Zhaikmunai LLP
Annual Report & Accounts 2020

Contents

Introduction 3
Q&A with the Executive Chairman of Nostrum Oil & Gas PLC 4
Market review 6
The Partnership's products 8
Reserves 10
2020 development 15
Infrastructure 16
Key performance indicators 19
Non-financial KPIs 21
Bond restructuring 23
Q&A with the Chief Executive Officer of Nostrum Oil & Gas PLC 25
Strategy 27
Stakeholder engagement 28
Sustainability review 30
The Partnership's people 34
Social responsibility 37
Environment 38
Risk management 42
Principal risks and uncertainties 44
Financial review 48
Five-year summary 55
Introduction to corporate governance 57
Senior management team 61
Governance framework 63
Investor information 67
Glossary 68
Group structure chart as at 31 December 2020 74
Executive management of the Partnership 76
Auditor's report and financial statements 77

Introduction

The Partnership is the main operating subsidiary of the Group.

	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, delivering sustainable benefits to the local community.
	Low operating costs Operations streamlined in 2020 and costs reduced. Good cash generation even with low product prices.	**Third-party hydrocarbons** **Gas condensate wells**	**Crude oil wells**	**Investors** 2020 continued to be a challenging time for the stakeholders of the Partnership. The Partnership is working hard to restore confidence in its abilities to deliver on its promises.
	High-quality local input A significant number of the Partnership's contractors and suppliers are local Kazakh entities, meaning that it 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** Established safety audits to ensure trusted partnerships. 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.

Q&A with the Executive Chairman of Nostrum Oil & Gas PLC

The Partnership's key objectives for 2021 are to finish the restructuring work to stabilise the Partnership and then establish credible and achievable roadmaps to maximise the value of its assets and any other infrastructure it has built.

2020 has been the most challenging year in the Partnership's history but the steps it has taken will stabilise the Partnership and secure its future. The Partnership's people have shown amazing resilience throughout the year and I am immensely grateful to them all for their commitment, dedication and flexibility.

Q.
How would you sum up 2020?
A.
2020 has been a year of immense challenge. The collapse in the oil price in February and March was followed by a significant reduction in the prices that the Partnership achieved for its dry gas. Overarching all of this was the impact of COVID-19. The overall consequence was that in March 2020, Nostrum Oil & Gas PLC announced that it was seeking to restructure the 2022 and 2025 bonds issued by Nostrum Oil & Gas Finance B.V. (and guaranteed by the Partnership) and subsequently much effort was devoted in 2020 to stabilising the financial position of the Partnership and looking to secure its future. The Partnership also made progress on all its 2020 priorities.

Q.
How has the Partnership responded to such a turbulent year?
A.
I think that the Partnership responded extremely well in the circumstances. The Partnership significantly reduced its cost base through targeted headcount reductions and it renegotiated contract rates and work scopes with all major suppliers. The Partnership's successful well intervention campaign in the summer boosted production and enabled it to achieve an average daily production rate for 2020 that was above its forecasts and expectations. It reinforced its tight financial discipline and this more than maintained its liquidity whilst at the same time ensuring continuous and safe production. Thus its 2020 priorities in relation to cost reductions, capital preservation, reservoir management and well productivity were all met.

The Partnership implemented strict COVID-19 testing regimes for all employees working at the field and reduced the number of people attending the offices in Uralsk, not only to comply with local legislation but also to keep its people as safe as possible. I am pleased that the Partnership has not lost any people nor production this year because of COVID-19.

In respect of the restructuring, Nostrum Oil & Gas PLC and certain of its subsidiaries (including the Partnership) signed a Forbearance Agreement with an informal ad-hoc noteholder group (AHG) in October 2020. Since then, Nostrum Oil & Gas PLC has been working hard with its advisers and those of the AHG to find a sustainable agreement that will allow the Partnership to move forward and realise the potential of its gas processing facilities.

