Zhaikmunai LLP
Annual Report & Accounts 2021

Contents

Introduction

The Partnership is the main operating subsidiary of Nostrum Oil & Gas PLC.

Business model

	Key strengths	What the Partnership does		Value the Partnership creates
The Partnership seeks to develop energy resources in north-western Kazakhstan through monetising the spare capacity of its gas treatment facility to deliver value to its stakeholders. **The Partnership's purpose** To work as a close-knit and well-integrated team across all disciplines to deliver excellence across the whole of its value chain. **The Partnership's vision** To add value to the region through the utilisation of its state-of-the-art infrastructure hub. **The Partnership's values** The Partnership is trustworthy and reliable, takes its corporate, social and ecological responsibilities extremely seriously, and is dedicated to the health, safety and wellbeing of its employees.	**World-class infrastructure** Well located to develop regional resources. Multiple transportation routes to market and full control of liquid transportation logistics.	**Gas**	**Oil**	**Workforce** The Partnership is one of the leading employers in north-western Kazakhstan, and holds a valuable key to unlocking future development of otherwise stranded natural resources.
	Low operating costs Operations streamlined in 2021 and costs reduced.	**Third-party hydrocarbons** **Gas condensate wells**	**Crude oil wells**	**Investors** Significant progress has been made on the restructuring which is planned to be finalized in 2022 which will allow the Partnership to focus on realizing its whole potential thanks to the improved capital structure of Nostrum Oil & Gas PLC.
	High-quality local input A significant number of the Partnership's contractors and suppliers are local Kazakh entities, meaning that the Partnership supports the local economy. This also means that the Partnership is well positioned to maintain operations if access to Kazakhstan is restricted.	**Gas treatment facilities (GTF)** **Power generation**	**Oil treatment facility (OTF)** **Associated gas**	**Local communities** The Partnership is 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.
	Experienced management team The Partnership's management team is seasoned, close-knit and well-integrated across critical disciplines, with proven skills in project execution and production operations.	**Liquefied petroleum gas (LPG)** **Dry gas** **Stabilised condensate**	**Crude oil**	**Suppliers, contractors and customers** Deliver on the Partnership's production and project plans. Constant communication with its key customers and suppliers.
	Responsible operations Safety is a personal and shared responsibility. Everybody working at or visiting the Partnership's facilities has a right to return home safely and to perform their duties under safe working conditions.	**Final destination**	**Final destination**	**Governments and regulators** Details of all payments by the Partnership to the Republic of Kazakhstan are set out in the Partnership's financial statements.

Review of 2021

The Partnership emerged from 2021 in relatively good shape following a year of recovery from the onset of the COVID-19 crisis and the related energy commodity price crash experienced in 2020. Restructuring the outstanding bonds of Nostrum Oil & Gas Finance B.V. has been a huge strategic focus. An agreement has been reached with stakeholders so that Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) can move forward with a new, more manageable capital structure.

The Partnership's future strategic initiatives include profitably filling its world class 4.2 bcma gas processing facilities.

Operationally, the Partnership performed well despite difficult circumstances. The Partnership benefited from a high hydrocarbon price backdrop across all its products and has been meticulous in cost optimisation, creating operating leverage which allowed it to enjoy the upward swing in prices and this served the Partnership well in offsetting the natural production decline exhibited from its mature Chinarevskoye field.

Environmental, Social and Corporate Governance was a focus area in 2021 and the Partnership intends to progress its efforts on this in 2022. The Partnership is absolutely committed to continuous improvement in reducing the environmental impact from operations and ensuring transparency in its reporting – for example, the Partnership's reporting is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Please refer to pages 50 – 57. The Partnership will continue to invest in efforts to ensure an ever cleaner environment in all the areas in which it operates as it is a business designed for the future in the face of a changing climate.

In 2022, the Partnership looks forward to the streamlining of the capital structure of Nostrum Oil & Gas PLC and to working alongside all key stakeholders as the Partnership pivots towards renewed growth.

Strategic pillars
The Partnership's strategic pillars remained the same during 2021: Delivering, Optimising and Maximising.

- **Bond restructuring:** the restructuring is progressing very well and all remaining milestones are expected to be closed out over the next few months. Although the process has taken longer than the Partnership would have liked, 2021 has seen all stakeholders pull together and come to a mutually beneficial agreement. **Delivering** on this, post completion, Nostrum Oil & Gas PLC will have a leaner balance sheet with a more manageable debt structure, allowing Nostrum Oil &Gas PLC and its subsidiaries (including the Partnership) to re-build equity value through pursuit of the strategic initiatives outlined below. Please refer to pages 21 – 23 for a summary of the restructuring process to date.

- **GTU capacity utilisation:** filling the spare capacity of the Partnership's 4.2 bcma gas processing facility remains a top priority. The Partnership has engaged with several regional raw gas producers and stakeholders to discuss its capabilities and has invited them to visit its world class facilities in the field. The Partnership strongly believes that its processing capabilities will prove a key contributor to the energy security and needs of Kazakhstan and will continue to push this agenda during 2022. Delivering on this strategy of Maximising capacity utilisation at the Partnership's gas processing facility will not only be value accretive for the Partnership and its stakeholders but will also generate benefits for Kazakhstan in increased tax payments and enhanced local employment opportunities.

- **Optimisation of capital and resources:** cost control was a key focus in 2021 and, to continue this theme, the Partnership has set management KPIs in 2022 to reduce operating costs and general & administrative expenses. The 2021 workover and well intervention programs helped enhance production as well as reserves in the latest reserve audit performed for Nostrum Oil & Gas PLC. The Partnership retained a workover rig to continue this targeted reservoir management and is hopeful it will continue to offset some of the natural reservoir decline.

Sustainability
The safety of the Partnership's people and assets remains its number one priority. No employee was severely injured in operations throughout 2021 and the Partnership intends to continue the safeguarding of employees in 2022. In light of the ongoing global COVID-19 pandemic, the Partnership maintained its strict testing regimes for all employees working at the field and in the offices. The Partnership constantly monitors the global, national, and regional situation and makes workplace changes as necessary to ensure the safety of its staff. It has also considered the possible impact on the Partnership of US, UK, EU and other sanctions on Russian infrastructure, state and other businesses, banks and individuals following the recent Russia-Ukraine conflict. At the date of this report, whilst current sanctions may disrupt transactions with certain customers and suppliers, any

impact on the Partnership has been minimal as the current sales routes for the Partnership remained unaffected. The Partnership will continue to evaluate the potential effects and mitigating actions, such as identification of alternative sales routes, as the conflict and corresponding international reactions to it evolve.

The Partnership is reporting its first year under the recommendations of the TCFD. The Partnership is supportive of improved transparency in corporate reporting relating to climate-related risks and opportunities. The Partnership reaffirmed a ‘C’ rating for its Climate Change response of the Carbon Disclosure Project (‘CDP’) and submitted its very first Water Security module response. The Partnership aims to build on both ratings over time by engaging with CDP to ascertain areas for business improvement.

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

The Partnership’s team

The Partnership has always valued its people. It will continue to strive to have a lean and highly skilled team which is committed to safely and smartly driving value for its stakeholders.

Key objectives for 2022

Moving forward, the Partnership remains committed to keeping its people and the environment safe, maximising output from the Chinarevskoye field, delivering on the completion of the capital restructuring of Nostrum Oil & Gas PLC, and improving utilisation of the Partnership’s gas processing facilities. The Partnership will focus on what is in its control to deliver on the operational and financial targets it has set. The Partnership is confident that the restructuring reset to the balance sheet of Nostrum Oil & Gas PLC will unlock the Partnership’s path to value growth. The Partnership looks to build on its ESG ratings and transparency initiatives, learning from feedback and peer reviews. Finally, costs discipline will continue into the foreseeable future as the Partnership looks to deliver cash from Chinarevskoye and beyond.

The Partnership would like to thank its stakeholders for the support they have provided over the course of this difficult and challenging year.

Market review

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

The oil & gas market in Kazakhstan

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

As the world's largest landlocked country, Kazakhstan depends on an extended network of pipelines and railways to deliver its products to export markets. Pipeline exports are primarily delivered via Russia (Atyrau-Samara and the Caspian Pipeline Consortium pipelines); via Azerbaijan and Turkey (the Baku-Tbilisi-Ceyhan pipeline); and one via China (Atasu-Alashankou). Rail exports utilise Kazakhstan's extensive rail network, reaching markets throughout the FSU and beyond (please refer to page 5 for discussion of the impact of Russian sanctions resulting from the Russia-Ukraine conflict on the Partnership's 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

The Partnership'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 Partnership has access to multiple export markets for its products, as well as labour and specialist equipment providers. In addition, the Partnership has a substantial amount of spare processing capacity in a region where there is a significant amount of stranded gas and so a growing need for gas processing.

Competitive analysis and market share - benchmarking the Partnership's business against its peers

Strengths and opportunities	**Weaknesses and threats**
Multiple export routes.	The Partnership is subject to fluctuations in the market prices for its products, although the Partnership has a variety of sales products. Kazakhstan is a landlocked country that relies on its neighbours for access to markets.
100% ownership of Chinarevskoye licence, infrastructure on the field, pipelines and rail loading terminal used for transportation to export routes.	Increased geological risks due to deep, tight, highly fractured reservoirs. Production declining at around 20% per annum.
Extensive infrastructure allows the Partnership to process raw gas deposits in north-west Kazakhstan, where there are no comparable processing facilities or capacity.	Seasonal temperature fluctuations in a harsh operating environment.
Onshore field with low operating costs.	Lack of significant population reduces the size of the skilled workforce locally.
Celebrating its 25th year in 2022 and its excellent employer/employee relationships.	Social tension associated with being an emerging market economy and a fledgling democracy.
Strong relationships with local and National Government, as well as with the community through a number of local initiatives.	US, UK, EU and other sanctions on Russian infrastructure, businesses, banks and individuals following the recent Russia-Ukraine conflict may disrupt transactions with certain customers and suppliers.

Key macroeconomic and microeconomic trends		
Oil prices Oil prices trended upwards through 2021 led largely by the global rollout of COVID-19 vaccines and the subsequent easing of restrictions and re-opening of global economies. The recovery in oil prices has been largely demand led. The resumption of air travel and general economic activity has provided some confidence in the future demand for oil. Prices rose over $20/bbl in the year, closing around $75/bbl by the year end. Prices have continued to tick upwards into 2022, and has seen large volatility on the back of the Russia-Ukraine conflict. Prices reached in excess of $130/bbl. OPEC+ countries unanimously agreed in 2021 to relax production output cuts introduced in 2020. Whilst global supply has increased in 2021, this has done little to restrict the growth in prices led by positive demand-side factors.	**Kazakh economy** The Kazakh economy is bouncing back from its pandemic-driven decline in 2020. GDP has expanded 3.5% in 2021, boosted by household consumption, the easing of COVID-19 restrictions, and supportive fiscal measures. Higher than average inflation across day-to-day items such as food stuffs and fuel has led to demands for wage adjustments. This, coupled with the release of pent-up demand caused by COVID-19 restrictions, raised inflation to 8.4%. The Kazakhstan Tenge (KZT) depreciated by 3% in 2021 ending the year at 431.67 KZT per US$.	**Competitive environment** Kazakhstan and Azerbaijan are the two main oil-producing countries in the Caspian region whilst Turkmenistan and Uzbekistan are the predominant gas producers. Russia plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea, although this part of Russia is not a substantial source of crude oil. **Russia-Ukraine conflict** The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding.
What it means for the Partnership The rise in oil prices has led to increased free cash flow generation for the Partnership. The completion of the debt restructuring will further stabilise Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership), as will the Partnership's continued focus on reducing its cost base to ensure it can maintain adequate liquidity whilst it pursues opportunities to fill the spare capacity in its gas processing facilities.	**What it means for the Partnership** Whilst the economy of Kazakhstan has been affected by COVID-19, oil and gas production, which dominates the economy, has been classified as an essential business in Kazakhstan and so operations are continuing. It is expected that the industry will be central to the Government's attempts to grow the economy as the threat of COVID-19 recedes and so the support that has been shown to operators to date is expected to continue. Cost pressures on the Partnership's supply chain and staff base will impact its profitability. The Partnership will continue to be pragmatic in its negotiations with employees and suppliers with respect to wage and general cost inflation, to ensure it maintains its margins.	**What it means for the Partnership** 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. The Partnership is situated at the heart of the export corridor that exists between Russia and multiple markets to the west of the Caspian. Given its geographical position, the Partnership 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 imposed on it, the country is connected to Russia through infrastructure, banking, and other business links. The Partnership currently sends c.40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Partnership contracts with a limited number of Russian service companies. The Partnership will need to be cognisant of the current and evolving sanctions list to ensure it is conducting business in compliance with these sanctions and, if the Partnership foresees that it will not be, it will need to set up the necessary alternatives to be compliant whilst continuing to conduct its ordinary course of business.

The Partnership's products

Crude oil

Quality

- Density – 0.828g/cm^3
- API – 39.3 degrees
- Average sulphur – 0.55%

Sales

- PSA requires at least 15% to be sold domestically with remaining 85% exported
- In 2021, 23.5% was sold domestically and the remaining volumes exported in accordance with the PSA, which is in line with the past few years and expectations (i.e. up to 25% of crude oil could be supplied to the domestic market)

Pricing

- Urals-based pricing for pipeline exports
- Domestic sales at over 60% discount
- Prices negotiated directly with the purchaser

Transportation

- During 2021, all exported crude oil volumes were sold through the KazTransOil (KTO) pipeline
- Crude exports are delivered to the KTO pipeline through an extension to its own 120km pipeline from the field site. From here the crude is delivered to Russian ports (please refer to the discussion on page 5 of the impact on the Partnership's business of Russian sanctions resulting from the Russia-Ukraine conflict)

Stabilised condensate

Quality

- Density – 0.740 g/cm^3
- API – 59.6 degrees
- Average sulphur – <0.06%

Sales

- 100% exported
- Destinations are the Russian port of Kaliningrad and the Dutch port of Rotterdam

Pricing

- Brent-based pricing, negotiated directly with the purchaser

Transportation

- Sent through the Partnership's own 120km pipeline from the field site to its own rail loading terminal in Uralsk
- From here it is loaded onto railcars and sent abroad

LPG

Quality

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

Sales

- 100% exported
- Destinations include the Russian Black Sea ports, Ukraine and Tajikistan

Pricing

- International Mediterranean LPG price Sonatrach for Black Sea deliveries
- Argus quotations for specified destinations (Ukraine, Tajikistan, Kyrgyzstan, Belorussia and Poland)

Transportation

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

Dry gas

Sales

- 100% sold to KazTransGas

Pricing

- Price formula agreed until the end of 2024

Transportation

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

Chart 1: Crude and stabilised condensate production (BOEPD) and product split (%)		
	boepd	%
2017	14.937	38%
2018	11.490	37%
2019	9.798	34%
2020	8.476	38%
2021	6.877	40%

Chart 2: LPG production (BOEPD) and production split (%)		
	boepd	%
2017	4.615	12%
2018	3.865	12%
2019	3.569	13%
2020	2.795	13%
2021	2.065	12%

Chart 3: Dry gas production (BOEPD) and production split (%)		
	boepd	%
2017	19.647	50%
2018	15.900	51%
2019	15.173	51%
2020	11.065	50%
2021	8.090	47%

Reserves

The Chinarevskoye field (Chinarevskoye) is the only field owned by the Partnership. Its PSA was grandfathered from 1997 and the licence is valid until the end of 2031. Initial hydrocarbon discoveries at Chinarevskoye were made during the Soviet era. There have been 103 wells and side-tracks drilled under the PSA between 2004 and 2021.

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

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

Production and future net income were derived from a drilling and well intervention programme to extract the estimated Proven, Probable and Possible reserves at a long-term oil price of US$65 from 2022. This field development is dependent on Nostrum Oil & Gas Finance B.V. being able to refinance its liabilities and Nostrum Oil & Gas PLC maintaining sufficient liquidity to fund such a programme. There is no guarantee that Nostrum Oil & Gas Finance B.V. and Nostrum Oil & Gas PLC will be able to achieve this, which could have a material impact on the Partnership's ability to develop the remaining Proven and Probable Reserves at Chinarevskoye.

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

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

Table 1 - Reserves, mmboe

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

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

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

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

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

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

Table 2 - Reserves, by product and by reserves category

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

Reserves by reservoir

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

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

	31 December 2021				31 December 2020				Change			
Reservoir	Proven, mmboe	Probable, mmboe	Possible, mmboe	Total 3P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	Total 2P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	Total 2P, mmboe
Biyski/Afoninski NE	11.5	1.9	1.1	14.5	13.8	2.1	n/a	15.9	-2.3	-0.2	n/a	-2.4
Tournaisian NE – oil	8.9	1.9	1.6	12.4	8.7	2.2	n/a	10.9	0.2	-0.3	n/a	-0.1
Tournaisian NE – WI	0.0	1.2	0.0	1.2	0.0	1.1	n/a	1.1	0.0	0.1	n/a	0.1
Tournaisian South	0.7	0.3	0.9	1.8	0.9	0.2	n/a	1.1	-0.1	0.0	n/a	-0.1
Tournaisian West	0.3	0.0	0.2	0.5	0.1	0.0	n/a	0.1	0.2	0.0	n/a	0.2
Ardatovski NE	2.5	1.8	0.3	4.6	2.8	2.0	n/a	4.8	-0.3	-0.1	n/a	-0.5
Ardatovski S	0.3	0.0	0.0	0.4	0.2	0.0	n/a	0.2	0.1	0.0	n/a	0.2

Frasnian N	0.4	0.4	2.8	3.5	1.3	0.7	n/a	2.0	-0.9	-0.3	n/a	-1.3
Mullinski South	0.0	0.0	0.7	0.7	0.0	0.0	n/a	0.0	0.0	0.0	n/a	0.0
Mullinski North	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0	0.0	n/a	0.0
Mullinski NE	0.7	0.1	1.1	1.8	0.3	0.1	n/a	0.4	0.3	0.0	n/a	0.3
Bashkirian NE & W	0.5	0.3	0.1	0.9	0.7	0.1	n/a	0.8	-0.2	0.2	n/a	0.0
Filippovski	0.3	0.2	0.9	1.4	0.1	1.6	n/a	1.7	0.1	-1.3	n/a	-1.2
Bobrikovski South	0.1	0.0	0.0	0.1	n/a	n/a	n/a	n/a	0.1	0.0	n/a	0.1
Total	**26.2**	**8.1**	**9.7**	**44.0**	**28.9**	**10.1**	**n/a**	**39.0**	**-2.7**	**-1.9**	**n/a**	**-4.6**

1. Some differences due to rounding

Biyski-Afoninski North-East

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

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

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

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

Tournaisian North-East, West and South

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

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

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

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

Ardatovski North-East and South

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

Frasnian North

During 2021 a re-mapping of the seismic, assessment of the in-place volumes and analysis of well performance resulted in a revised distribution of reserves and resources and associated development plan with a total of three Possible Undeveloped side-tracks planned for 2024-2025.
Proven Producing, Probable Producing and Possible Producing reserves are attributed to the existing well and in light of studies confirming that this well is in a compartment and not accessing the total Frasnian oil in place volume, forecasts have been downgraded compared to last year.

Mullinski North-East, North and South

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

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

Bashkirian North-East & West

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

Filippovski

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

Bobrikovski South

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

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

	31 December 2021					31 December 2020				
Reservoir	**Proven wells**	**Probable wells**	**Possible wells**	**Appraisal**	**Total**	**Proven wells**	**Probable wells**	**Possible Wells**	**Appraisal**	**Total**
Biyski/Afoninski NE	1	-	-	–	1	–	–	n/a	–	–
Tournaisian NE – oil	2	1	1	–	4	3	–	n/a	–	3
Tournaisian NE – WI	-	3	-	–	3	–	2	n/a	–	2
Tournaisian South	-	-	1	–	1	–	–	n/a	–	–
Tournaisian West	-	-	1	–	1	–	–	n/a	–	–
Mullinski South	-	-	1	–	1	–	–	n/a	–	–
Mullinski North	-	-	-	–	0	–	–	n/a	–	–
Mullinski NE	1	-	2	–	3	–	–	n/a	–	–
Bashkirian NE & W	-	1	-	–	1	–	–	n/a	–	–

Ardatovski NE	-	1	-	–	1		–	1	n/a	–	1
Ardatovski S	-	-	-	–	0		1	–	n/a	–	1
Frasnian N	-	-	3	–	3		–	–	n/a	–	–
Filippovski	-	1	4	–	5		–	8	n/a	–	8
Bobrikovski South	1	-	-	-	1		-	-	n/a	-	-
Appraisal				5	5		–	–	n/a	6	6
Total	**5**	**7**	**13**	**5**	**30**		**4**	**11**	**n/a**	**6**	**21**

2021 development

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

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

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

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

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

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

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

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

Infrastructure

Demonstrating the value of its infrastructure

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

The core strategy for the Partnership 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 the Partnership entered into binding agreements to process third-party hydrocarbons starting in 2023 to be delivered by Ural Oil & Gas LLP ("Ural OG") from the Rozhkovskoye field, which is situated less than 20km from the Chinarevskoye field. Ural OG will fund the connection of existing wells at the Rozhkovskoye field to the Partnership's licence area after which the Partnership will process all of the hydrocarbons coming into the field. To tie the production into the Partnership's facility, the Partnership plans to spend US$4.1m in 2022 out of a total spend of US$4.6m with an expected completion date in October 2023. Ural OG is a company owned by KazMunaiGas (KMG) (50%), Sinopec (27.5%) and MOL Group (MOL) (22.5%).

In July 2021, the Partnership and Ural OG have agreed to extend the deadline under the agreements for Ural OG's first delivery of gas and liquid gas-condensate hydrocarbons to the Partnership by approximately six months, from 9 April 2023 to 31 October 2023. The extension was requested by Ural OG as a result of circumstances relating to the COVID-19 pandemic.
The Partnership and Ural OG have also agreed to co-operate in order to achieve first deliveries as foreseen in the original agreements and in any case by the amended deadline set out therein.

Oil Treatment Facility

The oil treatment facility (OTF) has a maximum throughput capacity of 400,000 tonnes per annum. The OTF associated infrastructure includes a gas-lift facility that was commissioned in 2015 and a liquid hydrocarbons pumping station transferring crude oil and stabilised condensate via the liquids pipeline to the rail loading terminal. In 2021, 1.297 mmboe of condensate and 1.270 mmboe of oil was transferred through the pipeline. Up to 560km3 recycled lift-gas per day was compressed and made available to enhance oil production.

Raw Gas Treatment Facility

The gas treatment facility (GTF) is designed to treat raw gas from gas condensate reservoirs (and the associated gas coming from the OTF) into condensate, LPG and dry gas with a by-product of granulated sulphur. The gas treatment facility includes three gas treatment units (GTU1,2 & 3) which have the capacity to treat 4.2 billion cubic metres of raw gas per annum.

Gas Lift System

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

Low-Pressure System

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

Power generation plant

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

Storage facilities

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

Gas pipeline

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

Liquids pipeline

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

Rail Loading Terminal

The Partnership 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.

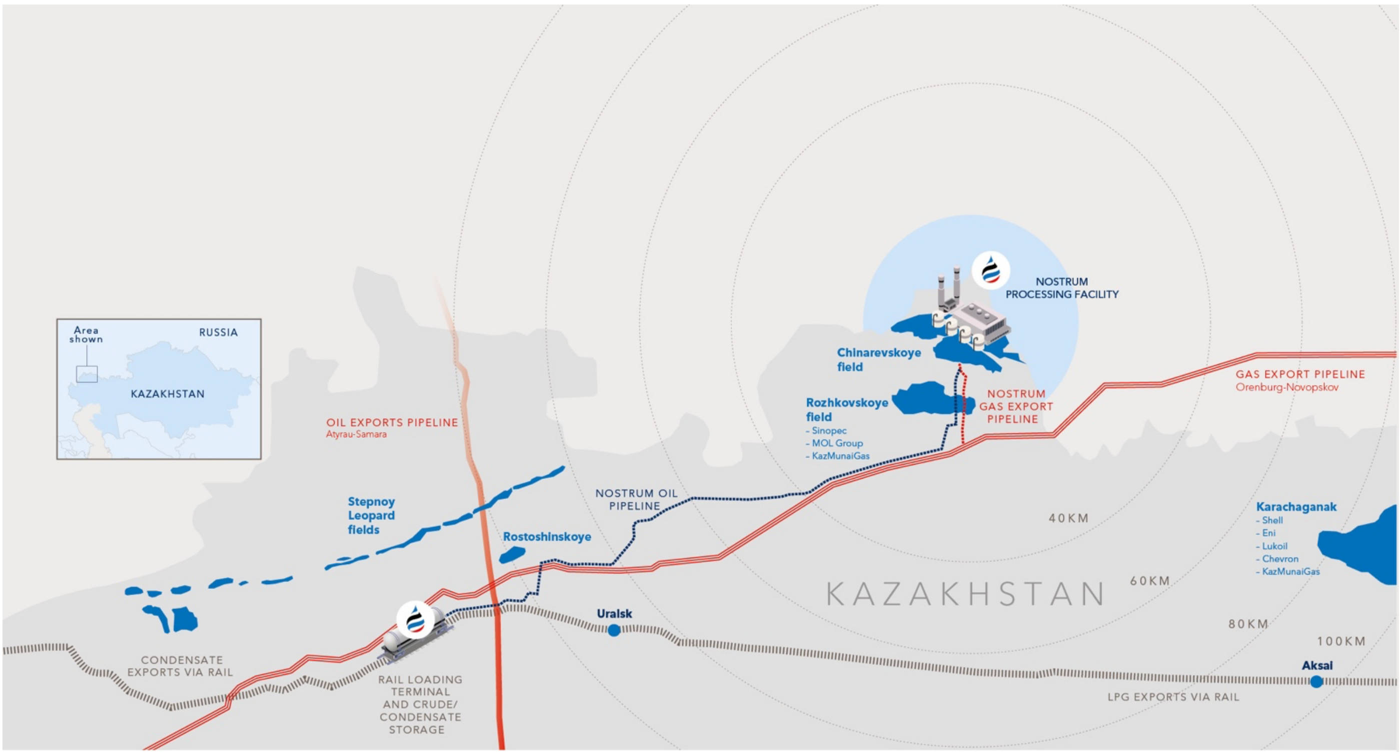
KTO pipeline connection

The Partnership 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 Partnership's ability to maximise crude oil netbacks through the commodity cycle.

