 Brent benchmark average oil price of US\$80 for 2023, US\$77 for 2024 and US\$75 from 2025 onwards. However, execution of the programme to recover the 2P reserves is dependent on Nostrum successfully identifying low risk drilling targets, and to this end seismic and geological work is ongoing, 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.

Total 2P (Proven plus Probable) reserves are 28.3 mmboe as of 31 December 2022, this represents a reserves replacement ratio of 78% after adjusting for reservoir production of 4.9 mmboe in 2022. The net reduction in reserves in the year is due to poorer-than-expected production from the Biyski-Afoninski North-East reservoir gas reserves but being partially offset by better production associated from other producing horizons and the 2022 workover and rigless intervention campaign. The Proven and Probable reserves volume requires 17 CAPEX interventions of which five are rigless, with an additional twelve OPEX well interventions for production maintenance (2021: 34.0 mmboe requiring 17 CAPEX interventions).

Management's estimates of reserves of 31st December 2022 and a comparison with the reserves of 31st December 2021 are summarised in Table 1.

Table 1 - Nostrum Reserves, mmboe

	2022	2021	Change
Total PDP	19.0	24.8	-5.8
Total PUD/PDNP	1.2	1.4	-0.2
Total 1P	20.2	26.2	-6.0
Total Probable	8.1	8.1	0
Total 2P	28.3	34.3	-6.0
Possible	8.5	9.7	-1.2
Total 3P	36.8	44.0	-7.2

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 at December 31st 2022 was 20.2 mmboe or 6.0 mmboe down year-on-year due to 2022 production and poorer than expected performance in the Biyski-Afoninski North-East gas condensate reservoir which was partially offset by a positive revision in other reservoirs due to well performance and successful workovers and rigless interventions. 1P reserves volumes are comprised of 19.0 mmboe for Proven, Developed Producing (PDP) from 44 current wells and 1.2 mmboe for the Proven, Undeveloped (PUD) category which assumes the deepening of 1 well, the sidetracking of another and one workover.

The current Probable Undeveloped case drilling assumes 7 interventions including two workover recompletions, side-tracking of four existing wells, and one new vertical well in the Bashkirian reservoir. 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 2023, Nostrum plans to continue this workover and well intervention programme by targeting a limited number of reserves development wells along with production maintenance, and re-commence the drilling programme later in the year. This programme, together with the 44 existing producers, cover the estimated 2P reserves as at 31 December 2022. It should also be noted that there has been some decrease in volumes in undeveloped reservoirs associated with delays in the re-start of the drilling campaign.

Possible reserves of 8.5 mmboe as at 31 December 2022 (2021: 9.7 mmboe) are attributed to lower declines than the Proven and Probable cases in existing producers and 11 well interventions, the difference to the previous year, in addition to the production, reflects the 2022 workover results i.e., one well upgraded to PDP and one removed (failure in Ch-218).

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	8,348,769	904,886	9,253,655	3,945,225	13,198,880	4,434,743	17,633,623
Plant products (LPG)	barrels	2,167,716	87,635	2,255,351	791,036	3,046,387	818,083	3,864,470
Gas (after shrink)	mmcf	45,107	1,225	46,332	18,132	64,464	17,106	81,570
Gas (after shrink)	boe	8,449,096	249,275	8,698,371	3,404,084	12,102,455	3,211,380	15,313,835
Total	boe	18,965,581	1,241,796	20,207,377	8,140,345	28,347,722	8,464,216	36,811,928

Reserves continued

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 3¹ - Comparison of reserves by reservoir 2022 versus 2021

Reservoir	31 December 2022				31 December 2021				Change			
	Proven, mmboe	Probable, mmboe	Possible, mmboe	3P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	3P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	3P, mmboe
Biyski/Afoninski NE	7.9	2.0	1.8	11.7	11.5	1.9	1.1	14.5	-3.6	0.1	0.7	-2.8
Tournaisian NE	7.3	2.5	1.4	11.2	8.9	3.1	1.6	13.6	-1.6	-0.6	-0.2	-2.4
Frasnian N	0.6	1.0	2.6	4.2	0.4	0.4	2.8	3.5	0.2	0.6	-0.2	0.7
Ardatovski NE	2.0	1.8	0.1	4.0	2.5	1.8	0.3	4.6	-0.5	0.0	-0.2	-0.6
Filippovski	0.2	0.2	0.8	1.2	0.3	0.2	0.9	1.4	-0.1	0.0	-0.1	-0.2
Tournaisian South	0.3	0.1	0.7	1.1	0.7	0.3	0.9	1.8	-0.4	-0.2	-0.2	-0.7
Mullinski NE	0.6	0.0	0.4	1.0	0.7	0.1	1.1	1.8	-0.1	-0.1	-0.7	-0.8
Bashkirian NE & W	0.6	0.2	0.1	0.9	0.5	0.3	0.1	0.9	0.1	-0.1	0.0	0.0
Tournaisian West	0.3	0.1	0.1	0.5	0.3	0.0	0.2	0.5	0.0	0.1	-0.1	0.0
Mullinski South	0.0	0.0	0.4	0.4	0.0	0.0	0.7	0.7	0.0	0.0	-0.3	-0.3
Bobrikovski South	0.1	0.1	0.0	0.3	0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.2
Ardatovski S	0.2	0.0	0.0	0.2	0.3	0.0	0.0	0.4	-0.1	0.0	0.0	-0.2
Mullinski North	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	20.2	8.1	8.5	36.8	26.2	8.1	9.7	44.0	-6.0	0.0	-1.2	-7.2

1. Some differences due to rounding.

Biyski-Afoninski North-East

2P reserves are estimated at 9.9 mmboe, down by 3.5 mmboe compared to 2021-year end (13.4 mmboe) which includes 2.3 mmboe of production in 2022 and a 1.2 mmboe negative revision due to observed gas performance in 2022.

Gas lift was introduced into 2 more wells in 2022 to maintain production with increasing water-gas ratio and a further 5 wells are planned in 2023-2024, predominantly through low cost rigless interventions and using the planned expanded Gas lift system due for commissioning later in 2023.

Probable and Possible Developed volumes are attributed to existing producing wells, with lower declines interpreted respectively. No new drilling is planned in this reservoir. 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 9.8 mmboe at 2022-year end, representing a 2.2 mmboe decline year-on-year, including 1.5 mmboe production and a 0.7 mmboe negative revision to reflect recent well performance.

Proven Undeveloped volumes are associated with one deepening and one sidetrack well in 2023-2024 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 of 2023-2025. The Possible Undeveloped workover in well Ch-218 was a failure and removed from the reserves. Production maintenance workovers are planned in the reservoir in the years up to and including 2027.

There was a small positive revision in the Tournaisian West 2P to 0.4 mmboe from 0.3 mmboe year-on-year despite 0.05 mmboe production, this was due to the successful workover of the Possible Undeveloped well Ch-204, converting to PDP.

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.

Ardatovski North-East and South

Proven Producing volumes are associated with three current producers. One Probable Undeveloped 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

2P reserves are estimated at 1.64 mmboe at year end 2022, an increase of 0.88 mmboe compared to 2021-year end (0.74 mmboe) despite 0.21 mmboe of production in 2022; this reflects the better than expected well performance of the existing producer Ch-40_1 and Probable Undeveloped reserves being attributed to well Ch-41_1_1, expected to be online in 2024, based on the well performance and review of the seismic and geological data.

The development plan still foresees three additional Possible Undeveloped side-tracks planned for 2024-2025.

Mullinski North-East, North and South

Proven Developed Producing reserves remain for three wells, two in the North-East and one in the North respectively. Proven Undeveloped volumes are attributed to one new well in the North-East block 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 2024-2026.

Bashkirian North-East & West

PDP reserves remain for two wells produced via Electric Submersible Pumps (ESPs). One Probable Undeveloped new vertical well is proposed in the Bashkirian North-East from 2025.

Filippovski

Five low-cost workover recompletions (one Probable and four Possible) have been identified for the Philippovski reservoir. These are planned, subject to further technical and economic evaluation, to be carried out in 2024, i.e., a delay of about 1 year compared to the previous report.

Bobrikovski South

PUD volumes are assigned to well Ch-31 after a successful 2022 workover recompletion when Gas lift was installed (previously PUD).

Table 4 Summary of the 31 December 2022 well programme supporting the reserves estimates compared to the previous year (excluding rigless interventions)

Reservoir	31 December 2022				31 December 2021				
	Proven wells	Probable wells	Possible wells	Total	Proven wells	Probable wells	Possible wells	Appraisal	Total
Biyski/Afoninski NE	1	–	–	1	1	–	–	–	1
Tournaisian NE - oil	2	1	–	3	2	1	1	–	4
Tournaisian NE - WI	–	3	–	3	–	3	–	–	3
Tournaisian South	–	–	1	1	–	–	1	–	1
Tournaisian West	–	–	–	–	–	–	1	–	1
Mullinski South	–	–	1	1	–	–	1	–	1
Mullinski North	–	–	–	–	–	–	–	–	–
Mullinski NE	1	–	2	3	1	–	2	–	3
Bashkirian NE & W	–	1	–	1	–	1	–	–	1
Ardatovski NE	–	1	–	1	–	1	–	–	1
Ardatovski S	–	–	–	–	–	–	–	–	–
Frasnian N	–	1	3	4	–	–	3	–	3
Filippovski	–	1	4	5	–	1	4	–	5
Bobrikovski South	–	–	–	–	1	–	–	–	1
Appraisal	–	–	–	–	–	–	–	5	5
Total	4	8	11	23	5	7	13	5	30

Infrastructure

GRI 2-6



Demonstrating the value of our infrastructure

Over the last 17 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.

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 2022, 1,179 mmboe of oil and 0.937 mmboe of condensate was transferred through the pipeline. Up to 640,000 cubic meters of recycled lift-gas per day was compressed and made available to enhance oil production, with modifications to the existing system whilst the gas lift expansion was being realised.

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.

Following repair of the turboexpander module completed at the end of 2021, in 2022 Nostrum started activities on turboexpander re-installation and modification of GTU-3 facility with a target to enable its operation with a lower turndown feedstock volume and explore possibility to utilise additional LPG yield generated by turboexpander operation. The completion of these activities is planned in Q3 2023.

Gas lift system

A gas lift system has been installed to enhance well production; its 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 Q2 2023 as future demand is expected to increase as the Chinarevskoye field matures.

Low-pressure system

A low-pressure system 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 low-pressure system as of the end of 2022.

Power generation plant

The gas-fired power generation plant is linked to the GTF and has an output capacity 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 17 km dry gas pipeline which is linked to the Orenburg-Novoposkov gas pipeline. The pipeline has sufficient capacity to export the entire GTF maximum production capacity dry gas volumes.

Liquids pipeline

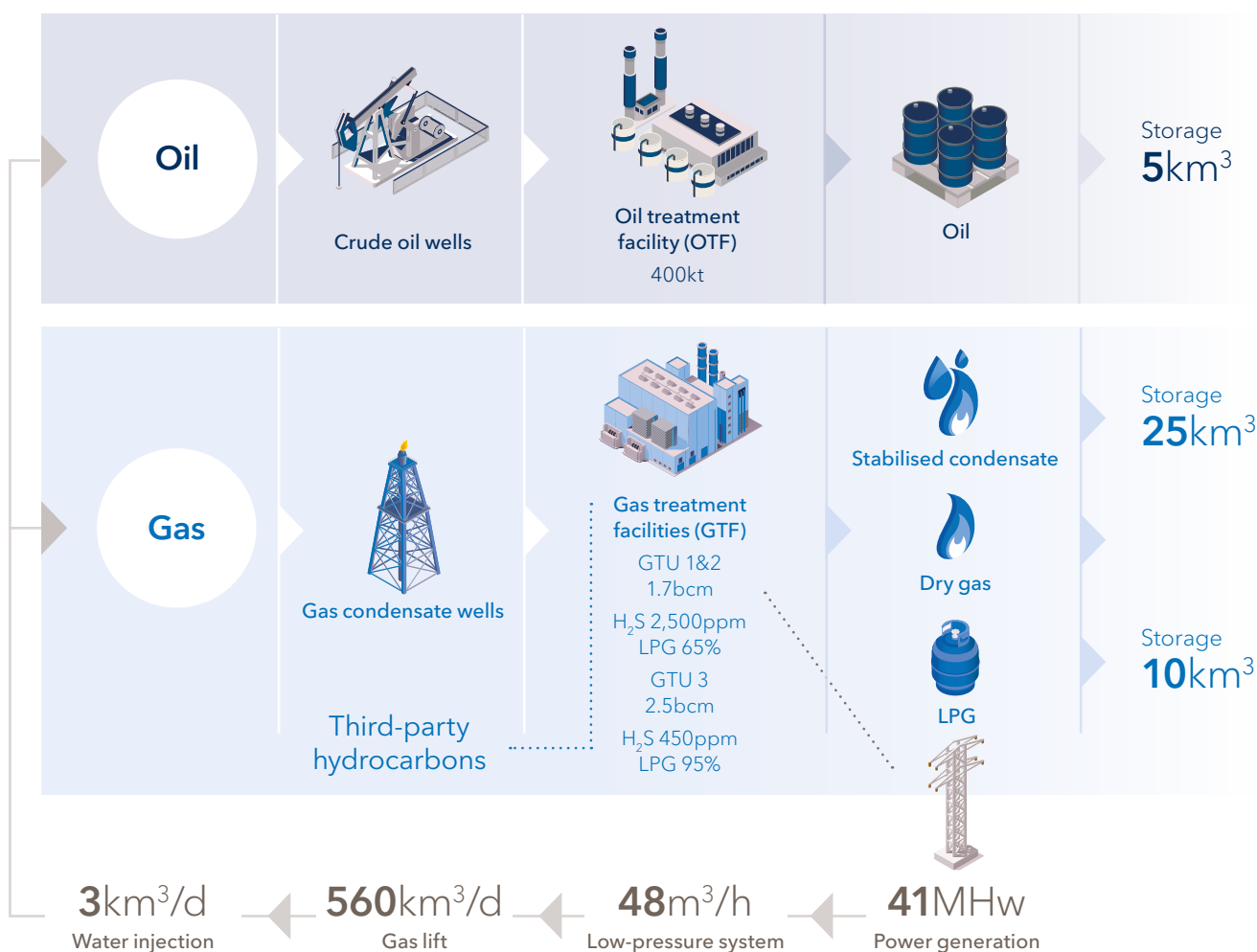
Nostrum has its own 120 km liquids pipeline that runs from the field to the Company's rail loading terminal near Uralsk. The pipeline has a maximum annual throughput capacity of over three million tonnes.

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.



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 2022, 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 end of 2022, the Board continues to monitor closely internal control over financial reporting and the related party identification and disclosure processes.

Environmental, social and governance (ESG) matters

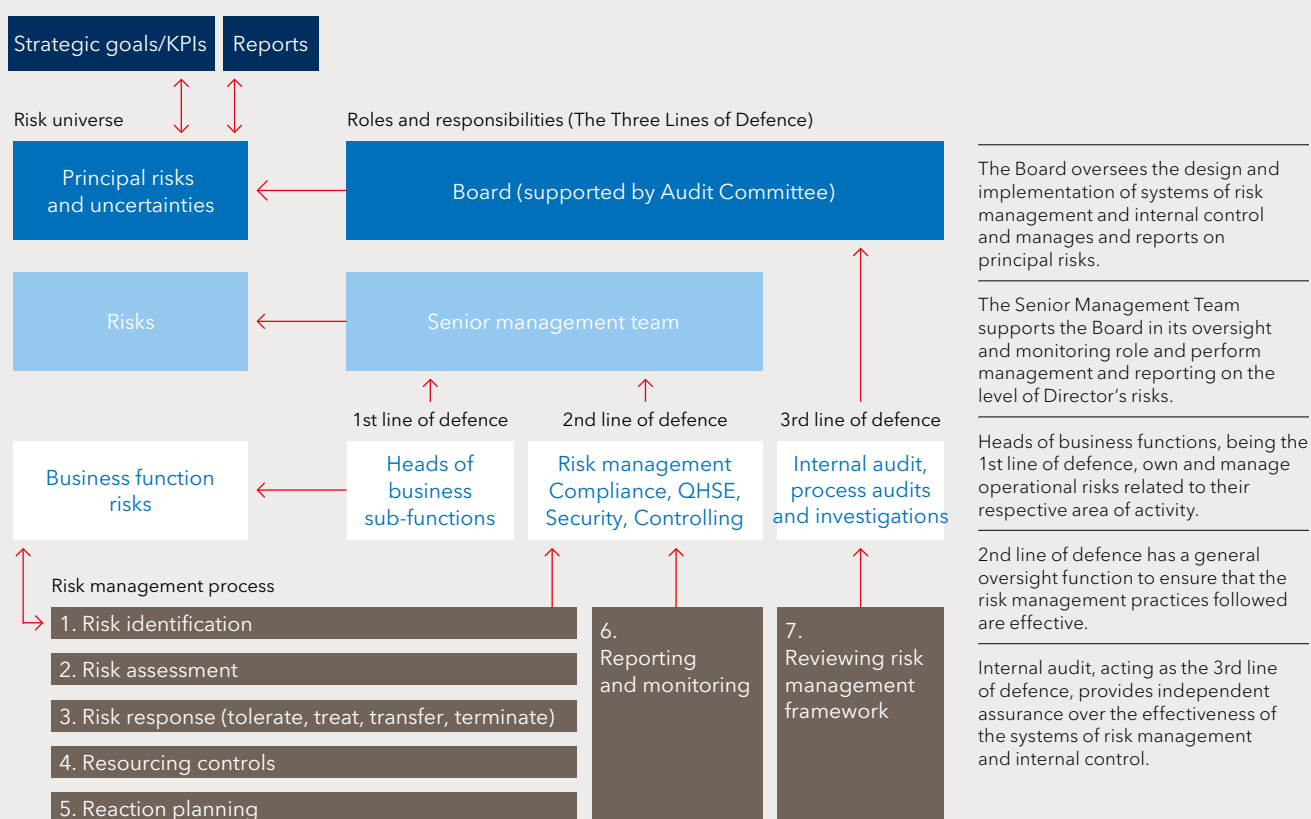
ESG matters form an integral part of the areas covered by the Group's systems of risk management and internal controls, and the Board recognises their significance and importance. Identified ESG risks and related responses can be seen within Operational, Climate Change and Other risks in the "Principal risks and uncertainties" disclosure on pages 40-44.

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 on pages 54-87.

Changes from prior-year risk assessment

In 2022, the principal risks and uncertainties managed and monitored by the Board and senior management included most of the risks for 2021 and for which the related risk assessments did not change significantly.

Risk management framework



During 2022, 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. The Group planned to hire a dedicated Head of Internal audit in 2022 and had approved budget for such hire, however due to delay in the restructuring process this has been postponed until 2023.

Principal risks and uncertainties GRI 205-1

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.

Since the selling price of dry gas is directly dependent on the price of crude oil price and the price of oil is volatile, the Company could also face volatility in the price of dry gas, which was over 43% in 2022. Also, the Group could be compelled by governmental authorities, purportedly acting based on RoK legislation, to sell its oil, condensate, LPG and gas domestically at prices determined by the RoK 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 2022 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 2022 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 2022.

Description of risk

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 re-processing and mapping, other surveys as well as drilling. Therefore, there can be no certainty that further commercial quantities of oil and gas will be discovered at Chinarevskoye or acquired by the Group to enable it to utilise the spare capacity in its treatment facilities.

Risk management

From the end of 2019, the Board came to the 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 O&G 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 decided to prepare fully the GTU/3 plant for receiving future gas and a special project team was assigned. Completion of this scope, including upgrade of the Sulphur Recovery Unit allowing treatment of different concentrations of H₂S, will be ready before first hydrocarbons of UOG will enter the Chinarevskoye facilities.

The Group continues to actively engage in discussions with other third parties interested in supplying raw gas to completely fill its spare processing capacity.

In March 2023, Nostrum agreed to acquire 80% of Positive Invest LLP, which holds the subsoil use right to the "Stepnoy Leopard Fields" in the West Kazakhstan region for US\$20 million. Management estimates that the Stepnoy Leopard Fields hold between 50 mmbbl and 150 mmbbl of recoverable volumes which are considered contingent resources, with over 20% estimated to be liquids. If the proposed acquisition completes, Nostrum plans to implement an appraisal programme in 2023, with the intention of preparing a technical expert's report which could allow re-classification of certain of the hydrocarbon resources into reserves.

Also, the Group has 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 reclassifications of significant amounts of reserves from 2P to contingent resources in 2020-2021 were the 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 interventions to reduce the rate of decline of the reservoirs. 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 and reservoir engineers 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. The Group continued its well workover and intervention programme in 2022 to minimise the production decline and this will be continued in 2023 as the field gets older and equipment requiring more regular maintenance. In addition, a start was made with the gas lift expansion project, requiring an additional compressor to increase lift gas availability for both oil and gas condensate wells. Due to geopolitical reasons, some delays in manufacturing and logistics will result that the scope will be completed in the second quarter of 2023.

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.

Principal risks and uncertainties continued

Description of risk

Risk management

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.

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.

Monthly QHSE reports are issued to communicate HSE performance. Management KPIs include lost time injury frequency, road traffic injury frequency, total recordable injury frequency and numbers of Hazard Observation Cards submitted as well as managing reduction of GHG emissions from our operations.

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.

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 96-98, 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 98 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

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.

Risk management

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 ESG Committee currently has responsibility for ESG related matters.

During 2022, the Company issued on its website the "Methane Statement" and developed an "Energy Efficiency report" with short, medium and long term ESG targets.

Climate change risks

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 to 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

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 RoK 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 requirements in connection with its restructured debt, 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

In February 2023, the Group completed the implementation of the restructuring after obtaining all required licenses and approvals. As a result, the Group debt principal outstanding was reduced from US\$1.125bn to US\$550mn maturing in June 2026. The remaining portion of existing notes converted into the Company's equity and the existing ordinary shareholders were diluted to 11.11%, subject to further dilution if the warrants held by existing noteholders are exercised.

The Board notes that uncertainty remains related to the Group's ability to repay/ meet its liabilities, including the repayment of its Notes due in 2026 and the risk that the Group may require refinancing in 2026.

Relevant considerations were made as part of the viability assessment as described on pages 45-46.

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 RoK tax authorities or through the RoK 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 or expenditures 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.

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

Viability statement

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 Group's viability assessment is built through integration of the principal risks and uncertainties (described on pages 40–44) into a financial model, based on the elements of corporate planning and modelling process, which includes:

- Medium-term development planning based on three-to-four-year financial projections, using Management's internal estimate of forecast production from the Chinarevskoye field, as well as potential hydrocarbons expected to be received for processing from Ural O&G. No other third-party volumes or strategic initiative projects have been included in the viability assessment as there is currently no certainty that they will arrive within the assessment period; 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 to 30 June 2026 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 18–20).

Viability assessment

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

- Completion of the restructuring of the Existing Notes in February 2023 as described on pages 6–7;
- 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 as of 31 December 2022;

- Inclusion of throughput volumes with reference to the signed agreement with Ural Oil & Gas LLP based on management's internal view, and no additional utilisation of the spare capacity of Gas Treatment Facilities despite being a key strategic focus of management for the medium-term horizon; and
- Product price assumptions based on a Brent oil price of \$75/bbl throughout the assessment horizon. This is within the range of average broker consensus forecasts as at 31 December 2022.

For the purpose of sensitivity testing, several principal risks and uncertainties were selected (from those described on pages 40–44), 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.

Viability statement continued

Other viability assessment considerations

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

Russia-Ukraine conflict: please refer to the "Market Review" section on page 10 for details of the Russia-Ukraine conflict and related sanctions, and the relevance to the Group's operations. Given the geographical position of the Group's operations, it is very close to the evolving situation in Ukraine. 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 this report 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.

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. The specific policy measures required to limit global temperature rises to 1.65°C by 2050 are listed on pages 84-85.

The following sensitivities were applied to the base case to quantify the policy measures per SDS: reduction in hydrocarbon demand by 10% to account for change in consumer demand, 10% product price reduction as fossil fuel demand falls, US\$2mIn sulphur and other

pollution compliance breaches per annum, 5% higher operating costs for CO₂ taxation, 5% higher capital expenditures for facility upgrade works, upgrading the Group's LPG truck fleet and research and development into emissions reducing technology, 5% higher general & administrative costs to improve energy performance standards and 5% lower crude and condensate sales as ship chartering becomes increasingly difficult. Please refer to page 84-85 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 that the Group will be able to build up sufficient cash for repayment of majority portion of the SSNs (\$250 million) in 2026 and refinance the remaining portion of the SSNs.

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 ordinary shareholders at the time) or have its maturity extended through another refinancing or restructuring exercise.

The implementation of the major strategic initiatives described on pages 18-20 will inevitably support future long-term viability of the Group, and the Directors note that this may reduce the possible requirement for refinancing of a smaller portion of the SSN at maturity in 2026 under the base case scenario, as noted above.

Viability statement conclusion

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

- 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;
- 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
- Absent support from any of the strategic initiatives described on pages 20-21, the Group may need to partially refinance the SSNs, and either repay the SUNs through issuance of equity or extend their maturity through refinancing or restructuring.

Based on these assessments and other matters considered by the Board, 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 30 June 2026, subject to possible necessity for partial refinancing or restructuring of its debt.

Financial review

Results of operations for the years ended 31 December 2022 and 2021

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2022 and 2021 in US Dollars and as a percentage of revenue.

In thousands of US Dollars	For the year ended 31 December			
	2022	% of revenue	2021	% of revenue
Revenue	199,717	100.0%	195,285	100.0%
Cost of sales	(84,053)	42.1%	(87,849)	45.0%
Gross profit	115,664	57.9%	107,436	55.0%
General and administrative expenses	(12,076)	6.0%	(12,124)	6.2%
Selling and transportation expenses	(19,950)	10.0%	(23,066)	11.8%
Taxes other than income tax	(19,830)	9.9%	(17,083)	8.7%
Finance costs	(123,138)	61.7%	(116,696)	59.8%
Employee share options – fair value adjustment	38	0.0%	247	0.1%
Reversal of impairment on property, plant and equipment	-	0.0%	74,186	38.0%
Foreign exchange gain / (loss), net	254	0.1%	(285)	0.1%
Interest income	272	0.1%	319	0.2%
Other income	6,806	3.4%	5,886	3.0%
Other expenses	(29,821)	14.9%	(13,218)	6.8%
Loss before income tax	(81,781)	40.9%	5,602	2.9%
Income tax expense	(34,664)	17.4%	(31,720)	16.2%
Loss for the year	(116,445)	58.3%	(26,118)	13.4%
Currency translation difference	(490)	0.2%	(203)	0.1%
Total comprehensive loss for the year	(116,935)	58.6%	(26,321)	13.5%

General note

For the year ended 31 December 2022 (the "reporting period") the total comprehensive loss amounted to US\$ 116.9 million an increase in loss by US\$ 90.6 million from US\$ 26.3 million in 2021. The lower comprehensive loss in 2021 as compared to 2022 was mainly driven by the reversal of the impairment in 2021 in the amount of US\$74.2, which was offset by income tax expense in the current period. In addition, the Group had an increase in other expenses by US\$ 16.6 million from US\$ 13.2 million in 2021 to US\$ 29.8 million in 2022, mainly caused by the increase in other taxes and penalties, which was partially offset by the 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 2021. These are explained in more detail below.

As noted elsewhere in the Annual Report, on 8 February 2023, the Group finalised restructuring the Group's outstanding Notes with the terms of a proposed restructuring agreed by the parties. For more details on the key terms of restructuring please refer to pages 6–7.

Revenue

The Group's revenue increased by 2.3% to US\$199.7 million for the reporting period (2021: US\$195.3 million). This is mainly explained by the higher product prices which was offset by lower sales volumes derived from a decrease in production during 2022 as shown in the table below. The average Urals crude oil price increased by 16.1% from US\$69.1 /bbl during 2021 to US\$ 80.2 /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 Urals crude oil.

Revenues from sales to the Group's largest three customers amounted to US\$151.3 million, US\$15.7 million and US\$6.8 million (2021: US\$143.1 million, US\$18.2 million and US\$8.7 million).

The Group's revenue breakdown by products for the reporting period and 2022 is presented below:

In thousands of US Dollars	2022	2021	Variance	Variance, %
Revenue from oil and gas condensate sales	158,107	150,290	7,817	5.2%
Revenue from gas and LPG sales	41,578	44,978	(3,400)	(7.6%)
Revenue from sulphur sales	32	17	15	100.0%
Total revenue	199,717	195,285	4,432	2.3%
Average Urals crude oil price (US\$/bbl)	80.2	69.1	11.1	16.1%

Financial review continued

The following table shows the Group's revenue breakdown by export/domestic sales for the reporting period and 2022:

In thousands of US Dollar	2022	2021	Variance	Variance, %
Revenue from export sales	177,173	169,825	7,348	4.3%
Revenue from domestic sales	22,544	25,460	(2,916)	(11.5%)
Total revenue	199,717	195,285	4,432	2.3%

The Group's sales volumes by products and production volumes for the reporting period and 2022 is presented below:

In boe	2022	2021	Variance	Variance, %
Oil and gas condensate sales volumes	2,252,853	2,378,019	(125,167)	(5.3%)
Gas and LPG sales volumes	2,318,291	3,217,443	(899,152)	(27.9%)
Total sales volumes	4,571,144	5,595,462	(1,024,319)	(18.3%)
Production volumes	4,818,015	6,216,764	(1,398,749)	(22.5%)

Cost of sales

In thousands of US Dollars	2022	2021	Variance	Variance, %
Depreciation, depletion and amortisation	51,682	55,569	(3,887)	(7.0%)
Payroll and related taxes	14,179	14,603	(424)	(2.9%)
Repair, maintenance and other services	6,662	6,610	52	0.8%
Materials and supplies	4,333	4,561	(228)	(5.0%)
Transportation services	2,285	2,559	(274)	(10.7%)
Well repair and maintenance costs	3,122	2,726	396	14.5%
Environmental levies	79	201	(122)	(60.7%)
Change in stock	1,191	403	788	195.5%
Other	520	617	(97)	(15.7%)
Total	84,053	87,849	(3,796)	(4.3%)

Cost of sales decreased by 4.3% to US\$ 84.1 million for the reporting period (2021: US\$87.8 million). On a barrel of oil equivalent (boe) basis, cost of sales increased by US\$ 2.7 from US\$ 15.7 in 2021 to US\$18.4 for the reporting period and cost of sales excluding depreciation increased by US\$1.3 to US\$ 7.1 in the reporting period (2021: US\$ 5.8).

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

Depreciation, depletion and amortisation decreased by 7.0% to US\$51.7 million for the reporting period (2021: US\$55.6 million).

Depreciation is calculated applying the units of production method. The decrease in depreciation in 2022 in comparison with the prior period is a consequence of the decrease in the production partially offset with the increase in the ratio of the production volumes to the proven developed reserves, which increases the charge per barrel of oil produced.

Payroll and related taxes decreased by 2.9% from US\$14.6 million in 2021 to US\$14.2 million for 2022, resulting from changes in foreign exchange rates, which were partially offset by annual salary indexation.

Transportation services decreased by 10.7% to US\$2.3 million for the reporting period (2021: US\$2.6 million), which is caused by the decrease in the production and the relative cost optimisation.

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

Repair, maintenance and other services increased by 0.8% from US\$6.6 million to US\$6.7 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.

Well repair and maintenance costs increased by 12.6% to US\$3.1 million for the reporting period (2021: US\$2.7 million), due to the fact that, in 2022, the Group continued to implement the program of major well repairs and geological and technical measures carried out without drilling, in accordance with the strategy of well management and field development.

Change in stock for the year mainly represents the movement in oil and condensate inventories. The positive adjustment of US\$0.8 million in 2022 is a result of a build-up of condensate and crude oil inventories as at 31 December 2021 which were then sold early in 2022. The charge of US\$0.4 million in 2021 is the result of sale of oil and condensate volumes which were built-up as at 31 December 2020 and sold during 2021.