Finally, Nostrum Oil & Gas PLC appointed its new Chief Executive Officer, Arfan Khan, effective 26 January 2021. The Board is confident that Arfan has the breadth and depth of experience and operational expertise to lead Nostrum Oil & Gas PLC through the next stage as it focusses on delivering the bond restructuring for all its stakeholders whilst also continuing to pursue opportunities to commercialise its world-class infrastructure.

Q.
There is another write-down of reserves this year. How do you explain that?
A.
Following major studies in 2019, Nostrum Oil & Gas PLC took the decision to classify a number of reserves as contingent resources, rather than Probable reserves, at the end of 2019. Nostrum Oil & Gas PLC also took the decision at that time to halt all drilling until it had found ways to mitigate the identified reservoir risks. As I noted in my 2019 statement, there was still a risk that the reservoir would exhibit worse than anticipated behaviour and so there was still a great deal of uncertainty.
During 2020, Nostrum Oil & Gas PLC continued to study production data. As a result, Nostrum Oil & Gas PLC came to the conclusion that the performance of thePartnership's undeveloped reservoirs is contingent on economically viable reservoir performance and, in particular, well productivity. Therefore, and reluctantly, Nostrum Oil & Gas PLC decided that the most prudent course of action is to reclassify a number of the Partnership's reserves from Probable to contingent resources.

Q.
Have you been able to secure contracts to monetise the spare capacity in the gas treatment facilities?
A.
The Partnership spent much time and energy pursuing this goal in 2020. It remains the Partnership's primary focus to secure third-party volumes to fill the spare capacity in its world-class gas treatment facility. Whilst the Partnership was not able to

make as much progress in relation to this 2020 goal as it had hoped, there are third parties who remain very interested in utilising its infrastructure. I remain optimistic that the Partnership will be able to secure deals so that its gas treatment facilities can work at capacity and provide long-term stable cash flows for the Partnership.

Q.
What is the Partnership doing to meet investors' expectations in respect of environmental, social and governance?
A.
The Partnership recognises that, increasingly, a company's environmental, social and governance (ESG) performance and how that performance ranks against other organisations is being taken into account by investors as well as other stakeholders. Therefore, ESG issues will continue to be a principal focus, and central to how the Partnership operates as a business.

The Health, Safety, Environment and Communities Committee of the Board has continued to focus on climate change issues amongst its other responsibilities. High standards of quality, health and safety remain paramount, and have been even more so during COVID-19, when the Partnership introduced extensive PCR and daily thermometry testing and significantly reduced the numbers of employees attending the offices in Uralsk and London.

The Partnership continues to invest in social development as well as education and training and will continue to encourage diversity at all levels in the Partnership.

Q.
What do you see as the Partnership's key objectives in 2021?
A.
The key objectives for 2021 are to finish the restructuring work to stabilise the Partnership and then establish credible and achievable roadmaps to maximise the value of its assets and any other infrastructure it has built. To this end, Nostrum Oil & Gas Finance B.V. must successfully restructure its 2022 and 2025 bonds so that it has the security and balance sheet strength to move forward. At the same time, the Partnership needs to continue its discussions to secure third-party agreements on additional volumes for its gas treatment facilities.

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

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

Q.
Finally, do you have any messages for the Partnership's staff?
A.
I know that 2020 has been a year of great uncertainty and disruption, probably the most challenging in its history, and that this has not been easy for any of you. The Partnership is central to the economy in the Uralsk region, and the Partnership is doing everything that it can to ensure that this remains the case for many years to come. I am immensely grateful to you all for your commitment, dedication and flexibility. Thank you all for your efforts and continued support.

The Partnership’s markets
Solid export potential

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

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

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

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

What it means for us
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.
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.