Additional third-party volumes

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

Oil	Crude oil wells	Oil treatment facility (OTF) 400kt	Oil	Storage 5km^3
Gas	Gas condensate wells Third-party hydrocarbons	Gas treatment facilities (GTF) GTU 1&2 1.7bcm H_2S 2,500ppm LPG 65% GTU 3 2.5bcm H_2S 400ppm LPG 95%	Stabilised condensate Dry gas LPG	Storage 25km^3 Storage 10km^3
3km^3/d Water injection	560km^3/d Gas lift	48 km^3/h Low-pressure system	41MHw Power generation	



Key performance indicators

Financial KPIs

Whilst the Partnership has successfully built infrastructure and produced over 100 mmboe from the Chinarevskoye field, it has incurred substantial debt and has faced declining production from its producing field. This has subsequently led Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) to embark on a debt restructuring and to reinforce tight financial discipline to maintain liquidity and safeguard the Partnership's core business.

Chart 4: Cash at the year end (US$M)		
2017	33,3	
2018	7,1	
2019	13,7	
2020	12,5	
2021	53,7	

Chart 5: Operating costs per BOE (US$ per BOE)			
2017	4,13		
2018	4,45		
2019	4,19		
2020	4,02		
2021	5,13		

Chart 6: G&A costs per BOE (US$ per BOE)			
2017	1,07		
2018	0,94		
2019	1,04		
2020	0,79		
2021	0,93		

Chart 7: Selling and transportation costs per BOE (US$ per BOE)				
2017	4,84			
2018	4,70			
2019	4,30			
2020	3,59			
2021	3,87			

Non-financial KPIs

Performing responsibly and safely is integral to the Partnership's strategy and to the sustainability of its business. The Partnership's position is that long- term value comes from seeing success as a part of a bigger picture, encompassing people and the environment.

The Partnership has set itself specific non-financial KPIs to track its progress, as the Partnership's position is that this is the best way to monitor its achievements in relation to environmental, social and governance matters. In 2021, the Partnership's ESG KPIs were:

- Reduce GHG emissions to below 200,000 tonnes CO_2 equivalent and implement GHG action plan.

- Assessment by the Health, Safety, Environment and Communities Committee of achievement of the HSE Plan for 2021

Chart 8: Sales volumes (BOEPD)		
2017	37.844	
2018	29.516	
2019	26.671	
2020	21.514	
2021	15.330	

Chart 9: Hazard observation cards (Units)			
2017	0[1]		
2018	0[1]		
2019	216		
2020	665		
2021	1.278		
1. Hazard Observation Card initiative introduced in 2019.			

Chart 10: Road traffic incident frequency (incidents[2])			
2017	1,86		
2018	0,8		
2019	0,72		
2020	0,72		
2021	1,46		
2. Per million km driven.			

Chart 11: Lost time injury frequency (incidents[3])			
2017	2,48		
2018	1,05		
2019	1,39		
2020	0,84		
2021	0,81		
3. Per million hours.			

Chart 12: Total greenhouse gas emissions (tCO_2e)			
2017	255		
2018	255		
2019	223		
2020	188		
2021	187		

Bond restructuring

On 23 December 2021 Nostrum Oil & Gas PLC and certain of its subsidiaries (including the Partnership) signed a lock-up agreement (the “Lock-up Agreement” or “LUA”) and terms of a restructuring agreement with holders of the 8.0% Senior Notes due 2022 and 7.0% Senior Notes due 2025 (together, the “Existing Notes”) issued by Nostrum Oil & Gas Finance B.V. The shareholders of Nostrum Oil & Gas PLC later voted in favour of the restructuring agreement (the “Restructuring Resolution”) at a General Meeting on 29 April 2022, paving the way for implementation of the restructuring in Q3 2022.

Background and engagement with stakeholders

Appointing advisors

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

Forbearance Agreements

Nostrum Oil & Gas PLC and certain of its subsidiaries (including the Partnership) signed a first forbearance agreement (“First FBA”) with the AHG on 23 October 2020 and a second forbearance agreement (“Second FBA”) on 19 May 2021. 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 Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) with a short-term solution to their liquidity issues and a platform to engage in discussions with the noteholders in relation to a potential restructuring. Nostrum Oil & Gas Finance B.V. has not made coupon payments due under the Existing Notes since March 2020 and this has helped free cash flow generation in 2021.

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

Lock-up Agreement

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

Nostrum Oil & Gas PLC and certain of its subsidiaries (including the Partnership) have also in parallel with the Lock-up Agreement extended the Second Forbearance Agreement with the AHG on substantially similar terms to the existing forbearance agreement. The terms and conditions continue to remain in effect during the restructuring until the earlier of the successful closing of the restructuring and the longstop date (23 August 2022).

The agreement of the LUA, and the percentage of noteholders that either signed or acceded to the LUA, enables Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) to launch the restructuring with a greater degree of certainty. The LUA commits signees to take steps necessary to support, facilitate, implement, consummate, or otherwise give effect to the restructuring. In addition, noteholders also commit to vote in favour of the scheme at the relevant creditor meeting further in the process. The key terms of the Lock-up Agreement are described in the section below.

Shareholder Circular and General Meeting Vote

On 13 April 2022, Nostrum Oil & Gas PLC issued a Circular and gave notice convening a General Meeting of its shareholders on 29 April 2022, at which shareholders voted on the terms of the restructuring (the “Restructuring Resolution”). The Circular and

General Meeting also included a resolution to vote in favour of the Related Party Transactions with ICU in respect of new ordinary shares being issued to ICU pursuant to the restructuring – only independent shareholders (excluding ICU) are required to vote on this specific resolution (the "RPT Resolution").

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

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

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

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

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

2. Conversion of the remainder of the Existing Notes and accrued interest into equity by way of a UK scheme of arrangement:
   - Existing noteholders will own 88.89% of the expanded share capital of Nostrum Oil & Gas PLC on closing of the restructuring;
   - Existing noteholders will also own warrants (to be held by trustee) allowing them to subscribe for an additional 1.11% of the share capital of Nostrum Oil & Gas PLC upon exercise – increasing noteholder ownership of Nostrum Oil & Gas PLC to 90.00%;
   - The existing shareholders will hold 11.11% upon closing of the restructuring;
   - The existing shareholders will be diluted to 10.00% if the warrants held by existing noteholders are exercised.

3. New corporate governance arrangements in respect of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) and certain arrangements regarding future utilization of the cashflows of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership), including the proposal to transfer the listing of Nostrum Oil & Gas PLC to the Standard Listing segment of the London Stock Exchange.

For material terms of the restructuring, please refer to the announcement published on KASE on 24 December 2021 https://kase.kz/en/news/show/1475262/ and to the published restructuring circular to shareholders which can be found on https://www.nostrumoilandgas.com/.

Next steps

The implementation of the restructuring is still subject to satisfaction of certain conditions precedent, negotiation and execution of all necessary implementation documentation and obtaining all required regulatory consents. Nostrum Oil & Gas PLC and certain of its subsidiaries (including the Partnership) have made relevant applications for consents – the results of some of these have been obtained.

Nostrum Oil & Gas PLC and its subsidiaries continue to work with their advisors to close out the remaining milestones pursuant to closing the restructuring, which is currently expected to be in Q3 2022.

Statement of the Chief Executive Officer of Nostrum Oil & Gas PLC

The Partnership's strategy

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

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

The Partnership also continues to maximise output from its sole producing field, Chinarevskoye. Although on a declining production curve, the Partnership endeavours to delay this decline through low-cost, high-impact workover and well intervention activities. In addition, the Partnership remains on the lookout for viable targets in the region for further development.

The Partnership's third priority pillar, Optimisation, is being met by managing costs while ensuring that the Partnership is sufficiently resourced to meet ots strategies of maximising Chinarevskoye production and delivering on projects to fully utilise its gas processing facility.

HSE/Sustainability

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

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

Environment and climate change is of the upmost priority and the Partnership is committed to constantly challenging the organisation to reduce its impact on the environment.

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

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

HSE will stay at the top of the Partnership's strategic and operational agenda.

The Partnership's operations

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

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

Financial stability and restructuring

At the end of 2021 Nostrum Oil & Gas PLC and its subsidiaries including the Partnership were able to agree the terms of the proposed restructuring with the majority of the holders of outstanding Notes issued by Nostrum Oil & Gas Finance B.V. who entered into a Lock-up Agreement on the basis of those terms.

This was then followed up by 99.99% of voting shareholders of Nostrum Oil & Gas PLC voting in favour of those same restructuring terms. The restructuring has been a long and arduous process and, with the signing of the agreement, Nostrum Oil & Gas PLC and its subsidiaries including the Partnership are now on target to complete the restructuring in 2022.

This is key to unlocking the Partnership's ability to move forward with execution of its strategy and to rebuild shareholder value in Nostrum Oil & Gas PLC.

Conclusion

The Partnership has a substantial opportunity set, with committed and talented people, and a promising future.

The key task ahead is to complete the restructuring thereby unlocking the Partnership's future, delivering on maximising value, of course without compromising safety, from an optimised cost and resource base.

Arfan Khan

Chief Executive Officer of Nostrum Oil & Gas PLC

Strategy

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

	Strategic pillars	2022 priorities	KPIs	Risks	Forecasts, objectives and prospects for 2022-2024
The Partnership's purpose To work as a close-knit and well-integrated team across all disciplines to deliver excellence across the whole of its value chain. **The Partnership's vision** To add value to the region through the utilisation of its state-of-the-art infrastructure hub. **The Partnership's values** The Partnership is trustworthy and reliable, takes its corporate, social and ecological responsibilities extremely seriously, and is dedicated to the health, safety and wellbeing of its employees.	**DELIVERING** • On its strategies to commercialise the spare capacity in its world-class gas processing facilities; • A comprehensive and cohesive environmental, social and governance performance; and • On its promises so that it restores investor confidence.	• Advance ongoing discussions with third parties interested in supplying raw gas to take advantage of the Group's spare capacity. • Ensure the safety of employees, contractors and the environment. • Continue adherence to "Golden Rules". • Develop methane emissions management policy and a policy on energy use and resource efficiency.	• Conclude commercial processing contracts. • Total recordable injury frequency. • Lost time injury frequency. • Road traffic incidents. • Greenhouse gas emissions. • HSE Stop Cards. • Focus on improvements across ESG and ultimate upgrade in rating.	• Ongoing negotiations with various counterparties are complex and commercially sensitive, and there can be no certainty that agreement will be reached. • Legal framework for environmental protection and operational safety still being developed in Kazakhstan. • Impact of equipment failure.	• Execute binding commercial contracts to fill the Group's spare gas processing capacity with third-party volumes. • Improve contractor safety management. • Improve Supervisor HSE competence.
	OPTIMISING production and cost efficiencies to safeguard the Partnership's base business and its liquidity. The Partnership also seeks to optimise its ability to operate successfully in the future through its recently agreed sustainable restructuring terms with its noteholders and key shareholder that leaves sufficient headroom for raising further capital for its growth projects.	• Complete the restructuring process. • Continue to challenge costs whilst pivoting towards growth and transitioning into a multi-asset energy company. • Evaluate all sales routes for sustainability and profitability.	• Manage Opex and reduce G&A. • Balance sales mix and maximise netbacks.	• Sustained higher prices can lead to cost inflation in Kazakhstan. • Continued COVID-19 restrictions may impact operations. • Restructuring charges may offset effect of some cost reductions. • Further spend on reservoir assessment might be needed.	• Manage cash resources to ensure that the Partnership can continue to operate at the levels required to achieve its objectives.
	MAXIMISING output from the Chinarevskoye field and adding Proved Developed Producing reserves by exploiting the current low cost per barrel, high-confidence infill opportunities through best-in-class well and reservoir management.	• Utilise workover rig and rigless activities as well as other technologies to minimise existing production decline. • Continue studies to identify viable opportunities for future drilling planning.	• Maximise uptime of existing wells and production facilities. • Deliver gaslift expansion project.	• At low production levels, unexpected sub-surface events could severely impact the Partnership's operating cash flow forecast.	• Reduce decline rates in existing producing wells. • Identify technologies to increase well productivity and reduce sub-surface risk for future drilling programmes at Chinarevskoye.

See KPIs section on pages 19-20
See Risk Management section on page 58

Stakeholder engagement

Established relationships with the Partnership's stakeholders are essential for the long-term success of its business. The Partnership engages by sharing information about its activities and discussing with its stakeholders their interests and concerns.

Key stakeholders	Why the Partnership engages	How the Partnership engages
Workforce The Partnership had a workforce of 547 full-time employees at 31 December 2021, of whom 92% were Kazakhstan nationals.	• The physical and mental wellbeing of its employees is essential to the continued safe operation of the Partnership. • COVID-19 required that the Partnership introduce urgent measures to ensure that its employees remained safe.	• Increased interactions between management and the workforce including cooperation meetings and town hall events. • Annual wage indexation to help alleviate effects of inflation including moving indexation from April 1st to January 1st in 2022. • Successful management of operations through the Covid pandemic. • Functioning hot line.
Investors Investors and bondholders have provided some of the financing required for the construction of the Partnership's infrastructure.	• Stakeholders have seen their investment in the Partnership reduce in recent years as a result of the disappointing results from successive drilling programmes. Engagement with its stakeholders, including minority shareholders, is crucial for their understanding of the Partnership's plans to monetise the infrastructures. • In addition, further financing will be required if the Partnership is to be successful in those plans	• The Partnership signed the Lock Up Agreement in December 2021. Stakeholders voted in favour of the terms in April 2022. On track to complete the restructuring in 2022. • Regular update and disclosure around results including conference calls and press releases as and when required. • Financial reports and extensive other shareholder information, including Russian translations of all press releases, are available on https://www.nostrumoilandgas.com/.
Local communities The Partnership co-exists with diverse communities in Kazakhstan, and it tries to strengthen community engagement and promote long-term development in the areas immediately surrounding its operations.	• To successfully co-exist with the communities within which the Partnership operates, it needs to understand what is important to them and how it is able to contribute.	Throughout 2021, the Partnership actively interacted with the local community. During the year sponsorship and charitable assistance was provided to various public associations and local communities. The Partnership supported the following: • Partial financing of the repair of secondary schools in settlements near to the infrastructure of the Partnership. • Financing of socially significant events on the territories of the Partnership's activities. • Sponsoring the participation of talented children in Republican sports competitions. • Purchase of school supplies for children from low-income families (Republican charity event "Road to School"). • Purchase of New Year gifts for children from low-income families. • Support for the local hospital by purchasing wheelchairs. • Assistance in providing residential mobile wagons to the Border Service of the Republic of Kazakhstan. • Assistance to local community representatives in the organisation of environmental studies of the areas surrounding Chinarevskoye field.
Suppliers and contractors The Partnership is committed to building sustainable relationships with its suppliers, contractors and customers.	• The Partnership's suppliers must meet high safety, legal and ethical standards. • The Partnership recognises its role as a leading contributor to the local and national	• Where commercially attractive, contracts were extended ensuring continuation of relationships and building further on raising HSE and operating standards.

	economy, therefore it continues to engage local suppliers to meet its operating needs.	• In some cases contract scopes were split to maintain relationships with the service providers, in particular new construction.
Governments and regulators Governments and regulators set the framework within which the Partnership operates and changes to policies, regulations, legislation and personnel can have major impacts on the Partnership's business.	• Decisions require careful consideration of governmental and/or regulatory issues. • The Partnership pays substantial amounts of taxes and social contributions.	• Formal and informal discussions are held on a regular basis with local and national government, regulatory and tax officials and ministers across a variety of levels within the Partnership. In this way the Partnership can be aware of and responsive to proposed changes in legislation or the interpretation of existing laws and regulations. • Increasing engagements to bring the reality of the Partnership's current situation to light as it moves through restructuring and on the path to growth that will benefit all stakeholders.

Sustainability review

Sustainability is integral to the Partnership's business and underpins everything it does. The Partnership is in close communication on sustainability initiatives with its key stakeholder groups including host governments and communities and its employees. The Partnership works to ensure that first and foremost it provides a safe work place for its employees while operating in a sustainable and ethical manner for the benefit of the community, its stakeholders and the environment.

Our approach to sustainability

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

Sustainability focus areas

Focus area	**Health and safety**	**People**	**Social responsibility**	**Environment**
Material issues	- Health and safety - Responsible production	- Promoting diversity and equality - Training and development	- Tax contribution - Community engagement - Local content and responsible procurement	- GHG emissions - Water management - Energy efficiency
Relevant UN Sustainable Development Goals	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 3 GOOD HEALTH AND WELL-BEING	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 6 CLEAN WATER AND SANITATION
More information	Read more on pages 31-35	Read more on pages 38-41	Read more on page 42	Read more on pages 43 – 57, including TCFD report on pages 50 – 57

Health and safety

Providing a safe work environment for its employees and contractors is mission critical for the Partnership. Its QHSE training and procedures are rigorous and of an international standard. The Partnership takes no shortcuts in its approach to safety and strives to continuously improve awareness and execution in this regard.

Safety Culture

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

The Partnership has established four pillars in its approach: HSE leadership; rigorous incident investigation; process safety / asset integrity and contractor HSE management. In addition to the pillars, it has implemented "Golden Rules", provides extensive training on safety practices and applies a comprehensive Governance framework.

In order to effectively manage the "Golden Rules", the Partnership applies rigorous consequence management which means that it takes a risk based approach to guide people and leaders through the processes required when they witness or have reported to them inappropriate behaviour in the workplace.

For serious violations of safety rules, staff or contractors risk immediate dismissal. For that purpose, consequence management is split into two categories. The more serious category which results in immediate dismissal is applied in case of alcohol / drug abuse. Less severe cases, such as safety belt violation, result initially in a warning followed by dismissal if a repeat violation is observed.

Golden Rules

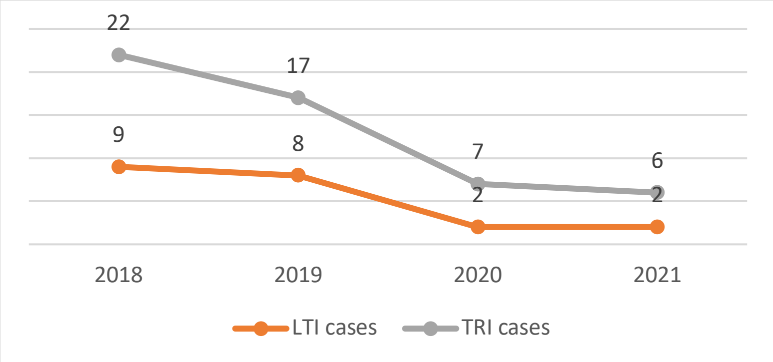
1. Seatbelts must always be worn by the driver and all passengers
2. Do not exceed the speed limit and reduce speed for impaired road conditions
3. Do not use phones or operate devices while operating a motor vehicle
4. Alcohol and drugs of any kind (excluding approved medicines) are forbidden
5. Where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

Incidence rates and investigation

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

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

Chart 14: Lost time injury incidents (LTIs) and total recordable incidents (TRIs)				
	LTI cases	TRI cases		
2018	9	22		
2019	8	17		
2020	2	7		
2021	2	6		



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

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

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

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

Contractors

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

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

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

The Partnership seeks to promote safe behaviour among its contractors and has established a wide range of methods to ensure that operations at facilities are carried out in full compliance with local legislation and the Partnership's rules and regulations. In addition to the measures already discussed the Partnership continues to use the hazard observation cards initiative introduced in 2019 (described more fully on pages 33 – 34).

In the Partnership's 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 the Partnership's Qualification standards, which include five fundamental HSE criteria. This process is meant to help the Partnership select those vendors that both adhere to and support the Partnership's basic HSE culture.

Stage 2 – Scope of Work preparation by contract holders
The Partnership's 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 the Partnership with kick-off meetings organized by the contract supervisor and supported by HSE representatives at which the Partnership'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 Partnership's procedures and regulations.

Hazard Observation Cards

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

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

Chart 15: Hazard Observation Cards by Partnership and top 4 major contractors (cumulative)												
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Partnership	52	132	187	261	332	411	491	529	627	786	838	873
Contractors	19	42	50	55	157	192	235	259	303	328	365	405
Total	**71**	**174**	**237**	**316**	**489**	**603**	**726**	**788**	**930**	**1.114**	**1.203**	**1.278**

Chart 16: Hazard observation cards (units)	
2017	0[1]
2018	0[1]
2019	216
2020	665
2021	1278

1. Hazard Observation Initiative introduced in 2019.

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

In-house HSE training and examination process

In 2020, the Partnership introduced an in-house HSE training and examination process designed to improve the HSE competencies of both the Partnership and contract personnel performing safety-critical activities. To facilitate this, the Partnership acquired an industrial safety accreditation which allows the Partnership to conduct in-house HSE training and examination in areas such as industrial and labour safety. In 2021, a special facility dedicated for training was built at Camp-3.

HSE communication and awareness

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

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

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

Process safety

In 2021, there were no Tier 1 or Tier 2 process safety events registered at the Partnership's production facilities. As defined by the American Petroleum Institute, a Tier 1 and Tier 2 safety incident is an unplanned or uncontrolled release of any materials, including non-toxic and non-flammable materials, from a process that results in one or more of the following consequences:

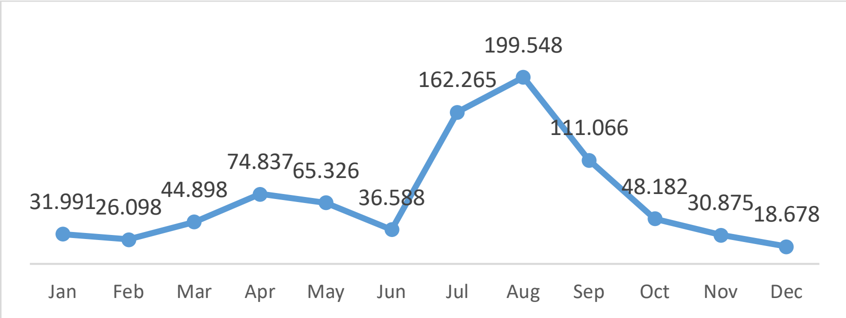
- An employee, contractor or subcontractor incurs days away from work, injury and/or fatality.
- A hospital admission and/or fatality of a third party.
- An officially declared community evacuation or community shelter put in place, including precautionary community evacuation or community shelter in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

The selection of appropriate maintenance strategies, and the classification of equipment as safety critical or non-safety critical, is based on the impact that such equipment failure has on safety. The Partnership employs a specific safety critical equipment maintenance program whereby resources are allocated in order of priority with the critical systems taking precedence.

Our response to COVID-19

A significant amount of effort was spent during 2020-2021 on reducing the risk of COVID-19 infection and to comply with governmental notices. All employees were provided with masks, gloves and antiseptic and office staff were transferred to remote, online work patterns. Regular quartz treatments with UV lamps were conducted in the main office in Uralsk and the field offices. All staff working on a rotational basis were given a pre-shift PCR test with daily thermometry before the start of work each day, and medical staff were provided with protective coveralls.

Chart 17: COVID-19 cases in Kazakhstan in 2021



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

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

All field personnel, both employees and contractor staff, were required to test negative before being allowed to return to their shift at the field. Regular temperature checks were conducted whilst they remained at the production facilities. At various times during the year, and in full compliance with the regional and national directives, employees were again restricted from being present in the office in Uralsk.

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

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

Chart 18: Vaccination from COVID-19 progress in 2021						
	June 1st	July 1st	August 1st	September 1st	November 1st	December 1st
Kazakhstan	6%	10%	20%	28%	34%	43%
Partnership	20%	22%	27%	37%	65%	78%

Progress against 2021 initiatives and 2022 targets and initiatives

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

Focus area	2021 initiatives	What the Partnership achieved in 2021	2022 targets and initiatives
Health & Safety	LTIR of no more than 1.3 per million-man hours worked and Road Traffic Accidents of no more than 0.8 incidents per million km driven.	LTIR data for 2021 was 0.81, compared to an LTIR of 0.84 for 2020. This single LTI occurred in Kazakhstan and involved a male employee. The Partnership did not meet the target on Road traffic incidents and the actual RTI rate was 1.46. TRIR was 2.4 in 2021 (compared to a TRIR of 3.8 in 2020). All of the Partnership's total recordable injuries occurred in Kazakhstan. The gender of those involved was not recorded. The LTIR and TRIR of the Partnership's contractors were not recorded.	TRIR of no more than 2.0 per million-man hours worked, Lost time incident frequency of no more than 1.0 per million working hours, and Road Traffic Accidents of no more than 0.8 incidents per million km driven.
	At least 600 Hazard Observation Cards to be issued of which at least 500 should be issued by more than 50% of the Partnership's employees and at least 100 cards by the four largest contractors of the Partnership by contract value.	In total 1,278 Hazard Observation cards were issued by the Partnership and its contractors in 2021. 355 cards were issued by the Partnership's four major contractors. However, only 35% of the Partnership's staff issued cards with the shortfall versus target being at least due partly to the remote working that characterized much of 2021.	At least 1,000 Hazard Observation Cards to be issued of which at least 500 should be issued by more than 60% of the Partnership's employees and at least 500 cards by the four largest contractors of the Partnership by contract value.
	Verification that the incident investigation procedure was applied to all incident investigations in 2020. Procedure to be updated and re-issued if required as a result of the review findings.	Completed.	Report back on 2021 Golden rules compliance & consequence management to HSEC committee meetings.
	Establish contract HSE management plan for all new services contracts with a value in excess of US$100,000 per annum.	Kick-off HSE meetings with the new contractors and HSE management system audits with existing contractors of the Partnership have been held with involvement of contract holders.	Continued adherence to the developed Contract Management procedures. Two Contract HSE performance meetings for major contractors (2 per year for each scope). Contract Holder to present outcome when requested in internal HSE meetings. Set up Contract HSE management plan for all new services contracts with value in excess of US$100,000 per annum.

	Implement the vessel inspection programme in 2021 and develop a new vessel inspection programme for 2022 and 2023.	Completed in Q2 as part of shutdown and finalized in Q3 after all vessels not requiring shutdown were inspected.	Plan has been established for 2022 and will be implemented.
Environment	Maximum of 200,000 tonnes of CO_2 emissions.	Target has been achieved with actual CO_2 emissions of around 187,479 tonnes.	Reduce GHG emissions by 5% of the 2021 actual CO_2 equivalent level. Develop methane emissions management policy and a policy on energy use and resource efficiency.
	Installation of air pollutant and GHG emission sensors and systems to enable real-time measurement and monitoring of GHGs in exhaust fumes from major emission sources in the Chinarevskoye field.	Based on new RoK regulation installation is required at one unit (GTS 26mW). Tendering process completed and successful bidder selected in Q4 2021, with the installation by Q3 2022.	Documentation / installation of air pollutant and GHG emission sensors as per RoK directive (completion in 2022). Develop surveillance program for 26 MW gas turbine, develop 2022 planned compressor maintenance system and track effect on emissions against targets.
	Participate in CDP questionnaire for climate change and aim for "C" level evaluation score.	The Partnership obtained "C" score for the climate change module and participated for the first time in the water security module.	Participate in CDP questionnaire for (1) Climate Change and (2) water security module and aim for at least one "C" level and one "B" level evaluation score.
Diversity	Increase female representation in the workforce from 23%.	Female representation is 23%. The Partnership increased its female recruitment ratio from 7% to 13%. The Partnership also reduced the pay discrepancies between male and female employees.	Further increase female representation at the senior management and at the department head level. Encourage female job promotions in case of equal competences and capacities. Conduct a formal evaluation of any existing gender pay gap discrepancies and develop a mitigation plan.