General and administrative expenses

In thousands of US Dollars	2022	2021	Variance	Variance, %
Payroll and related taxes	6,634	6,123	511	8.3%
Professional services	3,556	4,113	(557)	(13.5%)
Insurance fees	577	601	(24)	(4.0%)
Business travel	282	204	78	38.2%
Short-term leases	172	290	(118)	(40.7%)
Communication	180	182	(2)	(1.1%)
Depreciation and amortisation	153	170	(17)	(10.0%)
Materials and supplies	182	144	38	26.4%
Bank charges	47	71	(24)	(33.8%)
Other	293	226	67	29.6%
Total	12,076	12,124	(48)	(0.4%)

General and administrative expenses remained unchanged at the same level of US\$ 12.1 million for the reporting period (2021: US\$12.1 million). This was driven by the increase in payroll and related taxes by 8.3% from US\$6.1 million to US\$6.6 million which was offset by the decrease in professional services by US\$0.6 million or 13.5%. This reflected further cost optimisation programme.

Selling and transportation expenses

In thousands of US Dollars	2022	2021	Variance	Variance, %
Transportation costs	8,473	9,545	(1,072)	(11.2%)
Loading and storage costs	8,094	6,869	1,225	17.8%
Marketing services	-	2,167	(2,167)	(100.0%)
Depreciation of right-of-use assets	-	1,556	(1,556)	(100.0%)
Payroll and related taxes	1,375	1,520	(145)	(9.5%)
Other	2,008	1,409	599	42.5%
Total	19,950	23,066	(3,116)	(13.5%)

Selling and transportation expenses decreased by 13.5% to US\$ 20.0 million for the reporting period (2021: US\$23.1 million), primarily due to a decrease in the volumes sold and marketing services fees. In 2021, a part of the loading and storage expenses related to the leased railway tank cars was capitalised as lease liabilities and respective right-of-use assets, and therefore reflected through depreciation and unwinding of interest. In 2022, 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 loading and storage costs in the income statement.

Taxes other than income tax

In thousands of US Dollars	2022	2021	Variance	Variance, %
Export customs duty	10,014	7,655	2,359	30.8%
Royalties	8,116	7,786	330	4.2%
Government profit share	1,692	1,628	64	3.9%
Other taxes	8	14	(6)	(42.9%)
Total	19,830	17,083	2,747	16.1%

Royalties, which are calculated based on production volumes and market prices for the different products, increase by 4.2% to US\$ 8.1 million for the reporting period (2021: US\$7.8 million), which corresponds to the increase in hydrocarbon revenues partially offset with decrease in production volumes.

Export customs duty on crude oil increased by US\$2.4million or 3.9% to US\$ 1.7 million for the reporting period (2021: US\$7.7 million), mainly owing to the corresponding higher export custom duties rates caused by higher hydrocarbon prices.

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.

Financial review continued

Finance costs

In thousands of US Dollars	2022	2021	Variance	Variance, %
Interest expense on borrowings	105,411	103,115	2,296	2.2%
Other finance costs	16,986	12,386	4,600	37.1%
Unwinding of discount on amounts due to Government of Kazakhstan	470	762	(292)	(38.3%)
Unwinding of discount on lease liability	–	157	(157)	(100.0%)
Unwinding of discount on abandonment and site restoration provision	271	276	(5)	(1.8%)
Total	123,138	116,696	6,442	5.5%

Finance costs increased by US\$6.4 million to US\$123.1 million for the reporting period (2021: US\$116.7 million) mainly due to higher interest expense on borrowings of US\$105.4 million (2021: US\$103.1 million) and higher other finance costs of US\$17.0 million (2021: US\$12.4 million). Increase in interest expense on borrowings is due to the additional interest cost in the amount, which was calculated on the accrued unpaid interest on Notes as per the terms of the Notes. Other finance costs primarily represent advisor fees (2021: bondholder consent fees of US\$2.9 million and advisor fees of US\$9.3 million) 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\$29.8 million for the reporting period (2021: US\$13.2 million). The increase is mainly attributable to the additional taxes and penalties in 2022 accrued as result of the tax inspections and reassessments 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\$34.7 million for the reporting period, a difference of US\$3.0 million as compared to income tax expense of US\$31.7 million in 2021. Such a significant amount of income tax benefit in 2022 includes an additional accrual of income tax expense of US\$12.5 million caused by the previous years tax inspection and reassessments. In addition, the increase in income tax expense is also attributable to the decrease in the tax base of the property, plant and equipment relatively to IFRS base caused by Tenge devaluation against US Dollar, resulting to additional deferred tax liabilities and corresponding income tax charge.

The income tax expense in 2021 was mainly caused by the impairment reversal of US\$74.2 recognised as of 31 December 2021 and corresponding recognition 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 2021 and 2022, 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 2022 and the prior year:

In thousands of US Dollars	2022	2021
Cash and cash equivalents at the beginning of the year	165,246	78,583
Net cash flows from operating activities	102,204	117,415
Net cash used in investing activities	(15,781)	(19,778)
Net cash used in financing activities	(17,481)	(10,862)
Effects of exchange rate changes on cash and cash equivalents	(604)	(112)
Cash and cash equivalents at the end of the year	233,584	165,246

Net cash flows from operating activities

Net cash flow from operating activities was US\$102.2 million for the reporting period (2021: US\$117.4 million) and was primarily attributable to:

- loss before income tax for the reporting period of US\$82 million (2021: income US\$5.6 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US\$51.8 million (2021: US\$57.3 million), finance costs of US\$123.1 million (2021: US\$116.7 million) and impairment reversal in 2021: impairment charge of US\$74.2 million.
- US\$15.5 million decrease in working capital (2021: US\$7.0 million) is mainly attributable to the increase in other accruals and taxes payable by US\$28.9 million as part of the current liabilities (2021: decrease US\$ 0.1 million) and decrease in prepayments and other current assets of US\$5.0 million (2021: US\$0.7 million), decrease in inventories of US\$1.5 million (2021: US\$2.5 million), partially offset by the decrease in trade payables of US\$1.1 million (2021: US\$1.7 million).
- income tax paid of US\$6.3 million (2021: US\$2.7 million).

Net cash used in investing activities

Net cash used in investing activities for the reporting period was US\$15.8 million (2021: US\$19.8 million) due primarily to payment of expenditures related to well workover & intervention programme of US\$5.0 million for the reporting period (2021: US\$3.6 million), gas lift infrastructure development of US\$5.0 million (2021: US\$2.8 million), the modification GTU 1-2-3 of US\$4.0 million (2021: US\$0.4 million). In 2022 transfer to the restricted cash of US\$0.6 million as required by the subsoil use rights for abandonment and site restoration liabilities of the Group. In 2021 transfer to the restricted cash of US\$9.8 million included the cash transfers under the forbearance agreements as well.

Net cash used in financing activities

Net cash used in financing activities during the reporting period made up US\$17.5 million (2021: US\$10.9 million) and was mainly represented by the payment of fees related to forbearance agreement and restructuring negotiations of US\$17.5 million (2021: US\$9.1 million).

In 2021, the lease payments of US\$1.7 were made in the relation to the leased railway tanks recognised as right-of-use assets with the relative recognition of lease liability. In 2022, 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 payments are recognised within cash flows from operating activities.

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 2022 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
Borrowings	1,400,197	43,000	43,000	-	-	1,486,197
Trade payables	9,525	-	404	-	-	9,929
Other current liabilities	10,824	-	-	-	-	10,824
Due to Government of Kazakhstan	-	258	773	4,124	3,350	8,505
	1,420,546	43,258	44,177	4,124	3,350	1,515,455

With the completion of Restructuring in February 2023 (see pages 6 - 7), the maturity profile of the Group's borrowings will change with principle amount of the new SSNs and SUNs falling under 1-5 years category, with reflection of related future coupon payments in the relevant categories.

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\$8.0 million (2021: US\$8.6 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 2023 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.

Financial review continued

Going concern

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

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2024. The Group had unrestricted cash balances of over US\$191 million as at 31 March 2023 and over \$14 million in escrow account. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of \$75/bbl. Also, the forecast financing cashflows take into account completion of restructuring in February 2023 as described on pages 6 – 7. Under the base case going concern assessment to the period to 30 June 2024, the Group is forecast to have total cash reserves of over US\$180 million. The base case scenario has also been tested for sensitivity against the key assumptions including 10% reduction in product prices, 10% reduction in forecast production and sales volumes, 10% increase in capital expenditures and operating cost over the period of assessment and unexpected fines and penalties for various non-compliance issues, consistent with the sensitivities applied for viability assessment as described on pages 45 – 46. Considering such sensitivity analysis conclusion was made that the Group is not exposed to downside volatility of these key assumptions individually or in aggregate.

After careful consideration, the Directors have a reasonable expectation that the Group and Company have sufficient resources to continue in operation for the going concern period to 30 June 2024. For these reasons, in accordance with provision 30 of the UK Corporate Governance Code 2018, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the 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 2024, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on pages 45 – 46 which highlights a possible necessity in the future for partial refinancing or restructuring of the Group's debt.

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.

Five-year summary

In millions of US\$ (unless mentioned otherwise)	2022	2021	2020	2019	2018
EBITDA reconciliation					
Loss /(profit) before income tax	(81.8)	5.6	(401.8)	(1,343.1)	(92.2)
Add back					
Finance costs	123.1	116.7	102.1	43.0	49.4
Impairment change	-	(74.2)	286.6	1,354.7	150.0
Employee share options-fair value adjustment	-	(0.2)	(0.5)	0.6	(1.3)
Foreign exchange loss/(gain), net	(0.3)	0.3	1.8	(0.4)	1.0
Loss on derivative financial instrument	-	-	-	-	12.4
Interest income	(0.3)	(0.3)	(0.3)	(0.1)	(0.5)
Other expenses	29.8	13.2	7.6	12.5	8.5
Other income	(6.8)	(5.9)	(4.8)	(7.2)	(4.4)
Depreciation, depletion and amortisation	51.8	57.3	89.8	143.3	117.1
Purchase of derivative financial instruments	-	-	-	(3.7)	(8.6)
EBITDA	115.7	112.5	80.5	199.6	231.3
Operating costs reconciliation					
Cost of sales	84.1	87.8	125.4	172.0	165.1
Less:					
Depreciation, depletion and amortisation	(51.7)	(55.6)	(86.3)	(136.8)	(115.2)
Change in stock	(1.2)	(0.4)	(7.3)	6.2	(0.1)
Operating costs	31.2	31.8	31.8	41.4	49.8
G&A reconciliation					
General and administrative expenses	12.1	12.1	14.7	21.4	22.2
Adjusted for:					
Depreciation and amortisation	(0.2)	(0.2)	(0.6)	(2.0)	(1.9)
G&A	11.9	11.9	14.1	19.4	20.3
Net debt reconciliation					
Long-term borrowings	-	-	-	1,100.5	1,094.0
Current portion of long-term borrowings	1,396.5	1,289.6	1,186.3	35.6	35.6
Less:					
Cash and cash equivalents	233.6	165.2	78.6	93.9	121.8
Net debt	1,162.9	1,124.4	1,107.7	1,042.2	1,007.8
Net cash flows from operating activities	102.2	117.4	82.7	196.8	214.0
Net cash used in investing activities	(15.8)	(19.8)	(40.1)	(121.0)	(172.0)
Net cash (used in)/ from financing activities	(17.5)	(10.9)	(58.4)	(103.7)	(47.0)
EBITDA margin⁴	57.9%	57.6%	45.7%	61.9%	59.3%
Share price at end of period (US\$)	0.03	0.07	0.10	0.22	1.03
Shares outstanding ('000s)	188,183	188,183	188,183	188,183	188,183
Options outstanding ('000s)	3,432	3,432	3,432	3,432	3,432

1. Depreciation as it applies to operating assets only.

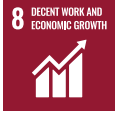
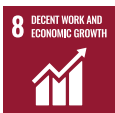
2. Purchase of derivative financial instruments represents the cash paid under the hedging contract which in accordance with IAS7 Statement of Cash Flows is included within operating cash flows. While this item is not required to be presented in the Consolidated Income Statement, we have included this 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. EBITDA margin is calculated as EBITDA divided by total revenue.

Our ESG strategy and targets

Pivoting towards cleaner energy and positive impact on society

Our Commitments	Alignment with the UN SDGs	Our medium-term goals and targets
Environmental Play our role in the transition to cleaner energy and minimise the environmental impact of our operations	       	• Maintain strong Health, Safety, Environmental and Security leadership • Invest in best-in-class emission reduction technologies
Social Create a safe, diverse and inclusive working environment and promote local economic growth and social development	        	• Invest in workforce skills to support the Energy transition • Continue to provide funding and support to local communities
Governance Have a robust corporate governance, strict compliance and an ethical business culture	    	• Align Senior Management Team incentivisation with ESG targets • Strengthen ESG and climate reporting

What we did in 2022

- In 2022 we achieved our target with actual GHG emissions in CO₂ equivalent of 169,630 tonnes as compared to 187,479 in 2021
- Due to clarification of technical requirements for installation and taking into consideration delay of equipment related to world supply chain disruptions installation and commissioning is planned for Q3 2023
- NOG obtained "B-" score for the climate change module and "B-" for water security module as well

What we plan to do in 2023

- Reduction of CO₂ emissions by 5% as of year result
- Reduction of GHG emissions by 5% as of year result

- TRIR was 1.56 in 2022 (compared to a TRIR of 2.42 in 2021). All of Nostrum's total recordable injuries occurred in Kazakhstan
- LTIR for 2022 was 0, compared to an LTIR of 0.81 for 2021
- RTI rate was 0
- In total 1,746 Hazard Observation Cards were issued, of which 877 by Nostrum staff and its contractors and 869 of them by key contractors. 63% of NOG staff were engaged in 2022
- Golden rules compliance were reviewed in October 2022
- HSE performance meetings were held with existing contractors and HSE Management system audits were conducted for a new contractor Ansar-S group as well as the Management system audits of two potential LPG transportation service providers
- Completed in Q2 as part of shutdown and finalised in Q3 after all vessels not requiring shutdown were inspected
- Female representation is 22% at Group level. We also reduced the pay discrepancies between male and female employees

- TRIR – less than 1.9
- LTIR – less than 0.85
- RTI – less than 0.75

- In 2022 we received our first ESG Risk Rating of 40.5. While our current ESG rating means we still fall slightly within the "Severe Risk" range we are within 0.5 points from the "High Risk" category
- Following restructuring, the Board now consists of 6 members (2022: 5 members), including 3 independent non-executive directors and 1 non-executive warrant director appointed by the warrant trustee
- Approved new political involvement policy
- Updated the following Group policies:
 - Equality and diversity policy
 - Whistleblowing policy
 - Anti-corruption and bribery policy
 - Code of conduct

- Improve the ESG Risk rating (Sustainalytics scoring). For overall ESG "Severe" risk rating our midterm plan is to reach higher score level, improve the management of our material ESG issues, and to move from the severe risk rating category to the "Low" one (the lower the score, the lower likely impact of ESG issues on the economic value of a Company)

ESG ranking

GRI 3-1

In 2022, our ESG Task Force was created. Its priority objective for 2022 was for the Company to be rated in the top 50% of its peers by a globally recognised sustainability rating agency. Sustainalytics,¹ a Morningstar company, is a leading independent ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects.

Sustainalytics' ESG Risk Ratings measure a company's exposure to industry specific material ESG risks and how well a company is managing those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an assessment of ESG risk, i.e., a total unmanaged ESG risk score or the ESG Risk Rating, that is comparable across all industries. Sustainalytics' ESG Risk Ratings provide a quantitative measure of unmanaged ESG risk and distinguish between the following levels of risk: negligible, low and medium.



In February 2023, Nostrum received an ESG Risk Rating of 40.5 and was assessed by Sustainalytics to be at Severe risk of experiencing material financial impacts from ESG factors. The 40.5 rating corresponds to the residual risk following management actions on a rating scale from 1-100 (1 is best, 100 is worst).

The following eleven material topics that reflect the Company's most important social and environmental impacts were reviewed:

1. Carbon – Own Operations
2. Emissions, Effluents and Waste
3. Carbon – Products and Services
4. Corporate Governance
5. Community Relations
6. Human Capital
7. Occupational Health and Safety
8. Bribery and Corruption
9. Land Use and Biodiversity
10. Resource Use
11. Business Ethics

Our highest ESG risk exposure is from carbon and water intensity. The company's exposure to issues is high and moderately above its peers.

Our production process may have adverse impacts, and our aim is to avoid them. We seek to minimise and mitigate these impacts where we can and look for ways to contribute to the long-term health of society and the natural environment. To improve in this area, we have implemented several initiatives to reduce carbon emissions and stationary combustion. These include the installation of fuel gas flowmeters to quantify CO₂ emissions and vapor recovery systems that inhibit hydrocarbon evaporation during storage and transfer. The company's management of the issue is average. Nostrum recognises the transition risks and opportunities associated with climate change, and its board-level Strategy committee will regularly assess and manage climate-related matters to ensure compliance with environmental regulations. Until the end of 2022 the Health, Safety, Environment and Communities Committee provided a deep-dive in HSEC areas (including climate change), and after the restructuring has been completed in 2023 the newly formed Senior Management level HSE and ESG committees chaired by CEO now have responsibility for HSE and ESG related matters including execution of HSE and ESG-related targets and projects.

We view our management of sustainability as core to our efforts to generate social value including:

- putting the health and safety of our people first,
- being environmentally responsible,
- respecting human rights, and;
- supporting the communities where we operate.

The ESG Risk Rating recognises particularly strong management of the following material ESG issues: Community Relations, Corporate Governance, Resource Use, Bribery and Corruption, Occupational Health and Safety, Human Capital, Business Ethics.

We are committed to high standards of health and safety and we strive every day to maintain a positive safety culture across our business. The Company was able to meet performance targets in Health and Safety during 2022, with no employee and contractor fatalities. We will continue to establish objectives and targets which will drive ongoing performance improvements in this area.

The Company works hand in hand with contractors to ensure compliance with regulations governing safe working. We share our safety procedures with contractors and when necessary, we work with them to raise their standards to meet our requirements. Nostrum's contractor safety management programme includes best practice elements such as safety training and a pre-qualification process which comprises a requirement to legally commit to the Company's Health, Safety and Environment Schedule as an integral part of the business contract.

The Company is noted for showing particular strength in its Board structure, its ownership structure/shareholder rights, its audit and financial performance systems and its stakeholder governance. The Company's exposure to Community Relations issues is medium and moderately above its peers, but the Company's management of the issue is above average. Human Rights Policy got a maximum possible score, and Community Involvement Programmes and Community Development Programmes are rated above average. More information on Governance is described on pages 88–127.

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Health and safety



The safety of our employees and contractors is a core value for Nostrum. We are committed to the highest international health and safety standards and we strive to maintain a positive safety culture across our business on a daily basis. We implement robust training and emergency preparedness planning across the workforce.

Safety Culture

Having the right culture is key to good safety performance and the Group promotes a safety culture among its employees and contractors. We reinforce good practice through our Group-led a safety culture programme. 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 80–81).

Incidence rates and investigation

GRI 403-2, 403-9

Nostrum saw a significant improvement in its lost time incidents (LTIs) and road traffic incidents (RTIs) in 2022 by recording zero incidents for both Nostrum's and contractors' operations. Total recordable incidents rate in 2022 was 1.56 incidents per million man-hours, representing a 36% decline against 2021.

For the fourth consecutive year the Group and its contractors had zero fatalities across its operations.

Nostrum notes that its activities are potentially hazardous. The Group's management, employees and contractors are trained to understand that no accidents are inevitable as we strive to inculcate an environment in which safety consciousness and mitigating actions are such that zero incidents are possible and achievable. For all incidents, we follow our incident investigation procedure based on the "five whys" and "why tree" methodology to determine the root causes, and apply SMART principles to mitigate future risks.

Contractors

We require our contractors and suppliers to work to the same high standards as our employees, therefore 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.

Manhours worked in 2022	Percentage of total
Nostrum employees: 1,012,351	39.5%
Contractors: 1,551,461	60.5%

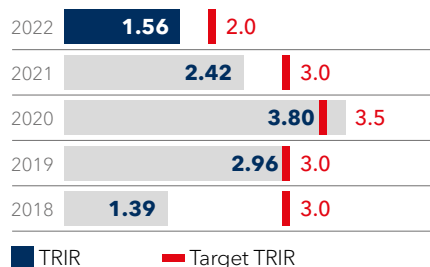
In 2022, we continued with our contractor HSE management implementation and performed seven external contractor HSE management audits and two internal management system audits to test compliance with our HSE management system.

Review audits and bi-annual HSE performance meetings with our key contractors were also 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 as well as 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 page 59).

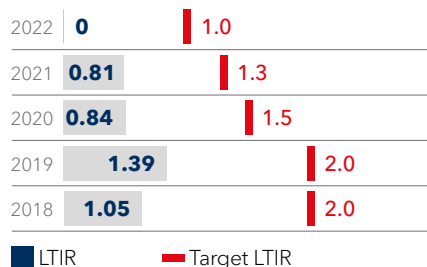
TOTAL RECORDABLE INCIDENTS RATE

incidents per million man-hours



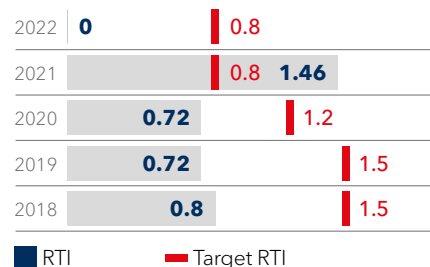
LOST TIME INJURY INCIDENTS (LTIS)

incidents per million man-hours



ROAD TRAFFIC INCIDENTS RATE

incidents per million km driven





Health and safety continued

Our annual contractor HSE forum dedicated to Golden Rules compliance took place in October 2022. General directors and HSE Representatives from main contractors attended the forum to share their HSE performance results with the Company's management.

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 and 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

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 include 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 the Company's procedures and regulations.

Road Safety

As we have noted above, in 2022 Nostrum saw a significant improvement in RTI, resulting in absence of incidents as a result of the following activities carried out over the years:

- Planned /unplanned inspections of the technical conditions of the vehicles at Nostrum facilities by our employees and Contractor representatives.
- Road safety inductions, training and safety stand-downs are being held on a permanent basis with Contractor personnel.
- Ad-hoc inspections on road safety compliance (speeding, safety belt use, etc.) are held regularly.
- Nostrum issued Road safety procedure, Journey management plan and procedure for organising and carrying out transportation of oversized cargo in order to ensure road safety compliance to Company rules.
- The Routes for the transportation of oversized cargo are coordinated (accompanied if necessary) to ensure road safety along the route of movement of oversized cargo on the territory of Nostrum facilities.
- The passage of a medical pre-trip inspection by drivers of the company and contractors is systematically controlled.
- Checks are being made of the safe condition for traffic of the carriageways of public roads, bridges, railway crossings and road structures on the territory of the facilities and along the route to Nostrum production facilities and back.

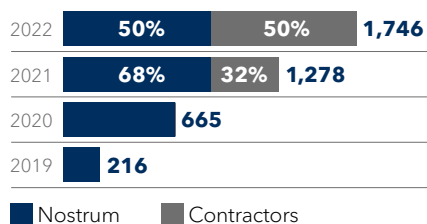
Hazard Observation Cards

GRI 403-2

As part of promoting a safety culture among our employees and contractors, Nostrum continues to implement a hazard observation card process. This initiative was launched in 2019, when all employees and contractors were 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 help to improve the safety of our operations.

We set ourselves a KPI for 2022 to issue at least 1,000 Hazard Observation Cards. Of this amount at least 500 should have been issued by more than 60% of Nostrum employees and at least 500 cards by the four largest Nostrum contractors based on contract value. In 2022, Nostrum and our contractors' personnel issued 1,746 hazard observation cards, representing eight times growth as compared to 2019 amount when the initiative was started. In 2023 Nostrum is planning a new step in building an HSE culture by implementing an Intervention culture across Nostrum and Contractor personnel.

HAZARD OBSERVATION CARDS

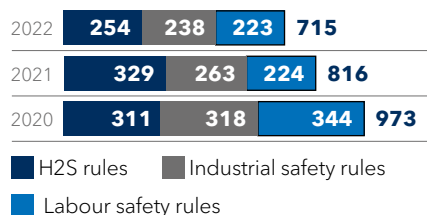


In-house HSE training and examination process

GRI 403-5

Since 2020, Nostrum has conducted in-house HSE training and examination 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. Group employees are continuously trained in labour safety, industrial safety and H2S rules. During 2022, 715 employees took advanced HSE training.

IN-HOUSE HSE TRAINING



HSE communication and awareness

GRI 403-5

In 2022, HSE Workshops were carried out for field personnel to promote awareness on the following topics:

- Workplace Hazard Observation
- Confined Space
- PTW
- Work at Height
- Road Safety
- Golden Rules
- Contractor HSE Performance

Additional 2022 initiatives include:

- A pop-up window appeared on the screens when logging in every day with a safety reminder from the QHSE department.
- HSE Posters printed and displayed in prominent locations.
- Monthly QHSE Reports are issued to communicate HSE performance.

Process safety

GRI 403-3, 403-7

In 2022, 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-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 critical systems taking precedence.

Vessel and Flowline inspection programme

All vessels and main flow lines were inspected according to international and RoK standards at the frequencies described (2, 5 or 10 years). No defects were identified during the internal and external inspections. From 2023 onwards, all vessels and flow lines will require yearly inspection but this can be done externally without necessary shutdowns as was the case for internal inspections. The inspection will be focussed on wall thickness and, as such, provides the same information as before.



Health and safety continued

Emergency response, GRI 2-25 Civil Protection Planning and Prevention

In 2022, no industrial accidents or oil spills were recorded at Nostrum's operations. The Company has established and successfully exercises an emergency response system and undertakes measures to prevent oil and oil product spills.

Emergency response and accidents preparatory activities

The Company has emergency response plans to enhance our ability to respond rapidly to unforeseen events to maintain business continuity and minimise negative impact on people, the environment, our physical assets and our reputation.

These plans are communicated to the workforce and response personnel receives training to ensure they are competent to carry out their emergency roles. We continue to ensure asset integrity and control operations to effectively manage all significant risks during all stages of the operations.

Specifically, in 2022 Nostrum revised and agreed with emergency services all Emergency Response Plans (hereinafter – ERP) for hazardous production facilities. Under these plans, emergency training of personnel has been conducted on a quarterly basis in order to prevent accidents and emergencies as well as to train personnel in emergency response in case of their occurrence according to ERP emergency scenarios at all hazardous production facilities. In 2022, we maintained emergency response training and exercises involving credible emergency ERP scenarios at all hazardous production facilities.

Hazardous production facilities at Nostrum include:

- Oil Terminal and Transfer Point in Beles
- CF-Rostoshi Oil Trunk Pipeline
- CF-ICA Gas Trunk Pipeline (GTP Orenburg-Novopskov)
- OTU and gaslift system
- CGTU-1,2 and LPG -1,2
- Well Operations and gathering system
- GTU-26
- MTS and RPMS
- Waste disposal area
- GTU-3 and LPG-3

During training drills at the facilities, the composition of the emergency operations center (EOS) was determined to organise and coordinate possible emergency prevention and responses to accidents, as well as to ensure fire safety. During quarterly drills held at the facilities – EOS, the whole range of issues related to accidents and emergency prevention and elimination procedures was considered.

Overall control of all emergency drills was overseen by the Field Director, who is also responsible for the implementation of industrial and fire safety measures.

We believe that these actions help maintain the proper level of skills and competencies among employees and executives and ensure compliance with legal requirements and corporate standards.

Oil spill prevention

The Group strives to have zero operational spills. Nostrum continues to undertake initiatives to prevent and reduce spills that include drills and training teams, timely maintenance, repair and replacement of equipment, monitoring of problem areas, etc.

Oil Spill Response Plan

We continue to enhance our spill response capabilities and, during 2022, we revised, designed and implemented the Oil Spill Response Plan ("OSRP") within the Company's production facilities.

This plan sets our response strategies and techniques, available equipment, and trained personnel and contracts and includes the following measures:

- signal receiving action plan for a facility;
- notification procedure for Company's subsidiaries, state bodies and local authorities;
- responsibility allocation for rescue units organisation and management, and;
- measures to be taken to ensure people's safety and other actions.

According to this plan, to prevent oil spills in 2022, three drills were held at the Terminal and oil pipeline with the participation of contractor Ansar-S-Group LLP including deployment of equipment for collecting spilled oil, both from the ground and on the water surface. The workforce of Fire brigade of the Ansar-S-group LLP (at the terminal) trained using their practical knowledge in operating oil collection equipment for further disposal. Drills are conducted every quarter, the results are summarised and best response options are developed.

In addition, an annual preparation of hazardous sections of pipelines for autumn-winter season and spring floods is made, especially in areas located in a possible flooding area. Monitoring of their condition is organised by contractors – Nysan Korgau and Ansar-S Group.

The OSRP gives substantiation of a possible emergency level, analyses scenarios of their occurrence and development, and also makes a forecast of possible consequences for production facilities associated with accidental oil spills.

Introduction of emergency response plans and OSRP for Nostrum's production and engineering personnel is documented in the briefing log at the workplace against signature. The facility supervisor and an engineering manager define responsibility for the due and correct preparation of ERPs. In addition to OSRP, compliance with safety requirements is controlled on a regular basis. If non-compliance is identified, corrective and preventive action plans are developed and implemented.

**GRI 2-25,
206-4**

Contained and non-contained oil spills

In 2022 there were no oil spills. A table below shows data for 2019-2022:

Period	Contained oil spills	Non-contained oil spills	Volume of the oil spills in cubic meters	Note
2019	0	1	0.045	In February 2019, there was a minor fuel spill to the ground when on LPG truck tipped over. The leak amounted to 45 litres of diesel on the ground.
2020	1	0	0.05	There was an oil spill inside the pump station of the Terminal without any leak to the open ground surface.
2021	0	0		
2022	0	0		
Total	1	1	0.095	

Boosting readiness of emergency rescue teams

To respond to emergencies, Nostrum established emergency rescue teams (hereinafter - the ERT), whereby 120 employees on a voluntary basis (60 people in each shift), are engaged to ensure the safety of the production facilities. In 2022, regular drills with ERT staff were conducted as per Site Specific Emergency response plans.

To maintain and conduct emergency rescue operations, the Company has long-term contracts with professional ERT - Ak-Beren LLP (gas rescue service) and Ansar-S-Group LLP (firefighters-rescuers). Ak-Beren, a professional blowout elimination service, is responsible for accident prevention at oil and gas wells, which is fully compliant with the requirements for oil, petroleum product, and other hydrocarbon spill response. Materials and equipment available to the emergency response and rescue teams are certified and compliant with all requirements. In 2022, this service included preventive works to train its gas rescuers and voluntary teams of Nostrum.

A high degree of readiness for the ERT is supported by regular drills and training, as well as theoretical knowledge. Drills and training are held on a quarterly basis. Special attention during the ongoing emergency drills was given to those facilities where gas and oil contain hydrogen sulfide. The drills in 2022 were conducted according to updated and approved ERPs. Commanders of voluntary rescue and fire teams were additionally trained under the training program for unit commanders to maintain levels of skills and competence, particularly in relation to safety-critical roles.

The non-government fire service of Ansar-S-Group LLP, which had a service agreement with Nostrum in 2022, was also involved several times in emergency response in Baiterek during the elimination of the consequences of spring floods and summer steppe fires at the request of local executive bodies. Thus, Nostrum provides assistance to the administration and residents of Baiterek on an ongoing basis.

Organisation of communication with contractors on emergency response and prevention of possible emergencies

A significant part of preventive and emergency organisation is performed by contractors for Nostrum. In order to ensure a high level of preparedness for emergency response, all drills and trainings were made with the participation of the following organisations:

- Ansar-S-Group LLP - fire prevention.
- Ak-Beren LLP - blowout prevention, gas and hydrogen sulfide hazards.
- Nysan-Korgau - the organisation of access control and protection of an accident zone from unauthorised persons.