Key macroeconomic and microeconomic trends

Oil prices	Kazakh economy	Competitive environment
In March 2020 the price of oil collapsed following a disagreement between OPEC+ countries on production levels. This fall in price was compounded by the perceived lack of future demand for oil caused by disruptions to businesses and economic activity as a result of COVID-19. Whilst the OPEC+ countries, together with a wider group of producers, subsequently agreed to lower daily production levels, there remained continuing uncertainty over the future demand for oil as a result of the continuing impact of COVID-19, which restricted the recovery of the oil price. Advances with vaccination against COVID-19 restored some confidence towards the end of 2020 and, although prices at the year end remained below those at the start of the year, the upward tick has continued into 2021.	World Bank experts named 2020 as the most challenging year for Kazakhstan's economy in the last two decades. The fallout of COVID-19 resulted in a contraction in the economy in 2020 of approximately 2.6% compared to growth of 3.8% in 2019. Annual average inflation reached 7.5% in December 2020 (2019: 5.2%), with inflationary pressures being caused by a depreciation of the currency in 2020 from 383 Kazakhstan Tenge (KZT) to one US$ at the start of the year to 420 KZT at the end of December 2020.	Kazakhstan and Azerbaijan are the two main oil-producing countries in the Caspian region whilst Turkmenistan and Uzbekistan are the predominant gas producers. Russia plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea, although this part of Russia is not a substantial source of crude oil.
What it means for us The recovery of the oil price brings some stability to the Partnership. The anticipated successful restructuring of the debt of Nostrum Oil & Gas Finance B.V. will further stabilise the Partnership, as will the Partnership's continued focus on reducing its cost base to ensure the Partnership can maintain adequate liquidity whilst the Partnership pursues the opportunities to fill the spare capacity in its gas processing facilities. At the end of 2020 the Partnership had cash reserves in excess of US$78 million (31 December 2019: US$93.9 million) excluding US$12.9 million placed into a secured cash account under the terms of the Forbearance Agreement with the informal ad-hoc noteholder group.	**What it means for us** Whilst the economy of Kazakhstan has been badly affected by COVID-19, oil and gas production, which dominates the economy, has been classified as an essential business in Kazakhstan and so operations are continuing. It is expected that the industry will be central to the Government's attempts to grow the economy as the threat of COVID-19 recedes and so the support that has been shown to operators to date is expected to continue.	**What it means for us** Vast distances between Central Asian markets, long-established trading relationships and in-place infrastructure promote co-dependency between FSU exporters. Kazakhstan naturally benefits from its geo-strategic position between Russia and China. The Partnership is situated at the heart of the export corridor that exists between Russia and multiple markets to the west of the Caspian.

The Partnership's products

Crude oil

Quality

- Density – 0.815g/cm^3
- API – 42-43 degrees
- Average sulphur – 0.4%

Sales

- PSA requires at least 15% to be sold domestically with remaining 85% exported
- In 2020, 19.2% was sold domestically and the remaining volumes exported in accordance with the PSA

Pricing

- Urals-based pricing for pipeline exports
- Domestic sales at approximately 50% discount
- Prices negotiated directly with the purchaser

Transportation

- During 2020, all exported crude oil volumes were sold through the KazTransOil (KTO) pipeline
- Crude exports are delivered to the KTO pipeline through an extension to the Partnership's own 120km pipeline from the field site. From here the crude is delivered to Russian ports

Stabilised condensate

Quality

- Density – 0.750-0.790 g/cm^3
- API – 56 degrees
- Average sulphur – <0.2%

Sales

- 100% exported
- Destinations are the Russian ports

Pricing

- Brent-based pricing, negotiated directly with the purchaser

Transportation

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

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

Year	Production (BOEPD)	Product split (%)
2020	8,476	38%
2019	9,798	34%
2018	11,490	37%
2017	14,937	38%
2016	16,105	40%

LPG

Quality

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

Sales

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

Pricing

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

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

LPG PRODUCTION (BOEPD) AND PRODUCT SPLIT (%)

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

Dry gas

Sales

- 100% sold to KazTransGas

Pricing

- Price formula agreed until the end of 2024

Transportation

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

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

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

Reserves

The Chinarevskoye field (Chinarevskoye) is the only producing 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 2020.