The Partnership's people

Fostering equality and cultural diversity is a top challenge and opportunity the world is facing in these times. Businesses play a significant role by focusing on good principles and acting as positive role models. Improving equality and diversity within the Partnership is not only the correct thing to do, the Partnerships position is that it enhances the qualities that make companies better and stronger as there are synergies created. To that end, the Partnership is proud to provide a home to a diverse and inclusive workforce. With respect to anti-discrimination measures, the Code of Conduct of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) protects all employees and contractors against illegal discrimination on the basis of race, religion, national origin, age, gender, disability, sexual orientation or political opinion.

The Partnership's people really are the most important element of its success. The Partnership needs a motivated, engaged, and diverse workforce to deliver its purpose and strategy. Engaging in people with different assessments and perceptions leads to better decision-making, more innovation, and a deeper commitment in the workplace. It is for these reasons that the Partnership pays particular attention to the continuous improvement of diversity in the Partnership.

Chart 19: Number of employees at 31 December	
2018	779
2019	636
2020	547
2021	547

Strength through diversity

Whilst the Partnership is encouraged by its diversity at senior management and department head levels, the Partnership does recognise that diversity remains an ongoing issue in the oil and gas industry, particularly with regard to gender diversity. The Partnership strives to be an attractive place to work with an inclusive environment that celebrates diversity. The Partnership is committed to improving the gender balance at all levels of the Partnership and it engages with interest groups to better understand how the Partnership might do this. Additionally, the Partnership has for several years adopted a corporate Equality and Diversity Policy to further support these ambitions. At the end of 2021, 23% (2020: 23%) of the Partnership's employees were female.

Chart 20: Gender diversity					
	Male	**Female**		**Male**	**Female**
2018	78%	22%	779	605	174
2019	75%	25%	636	479	157
2020	77%	23%	547	422	125
2021	77%	23%	547	422	125

Chart 21: Employees and top management by age, 31 December 2021					
	<30	**30<39**	**40<49**	**50<59**	**≥60**
2018	87	356	184	123	29
2019	65	284	160	100	27
2020	44	244	150	86	23
2021	31	236	164	90	26

Gender diversity data (at December 31, 2021)	Male	Female	% Female
Senior Management	5	0	0%
Department heads	21	8	28%
Employees	396	117	23%
Total	**422**	**125**	23%

The Partnership recognises the importance of continued improvement in this area and is committed to giving due regard to the benefits of diversity in its future appointments, including ensuring Kazakh nationals are properly represented at senior levels of the Partnership. Currently 26% of employees at department head level are female (2020: 24%). The Senior Management Team includes 22% of females (2020: 0%). In 2021, two women joined the Senior Management Team as opposed to the 2020 year end when no females were in the Senior management team. The Partnership also pays particular attention to diversity in terms of nationalities. Although there have been changes in the team, the Partnership has been able to maintain diversity by having six different nationalities within its team. The Senior Management Team includes three Kazakh nationals out of the nine members.

The Partnership's Human Resources department is working towards a policy of promotion from within and building a pipeline of diverse employees at all levels of the business. In this regard, in 2021, 12.90% of recruitment was female while in 2020 only 7% of recruitment was female.

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

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

Employee relations and social guarantees

The Partnership prides itself on being an integral community partner and is one of the largest employers in western Kazakhstan, with 92% RoK nationals. At 31 December 2021, the Partnership had a total of 547 staff from 12 countries, broken down by gender as follows (data by age group was not recorded):

- Uralsk: 422 males, 124 females.
- Nur-Sultan: 1 female.

The Partnership offers all staff members competitive benefits and remuneration packages in compliance with all regulatory bodies, guidelines and requirements, which (to the extent applicable) are also applied to those hired as temporary or part-time employees. In 2021 locally engaged employees had their salary in tenge increased by 7.5% in accordance with the Partnership's annual wage indexation policy.

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

Education and training

The Partnership's position is that investing in its people is key to economic self-empowerment in the communities in which the Partnership operates. Under the terms of the PSA, the Partnership is required to accrue 1% of its annual Chinarevskoye field development costs to be spent on education and training.

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

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

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

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

Hiring and staff turnover

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

Workforce representation

In 2018, the Partnership put collective agreements in place to provide for workforce representation.

The Partnership strives to adopt best practices in corporate governance, including engagement with the Group's workforce.

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

Code of Conduct of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership)

The Partnership is committed to maintaining a culture that recognises international standards of human rights.

Human Rights Policy

Throughout 2021, Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) had a Human Rights Policy which reflects the desire to comply with industry best practice.

The Human Rights Policy is in addition to the Code of Conduct of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership), which defines the principles that guide business conduct and provides a non-exhaustive outline of what the Partnership 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 of Conduct of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) is available in both Russian and English from: www.nostrumoilandgas.com.

Modern Slavery Act Statement

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

Under the Partnership's standard supply contracts, the Partnership is entitled to require suppliers to demonstrate compliance with the Code of Conduct of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) and to hold its suppliers responsible for compliance by their supply chain with equivalent terms.

A copy of the Modern Slavery and Transparency Statement of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) is available on www.nostrumoilandgas.com.

Whistleblowing Policy

Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) 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 Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) 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 77.

A copy of the Whistleblowing Policy is available in both Russian and English on www.nostrumoilandgas.com. At the time of writing, the Partnership has received no reports under its Whistleblowing Policy of forced/ involuntary labour or human trafficking in relation to its business or supply chains. For further details, please see www.nostrumoilandgas.com.

Diversity Action Plan

The Partnership aims to establish KPIs for HR on improving diversity at all levels. In terms of diversity statistics, the Partnership aims to stand out by improving female representation at all levels. At the end of 2021, the Partnership was represented by 77% male and 23% female employees (2020: 77% male and 23% female employees). As mentioned above, in 2021, two women joined the Senior Management Team as opposed to 2020 year end when no females were in the Senior Management Team. The Partnership is targeting to further increase female representation at the senior management and at the department head level. The Partnership encourages 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 the Partnership's jobs are situated, or on a rotational shift basis.

The improvement initiatives are the following:

- Establish gender diversity as a strategic business focus;
- Consult experts to build diversity programmes;
- Conduct a gender audit that evaluates how gender equality is incorporated into policies, procedures, budgets, etc;
- Identify an internal pool of female talent. This has already started with the Partnership's succession planning identification programme;
- Continuing to provide equal opportunities for men and women;
- Conclude gender pay gap analysis;
- Encourage work-life balance for female employees, including flexible work schedules in jobs and locations where they can be accommodated; personal leave days; maternity retention;
- Create and implement work-life policies that make the Partnership more accommodating for women; and
- Determine mentoring and coaching for female employees with potential for career development.

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

Labour practices

There was one complaints filed against the Partnership for violation of labour practices in 2021, which was settled amicably. The details of the complaints system existing in the Partnership are set out on pages 32 – 33 and 42 of the annual report of Nostrum Oil & Gas PLC for 2021, which is available for download at https://kase.kz/en/issuers/GB_NTRM/ and on https://www.nostrumoilandgas.com/.

Social responsibility

Firms that embrace social responsibility are organized in a manner that empowers them to be and act in a positive and socially responsible way. The Partnership 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. The Partnership was able to contribute towards these objectives to promote the wellbeing of local residents and the communities it operates in.

Philanthropy: 2021 key initiatives

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

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

In addition, the Partnership provides support on an as-needed basis, such as lending special machinery in emergency situations in rural districts on occasions of extreme snow or infrastructure accidents and providing transport for rural children to participate in excursions to historical places within the region.

Civil duty: Payment to governments

The Partnership is committed to transparency in its business activities and payments to governments. Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) have a formal public relations and government relations procedure which regulates relationships with the local community and with government, and details how and why the Partnership engages with various stakeholder groups.

The Partnership takes 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

The Partnership is committed to partnering with local companies and in 2021 it spent 64.3% (in 2020, 73%) of its supplier budget with Kazakh national suppliers.

Environmentally friendly: Liquidation fund contribution

Under the terms of the Chinarevskoye PSA, the Partnership must accumulate a cash reserve of liquidation funds by the end of the PSA totalling US$12.0 million to eliminate the consequences of its operating activities, namely the conservation of the environment, the liquidation of drilled wells and the elimination of other facilities. These projects will be subject to confirmatory approval by the Partnership, the local community, and government. At the end of 2021, US$7.8 million was held on restricted cash accounts in respect of the liquidation fund deposits for Chinarevskoye (2020: US$7.7 million, which included liquidation fund deposits for Chinarevskoye and a deposit for the subsoil use agreement for Rostoshinskoye).

High ethical standards: Anti-Corruption and Bribery Policy of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership)

For more information on the Anti-Corruption and Bribery Policy of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership), please see pages 62, 64 and 77.

Environment

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

Climate change

The nature of the Partnership's business as a producer contributes to GHG emissions and the Partnership recognises that it must work to responsibly minimise impact on the climate. Reducing emissions is a corporate goal of top importance.

The Partnership recognises that hydrocarbon exploration and production is a major contributor to GHG emissions and, consequently, it has a responsibility to work to address climate change. One of the Partnership's key corporate social responsibility goals in 2021 was to minimise the impact of its operations on climate change. This remains a key goal for the Partnership.

Most of the Partnership's emissions are generated as a result of combustion of fuel gas within gas turbine units, boilers, process heaters and compressors. There are additional emissions resulting from flaring which happens when there is absolutely no other alternative. The Partnership's levels of emissions are decreasing year-on-year and can be viewed in the chart below.

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

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

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

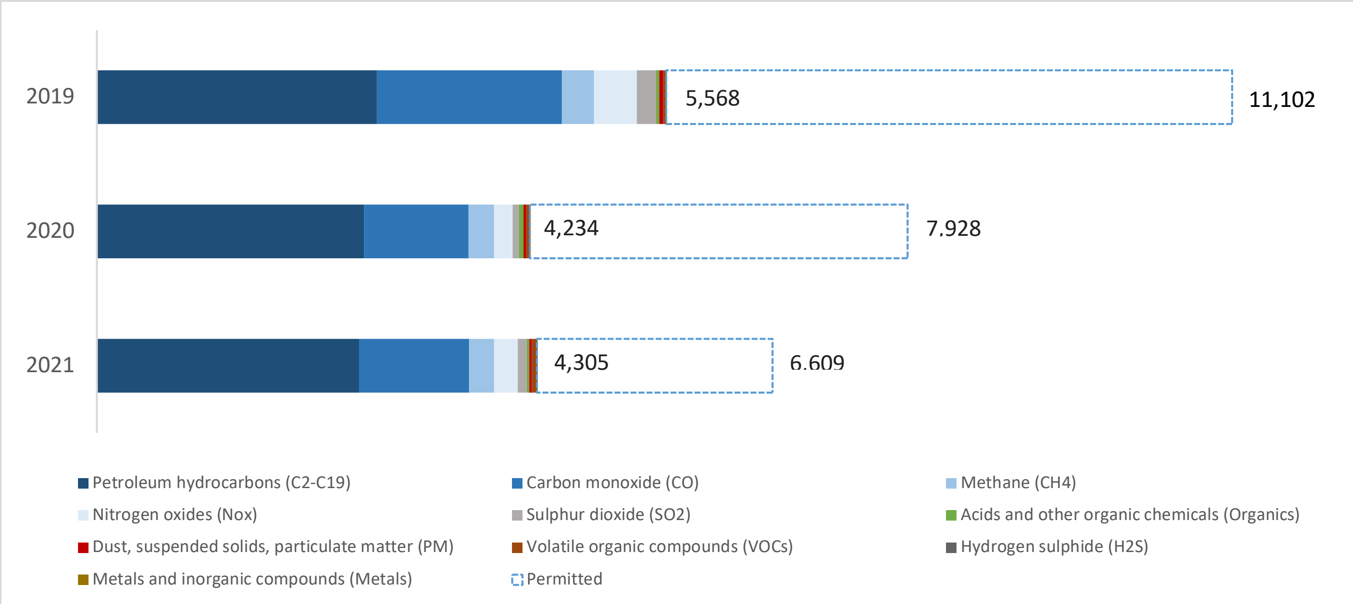
- Fuel gas flowmeters to allow quantification of CO_2 emissions;
- Upgrade of water treatment system to mitigate methane and other light hydrocarbon vapour being released;
- GHG emission quantification tools that give a holistic view of the entire hydrocarbon value chain as well as forecasting capabilities.

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

The Partnership 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.

Chart 22: Air Emissions Actual / Permitted (tonnes)



GHG emissions reporting approach

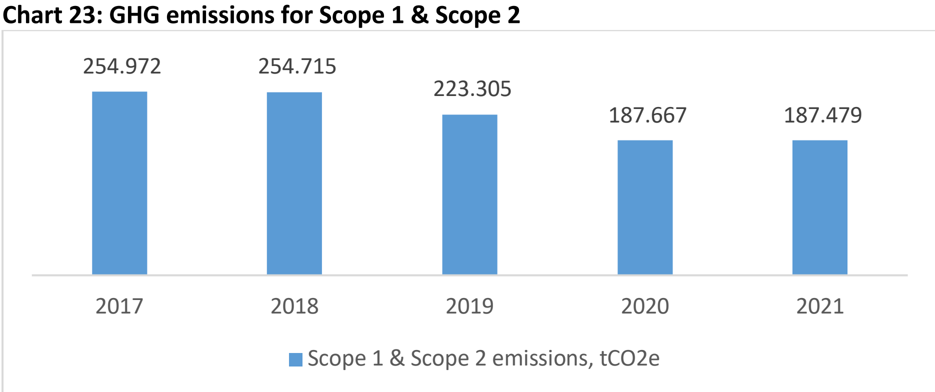
The Partnership seeks to minimise all GHG emissions and continues to invest in new technologies to improve GHG emissions performance. The Partnership strictly adheres to Kazakhstan regulatory requirements with regard to GHG emissions and has been monitoring and reporting GHG emissions since 2011. In 2021, the Partnership participated for the third time in the CDP disclosure process demonstrating its commitment to improvement and transparency in this area.

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

According to the 2021 Kazakhstan National GHG allocation Plan, 212,998 tonnes of CO_2 were allocated to the Partnership. Its actual CO_2 emissions in 2021 were 180,922 tonnes and its actual GHG emissions in CO_2 equivalent were 187,479 tonnes, which include three other gas types as provided in Table 1 on page 48.

A new national GHG allocation Plan for 2022-2025 is presently under approval by the RoK. More detailed information on GHG emissions in 2021 are presented on pages 47-49.

Chart 23: GHG emissions for Scope 1 & Scope 2



Future GHG reduction initiatives

The Partnership 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 the Partnership's gas treatment facilities has been shown to reduce the risks of emergency or technical flaring, and the implementation of a gas utilisation programme has led to a decrease in gas flaring. A small increase in gas flaring in 2021 relative to 2020 was due to the greater scope of planned maintenance in 2021 relative to 2020.

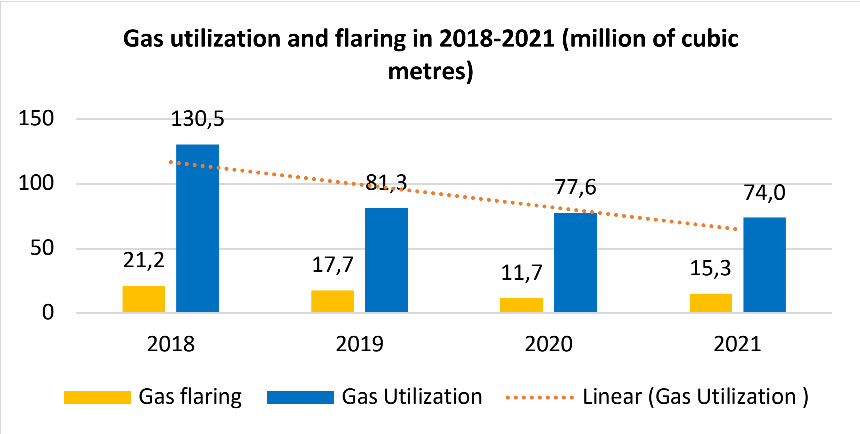
In recent years, the Partnership has implemented a number of projects which have had a continuous GHG reduction effect, such as:

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

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

In line with the RoK President's message about widespread greening of the country (planting of 2 billion trees in the forest fund and 5 million trees in villages) and to implement the Partnership's 2021 Environmental Protection Plan approximately 230 trees were planted in October 2021 close to the Partnership's oil terminal near Beles village. This green initiative will continue over the next few years near Beles. The Partnership is also considering various additional GHG reduction initiatives for 2022 and future years.

Chart 24: Gas utilization and flaring in 2018-2021, mcm



Climate disclosures

In 2021, the Partnership's main environmental objectives included participation in the CDP (formerly Carbon Disclosure Project), which is a key medium for companies to disclose their environmental impact and risk management, as well as continue to focus on greenhouse gas (GHG) emission reduction strategies. The Partnership made submissions under the Climate Change and for the first time ever under the Water Security modules of CDP in 2021.

The Partnership's Climate Change response was independently assessed and the Partnership received a "C" grade for the third consecutive year. This score evidences that the policies and procedures the Partnership has developed over recent years are positioning the Partnership to deal with the issue of climate change now and into the future.

The Partnership will continue to engage with the CDP initiative to maintain an open dialogue, both internally and externally, on this important issue.

An ambitious KPI target of "B" has been set for 2022 for the Climate Change module.

The Partnership also made its inaugural Water Security CDP submission in 2021 and received a "no score" to indicate the Partnership has made an inaugural submission. The Partnership's first official scoring will be made in 2022, at which point the Partnershiop intends to engage with CDP to identify reporting improvements.

Waste, water and soil management

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

Waste management

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

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

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

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

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

Year	2019	2020	2021
Waste generated, tonnes	21,855	2,151	2,876
Transferred for processing, tonnes	15,059	1,496	2,699
Transferred for processing, %	68.90%	69.50%	93,80%

Water management

The Partnership operates in a region with scarce water resources and recognize that availability of fresh water is valuable. Therefore, it is a priority for the Partnership to efficiently manage water consumption and the Partnership endeavours to implement the most efficient water management methods in order to handle fresh water in a rational and sustainable way.

The Partnership's water injection requirements are up to 1,200 m^3 per day (average injection approximately 900 m^3 per day), of which 500-650 m^3 per day are injected from the formation water production. The deficit is compensated through production from water ground wells. None of these water wells competes with fresh water supply to nearby communities. Five out of seven injectors are currently in operation with one disposal well used as a backup. The current system has sufficient capacity and flexibility to handle forecasted water injection volumes. The Partnership 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.

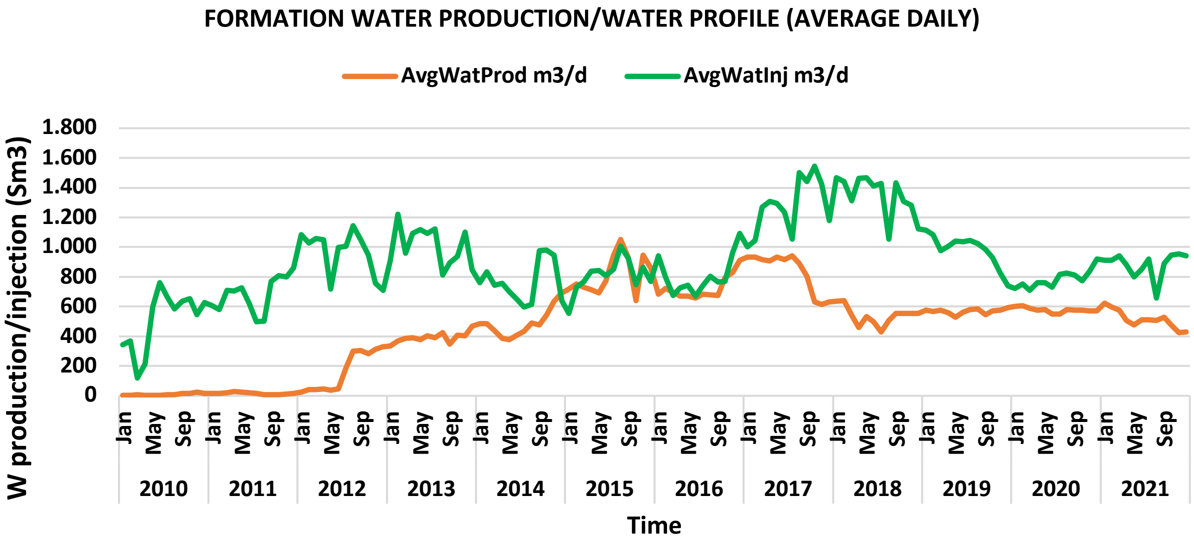
Currently, efforts are being undertaken to optimise existing water treatment and injection capacities (at no/minor additional cost) as part of Phase 1 and include:

- Assessment of water quality
- Modification of injection points of applied chemicals
- Introduction of a second water storage tank with a capacity of 1,000 m3 at the Oil Treatment Unit

- Work with vendors of oilfield chemicals to select less harmful chemicals for oil and water treatment. Lab tests are currently in progress to be followed by field trials in February-March 2022.

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

Chart 25: Formation water production and average daily water profile



Wastewater discharges

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

We have the following artificial ponds:

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

Disposal of Domestic and Sanitary Wastewater in 2019-2021

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

For more detailed information, please visit www.nostrumoilandgas.com.

Energy and resource efficiency policy and methane emissions management policy

The Partnership is developing its policies on energy use and improving efficiency and methane emissions management. These policies will be finalised and issued in 2022.

GHG emission results

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

Total direct GHG emissions (Scope 1) subdivided by gas types and by sources are summarised below in Tables 1 and 2. No further ecological data is available for publication. Consequently, additional disclosures in relation to materials used, products and services, waste management, water consumption, energy consumption and energy efficiency, emergency and intermittent pollution episodes, wastewater discharges, atmospheric emissions of greenhouse gases and other pollutants, environmental protection and biodiversity are not possible. There were no fines or other sanctions against the Partnership as regards non-compliance with environmental requirements in 2021.

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

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

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

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

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

Stationary combustion sources formed the majority of emitted GHGs.

Indirect GHG emissions (Scope 2)

The Partnership 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 the Partnership's facilities via the Zelenovskaya distribution network (ZapKazREK JSC), through its subsidiary Batys Energoresursy LLC. The regional emission factor (0.27086 tCO_2/MWh) was calculated using Methodological Guidelines for the Calculation of GHG Emissions from Electrical Power Stations and Boiler Houses (Astana, 2010) and the regional net thermal efficiency of Urals Natural Gas Fired Power Plants (73.3%).

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

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

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

Emissions intensity ratio

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

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

Table 4: Emissions intensity ratios for total GHG emissions

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

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

Table 5: Global GHG emissions and energy use data

	Current reporting year 2021	Comparison reporting year 2020
	Global (excluding UK and offshore)	Global (excluding UK and offshore)
Emissions from activities which the Partnership owns or controls, including combustion of fuel & operation of facilities (Scope 1) tCO_2e	187,467.0	187,598.6
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) tCO_2e	12.2	68.0
Total gross Scope 1 + Scope 2 emissions tCO_2e	187,479.3	187,666.6
Energy consumption used to calculate Scope 1 emissions: kWh	No data collection	No data collection
Energy consumption used to calculate Scope 2 emissions: kWh	No data collection	No data collection
Total energy consumption used to calculate Scope 1 and Scope 2 emissions: kWh	377,064,532.4	377,270,641.4
Intensity ratio: tCO_2e (gross Scope 1 + 2)/ mmboe	30,157.0	23,094.8
Methodology	Kazakhstannmethodical guidelines. KwH calculated based on 1.36E+15 J own generated energy plus purchased electricity.	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 Partnership's energy efficiency.	None	The Partnership 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, the Partnership replaced 115 fluorescent lamps with LED lamps.

Taskforce on Climate-related Financial Disclosure (TCFD)

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

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

The Partnership understands that the disclosures below are compliant with all TCFD Recommendations and Recommended Disclosures.

Governance

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

a) Describe the board's oversight of climate-related risks and opportunities, and
b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Board and its associated committees have oversight of climate- related matters as they apply to the subsidiaries of Nostrum Oil & Gas PLC (including the Partnership), which include climate risks and opportunities.

Material issues and principal risks, including climate change indicators, are reviewed on a regular basis.

The HSEC Committee meets at least quarterly.

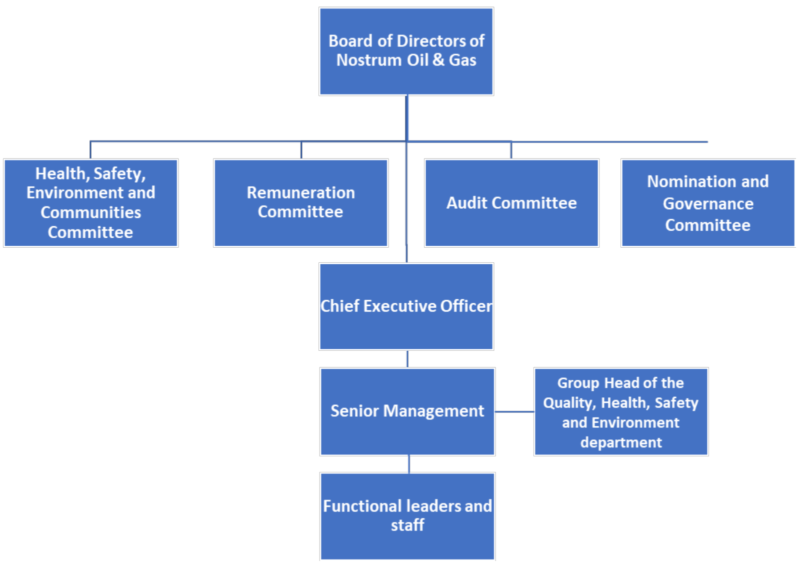
Emerging risks are flagged by the HSEC Committee to the Board or by the Board to the HSEC Committee/CEO for transmission to line management.

Annual KPIs relating to climate change and emissions targets are approved by the Board and progress against those KPIs monitored.

The Partnership has set for 2022 the following climate-related KPIs: improvement across ESG assessment score and reducing GHG emissions.

Any significant capex or operating expenditure is assessed for its climate related impact.