HSE personnel assigned to each hazardous facility perform permanent control over work plans implementation by contractors as well as requirements of industrial safety standards. To achieve this, the Company uses checklists containing the entire range of issues under consideration - starting from document maintenance to work quality and safety. The HSE Department organises regular control field inspections at production facilities.

The control teams include representatives responsible for occupational health, safety and emergency response.

- The most pressing issues are discussed with all contractors and facilities. Joint work on quality improvement of safety methods is organised on a permanent basis.
- Representatives of contracting organisations participating in all emergency drills regularly held by Nostrum, have an opportunity to master up-to-date methods of emergency rescue operations and develop common rules for solving emerging problems taking into account available information on best practices in the oil and gas industry.

Alert system for employees and communities located near the Chinarevskoye Field

The Company is constantly improving internal procedures aimed at alerting and preventing emergency response cases, thus in 2022 the Company created and maintained alert systems at Nostrum production facilities. The duty dispatch service promptly transmits information about the occurrence of accidents and emergencies to EOS-1 and EOS-2 to notify the management of the Company and government agencies.

In the event of emergency, at the first level of emergency response, regular employees and contractor personnel located at Nostrum production facilities, as well as emergency response teams involved in the accident response are notified. High priority rescue and evacuation activities are performed to protect them. Territorial executive authorities (akimats) are notified of an accident in accordance with the notification scheme in case of a threat of the spread of adverse factors.



Health and safety continued

In the event of major accidents, operational teams of the second level are organised at the Company's office in Uralsk. If necessary, the evacuation of personnel and communities is organised.

Firefighting activities arrangement

The Company systematically arranges operational control over compliance with industrial safety requirements, internal audits of the management system, conducts analyses of and processes the results of incidents and inspections, develops and monitors the implementation of corrective and preventive actions.

All Nostrum facilities at Chinarevskoye Field and Terminal are fire and explosion hazardous. Therefore, fire safety rules were developed for all facilities and controls over compliance with the rules are in place. These activities include:

- obligatory preventive inductions, fire safety training, control by line supervisors and responsible persons over the performance of work,
- inspection of Ansar-S-group by an authorised body and fire inspectors,
- project expertise as to compliance with fire safety requirements during the reconstruction and technical upgrade of production facilities,
- timely maintenance and function control of systems and fire protection means of facilities (by contractor – Batys Energon LLP), and;
- continuous control of serviceability of fire- and explosion-hazardous process equipment and compliance with process flow charts.

Civil defence and emergency prevention measures

In 2022, in line with RoK legislative requirements, Civil Defence Plan annexes were revised. Training in civil defence for personnel training was organised at the Company's offices. A special tactical exercise was conducted with the office staff on emergency evacuation from the building in case of fire and the provision of medical assistance. In 2022, in accordance with the order of the West Kazakhstan Emergency Situations Department, 160 civil gas masks GP-7 with "Breeze" filter boxes were purchased for all office staff.

In 2022, the West Kazakhstan Emergency Situations Department held inspections of the Chinarevskoye field and the office on fire safety, civil defence and emergency situations and no violations were found. During the field inspection on fire safety, 26 violations were identified, all of which have since been addressed.

Our response to COVID-19

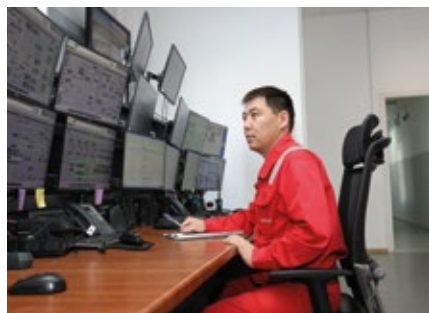
In 2022, we continued to safeguard our employees and contractors and take necessary safety measures to monitor COVID-19 infection. Regular quartz treatments with UV lamps were conducted in the main office in Uralsk and the field offices. Many employees worked remotely during 2022. In May 2022, the RoK lifted all quarantine restrictions and the number of COVID cases declined by 52% in 2022 as compared to 2021.





Our people

GRI 2-7



Fostering diversity and inclusion 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 inclusion 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.

Overall, it is about acknowledging, respecting, and appreciating our differences. Not only by simple tolerance, but by understanding of each individual and by the exploration of what makes us different. Inclusive societies give a sense of meaningful belonging. It makes people feel supported and valued, and that is essential for the success of the company organisation. To that end, Nostrum is proud to provide a home to a diverse and inclusive workforce.

Our people really are the most important element of our success. 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 and inclusion in our Company.

NUMBER OF EMPLOYEES

as at 31 December

2022	566
2021	559
2020	564
2019	668
2018	820

Strength through diversity

GRI 401-3,
405-1

At the end of 2022 Nostrum employed 566 employees, of whom 78% were male and 22% female (2021: 77% male and 23% female employees). 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. Nostrum has for several years adopted a corporate Equality and Diversity Policy to further support these ambitions. At the end of 2022, 21% (2021: 23%) of Group employees based in Kazakhstan were female. In the UK, 50% of employees were female (2021: 25%).

GENDER DIVERSITY

as at 31 December

2022	78%	22%	566
2021	77%	23%	559
2020	77%	23%	564
2019	75%	25%	668
2018	76%	24%	820

■ Male ■ Female

We take pride in our commitment to fostering a diverse and inclusive workplace that values and respects the contributions of all employees, regardless of their background or identity.

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, 32% of employees at department head level are female (2021: 26%). As at 2022 year-end our Senior Management Team includes 20% of females (2021: 22%). In 2023, one female joined the Senior Management Team, resulting in 27% of females in the SMT. 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 and on a rotational shift basis. And whilst we are encouraged by our diversity at Board level, we do recognise that diversity remains an ongoing issue in the oil and gas industry, particularly with regard to gender diversity.

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 2022, 7.27% of Group recruitment was female (2021: 12.9%). In 2022, two employees took parental leave and four employees returned from parental leave, all female.

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 five Kazakh nationals out of the ten members. There were no recorded discrimination incidents raised by any of the Group's employees in 2022.

We recognise that diversity and inclusion are not just buzzwords, but critical elements of our business strategy. We understand that a diverse and inclusive workforce leads to better decision-making, increased innovation, and ultimately, better business results. We are committed to creating an environment where all employees can thrive and reach their full potential.



Our people continued

GENDER DIVERSITY, 31 DECEMBER 2022, %

Board¹



17%

(2021: 20%)

1. Board of Directors' gender diversity represented as of 14 February 2023.

SMT



20%

(2021: 22%)

Department heads



32%

(2021: 26%)

Employees



21%

(2021: 23%)

Diversity Action plan

GRI 405-1

Over the past year, we have made significant progress in advancing diversity and inclusion (D&I) throughout our organisation. We have implemented various initiatives aimed at promoting diversity, such as inclusive hiring practices, encourage the employees to be inclusive and embrace diversity in the workplace, placing informational materials in the workplace and distributing monthly newsletters to employees with questionnaires and results to increase awareness and sensitivity to diversity considerations and to promote interaction on various D&I topics. We've distributed a video on the importance of the D&I and the specific journey that the Company is taking

in this regard. Our Senior Management Team had a first tailor-made workshop by IOM (MATCH project) on Diversity and Inclusion - Intercultural competence to learn how to create an inclusive workplace and how to make equality, diversity and Inclusion the responsibility of all leaders & managers of our Company. Finally, a guideline to advice and help our employees to create or sustain a pleasant, friendly and full of respect work environment has been distributed.

As a result of our efforts, we have seen a notable increase in the interest over diversity aspects in our workforce, with more employees answering our surveys and addressing questions to the HR department.

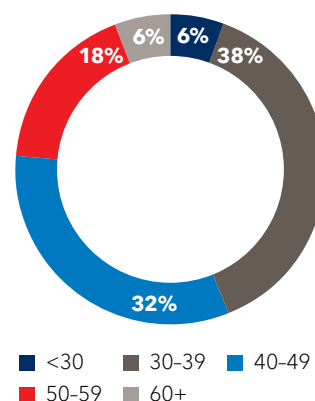
In addition to our internal initiatives, we have also made an effort to engage with the broader community on social media by promoting diversity and inclusion. We believe that these communications help us to create a more inclusive environment, not just within our organisation, but also within the broader community.

Moving forward, we remain committed to further advancing diversity and inclusion in our organisation. We have set ambitious targets for the following year, including increasing the representation of women in leadership positions, identifying an internal pool of female talent. This has already started with our succession planning identification programme, determine mentoring and coaching for female employees with potential for career development, expanding diversity and inclusion training programs, and strengthening our interactions with employees to raise awareness and willingness of more proactive role in integrating D&I as the company foundation.

The Company also places particular emphasis on D&I 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.

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.

BREAKDOWN OF EMPLOYEES AND TOP MANAGEMENT BY AGE, 31 DECEMBER 2022 (%)



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 98% of Group employees hired locally and 92% of all employees being RoK nationals. At 31 December 2022, Nostrum had a total of 566 staff from 12 countries, broken down by gender as follows (data by age group was not recorded):

- Uralsk: 439 males, 117 females.
- Astana: 1 female.
- London: 1 male, 1 female.
- Brussels: 2 males, 2 females.
- Amsterdam: 1 male.
- Almaty: 1 male, 1 female.

We offer all staff members competitive benefits and remuneration packages in compliance with all regulatory, guidelines and requirements, which (to the extent applicable) are also applied to those hired as temporary or part-time employees. Effective 1 January 2022, locally engaged employees had their salary in tenge increased by 8.4% 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 2022, we conducted our own gender pay discrepancy review with a grouping of employees based on their job function, seniority, location and other factors. Based on this analysis, the following observations were drawn:

1. Roles with higher pay are male-dominated (C-suite)
2. We have seen that the gender pay gap has narrowed in 2022 as compared to 2021, the average employee salary in Kazakhstan was 3.3% higher for males (2021: 7% higher for males) and the median employee salary in Kazakhstan was 1.4% higher for females (2021: 3% higher for males). At certain levels female pay exceeds their male counterparts (Office), while in the others the remuneration is higher for male than female (Field).

Despite short-term fluctuations, we will continue focusing on fair and balanced recruitment and promotion processes and regular assessment of skills, alongside increasing representation of women at senior levels and in other parts of our businesses where women are under-represented and to close the gender pay discrepancy over the long term. The Board will continue to monitor any gender pay discrepancy by defining targets and activities to address any inequalities discovered.

Succession Planning Policy

The company has implemented Succession Planning Policy that aims to identify future staffing needs and employees with the skills and potential to be developed for carrying out future management roles.

Education and training

GRI 404-2

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 2022, 507 employees benefited from education and training programmes (2021: 446 employees). Our total Group training costs in 2022 were US\$0.4 million (2021: US\$0.5 million) and the total number of training days in 2022 was 6,961 days (2021: 5,026 days). The reduced training in 2022 relative to 2021 was due to a reduced training budget in line with the PSA.

In 2022, Nostrum supported numerous educational programs, including MBA in Global Banking & Finance, Oil Field Management Fundamentals course, IPMA certification, Oil and gas processing and metering, new technologies for hydrogen sulfide utilisation, Certified LOLER course.

raining was undertaken by operational and head office 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

GRI 404-1

As part of the Company's costs optimisation plan, in 2022, 48 employees (of which 38 males and 10 females) were released or agreed to voluntarily resign, and their positions were not filled (2021: 36 employees). This was the main cause of staff turnover. The number and percentage of new employees hired in 2022 was 55 or 10% (of which 4 were females and 51 were males).

Workforce representation

GRI 2-26, 2-29

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. No meetings between Sir Christopher and the workforce took place in 2022, although a mechanism for feedback from the workforce was maintained. In 2023, Chris Hopkinson was appointed as the Company's non-executive director designated with the task of obtaining the views of the Company's workforce and feeding these into the Board's decision-making processes.

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.

Nostrum Code of Conduct

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





Our people continued

Human Rights Policy

GRI 2-23

Throughout 2022, the Company had a Human Rights Policy which reflects the desire to comply with industry best practice and the HR department has raised its awareness on the numerous benefits and interests that our Human Rights Policy provide to our organisation.

First and foremost, a Human Rights Policy demonstrates our commitment to upholding fundamental principles of human dignity, respect, and equality. By establishing a framework that promotes fair treatment of employees, stakeholders, and communities, we can enhance our position as a responsible and ethical business that contributes positively to the social and economic development of the regions where we operate.

In addition to these ethical considerations, there are practical benefits. By promoting diversity, inclusion, and non-discrimination, we can attract and retain a more diverse and talented workforce. Furthermore, a Human Rights Policy can help to mitigate legal, financial, and reputational risks associated with human rights violations.

Moreover, a Human Rights Policy can also enhance our relationships with key stakeholders, including customers, investors, regulators, and civil society organisations. By engaging in transparent and constructive dialogue about human rights issues, we can build trust, and credibility.

In 2023, we are committed to developing and implementing a more comprehensive Human Rights Policy that reflects our values, priorities, and obligations under international human rights standards. We recognise that this is a challenging but essential task, and we are committed to working closely with our employees, stakeholders, and partners to achieve our vision of a more just and equitable world.

The Human Rights Policy is in addition to the Nostrum Code of Conduct (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

GRI 2-26

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 98.

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.





Social responsibility



Nostrum seeks to maximise the value we bring to societies by investing in efforts to support economic and community development. 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 well-being of local residents and the communities we operate in.

Over

US\$2.5bn

investments in the country over 25 years

Over

US\$1.1bn

taxes paid since inception

25 years of operations in Kazakhstan GRI 203-2, 413-1

In 2022 we celebrated our 25th year of operations in Kazakhstan. Zhaikmunai is one of the leading employers in north-western Kazakhstan, 92% of all employees are Kazakhstan's nationals. Throughout the years of its operations, the company actively interacted with the local community, providing sponsorship and charitable assistance to various public associations and local communities. In 2022, the company supplied 24.3% of crude oil production to the domestic market and 100% of its produced dry gas to NC QazaqGaz.

Zhaikmunai has paid over US\$1.1bn of taxes since inception to the local and federal government authorities of the Republic of Kazakhstan. Over 25 years, Zhaikmunai has invested more than US\$2.5bn in the country, and its infrastructure is unique to the region providing significant opportunities.

Philanthropy: 2022 key initiatives GRI 413-1

We recognise that we must manage and mitigate any potential risks and impacts associated with our activities to support the communities that may be affected by our operations.

Our charity programs focus on improving the social climate and quality of life of the population, our employees, and their family members.

Throughout 2022, the Company continued to pay close attention to projects aimed at supporting the culture, sports, and educational programs and actively interacting with the local community. In 2022, the Company's external social support expenses amounted to US\$0.9 million and included the following:

Contribution to regional development

- allocated funds for the social development of the region;
- allocated funds to support consumers through the reduction of hydrocarbon gas retail prices;
- provided support on an as-needed basis, such as lending necessary equipment in emergency situations in rural districts on occasions of extreme snow or infrastructure accidents;
- provided transportation to residents to visit medical institutions and to vote in public elections.

Supporting schools

- partially financed the repair of secondary schools in settlements near the infrastructure of Zhaikmunai;
- purchased school supplies for children from low-income families through the nationwide charity event "Road to School".



Social responsibility continued

Supporting culture

- financed socially significant events on the territories of the Company's activities;
- organised New Year's dinner for 25 high-school students from the village of Yanvarcevo including the provision of transportation.

Promotion of sports

- our special emphasis is placed on the development of children's sports, Nostrum sponsoring the participation of talented children in Republican sports competitions. In 2022, our regional athletes recorded impressive victories and took first and third place in various categories in the Shotokan Karate-do World Junior Championships.

Supporting healthcare

- financial support to children in need of medical treatment;
- financial support to the specialised children's preschool institutions for procurement of healthcare facilities and equipment.

Civil duty: Payment to governments

GRI 207-4

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

The Company realises the importance of social partnership between business and society for the sustainable development of the regions of its operation and makes a contribution to ensuring favourable conditions and quality of life in the areas of its core business.

In 2022, a total of US\$31.87 million (in 2021: US\$12.65) was paid to governments by Nostrum and its subsidiaries. We will report on 2023 payments to governments in the first half of 2024. 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

GRI 204-1

Spend with local suppliers

We are committed to partnering with local companies and in 2022 we spent 54.25 % (in 2021, 64%) of our supplier budget with RoK national suppliers. The decrease is caused by higher restructuring fees paid to external foreign consultants.

Environmentally friendly: Liquidation fund contribution

Under the terms of the Chinarevskoye PSA, Nostrum is obliged to accumulate a cash reserve liquidation fund which by the end of the PSA should total US\$12.0 million earmarked for the elimination of environmental consequences of our operating activities. At the end of 2022, US\$8.2 million had been accumulated (2021: US\$7.8 million).

High ethical standards: Anti-Corruption and Bribery Policy

For more information on the Group's Anti-Corruption and Bribery Policy, please see page 98.



Non-financial and Sustainability information statement

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

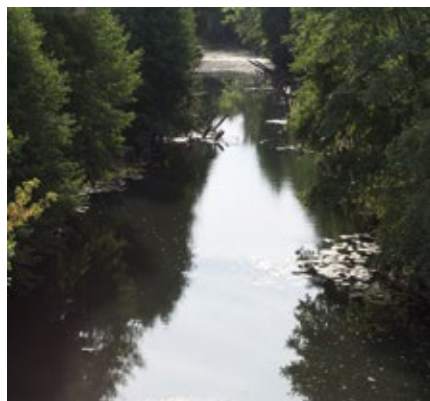
Reporting requirements	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters	Annual environmental objectives Liquidation fund contribution in accordance with the PSA	Environment, pages 70–78 Communities and social review, pages 67–68
Employees	Group Code of Conduct and Human Rights Whistleblowing policy Health and Safety policy	Our people, pages 63–66 Health and safety, pages 57–62 Total Recordable Injury Frequency, page 57
Respect for human rights	Modern Slavery Statement Equality and Diversity Policy	Our people, pages 63–66
Social matters	Sponsorship of community events	Communities and social review, pages 67–68
Anti-corruption and anti-bribery	Anti-corruption and bribery policy Anti-facilitation of tax evasion policy Payments to governments	Communities and social review, pages 67–68 Our Governance Framework, pages 96–98
Description of principal risks	Principal risks and uncertainties, pages 40–44	
Description of the business model	Business model, pages 24–25	
Non-financial key performance indicators	Key performance indicators, pages 26–27 Our strategic priorities, pages 18–20	

TCFD index table

Our expanded TCFD disclosures can be found on the following pages:

TCFD Recommendation	TCFD Recommended Disclosure	Where reported
Governance Disclose the organisation's governance around climate related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	• Page 80
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	• Page 81
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, 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.	• Pages 82–83
	b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	• Pages 83–84
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Pages 84–85
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	• Page 86
	b) Describe the organisation's processes for managing climate-related risks.	• Page 86
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• Page 86
Metrics and targets 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 risk management process.	• Page 87
	b) Disclose Scope 1, Scope 2 and if appropriate, Scope 3 GHG emissions, and the related risks.	• Page 87
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Page 87

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 emissions and waste reduction initiatives. There were no fines or other sanctions against the Group as regards non-compliance with environmental requirements in 2022.

Climate change

Nostrum is aware of the nature and scale of the impact of its activities and correlates them with the importance of efficient use of natural resources, as well as preserving a favourable environment and reducing climate risks.

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 2022 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 the 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.

Current and future technological investment is necessary for Nostrum to continue to detect, monitor and prevent 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;

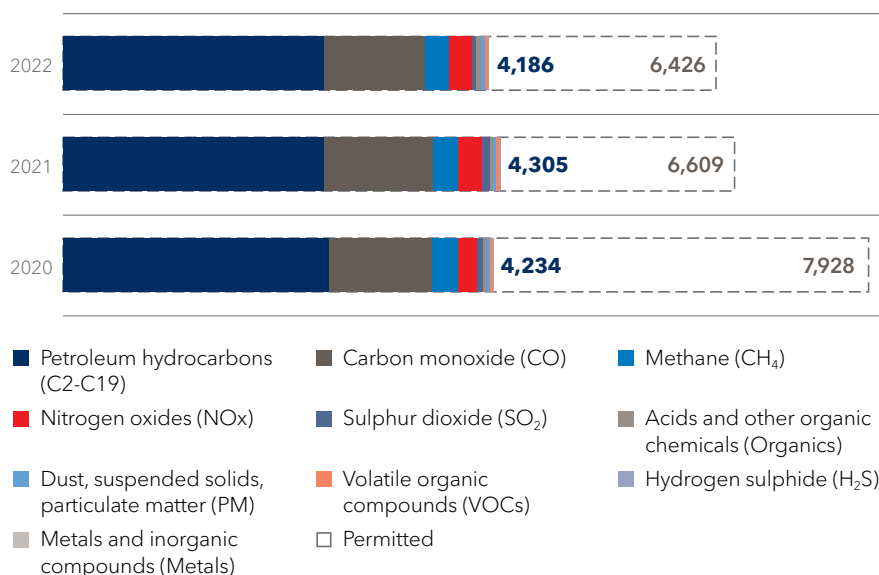
- Use of cross exchangers in all Gas Treatment Units to pre-heat cold streams entering a heated process system by use of heat from hot streams exiting the system and requiring cooling;
- Waste heat recovery system at CGTU-3 – exhaust gases from the compressor units are used for heating the buildings and preheating the utility fluids in the plant, resulting in reduced fuel gas consumption;
- 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 the use of diesel-powered heaters, and;
- 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.

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.

The Board 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 Board is also responsible for the governance, strategies, risk assessment, management systems and KPIs that have been established for climate change and GHG emissions.

AIR EMISSIONS ACTUAL/PERMITTED (TONNES)



GHG emissions reporting approach

GRI 305-1, 305-2

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.

As part of the new RoK regulations on production and emission reporting, in the first half of 2022, Nostrum has started expansion on its "Automated Reporting System" ("ARS") by including approximately 700 "tags" in the process calculations, allowing real time readout of data directly related to process related GHG emissions.

In 2022, the first two of three phases of the ARS were successfully implemented. The third phase is ongoing and predicts the build up and running of full scale live Chinarevskoye field production accounting. GHG module, encompassing monitoring, reporting, verification and mitigation, as well as non-GHG Air Emissions as an integral part of ESG business process are also covered. Modules calibration is expected in Q3 2023. These actions will ensure full compliance and aid the reporting needs when third party gas will be introduced. In this respect, a start was made to modify the Sulphur Recovery Unit, minimising non-hydrocarbon emissions

once the concentration of tail gas will increase due to third party gas intake.

The objective is to improve surveillance, increase transparency, develop a data-driven culture that provides employees with the ability to identify and act on insights, targeting maximum energy efficiency with a minimum carbon footprint through proper monitoring, process digitalisation, further process optimisation.

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 new 2022-2025 Kazakhstan National GHG allocation Plan, 209,803 tonnes of CO₂e were allocated to Nostrum. Our actual CO₂ emissions in 2022 were 165,995 tonnes and our actual GHG emissions in CO₂ equivalent were 169,630 tonnes, which include three other gas types as provided in Table 4 on page 76.

More detailed information on GHG emissions in 2022 are presented on pages 74-77.

GHG EMISSIONS FOR SCOPE 1 & SCOPE 2 (tCO₂e)

2022	169,630
2021	187,479
2020	187,667
2019	223,305
2018	254,715

Future GHG reduction initiatives

GRI 405-1

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 decrease in gas flaring in 2022 relative to 2021 was due to the smaller scope of planned maintenance in 2022 relative to 2021.

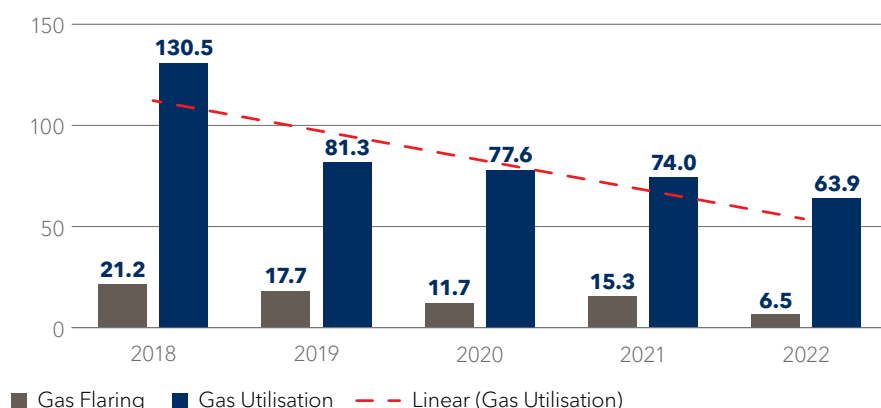
In recent years, the Company has implemented a number of projects which have had a continuous GHG reduction effect, such as:

- Well automation flaring prevention on three wells during processing - 1,983.61 tCO₂ e/year;
- Electric driven LPS compressor instead of fuel gas driven - 1,697.76 tCO₂ e/year;
- Waste Heat Recovery project at GTU-3 with an annual GHG reduction of 2,072 tonnes of CO₂ e;
- Flaring reduction to the minimum due to proper production optimisation management, real time production monitoring and by shutting down the wells during any intervention with annual GHG reduction 4,000+ tonnes of CO₂e.

Environment continued

GAS UTILISATION AND FLARING

(MCM)



The Company is also appraising and investing in the following technologies to assist in the proper identification, accounting, and mitigation/reduction of GHG emissions:

- Fuel gas flowmeters to allow proper quantification and allocation of CO₂ emissions;
- Full asset digitalisation - Integrated production accounting and GHG emission quantification tools that give a holistic view of the entire hydrocarbon value chain as well as forecasting capabilities;
- Several projects that aim reduction of the fuel gas consumption are being evaluated targeting substantial reduction of GHG Emissions and None GHG Air Emissions: Construction of new fuel gas line for Gas turbine TG-101, Installation of a Waste Heat Recovery Boiler for amine regeneration heat and technology line requirements.

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.

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

Nostrum is also considering various additional GHG reduction initiatives for 2023 and future years.

Climate disclosures

In 2022, for the fourth consecutive year, we participated in the CDP (formerly Carbon Disclosure Project), which is a key medium for companies to disclose their environmental impact and risk management, as well as continue to focus on greenhouse gas (GHG) emission reduction strategies.

Our Climate Change response was independently assessed, and in December 2022 Nostrum received an improved "B-" score for the first time since participation in this project. The Water management section was also assessed at "B-". As a result, we met our KPI target for 2022 to get a better score and to move to the Management Band ("B/B-" score) from the previous Awareness Band ("C/C-" score) on Climate change module. 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. In addition, Nostrum with a "B-" score is better positioned than its peers in the oil and gas industry with an average "C" score.



Decommissioning

As per subsoil use legislation all production facilities of the subsoil user and land must be brought to a state that ensures safety life, public health and environmental protection. In addition to this, the consequences activities of subsoil users must be liquidated in the manner prescribed by the legislation of the Republic of Kazakhstan.

Subsoil use objects are liquidated in accordance with the Liquidation Project, developed by a design organisation that has the appropriate license for performance of works and provision of services in the field of environmental protection. All decommissioning measures are specified in a Liquidation Project developed by NIPI Neftegas.

"As a mission-based non-profit that runs the global environmental disclosure system, CDP greatly values the support of Nostrum. Urgent system-wide action remains critical to ensuring that we can limit global warming to 1.5°C, avoid the worst effects of climate change and safeguard our planet's natural resources. Disclosure is the first key step in addressing current and future environmental risks. Nostrum has demonstrated its commitment to transparency around its environmental impacts and strategies for action by disclosing its environmental data through CDP in 2022. Disclosure not only provides the foundation for environmental action, but brings tangible business benefits for shareholders, customers and employees alike."

Dexter Galvin, CDP Global Director, Corporations & Supply Chains, 2022

Waste, water and soil management

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

Nostrum monitors its regulatory obligations on an ongoing basis and has systems in place to track and report against these requirements and commitments by performing regular environmental monitoring of waste, water and soil at the Chinarevskoye field.

Waste management GRI 306-1, 306-3

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 2022, the volume of waste generated at the Company's facilities totalled 2,865 tonnes, consisting of 40 different types of industrial (used filters, cartridges, medical wastes, batteries, etc.) and domestic waste (plastic bottles, used paper), 86% 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	2022
Waste generated, tonnes	21,855	2,151	2,876	2,865
Transferred for processing, tonnes	15,059	1,496	2,699	2,462
Transferred for processing, %	68.90%	69.50%	93.80%	85.93%

Water management

As part of our environmental responsibilities, we are aware of the criticality of water resources in water scarce regions where we operate 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.

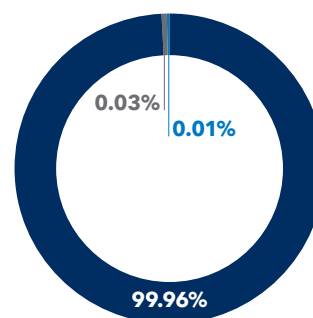
We seek to fully understand and minimise our operational water footprint and manage our activities in a way that protects our shared water resources. We are committed to ensuring good water management is in place at all of our assets and undertake detailed assessments, target setting, monitoring and implementation of corrective actions.

**GRI 303-1,
303-2,
303-3**

Nostrum's water injection requirements are up to 1,200 m3 per day (average injection approximately 900 m3 per day), of which 500-650 m3 per day are injected from formation water production. The deficit is compensated through production from water 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.

WATER WITHDRAWALS - VOLUMES (%) BY SOURCE



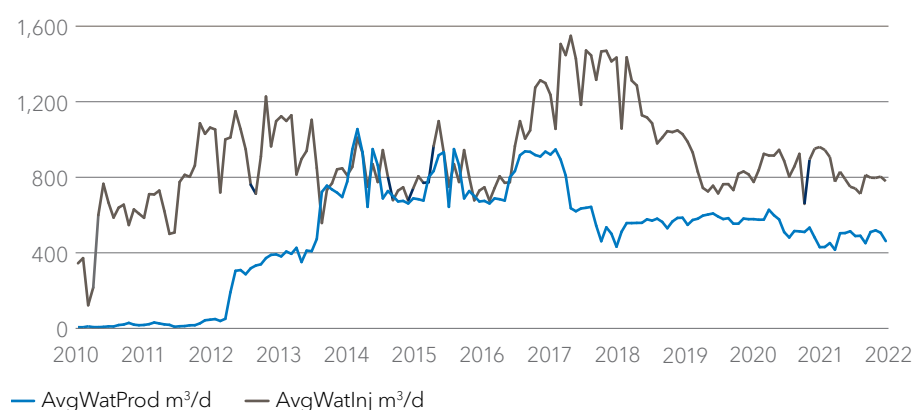
- Recycled processed water
- Dedicated ground water wells
- Rainwater harvesting streams

Water Treatment & Injection System Upgrade Phase I project is in the final stage. Achieved some improvement by modifying injection points of applied chemicals and adding a second water storage tank (less suspended solids in water). Field trials by different vendors are ongoing. In case no substantial improvement can be granted by chemicals dosing than the possible solution and associated costs (as well as approximate improvement of the problem) will be searched in Phase II of the project which will potentially include modification/adjustment of existing vessels/Introduction of new vessels/Re-allocation of different water streams or a mixed solution of these options with different chemicals application.

Environment continued

FORMATION WATER PRODUCTION AND AVERAGE DAILY WATER PROFILE

(MCM)



Wastewater discharges GRI 303-4

Reasonable and careful conservation of the ecosystem with clean water, access to water resources is one of the main factors of sustainable development. The Company's main approach to solving the problem of rational water use is to use water recycling and reuse systems, increasing the degree of wastewater treatment and reducing water abstraction from natural sources.