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

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

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

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

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

Management's estimate of reserves as at 31 December 2020 was audited by Ryder Scott. The audit covered volumes of reserves, production and discounted future net income prepared by management. Production and future net income were derived from a drilling and well intervention programme to extract the estimated Proven and Probable reserves at a long-term oil price of US$60 from 2022. This field development is dependent on Nostrum Oil & Gas PLC being able to refinance the liabilities of Nostrum Oil & Gas Finance B.V. and providing the Partnership with sufficient liquidity to fund such a programme. There is no guarantee that 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.

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

Table 1 Reserves

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

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

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

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

Table 2 Comparison of reserves by reservoir 2020 versus 2019

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

Chinarevskoye field

The breakdown reservoir by reservoir, with comparison to the previous year, is given in Table 2. A summary of the well interventions programme is given in Table 3 on page 14.

Biyski-Afoninski North-East

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

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

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

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

Biyski-Afoninski West and North-West

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

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

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

Tournaisian North-East, West and South

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

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

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

Mullinski North-East

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

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

Mullinski South

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

Mullinski North

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

Bashkirian North-East & West

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

Ardatovski North-East and South

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

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

Frasnian North

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

Filippovski

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

Trident project

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

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

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

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

2020 development

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

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

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

As noted in the review of reserves, extraction of the 2P volumes will require further interventions. More workover recompletions are planned in the period 2022 to 2024 with drilling planned to take place on Chinarevskoye from 2023. However, execution of the programme to recover the 2P reserves is dependent on Nostrum Oil & Gas PLC being able to both refinance the liabilities of Nostrum Oil & Gas Finance B.V. and maintain sufficient liquidity for the Partnership to fund such a programme. There is no guarantee that 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.

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

Infrastructure

Demonstrating the value of the Partnership's infrastructure

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

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

GTUs 1, 2 and 3
In 2019, the Partnership successfully completed and commissioned the third train (GTU 3) of its gas treatment facility. This third train has a capacity of 2.5 billion cubic metres per annum. The gas treatment facility now includes three gas treatment units which have the capacity to treat 4.2 billion cubic metres of raw gas per annum. The gas treatment facility is equipped with its own gas-driven power generation system with a maximum output of 15 megawatts, which is linked to the major power generation plant.

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

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

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

Gas pipeline
The Partnership has its own 17km gas pipeline which is linked to the Orenburg-Novopskov gas pipeline. The Partnership's own pipeline has a capacity sufficient to transport all of its volumes even when its gas plants are at full capacity.

Liquids pipeline
The Partnership has its own 120km liquids pipeline that runs from the field site to the Partnership's rail loading terminal in 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 in the city of Uralsk that receives all domestic crude oil and export condensate produced by the Partnership, and has a capacity of approximately four million tonnes of crude oil and condensate per annum.

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

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

Low-pressure system

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

Rozhkovskoye field

The pre-salt Rozhkovskoye gas condensate field was discovered in 2008 on the Fedorovsky exploration block by Ural Oil & Gas LLP. The field has broadly analogous geology to the Chinarevskoye field which sits approximately 20km to the north. Rozhkovskoye's primary Tournaisian (Lower Carboniferous) reservoir tested positive for gas-condensate in all nine exploration and appraisal wells drilled by Ural Oil & Gas LLP. The Tournaisian consists of shallow marine limestone at 4,200-4,600 metres.

The Bobrikovski horizon (Lower Carboniferous) also contains gas-condensate. In 2014, an oil discovery was announced in the Bashkirian (Upper Carboniferous). In April 2015, Ural Oil & Gas LLP signed a 25-year production contract for the Rozhkovskoye field, demonstrating a commitment to developing its licence area.

Additional third-party volumes

The Partnership is focused on entering into additional agreements which can fill all the remaining capacity at its gas treatment facility. The Partnership is working with counterparties to secure a long-term stream of raw gas from which it can generate significant revenues. Without any additional third-party gas coming through the Partnership's facilities, it will be extremely challenging to repay or refinance the liabilities of Nostrum Oil & Gas Finance B.V. (which the Partnership has guaranteed).