Climate Change Organizational Structure



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

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

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

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

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

Strategy

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

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

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

Key

(lightest green)	Risk / opportunity present but has a potentially minor financial impact
(medium green)	Risk / opportunity is present and has a potentially medium financial impact
(darkest green)	Risk / opportunity persists and has potentially material financial impact

Transition Risks		Short term	Medium term	Long term
Policy and Legal	• Regulatory and statutory reporting obligations by the Republic of Kazakhstan leading to higher compliance costs. • Global and regional litigation relating to climate change that lead to present or future financial obligations for the Group. These include, but not limited to, imposition of carbon taxation, fines for flaring or more punitive mineral extraction State taxation. • Policy changes that potentially lead to early asset retirement. Such policy changes may include Kazakhstan committing to net zero emissions targets which will put pressure on E&Ps to cease operations. Further changes include carbon pricing which may make operations commercially unviable and fast-track the retirement of the Partnership's assets.	YES	YES	YES
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		YES	YES

	be ongoing costs associated to adopting the technology.			
Market	• Changing global demand for products may result in lower demand for the Partnership's product base and decrease in revenues. • Hydrocarbon market prices across all the Partnership's products (Brent crude oil, stabilised condensate, LPG, dry gas). • Increased cost of raw materials due to climate-related supply disruptions.	YES	YES	YES
Reputation	• Increased stakeholder concerns may result in key stakeholders becoming disengaged with the investment story. • Changing perception of climate change may result in an inability for the Partnership to access to capital markets for future growth opportunities.	YES	YES	YES
Physical Risks		**Short term**	**Medium term**	**Long term**
Acute	• Severe weather events such as floods from local rivers that lead to disruption in field production and sales to final off-taker customers.	YES	YES	YES
Chronic	• Severe weather events such as increased snow and rain can lead to disruption in field production and sales to final off-taker customers.	YES	YES	YES
Opportunities		**Short term**	**Medium term**	**Long term**
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.		YES	YES
Energy source	• Continued use of own gas for electricity needs means no exposure to power price increases in the regions. • Investment in new technologies to become energy efficient may result in lower GHG emissions.	YES	YES	YES

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

- **Short term**: 5-year period to the end of 2026 as defined by a detailed business plan covering the period of the debt as it is expected to be amended by the restructuring. The Partnership 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 the Partnership deems the climate-related risks to be present in the short-term but not as prevalent as they would be in the medium and long term.

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

- **Long term**: period covering beyond 2031. This is defined by opportunities identified in line with the strategic initiatives of the Partnership. The position of the Partnership is that the biggest climate-related risks will impact its strategy in the long term. To execute the strategic initiatives of the Partnership, it may require access to financial and capital markets. As the shift towards a cleaner global economy accelerates, finance providers may want to reduce their exposure to the oil and gas sector and the Partnership's 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 Partnership exposed to an extreme negative event.

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

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

Market risks exist through reduction in fossil fuel demand and, hence, a reduction in the Partnership's revenues, although the Partnership's position is that this risk is more prevalent in the medium and long term. In the short-term, the Partnership has long-standing off-takers which guarantees short-term demand for products. However, the Partnership notes that in the longer term its customers may transition away from fossil fuels and, hence, the financial impact on the Partnership will be through reduced revenues.

Reputational risks include facing increasing pressure from the Partnership's stakeholders to transition towards cleaner hydrocarbons and energy sources, but also increasing difficulty in accessing financing for various projects. The Partnership's position is that this risk is less of a concern in the short-term since the Partnership 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. The Partnership's position is that this becomes a bigger risk in the medium and long term.

Physical risks the Partnership faces 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, the Partnership's position is that these severe weather events will occur more regularly and during unexpected periods of time; further impact the business operationally and financially. Today, the Partnership operates successfully in the middle of winter where temperatures on the ground can drop to -30^{0} 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 the Partnership's ability to transport LPG to the market and hence reduce its revenues.

Opportunities exist through the use of the Partnership's own gas for electricity needs. The Partnership does this today and will continue to do so in the medium and longer-term to be as resourceful as possible. Financially, this saves the Partnership money by not purchasing electricity from the grid. Making the Partnership's 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.

The transition to a lower carbon economy presents both risks and opportunities for the Partnership. As described above, the impact on short-term strategy and financial planning remains minimal, but the Partnership has in place the necessary flexibility to adapt as and when the risks are perceived to have evolved. In respect of medium term and long-term financial planning, the Partnership is cognizant of how climate-related risks may impact its 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, the Partnership has factored this into its strategic planning through extended and more frequent maintenance periods. This reflects a period of downtime during which operations and revenues cease.

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

All transition risks are provided equal weighting in the Partnership's future business, strategy and financial planning. While physical risks are important from a governance perspective, the Partnership applies a slightly lower weighting to them in its planning. Whilst present, the Partnership deems the financial and operational impact to be lower as it currently operates successfully in extreme weather today and considers that it will do so going forward. The Partnership takes a conservative approach in its forward planning and therefore does not factor in opportunities that may arise in the short, medium or long-term through climate change.

As described in the Governance section, the Partnership has a robust climate-change governance matrix in place to consider these risks widely. The Partnership now devoted more resources into this governance matrix (including reporting) and the matrix features in its 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 its CDP Climate Change submission for 2021, the Partnership estimated the financial impact of several of the transition and physical risks outlined above. Since the 2021 disclosure the Partnership has further refined its risk assessment pursuant to the materiality table outlined in section (a) and intends to conduct a detailed financial impact assessment in 2022. This will be also reflected in this year's CDP Climate Change disclosure, and the Partnership intends to publish these results in next year's TCFD report.

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

The Partnership 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.

Please refer to the going concern assessment in the Partnership's 2021 financial statements, in which the resilience of the Partnership's strategy in the short term pursuant to the SDS is considered. Please find outlined below the key SDS policy assumptions and the specific policy measure assumptions that will impact the business:

Sustainable Development Assumptions	Specific measure impacting the Partnership's strategy	Application of measure to going concern assessment
Cross-cutting policies	• Staggered introduction of CO_2 prices • Maximum sulphur content of oil and gas products capped • Policies promoting production and use of alternative fuels and technologies (including CCUS)	• Flat reduction in hydrocarbon demand by 20% in the next three years. • Flat reduction in all hydrocarbon pricing by 20% in next three years • Compliance cost increase of $5-10 million per annum to account for breaches in sulphur requirement (estimate) • 10% higher operating costs for CO_2 pricing
Power sector policies	• Efficiency and emissions standards that prevents the refurbishment of old inefficient fossil fuel plants • Stringent pollution emissions limits	• 10% higher operating expenses and 10% higher capital expenses assumed for upgrade works and ongoing maintenance to make Nostrum's facilities efficient. • $5-10 million per annum compliance cost for pollution limit breaches.
Buildings sector policies	• Phase out least efficient appliances by 2030	• 10% higher general & administrative costs for efficiency appliances in the head and regional

	• Mandatory energy performance standards for appliances • Net zero requirements for all new buildings by 2030 • Energy efficiency and CO_2 emissions reduction measures in buildings	offices as well as energy performance standard impositions.
Transport sector policies	• On road vehicle stock emissions intensity limits • Emission limit restrictions on light and heavy-duty vehicles • GHG emissions reduction strategy for international shipping	• 10% reduction in sales volumes as LPG sales are delayed due to renting / purchasing emission compliant vehicles for transportation. • 10% higher capex for upgrading fleet of LPG trucks to meeting the emissions intensity limits. • 10% reduction in crude and condensate volumes as shipping offtakers for those products face difficulty in chartering ships whilst meeting international emissions quotas.
Industry sector policies	• Policies to support CCUS • Mandatory energy management systems or energy audits	• 5% higher capital expenditures as the Partnership begins research and development into emissions-reducing technology. • 5% higher general & administrative costs as more frequent emissions-based audits are run throughout the business.

The Partnership'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, the Partnership chose extreme scenarios to test its short-term strategy against the SDS scenario. The Partnership intends to perform a detailed assessment of these specific policy measures and the likely quantitative impact to its strategy across all time horizons in 2022. The Partnership's detailed assessment will involve working out its strategy and operational activities around this climate change scenario, setting targets and communicating those in next year's TCFD Report.

Stressing its short-term financial projections for these high-level conservative policy measure assumptions demonstrates that the Partnership's strategy in the short-term is resilient taking into account a 1.65°C climate-related scenario. Furthermore, the Partnership takes the view that it has sufficient flexibility in its business plan to be able to adjust adequately to extreme climate-related impacts.

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

The Partnership is working on the medium and longer-term resilience of its strategy in light of the SDS. The analysis will assess the financial viability of the Partnership in the medium and long term; building on the short-term resilience analysis covered in the going concern assessment of the 2021 financial statements. The Partnership will use the same SDS assumptions in assessing longer-term strategy resilience; building upon the assessment conducted for the short-term horizon. As highlighted in section (a), the Partnership deems longer-term financial and operational risks to be more prevalent to its business generally and therefore the SDS sensitivities applied may be more punitive to stress-test the viability of its longer-term strategy. The Partnership looks forward to reporting on its medium and long-term strategy resilience in next year's TCFD report, as well as reporting again on its short-term assessment.

Risk Management

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

a) Describe the organization's processes for identifying and assessing climate-related risks;
b) Describe the organization's processes for managing climate-related risks, and

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

The Partnership has a robust governance structure through which climate-related risks are identified and managed. Specifically, the HSEC Committee is the conduit through which climate-related risk management is enacted. The HSEC Committee operates under the principals of 5 pillars: (i) HSE leadership; (ii) rigorous incident investigation; (iii)process safety and asset integrity; (iv) contractor HSE management and (v) environment and climate change including a commitment to reduce GHG emissions. The fifth pillar is an integral part of the Partnership's 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 HSEC Committee oversees the design and implementation of systems of climate-related risk management and internal controls and manages and reports on risks. The Group Head of QHSE supports the Board in its oversight and monitoring role and performs management and reporting on the risks.

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

The processes described above are embedded into the overall risk management framework of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) and form an integral part of the Partnership's risk management and internal controls system. The risk register includes "climate change risks" as a principal risk and uncertainty thus allowing the HSEC Committee to manage any identified risks. This risk covers both physical and transitional climate-related risks and is reviewed annually by the Board of Directors of Nostrum Oil & Gas PLC.

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 organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

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

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

Climate change-related risks and opportunities are incorporated into the overall remuneration of the senior management.

Moving forwards, the Partnership intends to include carbon pricing into its economic evaluation of future investment opportunities both within Chinarevskoye and outside. Following a benchmarking analysis of its peers, majors in the sector and research on regional plans for carbon pricing, the Partnership will incorporate an appropriate carbon price (cost to the business) in its 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, the Partnership discloses its Scope 1 and Scope 2 GHG emissions.

Scope 1 and scope 2 GHG emissions have been reported on an annual basis in the Partnership's annual report and on https://www.nostrumoilandgas.com/. The level of reporting has expanded in line with the Partnership's commitment to being transparent to its 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).

The Partnership is working towards Scope 3 reporting that is relevant and reliable to the end user. The Partnership intends to report Scope 3 emissions in its 2022 annual report subject to finding an appropriate service provider to assist it and also developing within the Partnership skills required to appropriately identify, measure and communicate its Scope 3 emissions. This further strengthens its commitment to further expand its reporting and transparency amongst the investor community.

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

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

The Partnership 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 the Partnership's approved quota of GHG emissions for 2021 was 212,998 tonnes of CO2, the HSEC Committee set a goal of maximum 200,000 tonnes of CO2 for 2021 and both targets were met since the actual GHG emissions for 2021 were in the order of 187,479 tonnes of CO2.

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

Risk management

The Partnership 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 Partnership'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 Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership).

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

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

In 2021, the processes related to risk management and internal control systems were consistent with the UK Corporate Governance Code and FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014.

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

Environmental, social and governance (ESG) matters

ESG matters form an integral part of the areas covered by the Partnership'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 59-64.

The Board receives appropriate information for managing such risks. Management is responsible for ensuring that systems of risk management and internal control are in place to effectively manage and monitor energy risks and other ESG matters. More detailed disclosure on the established policies and procedures in these areas can be found in the Sustainability review starting on page 30.

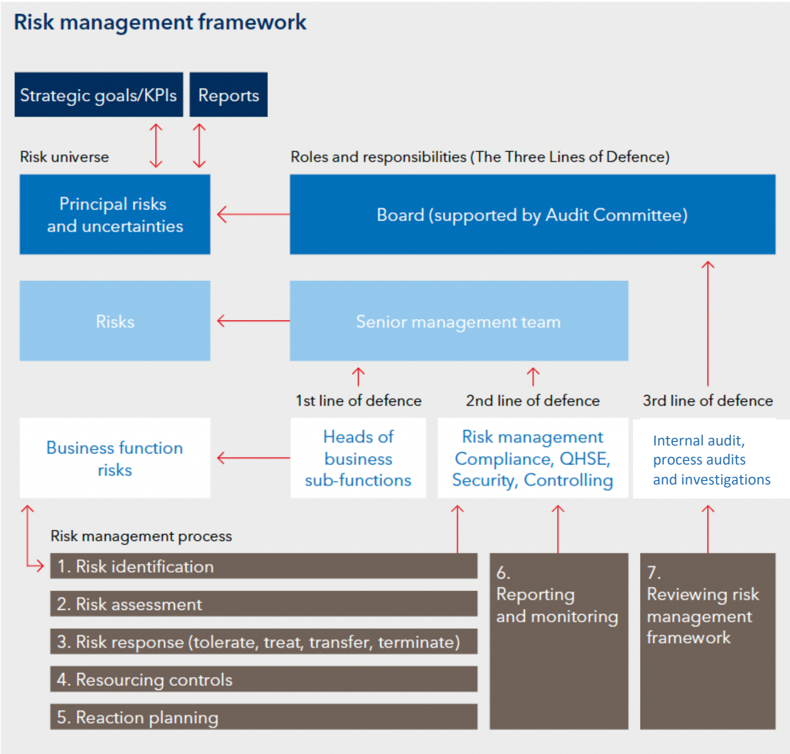
Changes from prior-year risk assessment

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

2020 Principal risks and uncertainties		2021 Principal risks and uncertainties	
Strategic risks	Business and market environment	Geopolitical factors Product price volatilities	Strategic risks
	Strategic development initiatives	Filling the spare gas processing capacity	
Operational risks	Oil and gas reserves and operations	Oil and gas reserves and production	Operational risks
		Cybersecurity risks	
Operational risks	Health, safety and the environment	Risks of incidents, including risk of explosion	Environmental, social and governance risks
		COVID-19	
		Governance risks	
		Environmental risks	

Climate change **risks**	Climate change	Climate change	Climate change risks
Compliance risks	Subsoil use agreements	Subsoil use agreements	Compliance risks
	Compliance with laws and regulations	Compliance with laws and regulations	
Financial risks	Liquidity risks	Liquidity risks	Financial risks
	Refinancing risk	Refinancing risks	
	Tax risks and uncertainties	Tax risks and uncertainties	
Other risks	Other significant risks	Other significant risks	Other risks

Risk management framework



The Board oversees the design and implementation of systems of risk management and internal control and manages and reports on principal risks.
The Senior Management Team supports the Board in its oversight and monitoring role and perform management and reporting on the level of Director's risks.
Heads of business functions, being the 1st line of defence, own and manage operational risks related to their respective area of activity.
2nd line of defence has a general oversight function to ensure that the risk management practices followed are effective.
Internal audit, acting as the 3rd line of defence, provides independent assurance over the effectiveness of the systems of risk management and internal control.

During 2021 the Partnership did not have a dedicated internal audit function, as was the case for the past few years where the Partnership 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 Partnership has identified and strengthened internal processes providing assurance to management, the Audit Committee and the Board about the effectiveness of systems of internal control and risk management, such as contracts board meetings, monthly reports to the Board on operations, liquidity and legal issues and assurance provided by QHSE and security personnel. In 2022 the Partnership has approved a budget amount to hire a dedicated Head of Internal Audit.

Principal risks and uncertainties

Description of risk	Risk management
STRATEGIC RISKS	
Geopolitical factors	
The Partnership's operations are exposed to risks associated with the political and business environment in Kazakhstan, 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 Partnership's business, results of operations, financial condition and prospects.	The 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 Partnership 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 Partnership continues to strengthen customer relationships through establishing long-term off-take agreements whilst also looking at possibilities to geographically diversify its customer portfolio.

On the one hand, the Partnership 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 Partnership 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 Partnership's business, results of operations, financial condition and prospects.

The Partnership 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 interests of the Partnership to terminate its relationships with the Sberbank subsidiary in Kazakhstan. In addition, the Partnership 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 Partnership'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 Partnership's control.

Oil and gas prices are subject to volatility due to a variety of factors beyond the Partnership's control. Factors affecting crude oil prices include supply and demand fundamentals, economic outlooks, production quotas set by OPEC and political events. In recent years, as a result of factors including weaker outlook for global demand growth combined with excess supply, oil and gas prices worldwide have been subject to significant volatility and there can be no assurance that the recent recovery in oil prices or the recent high gas prices relative to historical averages will continue for extended periods of time.

In addition, dry gas prices are also influenced by the price for dry gas paid by GazProm at the Kazakh border and the prices of various oil-based products. Also, the Partnership could be compelled by governmental authorities, purportedly acting based on Kazakh legislation, to sell its oil, condensate, LPG and gas domestically at prices determined by the Kazakh Government, which could be significantly lower than prices which the Partnership could otherwise achieve.

Lower oil and gas prices may reduce the economic viability of the Partnership's operations and proposed operations and materially adversely affect its business, results of operations, financial condition and prospects. In particular, the Partnership'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 Partnership's strategy and business model are not directly influenced by any significant risk resulting from Brexit.

The Partnership 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 Partnership 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 Partnership continued these optimisation initiatives throughout 2021 and as a result is now able to withstand a period of prolonged low oil prices. Also, senior management constantly monitors the Partnership's exposure to foreign currency exchange rate changes and makes plans for necessary measures.

In previous years, the Partnership has entered into hedging instruments to mitigate the volatility of commodity prices. The last such instrument expired in 2018. In 2021 the Partnership has produced a draft hedging policy and updated its relationships with multiple financial institutions which would allow for hedges to be placed. In light of the favourable commodity pricing environment, backwardation of the forward oil price curve, cash resources available to meet its operational and capital requirements for the next fiscal year and other factors the Board has not taken the decision to enter into any hedges in 2021.

Filling the spare gas processing capacity

The activities in the Chinarevskoye oil and gas condensate field are currently the Partnership'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 Partnership's gas treatment facilities, which have a combined 4.2 billion cubic meters capacity per annum.

The Partnership is therefore reliant on acquiring and developing nearby assets with significant resource potential and/or processing third party gas through its processing facilities to continue to produce free cash flows and build sufficient cash reserves to repay future indebtedness. The ability to negotiate and secure these strategic acquisitions is highly uncertain and the ability to fund the development of such projects, the costs of which may be substantial and require external funding, may not materialise.

Oil and gas exploration and production activities are capital intensive and subject to financing limitations and inherent uncertainty in their outcome. Further, significant expenditure is required to establish the extent of oil and gas reserves through seismic and other surveys and drilling. Therefore, there can be no certainty that further commercial quantities of oil and gas will be

From end of 2019 the Board came to conclusion that diversification of its sources of feedstock to the processing facilities would provide the Partnership 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 Partnership signed agreements with Ural OG in 2018 for the purchase of gas and processing of condensate from the Rozhkovskoye field for a period of four years with first deliveries planned for Q4 2023.

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

Also, the Partnership continues to mature its assessment of the Stepnoy Leopard licences for acquisition and development, as well as a number of additional area-wide opportunities under review that may serve to strengthen the Partnership's upstream and midstream portfolio in the coming years.

discovered or acquired by the Partnership to enable it to utilise the spare capacity in its treatment facilities.

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 Partnership's financial performance and achievement of strategic objectives. The recent reclassifications of significant amounts of oil and gas reserves from 2P to contingent resources were result of crystallising of such risks.

Even if the Partnership 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 Partnership'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 Partnership has been actively performing well workover and intervention to reduce the rate of decline of the reservoir. Such activities, as well as construction, operation and maintenance of surface facilities, are subject to various risks, including the availability of adequate services, technologies and expertise, which may adversely affect the fulfilment of the Partnership's strategic objectives.

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

For well workover activities, the Partnership engages skilled personnel and leading service suppliers, as well as employing internationally accredited operations and cost monitoring systems, based on which management oversees the work progress. A successful well workover and intervention programme was completed in 2020 which reduced the rate of decline of production in the year. A similar programme in 2021 is still being evaluated.

In addition, a low-pressure system, introduced in 2019 and expanded in 2020, continues to allow production from wells that would otherwise require to be shut in.

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

KPIs are in place to monitor risk management in operations, including completion of the well workover and intervention programme according to budget and production targets.

Cybersecurity risks

The Partnership 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 Partnership's operations and financial results through disruptions, shutdowns and delays in production and other activities.

The Partnership 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 Information Security Policy of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) 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 Partnership'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 Partnership'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 Partnership will not be in full compliance with all such regulations at all times.

The Partnership'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. The Partnership's operations are based on the five QHSE pillars: HSE leadership; rigorous incident investigation; process safety-critical elements identified and maintained; contractor HSE management; and environment and climate change.

The HSEC Committee was formed for oversight of HSE matters at the Board level. Monthly QHSE reports are issued to communicate HSE performance. Management KPIs include lost time injury frequency, total recordable injury frequency and numbers of Hazard Observation Cards submitted.

Through the system of Hazard Observation Cards, employees and contractors report any unsafe conditions observed in the workplace, which helps to ensure their awareness of safe working conditions at all times. All incidents are investigated, their causes identified and corrective action plans developed.

There is a classification of equipment as critical or non-critical. Safety critical elements are devices, equipment or systems that are required to ensure process conditions are maintained within safe operating limits, or the purpose of which is to prevent malfunctioning. For example, devices are installed at well-sites to automatically close the wells in the case of shutdown, preventing blowdown by flaring.

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

COVID-19

The spread of coronavirus (COVID-19) significantly affected the world economy, including the oil and gas industry in 2020. The global economy has been gradually recovering and 2021 showed some positive developments in global markets of oil and gas. However, any further outbreaks of COVID-19 may have a disruptive effect. For example, uncontrolled spread of the coronavirus among employees on the field site could lead to the mass quarantine of workers and could have a negative impact on the Partnership's operations and financial results.

The senior management and the Board continued to closely monitor COVID-19 throughout the Partnership's operations, and assess the impact of the pandemic on all stakeholders. No production was lost as a result of COVID-19 during 2021 and thankfully none of the Partnership's workers succumbed to the disease.

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

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

Governance risks

The Partnership must adhere to 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 page 73, a robust governance framework covers all aspects of the Partnership's activities.

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 pages 77 and 78 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.

Environmental risks

The Partnership'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 Partnership 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 Partnership's business, results of operations, financial condition and prospects.

The Partnership actively plans and manages projects designed to mitigate certain environment-related risks. Limiting GHG emissions is a management KPI.

The Partnership'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 Partnership has recently started recycling utilised water at the campsite.

The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures.

The HSEC committee currently has responsibility for ESG related matters. A review of the Partnership's public ESG related information is being conducted to identify and rectify gaps.

In 2022, the Partnership intends to issue a policy which addresses energy use and improving efficiency and a methane emissions management policy.

CLIMATE CHANGE RISKS

Climate change

Continued attention to climate change issues by governments, stakeholders and customers and relevant developments in laws and regulations, stakeholder and customer preferences may have significant adverse impact on the Partnership'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 Partnership's access to capital markets, reduce ability to raise additional financing, increase financing

The Partnership is actively planning and managing projects designed to mitigate certain climate change related risks. For instance:

- To decrease its exposure to rising fuel prices, drilling rigs have been retooled to derive more power from electricity rather than diesel;
- In operations there is a permanent effort and commitment improve energy efficiency and to reduce flaring, venting and leaks; and
- At campsite most of the water the Partnership 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.

costs and have a negative impact on the Partnership's business plans and financial performance.

COMPLIANCE RISKS

Subsoil use agreements

As the Partnership performs exploration, development and production activities in accordance with related licences for the oil and gas fields, there are related risks that the Partnership 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 Partnership's inability to fulfil scheduled activities; fines, penalties, suspension or termination of licences by authorities; and, respectively, significant and adverse impact on the Partnership's business, financial performance and prospects.

The Partnership 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 Partnership maintains an open dialogue with Kazakh governmental authorities regarding its subsoil use agreement. In the event of non-compliance with a provision of the agreement, the Partnership endeavours to have such terms modified and pays any penalties and fines that may apply.

Compliance with laws and regulations

The Partnership carries out its activities in a number of jurisdictions and, therefore, must comply with a range of laws and regulations, which exposes the Partnership to the respective risks of non-compliance. In addition, the Partnership must comply with Irish Stock Exchange, KASE and bond indenture requirements, in light of its publicly traded notes. Hence, there are non-compliance risks, including reputational, litigation and government sanction risks, to which the Partnership 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 Partnership's performance and activities towards achieving its strategic objectives.

For the purpose of effective corporate governance and compliance with laws, regulations and rules, the Partnership has adopted a number of policies and procedures, as mentioned above. The Partnership 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.

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 Partnership'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 Partnership's current estimates. Prices for the materials and services the Partnership depends on to conduct and expand its business may increase to levels that no longer enable the Partnership to operate profitably.

All the above factors in combination with a significant negative movement in world energy prices could result in the Partnership'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 optimization to reduce capital expenditures, operating costs and general and administration costs.

Refinancing risks

Nostrum Oil & Gas Finance B.V. has US$1.125bn of debt principal outstanding, US$725m of which matures in July 2022. From May 2020 Nostrum Oil & Gas PLC and certain of its subsidiaries (including the Partnership) have been engaged with its stakeholders in connection with a possible restructuring of this debt. No interest payments have been made since mid-2020.

In December 2021, Nostrum Oil & Gas PLC and certain of its subsidiaries (including the Partnership) entered into a Lock-Up Agreement and agreed the terms of a restructuring with bondholders of Nostrum Oil & Gas Finance B.V. These terms were supported by the shareholders of Nostrum Oil & Gas PLC at a General Meeting in April 2022.

The successful implementation of restructuring depends on certain conditions that need to be fulfilled or waived, such as permission for the proposed restructuring from its shareholders, and permission for the restructuring and a waiver from the Government of the Republic of Kazakhstan. Moreover, the Lock-up Agreement contains termination provisions allowing for termination in certain, specified circumstances. Hence, the ability of Nostrum Oil & Gas Finance B.V. to refinance the outstanding debt represents a material uncertainty. There is a significant risk that Nostrum Oil & Gas Finance B.V. will not be able to refinance the bonds which will negatively impact the Partnership's ability to continue as a going concern.

Successful restructuring of the outstanding debt of Nostrum Oil & Gas Finance B.V. is the primary focus of the Board and Senior Management Team. Work continues towards this objective with all stakeholders.