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 2020-2022

Disposal indices	2020		2021		2022	
	Permitted	Actual	Permitted	Actual	Permitted	Actual
Disposed Sanitary Wastewater, m³	85,775	25,090	85,775	26,188	85,775	26,191
Discharges to ponds evaporators, m³ GTU-1,2,3	84,810	21,398	84,810	22,338	84,810	44,748
Drilling wastewater and associated water, m³	45,900	1,740	45,900	4,573	35,000	2,757

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

Energy and resource efficiency policy and methane emissions management policy

During 2022, the Company issued on its website the "Methane Statement" and developed an "Energy Efficiency report" with short, medium and long term ESG targets. Nostrum continues to review and expand on metrics for reporting environmental, social, and governance (ESG) performance. A set of short/long-term actions with accounted metrics and interim targets has been established in 2022 addressing all areas and entities of energy efficiency improvement.

Based on 2022 approved project list	2023	2024	2025
Projected % reduction of GHG emissions comparing to 2022 baseline*	5%	8%	10%
Projected % reduction of non-GHG emissions comparing to 2022 baseline*	5%	8%	10%
Projected % reduction of waste comparing to 2022 baseline*	8%	12%	15%
Projected % reduction of water use comparing to 2022 baseline*	5%	10%	10%

* Targets are for current CHN operating module only. New strategic projects will have its own targets

Renewable energy use GRI 302-1

In 2022, in accordance with the Rules of Determination of Rate for Support of Renewable Energy Resources (RES), Nostrum purchased 1,580 thousand kWh of electricity from environmentally safe RES for own needs, representing 1.7% of Nostrum's total electricity consumption. The RES are provided by "Settlement and Financial Center to Support Renewable Energy Sources" LLP.

Table 1: Volume and % of renewable energy use

Year	Total energy use, kWh	Renewable energy use, kWh	% of renewable energy use
2018	155,938,801	536,242	0.34%
2019	110,007,715	2,122,070	1.93%
2020	97,611,929	2,064,228	2.11%
2021	93,236,708	2,156,969	2.31%
2022	92,702,024	1,580,212	1.70%

In 2023, we will continue to take action for developing renewable energy sources of energy saving and energy efficiency.

GHG emission results GRI 305-1, 305-2

Kazakhstan signed the Paris Agreement on August 2, 2016 and ratified it on November 4 of the same year. All Parties to the Paris Agreement have their own commitments to reduce greenhouse gas emissions. Kazakhstan has set itself an ambitious unconditional goal – by 2030 to reduce greenhouse gas emissions by 15% from the 1990 level.

Starting from 2021, quotas are based entirely on the application of the benchmarking method. Greenhouse gas emission quotas in the National GHG allocation plan for 2021 were calculated by multiplying the benchmarks by the average value of production for 2017-2019.

In the National GHG allocation plan for 2022-2025 quotas to companies were also calculated entirely by applying the benchmarking method. Carbon credits in the National GHG allocation for 2022-2025 were calculated by multiplying the benchmarks by the average value of production for 2017-2019, considering commitments to reduce greenhouse gas emissions.

The following GHG quotas have been set for Nostrum in a National GHG allocation plan for 2022-2025.

2022	2023	2024	2025
209 803	206 650	203 562	200 495

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.

The Company carried out inaugural works on preparing an analysis and calculations for Scope 3 GHG emissions for one category (category 5 - Waste Generated in Operations) for 2022 (352 tons of CO₂ for one category in 2022). This is the Company's first step in disclosing Scope 3 emissions. Detailed results of Scope 3 calculations on Wastes generated in Operations will be covered in CDP submission for 2022.

 Environment continued
Table 2: Scope 1 GHG emissions subdivided by gas type (tCO₂e)

	2016	2017	2018	2019	2020	2021	2022
Carbon dioxide	195,453	242,276	244,379	213,520	180,527	180,922	165,995
Methane	10,817	10,723	8,436	8,429	6,133	5,614	3,600
Nitrous oxide	1,046	1,305	1,304	1,034	917	903	7
Hydrofluorocarbons	345	28	37	24	28	28	24
Total	207,350	254,332	254,156	223,008	187,598	187,467	169,625

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 3: Scope 1 GHG emissions subdivided by source types (tCO₂e)

	2016	2017	2018	2019	2020	2021	2022
Stationary combustion	195,576	243,001	245,362	214,536	181,403	181,765	166,284
Mobile combustion	758	435	105	89	66	86	112
Fugitive sources	11,016	10,896	8,536	8,359	6,130	5,616	3,229
Total	207,350	254,332	254,003	223,008	187,599	187,467	169,625

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 tCO₂/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 4: Scope 1, Scope 2 and total GHG emissions (tCO₂e)

	2016	2017	2018	2019	2020	2021	2022
Direct energy (Scope 1)	207,350	254,332	254,156	223,008	187,599	187,467	169,625
Indirect energy (Scope 2)	2,263	640	559	297	68	12	5
Total	209,613	254,972	254,715	223,305	187,667	187,479	169,630

Emissions intensity ratio GRI 305-4

Tonnes of CO₂ 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 CO₂e (mtCO₂e) per tonne of oil equivalent (mmboe).

Table 4 shows intensity ratios for total (Scope 1 and Scope 2) emissions in the period 2016-2022.

Table 5: Emissions intensity ratios for total GHG emissions

	2016	2017	2018	2019	2020	2021	2022
Production, tonnes of oil equivalent (toe)	2,156,171	2,088,917	1,878,026	1,520,928	1,186,383	907,648	703,430
tCO ₂ /toe	0.097	0.122	0.136	0.1	0.2	0.2	0.2
Production, mmboe	14.8	14.3	12.9	10.0	8.1	6.2	4.8
tCO ₂ /mmboe	14,193	17,820	19,801	21,434	23,094.8	30,157	35,207

Table 6: Global GHG emissions and energy use data

	2019		2020		2021		2022	
Gross emissions of air pollutants into atmosphere	0.0037		0.0035		0.0048		0.0060	

	Current reporting year 2023		Comparison reporting year 2022	
	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 ₂ e	No data collection	169,625.0	No data collection	187,467.0
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) tCO ₂ e	No data collection	4.9	No data collection	12.2
Total gross Scope 1 + Scope 2 emissions tCO ₂ e	No data collection	169,629.9	No data collection	187,479.3
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	377 037 468.4	No data collection	377 064 532.4
Intensity ratio: tCO ₂ e (gross Scope 1 + 2)/ mmboe	No data collection	35,207.0	No data collection	30,157.0
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.

Environment continued

In-process control, monitoring and health protection

The Company's main priority is the compliance with all RoK legal requirements in the field of environment protection, labour conditions at production facilities and health protection. In this regard, Zhaikmunai exercises in-process control in various fields.

Industrial environmental monitoring (IEM) and control

IEM has been performed under the Industrial Environmental Monitoring Program developed based on requirements of RoK Environmental Code and other environmental regulatory & procedural documents and instructions. The program provides for environmental emissions monitoring and environmental medium impact monitoring of Zhaikmunai operations.

Ambient air sampling Industrial emissions measurements

Ambient air quality study was made in Beles, Sulukol, Chinarevo villages at Chinarevskoye Field sanitary protection zone (hereinafter "CF"), Camp-3, transfer point at Terminal and sanitary protection zone of Oil Loading Terminal.

Water samples were taken from Yembulatovka River, evaporation ponds at GTU-1/2 and GTU-3 and from sewage treatment plant of Camp-3. Soil samples were taken once a year at sanitary protection zone: CF, Oil Terminal, transfer point, Camp-3.

In-process control in canteens

In-process control in Zhaikmunai canteens is performed on a quarterly basis. Samples of cooked dishes, salads, wash-offs and water were taken for bacteriological and chemical analysis. Measurements of lighting, microclimate, noise and ventilation system operation measurements were made at working places. Remedial actions were undertaken to address non-compliance, and exactly – lighting equipment replaced, air conditioners repaired, bactericidal lamp replaced in the water treatment system.

In-process control of labour conditions at production facilities

Air measurement at work space, measurement of lighting, microclimate, noise, vibration, electromagnetic field and power station were made to identify discrepancies at the workplace.

All necessary measurements and investigations at Zhaikmunai LLP facilities are carried out by specialized contractor companies that work on a contract basis and have all permits (accreditation certificate) to perform the above-mentioned works. The results of in-process control are reported to relevant regulatory authorities. Industrial environmental control report is uploaded to electronic environmental portal.

In May 2022, Sanitary and Epidemiological Control Department of Baiterek Region conducted an inspection of catering unit at Oil Terminal. This inspection identified no violations.

No sanitary and epidemiological control inspections were made at the remaining Zhaikmunai LLP facilities in 2022 due to the fact that no violations were identified during inspection in 2021.

Environmental Performance – 2022 Paryz award

In 2022 Zhaikmunai participated in the republican competition on social responsibility of business "Paryz-2022". This competition has been held on the initiative of the first President of the country since 2008.

In accordance with the Rules, the awarding of the titles of laureates of the competition is carried out in the following nominations:

- Best Socially Responsible Enterprise
- The best enterprise in the field of labour protection
- Best Collective Agreement
- For contribution to the environment

In November 2022 the Company received «Paryz» awards including Diploma signed by Mr. President Tokayev on a country level and Diploma from Akim of the West Kazakhstan on a regional level «For Contribution to the Environment» as we have significantly distinguished ourselves in the implementation of environmental programs aimed at improving the state of the environment category.



Taskforce on Climate-related Financial Disclosure (TCFD)

We are fully committed to following TCFD's recommendations and will continue our journey of continuous improvement of disclosures and reporting on how climate-related risks can impact Nostrum's operations and how our strategies and mitigating plans evolve to ensure we maintain a sustainable business in line with the stakeholders' expectations.

TCFD Statement

We are working towards making our climate-related financial disclosures fully compliant with the TCFD Recommendations and Recommended Disclosures and hence compliant with FCA Listing Rule 9.8.6R (8).

We have made below 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 to report in the 2023 Annual Report & Accounts.

When making assessments and preparing disclosures we have considered whether particular issues and related information may influence the economic decisions of the stakeholders. Such approach is in line with guidance and recommendations provided by TCFD in relation to materiality of information. Furthermore, the process of assessment of risks and their potential financial impact involved use of judgements and estimates, which we believe are consistent with the TCFD Recommendations and Recommended Disclosures.



Governance

TCFD recommendation: Disclose the organization's governance around climate related risks and opportunities.

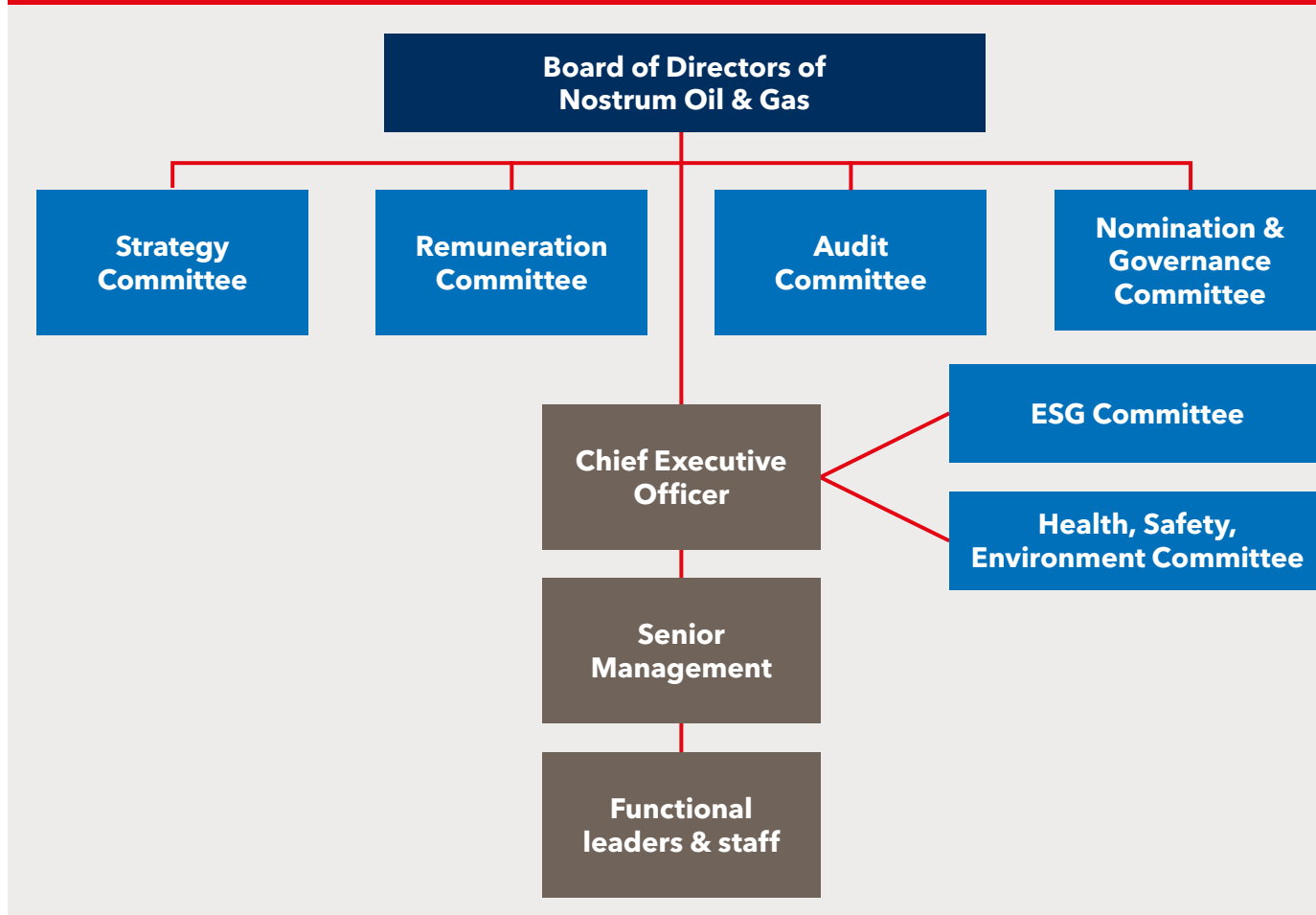
[▶ Read more about our governance on pages 88-127.](#)

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

The table below sets out some examples from where the Board and its committees considered climate-related issues in 2022 and 2023 to date:

Forum	How climate-related matters have been considered
The Board	The Board and its associated committees, including the Strategy, Audit and Nomination and Governance Committees, (and Health, Safety, Environment and Communities Committee in 2022) 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 by the Board and committees. Monitoring and performing management The Board recognises that there may be potential financial implications in the future from changes in legislation and regulations intended to address climate change risk. In relation to these matters the Board also: • Reviews material issues and principal risks, including climate change indicators; • Sets general policy related to climate risks and opportunities, identifies where further actions are required and delegates authorities accordingly. This includes progress on emissions reduction, general environmental performance, developments in climate-related regulation and cost impacts; • Approves material issues and principal risks, including climate change indicators and progress against those KPIs monitored. Risk Management 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 40-44. 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 climate-related risks and other ESG matters. Capital or operating expenditure Significant capex or operating expenditures are also considered from the perspective of their climate-related impact.
Audit Committee	Following areas of the Audit Committee responsibilities are relevant for the climate-related matters: • Oversight of management's process for identifying ESG risks and internal controls processes to ensure the accuracy and completeness of ESG information; • Monitoring of the performance against agreed and defined KPIs in respect of the Group's ESG financial reporting disclosures and seeking independent assurance on behalf of the Board, where appropriate; • Review of the Company's disclosures in the annual report in relation to the TCFD Disclosures and climate-related emerging risks.
Strategy Committee	Emerging risks are identified, assessed and monitored at the HSE and ESG Committees led by CEO, and further escalated by CEO to the Strategy Committee of the Board, where necessary. Annual KPIs relating to climate change and emissions targets are approved by the Board and progress against those KPIs monitored. The newly established Strategy Committee is responsible for advising the Board on short-term, medium-term and long-term strategic decisions of the Company, including: • Assessing the corporate and strategic performance of the Company and its subsidiaries, and forming a wide view on the adequacy of progress made in achieving strategic objectives and outcomes, and of the systems to measure, monitor and deliver on them. • Supporting the Board and Senior Management in formulating the overall strategy for the Company, with particular emphasis on horizon scanning, priorities, activities and outcomes. • Considering reports on overall performance in respect of the achievement of the objectives and outcomes contained within the Corporate Strategy. • Engaging in discussions with the Board on the development, content and review of strategic plans stemming from the Corporate Strategy. • Reviewing determined KPIs to assess performance with respect to the Group's strategy; • Reviewing and approving the Business Plan and Budget for the Company and its subsidiaries for each financial year and recommending for approval by the full Board.

Climate Change Organisational Structure



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

Until the end of 2022, the Health, Safety, Environment and Communities Committee provided a deep-dive in HSEC areas (including climate change) to the Board. Since the restructuring completed in 2023, the newly formed HSE and ESG committees on the level of Senior Management have responsibility for ESG related matters including climate-change related issues and execution of ESG-related targets and projects. Both committees are sponsored and chaired by the Chief Executive Officer, with meetings held prior to each Board meeting. Members of the Board have standing invitations to attend the HSE and ESG Committee meetings.

The Chief Executive Officer reports at Board meetings on HSE and ESG matters including performance against climate-change related KPIs. The Chief Operating Officer is responsible for day-to-day operations, including the identification and evaluation of climate-related risks and opportunities. The Group Head of QHSE is responsible for the day-to-day management of HSE matters including climate-change related risks. Both the Chief Operating Officer and Group Head of QHSE report directly to the Chief Executive Officer.

The Chief Executive Officer, Chief Operating Officer and Group Head of QHSE together with appropriate operational staff meet at least eight times a year at HSE Committee meetings. The HSE Committee monitors all HSE matters

including those relating to climate-change, monitoring and reducing emissions, progress against KPIs, water and waste management, compliance with RoK statutory emissions, the climate-related impact of any significant capex or operating expenditure and identifying and agreeing on a course of action on climate-related initiatives, including energy reduction/transition, emission management and prevention of unnecessary flaring. The HSE Committee 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 Committee drive climate related KPIs proposed by management to the Board.

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.

 [Read more about our strategy on pages 18-20.](#)

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

The following table outlines the climate-related risks (transition and physical) and opportunities identified as relevant to Nostrum. The impact of these risks and opportunities in the short, medium, and long term horizons is indicated in the table.

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 as emissions targets which 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 limit Nostrum's 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 region. - 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

For the purpose of TCFD reporting the Board and Senior Management Team define time horizons as the following:

Short term: four-year period to the end of 2026 as defined by a business plan covering the period of the debt post-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 2032. 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 O&G processing 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, we 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 extreme negative events.

Policy and legal risks which Nostrum is facing, similar to 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 can result from pressure to invest 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 offtake relationships 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 and may 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 organization's businesses, strategy, and financial planning.

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 cognizant 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.

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

Strategy continued

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. For 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 these 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 2022, we estimated the financial impact of several of the transition and physical risks outlined above. Our ambition is to upgrade the climate disclosure area and CDP rating for our Climate Change response and Water. Based on the results of the disclosure of data on the use and conservation of water resources the CDP climate rating has been improved to "B-" in 2022 from "C" in 2021, which is in line with the global industry indicator.

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

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 Viability Statement sections where we consider the resilience of our strategy in the short term pursuant to the SDS. Following outlines our 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 CO₂ 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 10% in the next three years. - Compliance cost increase of \$2 million per annum to account for breaches in sulphur requirement (estimate).
- Efficiency and emissions standards that prevents the refurbishment of old inefficient fossil fuel plants - Stringent pollution emissions limits	5% higher operating expenses and 5% higher capital expenses assumed for upgrade works and ongoing maintenance to make Nostrum's facilities efficient. \$2 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 CO₂ emissions reduction measures in buildings	5% 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	5% reduction in sales volumes as: - LPG sales are delayed due to renting / purchasing emission compliant vehicles for transportation. - 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.

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 further assessment of these specific policy measures and the likely quantitative impact to our strategy across all time horizons in 2023. Our 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 reporting.

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 45–46 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 if there are significant changes in the wider global environment. In this context, the Company notes new strategy as a mixed-assets energy company which encompasses strategic initiative of becoming a mid-stream operator by processing stranded raw gas streams in the region.

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;

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

Nostrum has a robust governance structure through which climate-related risks are identified and managed. Specifically, the ESG and HSE Committees are the conduit through which climate-related risk management is enacted. The ESG and HSE Committees operate under the principle 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.

The ESG and HSE Committees oversee 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 Chief Executive Officer 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 43) thus allowing the ESG and HSE Committees 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.

 [Read more about our risk management on pages 38-39.](#)



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.

Nostrum uses several metrics across the transition and physical risks spectrum to assess climate-related risks. For climate change our key risk metric is focusing 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 electricity replacing diesel for heaters, boilers and other devices.

Management of climate change-related risks and opportunities is 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 will 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.

In the Environment (GHG Emissions Results) section of this report, we disclose our Scope 1 and Scope 2 GHG emissions.

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 recognise that the majority of emissions from oil and gas products come from their end use, which is why, for the first time this year, we carried out the works on preparing an analysis and calculations for Scope 3 GHG emissions for one category (category 5 – Waste Generated in Operations) in 2022. The amount of Scope 3 emissions for one category (category 5 – Waste Generated in Operations) totalled 352 tons of CO₂ in 2022. This is the Company's first step in disclosing Scope 3 emissions. Detailed results of Scope 3 calculations on Wastes generated in Operations will be covered in CDP submission for 2023.

In 2022 the Company reported its emissions in the amount of 169,625 tCO₂e for Scope 1 and 5 tCO₂e for Scope 2. For more information, please see pages 74-77 in the Strategic Report.

With focus on reduction of 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 is also placed on reducing emissions from business and commuting travel.

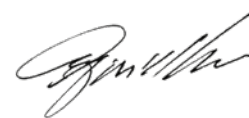
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

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 2022 was 209,803 tonnes of CO₂, Nostrum set a goal of 5% year-on-year reduction of actual CO₂ in 2022. This target was met. The actual GHG emissions amounted to 169,630 tonnes GHG emissions in CO₂ equivalent or 10% lower in 2022 compared to 2021. For more information, please see pages 74-77.

Furthermore, Nostrum continues to provide transparent disclosure and obtained its first ESG rating in 2022. In 2023 Nostrum plans to strengthen its ESG strategy around gas and cleaner energy mix to further improve the rating.

We accept that the Group is on a journey towards net zero and will report through interim targets in forthcoming years. We intend to be part of the solution for Kazakhstan's strategy to transition to cleaner energy and achieve carbon neutrality by 2060.

This strategic report is approved by the Board.



Arfan Khan
Chief Executive Officer

30 May 2023

Introduction to corporate governance

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 90–92.

The Board establishes the company's purpose, values and strategy, and satisfies itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. See pages 63–66.

The Board ensures that the necessary resources are in place for the company to meet its objectives and measures performance against them. The Board also establishes a framework of prudent and effective controls, which enable risk to be assessed and managed. See pages 38–39.

In order for the company to meet its responsibilities to shareholders and stakeholders, the Board ensures effective engagement with, and encourages participation from, these parties. See pages 22–23 and 93.

The Board ensures that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce is able to raise any matters of concern with the Board. See pages 63–66.

Section 2: Division of responsibilities

The chair leads the Board and is responsible for its overall effectiveness in directing the company. The chair demonstrates objective judgement and promotes 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 pages 96–98.

The Board includes 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 is a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business. See pages 96–98.

Non-executive directors should have sufficient time to meet their Board responsibilities. They provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. See page 96–98.

The Board, supported by the company secretary, ensures that the company has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. See pages 96–98.

Section 3: Composition, succession and evaluation

Appointments to the Board are 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 97–98.

The Board and its committees 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 98 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 93.

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 until 31 May 2022, when the Company's listing category was transferred from "Premium Listing (commercial company)" to "Standard Listing (shares)". 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. The Company intends to continue to comply with the Code or explain any non-compliance as it would if it were still premium listed. This statement should be read in conjunction with the Corporate Governance section of this report as a whole. The headings on this page and the following page correspond to the headings in the Code.

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 99-105.

The Board presents a fair, balanced and understandable assessment of the company's position and prospects. See page 127.

The Board establishes 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 pages 38-39.

Section 5: Remuneration

Remuneration policies and practices are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to company purpose and values, and clearly linked to the successful delivery of the company's long-term strategy. See pages 107-122.

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director is involved in deciding their own remuneration outcome. See pages 107-122.

Directors exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See pages 107-122.

Statement of compliance

Nostrum fully complied throughout 2022 with the provisions of the 2018 version of the UK Corporate Governance Code except in the following respects:

Provision 21

Due to the restructuring, no formal evaluation of the Board or any of its committees took place in 2022.

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

GRI 2-9



S **N**

Stephen Whyte

Chairman and Non-Executive Director

Date of appointment: 14 February 2023

Other current appointments:

- Independent Non-Executive Director at Beacon Energy

Skills and experience:

- 35 years of total industry experience at Shell, BG and Galp.
- Seasoned FTSE and AIM Chairman and Non-Executive Director in the global energy sector with direct experience in Kazakhstan.
- Chairman at Genel Energy (2017-2019).
- Chairman at Sound Energy.
- Non-Executive Director at Echo Energy.
- Non-Executive Director at JSC National Company KazMunaiGas.



N **A** **R**

Chris Cox

Independent Non-Executive Director

Date of appointment: 14 February 2023

Other current appointments:

- Director and the interim CEO of Capricorn Energy PLC

Skills and experience:

- 40 years of experience in the global oil and gas upstream sector.
- Having held various senior roles with BG Group, Amerada Hess, and Chevron throughout his career, Chris served most recently as CEO of Spirit Energy and Managing Director of Centrica Plc.
- Advisory experience includes serving as Non-Executive Chairman of Kellas Midstream from 2015 to 2020



A **N** **R**

Fiona Paulus

Independent Non-Executive Director

Date of appointment: 14 February 2023

Other current appointments:

- Senior Adviser in the Metals & Mining business at Gleacher Shacklock LLP
- Non-Executive Director at Interpipe Group and JSW Steel Limited

Skills and experience:

- 37 years of investment banking experience.
- She has held senior roles at leading international investment banks. These include Head of International Investment Banking at CIBC, EMEA Head of Private Equity & Infrastructure Funds at Royal Bank of Scotland, Global Head of Energy and Resources at ABN AMRO Bank, and various senior roles at Societe Generale, JPMorgan & Citigroup in the UK, Europe, Australia, and Latin America.

Board committees

- A** Audit Committee
- N** Nomination and Governance Committee
- S** Strategy Committee
- R** Remuneration Committee
- Chairman/Chairwoman



R A N

Chris Hopkinson

Independent Non-Executive Director

Date of appointment: 14 February 2023

Other current appointments:

- Non-executive Chairman of Enwell Energy
- interim Executive Chairman of IGas Energy
- founder of Astra Resources Management and Antelopus Energy

Skills and experience:

- 35 years of experience in the global oil and gas and energy sectors.
- Technical and management roles with Yukos and Lukoil Overseas.
- Chief Executive Officer of Imperial Energy Group.
- Vice-President Western Siberia for TNK-BP.
- Senior Vice-President North Africa for BG Group.
- Chief Executive Officer of International Petroleum Limited.
- Chief Operating Officer for JSC National Company KazMunaiGas.



N R S

Martin Gudgeon

Non-Executive Warrant Director

Date of appointment: 14 February 2023

Other current appointments:

- Partner and Chairman of the EMEA & Asia Restructuring and Special Situations Group ("RSSG") at PJT Partners
- Member of the firm's RSSG Operating Committee

Skills and experience:

- 35 years of industry experience.
- Senior Managing Director at Blackstone for eight years.
- Chief Executive and Head of Restructuring at Close Brothers Corporate Finance.
- Non-Executive Director at Genel Energy.



Arfan Khan

Chief Executive Officer

Date of appointment: 26 January 2021

Other current appointments:

None

Skills and experience:

- 35 years of total industry 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.

Former members of the Board of Directors



Atul Gupta

Executive Chairman

Term of service: from 19 May 2014 to 14 February 2023

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.



N A R

Sir Christopher Codrington, Bt.

Independent Non-Executive Director

Term of service: from 19 May 2014 to 14 February 2023

Other current appointments:
None

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.



A H N R

Martin Cocker

Independent Non-Executive Director

Term of service: from 16 November 2017 to 14 February 2023

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.



H R A N

Kaat Van Hecke

Independent Non-Executive Director

Term of service: from 31 December 2016 to 14 February 2023

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.

Board committees

- A** Audit Committee
- N** Nomination and Governance Committee
- S** Strategy Committee
- R** Remuneration Committee
- Chairman/Chairwoman

Board activities and achievements during 2022

During the financial year, the Board held 11 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 2022 financial year but should not be regarded as an exhaustive list. More information regarding the Group's strategic objectives and focus during 2022 can be found in the Strategic Report on pages 1-87 and the more detailed activities of each Board committee are located in their relevant report.

Strategy and business focus	- Worked towards the completion of the 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 Steponoy Leopard. - Approved a targeted well workover and intervention programme.
Risk	- Review of all interim financial results announcements and the 2021 Annual Report and Accounts. - Consideration of the Group's going concern assessment, viability statement and risk appetite for the coming year. - Reviewed the Group's liquidity forecast at each board meeting.
Governance	- 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 new and updated Group policies.
People and culture	- Monitored the preventative measures being taken to protect employees and contractors from COVID-19. - Engaged with Sustainalytics in order to improve the Company's ESG ratings.

Board evaluation

Much of the Board's effort and attention in 2022 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.

No formal Board evaluation took place in 2022 (the last 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 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 2022

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	11	11	–	–	–	–	–	–	–	–
Arfan Khan	11	11	–	–	–	–	–	–	6	5
NON-EXECUTIVE DIRECTORS										
Kaat Van Hecke ²	11	11	10	10	3	3	6	6	6	6
Martin Cocker ³	11	11	10	10	3	3	6	6	6	6
Sir Christopher Codrington Bt. ⁴	11	11	10	10	3	3	6	6	–	–

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

B = Total number of meetings the Director did attend.

1. Mr Gupta was the Executive Chairman of the Board of Directors until 14 February 2023.

2. Ms Van Hecke was Chairwoman of the Health, Safety, Environment and Communities Committee and Chairwoman of the Remuneration Committee until 14 February 2023.

3. Mr Cocker was the Chairman of the Audit Committee from 13 July 2022 until 14 February 2023.

4. Sir Christopher Codrington Bt. was the Chairman of the Audit Committee until 13 July 2022 and the Chairman of the Nomination and Governance Committee until 14 February 2023.

Senior management team



Arfan Khan
Chief Executive Officer

(See biography of Arfan Khan on page 91).



Ulugbek Makhmadiyarov
Head of Finance



Robert Tinkhof
Chief Operating Officer



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



Abi Zivs
Director of Marketing



Askhat Seitkazin
Deputy General Director of Zhaikmunai LLP

Skills and experience:

- Appointed as Deputy General Director of Zhaikmunai LLP in March 2022.
- 2013-2015 held position of PR manager at Zhaikmunai LLP.
- 2015-2022 Head of PR department Zhaikmunai LLP.
- Graduate of the Institute of International Law&Economics (Moscow) with a specialisation in Financial and Enterprise Management

Skills and experience:

- Leading the finance function since 1 October 2022.
- Chartered accountant with over 17 years of experience in business and professional services.
- Held various roles within Nostrum Finance team from 2014, including leading accounting & reporting, internal audit and risk management. Prior to joining Nostrum developed his career at Ernst & Young in Uzbekistan and Kazakhstan, managing audits of large international companies including listed entities.
- Holds Master's and Bachelor's Degrees from the University of World Economy and Diplomacy
- Fellow member of ACCA (since 2014) and Certified Internal Auditor (since 2015)

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.

Skills and experience:

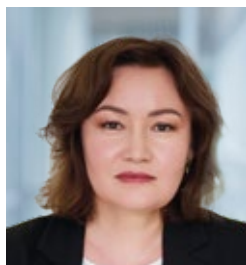
- Appointed as General Counsel of the Nostrum Group on 5 September 2008, as Company Secretary of Nostrum Oil & Gas PLC on 3 October 2013 and as Acting Head of Human Resources on 13 January 2020.
- More than 30 years of post-qualification experience, including 16 years with the law firm White & Case LLP, 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 University of 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.