Following the original accession period for the Lock-Up Agreement, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises approximately 77.73% of the total aggregate principal amount of both series of Notes.

99.99% of voting shareholders voted in favour of the restructuring on the same terms following the convening of a General Meeting of Nostrum Oil & Gas PLC on 29 April 2022.

However, the necessary steps are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of Nostrum Oil & Gas PLC and all its subsidiaries (including the Partnership).

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 Partnership 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 Partnership's profitability, liquidity and planned growth.

The Partnership 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 Partnership regularly challenges, either with the Kazakh tax authorities or through the Kazakh courts, tax assessments that it believes are inapplicable to it, pursuant to the terms of either its subsoil use agreements or applicable law.

OTHER RISKS

Other significant risks, including emerging risks

Other risks are those that are not specifically identified within any of the principal risks and uncertainties but may be related to several such areas or be organisation wide. These include risks related to:

- Fraudulent activities;
- The Partnership's supply chains;
- Accounting and reporting management systems; or
- The availability of human resources.

They may also significantly impact the Partnership's financial performance, reputation and achievement of its strategic objectives.

Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) have an Anti-Bribery and Corruption Policy, and provisions relating to the same are included in the Code of Conduct of Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership). Related training and updates are periodically provided for employees in relation to their obligations in this area.

Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) have a wide range of internal controls over its supply chains and accounting and reporting processes, including policies, procedures, segregation of duties for authorisation of matters, periodic training for employees and so on. The Contracts Board was established to meet weekly to review and approve the placement of all contracts with a potential value in excess of $10,000.

Senior management and the Board stay alert to emerging challenges related to various management systems and related governance matters and, when necessary, initiate change initiatives to ensure enhancement and integration of certain management systems.

The risks listed above do not comprise all those associated with the Partnership'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 Partnership's business. The risks listed above are continuously monitored by the management team and assessed when making business decisions.

Financial review

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

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

In thousands of US Dollars	**2021**	**% of revenue**	2020	% of revenue
Revenue	**195,285**	**100.0 %**	*175,939*	*100.0 %*
Cost of sales	**(87,884)**	**(45.0) %**	*(126,308)*	*(71.8) %*
Gross profit	**107,401**	**55.0 %**	*49,631*	*28.2 %*
General and administrative expenses	**(5,877)**	**(3.0) %**	*(6,892)*	*(3.9) %*
Selling and transportation expenses	**(23,204)**	**(11.9) %**	*(31,150)*	*(17.7) %*
Taxes other than income tax	**(17,081)**	**(8.7) %**	*(14,112)*	*(8.0) %*
Finance costs	**(92,859)**	**(47.6) %**	*(103,756)*	*(59.0) %*
Impairment reversal / (charge)	**74,186**	**38.0 %**	*(298,031)*	*(169.4) %*
Foreign exchange loss, net	**(292)**	**(0.1) %**	*(1,123)*	*(0.6) %*
Interest income	**309**	**0.2 %**	*253*	*0.1 %*
Other income	**7,277**	**3.7 %**	*5,620*	*3.2 %*
Other expenses	**(3,994)**	**(2.0) %**	*(6,885)*	*(3.9) %*
Profit/ (loss) before income tax	**45,866**	**23.5 %**	*(406,445)*	*(231.0) %*
Income tax (expense) / benefit	**(34,063)**	**(17.4) %**	*40,785*	*23.2 %*
Profit / (loss) for the year	**11,803**	**(6.0) %**	*(365,660)*	*(207.8) %*
Total comprehensive income for the year	**11,803**	**(6.0) %**	*(365,660)*	*(207.8) %*

** Certain amounts shown here do not correspond to the 2020 report and reflect adjustments made. For more details, please see Note 3 to the 2021 financial statements.*

General note

For the year ended 31 December 2021 (the "reporting period") the total comprehensive income amounted to US$11.8 million, an increase of US$377.5 million from loss of US$ 365.7 million in 2020. The increase in total comprehensive income is mainly driven by the reversal of impairment on property, plant and equipment in 2021 in the amount of US$74.2 compared to $298.0 million impairment charge in 2020. In addition, the increase in revenues primarily resulting from higher hydrocarbon prices. These are explained in more detail below.

As noted elsewhere in the Annual Report, on 23 December 2021, the Group signed a Lock-up Agreement with a majority of holders of the aggregate principal amount of the Group's outstanding Notes (including largest shareholder ICU Holdings Limited ("ICU")) with the terms of a proposed restructuring agreed by the parties. For more details on the key terms of restructuring please refer to pages 21-23.

Revenue

The Partnership's revenue increased by 11.0% to US$195.3 million for the reporting period (2020: US$175.9 million). This is mainly explained by the higher product prices which was offset by lower sales volumes derived from a decrease in production during 2021 as shown in the table below. The average Brent crude oil price increased by 64.2 % from US$43.2 /bbl during 2020 to US$ 71.0 /bbl during the reporting period.

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

Revenues from sales to the Partnership's largest three customers amounted to US$143.1 million, US$18.2 million and US$8.7 million (2020: US$118.6 million, US$29.7 million and US$7.4 million).

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

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

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

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

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

In boe	2021	2020	Variance	Variance, %
Oil and gas condensate sales volumes	2,378,019	3,274,374	*(896,354)*	*(27.4) %*
Gas and LPG sales volumes	3,217,443	4,601,467	*(1,384,024)*	*(30.1) %*
Total sales volumes	**5,595,462**	**7,875,841**	*(2,280,379)*	*(29.0) %*
Production volumes	**6,216,764**	**8,125,911**	*(1,909,146)*	*(23.5) %*

Cost of sales

In thousands of US Dollars	2021	2020*	Variance	Variance, %
Depreciation, depletion and amortisation	**55,569**	86,296	*(30,727)*	*(35.6) %*
Payroll and related taxes	**11,356**	10,885	*471*	*4.3 %*
Repair, maintenance and other services	**6,436**	7,717	*(1,281)*	*(16.6) %*
Materials and supplies	**4,561**	4,219	*342*	*8.1 %*
Management fees	**3,419**	4,103	*(684)*	*(16.7) %*
Well repair and maintenance costs	**2,726**	3,360	*(634)*	*(18.9) %*
Transportation services	**2,559**	1,908	*651*	*34.1 %*
Environmental levies	**201**	114	*87*	*76.3 %*
Change in stock	**402**	7,279	*(6,877)*	*(94.5) %*
Other	**655**	427	*228*	*53.4 %*
	87,884	126,308	*(38,424)*	*(30.4) %*

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

Cost of sales decreased by 30.4 % to US$87.9 million for the reporting period (2020: US$126.3 million). On a barrel of oil equivalent (boe) basis, cost of sales decreased by US$0.33 from US$16.04 in 2020 to US$15.71 for the reporting period and cost of sales excluding depreciation increased by US$0.70 to US$5.78 in the reporting period (2020: US$5.08).

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

Depreciation, depletion and amortisation decreased by 35.6% to US$55.6 million for the reporting period (2020: US$86.3 million). Depreciation is calculated applying the units of production method. The decrease in depreciation in 2021 in comparison with the prior period is a consequence of the impairment charge recognized as at 31 December 2020, which substantially reduced the depreciable asset base from 1 January 2021. This has been offset, in part, by the increase in the ratio of the production volumes to the proven developed reserves, which increases the charge per barrel of oil produced.

Repair, maintenance and other services decreased by 16.6% from US$7.7 million to US$6.4 million for the reporting period. These expenses include costs of repairs and maintenance services on the facilities, specifically the gas treatment facility, as well as related spare parts and other materials. These costs fluctuate depending on the timing of the periodic scheduled maintenance works. However, most of the reduction is derived from the cost optimisation efforts that were initiated in 2020 and ran throughout the 2021.

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

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

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

Payroll and related taxes increased by 4.3% from US$10.9 million in 2020 to US$11.4 million for 2021, resulting from annual salary indexation, which was partially offset by changes in foreign exchange rates.

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

General and administrative expenses

In thousands of US Dollars	**2021**	2020	Variance	Variance, %
Payroll and related taxes	**2,866**	2,734	*132*	*4.8 %*
Management fees	**1,343**	1,620	*(277)*	*(17,1) %*
Professional services	**665**	869	*(204)*	*(23.5) %*
Insurance fees	**238**	465	*(227)*	*(48.8) %*
Communication	**182**	183	*(1)*	*(0.5) %*
Depreciation and amortisation	**146**	483	*(337)*	*(69.8) %*
Materials and supplies	**144**	139	*5*	*3.6 %*
Business travel	**90**	66	*24*	*36.4%*
Bank charges	**50**	53	*(3)*	*(5.7) %*
Other	**153**	280	*(127)*	*(45.4) %*
	5,877	6,892	*(1,015)*	*(14.7) %*

General and administrative expenses decreased by 14.7% to US$5.9 million for the reporting period (2020: US$6.9 million). This was driven by decrease in management fees (by US$0.3 million or 17.1%), professional services (by US$0.2 million or 23.5%), depreciation and amortisation (by US$0.3 million or 69.8%), insurance fees (by US$0.2 million or 48.8%). This reflected a reduction in headcount, non-core activities and office space as a result of the cost optimisation programme.

Selling and transportation expenses

In thousands of US Dollars	**2021**	2020	Variance	Variance, %
Transportation costs	**9,545**	12,760	*(3,215)*	*(25.2) %*
Loading and storage costs	**6,869**	8,813	*(1,944)*	*(22.1) %*
Marketing services	**2,690**	4,260	*(1,570)*	*(36.9) %*
Depreciation of right-of-use assets	**1,556**	2,881	*(1,325)*	*(46.0) %*
Payroll and related taxes	**1,135**	1,077	*58*	*5.4 %*
Other	**1,409**	1,359	*50*	*3.7 %*
	23,204	31,150	*(7,946)*	*(25.5) %*

Selling and transportation expenses decreased by 25.5% to US$23.2 million for the reporting period (2020: US$31.2 million), primarily due to decrease in the volumes sold, marketing services fees and other costs. Depreciation costs resulting from the recognition of right-of-use assets for rented railway tank cars also decreased due to the reduction in the number of leased railway tank cars due to reduced volumes being sent to market.

Taxes other than income tax

In thousands of US Dollars	**2021**	2020	Variance	Variance, %
Royalties	**7,786**	7,016	*770*	*11.0 %*
Export customs duty	**7,655**	5,017	*2,638*	*52.6 %*
Government profit share	**1,628**	2,044	*(416)*	*(20.4) %*
Other taxes	**12**	35	*(23)*	*(65.7) %*
	17,081	14,112	*2,970*	*21.0 %*

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

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

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

Impairment charge

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

In 2020, as a result of the reserves downgrade and respective reflection of the updated future production profiles in the impairment model the Partnership recognized non-cash impairment charge on oil & gas assets and exploration & evaluation assets in the amount of US$297.8 million and US$0.2 million, respectively. Further details of impairment testing and assumptions used are disclosed in the Note 4 to the financial statements of the Partnership.

Finance costs

In thousands of US Dollars	**2021**	2020	Variance	Variance, %
Interest expense on borrowings	**96,560**	102,451	*(5,891)*	*(5.8) %*
Unwinding of discount on amounts due to Government of Kazakhstan	**762**	793	*(31)*	*(3.9) %*
Unwinding of discount on lease liability	**157**	354	*(197)*	*(55.6) %*
Unwinding of discount on abandonment and site restoration provision	**276**	158	*118*	*74.7 %*
Gain on modification of the loan	**(4.896)**	-	*(4.896)*	*(100) %*
	92,859	103,756	*(10,897)*	*(10.5) %*

Finance costs decreased by US$10.9 million to US$92.9 million for the reporting period (2020: US$103.8 million) mainly due to lower interest expense on borrowings of US$96.6 million (2020: US$102.5 million). Decrease in interest expense on borrowings was caused by change of the interest rate on the the intra-group loan with Nostrum Oil & Gas Finance B.V. Effective 1 May 2021, the interest rate was changed to 2.8%. Effective 14 July 2021, the interest rate of the intra-group loan with Nostrum Oil & Gas Finance B.V. was changed to 2.8% in respect of interest periods starting on or after 1 May 2020. The modification of the loan resulted in gain amounted to US$4,896 thousand recognised as part of finance costs in 2021.

Other

Other expenses decreased to US$4.0 million for the reporting period (2020: US$6.9 million). The decrease is mainly attributable to less other taxes and penalties recognised in 2021 (by US$1.2 million or 31.6%) as well as decrease in training expenses (by US$0.4 million or 43.3%). The decrease was also affected by the write-off of accounts receivable and accounts payable.

Other income increased by US$1.7 million to US$7.3 million for the reporting period (2020: US$5.6 million). The increase is mainly driven by compensation for damages of US$1.5 million recognised in 2021 (2020: zero) and the higher reversal of training obligations US$1.5 million in the reporting period (2020: US$1.0 million).

Income tax

Income tax expense amounted to US$34.1 million for the reporting period, a difference of US$ 74.8 million as compared to income tax benefit of US$40.8 million in 2020. Such a significant amount of income tax benefit in 2020 corresponds to respective impairment charges recognized as of 31 December 2020 and corresponding derecognition of deferred tax liabilities. An impairment reversal was booked in 2021 and the increase in the difference between the IFRS base and the tax base of the property, plant and equipment resulted in additional deferred tax liabilities and corresponding income tax charge.

Liquidity and capital resources/

During the period under review, Partnership's principal source of funds was cash from operations. Following the negotiations to restructure the Notes, during 2021 and 2020, 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 Partnership's consolidated cash flow statement data for 2021 and the prior year:

In thousands of US Dollars	**2021**	2020
Cash and equivalents at the beginning of the period	**12,511**	13,716
Net cash flows from operating activities	**124,546**	90,183
Net cash used in investing activities	**(10,583)**	(25,829)
Net cash used in financing activities	**(72,632)**	(65,988)
Effects of exchange rate changes on cash and cash equivalents	**(109)**	429
Cash and equivalents at the end of the period	**53,733**	12,511

Net cash flows from operating activities

Net cash flow from operating activities was US$124.5 million for the reporting period (2020: US$90.2 million) and was primarily attributable to:

- profit before income tax for the reporting period of US$45.9 million (loss in 2020: US$406.5million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$57.3 million (2020: US$89.7 million), finance costs of US$92.9 million (2020: US$103.8 million) and impairment reversal of US$74.2 million (2020: impairment charge of US$298.0 million).
- US$7.4 million decrease in working capital (2020: US$8.6 million) is primarily attributable to decrease in trade receivables of US$6.9 million (2020: US$17.7 million), decrease in inventories of US$2.5 million (2020: US$7.0 million), partially offset by the decrease in trade payables of US$1.6 million (2020: US$12.2 million), and decrease in other current liabilities of US$0.1 million (2020: US$4.2 million).
- income tax paid of US$2.4 million (2020: US$1.0 million).

Net cash used in investing activities

Net cash used in investing activities for the reporting period was US$10.6 million (2020: US$25.8 million) due primarily to payment of expenditures related to well workover & intervention programme of US$3.6 million for the reporting period (2020: US$12.7 million), gas lift infrastructure development of US$2.8 million (2020: US$0.5 million), the low-pressure system of US$1.0 million (2020: US$2.8 million) and transfer to the restricted cash of US$0.5 million as required by the forbearance agreements and the subsoil use rights for abandonment and site restoration liabilities of the Partnership (2020: US$0.2 million).

Net cash used in financing activities

Net cash used in financing activities during the reporting period made up US$72.6 million (2020: US$66.0 million), the payment of US$1.7 million under lease agreements (2020: US$5.4 million). In 2021, net cash used in financing activities also included the payment of US$91.2 million of the finance costs on the Notes (2020: US$94.8 million).

Going concern

The Partnership is the main operating entity within the Group. The Partnership's liquidity and its ability to continue in operation and to meet its liabilities as they become due for the foreseeable future, a period of not less than 12 months from the date of this report, are assessed as part of the Group. Therefore, the following Group level going concern matters and analysis, which were considered by the directors of the Parent (the 'Directors'), are directly relevant for the Partnership.

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

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

In 2020, the Group began formal proceedings for the restructuring of its Existing Notes, the largest of which would become due and repayable in July 2022. A Forbearance Agreement was entered into with an informal ad hoc committee of noteholders (the "AHG") in the same year which, amongst other things, forbears the AHG from accelerating the Existing Notes' obligations as a result of missed interest payments. During this period of forbearance the Parent and the AHG endeavoured to agree on the terms of a consensual restructuring of the Existing Notes. On 23 December 2021, the Group announced the execution of a Lock-Up Agreement ("LUA") and terms of a restructuring agreement initially with the AHG and ICU Holdings Limited ("ICU") (the Parent's largest shareholder, holding c.24% of the share capital). Subsequently, the LUA was acceded to by holders of over 77% of the total aggregate principal amount of the Existing Notes (refer to "Update on Bond Restructuring" section and Note 1 to the consolidated financial statements for the latest on the Bond Restructuring process).

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

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

Whilst the signing of the LUA marked a key milestone in the Parent's restructuring journey and paves an agreed go forward strategy to restructure the Existing Notes, the Parent notes there remain several other milestones to achieve prior to successful completion. These include:
- Shareholders voting in favour of the Restructuring Circular at the General Meeting on 29 April 2022.
- The Parent receiving all authorisations including securing a waiver from the Government of the Republic of Kazakhstan for the right to pre-empt newly issued shares in the Parent on closing of the restructuring.
- The UK Courts sanctioning the final restructuring route (UK Scheme of Arrangement or Restructuring Plan).

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

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

Additionally, the Directors remain vigilant on risks to liquidity posed by any resurgence in COVID-19. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020 and 2021. Therefore, the

Directors have concluded that there is currently no material impact on the Group's operations and liquidity, nor do the Directors foresee a material impact in the going concern period, however, it is recognized that there is uncertainty around the future developments of COVID-19.

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

Notwithstanding that the going concern period has been defined as the period to 30 June 2023, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on pages 67-69 of the annual report of Nostrum Oil & Gas PLC for 2021, which is available for download at https://kase.kz/en/issuers/GB_NTRM/ and on https://www.nostrumoilandgas.com/, which highlights that the material uncertainty referred to in respect of the going concern assessment will inevitably cast significant doubt over the future viability of the Partnership.

Commitments

Liquidity risk is the risk that the Partnership 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 Partnership's financial liabilities as at 31 December 2021 based on contractual undiscounted payments:

In thousands of US Dollars	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2021						
Borrowings	–	–	91,200	394,723	1,538,827	2,024,750
Finance guarantee	–	–	725,000	400,000	–	1,125,000
Trade payables	6,164	–	546	–	–	6,710
Other current liabilities	14,307	–	–	–	–	14,307
Due to Government of Kazakhstan	–	258	773	4,124	4,381	9,536
	20,471	**258**	**817,519**	**798,847**	**1,543,208**	**3,180,303**
As at 31 December 2020						
Borrowings	7,112	27,536	79,583	556,405	1,625,739	1,296,375
Finance guarantee	–	–	–	1,125,000	–	1,125,000
Lease liabilities	–	760	2,279	40	–	3,079
Trade payables	7,372	–	728	–	–	8,100
Other current liabilities	16,087	–	–	–	–	16,087
Due to Government of Kazakhstan	–	258	773	4,124	5,412	10,567
	30,571	**28,554**	**83,363**	**1,685,569**	**1,631,151**	**3,459,208**

Capital commitments

During the reporting period, Partnership's cash used in capital expenditures for purchase of property, plant and equipment (excluding VAT) was approximately US$9.6 million (2020: US$26.5 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 Partnership achieved full commissioning of a third unit during 2019. This unit is in hot stand-by mode and a discrete maintenance scope for 2022 was approved to improve further recovery efficiency of products from the raw gas stream.

Five-year summary

In millions of US$ (unless mentioned otherwise)	2021	2020	2019	2018	2017
EBITDA reconciliation					
Profit / (loss) before income tax	45.9	(406.4)	(1,336.6)	(83.8)	65.4
Add back					
Finance costs	92.9	103.8	46.8	55.8	41.5
Impairment charge	(74.2)	298.0	1,352.2	117.6	–
Foreign exchange loss / (gain), net	0.3	1.1	(0.8)	0.8	0.4
Loss on derivative financial instrument	–	–	–	–	6.7
Interest income	(0.3)	(0.3)	(0.1)	(0.3)	(0.3)
Other expenses	4.0	6.9	13.0	46.2	12.2
Other income	(7.3)	(5.6)	(8.4)	(5.4)	(4.2)
Depreciation, depletion and amortisation[1]	57.3	89.8	143.1	117.0	122.6
EBITDA	**118.6**	**87.3**	**209.2**	**247.9**	**244.3**
Operating costs reconciliation					
Cost of sales	87.9	126.3	174.2	166.3	180.1
Less:					
Depreciation, depletion and amortisation	(55.6)	(86.3)	(136.8)	(115.3)	(120.7)
Change in stock[2]	(0.4)	(7.3)	6.2	(0.1)	(0.3)
Operating costs	**31.9**	**32.7**	**43.6**	**50.9**	**59.1**
G&A reconciliation					
General and administrative expenses	5.9	6.9	12.7	12.4	17.2
Adjusted for:					
Depreciation and amortisation	(0.1)	(0.5)	(1.8)	(1.6)	(2.0)
G&A	**5.8**	**6.4**	**10.9**	**10.8**	**15.2**
Net debt reconciliation					
Long-term borrowings	1,155.5	1,135.0	1,100.6	1,094.0	1,012.9
Current portion of long-term borrowings	11,5	11,1	4.0	4.8	15.0
Less:					
Cash and cash equivalents	53.7	12.5	13.7	121.8	33.3
Net debt	**1,113.3**	**1,133.6**	**1,090.9**	**977.0**	**994.6**
Net cash flows from operating activities	124.5	90.2	212.1	198.0	208.3
Net cash used in investing activities	(10.6)	(25.8)	(116.3)	(171.7)	(192.0)
Net cash (used in)/from financing activities	(72.6)	(66.0)	(89.1)	(52.5)	(68.5)
EBITDA margin4	**60.7%**	**49.6%**	**64.9%**	**63.6%**	**60.2%**

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

[1] Depreciation as it applies to operating assets only.

[2] Due to materiality the change in stock was introduced in the opex reconciliation from 2019, and comparatives have been adjusted accordingly for consistency purposes.

[3.] EBIDTA margin is calculated as EBITDA divided by total revenue.

Alternative performance measures

In the discussion of the Group's reported operating results, alternative performance measures (APMs) are presented to provide readers with additional financial information that is regularly reviewed by management to assess the financial performance or financial health of the Partnership or is useful to investors and stakeholders to assess the Partnership's performance and position. However, this additional information presented is not uniformly defined by all companies including those in the Partnership'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 Partnership 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 Partnership on a cash basis.

Introduction to corporate governance

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 Nostrum Oil & Gas PLC and its subsidiaries (including the Partnership) during 2021. A copy of the Code is available from the Financial Reporting Council's website at www.frc.org.uk.

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 (such as Nostrum Oil & Gas PLC throughout 2021) are required to either comply in full, or explain why, and to what extent, they do not comply.

For parent companies with a premium listing (such as Nostrum Oil & Gas PLC) the Code requires the board of the parent company to ensure that there is adequate co-operation within the group to enable it to discharge its governance responsibilities under the Code effectively.

There is no separate corporate governance code for the subsidiaries of Nostrum Oil & Gas PLC.

All available information about the corporate governance system of the Partnership and the corporate governance structure of the Partnership is contained in the corporate governance section of Nostrum Oil & Gas PLC at pages 79-119 of the annual report of Nostrum Oil & Gas PLC for 2021, which is available for download at https://kase.kz/en/issuers/GB_NTRM/ and on https://www.nostrumoilandgas.com/.

Senior management team

Atul Gupta
Interim Chief Executive Officer
1 September 2020 to 25 January 2021
DOB: 15 December 1959
Nationality: British
Date of appointment: 19 May 2014
Other current appointments: None

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

Arfan Khan
Chief Executive Officer from 26 January 2021
DOB: 22 April 1959
Nationality: American
Date of appointment: 26 January 2021
Other current appointments: None
Skills and experience:

- From January 2020 until joining Nostrum Oil & Gas PLC, 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.

Martin Cocker
Interim Chief Financial Officer 31 March 2020 to 30 August 2021
DOB: 19 September 1959
Nationality: British
Date of appointment: 16 November 2017
Other current appointments:

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

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

Skills and experience:

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

Shane Drader
Chief Financial Officer from 30 August 2021
DOB: 5 November 1969
Nationality: Canadian
Skills and experience:

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

Robert Tinkhof
Chief Operating Officer
DOB: 8 April 1962
Nationality: Dutch
Skills and experience:

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

Thomas Hartnett
Chief Legal Officer & Company Secretary and Acting Head of Human Resources
DOB: 4 July 1964
Nationality: US/Belgian
Skills and experience:

- Appointed as General Counsel of the Nostrum Group on 5 September 2008, as Company Secretary of Nostrum Oil & Gas PLC on 3 October 2013 and as Acting Head of Human Resources on 13 January 2020.
- More than 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.

Arkadi Epifanov[1]
Chief Commercial Officer
DOB: 27 October 1957
Nationality: Russian
Skills and experience:

- Appointed as Chief Commercial Officer on 13 January 2017.
- 2009-2017 held position as marketing consultant for the Partnership.
- 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.

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

Zhomart Darkeyev
General Director of the Partnership
DOB: 1 January 1966
Nationality: Kazakh
Skills and experience:

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

Gulnara Shadeyeva
Head of HR in the RoK
DOB: 28 March 1972
Nationality: Kazakh
Skills and experience:

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

Daulet Tulegenov
Group head of QHSE
DOB: 29 January 1980
Nationality: Kazakh
Skills and experience:

- Appointed as Group head of QHSE in October 2018.
- 2017-2018 HSE Transformation team leader at KazMunaiGas JSC.
- 2010-2016 HSE manager at Lukoil.
- 2009-2010 Senior HSE expert at KazMunaiTeniz JSC.
- 2006-2009 Senior HSE specialist at LUKOIL.
- 2003-2006 Safety specialist at Tengizchevroil.
- Over 19 years' experience in E&P oil and gas assets (onshore and offshore).
- Took part in major international projects at Chevron, Shell, Lukoil, Tengizchevroil and CNPC companies in Kazakhstan.
- Graduate of the Tyumen State Oil & Gas University, Russian Federation.

Melody Pinet
Head of HR outside the RoK
DOB: 17 February 1988
Nationality: Belgian
Skills and experience:

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

Equality and diversity

The senior management team 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 senior management team. The senior management team is composed of individuals with diverse sectoral experience, ages, geographic and ethnic origin, and gender.

In November 2017, the Board of Nostrum Oil & Gas PLC approved its Equality and Diversity Policy, to which Nostrum Oil & Gas PLC and all its subsidiaries (including the Partnership) continued to adhere throughout 2021.

In accordance with the policy, the Partnership is committed to eliminating discrimination and encouraging equality and diversity in all of its business activities, including the provision of employment. The policy applies to all who work for the Partnership. The policy also applies equally to the treatment of the Partnership's supply chain, applicants and visitors by the Partnership's staff and the treatment of the Partnership's 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 Partnership aims to ensure the objective of the policy is met by:

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

The following are the steps that have been taken in 2021 to implement this policy:

- Despite the challenging trading environment and a significant reduction in recruitment activities, where recruitment has been required the Partnership has continued to focus on attracting more female candidates across all levels throughout the Partnership. The Partnership is assessing its performance in attracting female employees at junior management levels and reviewing its current training, retention and promotion schemes to encourage the promotion of more women into senior management positions.
- The Partnership's human resources team reported regularly to the HSEC Committee on diversity. In conjunction with the HSEC Committee, a gender diversity action plan has been established which aims to further increase the percentage of female employees within the senior management team and at the department head level.
- An analysis of any gender pay gap issues is being conducted.
- The Partnership continues to look into mentor schemes to achieve its goals in this area.

Bribery, corruption and whistleblowing

Bribery and corruption are significant risks in the oil and gas industry and, as such, Nostrum Oil & Gas PLC operates an Anti-Corruption and Bribery Policy, which applies to all employees and contractor staff of Nostrum Oil & Gas PLC and all its subsidiaries (including the Partnership). The policy requires: annual bribery and corruption risk assessments; risk-based due diligence on all parties with whom the Partnership does business; appropriate anti-bribery and corruption clauses in contracts; and the training of personnel in anti-bribery and corruption measures. In addition, the Code of Conduct of Nostrum Oil & Gas PLC which applies to Nostrum Oil & Gas PLC and all its subsidiaries (including the Partnership) requires that employees or others working on behalf of the Partnership do not engage in bribery or corruption in any form. Corruption-related risks are evaluated on a Partnership-wide basis (not in respect of divisions). No confirmed corruption cases were identified in 2021.

No employees were trained on anti-corruption policies in 2021.

Nostrum Oil & Gas PLC 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) which applies to Nostrum Oil & Gas PLC and all its subsidiaries (including the Partnership). Further information can be found on page 40.

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 Nostrum Oil & Gas PLC and all its subsidiaries (including the Partnership). In connection with the preparation of this policy, Nostrum Oil & Gas PLC commissioned an independent bespoke risk assessment and incorporated findings from the assessment into the policy.

Investor information

Contact information

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The Partnership's registered office
Zhaikmunai LLP
43/1 Alexander Karev str.
Uralsk, 090000
Kazakhstan
Tel: +7 7112 933900
Fax: +7 7112 933901

Additional information to comply with KASE listing requirements

The Partnership's participatory interests are held by Nostrum Coöperatief Oil & Gas U.A. ("Coop") (100.00%).

Details of all information provided pursuant to the UK Financial Conduct Authority's DTRs are publicly available to view via the regulatory information service on https://www.nostrumoilandgas.com/.

This publicly available information also covers the requirements of the Kazakh Stock Exchange to provide information about all major transactions concerning the Partnership over the reporting period.

There were no transactions in the Partnership's charter capital or changes to the Partnership's ownership structure in the reporting period.

The Partnership has no subsidiaries or other direct or indirect shareholdings.

Information as to staffing is given on pages 38-41.

Executive management of the Partnership

The executive management of the Partnership comprises the General Director, Zhomart Darkeyev, whose biographical details are set out on page 76. There is no supervisory board of the Partnership. There are no board committees of the Partnership.

Information on executive management remuneration:
Mr Darkeyev's total compensation for 2021 was 96 803 153,66 KZT (comprising his basic compensation net of personal income tax and pension contributions). No performance related bonuses were paid in 2021.

The Partnership made pension contributions of 2 550 000,00 KZT in 2021 in respect of Mr Darkeyev.

Returns to holders of the Partnership's participatory interests
The Partnership is a subsidiary of Nostrum Oil & Gas PLC, and its only operating subsidiary. The Partnership periodically makes distributions of profits to the holders of the Partnership's participatory interests. The Partnership's parent company, Nostrum Oil & Gas PLC, has its dividend policy reviewed annually by the Board.

The Partnership's profit distributions to the holders of its participatory interests for the last three years were nil in 2019, 2020 and 2021.

As there are no shares in the Partnership, there is no requirement to publish earnings per share or book value per share.
There are no KPIs related to corporate governance. There are no environmental KPIs other than the ESG KPIs listed on pages 19 and 20.

In addition to the information provided in the 'Sustainability review' section of this report starting on page 30, the Partnership reports that:

- There were no fires in 2021. The Partnership complies with all relevant fire safety regulations, including as to the number and type of fire extinguishers. There are no formal agreements with trade unions involving health and safety issues. It was not possible to record workplace health and safety issues in addition to those mentioned in this report.
- The average number of training hours per employee by gender and category was not recorded.
- There was no advanced training in 2021 in addition to that required under the PSA. There was no assistance in 2021 for employees who stopped working as a result of retirement or termination of employment. There were no official performance assessments during 2021.
- Age related data and location of new employees hired were not recorded.
- Age group, category and workplace data for gender pay discrepancies were not recorded.
- There was no training on the Human Rights Policy in 2021 (2020: none).

Glossary

2010 Notes	10.500% notes issued in 2010.
2012 Notes	7.125% notes issued in 2012.
2014 Notes	6.375% notes issued in 2014.
2017 Notes	8.000% notes issued in 2017.
2018 Notes	7.000% notes issued in 2018.
A	
API	American Petroleum Institute.
API gravity	The industry standard method of expressing specific density of crude oil or other liquid hydrocarbons as recommended by the American Petroleum Institute. Higher API gravities mean lower specific gravity and lighter oils. When the API gravity is greater than 10, the product is lighter and floats on water; when it is less than 10, it is heavier than water and sinks. Generally speaking, oil with an API gravity between 40 and 45 commands the highest prices.
appraisal well	A well or wells drilled to follow up a discovery and evaluate its commercial potential.
associated gas	Gas which occurs in crude oil reservoirs in a gaseous state.
Audit Committee	The audit committee of the Board.
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.
Board	The board of directors of Nostrum Oil & Gas PLC.
Boe	Barrels of (crude) oil equivalent, i.e. the factor used by the Partnership 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).
CEO or Chief Executive Officer	The chief executive officer of Nostrum Oil & Gas PLC.
CFO or Chief Financial Officer	The chief financial officer of Nostrum Oil & Gas PLC.
Chinarevskoye field	The Chinarevskoye oil and gas condensate field.
CO_2	Carbon dioxide.
commissioning	Process to assure a facility or plant, such as Nostrum's GTU 3, is tested to verify it functions according to technical objectives and specifications before use.
Competent Authority	The State's central executive agency, designated by the Government to act on behalf of the State to exercise rights relating to the execution and performance of subsoil use contracts, except for contracts for exploration and production of commonly occurring minerals. This is the Ministry of Energy of the Republic of Kazakhstan ("MOE") with respect to the oil and gas industry.
condensate	Hydrocarbons which are gaseous in a reservoir, but which condense to form a liquid as they rise to the surface where the pressure is much less.
contingent resources	Deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable.
cost oil	Cost oil denotes an amount of crude oil produced in respect of which the market value is equal to the Partnership's monthly expenses that may be deducted pursuant to the PSA (q.v.) (including all operating costs, exploration costs and development costs up to an annual maximum of 90% of the annual gross realised value of hydrocarbon production).
crude oil	A mixture of liquid hydrocarbons of different molecular weights.
D	
development	During development, engineering teams design the most efficient development options to build wells and associated infrastructure to produce hydrocarbons from a gas field within a proven productive reservoir (as defined by exploration and appraisal activities). The three phases of development are exploration and appraisal, development and production.
downstream	Downstream refers to all petroleum operations occurring after delivery of crude oil or gas to a refinery or fractionation plant.
Development Plans	The development plans approved by the SCFD in March 2009.
dry gas	Dry gas is natural gas (methane and ethane) with no significant content of heavier hydrocarbons. It is gaseous at both sub-surface and surface conditions.
E	
E&P	Exploration and production.
EBITDA	Profit before tax non-recurring expenses + finance costs + foreign exchange loss/(gain) + ESOP + depreciation – interest income + other expenses/(income).
Environmental Code	The Kazakhstan Environment Code (No. 212, dated 9 January 2007, as amended).
Exploration Permit	The geological allotment (Annex to the Licence) issued by the Competent Authority to the Partnership.
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 the Partnership 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 the Partnership's Gas Treatment Facility. GTU 2 means the second unit of the Partnership's Gas Treatment Facility. GTU 3 means the third unit of the Partnership's Gas Treatment Facility.
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.
HSEC Committee	The health, safety, environment and communities committee of the Board.
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.
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.

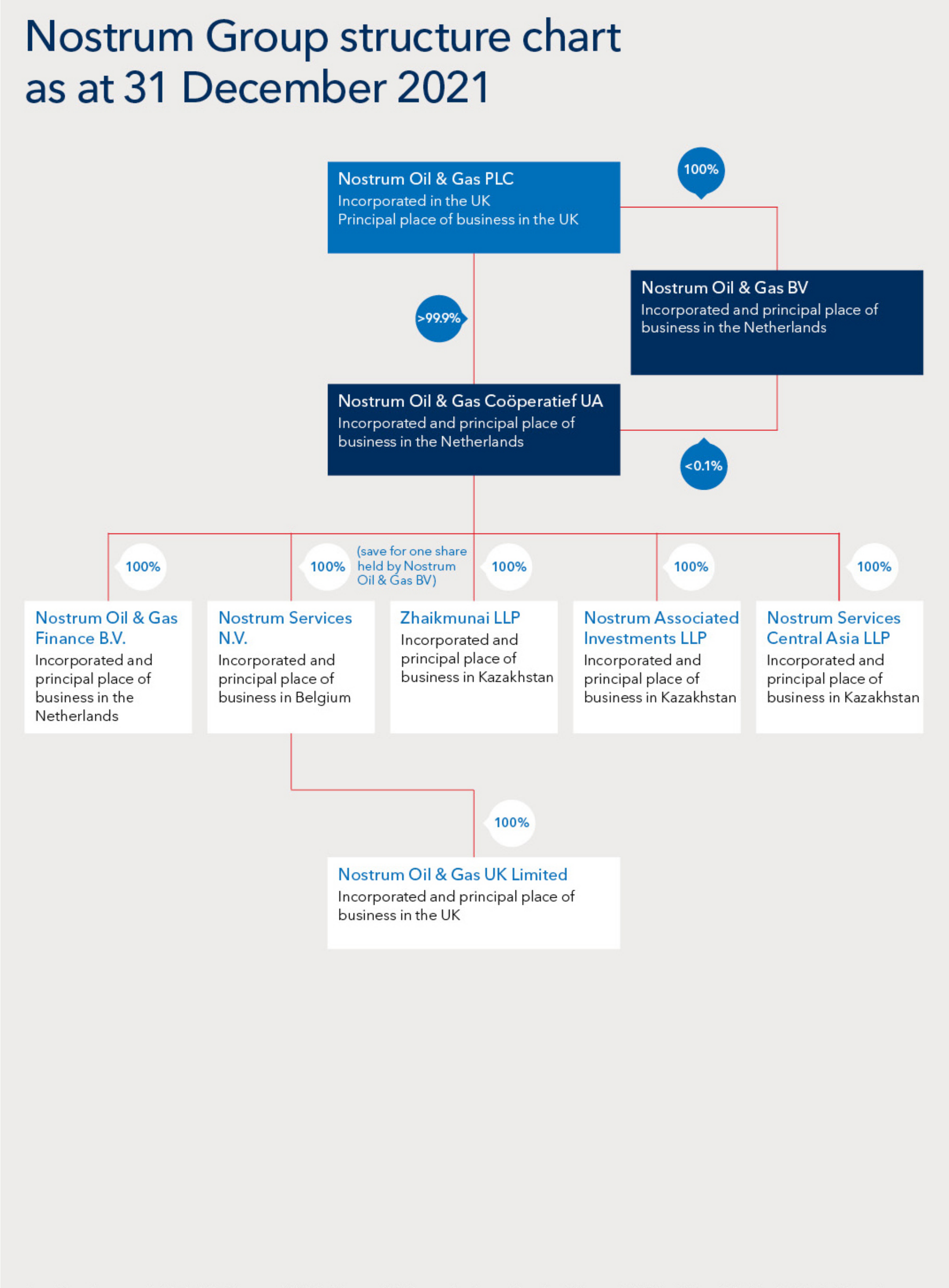
	megajoules = 106 gigajoules = 109 terrajoules = 1012 petajoules = 1015
K	
KASE	Kazakhstan Stock Exchange.
Kazakhstan	The Republic of Kazakhstan.
KazMunaiGas	State-owned oil and gas company of Kazakhstan.
KazMunaiGas Exploration Production (“KMG EP”)	Onshore oil and gas exploration production subsidiary 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 the Partnership by the Government on 26 May 1997, including amendments.
Licensing Law	The Kazakhstan Law “On Licensing” (No. 214, dated 11 January 2007, as amended, which came into effect on 9 August 2007).
liquids	A sales product in liquid form produced as a result of further processing by the onshore plant; for example, condensate and LPG.
LNG	Liquefied natural gas. Comprises mainly methane.
Listing Rules	The listing rules made by the Financial Services Authority (FSA) under section 73A of the FSMA.
LSE	London Stock Exchange.
LPG	Liquefied petroleum gas, the name given to the mix of propane and butane in its liquid state.
LTIP	Long-term incentive plan.
M	
m	Metre(s).
m^3	Cubic metres.
m^3/d	Cubic metres per day.
Man–hour	An hour regarded in terms of the amount of work that can be done by one person within this period.
Mboe	Thousands of barrels of oil equivalent.
Mechanical completion	Final construction or installation phase, after which a facility can undergo commissioning activities.
Mmbbls	Millions of barrels of oil.
Mmboe	Millions of barrels of oil equivalent.
N	
NBK	National Bank of Kazakhstan.
Nostrum Oil & Gas PLC	Registered Office: 9th Floor 20 Eastbourne Terrace London W2 6LG United Kingdom

O	
OPEC	The Organization of the Petroleum Exporting Countries.
operator	The individual or company responsible for conducting oil and gas exploration, development and production activities on an oil and gas lease or concession on its own behalf and/or if applicable, for other working interest owners, generally pursuant to the terms of a joint operating agreement or comparable agreement.
P	
Partnership	Zhaikmunai LLP, the principal operating entity of the Group Corporate office: 43/1 Karev str. Uralsk, 090000 Republic of Kazakhstan
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 the Partnership.
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 the Partnership.
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 the Partnership and the Competent Authority (currently MOE), representing the State.
PSA Law	Kazakhstan Law No. 68-III "On Production Sharing Agreements for Constructing Offshore Petroleum Operations", dated 8 July 2005.
Q	
QHSE	Quality, Health, Safety and the Environment.

R	
recovery	The second stage of hydrocarbon production during which an external fluid such as water or gas is injected into the reservoir to maintain reservoir pressure and displace hydrocarbons towards the wellbore.
Reservoir	A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers, and is individual and separate from other reservoirs.
RoK	Republic of Kazakhstan.
Royalty	An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production.
Ryder Scott	Independent petroleum consultants Ryder Scott Company LP, headquartered at 621 Seventeenth Street, Suite 1550, Denver, Colorado, 80293, USA.
S	
sales gas	Natural gas that has been processed by gas plant facilities and meets the required specifications under gas sales agreements.
seismic	The use of shock waves generated by controlled explosions of dynamite or other means to ascertain the nature and contours of underground geological structures.
shut in	Cease production from a well.
side-track well	A well or borehole that runs partly to one side of the original line of drilling.
social infrastructure	Assets that accommodate social services, e.g. hospitals, schools, community housing etc.
spud	The commencement of drilling operations.
stakeholder	A person or entity who may affect, be affected by or perceive themselves to be affected by an entity's decisions or activities.
State	Republic of Kazakhstan.
State share	The share of hydrocarbon production due (in cash or kind) to the Republic of Kazakhstan under the PSA (q.v.).
Suspended well	A suspended well is not currently used for assessment or production and has been shut in. It will either be returned to assessment or production, or will be plugged and abandoned.
T	
TCFD	Task Force on Climate-related Financial Disclosures.
tenge or KZT	The lawful currency of the Republic of Kazakhstan.
tonne	Metric tonne.
trillion	10 to the power of 12.
U	
UNGG	Refers to the Uralsk Oil and Gas Explorations Expedition. The Government of the Kazakh Soviet Socialist Republic decided in March 1960 to create a consortium "Uralskneftegazrazvedka" for conducting oil and gas exploration in the Uralsk region. In the 1960s, the consortium was involved in more than 59 exploration projects. In 1970, the consortium was renamed "Uralsk Enlarged Oil-Gas Exploration Expedition".
Ural OG	Ural Oil & Gas LLP.
UK Corporate Governance Code	Set of principles of good corporate governance for listed companies promulgated by the UK Financial Reporting Council.
W	

well	A hole drilled to test an unknown reservoir or to produce from a known reservoir.
wellhead	The wellhead includes the forged or cast steel fitting on top of a well (welded or bolted to the top of the surface casing), as well as casingheads, tubingheads, Christmas tree, stuffing box and pressure gauges.
work programme	A schedule of works agreed between parties (permit holders, farmees and government) contracted to be delivered in a defined timeframe.
workover	Routine maintenance or remedial operations on a producing well in order to maintain, restore or increase production.
WUP or Water Use Permit	The permit granted by the relevant government authority with respect to water use pursuant to the Water Code.

Structure chart



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.

Auditor’s report and financial statements

Zhaikmunai LLP

Financial statements

For the year ended 31 December 2021

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Independent auditor's report

To the Board of directors and Participant of Zhaikmunai LLP

Opinion

We have audited the financial statements of Zhaikmunai LLP (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Company is the main operating entity within the Group Nostrum Oil & Gas PLC (hereinafter, the "Group"), the Group's Notes of $725 million fall due in July 2022, while the results of the discussions with bondholders, shareholders and the Government of the Republic of Kazakhstan to restructure the Group's debt and obtain requisite approvals and consents have not yet been concluded and the outcome of negotiations remains uncertain. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Estimation of oil and gas reserves and its impact on the impairment testing, depreciation, depletion and amortization (DD&A) and decommissioning provision	
We considered this matter to be one of the most significance in our audit due to the fact that reserves estimates are subjective in nature and have a pervasive impact on the financial statements through impairment testing, DD&A calculations and decommissioning provision estimate. The estimation of oil and gas reserves is a significant area of estimation due to the technical uncertainty in assessing reserves quantities. Reserves and resources are also a fundamental indicator of the future potential of the Company's performance and its ability to continue as a going concern. The estimation is potentially susceptible to management bias, including by recording results of estimates' revisions in the incorrect period. Management engaged independent petroleum engineers to perform a reserves audit. The Company's disclosures about oil and gas reserves, related impairment testing and decommissioning provision are included in Note 4 and Note 5.	Our audit procedures have focused on management's estimation process, including whether bias exists in the determination of reserves. We performed evaluation of management's assumptions including commercial assumptions, in particular we: • obtained understanding of the Company's internal process and key controls associated with the oil and gas reserves estimation process; • held discussions with external specialists, engaged by the Company and assessed their competence and objectivity by inquiring of their qualifications, practical experience and independence. We have also assessed the competence of internal management's specialists. We checked the accuracy of the data transfer to the external specialist for audit; • analyzed management's commercial assumptions by comparing them to the publicly available benchmarks as well as actual and prior year data. We compared management's internal assumptions used in reserves estimates to those adopted in the latest plans and budgets; we have also assessed management's capabilities to meet such plans by comparing prior periods' planned and actual results;

- reviewed the oil and gas reserves audit report prepared by the management's external specialist to understand the conclusion of their audit and any related audit findings. We performed direct inquiries of the management's external specialist;
- assessed whether the reserves estimates were included in the Company's consideration of oil and gas asset impairment testing, in accounting for DD&A and the determination of decommissioning dates.

Impairment of oil & gas assets

Owing to the improved commodity prices environment in 2021, there was a significant risk of the previously recorded impairments of oil & gas assets reversing.

We focused on this area due to the significance of the carrying value of the Cash Generating Unit ('CGU'), the current economic environment and the judgements involved in the key assumptions of the future prices of oil, natural gas and related products, the discount rate applied to future cash flow forecasts and the assumptions relevant to production volumes. The recoverable amount of the CGU is sensitive to changes in key inputs and assumptions. As a result of the impairments recorded in previous years, there is no headroom in the carrying value of the CGU compared to its recoverable amount.

There is also a risk that management may influence the significant judgements and estimates in respect of its key assumptions in order to understate the impairment charge to achieve a targeted result.

Information about significant accounting policies is disclosed in Note 4 to the financial statements, information about oil and gas assets is disclosed in Note 5.

In addressing the risk of impairment of oil & gas assets we involved our valuation specialists and analyzed management's impairment assessment by analyzing the key assumptions. We have:

- evaluated assessment of indicators of impairment or impairment reversal;
- walked through the controls designed by the Company relating to the assessment of the recoverable amount of oil & gas assets for impairment;
- assessed whether the value in use (VIU) or the fair value less costs of disposal (FVLCD) is the higher recoverable amount;
- tested the integrity of the discounted cash flow model with the assistance of our own specialists;
- evaluated the oil & gas prices and discount rate assumptions by comparing forecast price assumptions to the latest market evidence available, including forward curves, broker's estimates and other long-term price forecasts; and benchmarking the discount rate to the risks faced by the Company;
- considered the existence of any contradictory evidence to challenge the recoverable amount determined on the basis of the discounted cash flow model, including the Company's enterprise value;

- assessed the appropriateness of the oil and gas reserves and resources estimates, as described above in our report, and evaluated the risking factors applied in estimating the value associated with the contingent resources;
- challenged the valuation methodology for estimating the recoverable amount; specifically the value attributed to the contingent resources and the opportunity for utilising the spare GTU processing capacity, including the related judgements around risking;
- tested forecast cash flows by comparing the assumptions used within the impairment models to the approved budgets, business plans and other evidence of future intentions;
- assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance;
- compared the exchange rate assumptions to external market data;
- evaluated management's sensitivity analysis in order to assess the potential impact of a range of reasonably possible outcomes. These sensitivities included adjustments to the discount rate, oil & gas prices, future production volumes, opex and capex assumptions;
- challenged the assessment of whether climate change risks impact the modelled recoverable amount of the Company's CGU and the appropriateness of climate-related costs incorporated in the impairment model. This was performed with reference to the Company's assessment of the risks of climate change and Kazakhstan's current climate-related policies;
- where the financial impacts of climate related risks are either yet to be determined and/or not reflected in management's estimates of recoverable value we challenged what sensitivities may be appropriate in the financial statements to demonstrate the reasonably possible impact of these;

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- audited the corrections made to the 2020 impairment assessment and resulting restatement of the previously reported impairment charge; and
- evaluated the appropriateness of the financial statement disclosures, including those in respect of the prior period restatement.

Revenue recognition

We considered this matter to be one of the most significant in our audit due to the fact that revenue recognition requires management to form judgments based on the interpretation of the terms of contracts, market conditions for the supply of goods and the nature of services.

Revenue is disclosed in Note 17 to the financial statements.

In addressing the risk of revenue recognition, we have:

- performed procedures to walkthrough and understand the process and key controls associated with the revenue recognition and accounts receivable process;
- performed enquiries of management and analysed contracts to evaluate whether revenue was recognised in accordance with the contractual terms. We also performed procedures that are designed to address the risk of manipulation of accounting records and the ability of management to override controls;
- tested a sample of third-party evidence to verify revenue transactions are recorded appropriately, this included inspection of sales contracts with customers and delivery documents. We performed substantive audit procedures on cash accounts to verify cash collection from customers;
- analysed the entire population of revenue journals and identified revenue journals for which the corresponding entry was not posted against trade receivables and where trade receivables were not cleared through cash journals. We assessed the appropriateness of these journals. Of the outstanding trade receivables due at the year-end, we confirmed the material balances with the relevant counterparties as well as tested that trade receivables were collected subsequent to year-end for counterparties where confirmations were not obtained;

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- performed cut-off procedures at the period-end date to determine that transactions are recorded in the appropriate period;
- tested the appropriateness of manual journal entries impacting revenue, using data extracted from the accounting system, as well as other adjustments made in the preparation of the financial statements;
- carried out analytical review procedures on each revenue stream using disaggregated data, by volume, by product, by customer and by month to assess the respective products' underlying performance and corroborate the appropriateness of the timing of revenue recognition; and
- evaluated the appropriateness of the financial statement disclosures.