Skills and experience:

- Appointed as Head of Marketing on 4 February 2022.
- 2017-2022 held position of LPG and sulphur sales manager with Zhaikmunai LLP.
- More than 28 years' experience in shipping and selling hydrocarbons in Latvia, Kazakhstan and Turkey
- Graduate of Latvian State University, Faculty of Physics and Mathematics



Zhomart Darkeyev
General Director of
Zhaikmunai LLP



Gulnara Shadeyeva
Head of HR in the RoK



Daulet Tulegenov
Group Head of QHSE



Melody Pinet
Head of HR outside
the RoK



Natalya Dibe
Head of ESG

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.

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.

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.

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.

Skills and experience:

- Appointed as Head of Budgeting and Control of Zhaikmunai LLP in January 2020.
- In 2014-2020 held position of financier in budgetary control with Zhaikmunai LLP.
- More than 18 years of post-qualification experience, including 9 years with one of the largest banks in CIS – Kazkom (currently Halyk) primarily in control and compliance.
- Holds a Bachelor's degree in Accounting and Audit, and in Oriental Studies from the Eurasian Academy, Master of Business Administration degree from the Russian Presidential Academy. Executive Master in Public Management degree from the Russian Presidential Academy is in progress.
- Certified in Project Management (IPMA), and in ESG from University of Pennsylvania and London Reporting Academy.
- Participant and semifinalist of the management competition Leaders of Russia in international track in 2020 and 2021.

Former members:

Shane Drader

Chief Financial Officer from 30 August 2021 to 30 September 2022

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 "KazMunaiGas". 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.

Arkadi Epifanov

Chief Commercial Officer from 13 January 2017 to 3 February 2022

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.

Our governance framework

as at 24 February 2023

The Board				
The Board is chaired by Stephen Whyte as from 14 February 2023. 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.	Independent Non-Executive Directors¹ Responsible for bringing an external perspective, sound judgement and objectivity to the Board's decision-making. Scrutinise management performance and constructively challenge strategy.	Non-Executive Warrant Director Responsible for giving or withholding approval to certain matters set out in the warrant instrument.	
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.	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.	Remuneration Committee Reviews and recommends to the Board the executive Remuneration Policy and determines the remuneration packages of the Directors.	Strategy Committee^{2,3} Assists the Board to fulfil its responsibilities in relation to strategy.	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.
Chairwoman: Fiona Paulus See page 99 for Committee Report.	Chairman: Chris Cox See page 106 for Committee Report.	Chairman: Chris Hopkinson See page 107 for Committee Report.	Chairman: Stephen Whyte	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.	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: Ulugbek Makhmadiyarov	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).	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.	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.	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.	
Head: Thomas Hartnett	Head: Abi Zivs	Head: Daulet Tulegenov	Acting Head: Thomas Hartnett	

1. Since 24 February 2023, no Director has been appointed as Senior Independent Director.

2. The Strategy Committee was formally created on 24 February 2023.

3. The Health, Safety, Environment and Communities Committee was at the Board level in 2022. In early 2023, new Senior Management level HSE and ESG committees were formed. Both committees are chaired by the Chief Executive Officer.

Board policies and governance arrangements

GRI 2-23

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 pages 96–98. 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 from 30 September 2020 to 25 January 2021, the roles of Chairman and Chief Executive remained separate, with each having distinct and clearly defined responsibilities, as summarised in the Board structure diagram. Mr Gupta's role as Executive Chairman was to guide, advise, counsel and assist the Chief Executive Officer in overseeing the Company's implementation of its strategy. The Chief Executive remained responsible for line management of his direct reports and implementation of the Company's strategy.

The Company's Chairman as from 14 February 2023, Stephen Whyte, is a non-executive director who also chairs the Company's Strategy Committee.

The Chief Executive Officer is also a member of the Strategy Committee and his 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 other than the Chairman and Martin Gudgeon to be independent within the meaning of this term as defined in the Code.

Equality and diversity

GRI 405-1

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.

As at 14 February 2023 the Company has 17% 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.

On 7 December 2017, the Board approved its Equality and Diversity Policy, to which the Company continued to adhere throughout 2022. Clarificatory amendments were made to the Company's Equality and Diversity Policy on 14 September 2022.

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).

During 2022, special attention and significant efforts were focused on the promotion of equality and diversity throughout our organisation. We are only at the beginning of a long-term project for our company, but take-off was achieved in 2022 and efforts to raise awareness of the richness of our differences will only increase in the coming years. The following are the steps that have been taken in 2022 to implement this policy:

- Communicating the important concepts of diversity and inclusion through the provision of informative material in the workplace as well as a point of reference for any questions related to this subject.
- Distribution of monthly newsletters to all company employees with a reference person for any desired interaction on the topics developed in the newsletters.

Our governance framework continued

- The topics that have been addressed this year to understand the vocabulary and concepts specific to diversity and inclusion are:
 - An introduction and explanation of the project and the values of the company.
 - Explanation about the concepts of Diversity and Inclusion
 - Distinction of the concepts of Equity and equality
 - Presentation of bias and stereotypes concepts
 - Identification of discrimination and prejudice
 - Implications of disabilities at work
 - Consequences of sexism at work
 - Apprehension of the concepts of culture, cultural differences, Lewis's model, corporate culture
 - Explanation of the concepts of intercultural communication, cultural competence, communicative competence
 - Analysis of the concept of microaggression
- Distribution of quick tests on the subjects covered in the newsletters as well as the sharing of the results anonymously to improve understanding and be able to clarify any misunderstanding if necessary.
- Also distribution of questionnaires with open questions to give everyone the opportunity to express themselves, to share an experience anonymously, to suggest ways of improving the work environment and to increase awareness and sensitivity to the considerations of diversity and promote interaction on various D&I topics.
- We engaged employees in the production of a video which was then distributed to all on the importance of D&I and the specific journey the company is taking in this regard.
- Our Senior Management Team had a first tailor-made workshop on Diversity and Inclusion - Intercultural competence to learn how to create an inclusive workplace and how to make equity, diversity and Inclusion the responsibility of all leaders & managers of our company.
- Guidelines were distributed to advise and help employees to create and sustain a pleasant, friendly and full of respectful work environment.

- We also commit with the broader community on social media by fostering diversity and inclusion. We trust that these communications help to create a more inclusive environment.

Conflicts of interest

GRI 2-15

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 2022 these procedures were enforced and adhered to appropriately.

Appointment and tenure

All Executive Directors have service agreements with the Company. 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

GRI 2-23, 205-1, 205-3

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 2022.

Steps were taken in relation to training on anti-corruption policies in 2022.

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 66.

One whistleblowing activity was reported in 2022 and was resolved to the satisfaction of the Audit Committee.

Clarificatory changes were made to the Code of Conduct on 31 March 2022, to the Whistleblowing Policy on 13 July 2022 and to the Anti-Corruption and Bribery Policy on 20 October 2022.

A new Political Involvement Policy was adopted on 20 October 2022.

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.

Training on the anti-facilitation of tax evasion policy was undertaken in 2022.

Audit Committee report

Role and responsibilities of the Audit Committee

The key areas of responsibility of the Committee during 2022 were as follows:

- Review the Group's audited annual report 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.

The key areas of responsibility of the Committee with effect from 26 April 2023 are unchanged from those applying in 2022.

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

Membership as at 31 December 2022

Sir Christopher Codrington, Bt.	Member from 19 May 2014 to 14 February 2023; Chairman from 8 May 2017 to 3 June 2019 and from 1 April 2020 to 13 July 2022.
Martin Cocker	Member from 16 November 2017 to 14 February 2023. Chairman from 4 June 2019 to 1 April 2020 and from 13 July 2022 to 14 February 2023.
Kaat Van Hecke	Member from 8 May 2017 to 27 January 2020 and then from 8 October 2020 to 14 February 2023.

All members of the Audit Committee during 2022 were considered to be independent Non-Executive Directors.

Membership as at 24 February 2023

Fiona Paulus	Committee Chairwoman from 24 February 2023; Member from 24 February 2023
Chris Cox	Member from 24 February 2023
Chris Hopkinson	Member from 24 February 2023

All members of the Audit Committee from 24 February 2023 are considered to be independent Non-Executive Directors.

The qualifications presented in the biographies of the members of the Committee on pages 90-92, and their respective contributions to the activities of the Committee, demonstrate that the Committee has the necessary levels of competence in oil & gas upstream and downstream operations and in accounting and auditing, as well as recent and relevant financial experience.

Meetings in 2022

The Committee meets normally a few days in advance of each board meeting. The Group's senior financial officer, the Chief Legal Officer and the Company Secretary are invited to all meetings with the external auditor being invited when appropriate. The Committee held ten formal meetings during 2022 and the attendance of each Committee member at meetings of the Committee is shown on page 93.

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

Meetings in 2022	Agenda item
February	Cost pressures. Significant area of judgement in the 2021 financials. Annual report preparation. Auditor selection. Confirmation of date of AGM.
March	Audit status. Significant accounts judgements. Audit process and key dates. Auditor selection.
April	Approval of 2021 accounts and reports. Related party transactions.
Early May	Approval of 2021 accounts and reports.
Late May	Preparation for upcoming Board meeting.
July	Investor Relations. ESG rating. H1 financial statements
August	Renew of H1 Financial Statements. Risk management. Audit tender.
September	Risk management. Auditor selection.
October	Risk management. Timing of Q3 Financial Statements. Auditor selection.
November	Q3 Financial Statements. Risk management. Auditor selection.

Key Matters for 2022 Annual report and Accounts highlighted by the Financial Reporting Council (FRC)

In October 2022, the Corporate Reporting Review ('CRR') team of the FRC highlighted a number of key matters for the 2022 financial reporting season. The main points are:

- We are living in a period of heightened uncertainty: rising inflation, prolonged conflict in the Ukraine as a result of Russian invasion, sanctions applied on Russian infrastructure, state and other businesses, banks and individuals following the start of the Russia-Ukraine conflict, slowing economic growth, an energy crisis, increasing interest rates, stresses in supply chains, disruptions in transactions with certain customers and suppliers as a result of sanctions, labour shortages, and changes in consumer behaviour are just some of the challenges businesses are currently facing. In such times, some areas of financial reporting may pose particular challenges, for example, disclosures of judgements and estimation uncertainty, measurement of the impairment of assets, going concern and viability assessments, and measurement of provisions. Therefore, companies need to assess and clearly articulate the impact of these risks on their strategy, business model, viability and going concern assessments, ensuring consistency across the annual report and accounts.
- The correct classification of items within the cash flow statements, especially:
 - Reported cash flows are consistent with amounts reported elsewhere in the annual report and accounts;
 - Non-cash items are excluded from the statement and adjustments for material non-cash transactions are disclosed;
 - The classification of cash flows, cash and cash equivalents comply with relevant definitions and criteria in the standard;
 - Cash flows are not inappropriately netted; and
 - The parent company cash flow statement (where provided) complies with the requirements of the standard.

In respect of these matters, the Committee has placed increased focus on any non-standard items within the cashflow statement, particularly those items associated with the forbearance agreements, and the costs associated with the restructuring exercise that has been ongoing throughout 2022.

- Clear accounting policies and disclosures surrounding financial instruments, particularly disclosures of expected credit loss provisions and liquidity risk disclosures, around financing arrangements and covenants. The Committee notes that in this regard the Group has very few financial instruments other than the loan notes, and in this regard, the Committee believes that there is extensive and clear disclosure.
- Clear disclosure concerning income taxes. In particular, care should be taken in disclosing the evidence supporting the recognition of any deferred tax assets, including significant accounting judgements and sources of estimation uncertainty. In addition, the CRR note that tax-related disclosures should be consistent throughout the annual report and accounts, with material reconciling items in the effective tax rate reconciliation adequately explained.
- Continued focus on the requirement to comply-or-explain to the Listing Rules based on the recommendations of the Taskforce for Climate-related Financial Disclosures.

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

No formal review of the Committee's performance and effectiveness was made in 2022.

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 an informal ad hoc group of noteholders (the "Ad Hoc Group" or "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 2022 was its continued viability as a going concern.

Throughout 2022, the Group was in discussion, through its advisers, with the AHG concerning the restructuring of the Existing Notes, and with various authorities concerning the issuance of the licences required to complete the restructuring because a small proportion of existing bondholders are sanctioned entities. The Committee remained confident that the few matters that were causing delay were very likely to be resolved successfully. The restructuring was completed on 9 February 2023.

Therefore, during 2022, the Committee 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 which can be executed in the necessary timeframe and which will protect liquidity. Our cash flow in 2022 continued to be positive. The Group continues to challenge expenditures to identify reductions in operating costs and general and administration costs which can be implemented without having an impact on forecast production in the going concern period of assessment;
- Oil prices have generally been buoyant in 2022 despite heavy discounts for Urals crude. In 2022, we also spent significant time renegotiating our gas price to a more beneficial level;
- 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; 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 2024, 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
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. 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 at various stages during as a response to Russia's continuing 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.	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.	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 sanctions on the operations of the Group. In particular, the Committee has monitored the actions being taken by management to mitigate the reduction in income caused by the significant discount being applied to Urals blend crude versus the Brent marker price, including identifying alternative export routes.	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 sanctions were not affecting marketing of our product or operations.	The Committee considered the impact of sanctions on the financial statements at the same time as it scrutinised the application of the going concern basis for the preparation of the quarterly, half-yearly and annual financial statements.
NON-CURRENT ASSETS' CARRYING VALUES			
For impairment analysis, management used judgement and determined a single cash-generating unit (CGU) within the Group's non-current assets, which includes all assets related to Chinarevskoye, and exploration fields and gas treatment facilities.	Estimations of the recoverable amount of the CGU were prepared by management based on the discounted cash flow model using significant assumptions as well as considering the value of the enterprise.	Assumptions used in estimating recoverable amounts included future commodity prices, oil and gas reserves, future production profiles, operating expenses and capital expenditure estimates, fiscal regimes, and discount rates. Enterprise valuation considered the market value of the Group's bonds and the Company's shares together with the restructuring proposals under discussion.	Changes in the key assumptions and market valuations may significantly affect the estimation of the recoverable amount of non-current assets, and consequently may result in impairment of non-current assets in the future periods.
Committee actions			
The Committee concurred with management's position in determining a single CGU for the majority of the Group's non-current assets.	The Committee reviewed the detailed reports on impairment testing prepared by management. The Committee agreed with management's approach in using a combination of a discounted cash flow model and enterprise value to determine the range of the impairment required.	Areas of focus were the assumed product prices, discount rates, production profiles and associated sales volumes, and forecast capital and operating expenditures, particularly in light of continued depressed product prices and related volatility risk.	The Committee also gave special consideration to the sensitivity analysis in relation to the assumptions used. The Committee also scrutinised the disclosure of the impairment charge in the accounts and this report.

Significant judgements	Significant estimates	Significant assumptions	Impact on financial statement accounts
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.
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 38–39.

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

Geopolitical Risk	The Committee considered the impact of worldwide sanctions on the operations the Group and evaluated management's responses to those impacts. Such responses included 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. As a result, some business relationships were terminated, for example the Group's relationships with the Sberbank subsidiary in Kazakhstan.
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's and Group's exposure to a cyber-attack and discussed with management the effectiveness of proposed actions to address such exposures.
Financial reporting	The Committee seeks to ensure the accurate maintenance of accounting records and related transactions. Considering the volatility of oil prices and the uncertainty over the Group's continued viability as a going concern, the Committee focused on the review of going concern, the viability statement and impairment.

Internal control system

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

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

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

Details of the procedures related to compliance control are set out below (including compliance liaison equivalent to a hotline). No instructions for any conflict of interest settlement or compliance control forms were in use in 2022. No sanctions or disciplinary actions were applied in respect of internal control in 2022.

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 at this time have a dedicated internal audit function. Instead, the Group outsources this work to specialists in relevant areas or engages internal resources on a case-by-case basis. For example, an internal review was conducted by the CLO on related party transactions issues in April 2022 and relevant report presented to the Audit Committee.

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 Quality, Health, Safety and the Environment ("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 2022.

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 2022 and was satisfactorily resolved.

4. External audit

Appointment of external auditor

Since 2007, Ernst & Young LLP (Kazakhstan) was the auditor of the predecessor Group of companies and was first appointed as auditor of the Group on 19 May 2014.

A tender for the external audit arrangements was conducted in 2015, as a result of which 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.

In 2022, the Group reappraised its audit requirements and decided to retender the audit. The process was started in June 2022 and a robust process was concluded at the end of September 2022 when another audit firm was selected and Ernst & Young LLP resigned as auditor of the Company. On 25 October 2022, the potential incoming auditor notified the Company that it no longer intended to register for FRC supervision, and, as a result, no longer wished to be appointed as auditor. On 6 March 2023, the Company announced that it had appointed MHA as auditors to the Group and Ernst & Young Kazakhstan as auditors of Zhaikmunai LLP.

Compliance with other legal requirements

There were no material fines or other sanctions against the Group in 2022. There was no antitrust litigation against the Group in 2022. There were no actual or potential related party transactions in 2022.

Product liability

There were no cases relating to product liability in 2022.

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 2022 totalled US\$1,199,840 (2021: US\$1,248,000).

A detailed breakdown of audit and non-audit fees for 2022 can be found in Note 28 to the consolidated financial statements of the Group on page 157.

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.

Nomination and Governance Committee report

Key responsibilities of the Nomination and Governance Committee

The key responsibilities of the Committee in 2022 were 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;
- Ensure that an annual review of the effectiveness of the Board, and each committee of the Board, and the contribution of each director is conducted every year, with an independent external review at least every three years;
- 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.
- Review and approve changes to the Board's governance guidelines, monitor the compliance with such guidelines and with applicable legal, regulatory and listing requirements and recommend to the Board such changes or additional action as it deems necessary;
- Require Directors to obtain approval from the Board before undertaking additional external appointments.

The key areas of responsibility of the Committee with effect from 26 April 2023 are unchanged from those applying in 2022.

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

Membership as at 31 December 2022

Sir Christopher Codrington, Bt. Chairman

Kaat Van Hecke

Martin Cocker

Membership as at 24 February 2023

Chris Cox Committee Chair from 24 February 2023, Member from 24 February 2023

Martin Gudgeon Member from 24 February 2023

Chris Hopkinson Member from 24 February 2023

Fiona Paulus Member from 24 February 2023

Stephen Whyte Member from 24 February 2023

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

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 63–66.

Appointments, succession planning and evaluation

Given the ongoing restructuring and expected changes in the composition of the Board upon completion thereof there were no appointments at Board level in 2022. Succession planning was discussed several times, as set out in the principal agenda items referred to below. No formal Board evaluation took place in 2022. No external search consultancies were used.

The gender balance of senior management and their direct reports is set out on pages 63–64.

All Directors will stand for re-election at the 2023 Annual General Meeting with the full support of the Board.

Committee meetings

The Nomination and Governance Committee met formally six times during 2022. The attendance of each Committee member at Committee meetings held during 2022 is shown on page 93. As a separate agenda item, the Committee reports to the Board at each Board meeting on any activities of the Committee since the last Board meeting.

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

Meeting	Agenda item
March	Sanctions compliance. Notice of AGM. Code of conduct. Changes to SMT. Employee liaison.
May	Possibility of an additional appointment to the Board. Procurement blacklist.
Early July	Replacement of Sir Christopher as chairman of Audit Committee by Mr Cocker. Succession issues. Amendments to policies. Procurement blacklist. D&O insurance.
Mid July	Succession issues.
August	Succession issues.
October	ESG rating.

Annual statement from the Chairman

GRI 2-19



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 2022.

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 noted elsewhere in this Annual Report, in accordance with the Companies Act 2006 a resolution to approve the Remuneration Policy was submitted to shareholders for a binding vote at the 2022 Annual General Meeting and was approved by 99.77% of votes cast.

Remuneration for 2022

The 2022 Directors' Remuneration Report will also be subject to an advisory vote at our 2023 Annual General Meeting.

Further details of Executive Director performance against the 2022 KPIs can be found on pages 108-115. 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 2022 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 26 April 2023. It was determined that 77.5% of the 2022 KPIs had been achieved over the year 2022 (USD 435,774).

Production and cost KPIs were partially satisfied (22% out of a possible 40%), the strategic KPIs had been almost entirely met (45.5% out of a possible 50%) and HSE KPIs were fully met (10% out of a possible 10%). Accordingly, the Committee recommended and the Board approved a bonus of 77.5% of base compensation for the Chief Executive Officer for 2022.

In addition, the Chief Executive Officer was paid a bonus in 2023 equal to 50% of his base compensation (USD 281,145) to which Mr Khan was contractually entitled in connection with the completion of the Company's restructuring in February 2023.

The 2023 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 (other than Mr Khan himself) on 26 April 2023. Such KPIs are set out on page 115. Senior management, including the Chief Executive Officer and (when appointed) the chief financial officer, are assessed for bonuses based on these KPIs. Certain KPIs relating to strategic objectives have been carried forward from 2022 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 2022 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 RoK provides for annual indexation of salaries. Effective 1 April 2022 an increase of 8.4% was granted to employees who are paid in

Kazakh Tenge to cover the increase in the cost of living there during 2021.

Both Executive Directors (Mr Gupta and Mr Khan) received salary increases in 2022 due only to exchange rate, details of which are set out in the single total remuneration table.

Fees payable to the independent non-executive Directors in 2022 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.

UK Corporate Governance Code

The Company complied with the provisions of the Code relating to remuneration throughout 2022. Further information on compliance with the Code can be found on pages 88-89.

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 2023 relative to those which applied in 2022 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.

Chris Hopkinson

Chairman, Remuneration Committee
Independent Non-Executive Director

30 May 2023

2022 annual report on remuneration

GRI 2-19, 2-20

Key responsibilities of the Remuneration Committee

In summary, the Committee's key responsibilities include ensuring that:

- Remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and
- Executive remuneration is aligned to company purpose and values and linked to delivery of the Company's long-term strategy

Membership

The members of the Committee during 2022 were:

Name	Membership start date	Membership end date
Sir Christopher Codrington, Bt.	19 May 2014	14 February 2023
Kaat Van Hecke (Chairwoman from 8 October 2020)	31 December 2016 8 October 2020	27 January 2020 14 February 2023
Martin Cocker	27 January 2020 30 August 2021	8 October 2020 14 February 2023

The members of the Committee with effect from 24 February 2023 are:

Name	Membership start date	Membership end date
Chris Hopkinson (Chairman)	24 February 2023	
Fiona Paulus	24 February 2023	
Chris Cox	24 February 2023	
Martin Gudgeon	24 February 2023	

Their biographies are given on pages 90-92. The Company Secretary acts as secretary to the Committee.

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 shall comprise at least three members, the majority of whom shall be independent Non-Executive Directors and one of whom shall be the Warrant Director.

During 2022, 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 any incentive structures do not raise any environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

The Committee held three meetings in 2022 and the attendance of each committee member at such meetings is shown on page 93.

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

Meeting	Agenda item
March 2022	• Assessment of performance against 2021 KPIs.
October 2022	• Severance for CFO.
November 2022	• Deferral of decisions regarding 2023 KPIs.

No other Directors participated in meetings of the Committee during 2022.

During the year, the Committee received advice internally from Arfan Khan, Shane Drader (until 30 September 2022) 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.

Voting on remuneration matters

The resolutions put to shareholders at the 2022 Annual General Meeting relating to Directors' remuneration were a resolution to approve the Directors' annual report on remuneration which, in accordance with the Companies Act 2006, was subject to an advisory vote and a resolution to approve a new remuneration policy which, in accordance with the Companies Act 2006, was submitted to shareholders for a binding 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 the Directors' annual report on remuneration	78,627,576	99.77%	179,134	0.23%	0
Approval of new remuneration policy	78,627,576	99.77%	179,134	0.23%	0

At the 2023 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 2023 Annual General Meeting.

Single total figure of remuneration

The table below shows the single total figure of remuneration for the year ended 31 December 2022 for each Director that served 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 Director.

Directors are remunerated in either GBP, US\$ or KZT. All figures in relation to Director remuneration are reported in USD throughout this report. Those figures which were reported in the annual report for 2021 in EUR have been translated to USD for the purposes of this report at a foreign currency exchange rate of 1.188.

Director ^{1,2} Amounts in USD	Period	Salary and fees	Taxable benefit	Annual bonus ³	Option Plan	LTIP ⁴	Pension ⁵	Total (audited)	Total fixed remuneration	Total variable remuneration
Atul Gupta (Executive Chairman)	2022	518,575	3,888	–	–	–	–	522,463	522,463	–
	2021	512,203	4,209	–	–	–	3,827	520,239	520,239	–
Arfan Khan (Chief Executive Officer)	2022	683,814	13,763	716,919	–	–	39,154	1,453,649	736,731	716,919
	2021	649,772	45,816	175,000	–	–	40,208	910,796	735,796	175,000
Martin Cocker (Non-Executive Director)	2022	120,000	–	–	–	–	–	120,000	120,000	–
	2021	40,000	–	–	–	–	–	40,000	40,000	–
	(Chief Financial Officer) ⁶	2021	446,338	–	–	–	–	446,338	446,338	–
Sir Christopher Codrington, Bt.⁷ (Non-Executive Director)	2022	120,000	–	–	–	–	–	120,000	–	–
	2021	120,000	–	–	–	–	–	120,000	–	–
Kaat Van Hecke (Non-Executive Director)	2022	120,000	–	–	–	–	–	120,000	–	–
	2021	120,000	–	–	–	–	–	120,000	–	–

1. 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) received 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 was remunerated in US\$, Mr Cocker was remunerated in GBP, Mr Khan was 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:
2022: GBP: EUR 1.178; EUR: US\$ 1.061; EUR: KZT 485.28
2021: GBP: EUR 1.159; EUR: US\$ 1.188; EUR: KZT 505

3. Mr Khan received a bonus for his contribution to the operating, commercial, strategic and environmental objectives of the Group in 2021 and 2022. 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 2020, 2021 or 2022.

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 2020, 2021 or 2022.

5. The Company did not operate a pension scheme for Executive Directors in 2021 or 2022 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 2022 in lieu of pension contributions was 39,154 USD (2021: USD 44,035). Executive Directors are not entitled to any additional benefit if they retire early.

6. Mr Cocker was paid as Chief Financial Officer for the period 31 March 2020 to 29 August 2021. Mr Cocker resigned as Chief Financial Officer on 30 August 2021 and was redesignated as an independent Non-Executive Director on 30 August 2021. From 1 September 2021, Mr Cocker was paid fees of \$120,000 per annum. No additional amounts were payable for being Chair of any of the Board's committees.

7. 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.

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 2022, Mr Khan was the only Executive Director eligible for a bonus.

In accordance with the Remuneration Policy approved in 2022, the maximum annual bonus opportunity for Mr Khan in respect of 2022 was 240% of base compensation.

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:

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 WOW! 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 ¹ .	40%
A commercially sensitive strategic target, therefore not disclosed ¹ .	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 only. No other director is eligible for any bonus payment relating to 2022 performance based on these performance measures.

The Committee considered the performance of the Chief Executive Officer in the period 1 January to 31 December 2022.

Production and cost KPIs were partially satisfied (22% out of a possible 40%), the strategic KPIs had been almost entirely met (45.5% out of a possible 50%) and HSE KPIs were fully met (10% out of a possible 10%). Accordingly, the Committee recommended and the Board approved a bonus of 77.5% of base compensation for the Chief Executive Officer for 2022 (USD 435,774).

In addition, the Chief Executive Officer was paid a bonus in 2023 equal to 50% of his base compensation to which Mr Khan was contractually entitled in connection with the completion of the Company's restructuring in February 2023 (USD 281,145).

The Company does not provide for any clawback or withholding 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 or withholding mechanism is less relevant. This also applies to LTIP awards for which performance conditions have been satisfied. Except as stated in relation to the Phantom Share Option Scheme and the LTIP, there are no deferral periods, vesting periods or holding periods. There are no performance targets or measures relating to more than one financial year.

¹ In certain cases information on performance measures or targets has been omitted because it is commercially sensitive and disclosure of such information may not be in the Company's interest. Such information may be reported in the subsequent annual report if the performance measure or target has been met and the Company considers that disclosure of such information at such time would not be contrary to the Company's interest.

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 2022, 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 2022 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 2022.

Payments for loss of office

No payments were made to Directors in 2022 for loss of office.

Non-executive Director fees

No changes were made to Non-Executive Director fees in 2022, 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 2022 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 31 December 2022. Mr Gupta, Sir Christopher Codrington, Bt., Kaat Van Hecke and Martin Cocker resigned on 14 February 2023.

The beneficial interests of the Directors in the share capital of the Company as at 14 February 2023 were as follows:

Director	Total (audited)
Chris Cox	–
Chris Hopkinson	–
Martin Gudgeon	–
Arfan Khan	–
Fiona Paulus	–
Stephen Whyte	–

Please refer to the text in the Remuneration Policy table on page 118 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 2022 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 2022 (2021: nil). It is intended that following the restructuring, 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, 2021 or 2022.

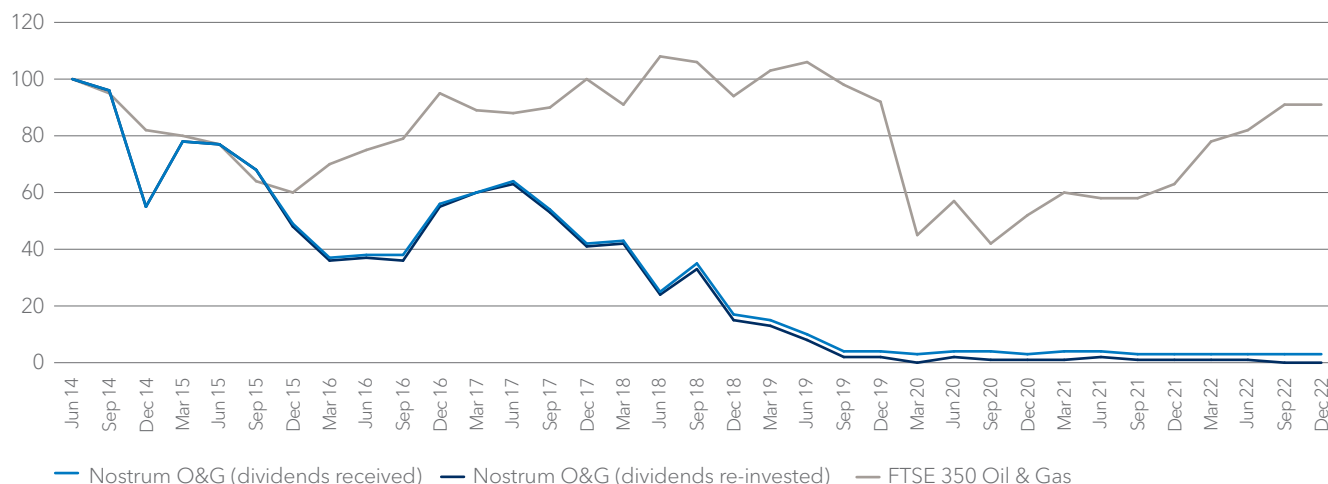
In accordance with the LTIP rules, all outstanding options that had been issued to two Executive Directors, Mr Kessel and Mr Richardson, who left the Company on 16 December 2019 and 31 March 2020, respectively, lapsed as of 16 December 2019 and 30 March 2021, respectively.

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 109 for more information.

Year	Total CEO remuneration (USD)	Annual bonus as % of maximum opportunity
2012	1,047,791	100.00%
2013	1,222,420	100.00%
2014	2,726,930 ¹	100.00%
2015	1,078,059	80.00% ²
2016	1,013,718	75.00%
2017	1,004,305	31.25%
2018	732,271	0.00%
2019 ³	1,577,014	0.00%
2020 ⁴	1,284,577	60.33%
2021 ⁵	948,525	12.61%
2022	1,453,649	53.13%

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 amount of EUR 423,031 paid to her spouse in 2020.

5. 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.

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 10 June 2019.