Other information included in the Company's 2021 Annual Report

Other information consists of the information included in the Company's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Board of directors of the Participant for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of directors of the Participant is responsible for overseeing the Company's financial reporting process.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of directors of the Participant regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of directors of the Participant with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Board of directors of the Participant, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Meruyert Battal
Auditor

Auditor Qualification Certificate
No. МФ-0000523 dated 16 January 2018

Rustamzhan Sattarov
General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

26 May 2022

STATEMENT OF FINANCIAL POSITION

In thousands of US Dollars	Notes	31 December 2021	31 December 2020 (restated)*
Assets			
Non-current assets			
Property, plant and equipment, net	5	**320,150**	297,761
Right of use assets	6	**–**	2,755
Advances for non-current assets	7	**1,418**	590
Restricted cash	11	**7,766**	7,713
		329,334	308,819
Current assets			
Inventories	8	**31,387**	28,805
Prepayments and other current assets	9	**8,292**	9,180
Income tax prepayment		**48**	–
Trade receivables	10	**6,659**	13,540
Cash and cash equivalents	11	**53,733**	12,511
		100,119	64,036
TOTAL ASSETS		**429,453**	372,855
Equity and liabilities			
Capital and reserves			
Partnership capital		**4,112**	4,112
Other reserves		**32,586**	32,586
Accumulated losses		**(870,648)**	(882,451)
		(833,950)	(845,753)
Non-current liabilities			
Long-term borrowings	12	**1,155,504**	1,134,979
Long-term finance guarantee	12	**655**	1,559
Long-term lease liability		**–**	35
Abandonment and site restoration provision	13	**29,008**	28,936
Due to Government of Kazakhstan	14	**4,563**	4,832
Deferred tax liability	24	**32,885**	–
		1,222,615	1,170,341
Current liabilities			
Current portion of long-term borrowings	12	**11,537**	11,125
Current portion of finance guarantee	12	**1,068**	1,594
Current portion of lease liability		**–**	2,790
Trade payables	15	**6,710**	8,100
Advances received		**9**	186
Current portion of due to Government of Kazakhstan	14	**1,031**	1,031
Other current liabilities	16	**20,433**	23,441
		40,788	48,267
TOTAL EQUITY AND LIABILITIES		**429,453**	372,855

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

General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

The accounting policies and explanatory notes on pages 5 through 33 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of US Dollars	Notes	2021	2020 (restated)*
Revenue			
Revenue from export sales		**169,825**	140,843
Revenue from domestic sales		**25,460**	35,096
	17	**195,285**	175,939
Cost of sales	18	**(87,884)**	(126,308)
Gross profit		**107,401**	49,631
General and administrative expenses	19	**(5,877)**	(6,892)
Selling and transportation expenses	20	**(23,204)**	(31,150)
Taxes other than income tax	21	**(17,081)**	(14,112)
Finance costs	22	**(92,859)**	(103,756)
Impairment recovery/(charge)	5	**74,186**	(298,031)
Foreign exchange loss		**(292)**	(1,123)
Interest income		**309**	253
Other income	23	**7,277**	5,620
Other expenses	23	**(3,994)**	(6,885)
Loss before income tax		**45,866**	(406,445)
Current income tax expense		**(1,178)**	(139)
Deferred income tax (expense)/benefit		**(32,885)**	40,924
Income tax (expense)/benefit	24	**(34,063)**	40,785
Profit/(loss) for the year		**11,803**	(365,660)
Other comprehensive income for the year		**–**	–
Total comprehensive income/(loss) for the year		**11,803**	(365,660)

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

General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

STATEMENT OF CASH FLOWS

In thousands of US Dollars	Notes	2021	2020 (restated)*
Cash flow from operating activities			
Profit/(loss) before income tax		**45,866**	(406,445)
Adjustments for:			
Depreciation, depletion and amortisation	18, 19, 20	**57,271**	89,660
Finance costs	22	**92,859**	103,756
Interest income		**(309)**	(253)
Impairment charge	5	**(74,186)**	298,031
Foreign exchange loss/(gain) on investing and financing activities		**179**	(1,007)
(Gain)/loss on disposal of property, plant and equipment		**(5)**	532
Finance guarantee gain	12	**(1,431)**	(1,328)
Gain on disposal of exploration and evaluation assets		**(749)**	–
Provision for doubtful debts		**75**	40
Accrued liabilities		**–**	(328)
Operating profit before working capital changes		**119,570**	82,658
Changes in working capital			
Change in inventories		**2,511**	7,044
Change in trade receivables		**6,881**	17,699
Change in prepayments and other current assets		**1,639**	1,389
Change in trade payables		**(1,576)**	(12,225)
Change in advances received		**(177)**	(149)
Change in due to Government of Kazakhstan		**(1,031)**	(1,031)
Change in other current liabilities		**(895)**	(4,171)
Cash generated from operations		**126,922**	91,214
Income tax paid		**(2,376)**	(1,031)
Net cash flows from operating activities		**124,546**	90,183
Cash flow from investing activities			
Interest received		**309**	253
Purchase of property, plant and equipment		**(9,604)**	(26,501)
Exploration and evaluation works		**–**	(182)
Advances for non-current assets		**(828)**	778
Transfer to restricted cash		**(460)**	(177)
Net cash used in investing activities		**(10,583)**	(25,829)
Cash flow from financing activities			
Finance costs paid		**(91,200)**	(94,770)
Payment of finance lease liabilities		**(1,575)**	(5,064)
Payment of finance expenses on lease liabilities		**(157)**	(354)
Proceeds from borrowings		**20,300**	34,200
Net cash used in financing activities		**(72,632)**	(65,988)
Effects of exchange rate changes on cash and cash equivalents		**(109)**	429
Net change in cash and cash equivalents		**41,222**	(1,205)
Cash and cash equivalents at the beginning of the year	11	**12,511**	13,716
Cash and cash equivalents at the end of the year	11	**53,733**	12,511

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

** *In the financial statements for the year ended 31 December 2020 transfer to restricted cash of US$177 thousand was presented within financing cashflows.*

General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP

Olga Shoshinova

The accounting policies and explanatory notes on pages 5 through 33 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars	Partnership capital	Other reserves	Accumulated losses	Total
As at 1 January 2020	**4,112**	**32,586**	**(516,791)**	**(480,093)**
Loss for the year (restated)*	–	–	(365,660)	(365,660)
Total comprehensive loss for the year	–	–	(365,660)	(365,660)
As at 31 December 2020 (restated)*	**4,112**	**32,586**	**(882,451)**	**(845,753)**
Profit for the year	–	–	11,803	11,803
Total comprehensive income for the year	–	–	11,803	11,803
As at 31 December 2021	**4,112**	**32,586**	**(870,648)**	**(833,950)**

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

General Director of Zhaikmunai LLP — *Zhomart Darkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. General

Overview

Zhaikmunai, a Limited Liability Partnership (the "Partnership" or "Zhaikmunai LLP") was established under the laws of the Republic of Kazakhstan in 1997.

The Partnership's operations comprise of a single operating segment including all its assets related to its Chinarevskoye field as well as surface facilities located in Kazakhstan. The Partnership considers that it has only one operating segment in accordance with IFRS 8. Segment valuation is measured on the basis of profit or loss and measured in accordance with profit or loss in the financial statements prepared in accordance with IFRS.

The Partnership does not have an ultimate controlling party. Nostrum Oil & Gas Coöperatief U.A. is the sole participant of the Partnership. The indirect parent of the Partnership is Nostrum Oil & Gas PLC ("the Parent"), which is a public limited company incorporated in England and Wales and listed on the London Stock Exchange. Nostrum Oil & Gas PLC and its wholly-owned subsidiaries are hereinafter referred to as "the Group". The registered legal address of the Partnership is: 43/1, Aleksandr Karev street, Uralsk, the Republic of Kazakhstan.

These financial statements were authorised for issue by the Partnership's General Director and Chief Accountant on 26 May 2022.

Subsoil use rights terms

The Partnership 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 the Partnership in accordance with the license MG No. 253D for the exploration and production of hydrocarbons in Chinarevskoye oil and gas condensate field.

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

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

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

Royalty payments

The Partnership 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"

The Partnership 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.

2. Basis of preparation

Basis of preparation

These financial statements for the the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared based on a historical cost basis. The financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going concern

The Partnership is the main operating entity within the Group. The Partnership's liquidity and its ability to continue in operation and to meet its liabilities as they become due for the foreseeable future, a period of not less than 12 months from the date of this report, are assessed as part of the Group. Therefore, the following Group level going concern matters and analysis, which were considered by the directors of the Parent (the 'Directors'), are directly relevant for the Partnership.

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

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2023.

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

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

The key agreed terms in the LUA relevant to the going concern assessment are:

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

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

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

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

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

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Partnership

The Partnership applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Partnership has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The amendments include the following practical expedients:

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

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

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

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

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

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 Partnership's financial statements are disclosed below. The Partnership intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 12

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Partnership is currently assessing the impact the amendments will have on current.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. It is not expected that the amendments will have an impact on the financial statements of the Partnership.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Partnership.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Partnership will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Partnership does not expect early application of these amendments.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021 the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Partnership does not expect early application of these amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Partnership will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Partnership.

Correction of errors

Impairment of property, plant and equipment

When preparing the financial statements as of 31 December 2020, the Partnership estimated through its discounted cash flow model that the recoverable amount of its property, plant and equipment was US$339,406 thousand, and, accordingly, recognised an impairment charge of US$256,207 thousand.

During the preparation of the financial statements for the year ended 31 December 2021, the Partnership noted an error in the calculation for determining the 2020 recoverable amount. The error results in a lower recoverable amount to the value of US$299,006 thousand for the property plant and equipment as at 31 December 2020 and so a corresponding additional impairment charge of US$41,645 thousand for the year then ended and a derecognition of deferred tax liability of US$4,712 thousand.

The Partnership does not provide a third balance sheet (statement of financial position) as at the beginning of the preceding comparative period since the restatement has no effect on the preceding period's opening balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The above mentioned errors have been corrected by restating each of the affected financial statement line items for the prior period, as follows:

In thousands of US Dollars	Reported	Impairment correction	As adjusted
Statement of financial position			
Property, plant and equipment	339,406	(41,645)	297,761
Non-current assets	**350,464**	**(41,645)**	**308,819**
TOTAL ASSETS	**414,500**	**(41,645)**	**372,855**
Accumulated losses and reserves	(845,518)	(36,933)	(882,451)
Share capital and reserves	**(808,820)**	**(36,933)**	**(845,753)**
Deferred tax liability	4,712	(4,712)	–
Non-current liabilities	**1,175,053**	**(4,712)**	**1,170,341**
TOTAL EQUITY AND LIABILITIES	**414,500**	**(41,645)**	**372,855**
Statement of comprehensive income			
Impairment reversal/(charge)	(256,386)	(41,645)	(298,031)
Profit/(loss) before income tax	**(364,800)**	**(41,645)**	**(406,445)**
Deferred income tax benefit	36,212	4,712	40,924
Profit/(loss) for the year	**(328,727)**	**(36,933)**	**(365,660)**
Statement of cash flows			
Profit/(loss) before income tax	(364,800)	(41,645)	(406,445)
Impairment charge	256,386	41,645	298,031
Operating profit before working capital changes	**82,658**	**–**	**82,658**

Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements following management's periodic assessment of the improvement of the information presentation. As a result, certain line items within cost of sales in the statement of comprehensive income have been amended.

Comparative figures for the year ended 31 December 2020 have been adjusted to conform to the current year's presentation as follows:

In thousands of US dollars	As previously reported	Reclassification	As adjusted
Depreciation, depletion and amortisation	86,296	–	86,296
Payroll and related taxes	10,885	–	10,885
Repair, maintenance and other services	10,789	(3,072)	7,717
Management fees	4,103	–	4,103
Materials and supplies	3,974	245	4,219
Transportation services	1,908	–	1,908
Well repair and maintenance costs	–	3,360	3,360
Well workover costs	493	(493)	–
Environmental levies	114	–	114
Change in stock	7,279	–	7,279
Other	467	(40)	427
	126,308	**–**	**126,308**

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Partnership 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.

Significant accounting judgment: oil and gas reserves

Oil and gas reserves are a material factor in the Partnership'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 Partnership.

Significant estimates and assumptions: oil and gas reserves

The Partnership uses internal estimates to assess the oil and gas reserves of its fields. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (the "SPE") and are confirmed or audited by independent reserve engineers. All reserve estimates involve some degree of uncertainty, which depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, as well as long-term hydrocarbon pricing, which may affect classification of reserves.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Reserves estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy.

Management's estimates of the Chinarevskoye 2P (Proven plus Probable) volume as at 31 December 2021 was 34.3 mmboe requiring 12 interventions (2020: 39.0 mmboe requiring 16 interventions). The reduction was primarily due to 2021 production of 6.3 mmboe, which was offset by 1.6 mmboe increase due to better than forecasted performance of certain wells.

The field development plan assumed in the estimations did not take into account any restructuring or repayment of the Group's 2022 and 2025 bonds and ability to maintain sufficient liquidity to fund such a programme. There is no guarantee that the Partnership will be able to achieve this, which can have a material impact on the Partnership's ability to develop the remaining proven and probable reserves at Chinarevskoye. Please refer to Note 2 for further information on the Bond Restructuring.

Further downward revision of the proved developed reserves estimates by 5% would lead to additional DD&A expense of $596 thousand in Q4 2021.

Estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the Partnership (see Impairment related significant judgements, estimates and assumptions for further details).

Details on carrying values of oil and gas properties and related depreciation, depletion and amortization are shown in Note 5.

In addition, provisions for decommissioning may require revision — where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities (see Decommissioning related significant judgements, estimates and assumptions for further details).

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 Partnership and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings and constructions	7-15
Vehicles	8
Machinery and equipment	3-13
Other	3-10

For more detailed information in relation to property, plant and equipment, please refer to Note 5.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Impairment of property, plant and equipment, exploration and evaluation assets

The Partnership 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 Partnership'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 Partnership makes an estimate of the asset's recoverable amount. Individual assets are grouped into CGU for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

The Group's 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 Partnership's non-current assets consisting of all Partnership's assets related to its Chinarevskoye field as well as facilities. This is mainly based on the fact that hydrocarbons extracted from the Chinarevskoye field are processed and passed through a combination of various facilities.

Significant estimates and assumptions: impairment of property, plant and equipment, exploration and evaluation assets

Determination as to whether, and by how much, the CGU is impaired involves management's best estimates on highly uncertain matters such as future commodity prices, operating expenses and capital expenditures estimates, discount rate, fiscal regimes, proved and probable reserves and respective future production profiles.

Based on the management assessment the recoverable amount was determined by the fair value less costs of disposal (FVLCD) of the CGU, which was higher than its value-in-use. FVLCD was based on the discounted cash flow model as no recent third-party transactions existed on which a reliable market-based fair value could be established.

The discounted cash flow model takes into consideration cashflows, which are expected to arise until 2032, i.e. during the licence term of the Chinarevskoye field, and is considered a level 3 valuation under the fair value hierarchy. The period exceeding five years is believed to be appropriate based on the proved and probable reserves audited by independent engineers. The model also takes into account risked-value cashflows from contingent resources on the basis a market participant would place value on these resources.

The key assumptions used in the Group's discounted cash flow model reflecting past experience and taking in account of external factors are subject to periodic review. These assumptions are:

- Oil prices (in real terms): US$72.3/bbl for 2022, US$67.6/bbl for 2023, US$67.3/bbl for 2024, US$67.2/bbl for 2025, and US$65/bbl throughout 2026-2032 (2020: US$50/bbl for 2021 and US$55/bbl for 2022-2032);
- Proved and probable hydrocarbon reserves confirmed by independent reserve engineers;
- Contingent resources as confirmed by independent reserve engineers split into risk categories for valuation purposes;
- Production profiles based on Partnership'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;
- GTU spare capacity utilization – risk-weighted option value from processing under UOG contract;
- Post-tax discount rate of 8.5% (2020: 8%).

The impairment testing carried out by the Partnership has resulted in the recoverable amount exceeding the carrying amount of the Partnership's property, plant and equipment. This has primarily resulted from the upward revision of the product price assumptions, as described above. Hence, as of 31 December 2021 the Partnership recognised a reversal of the previously recognised impairment in the amount of US$74,186 thousand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020 the Partnership recorded an impairment charge on oil and gas assets in the amount of US$291,506 thousand (restated), in addition to the US$1,301,640 thousand and US$150,000 thousand impairment charge recognized in 2019 and 2018, respectively.

The impairment reversal as at 31 December 2021 and charge as at 31 December 2020 has been allocated as follows:

In thousands of US Dollars	**31 December 2021**	31 December 2020 (restated)
Working oil and gas assets	**59,005**	258,968
Construction in progress	**14,189**	32,538
Other property, plant and equipment	**992**	6,346
	74,186	297,852
Exploration and evaluation assets	**–**	179
	74,186	298,031

More detailed information on carrying values of oil and gas properties and related depreciation, depletion, amortisation and impairment are shown in Note 5.

The following table summarizes sensitivity of the recoverable amount and respective additional impairment charges that would result from changes in the key assumptions:

Key assumption	**Change**	**Impairment sensitivity**
Oil price assumption	$10/bbl	52,595
Reserves downgrade by	10.0%	79,821
Contingent resources downgrade by	10.0%	1,995
Post-tax discount rate increase by	4.0%	48,568
Operating costs increase by	10.0%	37,072

On the other hand, certain positive development like successful mitigation of reservoir risks in the future and respective changes in the drilling plans and results, with the relevant increase in 2P reserves, or increase in utilisation of the Partnership's processing facilities, could have the effect of reversing the impairment. Any reversal would be limited so that the carrying amount of the CGU does not exceed the lower of its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment charge been recognised for the CGU in prior years.

Leases

The Partnership applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Partnership 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 Partnership 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 Partnership 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 Partnership 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 Partnership and payments of penalties for terminating a lease, if the lease term reflects the Partnership 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 Partnership 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 lease (like lease of drilling rigs and rail-tank cars) include various additional services like personnel cost, maintenance, drilling related activities, and other items, the Partnership 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 Partnership 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.

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 Partnership establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. 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 Partnership and the tax authority.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that apply to the relevant taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. 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 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 on current and deferred income tax disclosure as at 31 December 2021 and 2020, please see Note 24.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Significant accounting judgment: taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2021.

The Partnership is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for taxes for which it is considered probable will be payable, based on professional advice and consideration of the nature of current discussions with the tax authority.

As at 31 December 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership'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 24.

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 Partnership is the United States dollar (the "US dollar" or "US$").

Transactions in foreign currencies are initially recorded by the Partnership at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling 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.

Borrowing costs

The Partnership 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 Partnership's borrowings that are outstanding during the period. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

For more detailed information in relation to capitalisation of borrowing costs, please refer to Note 5.

Advances for non-current assets

Advances paid for capital investments/acquisition of non-current assets are qualified as advances for non-current assets regardless of the period of supplies of relevant assets or the supply of work or services to close advances. Advances paid for the purchase of non-current assets are recognised by the Partnership as non-current assets and are not discounted.

For more detailed information in relation to advances for non-current assets, please refer to Note 7.

Inventories

Inventories are stated at the lower of cost or net realisable value ("NRV"). Cost of oil, gas condensate and liquefied petroleum gas ("LPG") is determined on the weighted-average method based on the production cost including the relevant expenses on depreciation, depletion and impairment and overhead costs based on production volume. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

For more information in relation to the breakdown of inventories as at 31 December 2021 and 2020, please see Note 8.

Other current liabilities

The Partnership 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 financial statements.

Provisions and contingencies

Provisions are recognised when the Partnership 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 Partnership at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Partnership 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 Partnership does not recognise contingent liabilities but discloses contingent liabilities in Note 26, 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.

Decommissioning

Provision for decommissioning is recognised in full, when the Partnership 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 Partnership 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 Partnership 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 Partnership 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 Partnership 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 13.

Significant estimates and assumptions: provisions and contingencies

The Partnership holds provision for the future decommissioning of oil and gas properties and site restoration. The estimation of the future dismantlement and site restoration costs involves use of significant estimates and assumptions by management, specifically for determining the timing of the future cash outflows and discount rate.

Management made its estimates based on the assumption that cash flow will take place at the expected end of the subsoil use rights. Therefore, the most decommissioning events are many years in the future and the precise date of wells abandonment and site restoration may change with the relative impact on the cash outflows. Management of the Partnership 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 13.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Partnership 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 Partnership's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Partnership has applied the practical expedient, the Partnership 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 Partnership 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 Partnership'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 Partnership 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 Partnership. The Partnership 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 Partnership'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 Partnership's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Partnership 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 Partnership has transferred substantially all the risks and rewards of the asset, or (b) the Partnership has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Partnership 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 Partnership continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Partnership 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 Partnership has retained.

Impairment of financial assets

The Partnership 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 Partnership 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 Partnership applies a simplified approach in calculating ECLs. Therefore, the Partnership 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 Partnership's financial liabilities include trade and other payables, long-term borrowings and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 Partnership 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 comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Partnership. 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 comprehensive income.

This category generally applies to interest-bearing borrowings. For more information, refer to Note 12.

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 comprehensive income.

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.

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Partnership 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 statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

For more detailed information in relation to cash and cash equivalents as at 31 December 2021 and 2020, please see Note 11.

Revenue recognition

The Partnership 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 Partnership 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 Partnership has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

5. Property, plant and equipment

As at 31 December 2021 and 31 December 2020 property, plant and equipment comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020 (restated)*
Oil and gas properties	**313,644**	291,365
Other property, plant and equipment	**6,506**	6,396
	320,150	297,761

NOTES TO THE FINANCIAL STATEMENTS (continued)

Oil and gas properties

The category "Oil and Gas properties" represents mainly wells, oil and gas treatment facilities, oil transportation and other related assets. The movement of oil and gas properties for the years ended 31 December 2021 and 2020 was as follows:

In thousands of US Dollars	Working assets	Construction in progress	Total
Balance at 1 January 2020, net of accumulated depreciation, depletion and impairment	**594,237**	**54,258**	**648,495**
Additions	1,641	16,511	18,152
Transfers	68,971	(68,971)	–
Disposals	(144)	–	(144)
Disposals depreciation	127	–	127
Depreciation and depletion charge	(83,878)	–	(83,878)
Impairment transfer	(60,923)	61,042	119
Impairment charge	(258,968)	(32,538)	(291,506)
Balance at 31 December 2020, net of accumulated depreciation, depletion and impairment (restated)	**261,063**	**30,302**	**291,365**
Additions	992	7,841	8,833
Transfers	7,664	(6,882)	782
Disposals	(558)	(5,025)	(5,583)
Disposals depreciation	506	–	506
Depreciation and depletion charge	(55,453)	–	(55,453)
Impairment transfer	(4,033)	4,033	–
Impairment charge	59,005	14,189	73,194
Balance at 31 December 2021, net of accumulated depreciation, depletion and impairment	**269,186**	**44,458**	**313,644**
As at 31 December 2019			
Cost	2,883,423	167,684	3,051,107
Accumulated depreciation and depletion	(2,289,186)	(113,426)	(2,402,612)
Balance, net of accumulated depreciation, depletion and impairment	**594,237**	**54,258**	**648,495**
As at 31 December 2020			
Cost	2,953,891	116,800	3,070,691
Accumulated depreciation and depletion	(2,692,828)	(86,498)	(2,779,326)
Balance, net of accumulated depreciation, depletion and impairment (restated)	**261,063**	**30,302**	**291,365**
As at 31 December 2021			
Cost	2,961,989	112,734	3,074,723
Accumulated depreciation and depletion	(2,692,803)	(68,276)	(2,761,079)
Balance, net of accumulated depreciation, depletion and impairment	**269,186**	**44,458**	**313,644**

The category "Construction in progress" is represented by employee remuneration, materials and fuel used, rig costs, payments made to contractors, and asset retirement obligation fees directly associated with development of wells until the drilling of the well is complete and results have been evaluated.

The depletion rate for oil and gas working assets was 24.71% and 12.02% in 2021 and 2020, respectively.

The Partnership engaged independent petroleum engineers to perform a reserves evaluation as at 31 December 2021. Depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the discount rate used to determine the abandonment and site restoration provision (Note 13) in the year ended 31 December 2021 resulted in the increase of the oil and gas properties by US$112 thousand (31 December 2020: an increase of US$1,537 thousand). The Partnership incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Borrowing costs including amortisation of arrangement fee	**(96,779)**	(102,877)
Capitalisation rate	**8.44%**	9.26%
Capitalised borrowing costs	**219**	426

NOTES TO THE FINANCIAL STATEMENTS (continued)

Other property, plant and equipment

In thousands of US Dollars	Buildings	Machinery & equipment	Vehicles	Others	Total
Balance at 1 January 2020, net of accumulated depreciation, depletion and impairment	**8,203**	**1,163**	**166**	**3,158**	**12,690**
Additions	8	1,035	–	441	1,484
Transfers	28	(47)	–	19	–
Disposals	(385)	(249)	–	(260)	(894)
Disposals depreciation	376	242	–	232	850
Depreciation	(782)	(188)	(23)	(276)	(1,269)
Impairment reallocation	(2,439)	754	(41)	1,607	(119)
Impairment charge	(3,954)	(837)	(61)	(1,494)	(6,346)
Balance at 31 December 2020, net of accumulated depreciation and impairment (restated)	**1,055**	**1,873**	**41**	**3,427**	**6,396**
Additions	–	(25)	–	454	429
Transfers	21	297	–	(1,100)	(782)
Disposals	(12)	(186)	–	(428)	(626)
Disposals depreciation	12	181	–	166	359
Depreciation	(66)	(49)	(5)	(142)	(262)
Impairment charge	992	–	–	–	992
Balance at 31 December 2021, net of accumulated depreciation and impairment	**2,002**	**2,091**	**36**	**2,377**	**6,506**
As at 31 December 2019					
Cost	49,598	20,931	1,551	18,239	90,319
Accumulated depreciation	(41,395)	(19,768)	(1,385)	(15,081)	(77,629)
Balance, net of accumulated depreciation and impairment	**8,203**	**1,163**	**166**	**3,158**	**12,690**
As at 31 December 2020					
Cost	49,249	21,670	1,551	18,439	90,909
Accumulated depreciation	(48,194)	(19,797)	(1,510)	(15,012)	(84,513)
Balance, net of accumulated depreciation and impairment (restated)	**1,055**	**1,873**	**41**	**3,427**	**6,396**
As at 31 December 2021					
Cost	49,258	21,756	1,551	17,365	89,930
Accumulated depreciation	(47,256)	(19,665)	(1,515)	(14,988)	(83,424)
Balance, net of accumulated depreciation and impairment	**2,002**	**2,091**	**36**	**2,377**	**6,506**

6. Right-of-use assets

In thousands of US Dollars	Machinery & equipment	Vehicles	Total
Balance at 31 December 2019, net of accumulated depreciation	**3,183**	**3,692**	**6,875**
Modification of lease agreements	2,370	(1,857)	513
Depreciation	(2,883)	(1,750)	(4,633)
Balance at 31 December 2020, net of accumulated depreciation	**2,670**	**85**	**2,755**
Modification of lease agreements	(955)	–	(955)
Termination of lease agreements	(170)	(69)	(239)
Depreciation	(1,545)	(16)	(1,561)
Balance at 31 December 2021, net of accumulated depreciation	–	–	–
As at 31 December 2019			
Cost	7,643	7,339	14,982
Accumulated depreciation	(4,460)	(3,647)	(8,107)
Balance, net of accumulated depreciation	**3,183**	**3,692**	**6,875**
As at 31 December 2020			
Cost	2,670	698	3,368
Accumulated depreciation	–	(613)	(613)
Balance, net of accumulated depreciation	**2,670**	**85**	**2,755**
As at 31 December 2021			
Cost	–	–	–
Accumulated depreciation	–	–	–
Balance, net of accumulated depreciation	–	–	–

The right-of-use assets are recognized for leases of vehicles and railway cars based on the amount equal to the lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Advances for non-current assets

As at 31 December 2021 and 31 December 2020 advances for non-current assets comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Advances for construction services	**359**	480
Advances for pipes and construction materials	**1,059**	110
	1,418	590

8. Inventories

As at 31 December 2021 and 31 December 2020 inventories comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Spare parts and other inventories	**26,707**	23,735
Gas condensate	**4,310**	2,907
Crude oil	**306**	2,018
LPG	**57**	69
Dry Gas	**–**	63
Sulphur	**7**	13
	31,387	28,805

As at 31 December 2021 and 31 December 2020 inventories are carried at cost.