	2022 USD	2022 to 2021 % change	2021 USD	2021 to 2020 % change	2020 USD
Executive Directors (USD)					
Executive Chairman					
Salaries	518,575	1.2%	512,203	(0.1%)	512,776
Taxable benefits	3,888	(7.6%)	4,209	705.6%	522
Annual bonus	–	–	–	–	–
Chief Executive Officer¹					
Salaries	683,814	0.1%	683,330	(37.9%)	1,100,965
Taxable benefits	13,763	(70.2%)	46,124	255.2%	12,985
Annual bonus	716,919	309.7%	175,000	50.3%	116,405
Chief Financial Officer^{2,3}					
Salaries	–	–	446,338	(47.6%)	851,099
Taxable benefits	–	–	–	(100%)	3,530
Annual bonus	–	–	–	–	–
Non-Executive Directors (USD)					
Sir Christopher Codrington Bt					
Salaries	120,000	–	120,000	27.5%	94,098
Taxable benefits	–	–	–	–	–
Annual bonus	–	–	–	–	–
Kaat Van Hecke					
Salaries	120,000	–	120,000	300.4%	29,968
Taxable benefits	–	–	–	–	–
Annual bonus	–	–	–	–	–
Mark Martin					
Salaries	–	–	–	(100%)	51,023
Taxable benefits	–	–	–	–	–
Annual bonus	–	–	–	–	–
Martin Cocker					
Salaries	120,000	200%	40,000	45.5%	27,500
Taxable benefits	–	–	–	–	–
Annual bonus	–	–	–	–	–
Michael Calvey					
Salaries	–	–	–	(100%)	25,000
Taxable benefits	–	–	–	–	–
Annual bonus	–	–	–	–	–
Simon Byrne					
Salaries	–	–	–	(100%)	25,000
Taxable benefits	–	–	–	–	–
Annual bonus	–	–	–	–	–
Employees of the Group on an FTE basis					
Salaries	–	(0.5%)	–	(8.0%)	–
Taxable benefits	–	1.5%	–	(5.3%)	–
Annual bonus	–	9.4%	–	6.6%	–

1. 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.

2. The CFO was not a Director in 2022.

3. 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.

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\$	2022	2021	% change
Remuneration paid to all employees ⁴	22,412	22,056	1.6%
Dividends to shareholders (total)	0	0	0%
Dividends	0	0	0%
Share buy-back	0	0	0%

4. 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 116-122 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 2022 Remuneration Policy implementation

The Company's Remuneration Policy was put to a shareholder vote at the 2022 Annual General Meeting and was approved by 99.77% of votes cast.

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 2023 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 2022 will be consistent with the current policy described on pages 116-122 of the Company's 2021 annual report.

Remuneration in respect of 2023 will be consistent with the new policy described on pages 116-122 if that new policy is approved by shareholders at the 2023 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

In accordance with the remuneration policy approved at the 2022 AGM, the maximum Executive Director annual bonus opportunity in respect of 2022 was up to 40% of base compensation, subject to a maximum opportunity for the Company's Chief Executive Officer, Arfan Khan, of an annual bonus of up to 240% of base compensation.

Annual performance will be assessed against a performance scorecard of which a portion is based on operational and financial measures, a portion on strategic objectives and a portion on HSE, social and governance objectives.

The Committee has compiled a list of suitable key performance indicators against which the performance of the Executive Directors will be measured at the end of 2023 to determine the annual bonus amounts payable to Executive Directors in 2024. Details of any non-commercially sensitive KPIs are set out below. 2023 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.

2023 bonus performance measures	Weight
NFA Operations and Costs	40%
Achieve annual No-Further-Activity PDP volume available for sales from 7,793 boepd (0%) closer to P90 to 8,782 boepd (100 %) in the P50-10 range. Sliding scale.	15%
New Gas-Lift Compressor: Safe startup without any major HSE incident (LTI & HiPo free). Fully operational: 100% by August-1 to 0% by September-1. Sliding scale.	5%
GTU3 Commissioning & Startup: Safe startup without and major HSE incident (LTI & HiPo free)	10%
UOG Tie-Back Startup of Nostrum's Scope (excludes UOG's scope): Safe startup without any major HSE incident (LTI & HiPO free)	5%
NFA Cost Focus (Opex + G&A): 0% if any increases, 30% if flat, and 100% if lower by 1 \$mIn. Sliding Scale (excludes indexation)	5%
Strategic Objectives	50%
A commercially sensitive strategic target, therefore not disclosed ¹ .	30%
A commercially sensitive strategic target, therefore not disclosed ¹ .	10%
A commercially sensitive strategic target, therefore not disclosed ¹ .	10%
HSE	10%
Achievement of the approved 2023 HSE Plan (provided that there have been no fatalities).	
KPIs:	
- Reduce GHG emissions with 5% of 2022 actual CO ₂ equivalent level	
- Safety KPIs: LTI < 0.85 ; RTI < 0.75 ; TRIF < 1.9 ; Number of HSE stop cards > 1000 ; >60% participation of ZKM employees in HSE stop cards	10%
	100%

If the future remuneration policy on pages 116-122 of this report is approved at the 2023 AGM, the percentage result (from the above table out of 100%) will be applied to 100% of the Chief Executive Officer's base compensation and may also be applied to a percentage up to the Chief Financial Officer's maximum opportunity of 100% (if he is appointed as a Director). Currently, no other director is eligible for any bonus payment relating to 2023 performance based on these performance measures.

The CEO's maximum possible total bonus opportunity for 2023 is 240% of base compensation and his bonus opportunity based on the performance measures in the table above is 100% of base compensation. If appointed to the Board, the CFO's maximum possible total bonus opportunity for 2023 will be 100% of base compensation.

Phantom share option plan

The Committee does not envisage the award of any additional phantom share options to Executive Directors in 2023.

Long-term incentive plan

The Committee does not envisage any awards under the Company's existing long-term incentive plan in 2023. Therefore, no performance conditions have been set for 2023.

Non-Executive Directors

Non-Executive Director fees were reviewed following the restructuring and were amended as follows:

Director	Fee
Chris Cox	100K USD per annum, plus 10K USD per annum for chairmanship of Nomination and Governance Committee
Chris Hopkinson	100K USD per annum, plus 10K USD per annum for chairmanship of Remuneration Committee
Martin Gudgeon	100K USD per annum
Fiona Paulus	100K USD per annum, plus 10K USD per annum for chairmanship of Audit Committee
Stephen Whyte	230K GBP per annum, plus 10K USD per annum for chairmanship of Strategy Committee

¹ In certain cases information on performance measures or targets has been omitted because it is commercially sensitive and disclosure of such information may not be in the Company's interest. Such information may be reported in the subsequent annual report if the performance measure or target has been met and the Company considers that disclosure of such information at such time would not be contrary to the Company's interest.

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 2022 AGM. We will be asking our shareholders to approve a new policy at our 2023 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 Financial Officer (if a Director), of an annual bonus of up to a maximum of 100% of base compensation.

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 2023 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. Maximum opportunity of 100% of base compensation for the Company's Chief Financial Officer (if a Director). In all other cases, maximum opportunity of 40% of base salary.	The annual bonus is generally 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.

2022 annual report on remuneration

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
NOSTRUM OIL & GAS PLC 2017 LONG-TERM INCENTIVE PLAN (LTIP)	To incentivise Executive Directors and employees over a longer timeframe, and to increase their interest in the Company's long-term business goals and performance through share ownership. To help retain executives and other key employees, and align their interests with shareholders through building a shareholding in the Company.	200% of base salary in any financial year.	Awards of nominal-cost options are made at the sole discretion of the Committee. It was anticipated that awards would be granted annually in the period 2017 to 2019 subject to annual performance conditions. Generally, awards have a one-year performance period attached to them and will not vest for an additional two years following the date on which the Committee determines whether or not a performance condition has been wholly or partly satisfied, such that no award may vest before the third anniversary of the date of grant. The Committee has the discretion to decide, on or before the grant of an award, that a participant shall be entitled to receive dividend equivalents arising over the period between the grant date and the vesting date, with such amounts being payable in cash or shares in respect of shares which vest. Malus and clawback provisions apply to the LTIP such that participants are liable to repay/forfeit some or all of their shares if there is a material misstatement of results, or error in calculation, or if there is serious misconduct. The discovery period is three years commencing on the date on which the award vests, which can be extended by the Committee for an additional two years if an event occurs which the Committee determines could result in the operation of recovery or withholding provisions.	Performance measures are generally measured over one year though the Committee has the discretion to apply a longer performance period to awards. The Committee has the discretion to set any performance condition attaching to awards granted under the LTIP. Vesting of awards would ordinarily be based: • In part on average accrued sales volumes measured in barrels of oil equivalent per day; and • In part on reserves measurement on the basis of 2P barrels of oil per share.
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, 2020, 2021 and 2022.	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. 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

Non-Executive Directors' Remuneration Policy table

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 chairs 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
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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.

Dividend waiver

The trustee has agreed to waive any dividends on shares held under the Plan and the LTIP.

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 2023. 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 2023 irrespective of performance levels, namely base salary, benefits using the details set out in the single-figure table provided on page 109 (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.

As stated above, no Executive Director participated in the LTIP or the Phantom Share Option Scheme in 2022 and the Board will not award any shares under the Phantom Share Option Scheme in 2023. The Committee does not envisage any awards under the Company's existing long-term incentive plan in 2023. Therefore, no performance conditions have been set for 2023.

ATUL GUPTA - EXECUTIVE CHAIRMAN (AMOUNTS IN USD THOUSAND)

Minimum	100%	522
On target	100%	522
Maximum	100%	522

ARFAN KHAN - CHIEF EXECUTIVE OFFICER (AMOUNTS IN USD THOUSAND)

Minimum	100%	737	
On target	57%	43%	1,299
Maximum	35%	65%	2,086

■ Fixed salary ■ Bonus

Recruitment

The Committee expects any new Executive Directors to be engaged on terms that are consistent with this Policy, but the Committee acknowledges that it cannot always predict the circumstances under which any new Executive Director may be recruited and so, accordingly, in each case, the Committee will consider:

- The objective of attracting, motivating and retaining the highest calibre directors in a manner that is consistent with best practice and aligned with the interests of the Company's shareholders;
- Salary, benefits, annual bonus and long-term incentives will be determined within the framework of the Remuneration Policy table on pages 117-119;
- 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 (including NEDs), 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

As at 31 December, summary details of each Director's service agreement were as follows:

	Director's service agreement date	As most recently amended (USD)
Atul Gupta	Dated 28 November 2018	450,000
Arfan Khan	26 January 2021	562,289

1. Mr Gupta resigned on 14 February 2023. His remuneration was denominated in US\$. The remuneration of Mr Khan is denominated in GBP. 2022: GBP/USD: 1,238
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) or, 6 months' written notice (Mr Khan); 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 or, 6 months' notice from the Company to Mr Khan. 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 and Mr Khan did not participate in the Plan in 2022.
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 and Mr Khan did not participate in the LTIP in 2022.

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 as at 31 December 2022:

Name	Position	Date of letter of appointment	Expiry of then current term	Notice period
Sir Christopher Codrington, Bt.	Independent Non-Executive Director	19 May 2020	19 May 2023	1 month
Kaat Van Hecke	Independent Non-Executive Director	2 September 2020	2 September 2023	1 month
Martin Cocker	Independent Non-Executive Director	30 August 2021	30 August 2024	1 month

Each appointment was 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 might terminate the appointment at any time upon one month's written notice, or that a Non-Executive Director might 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 was entitled to an annual fee paid quarterly and to reimbursement of reasonable expenses. There was no entitlement for Non-Executive Directors to participate in the Plan or the LTIP.

The Non-Executive Directors were not permitted to take up any office or employment with, or have any direct or indirect interest in, any firm or company that was 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 was entitled to 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 were entitled to any damages for loss of office and no fee were payable in respect of any unexpired portion of the term of the appointment.

Sir Christopher Codrington, Bt., Kaat Van Hecke and Martin Cocker resigned on 14 February 2023.

2022 annual report on remuneration

The following table provides details of Non-Executive Director appointment letters as at 14 February 2023:

Name	Position	Date of letter of appointment	Expiry of current term	Notice period
Chris Cox	Independent Non-Executive Director	14 February 2023	14 February 2026	3 months
Chris Hopkinson	Independent Non-Executive Director	14 February 2023	14 February 2026	3 months
Martin Gudgeon	Non-Executive Director	14 February 2023	14 February 2026	3 months
Fiona Paulus	Independent Non-Executive Director	14 February 2023	14 February 2026	3 months
Stephen Whyte	Chairman	14 February 2023	14 February 2026	9 months

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 in twelve equal instalments 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 was 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 is entitled to 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 is entitled to any damages for loss of office and no fee is payable in respect of any unexpired portion of the term of the appointment.

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.

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 30 May 2023.

On behalf of the Board



Arfan Khan

Chief Executive Officer

30 May 2023

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 2022.

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 1-87;
- The Board and Governance report (which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report) on pages 88-122; and
- The energy and global greenhouse gas emissions disclosure on pages 74-77.

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

Subject matter	Page
Likely future developments within the Group	45-46
Related party transactions	105
Going concern statement	52
Financial position and performance of the Group	47-53
Greenhouse gas emissions	74-77
Directors' share interests	111
Corporate governance statement	88-89
Diversity	63-66

Directors

Full biographical details of all Directors (Atul Gupta, Sir Christopher Codrington, Bt, Martin Cocker, Kaat Van Hecke, Arfan Khan) of the Company who held office at some point during the year ended 31 December 2022 and the Board Committees of which they were members are set out on pages 90-92 of this Annual Report.

Full biographical details of all current Directors of the Company and the Board Committees of which they are members are set out on pages 90-92 of this Annual Report.

Dividends

No dividends were paid during the year ended 31 December 2022.

No dividend is proposed to be paid in 2023 in respect of the year ended 31 December 2022.

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.

On 30 September 2022, and following a competitive tender, Ernst & Young LLP resigned as auditor of the Company. On 25 October 2022, the potential incoming auditor notified the Company that it no longer intended to register for FRC supervision, and, as a result, no longer wished to be appointed as auditor.

On 6 March 2023, the Company announced that it had appointed MHA as auditors to the Group and Ernst & Young Kazakhstan as auditors of Zhaikmunai LLP.

This appointment will be put to shareholders for approval at the 2023 AGM.

Directors' liabilities and indemnities

The Company maintains liability insurance for its Directors. All Directors are also in receipt of an indemnity from the Company under the Company's Articles of Association (the Articles) in respect of (a) liability incurred by any Director due to negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, or any subsidiary undertaking or (b) any liability incurred by any Director in connection with the activities of the Company, or any subsidiary undertaking, in its capacity as a trustee of an occupational pension scheme; in both instances to the extent permitted under the Companies Act 2006. Copies of the Company's Articles are available on the Company's website or at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

In May 2015, the Board approved a policy for the indemnification of Directors, officers and other designated beneficiaries and the entry by the Company into an accompanying deed of indemnity.

The policy clarifies that the Company will seek to provide the maximum indemnification and protection to Group Directors and officers permissible under applicable law, except in cases of fraud or wilful default, including but not limited to:

- providing compensation for losses suffered in the course of acting as a Director or officer in the interests of the Group,
- providing Directors and officers with quality external legal representation and external professional advisers,
- assisting Directors or officers with repatriation following a third-party claim,
- 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,
- 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 2022.

Contributions to non-UK political parties

No contributions to non-UK political parties were made during the year 2022.

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 2022, 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 were in free circulation. All of the Company's issued Ordinary Shares were fully paid up and rank equally in all respects. The rights attached to them, in addition to those conferred on their holders by law, were set out in the Articles.

As at 9 February 2023, following the restructuring, the Company's issued share capital was £16,938,159.646 divided into 169,381,561 Ordinary Shares each having a nominal value of £0.01 and 15,244,344,036 deferred shares each having a nominal value of £0.001 (the "Deferred Shares"). All of the Company's issued Ordinary Shares were fully paid up and rank equally in all respects and the Deferred Shares have no voting rights in the capital of the Company. The Company intends to cancel the Deferred Shares in due course. The rights attached to the Ordinary Shares and Deferred Shares, in addition to those conferred on their holders by law, are set out in the Articles. The existing ordinary shareholders were diluted to 11.1% subject to further dilution to 10% if the warrants held by noteholders are exercised.

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 2022, the Trust held 2,948,879 Ordinary Shares in the Company. As at 9 February 2023, following the restructuring, the Trust held 294,887 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, subject to and in default of such determination, the Board.

Voting rights

There are no restrictions on voting rights 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 and warrants

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.

The warrants issued on 9 February 2023 are not transferable. There are no other agreements between holders of securities that are known to the Company and may restrict transfer of securities or voting rights.

Directors, Articles and purchase of shares

The Articles were adopted on 29 April 2022 and may only be amended by special resolution at a general meeting of the shareholders (and where required, with the consent of the Warrant Trustee).

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 Articles; retiring Directors may be eligible for annual re-election.

The Company did not acquire any of its own shares during 2022 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 and 11A 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 65:

- 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.

Paragraph 11B and 11C Schedule 7

A summary of the following is described on pages 22-23.

- How Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others.
- The effect of that regard on the principal decisions taken by the Company during the financial year.

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

As of 31 December 2022, 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
Tengri Partners (Kazakhstan) LLP	38,273,216	20.34	Direct
Dehus Dolmen Nominees Limited*	30,588,054	16.25	Direct
FRASELI Investments S.à r.l.	16,111,100	8.56	Direct
Trafigura Ventures V B.V.	8,152,557	4.33	Direct
FPP Asset Management	6,359,517	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.

Since 31 December 2022, disclosures have been made to the Company under DTRs or otherwise such that as at 26 May 2023, 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	32 345 657	19.1%	Indirect
EMOV Caspian Holdings Limited	31 975 192	18.88	Direct
Amundi (UK) Limited and Amundi Asset Management	16 489 360	9.74	Direct

Financial risk management

The Company's financial risk management objectives and policies, including its use of financial instruments, can be found in Note 30 page 158 to the financial statements.

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.

As at 31 December 2022, the 2012 Bonds, 2014 Bonds, 2017 Bonds and 2018 Bonds contained change of control provisions. If a change of control occurs, the Company was 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.

As at 9 February 2023, the 2012 Bonds, 2014 Bonds, SUNs and SSNs contained change of control provisions. If a change of control occurs, the Company was required to offer to repurchase the 2012 Bonds, 2014 Bonds, SSNs and SUNs 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

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, pages 144-151
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)	No such waivers
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)	No such contracts
Contracts for the provisions of services by a controlling shareholder	(11)	Not applicable
Dividend waiver	(12) (13)	Page 119
Agreements with controlling shareholder	(14)	Not applicable as the Company does not have a "controlling shareholder" within the definition under Listing Rule 6.1.2A R

Important events since the end of the financial year

Major events after 31 December 2022 are disclosed in Note 31 to the consolidated audited financial statements.

This report was approved by the Board on 30 May 2023.

On behalf of the Board



Arfan Khan

Chief Executive Officer

30 May 2023

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 the UK adopted International Accounting Standards, 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.

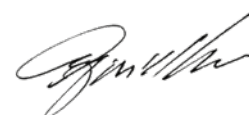
Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, and having reviewed the Annual Report (including the Strategic Report), the Directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, 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 90-91 confirms, that to the best of their knowledge:

- The Company and Group financial statements, which have been prepared in accordance with the UK adopted International Accounting Standards, 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

30 May 2023

Independent auditor's report to the members of Nostrum Oil & Gas plc

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Nostrum Oil and Gas plc. For the purposes of the table on pages 129 – 130 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Nostrum Oil & Gas plc and its subsidiaries (the "Group"). The "Parent Company" is defined as Nostrum Oil & Gas plc. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Nostrum Oil & Gas plc for the year ended 31 December 2022, which comprise:

- the consolidated statement of financial position;
- the consolidated statement of comprehensive income;
- the consolidated statement of cash flows;
- the consolidated statement of changes in equity;
- the notes 1 to 31 to the consolidated financial statements, including significant accounting policies;
- the parent company statement of financial position;
- the parent company statement of cash flows;
- the parent company statement of changes in equity; and
- the notes 1 to 16 to the parent company financial statements, including significant accounting policies

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards as adopted by the United Kingdom ("UK adopted IFRS") and as issued.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with UK adopted IFRS; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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 ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 2024. 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;

- Challenging the reasonableness of 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;
- 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 and reserves audit;
- Considering whether management's disclosures in the Annual Report and financial statements were appropriate;
- Reviewed the documentation of the post year end restructuring deal and its effect on the cash flows;
- Viability assessments at Group and Parent Company levels, including consideration of business plans.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Group's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the company's financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Group, its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. We, and our component auditors acting on specific group instructions, undertook full scope audits on the complete financial information of 3 components of the Group; Zhaikmunai LLP, Nostrum Oil & Gas plc and Nostrum Services N.V., and specified audit procedures on particular aspects and balances on all other components of the Group.
First-year audit transition	We developed a detailed audit transition plan, designed to deliver an effective transition from the Group's predecessor auditor, Ernst and Young LLP ("EY"). Our audit planning and transition commenced in March 2023, following our appointment. Our transition activities included (but were not limited to) meeting relevant staff from EY, reviewing the Audit Committee meeting minutes and reviewing EY's 2021 audit working papers. Our transition focused on obtaining an understanding of the Group's system of internal control, evaluating the Group's accounting policies and areas of accounting judgement, and meeting with management and the component auditors.

Materiality

	2022	2021	
Group	US\$2.3m	US\$2.1m	2% of adjusted EBITDA (2021: 2% of adjusted EBITDA)
Parent	US\$8.9m	US\$7.9m	1% of the Parent Company's Equity (component materiality for group purposes set at US\$0.3m)

Key audit matters

Recurring	• Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation (DD&A) and the decommissioning provision; • Impairment of oil & gas development and production fixed assets;
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Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, 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 matters 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation (DD&A) and the decommissioning provision

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Oil and gas reserves are a material factor in computing depreciation, depletion and amortisation (the "DD&A"). Significant judgement and estimations are made by the management, which are potentially susceptible to management bias, and hence causing an impact on the financial statements due to the technical uncertainty in assessing reserves quantities. 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.	In addressing this risk, audit procedures were performed by the component team in Kazakhstan and the Group engagement team. This included: • Carried out walkthrough procedures and understood 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; • 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 and directly inquired the specialist to understand the conclusion of their audit and verify that management's estimates were within their audit tolerance; • Corroborated management's commercial assumptions by checking that they lie within an acceptable range compared to publicly available benchmarks where available; • Compared management's internal assumptions to the latest plans and budgets for consistency and 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; • Reviewed the accuracy of the reserves and resource estimates disclosure in the Annual Report; • Obtained management's decommissioning provision assessment; • Critically assessed key inputs and challenged management's assumptions and judgements to test for reasonableness and indicators of bias; and • Recalculated the provision for restoration.	No material issues have been identified from the audit procedures performed.

Impairment of oil & gas development and production fixed assets

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
There is a risk in management's judgement made on the impairment or impairment reversal of oil and gas assets since the recoverable amount of the oil and gas assets is sensitive to the changes in key inputs and assumptions, which may include the estimation of 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. 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.	In addressing this risk, audit procedures were performed by the component team in Kazakhstan and the Group engagement team. This included: • Obtained and 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; • Verified the integrity of supporting discounted cash flow models with the assistance of experts; • 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 benchmarked 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, and evaluated the risk 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 risk; • 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; • Performed sensitivity analysis in order to assess the potential impact of a range of reasonably possible outcomes. These sensitivities include adjustments to the discount rate, oil & gas prices, and working capital.	No material issues have been identified from the audit procedures performed.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Overview of the scope of the Group and Parent Company audits

Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements, of the 10 components of the Group, we identified 3 components in Kazakhstan, UK and Belgium which represent the principal business units within the Group.

Full scope audits – Of the 10 components selected, full scope audits of the complete financial information of 3 components; Zhaikmunai LLP Chinarevkoye field, Nostrum Oil & Gas plc and Nostrum Services N.V. were undertaken, these entities were selected based upon their size or risk characteristics.

Specified procedures – Specified procedures were undertaken on the remaining 7 components; Nostrum Associated Investments LLP, Nostrum Services Central Asia LLP, Nostrum Oil & Gas UK Ltd, Nostrum Oil & Gas Holdings Ltd, Nostrum Oil & Gas BV, Nostrum Oil & Gas Coöperatief UA, Nostrum Oil & Gas Finance B.V.

	Group	Parent Company
Overall Materiality	US\$2,300,000 (2021: US\$2,100,000)	US\$8,900,000 (2021: US\$7,900,000) Component materiality for group purposes was set at US\$310,000.
Basis of determining overall materiality	We determined on the basis 2% of adjusted EBITDA (2021: 2% of adjusted EBITDA). Adjusted EBITDA was deemed to be the appropriate benchmark for the calculation of materiality as this is a KPI for the Group in the assessment of the performance of management, and market and analyst commentary also uses EBITDA to comment on the performance of the Group. The calculation of Adjusted EBITDA is as included in the Annual Report on page 53. In our opinion this is therefore the benchmark with which the users of the financial statements are principally concerned .	We determined materiality based on 1% (2021: 1%) of the Company's equity. We have considered the primary users of the financial statements to be shareholders, loan note holders, management, and banks. This was deemed to be the most appropriate metric for materiality as this is primarily what the users of the financial statements are concerned with as the negative equity is a result of the financial guarantee. This is adjusted on consolidation and therefore is only relevant for the parent company statement of financial position only.
Performance materiality	US\$1,380,000 (2021: US\$1,100,000)	US\$5,340,000 (2021: US\$3,950,000)
Basis of determining overall performance materiality	We set performance materiality based on 60% (2021: 50%) of overall materiality. Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.	We set performance materiality based on 60% (2021: 50%) of overall materiality. Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.
Error reporting threshold	We agreed to report any corrected or uncorrected adjustments exceeding US\$115,000 (2021: US\$106,000) to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.	

Independent auditors report

The coverage achieved by our audit procedures was:

Name	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	3	100%	64%	66%
Specified and analytical procedures	7	-	36%	34%
Total	10	100%	100%	100%

The group audit team led and directed the audit work performed by the component auditors in Kazakhstan and Belgium through a combination of group planning meetings and calls, provision of group instructions (including detailed supplemental procedures), review and challenge of related component interoffice reporting and of findings from their working papers and interaction on audit and accounting matters which arose, this included assessing the appropriateness of conclusions and consistency between reported findings and work performed.

The control environment

We evaluated the design and implementation of those internal controls of the Group, which are relevant to our audit, such as those relating to the financial reporting cycle.

Component IT audit specialists were engaged to get an understanding of the general IT environment and general IT controls for business critical applications principally based in Kazakhstan.

Climate-related risks

In planning our audit and gaining an understanding of the Group, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand its process for identifying and assessing the related risks.

We engaged internal specialists to assess and challenge, amongst other factors, the related risks and benchmarks identified by management, the nature of the Group's business activities, its processes and the geographic distribution of its activities.

We critically reviewed management's assessment and challenged the assumptions and disclosures underlying its assessment. We made enquiries to understand the extent of the potential impact of climate change risks on the Group's financial statements. This has included a review of the Group's climate change strategy, critical accounting estimates and judgements, and the effect on the MHA audit approach. We also considered the ongoing viability of the business in respect both to direct climate risks and changes in legislation as nations grapple with their commitments to reduce emissions.

Reporting on other information

The other information comprises the information included in the annual report 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 our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Strategic report and directors report

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.

In the light of the knowledge and understanding of the 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.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the listing rules.

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 and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 101 ;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 101;
- Director's 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 101;
- Directors' statement on fair, balanced and understandable set out on page 101;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 101;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 101; and
- Section describing the work of the Audit Committee set out on pages 101 .

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 by branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Parent Company.

We have nothing to report in respect of these matters.

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement, 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'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 to cease operations, or have no realistic alternative but to do so.

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which 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 material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies. From our sector experience and through discussion with Directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a material impact on the financial statements.
- We considered the result of our enquiries of management about their own identification and assessment of the risk and irregularities;
- We considered any matters identified on review of the Group's documentation of their policies and procedures relating to;
 - identifying, evaluating and complying with the laws and regulations, including sanctions and counters sanction and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were management bias in accounting estimates, particularly in determining impairment of oil and gas reserves, and the impairment of oil and gas assets. The group engagement team shared this risk assessment with the Component Auditors of Significant Subsidiaries so that they could include appropriate audit procedures in response to such risks in their work.

Audit response to risks identified

As a result of the above, we identified the estimation of the oil & gas reserves, impairment of the oil & gas development and production fixed assets as key audit matters. The key audit matters section of our report explains these in more detail and the specific procedures we performed in response.

In addition to the above, audit procedures performed by the engagement team in connection with the risks identified included:

- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements;
 - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
 - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
 - enquiry of management and legal advisers around actual and potential litigation and claims;
 - challenging the assumptions and judgements made by management in its significant accounting estimates; and
 - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- The component auditors visited the operations in Kazakhstan observing operations and carrying out a physical verification of the inventory.

- the Group operate in a highly regulated industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations, including potential sanctions imposed following the Russian invasion of Ukraine which might affect the group, and all potential fraud risks to all engagement team members, including experts, and the component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and the component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other requirements

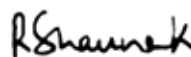
We were appointed by the Audit Committee on 6 March 2023, this being the first year of engagement.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Group or the Parent Company, and we remain independent of the Group and the Parent Company in conducting our audit.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



Rakesh Shaunak FCA
(Senior Statutory Auditor)

For and on behalf of MHA, Statutory Auditor

London, United Kingdom

1 June 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

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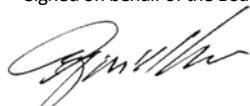
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Consolidated statement of financial position

<i>In thousands of US Dollars</i>	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	5	276,023	320,125
Advances for non-current assets	6	2,114	1,418
Restricted cash	10	31,022	30,438
		309,159	351,981
Current assets			
Inventories	7	30,196	31,387
Prepayments and other current assets	8	4,688	9,735
Income tax prepayment		95	300
Trade receivables	9	12,395	6,659
Cash and cash equivalents	10	233,584	165,246
		280,958	213,327
TOTAL ASSETS		590,117	565,308
Equity and liabilities			
Share capital and reserves	11		
Share capital		3,203	3,203
Treasury capital		(1,660)	(1,660)
Retained deficit and reserves		(941,769)	(824,796)
		(940,226)	(823,253)
Non-current liabilities			
Abandonment and site restoration provision	14	20,073	29,008
Due to Government of Kazakhstan	15	4,002	4,563
Deferred tax liability	28	49,899	34,072
		73,974	67,643
Current liabilities			
Notes payable and accumulated interest	13	1,396,517	1,289,603
Trade payables	16	9,929	8,399
Advances received		52	9
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	17	48,840	21,876
		1,456,369	1,320,918
TOTAL EQUITY AND LIABILITIES		590,117	565,308

The consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were authorised for issue by the Board of Directors on 30 May 2023.

Signed on behalf of the Board:



Arfan Khan

Chief Executive Officer

30 May 2023

The accounting policies and explanatory notes on pages 140 through 160 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	
		2022	2021
Revenue			
Revenue from export sales		177,173	169,825
Revenue from domestic sales		22,544	25,460
	18	199,717	195,285
Cost of sales	19	(84,053)	(87,849)
Gross profit		115,664	107,436
General and administrative expenses	20	(12,076)	(12,124)
Selling and transportation expenses	21	(19,950)	(23,066)
Taxes other than income tax	22	(19,830)	(17,083)
Finance costs	23	(123,138)	(116,696)
Employee share options reversals		38	247
Reversal of impairment on property, plant and equipment	4	—	74,186
Foreign exchange gain / (loss), net		254	(285)
Interest income		272	319
Other income	25	6,806	5,886
Other expenses	25	(29,821)	(13,218)
Loss before income tax		(81,781)	5,602
Current income tax expense		(18,837)	(1,441)
Deferred income tax expense		(15,827)	(30,279)
Income tax expense	26	(34,664)	(31,720)
Loss for the year		(116,445)	(26,118)
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		(490)	(203)
Other comprehensive loss		(490)	(203)
Total comprehensive loss for the year		(116,935)	(26,321)
Loss for the year attributable to the shareholders (in thousands of US dollars)		(116,445)	(26,118)
Weighted average number of shares ¹		169,086,713	169,086,713
Basic and diluted earnings per share (in US dollars)	12	(0.69)	(0.15)

¹ The number of shares has been adjusted as required under IAS 33.64 for the effect of the sub-division and consolidation of the ordinary share capital occurred after close of business on 9 February 2023 (Note 31).

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

The accounting policies and explanatory notes on pages 140 through 160 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

<i>In thousands of US Dollars</i>	Notes	For the year ended 31 December	
		2022	2021
Cash flow from operating activities:			
Loss before income tax		(81,781)	5,602
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	19,20,21	51,835	57,295
Impairment reversal	4	–	(74,186)
Finance costs	23	123,138	116,696
Employee share options reversals		(38)	(247)
Interest income		(272)	(319)
Foreign exchange loss on investing and financing activities		115	(94)
Gain on disposal of exploration and evaluation assets		–	(749)
Write-off and impairment of new development costs	6	–	9,056
Operating profit before working capital changes		92,997	113,054
<i>Changes in working capital:</i>			
Change in inventories		1,458	2,451
Change in trade receivables		(5,736)	6,881
Change in prepayments and other current assets		5,047	741
Change in trade payables		1,094	(1,686)
Change in advances received		43	(177)
Change in due to Government of Kazakhstan		(1,031)	(1,031)
Change in other current liabilities		14,578	(147)
Cash generated from operations		108,450	120,086
Income tax paid		(6,246)	(2,671)
Net cash flows from operating activities		102,204	117,415
Cash flow from investing activities:			
Interest received		272	319
Purchase of property, plant and equipment		(14,770)	(8,611)
Exploration and evaluation works		–	(226)
Advances for non-current assets		(696)	(1,440)
Transfer to restricted cash		(587)	(9,820)
Net cash used in investing activities		(15,781)	(19,778)
Cash flow from financing activities:			
Other finance costs		(17,481)	(9,130)
Payment of principal portion of lease liabilities		–	(1,575)
Finance charges on lease liabilities		–	(157)
Net cash used in financing activities		(17,481)	(10,862)
Effects of exchange rate changes on cash and cash equivalents		(604)	(112)
Net increase in cash and cash equivalents		68,338	86,663
Cash and cash equivalents at the beginning of the year	10	165,246	78,583
Cash and cash equivalents at the end of the year	10	233,584	165,246

“Other finance costs” represent advisor fees of US\$17,481 thousand (2021: US\$ 4,331 thousand) paid by the Group in relation to the forbearance agreements, lock-up agreements and ongoing process of restructuring of the Group’s outstanding bonds. In 2021 these included also bondholder consent fees in the amount of US\$1,117 thousand. For more details see Note 1.

The accounting policies and explanatory notes on pages 140 through 160 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

<i>In thousands of US Dollars</i>	Notes	Share capital	Treasury capital	Other reserves	Retained deficit	Total
As at 1 January 2021		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)
Loss for the year		–	–	–	(116,445)	(116,445)
Other comprehensive income		–	–	(490)	–	(490)
Total comprehensive loss for the year		–	–	(490)	(116,445)	(116,935)
Share based payments under LTIP*		–	–	(38)	–	(38)
As at 31 December 2022		3,203	(1,660)	261,857	(1,203,626)	(940,226)

* Long-Term Incentive Plan ("LTIP")

The accounting policies and explanatory notes on pages 140 through 160 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. General

Overview

Nostrum Oil & Gas PLC ("the Company" or "the Parent") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 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 Oil & Gas Holding Ltd	20 Eastbourne Terrace, London, W2 6LG, UK	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 2022 the Group employed 566 employees (31 December 2021: 559).

Subsoil use rights terms

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

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

Royalty payments

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

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

Government "profit share"

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

Group debt restructuring

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

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

Forbearance Agreements

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 the First Forbearance Agreement ("First FBA") with the AHG on 23 October 2020 and a new Forbearance Agreement ("Second FBA") on 19 May 2021 (together the "FBAs"). The First FBA and the 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.

As part of the signing of the FBAs, 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 US\$6,701,973 has been paid in consent fees during the signing and various extensions of the FBAs, of which US\$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 (including US\$9,758.980 transferred in 2021), with Nostrum having access to the funds under certain circumstances, such as liquidity falling below an agreed threshold).

Lock-up Agreements

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

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

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

Terms of the Restructuring

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

- Partial reinstatement of debt in the form of US\$250 million Senior Secured Notes (SSNs) maturing on 30 June 2026 and bearing interest at a rate of 5.00% per year payable in cash. The SSNs are not convertible;
- Partial reinstatement of debt in the form of US\$300 million Senior Unsecured Notes (SUNs) maturing on 30 June 2026 and bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind. If not repaid in cash at maturity, the SUNs are repayable in specie through the issuance of equity in the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Company (up to a maximum of 99.99% of the Company's fully diluted equity);
- Conversion 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 ordinary 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 ordinary share capital of the Company upon exercise – increasing noteholder ownership of the Company to 90.00%;
 - The existing ordinary shareholders will hold 11.11% upon closing of the restructuring. The existing ordinary shareholders will be diluted to 10.00% if the warrants held by existing noteholders are exercised;
- New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism requiring that cash above US\$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Company can access with approval of the majority of Independent Non-Executive Directors of the Company; and
- Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

Key implementation milestones completed

Following execution of the Lock-up Agreement, the Company commenced implementation of the Restructuring.

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) changed the governing law and jurisdiction of both Existing Notes indentures from the State of New York to the laws of England and Wales; (ii) made Nostrum Oil & Gas plc a co-issuer of the Existing Notes and (iii) other smaller amendments to facilitate the implementation of the restructuring. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes provided consents. No consent solicitation payments were made to vote in favour.

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

On 20 June 2022, the High Court of Justice of England and Wales has made an order granting the Company permission to convene a meeting for the Scheme creditors to approve the Restructuring.

On 1 July 2022, the Company received the required consents from the Kazakhstan Ministry of Energy («MOE») with respect to (i) the issue of new shares and warrants (in partial repayment of the Existing Notes) and (ii) the waiver of the State of Kazakhstan's priority right to acquire such new shares and warrants.

On 1 August 2022, after receiving a key regulatory authorisation from the US Office of Foreign Assets Control, the Company issued a notice inviting Scheme creditors to a Scheme meeting on 21 August 2022. At the Scheme meeting with participation and voting (by proxy) of 148 Scheme Creditors, the Scheme proposed by the Company in connection with the Restructuring was approved by the requisite majority of Scheme Creditors (being a majority in number, representing at least 75 percent in value of the Scheme Creditors present and voting).

On 26 August 2022, the Scheme Sanction Hearing took place, whereby the Court made an order sanctioning the Scheme, following which on 31 August 2022 the Scheme Sanction Order was lodged with Companies House and the Scheme thereby took effect and binds (amongst other parties) all Scheme Creditors and the Company by its terms.

On 14 October 2022, a prospectus was approved by the FCA and published by the Company (the 'Prospectus'). The Prospectus relates to the proposed admission of up to 1,505,633,046 new ordinary shares to the standard listing segment of the Official List of the FCA and to trading on the main market for listed securities of London Stock Exchange plc.

In January 2023, the Group received the licence from Office of Financial Sanctions Implementation (the UK) approving the Scheme and the issue of the Prospectus, and confirmations that such licences are not required from the Ministry of Finance (the Netherlands) and Policy & Resources Committee (the UK, States of Guernsey).

On 9 February the Group notified that the Restructuring was implemented pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022. The terms of the Restructuring included the sub-division and consolidation of the ordinary share capital of the Company following the issue of the New Shares on 9 February 2023. This sub-division and share consolidation occurred after close of business on 9 February 2023 and resulted in the number of Ordinary Shares on issue being reduced from approximately 1,693.8 million Ordinary Shares (following the issue of the New Shares yesterday) to approximately 169.4 million Ordinary Shares on the basis of a 10:1 consolidation of ordinary shares. Accordingly, on 10 February 2023, 150,563,304 new Ordinary Shares have been admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange under the ticker symbol "NOG.L". The Company's ordinary shares (including the New Shares) were also admitted to listing and trading on the Astana International Exchange (AIX) on 13 February 2023. The New Warrants will not be admitted to listing and trading on the AIX. The New Notes and the New Warrants were also admitted to listing and trading on The International Stock Exchange (TISE) with effect from 9 February 2023. No securities will be listed on the Euronext Dublin.

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 2022 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 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances

indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Going concern

These consolidated financial statements have been prepared on a going concern basis. For more information on the going concern assessment of the Group please see page 52 of the Annual Report.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report.

Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

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.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

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

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

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

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

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

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IAS 8.30 IAS 8.31(d) IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4)

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies

and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

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

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

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group is currently assessing the impact of the amendments.

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

Land is a non-depreciable asset and therefore is not subject to depreciation. It is the company's policy to maintain the original cost of land on the balance sheet. However, the land's value may be reviewed periodically to determine if there is any impairment in value.

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 2022 was 28.3 mmboe requiring 17 capital interventions (2021: 34.3 mmboe requiring 12 interventions). The reduction was primarily due to 2022 production of 4.9 mmboe and downwards revision in the Biyski NE gas due to 2022 performance which was partially offset by the smaller positive revisions in oil/condensate.

Downward revision of the proved developed reserves estimates by 5% would lead to additional DD&A expense of \$582 thousand in 2022.

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 4.

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 a 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 risk-adjusted 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\$75/bbl for 2023, US\$73/bbl for 2024 and US\$65/bbl throughout 2025-2032 (2021: 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);
- 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
- Gas treatment unit (GTU) spare capacity utilization – risk-weighted option value from processing under the contract with Ural Oil & Gas LLP;

- Post-tax discount rate of 11.6%, estimated to be equivalent to pre-tax discount rate of 16.5% (2021: 8.5% and 12.5%, respectively).

The impairment testing carried out by the Group as of 31 December 2022 has resulted in the recoverable amount approximating the carrying amount of the Group's property, plant and equipment as of 31 December 2022. Hence no impairment charge or reversal was recognised.

The impairment testing carried out by the Group as of 31 December 2021 has resulted in the recoverable amount exceeding the carrying amount of the Group's property, plant and equipment as of 31 December 2021. This has primarily resulted from the upward revision of the product price assumptions, as described above. Hence, the Group recognised a reversal of the previously recognised impairment in the amount of US\$74,186 thousand in 2021.

The impairment reversal as at 31 December 2021 and charge as at 31 December 2021 has been allocated as follows:

<i>In thousands of US Dollars</i>	31 December 2021
Working oil and gas assets	63,118
Construction in progress	9,420
Other property, plant and equipment	1,648
Total impairment reversal / (charge)	74,186

As at 31 December 2022 the recoverable amount of property, plant and equipment was approximate to its carrying value (31 December 2021: US\$320,125 thousand).

More detailed information on carrying values of oil and gas properties and related depreciation, depletion, amortisation and impairment are shown in Note 4.

The following table summarizes sensitivity of the recoverable amount and respective potential impairment charges that would result from changes in the key assumptions:

<i>Key assumption</i>	Change	Sensitivity (US\$)
Oil price decrease by	\$10/bbl	39,037
Reserves downgrade by	10.0%	50,418
Post-tax discount rate increase by	4.0%	41,926
Operating costs increase by	10.0%	21,280

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 countries 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 are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. 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, 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 2022 and 2021, please see Note 26.

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 2022.

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 2022 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained. 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 26.

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 Holding Ltd	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, and resulting exchange differences are accumulated foreign currency translation reserve within equity, and are reclassified to the profit or loss on the disposal of the subsidiary. 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 other 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 profit or loss in the period in which they are incurred.

For more detailed information in relation to capitalisation of borrowing costs, please refer to Note 4.

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 6.

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 2022 and 2021, please see Note 7.

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 reporting 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 29, 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 29.

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 14.

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 14.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost 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;
- 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 13.

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.

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 at inception.

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 2022 and 2021, please see Note 10.

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's LPG are sales are mostly on advance payment basis, while payment terms for gas, oil and condensate are normally 15-45 days after delivery.

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 the share premium. 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 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 2022 and 31 December 2021 property, plant and equipment comprised the following:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Oil and gas properties	268,990	313,009
Other property, plant and equipment	7,033	7,116
	276,023	320,125

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 2022 and 2021 was as follows:

<i>In thousands of US Dollars</i>	Working assets	Construction in progress	Total
Balance at 1 January 2021, net*	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 charge	63,118	9,420	72,538
Balance at 31 December 2021, net*	272,044	40,965	313,009
Additions	8	16,544	16,552
Transfers	28,217	(28,515)	(298)
Disposals	(9,220)	(742)	(9,962)
Disposals depreciation	16	–	16
Depreciation and depletion charge	(51,213)	–	(51,213)
Impairment transfer	(24,308)	25,194	886
Balance at 31 December 2022, net*	215,544	53,446	268,990

As at 31 December 2020			
Cost	2,943,678	116,823	3,060,501
Accumulated depreciation**	(2,683,704)	(85,408)	(2,769,112)
Balance*	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
As at 31 December 2022			
Cost	2,970,783	100,019	3,070,802
Accumulated depreciation**	(2,755,239)	(46,573)	(2,801,812)
Balance*	215,544	53,446	268,990

* 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 21.73% and 24.71% in 2022 and 2021, respectively. The Group engaged independent petroleum engineers to perform a reserves audit as at 31 December 2022. 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 14) in the year ended 31 December 2022 resulted in the decrease of the oil and gas properties by US\$ 9,206 thousand (31 December 2021: an increase of US\$112 thousand).

The Group incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2022 and 31 December 2021:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Borrowing costs including amortisation of arrangement fee	106,915	103,334
Capitalisation rate	8.44%	8.44%
Capitalised borrowing costs	1,504	219

Other property, plant and equipment

<i>In thousands of US Dollars</i>	Buildings	Machinery & equipment	Vehicles	Others	Total
Balance at 1 January 2021	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
Additions	–	313	–	773	1,086
Transfers	265	436	–	(403)	298
Disposals	(25)	(188)	(86)	(152)	(451)
Disposals depreciation	26	188	85	132	431
Depreciation	(257)	(129)	(3)	(233)	(622)
Impairment transfer	(738)	(105)	–	18	(825)
Balance at 31 December 2022	1,929	2,606	33	2,465	7,033

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
As at 31 December 2022					
Cost	49,498	22,317	1,505	18,010	91,330
Accumulated depreciation**	(47,569)	(19,711)	(1,472)	(15,545)	(84,297)
Balance*	1,929	2,606	33	2,465	7,033

* Balances, net of accumulated depreciation, amortisation and impairment

** Accumulated depreciation, amortisation and impairment

Notes to the consolidated financial statements continued

6. Advances for non-current assets

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

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Advances for construction materials	1,090	1,059
Advances for construction services	582	359
Advances for other non-current assets	442	–
	2,114	1,418

7. Inventories

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

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Spare parts and other inventories	26,720	26,720
Gas condensate	1,905	4,265
Crude oil	1,182	306
LPG	335	57
Dry gas	46	32
Sulphur	8	7
	30,196	31,387

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

8. Prepayments and other current assets

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

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Advances paid	2,959	2,370
Other taxes receivable	761	1,668
VAT receivable	744	4,882
Other	224	815
	4,688	9,735

Advances paid consist primarily of prepayments made to service providers. As at 31 December 2022 the impaired VAT receivable amounted to US\$5,596 thousand and the impaired advances paid amounted to US\$169 thousand (31 December 2021: impaired advances paid: US\$41 thousand).

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

9. Trade receivables

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

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

10. Cash and cash equivalents

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

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Current accounts in US Dollars	217,026	157,981
Current accounts in Tenge	13,827	5,736
Current accounts in Euro	1,824	1,020
Current accounts in other currencies	901	500
Petty cash	6	9
	233,584	165,246

In addition to the cash and cash equivalents in the table above, as at 31 December 2022 the Group had restricted cash accounts as a liquidation fund deposit of US\$8,220 thousand with Halyk bank (31 December 2021: US\$47 thousand with Sberbank in Kazakhstan and US\$7,719 thousand with Halyk bank), which are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

The Group 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 2022 the balance of the secured cash account was US\$22,802 thousand (31 December 2021: US\$22,672 thousand). The Company has the ability to make certain withdrawals from the account if its liquidity falls below an agreed level.

11. Share capital and reserves

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

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

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

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

<i>In thousands of US Dollars</i>	Group reorgani- sation reserve	Foreign currency translatio n reserves	Share- option reserves	Total
As at 1 January 2021	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
Currency translation difference	–	(490)	–	(490)
Share based payments under LTIP	–	–	(38)	(38)
As at 31 December 2022	255,459	2,612	3,786	261,857

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 year ended 31 December 2022 and year ended 31 December 2021.

Kazakhstan stock exchange disclosure requirement

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 2022 the book value per share amounted to US\$4.76 negative (31 December 2021: US\$4.44 negative).

12. Earnings per share

As at 31 December 2022 the ownership interests in the Parent consists of 188,182,958 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£0.01. For the purpose of calculations of earnings per share the number of shares has been adjusted as required under IAS 33.64 for the effect of the sub-division and consolidation of the ordinary share capital occurred after close of business on 9 February 2023 (Note 31).

	For the year ended 31 December	
	2022	2021
Loss for the period attributable to the shareholders (in thousands of US dollars)	(116,445)	(26,118)
Weighted average number of shares	169,086,713	169,086,713
Basic and diluted earnings per share (in US dollars)	(0.69)	(0.15)

13. Notes payable and accumulated interest

Notes payable and accumulated interest are comprised of the following as at 31 December 2022 and 31 December 2021:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Notes issued in 2017 and maturing in 2022	725,000	720,655
Notes issued in 2018 and maturing in 2025	396,320	395,022
Accrued interest	275,197	173,926
	1,396,517	1,289,603
Less amounts due within 12 months	(1,396,517)	(1,289,603)
	–	–

2022 Notes

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

The 2022 Notes are jointly and severally guaranteed (the "2022 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2022 Guarantors"). The 2022 Notes are the 2022 Issuer's and the 2022 Guarantors' senior obligations and rank equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness.

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

2025 Notes

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

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

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

The Company continued active discussions with the financial and legal advisers to the AHG and signed the FBAs, which prohibited the AHG from exercising certain rights and remedies under the Existing Note indentures. In December 2021 the Group entered into the First LUA and agreed terms of a restructuring with noteholders. More detailed information related to the restructuring scheme is disclosed in the Note 1.

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.

Notes to the consolidated financial statements continued

Changes in liabilities arising from financing activities

<i>In thousands of US Dollars</i>	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	31 December
2022							
Notes payable and accumulated interest	1,289,603	–	106,914	–	–	–	1,396,517
2021							
Notes payable and accumulated interest	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	–

14. Abandonment and site restoration provision

The summary of changes in abandonment and site restoration provision during years ended 31 December 2022 and 2021 is as follows:

<i>In thousands of US Dollars</i>	2022	2021
Provision as at 1 January	29,008	28,936
Unwinding of discount	271	276
Additional provision	–	85
Provision disposed	–	(401)
Change in estimates	(9,206)	112
Provision as at 31 December	20,073	29,008

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 2022 was 4.87% (31 December 2021: 0.92%).

The change in the discount rate during the year ended 31 December 2022 resulted in the decrease of the abandonment and site restoration provision by US\$9.206 thousand (31 December 2021: US\$112 thousand).

15. 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 2022 and 31 December 2021 is as follows:

<i>In thousands of US Dollars</i>	2022	2021
Balance as at 1 January	5,594	5,863
Unwinding of discount	470	762
Paid during the year	(1,031)	(1,031)
Balance as at 31 December	5,033	5,594
Less: current portion	(1,031)	(1,031)
Non-current portion	4,002	4,563

16. Trade payables

Trade payables comprise the following as at 31 December 2022 and 31 December 2021:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Tenge denominated trade payables	6,942	5,433
US Dollar denominated trade payables	1,543	1,397
Euro denominated trade payables	1,160	464
Russian Rouble denominated trade payables	141	122
Trade payables denominated in other currencies	143	983
	9,929	8,399

17. Other current liabilities

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

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Other accruals	23,481	3,318
Taxes payable, including corporate income tax	15,437	6,709
Training obligations accrual	6,441	8,684
Due to employees	2,724	2,479
Other current liabilities	757	686
	48,840	21,876

18. Revenue

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Revenue from oil and gas condensate sales	158,107	150,290
Revenue from gas and LPG sales	41,578	44,978
Revenue from sulphur sales	32	17
	199,717	195,285

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 2022 was US\$99.0/bbl (year ended 31 December 2021: US\$71.0/bbl).

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

During the year ended 31 December 2022 the revenue from sales to three major customers amounted to US\$151,302 thousand, US\$15,707 thousand and US\$6,805 thousand respectively (year ended 31 December 2021: US\$143,054 thousand, US\$18,207 thousand and US\$8,704 thousand respectively). The Group's exports were mainly represented by deliveries to the Baltic ports of Russia.

19. Cost of sales

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Depreciation, depletion and amortisation	51,682	55,569
Payroll and related taxes	14,179	14,603
Repair, maintenance and other services	6,662	6,610
Materials and supplies	4,333	4,561
Well repair and maintenance costs	3,122	2,726
Transportation services	2,285	2,559
Change in stock	1,191	403
Environmental levies	79	201
Other	520	617
	84,053	87,849

20. General and administrative expenses

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Payroll and related taxes	6,634	6,123
Professional services	3,556	4,113
Insurance fees	577	601
Business travel	282	204
Materials and supplies	182	144
Communication	180	182
Short-term leases	172	290
Depreciation and amortisation	153	170
Bank charges	47	71
Other	293	226
	12,076	12,124

21. Selling and transportation expenses

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Transportation costs	8,473	9,545
Loading and storage costs	8,094	6,869
Marketing services	–	2,167
Depreciation of right-of-use assets	–	1,556
Payroll and related taxes	1,375	1,520
Other	2,008	1,409
	19,950	23,066

22. Taxes other than income tax

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Export customs duty	10,014	7,655
Royalties	8,116	7,786
Government profit share	1,692	1,628
Other taxes	8	14
	19,830	17,083

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.

23. Finance costs

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Interest expense on borrowings	105,411	103,115
Other finance costs	16,986	12,386
Unwinding of discount on amounts due to Government of Kazakhstan	470	762
Unwinding of discount on lease liability	–	157
Unwinding of discount on abandonment and site restoration provision	271	276
	123,138	116,696

Other finance costs mainly represent advisor fees in the amount of US\$16,875 thousand (year ended 31 December 2021: US\$2,941 thousands of bondholder consent fees and US\$5,875 thousand advisor fees) incurred by the Group in relation to the FBAs, Lock-up Agreement and process of restructuring of the Group's outstanding bonds. For more details on the restructuring see Note 1.

Until the Existing Notes are successfully restructured, the Group will continue to accrue interest on the Existing Notes.

Notes to the consolidated financial statements continued

24. Employees' remuneration

The average monthly number of employees (including Executive Directors) employed was as follows:

<i>In thousands of US Dollars</i>	For the year ended 31 December	
	2022	2021
Management and administrative	137	136
Technical and operational	417	405
	554	541

Their aggregate remuneration comprised:

<i>In thousands of US Dollars</i>	For the year ended 31 December	
	2022	2021
Wages and salaries	19,057	18,740
Social security costs	3,393	3,563
Share-based payments	(38)	(247)
	22,412	22,056

The amount ultimately remaining in the income statement was US\$22,150 thousand (2021: US\$21,199 thousand).

Key management personnel remuneration

<i>In thousands of US Dollars</i>	For the year ended 31 December	
	2022	2021
Short-term employee benefits	4,033	4,042
Share-based payments	–	–
	4,033	4,042

Directors' remuneration

<i>In thousands of US Dollars</i>	For the year ended 31 December	
	2022	2021
Short-term employee benefits	1,960	1,877
Share-based payments	–	–
	1,960	1,877

As at 31 December 2022 the amount payable to key management personnel was US\$611 thousand (31 December 2021: US\$307 thousand).

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 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 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.

25. Other income and other expenses

For the year ended 31 December 2022 and 2021 other income comprise the following:

<i>In thousands of US Dollars</i>	For the year ended 31 December	
	2022	2021
Reversals of training accruals	2,214	1,490
Reversals of other accruals	3,561	1,244
Currency conversion	360	78
Catering and accommodation	212	–
Compensation for damages	–	1,549
Disposal of exploration assets	–	749
Insurance compensation	–	162
Other	459	614
	6,806	5,886

For the year ended 31 December 2022 and 2021 other expenses comprise the following:

<i>In thousands of US Dollars</i>	For the year ended 31 December	
	2022	2021
Other taxes and penalties	27,149	2,613
Sponsorship	903	26
Currency conversion	581	135
Training accruals	428	505
Social program	311	312
Write-off of new development costs	–	9,055
Other	449	572
	29,821	13,218

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.

26. Income tax

In thousands of US Dollars	For the year ended 31 December	
	2022	2021
Deferred income tax expense	15,827	30,279
Withholding tax	560	58
Corporate income tax expense	5,777	751
Adjustment in respect of the current income tax for the prior periods	12,500	632
	34,664	31,720

The Group's profits are assessed for income taxes mainly in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US Dollars	For the year ended 31 December	
	2022	2021
Loss before income tax	(81,781)	5,602
Tax rate applicable to the subsoil use rights	30%	30%
Expected tax provision	(24,534)	1,681
Non-deductible interest expense on borrowings and other financial expenses	32,488	24,782
Non-deductible taxes and penalties	7,842	784
Effect of exchange rate on the tax base	4,581	2,630
Adjustments in respect of current income tax of previous years	12,500	632
Effect of loss / (income) taxed at different rate ¹	–	1,529
Recognition of previously unrecognised deferred tax	–	(1,312)
Net foreign exchange gain	(76)	95
Reversal of training provisions	(536)	(296)
Non-deductible loss on disposal of PPE	–	(225)
Non-deductible marketing expenses	–	651
Non-deductible unwinding of discount	222	311
Other non-deductible expenses	2,177	458
Income tax expense	34,664	31,720

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. During 2022 the tax authorities in Kazakhstan carried out a comprehensive tax audit of Zhaikmunai LLP for the financial years 2016–2021, as a result of which additional corporate income tax in a principal amount equivalent to US\$12,500 thousand has been assessed for the periods covered.

In management's view, as at 31 December 2022 there were no other significant uncertain tax positions requiring disclosure in accordance with IFRIC 23 – Uncertainty over Income Tax Treatments.

The Group's effective tax rate for the year ended 31 December 2022 is negative 42.4% (2021: 566.2%). The Group's effective tax rate, excluding effect of movements in exchange rates and non-deductible interest expense on borrowings, for the year ended 31 December 2021 is 2.9% (2021: 76.9%).

As at 31 December 2022 the Group has tax losses of US\$122,111 thousand (2021: US\$113,371 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 2022	31 December 2021
Deferred tax asset		
Accounts payable and provisions	2,877	4,189
Deferred tax liability		
Property, plant and equipment	(49,763)	(33,630)
Inventories	(3,131)	(3,183)
Long-term borrowings	118	(1,448)
Net deferred tax liability	(49,899)	(34,072)

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	2022	2021
Balance as at 1 January	34,072	3,793
Current period charge to statement of comprehensive income	15,827	30,279
Balance as at 31 December	49,899	34,072

27. Related party transactions

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

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US\$2,665 thousand for the year ended 31 December 2022 (year ended 31 December 2021: US\$2,875 thousand).

28. Audit and non-audit fees

During the years ended 31 December 2022 and 2021 audit and non-audit fees comprise the following:

In thousands of US Dollars	For the year ended 31 December	
	2022	2021
Audit services:		
Ernst & Young	561	1,009
MHA & Baker Tilly International	627	–
Total audit services	1,188	1,009
Services relating to corporate finance transactions:		
Ernst & Young	161	239
Total non-audit services	161	239
	1,349	1,248

The audit fees for the year ended 31 December 2022 in the table above include the audit fees of US\$10 thousand in relation to the Parent (2021: US\$10 thousand).

The audit fees for the year ended 31 December 2022 include fees related to the audit of the 2021 financial statements in the amount of US\$300 thousand, which mostly represent audit overruns in the amount of US\$ 186 thousand and the fees for the forensic scope of US\$ 108 thousand (2021: US\$92 thousand related to audit of 2020 financial statements).

Notes to the consolidated financial statements continued

29. 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 2022. As at 31 December 2022 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Abandonment and site restoration (decommissioning)

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

Environmental obligations

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

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

Capital commitments

As at 31 December 2022, the Group had contractual capital commitments in the amount of US\$ 2,845 thousand (31 December 2021: US\$10,029 thousand), mainly in respect to the Group's oil field development activities.

Social and education commitments

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

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

Domestic oil sales

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

Impact of sanctions on Russia

The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations

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

30. 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 2022 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.

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 2022 and 2021 as the Group had no financial instruments with floating rates as at years ended 31 December 2022 and 2021.

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 21% would lead to decrease in the net Tenge liability position by US\$8,355 thousand as of 31 December 2022 and respective reduction of the loss before income tax for the year ended 31 December 2022. 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)
2022	21%	5,455
	(21%)	(8,355)
2021	13%	1,085
	(10%)	(1,048)

The Group's foreign currency denominated monetary assets and liabilities were as follows:

In thousands of US Dollars	Tenge	Russian Roubles	Euro	Other	Total
<i>As at 31 December 2022</i>					
Cash and cash equivalents	13,827	—	1,824	907	16,558
Trade receivables	1,997	—	—	—	1,997
Trade payables	(6,942)	(141)	(1,160)	(143)	(8,386)
Other current liabilities	(40,312)	—	(1,476)	(63)	(41,851)
	(31,430)	(141)	(812)	701	(31,682)
<i>As at 31 December 2021</i>					
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)

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 successful restructuring of the Notes, 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 2025. 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 45-46.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2022 and 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
<i>As at 31 December 2022</i>						
Borrowings	1,400,197	43,000	43,000	—	—	1,486,197
Trade payables	9,525	—	404	—	—	9,929
Other current liabilities	10,824	—	—	—	—	10,824
Due to Government of Kazakhstan	—	258	773	4,124	3,350	8,505
	1,420,546	43,258	44,177	4,124	3,350	1,515,455
<i>As at 31 December 2021</i>						
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

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., and Halyk bank JSC with most recent credit ratings from Moody's rating agency of Aa3 (Stable), and Baa2 (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.

The Group considers a financial asset in default when contractual payments are 90 days past due, however certain exceptions can be made depending on the particular circumstances and discussions with the counterparty. Also, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

Notes to the consolidated financial statements continued

Fair values of financial instruments

Management assessed that the fair value of cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts at 31 December 2022 and 31 December 2021.

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

In thousands of US Dollars	Carrying amount		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Interest bearing borrowings	1,396,517	1,289,603	272,500	303,375
Total	1,396,517	1,289,603	272,500	303,375

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

During the year ended 31 December 2022 and year ended 31 December 2021 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\$234,251 thousand as at 31 December 2022. 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.

31. Events after the reporting period

Completion of the Restructuring

On 9 February 2023 the Group notified that the Restructuring was implemented pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022.

The terms of the Restructuring included the sub-division and consolidation of the ordinary share capital of the Company following the issue of the new shares on 9 February 2023. This sub-division and share consolidation occurred after close of business on 9 February 2023 and resulted in the number of Ordinary Shares on issue being reduced from approximately 1,693.8 million Ordinary Shares (following the issue of the new shares) to approximately 169.4 million Ordinary Shares on the basis of a 10:1 consolidation of ordinary shares. Accordingly, on 10 February 2023, 150,563,304 new Ordinary Shares have been admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange under the ticker symbol "NOG.L". The Company's ordinary shares (including the New Shares) were also admitted to listing and trading on the Astana International Exchange (AIX) on 13 February 2023. The new warrants were not admitted to listing and trading on the AIX. The New Notes and the New Warrants were also admitted to listing and trading on The International Stock Exchange (TISE) with effect from 9 February 2023. No new securities were listed on the Euronext Dublin.