9. Prepayments and other current assets

As at 31 December 2021 and 31 December 2020 prepayments and other current assets comprised the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
VAT receivable	**4,511**	4,521
Advances paid	**1,860**	2,781
Other taxes receivable	**1,675**	1,502
Other	**246**	376
	8,292	9,180

Advances paid consist primarily of prepayments made to service providers. As at 31 December 2021 the impaired advances paid amounted to US$41 thousand (31 December 2020: zero). In 2020 the advances paid in amount of US$1,751 thousand were fully written off against the impairment provision made in 2018.

There were no other movements in the provision for impairment of advances paid during the years ended 31 December 2021 and 2020.

10. Trade receivables

As at 31 December 2021 and 31 December 2020 trade receivables were not interest-bearing and were mainly denominated in US Dollars and Tenge. Their average collection period is 30 days.

As at 31 December 2021 and 31 December 2020 there were neither past due nor impaired trade receivables. Based on the assessments made, the Partnership concluded that no provision for expected credit losses should be recognized as at 31 December 2021 and 31 December 2020.

11. Cash and cash equivalents

In thousands of US Dollars	**31 December 2021**	31 December 2020
Current accounts in US Dollars	**48,186**	9,980
Current accounts in Tenge	**5,539**	2,527
Petty cash	**8**	4
	53,733	12,511

NOTES TO THE FINANCIAL STATEMENTS (continued)

In addition to the cash and cash equivalents in the table above, the Partnership has restricted cash accounts as a liquidation fund deposit for US$47 thousand with Sberbank in Kazakhstan and US$7,719 thousand with Halyk bank (31 December 2020: US$446 thousand and US$7,267 thousand, respectively), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

12. Borrowings

Borrowings are comprised of the following as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Notes issued in 2012 and maturing 2033	**559,937**	559,820
Notes issued in 2014 and maturing in 2033	**399,581**	399,472
Nostrum Oil & Gas Finance B.V.	**207,523**	186,812
	1,167,041	1,146,104
Less amounts due within 12 months	**(11,537)**	(11,125)
Amounts due after 12 months	**1,155,504**	1,134,979

2012 and 2014 Notes

On 13 November 2012, Zhaikmunai International B.V. issued US$560,000 thousand notes (the "2012 Notes"). On 24 April 2013 Zhaikmunai LLP replaced Zhaikmunai International B.V. as issuer of the 2012 Notes and assumed all of the obligations of the issuer under the 2012 Notes.

On 14 February 2014, Nostrum Oil & Gas Finance B.V., a subsidiary of Nostrum Oil & Gas PLC, issued US$400,000 thousand notes (the "2014 Notes"). On 6 May 2014, Zhaikmunai replaced Nostrum Oil & Gas Finance B.V. as issuer of the 2014 Notes and assumed all of the obligations of the issuer under the 2014 Notes.

On 25 July 2017, Nostrum Oil & Gas Finance B.V. (the "2017 Issuer") issued US$725,000 thousand notes (the "2017 Notes"). The issue of the 2017 Notes was used primarily to fund the purchases from bondholders US$390,884 thousand in principal amount of the outstanding 2012 Notes and US$215,924 thousand in principal amount of the outstanding 2014 Notes.

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2018 Issuer") issued US$400,000 thousand notes (the "2018 Notes"). On 17 February 2018, the outstanding 2012 Notes and the 2014 Notes held by persons other than Nostrum Oil & Gas PLC and its subsidiaries were purchased from the bondholders by Nostrum Oil & Gas Finance B.V.

On 2 May 2018, certain amendments to the terms and conditions of the 2012 and 2014 Notes became effective, whereby the interest rate on the 2012 and 2014 Notes was changed to 9.5%, being effective from 19 February 2018. The maturity dates of the 2012 and 2014 were moved to 25 June 2033 and 14 January 2033, respectively.

Interest on the 2012 and 2014 Notes is payable on 14 June and 14 December of each year.

Guarantee of 2017 Notes

The 2017 Notes are jointly and severally guaranteed on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V.

As at 25 July 2017, the Partnership recognised the granted guarantee liability at the fair value of US$5,177 thousand, which is present value of the guarantee premium estimated based on the assessment of credit risk of the 2017 Issuer. The present value of the estimated guarantee premium is discounted by the 2017 Notes' interest rate. During the year ended 31 December 2021, the Partnership recognised guarantee gain in the amount of US$1,143 thousand and the outstanding balance as at 31 December 2021 of the guarantee, both current and non-current totaled US$686 thousand (31 December 2020: US$1,829 thousand).

Guarantee of 2018 Notes

The 2018 Notes are jointly and severally guaranteed on a senior basis by Zhaikmunai LLP, Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V.

As at 16 February 2018, the Partnership recognised the granted guarantee liability at the fair value of US$2,057 thousand, which is present value of the guarantee premium estimated based on the assessment of credit risk of the 2018 Issuer. The present value of the estimated guarantee premium is discounted by the 2018 Notes' interest rate. During the year ended 31 December 2021, the Partnership recognized guarantee gain in the amount of US$288 thousand and the outstanding balance of the guarantee as at 31 December 2021, both current and non-current totaled US$1,037 thousand (31 December 2020: US$1,324 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Loans due to Nostrum Oil & Gas B.V.

On 1 July 2008 the Partnership signed a loan agreement with Nostrum Oil & Gas B.V. (previously Frans van der Schoot B.V. and Zhaikmunai Netherlands BV) under which the latter provided the Partnership with a US$90,276 thousand loan at an annual interest rate of two times LIBOR.

On 15 September 2009 Frans van der Schoot B.V. provided an additional loan of US$261,650 thousand at then prevailing interest rate of 2.6% per year.

Subsequently, the interest rate was changed to 6.625% and the maturity date was moved to 31 December 2032.

With effect from 1 October 2019, under the intra-group loan agreement, the rights in respect of outstanding nominal amounts and unpaid interest were transferred from Nostrum Oil & Gas B.V. to Nostrum Oil & Gas Finance B.V.

Effective 1 May 2021, the interest rate was changed to 2.8%. Effective 14 July 2021, the interest rate of the intra-group loan with Nostrum Oil & Gas Finance B.V. was changed to 2.8% in respect of interest periods starting on or after 1 May 2020. The modification of the loan resulted in gain amounted to US$4,896 thousand recognised as part of finance costs in 2021.

The outstanding balance of the loan as at 31 December 2021 has an interest rate of 2.8% (31 December 2020: 6.625%).

Changes in borrowings arising from financing activities are as follows:

In thousands of US Dollars	**1 January 2021**	**Cash inflows**	**Cash outflows**	**Borrowing costs including amortisation of arrange-ment fees**	**Finance charges under leases**	**Modification and termination of leases**	**Other**	**31 December 2021**
Long-term borrowings	**1,134,979**	**20,300**	**–**	**225**	**–**	**–**	**–**	**1,155,504**
Current portion of long-term borrowings	**11,125**	**–**	**(91,200)**	**96,018**	**–**	**–**	**(4,406)**	**11,537**
Long-term lease liability	**35**	**–**	**–**	**–**	**–**	**–**	**(35)**	**–**
Current portion of long-term lease liability	**2,790**	**–**	**(1,732)**	**–**	**157**	**(1,250)**	**35**	**–**
	1,148,929	**20,300**	**(92,932)**	**96,243**	**157**	**(1,250)**	**(4,406)**	**1,167,041**

In thousands of US Dollars	1 January 2020	Cash inflows	Cash outflows	Borrowing costs including amortisation of arrange-ment fees	Finance charges under leases	Modification and termination of leases	Other	31 December 2020
Long-term borrowings	1,100,573	34,200	–	206	–	–	–	1,134,979
Current portion of long-term borrowings	4,013	–	(94,770)	102,672	–	–	(790)	11,125
Long-term lease liability	641	–	–	–	354	513	(1,473)	35
Current portion of long-term lease liability	6,735	–	(5,418)	–	–	–	1,473	2,790
	1,111,962	34,200	(100,188)	102,878	354	513	(790)	1,148,929

13. Abandonment and site restoration provision

The summary of changes in abandonment and site restoration provision during years ended 31 December 2021 and 2020 is as follows:

In thousands of US Dollars	**2021**	2020
Abandonment and site restoration provision as at 1 January	**28,936**	27,502
Unwinding of discount	**276**	158
Additional provision	**85**	115
Provision disposed	**(401)**	(376)
Change in estimates	**112**	1,537
Abandonment and site restoration provision as at 31 December	**29,008**	28,936

Management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2032. There are uncertainties in estimation of future costs as Kazakh laws and regulations concerning site restoration evolve.

The discount rate used to determine the abandonment and site restoration provision at 31 December 2021 was 0.92%, respectively (31 December 2020: 0.98%).

The change in the long-term inflation rate and discount rate in the year ended 31 December 2021 resulted in the increase of the abandonment and site restoration provision by US$112 thousand (31 December 2020: US$1,537 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. 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 Partnership to the Government during the production period. The total amount of liability due to Government as stipulated by the Contract is US$25,000 thousand.

Repayment of this liability commenced in 2008 with the first payment of US$1,030 thousand in March 2008 and with further payments by equal quarterly instalments of US$258 thousand until 26 May 2031. The liability was discounted at 13%.

The summary of the changes in the amounts due to Government of Kazakhstan during the years ended 31 December 2021 and 31 December 2020 is as follows:

In thousands of US Dollars	**2021**	2020
Due to Government of Kazakhstan as at 1 January	**5,863**	6,101
Unwinding of discount	**762**	793
Paid during the year	**(1,031)**	(1,031)
	5,594	5,863
Less: current portion of due to Government of Kazakhstan	**(1,031)**	(1,031)
Due to Government of Kazakhstan as at 31 December	**4,563**	4,832

15. Trade payables

Trade payables comprise the following as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Tenge denominated trade payables	**5,873**	4,295
US Dollar denominated trade payables	**597**	1,776
Russian Rouble denominated trade payables	**122**	6
Euro denominated trade payables	**118**	2,023
	6,710	8,100

16. Other current liabilities

Other current liabilities comprise the following as at 31 December 2021 and 31 December 2020:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Training obligations accrual	**8,684**	10,088
Other accruals	**5,425**	3,026
Tax accruals and payables, including corporate income tax	**3,922**	7,238
Due to employees	**1,701**	1,548
Accruals under the subsoil use agreements	**–**	993
Other current liabilities	**701**	548
	20,433	23,441

Accruals under subsoil use agreements were derecognised upon disposal of the Rostoshinskoye field in September 2020 (Note 1).

Other current financial liabilities amounted to US$14,307 thousand as at 31 December 2021 (31 December 2020: US$16,087 thousand).

17. Revenue

In thousands of US Dollars	**2021**	2020
Revenue from oil and gas condensate sales	**150,290**	123,861
Revenue from gas and LPG sales	**44,978**	52,078
Revenue from sulphur sales	**17**	–
	195,285	175,939

The pricing for all of the Partnership's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price the year ended 31 December 2021 was US$71.0 (2020: US$43.2).

NOTES TO THE FINANCIAL STATEMENTS (continued)

During the year ended 31 December 2021 the revenue from sales to three major customers amounted to US$143,054 thousand, US$18,207 thousand and US$8,704 thousand respectively (2020: US$118,861 thousand, US$29,748 thousand and US$7,386 thousand respectively). The Partnership's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

18. Cost of sales

In thousands of US Dollars	**2021**	2020
Depreciation, depletion and amortisation	**55,569**	86,296
Payroll and related taxes	**11,356**	10,885
Repair, maintenance and other services	**6,436**	7,717
Materials and supplies	**4,561**	4,219
Management fees	**3,419**	4,103
Well repair and maintenance costs	**2,726**	3,360
Transportation services	**2,559**	1,908
Environmental levies	**201**	114
Change in stock	**402**	7,279
Other	**655**	427
	87,884	126,308

Certain reclassifications have been made to the prior year's disclosure of the cost of sales to enhance comparability with the current year's financial statements, please refer to Note 3 for more detail.

19. General and administrative expenses

In thousands of US Dollars	**2021**	2020
Payroll and related taxes	**2,866**	2,734
Management fees	**1,343**	1,620
Professional services	**665**	869
Insurance fees	**238**	465
Communication	**182**	183
Depreciation and amortisation	**146**	483
Materials and supplies	**144**	139
Business travel	**90**	66
Bank charges	**50**	53
Other	**153**	280
	5,877	6,892

20. Selling and transportation expenses

In thousands of US Dollars	**2021**	2020
Transportation costs	**9,545**	12,760
Loading and storage costs	**6,869**	8,813
Marketing services	**2,690**	4,260
Depreciation	**1,556**	2,881
Payroll and related taxes	**1,135**	1,077
Other	**1,409**	1,359
	23,204	31,150

21. Taxes other than income tax

In thousands of US Dollars	**2021**	2020
Export customs duty	**7,655**	5,017
Royalties	**7,786**	7,016
Government profit share	**1,628**	2,044
Other taxes	**12**	35
	17,081	14,112

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Finance costs

In thousands of US Dollars	**2021**	2020
Interest expense on borrowings	**96,560**	102,451
Unwinding of discount on amounts due to Government of Kazakhstan	**762**	793
Unwinding of discount on abandonment and site restoration provision	**276**	158
Finance charges under lease liability	**157**	354
Gain on modification of the loan	**(4,896)**	–
	92,859	103,756

23. Other expenses and other income

For the year ended 31 December 2021 and 2020 other expenses comprise the following:

In thousands of US Dollars	**2021**	2020
Other taxes and penalties	**2,613**	3,820
Training	**505**	890
Loss on disposal of property, plant and equipment	**58**	521
Social program	**312**	337
Currency converting	**135**	196
Accruals under subsoil use agreements	**–**	113
Loss on disposal and impairment of inventories	**–**	392
Sponsorship	**26**	–
Other	**345**	616
	3,994	6,885

For the year ended 31 December 2021 and 2020 other income comprise the following:

In thousands of US Dollars	**2021**	2020
Compensation for damages	**1,549**	–
Reversals of training accruals	**1,490**	950
Finance guarantee income	**1,431**	1,328
Reversals of other accruals	**1,244**	1,033
Disposal of exporation assets	**749**	754
Catering and accommodation	**218**	95
Currency conversion	**78**	169
Other	**356**	1,175
Insurance compensation	**162**	116
	7,277	5,620

24. Income tax

The income tax expense/(benefit) comprised the following:

In thousands of US Dollars	**2021**	2020
Deferred income tax expense/(benefit)	**32,885**	(40,924)
Corporate income tax expense	**594**	596
Adjustment in respect of the current income tax for the prior periods	**584**	(457)
Total income tax expense/(benefit)	**34,063**	(40,785)

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Partnership's profits are assessed for income taxes only 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	**2021**	2020 (restated)
Profit/(loss) before income tax	**45,866**	(406,445)
Tax rate applicable to the subsoil use rights	**30%**	30%
Expected tax provision	**13,760**	(121,934)
Effect of exchange rate on the tax base	**2,630**	15,653
Adjustments in respect of current income tax of previous years	**584**	(458)
Non-deductible interest expense on borrowings	**23,313**	27,798
Non-deductible penalties	**784**	932
Tax losses assets (recovered) / not recognised	**(7,782)**	7,782
Net foreign exchange gain	**94**	337
Previous period tax base adjustment	**–**	28,429
Financial guarantee income	**(429)**	(398)
Other non-deductible expenses	**1,109**	1,074
Income tax expenses/(benefit) reported in the financial statements	**34,063**	(40,785)

The Partnership's effective tax rate for the year ended 31 December 2021 is 158.5% (2020: negative 10.1%). The Partnership's effective tax rate, excluding effect of movements in exchange rates, non-deductible interest expense on borrowings and impairment, for the year ended 31 December 2021 is 39.5% (2020: 22.6%).

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 financial statements and are comprised of the following:

In thousands of US Dollars	**2021**	2020
Deferred tax asset		
Accounts payable and provisions	**4,190**	3,778
Deferred tax liability		
Property, plant and equipment	**(33,820)**	7,015
Inventories	**(3,255)**	(3,011)
Net deferred tax (liability)/asset	**(32,885)**	7,782
Unrecognized deferred tax asset	**–**	(7,782)
	(32,885)	–

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Balance as at 1 January	**–**	40,924
Current period charge to statement of comprehensive income	**32,885**	(40,924)
Balance as at 31 December	**32,885**	–

25. Related party transactions

For the purpose of these financial statements transactions with related parties mainly comprise transactions between the Partnership and the participants and/or the subsidiaries or associated companies of the Nostrum Oil & Gas Group.

Accounts payable to and borrowings from related parties as at 31 December 2021 and 31 December 2020 consisted of the following:

In thousands of US Dollars	**31 December 2021**	31 December 2020
Borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**207,523**	186,812
Trade payables		
With significant influence over the Partnership:		
JSC OGCC KazStroyService	**227**	236
Under common control:		
Nostrum Services N.V.	**467**	263

NOTES TO THE FINANCIAL STATEMENTS (continued)

During the years ended 31 December 2021 and 2020 the Partnership had the following transactions with related parties:

In thousands of US Dollars	**2021**	2020
Received borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**20,300**	34,200
Interest paid		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**–**	3,213
Purchases		
Under common control:		
Nostrum Services N.V.	**5,329**	6,680

On 28 July 2014 the Partnership entered into a contract with JSC "OGCC KazStroyService" (the "Contractor") for the construction of the third unit of the Partnership's gas treatment facility (as amended by fourteen supplemental agreements since 28 July 2014, the "Construction Contract").

The Contractor is an affiliate of Steppe Resources Investments FZE and FRASELI Investments S.à r.l., each of which as at 31 December 2021 owned approximately 8.56% of the ordinary shares of Nostrum Oil & Gas PLC.

Management fees are payable in accordance with the Technical Assistance Agreements signed between the Partnership and Nostrum Services Central Asia LLP and Nostrum Services N.V. related to the rendering of geological, geophysical, drilling, technical and other consultancy services. Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$1,658 thousand for the year ended 31 December 2021 (2020: US$1,341 thousand). Other key management personnel were employed and paid by Nostrum Services N.V. and their remuneration forms part of management fees and consulting services above.

26. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2021. As at 31 December 2021 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Partnership's tax position will be sustained.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and clean-up evolve, the Partnership 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 Partnership 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 Partnership 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 Partnership's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

As at 31 December 2021, the Partnership had contractual capital commitments in the amount of $10,029 thousand (31 December 2020: US$6,167 thousand), mainly in respect to the Partnership's oil field development activities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Social and education commitments

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

- Spend US$300 thousand per annum to finance social infrastructure;
- Make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens; and
- Adhere to a spending schedule on education which lasts until (and including) 2020.

Domestic oil sales

In accordance with Supplement No. 7 to the Contract, the Partnership is required to deliver at least 15% of produced oil to the domestic market on a monthly basis for which prices are materially lower than export prices.

27. Financial risk management objectives and policies

The Partnership's principal financial liabilities comprise borrowings, payables to Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the development of the Chinarevskoye oil and gas condensate field and its operations as well as exploration of the Rostoshinskoye field. The Partnership's financial assets consist of trade and other receivables and cash and cash equivalents that derive directly from its operations.

The Partnership is exposed to commodity price risk, foreign currency risk, liquidity risk and credit risk. The Partnership's senior management oversees the management of these risks. The Partnership's senior management ensures that the v's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Partnership's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below

Commodity price risk

The Partnership is exposed to the effect of fluctuations in price of crude oil, which is quoted in US dollar on the international markets. The Partnership 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 Partnership is not exposed to interest rate risk in 2021 and 2020 as the Partnership had no financial instruments with floating rates as at years ended 31 December 2021 and 2020.

Foreign currency risk

As a significant portion of the Partnership's operation is the tenge denominated, the Partnership's statement of financial position can be affected by movements in the US dollar / tenge exchange rates. The Partnership mitigates the effect of its structural currency exposure by borrowing in US dollars and denominating sales in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant. A devaluation of Tenge against US dollar by 13% would lead to decrease in the net Tenge liability position by US$1,305 as of 31 December 2021 and respective reduction of the loss before income tax for the year ended 31 December 2021. The impact on equity is the same as the impact on profit before tax.

	Change in Tenge to US Dollar exchange rate	Effect on profit before tax
2021		
US Dollar thousand	**13.00%**	(1,305)
US Dollar thousand	**(10.00)%**	1,004
2020		
US Dollar thousand	**14.00%**	(1,924)
US Dollar thousand	**(11.00)%**	1,512

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Partnership's foreign currency denominated monetary assets and liabilities were as follows:

As at 31 December 2021	**Tenge**	**Russian Roubles**	**Euro**	**Other**	**Total**
Cash and cash equivalents	**5,547**	**–**	**–**	**–**	**5,547**
Trade receivables	**1,531**	**–**	**–**	**–**	**1,531**
Trade payables	**(5,873)**	**(122)**	**(118)**	**–**	**(6,113)**
Other current liabilities	**(11,247)**	**–**	**–**	**–**	**(11,247)**
	(10,042)	**(122)**	**(118)**	**–**	**(10,282)**

As at 31 December 2020	Tenge	Russian Roubles	Euro	Other	Total
Cash and cash equivalents	2,531	–	–	–	2,531
Trade receivables	877	–	–	–	877
Trade payables	(4,295)	(6)	(2,023)	–	(6,324)
Other current liabilities	(12,904)	–	–	–	(12,904)
	(13,742)	(8)	(2,070)	–	(15,820)

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Partnership 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 Partnership's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, export financing and leases.

The Partnership's total outstanding debt consists of US$200,000 thousand of loan due to Nostrum Oil & Gas Finance B.V. and two notes: US$560 million issued in 2012 and maturing on 25 June 2033 and US$400 million issued in 2014 and maturing on 14 January 2033.

As of 31 December 2021, the current amount of the financial liabilities of the Partnership amounted to US$1,195,375 thousand (31 December 2020: US$1,179,307 thousand).

The table below summarizes the maturity profile of the Partnership's financial liabilities at 31 December 2021 and 31 December 2020 based on contractual undiscounted payments:

As at 31 December 2021	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Total**
Borrowings	**–**	**–**	**91,200**	**394,723**	**1,538,827**	**2,024,750**
Finance guarantee	**–**	**–**	**725,000**	**400,000**	**–**	**1,125,000**
Trade payables	**6,164**	**–**	**546**	**–**	**–**	**6,710**
Other current liabilities	**14,307**	**–**	**–**	**–**	**–**	**14,307**
Due to Government of Kazakhstan	**–**	**258**	**773**	**4,124**	**4,381**	**9,536**
	20,471	**258**	**817,519**	**798,847**	**1,543,208**	**3,180,303**

As at 31 December 2020	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	7,112	27,536	79,583	556,405	1,625,739	2,296,375
Finance guarantee	–	–	–	1,125,000	–	1,125,000
Lease liability	–	760	2,279	40	–	3,079
Trade payables	7,372	–	728	–	–	8,100
Other current liabilities	16,087	–	–	–	–	16,087
Due to Government of Kazakhstan	–	258	773	4,124	5,412	10,567
	30,571	28,554	83,363	1,685,569	1,631,151	3,459,208

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 Partnership 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 Partnership places its Tenge denominated cash with Halyk, which had a credit rating of Ba2 from Moody's rating agency and Citibank, which had a credit rating of Aa3 from Moody's rating agency at 31 December 2020. The Partnership does not guarantee obligations of other parties.

The Partnership 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 Partnership's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low. Also, the Partnership's policy is to mitigate the payment risk on its off-takers by requiring all purchases to be prepaid or secured by a letter of credit from an international bank.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Partnership does not hold collateral as security. The Partnership evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Fair values of financial instruments

Set out below, is a comparison by class of the carrying amounts and fair value of the Partnership's financial instruments, other than those with carrying amounts reasonably approximating their fair values:

Management assessed that cash and cash equivalents, current investments, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The table below presents carrying amounts and fair values of financial liabilities measured at amortised cost:

	Carrying amount		Fair value	
In thousands of US Dollars	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020
Financial liabilities measured at amortised cost				
Interest bearing borrowings	**(1,167,041)**	(1,146,104)	**(466,228)**	(417,212)
Finance guarantee	**(1,581)**	(3,153)	**(1,723)**	(3,153)
Lease liability	**–**	(2,825)	**–**	(2,825)
Total	**(1,168,622)**	(1,152,082)	**(467,951)**	(423,190)

The fair value of the financial assets and liabilities represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy.

During the years ended 31 December 2021 and 2020 there were no transfers between the levels of fair value hierarchy of the Partnership's financial instruments.

Capital management

For the purpose of the Partnership's capital management, capital includes Partnership capital, other reserves and accumulated losses. The primary objective of the Partnership's capital management is to maximise the value of the Partnership's Participant.

The Partnership'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 Partnership to grow its unrestricted cash balances to the level of US$53,733 thousand as at 31 December 2021. After successful implementation of restructuring, the Group and therefore the Partnership intend to revise and evolve its capital management policy in line with new requirements.

28. Events after the reporting period

Lock-up agreement accession

On 18 January 2022, the Group announced that following the original accession period, holders of approximately 76.29% of the 2022 Notes and 80.35% of the 2025 Notes had signed or acceded to the Lock-up Agreement, which comprises approximately 77.73% of the total aggregate principal amount of both series of Notes.

2022 supplemental indentures

As part of the restructuring implementation plan, on 7 February 2022, the Group announced receipt of required consents in respect of solicitation and provided update on Lock-Up Agreement Accessions relating to the 2022 Notes and 2025 Notes.

The Group solicited consents to the Proposed Amendments in order to facilitate the implementation of a scheme of arrangement or a restructuring plan by helping to establish a sufficient connection with England, such that the High Court of England and Wales will accept jurisdiction with respect to the scheme of arrangement or the restructuring plan. Holders were not offered a consent payment to vote in favour of the Proposed Amendments. Holders of 87.081% in aggregate principal amount of the 2022 Notes and Holders of 91.222% in aggregate principal amount of the 2025 Notes have provided consents. Holders can no longer revoke their consents.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Shareholder Circular and General Meeting Vote

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

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

Impact of sanctions on Russia

The recent Russia-Ukraine conflict has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding. Given geographical position of the Partnership, 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 Partnership currently sends approximately 40% of its products through Russia via Russian transport infrastructure and ports. Furthermore, the Partnership contracts with a limited number of Russian service companies. The Partnership will need to be cognisant of the current and evolving sanctions list to ensure it is conducting business in compliance with these sanctions and, if it is foresee that it will not be, the necessary alternatives will need to be set up to be compliant whilst continuing to conduct ordinary course of business.

Political and civil unrest in the Republic of Kazakhstan

In January 2022, following a rise in fuel prices, certain mass demonstrations and gatherings occurred in various cities across Kazakhstan that culminated in significant loss of life, arrests and property damage and resulted in a state of emergency being declared and military units from surrounding former CIS countries being called in to assist the local security forces. During this period no Partnership employees were harmed and we experienced no disruptions to our operations in the field or at the head office.

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 Partnership's business, results of operations, financial condition and prospects.