As a result of implementation of the restructuring a portion of the Group's Notes were exchanged for US\$250 million of SSNs and US\$345 million of SUNs, while remainder of the Existing Notes together with accrued but unpaid interest were converted into fully paid ordinary shares (the "New Shares"), resulting in the Noteholders holding 88.89% of the Enlarged Share Capital of the Company. In addition, the New Warrants were issued to be held by the Warrant Trustee on behalf of the holders of the SUNs from time to time, exercisable in full by a majority of such holders upon the occurrence of certain events to increase their holding of the Company's Enlarged Share Capital to 90.00%, and certain new governance and cashflow arrangements, as described in more detail in the Annual Report and other publications of the Company.

Pursuant to the terms of the Restructuring the interest accrued on the SSNs and the SUNs from 1 January 2022. Accordingly, cash interest accrued to 9 February 2023 in the amount of US\$17.5 million was paid to the Noteholders upon the issuance of the SSNs and the SUNs. The next semi-annual cash interest payment is scheduled for 30 June 2023. Also, as part of the Restructuring completion the amounts held in escrow account as required under FBA, were released and at the same time amounts required for next two cash coupon payments were transferred to Debt Service Retention Account (DSRA).

Acquisition of Stepnoy Leopard Fields

On 10 March 2023, the Company announced that it has agreed, subject to certain conditions, to acquire 80% of Positive Invest LLC ("Positive Invest"), which holds the subsoil use right to the contract No. 25 for estimation, development and production of hydrocarbons for the area "Kamenskoe" and the development area "Kamensko-Teplovsko-Tokarevskoe" (the "Stepnoy Leopard Fields") in the West Kazakhstan region of the Republic of Kazakhstan dated 3 March 1995 for US\$20 million (less a modest amount of debt owed to Nostrum Oil & Gas Coöperatief U.A.).

The Proposed Acquisition will enable Nostrum to tie-in further resources in the region that can be processed at the Company's gas treatment facilities. An affiliate of the Company shall be appointed as the operator of the Positive Invest Contract.

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Parent company statement of financial position

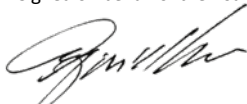
<i>In thousands of US Dollars</i>	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment		3	2
		3	2
Current assets			
Prepayments and other current assets		167	489
Receivables from related parties	6	955	1,000
Cash and cash equivalents	7	901	549
		2,023	2,038
TOTAL ASSETS		2,026	2,040
Equity and liabilities			
Share capital and reserves			
Share capital	8	3,203	3,203
Retained deficit and reserves		(903,094)	(812,101)
		(899,891)	(808,898)
Current liabilities			
Current portion of financial guarantees	9	900,684	809,812
Payables to related parties	10	323	476
Trade payables		847	480
Income tax payable		–	61
Other current liabilities		63	109
		901,917	810,938
TOTAL EQUITY AND LIABILITIES		2,026	2,040

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in the Company's financial statements.

The Company reported a loss of US\$90,955 thousand for the financial year ended 31 December 2022, which includes current income tax benefit of US\$27 thousand (2021: profit US\$22,342 thousand including current income tax expense of US\$64 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. The financial statements were authorised for issue on 30 May 2023.

Signed on behalf of the Board:



Arfan Khan

Chief Executive Officer

30 May 2023

The accounting policies and explanatory notes on pages 165 through 174 are an integral part of these consolidated financial statements

Parent company statement of cash flows

<i>In thousands of US Dollars</i>	Notes	For the year ended 31 December	
		2022	2021
Cash flow from operating activities:			
Loss before income tax		(90,982)	22,406
<i>Adjustments for:</i>			
Depreciation		3	19
Employee share option plan fair value adjustment		(38)	(14)
Financial guarantee loss	9	90,872	(21,957)
Impairment reversal		–	(232)
Operating profit before working capital changes		(145)	222
<i>Changes in working capital:</i>			
Change in other current assets		322	(202)
Change in receivables from related parties		45	109
Change in trade payables		367	36
Change in payables to related parties		(153)	(92)
Change in other current liabilities		(45)	(1)
Cash generated from operations		391	72
Income tax paid		(34)	(138)
Net cash flows from operating activities		357	(66)
Cash flow from investing activities:			
Purchase of property, plant and equipment		(4)	(1)
Net cash used in investing activities		(4)	(1)
Effects of exchange rate changes on cash and cash equivalents		–	1
Net decrease in cash and cash equivalents		353	(66)
Cash and cash equivalents at the beginning of the year	7	549	615
Cash and cash equivalents at the end of the year	7	901	549

As at 31 December 2021 the Company recognised bad debt allowance in the amount of US\$93 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 165 through 174 are an integral part of these consolidated 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 2021		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)
Loss for the year		–	–	(90,955)	(90,955)
Total comprehensive loss for the year		–	–	(90,955)	(90,955)
Share based payments under LTIP	13	–	(38)	–	(38)
As at 31 December 2022		3,203	567	(903,661)	(899,891)

The accounting policies and explanatory notes on pages 165 through 174 are an integral part of these consolidated 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 2022 and the percentage holding of their capital are set out below:

Company	Registered office	Form of capital	Ownership, %
Direct subsidiary undertakings:			
Nostrum Oil & Gas	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 Holding Ltd	20 Eastbourne Terrace, London, W2 6LG, UK	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

Forbearance Agreements

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 Group continued active discussions with the financial and legal advisers to the AHG and signed the First Forbearance Agreement ("First FBA") with the AHG on 23 October 2020 and a new Forbearance Agreement ("Second FBA") on 19 May 2021 (together the "FBAs"). The First FBA and the 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.

As part of the signing of the FBAs, the Group 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 US\$6,701,973 has been paid in consent fees during the signing and various extensions of the FBAs, of which US\$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 (including US\$9,758,980 transferred in 2021), with Nostrum having access to the funds under certain circumstances, such as liquidity falling below an agreed threshold).

Lock-up Agreements

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

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

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

Terms of the Restructuring

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

- Partial reinstatement of debt in the form of US\$250 million Senior Secured Notes (SSNs) maturing on 30 June 2026 and bearing interest at a rate of 5.00% per year payable in cash. The SSNs are not convertible;
- Partial reinstatement of debt in the form of US\$300 million Senior Unsecured Notes (SUNs) maturing on 30 June 2026 and bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind. If not repaid in cash at maturity, the SUNs are repayable in specie through the issuance of equity in the Group based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Group (up to a maximum of 99.99% of the Group's fully diluted equity);
- 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 ordinary share capital of the Group 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 ordinary share capital of the Group upon exercise – increasing noteholder ownership of the Group to 90.00%;
 - The existing ordinary shareholders will hold 11.11% upon closing of the restructuring. The existing ordinary shareholders will be diluted to 10.00% if the warrants held by existing noteholders are exercised;
 - New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism requiring that cash above US\$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Group can access with approval of the majority of Independent Non-Executive Directors of the Group; and
 - Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

Key implementation milestones completed

Following execution of the Lock-up Agreement, the Group commenced implementation of the Restructuring.

On 4 February 2022, the Group received the required consents from noteholders after a solicitation process to approve the amendments to the Existing Notes indentures. The approved amendments (i) changed the governing law and

Notes to the parent company financial statements continued

jurisdiction of both Existing Notes indentures from the State of New York to the laws of England and Wales; (ii) made Nostrum Oil & Gas plc a co-issuer of the Existing Notes and (iii) other smaller amendments to facilitate the implementation of the restructuring. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes provided consents. No consent solicitation payments were made to vote in favour.

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

On 20 June 2022, the High Court of Justice of England and Wales has made an order granting the Group permission to convene a meeting for the Scheme creditors to approve the Restructuring.

On 1 July 2022, the Group received the required consents from the Kazakhstan Ministry of Energy («MOE») with respect to (i) the issue of new shares and warrants (in partial repayment of the Existing Notes) and (ii) the waiver of the State of Kazakhstan's priority right to acquire such new shares and warrants.

On 1 August 2022, after receiving a key regulatory authorisation from the US Office of Foreign Assets

Control, the Company issued a notice inviting Scheme creditors to a Scheme meeting on 21 August 2022. At the Scheme meeting with participation and voting (by proxy) of 148 Scheme Creditors, the Scheme proposed by the Company in connection with the Restructuring was approved by the requisite majority of Scheme Creditors (being a majority in number, representing at least 75 percent in value of the Scheme Creditors present and voting).

On 26 August 2022, the Scheme Sanction Hearing took place, whereby the Court made an order sanctioning the Scheme, following which on 31 August 2022 the Scheme Sanction Order was lodged with Companies House and the Scheme thereby took effect and binds (amongst other parties) all Scheme Creditors and the Company by its terms.

On 14 October 2022, a prospectus was approved by the FCA and published by the Company (the 'Prospectus'). The Prospectus relates to the proposed admission of up to 1,505,633,046 new ordinary shares to the standard listing segment of the Official List of the FCA and to trading on the main market for listed securities of London Stock Exchange plc.

In January 2023, the Group received the licence from Office of Financial Sanctions Implementation (the UK) approving the Scheme and the issue of the Prospectus, and confirmations that such licences are not required from the Ministry of

Finance (the Netherlands) and Policy & Resources Committee (the UK, States of Guernsey).

On 9 February the Group notified that the Restructuring was implemented pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022. The terms of the Restructuring included the sub-division and consolidation of the ordinary share capital of the Company following the issue of the New Shares on 9 February 2023. This sub-division and share consolidation occurred after close of business on 9 February 2023 and resulted in the number of Ordinary Shares on issue being reduced from approximately 1,693.8 million Ordinary Shares (following the issue of the New Shares yesterday) to approximately 169.4 million Ordinary Shares on the basis of a 10:1 consolidation of ordinary shares. Accordingly, on 10 February 2023, 150,563,304 new Ordinary Shares have been admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange under the ticker symbol "NOG.L". The Company's ordinary shares (including the New Shares) were also admitted to listing and trading on the Astana International Exchange (AIX) on 13 February 2023. The New Warrants will not be admitted to listing and trading on the AIX. The SSNs and SUNs (together referred to as the "New Notes") and the New Warrants were also admitted to listing and trading on The International Stock Exchange (TISE) with effect from 9 February 2023. No securities will be listed on the Irish Stock Exchange plc.

2. Basis of preparation

Basis of preparation

The Company financial statements for the year ended 31 December 2022 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 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 Group level going concern matters and analysis are considered directly relevant for the Company (please refer to page 52 of the Annual Report for more details). The directors are satisfied that the Group will have sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of these financial statements. In addition, the Group has controls in

place over allocation of resources among parent and subsidiaries.

It was also noted that the Company was in a net liability position as at 31 December 2022, due primarily to recognition of the Financial Guarantee as explained in the Note 9. However, as a result of the completion of Restructuring in February 2023 the amount of Financial guarantee has substantially decreased in line with the Group's borrowings (Note 16), thus significantly improving the financial position of the Company.

Taking into account abovementioned, the directors are satisfied that the Company will have sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs

do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company applies these amendments to contracts for which it has not yet fulfilled all its obligations at 1 January 2022. These amendments had no impact on the financial statements of the Company.

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

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

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

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

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

Standards issued but not yet effective

IAS 8.30 IAS 8.31(d) IFRS 17 Insurance Contracts

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
 - A simplified approach (the premium allocation approach) mainly for short-duration contracts
- IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

Definition of Accounting Estimates - Amendments to IAS 8

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

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

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

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

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Company is currently assessing the impact of the amendments.

Notes to the parent company financial statements continued

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\$38 thousand (Note 5) was recognised as at 31 December 2022 (31 December 2021: US\$232 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 2022, impairment for the full amount of investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V. remained appropriate taking into account no significant changes in the assessments of recoverability of these investments.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Company determines the classification of its financial assets at initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by

regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are

recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash and receivables from related parties.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that

reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will

include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss

allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition, measurement and derecognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, long-term borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, payables related parties and financial guarantee liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss

- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial guarantees

Financial guarantee is initially recognised in the financial statements at fair value at the time the guarantee is issued. The Company estimates the fair value of the financial guarantee contract as the difference between the net present value of the contractual cashflows required under a debt instrument, and the net present value of the net contractual cashflows that would have been required without the guarantee. The present value is calculated using a risk-free interest rate.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the amount of expected credit losses (ECL). Financial guarantee ECL reflect the cash shortfalls adjusted by the risks that are specific to the cashflows. If the ECL exceeds the initially recognised guarantee amount less cumulative amortisation the difference is taken to profit and loss.

A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires, or if the guarantee is withdrawn or cancelled. The carrying amount of the financial guarantee is taken to the statement of profit or loss.

Share-based payments

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element, which is not remeasured subsequently until the settlement date.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent

on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

Notes to the parent company financial statements continued

5. Investments in subsidiaries

As at 31 December 2022 and 31 December 2021 Investments of the Company comprised the following:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Nostrum Oil & Gas Coöperatief U.A.	116,398,903	116,669,665
Nostrum Oil & Gas BV	222,271	222,271
Impairment of investments	(116,621,174)	(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 (2021: US\$9,881 thousand) as well as US\$518 thousand capitalized costs under the “Long-term Incentive Plan 2017” (2021: US\$556 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 2022 and 2021 the Company has partially reversed previously recognised impairment of investments in subsidiaries in the amount of US\$38 thousand and US\$232 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 2022 and 31 December 2021:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Receivables from Nostrum Oil & Gas Benefit Trust	23,812	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	836	729
	24,648	24,541
Less: bad debt allowance	(23,693)	(23,541)
	955	1,000

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, 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 2022 and 31 December 2021 cash and cash equivalents comprised the following:

<i>In thousands of US Dollars</i>	31 December 2021	31 December 2021
Current accounts in Pounds Sterling	901	319
Current accounts in US Dollars	–	230
	901	549

8. Shareholders’ equity

As at 31 December 2022 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 2022 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 2022 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 2022 and 31 December 2021:

<i>In thousands of US Dollars</i>	2022	2021
Financial guarantee as at 1 January	809,812	831,767
Charge for expected credit losses	90,872	(21,955)
Financial guarantee as at 31 December	900,684	809,812

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 2022 and 2021, 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\$ 886,513 thousand as at 31 December 2022 (2021: US\$809,812 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.

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 2022 and 31 December 2021:

<i>In thousands of US Dollars</i>	31 December 2021	31 December 2021
Payables to Nostrum Oil & Gas Coöperatief U.A.	119	272
Interest payable Nostrum Oil & Gas Finance B.V.	204	204
	323	476

As at 31 December 2022 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 2022 by US\$152,709 (2021: US\$92,613), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2022.

As at 31 December 2022 and 2021 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 2022 the fees for the audit of the Company amount to US\$10 thousand (2021: US\$10 thousand).

Notes to the parent company financial statements continued

12. Employee's remuneration

The average monthly number of employees employed was as follows:

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Executive Directors	1	1
Administrative personnel	3	4
	4	5

Their aggregate remuneration comprised:

	For the year ended 31 December	
<i>In thousands of US Dollars</i>	2022	2021
Wages and salaries	691	960
Social security costs	125	148
Other benefits	19	40
	835	1,148

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 2022 was US\$1,960 thousand (2021: US\$1,877 thousand) and also includes remuneration paid by other companies of the Group. In addition, US\$359 thousand (2021: US\$280 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 2022 the Company employed an average of 2 non-executive directors (2021: 2 non-executive directors).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 108-122 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 2022 and 31 December 2021:

	Equity-settled awards	Cash-settled awards	TOTAL awards
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
Share options forfeited	(8,696)	–	(8,696)
As at 31 December 2022	147,343	–	147,343

In 2017 the Company granted 1,208,843 share options, of which 344,631 share options remained outstanding as at 31 December 2022 (2021: 542,243 share options). The weighted average remaining contractual life of share options outstanding as at 31 December 2022 was 5 years (2021: 6 years). 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 non-achievement of performance conditions, 147,343 share options are capable of vesting as of 31 December 2022 (2021: 156,039 share options) and all of these share options were vested, in accordance with the management's best estimate, and exercisable as of 31 December 2022.

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 the years ended 31 December 2022 and 2021. 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. No adjustments were recognised during the year ended 31 December 2022.

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 and a reduction in the investments in subsidiaries in the amounts of US\$244 thousand. No adjustments were recognised during the year ended 31 December 2022.

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 2022 and 31 December 2021 consisted of the following:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Receivables from Nostrum Oil & Gas Benefit Trust	23,812	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	836	729
	24,648	24,541
Less: bad debt allowance	(23,693)	(23,541)
	955	1,000

Accounts payable to related parties represented by Company's subsidiaries as at 31 December 2022 and 31 December 2021 consisted of the following:

<i>In thousands of US Dollars</i>	31 December 2022	31 December 2021
Payables to Nostrum Oil & Gas Coöperatief U.A.	119	272
Interest payable Nostrum Oil & Gas Finance B.V.	204	204
	323	476

Financial guarantees are comprised of the following as at 31 December 2022 and 31 December 2021:

<i>In thousands of US Dollars</i>	2022	2021
Financial guarantee as at 1 January	809,812	831,767
Charge for expected credit losses	90,872	(21,955)
Financial guarantee as at 31 December	900,684	809,812

During the years ended 31 December 2022 and 2021 the Company had the following transactions with related parties represented by Company's subsidiaries:

<i>In thousands of US Dollars</i>	For the year ended 31 December	
	2022	2021
Income from provision of services		
Nostrum Oil & Gas Coöperatief U.A.	5,516	5,831
Loss / (gain) from financial guarantee		
Nostrum Oil & Gas Finance B.V. (Note 9)	78,340	(21,955)

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 2022 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.

Interest rate risk

The Company is not exposed to interest rate risk in 2022 and 2021 as the Company had no financial instruments with floating rates as at years ended 31 December 2022 and 2021.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Company is part of the Group's monitoring process of 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, and adequately allocating funding among various entities in the Group.

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 successfully restructuring of the Notes, the Directors confirm that they have a reasonable expectation that the Company and the Group will continue in operation and meet its restructured liabilities as they fall due through the three-year viability assessment period ending 30 June 2026, subject to successful partial refinancing of its debt if such becomes required before maturity of the notes. 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 45-46.

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 Citibank which has a credit rating of Aa3 (stable) from Moody's rating agency at 31 December 2022.

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.

Notes to the parent company financial statements continued

16. Events after the reporting period

Completion of the Restructuring

On 9 February 2023 the Group notified that the Restructuring was implemented pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022.

The terms of the Restructuring included the sub-division and consolidation of the ordinary share capital of the Company following the issue of the new shares on 9 February 2023. This sub-division and share consolidation occurred after close of business on 9 February 2023 and resulted in the number of Ordinary Shares on issue being reduced from approximately 1,693.8 million Ordinary Shares (following the issue of the new shares) to approximately 169.4 million Ordinary Shares on the basis of a 10:1 consolidation of ordinary shares. Accordingly, on 10 February 2023, 150,563,304 new Ordinary Shares have been admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange under the ticker symbol "NOG.L". The Company's ordinary shares (including the New Shares) were also admitted to listing and trading on the Astana International Exchange (AIX) on 13 February 2023. The new warrants were not admitted to listing and trading on the AIX. The New Notes and the New Warrants were also admitted to listing and trading on The International Stock Exchange (TISE) with effect from 9 February 2023. No new securities were listed on the Euronext Dublin.

As a result of implementation of the restructuring a portion of the Group's Notes were exchanged for US\$250 million of SSNs and US\$345 million of SUNs, while remainder of the Existing Notes together with accrued but unpaid interest were converted into fully paid ordinary shares (the "New Shares"), resulting in the Noteholders holding 88.89% of the Enlarged Share Capital of the Company. In addition, the New Warrants were issued to be held by the Warrant Trustee on behalf of the holders of the SUNs from time to time, exercisable in full by a majority of such holders upon the occurrence of certain events to increase their holding of the Company's Enlarged Share Capital to 90.00%, and certain new governance and cashflow arrangements, as described in more detail in the Annual Report and other publications of the Company.

Pursuant to the terms of the Restructuring the interest accrued on the SSNs and the SUNs from 1 January 2022. Accordingly, cash interest accrued to 9 February 2023 in the amount of US\$17.5 million was paid to the Noteholders upon the issuance of the SSNs and the SUNs. The next semi-annual cash interest payment is scheduled for 30 June 2023.

Following completion of the Restructuring, the Company's Financial guarantee decreased in line with a reduction in the Group's borrowings.

Acquisition of Stepnoy Leopard Fields

On 10 March 2023, the Company announced that it has agreed, subject to certain conditions, to acquire 80% of Positive Invest LLC ("Positive Invest"), which holds the subsoil use right to the contract No. 25 for estimation, development and production of hydrocarbons for the area "Kamenskoe" and the development area "Kamensko-Teplovsko-Tokarevskoe" (the "Stepnoy Leopard Fields") in the West Kazakhstan region of the Republic of Kazakhstan dated 3 March 1995 for US\$20 million (less a modest amount of debt owed to Nostrum Oil & Gas Coöperatief U.A).

The Proposed Acquisition will enable Nostrum to tie-in further resources in the region that can be processed at the Company's gas treatment facilities. An affiliate of the Company shall be appointed as the operator of the Positive Invest Contract.

Contact information

Investor contacts

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Registered number: 8717287
Place of registration: England and Wales
VAT GB302 9250 35

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Registrar

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Nostrum Oil & Gas BV

Activity: Holding Company
Registered office and principal place of business:
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The Netherlands
Directors:
Thomas Hartnett
Ulugbek Makhmadiyarov

Nostrum Oil & Gas Coöperatief UA

Activity: Holding Company
Registered office and principal place of business:
Bloemendaalseweg 139
Hofstede Sparrenheuvel
2061 CH
Bloemendaal
The Netherlands
Directors:
Ulugbek Makhmadiyarov
Thomas Hartnett

Nostrum Oil & Gas Finance BV

Activity: Finance Company
Registered office and principal place of business:
Bloemendaalseweg 139
Hofstede Sparrenheuvel
2061 CH
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The Netherlands
Directors:
Ulugbek Makhmadiyarov
Thomas Hartnett

Nostrum Services NV

Activity: Holding Company
Registered office and principal place of business:
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1360 Perwez
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Directors:
Thomas Hartnett BVBA
Ulugbek Makhmadiyarov

Nostrum Associated Investments LLP

Activity: Dormant
Registered office and principal place of business:
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090000 Uralsk
Republic of Kazakhstan
General Director:
Malika Saudasheva

Nostrum Oil & Gas UK Limited

Activity: Dormant
Registered office and principal place of business:
20 Eastbourne Terrace
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United Kingdom
Directors:
Martin Cocker
Thomas Hartnett

Nostrum Services Central Asia LLP

Activity: Dormant
Registered office and principal place of business:
Building 75/38
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050031 Almaty
Republic of Kazakhstan
General Director:
Kalamkas Shakenova

Nostrum Oil & Gas Holding Limited

Activity: Holding company
Registered office and principal place of business:
20 Eastbourne Terrace
London W2 6LG
United Kingdom
Directors:
Ulugbek Makhmadiyarov
Thomas Hartnett

Investor information

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	GB00BQVVS097

Capitalisation-weighted index of FTSE 350 E&P.

Earnings per share (as at 31 December 2022): US\$(0.14)/share

Book value per share (as at 31 December 2022): US\$(4.44) negative per share

Financial calendar 2023

Q1 2023	Operational update	28 April 2023
Q1 2023	Financial results	31 May 2023
H1 2023	Operational update	28 July 2023
H1 2023	Financial results	22 August 2023
Q3 2023	Operational update	27 October 2023
Q3 2023	Financial results	21 November 2023

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

NOSTRUM OIL & GAS PLC



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.

Outstanding bond issues as at 9 February 2023 for Nostrum Oil & Gas PLC are detailed in the following table:

Title	Settlement	Maturity	Currency	Amount (m)	Coupon	PIK	Listing		RegS	Rule 144A
SSN	Feb 2023	Jun 2026	US\$	250	5.000%	-	TISE	CUSIP	N64884AF1	66978CAF9
								ISIN	USN64884AF16	US66978CAF95
SUN	Feb 2023	Jun 2026	US\$	300	1.000%	13.000%	TISE	CUSIP	N64884AE4	66978CAD4
								ISIN	USN64884AE41	US66978CAD48

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:

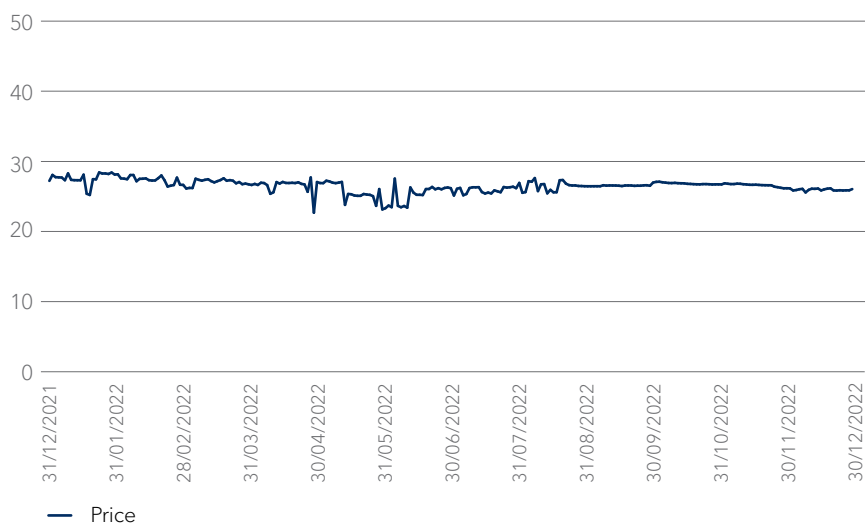
Agency	Rating	Outlook
Standard and Poor's	SD	NM
Moody's	Ca	Negative

Zhaikmunai LLP is a wholly-owned indirect subsidiary of Nostrum and its equity is not listed, while Nostrum's equity is listed on the standard segment of the London Stock Exchange.

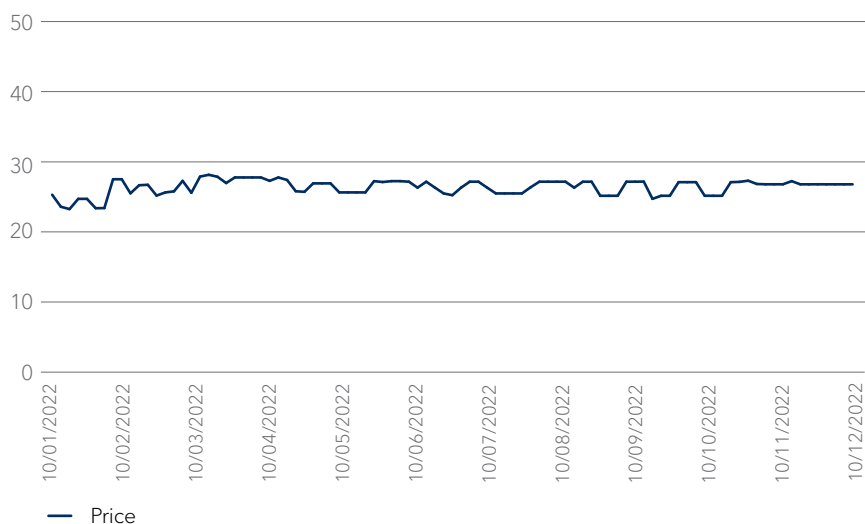
The Group's investor relations programme aims to develop open and transparent communication between the Group (including Zhaikmunai LLP) and its shareholders, providing information about the financial and operational performance of the Company. The Investor Relations department of the Group seeks to 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.

1. Yield to worst was not calculated following the default in payment of interest.

NOSTRUM FINANCE BV 8.0% 25-JUL-2022



NOSTRUM FINANCE BV 8.0% 25-JUL-2022



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.
CO₂	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.

Glossary

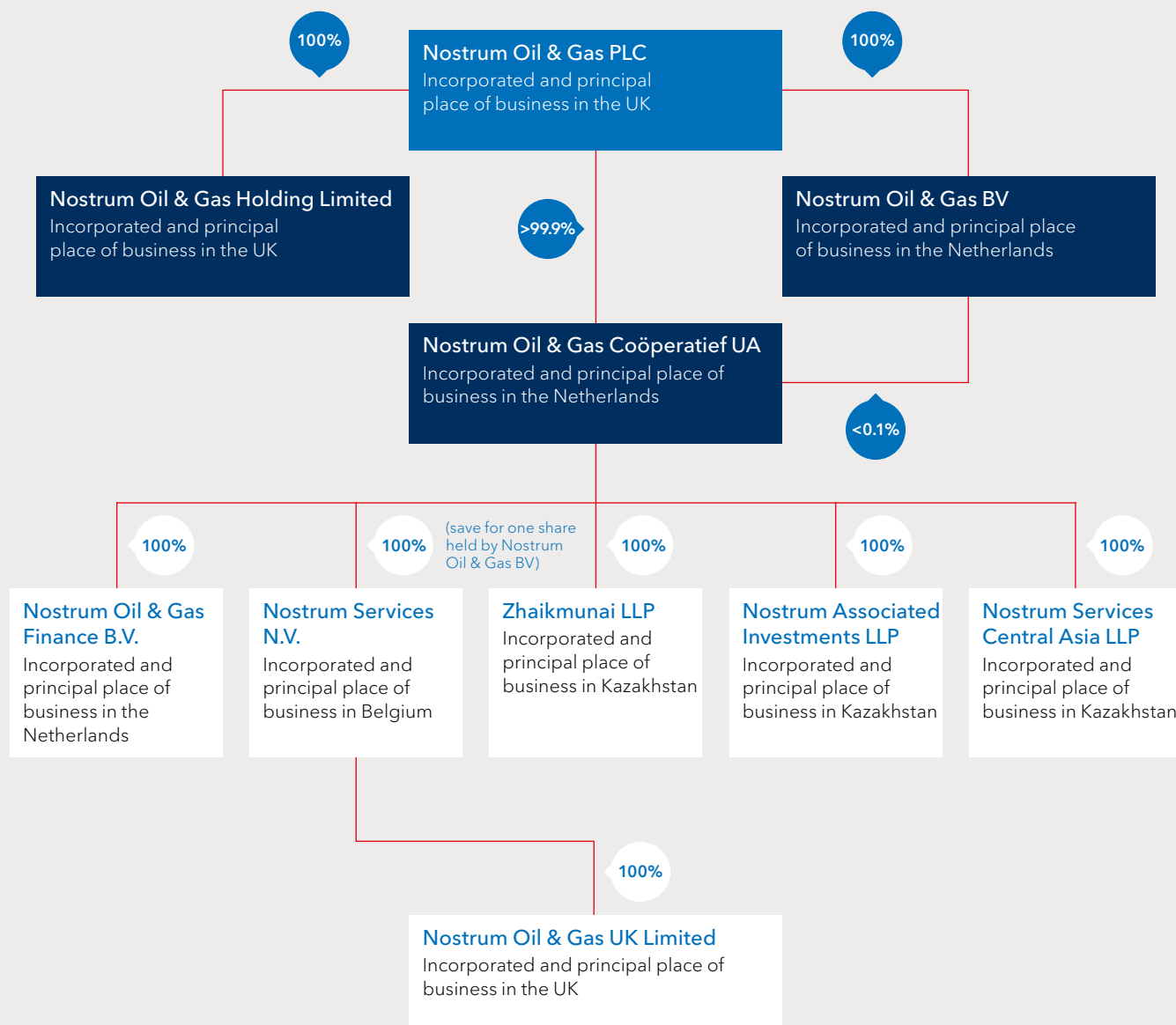
D	
development	During development, engineering teams design the most efficient development options to build wells and associated infrastructure to produce hydrocarbons from a gas field within a proven productive reservoir (as defined by exploration and appraisal activities). The three phases of development 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) + employee share option adjustments + 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).
m³	Cubic metres.
m³/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.
TISE	The International Stock Exchange
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 O&G	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 2022



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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