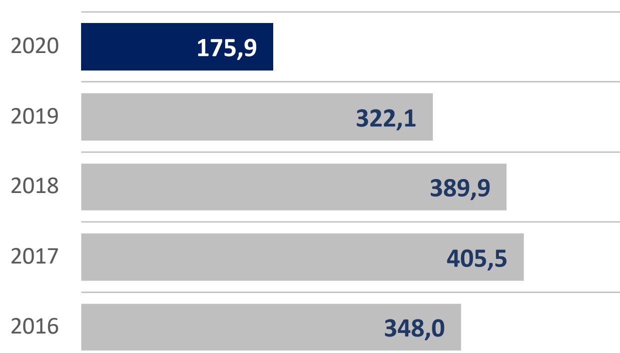
Oil	Crude oil wells	Oil treatment facility (OTF) 400kt	Oil	Storage 5km^3
Gas	Gas condensate wells Third-party hydrocarbons	Gas treatment facilities (GTF) GTU 1&2 1.7bcm H_2S 2,500ppm LPG 65% GTU 3 2.5bcm H_2S 400ppm LPG 95%	Stabilised condensate Dry gas LPG	Storage 25km^3 Storage 10km^3
3km^3/d Water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

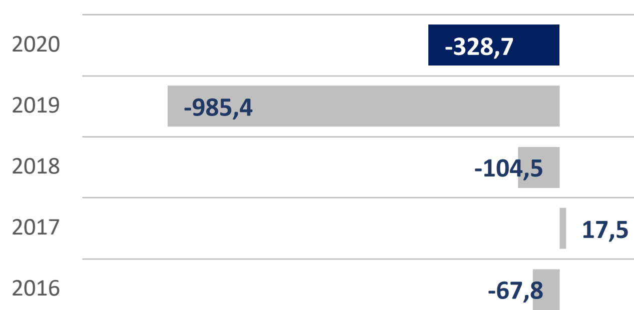
Area shown
RUSSIA
KAZAKHSTAN
OIL EXPORTS PIPELINE
Atyrau-Samara
Stepnoy Leopard fields
Rostoshinskoye
NOSTRUM OIL PIPELINE
CONDENSATE EXPORTS VIA RAIL
RAIL LOADING TERMINAL AND CRUDE/ CONDENSATE STORAGE
Uralsk
NOSTRUM PROCESSING FACILITY
Chinarevskoye field
Rozhkovskoye field
- Sinopec
- MOL Group
- KazMunaiGas
NOSTRUM GAS EXPORT PIPELINE
GAS EXPORT PIPELINE
Orenburg-Novopskov
40KM
60KM
80KM
100KM
KAZAKHSTAN
Karachaganak
- Shell
- Eni
- Lukoil
- Chevron
- KazMunaiGas
Aksai
LPG EXPORTS VIA RAIL

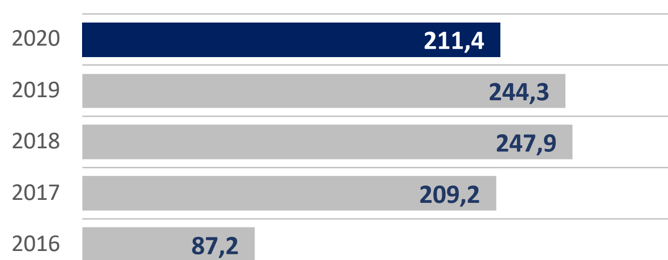
Key performance indicators

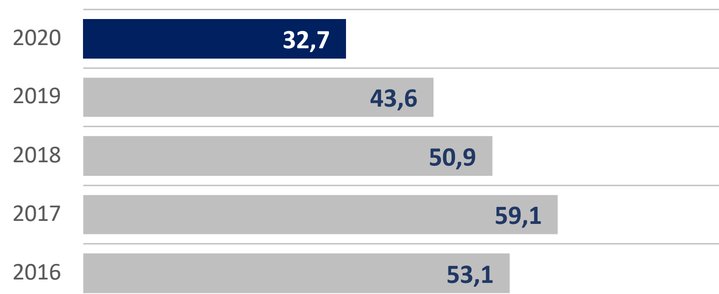
Financial KPIs

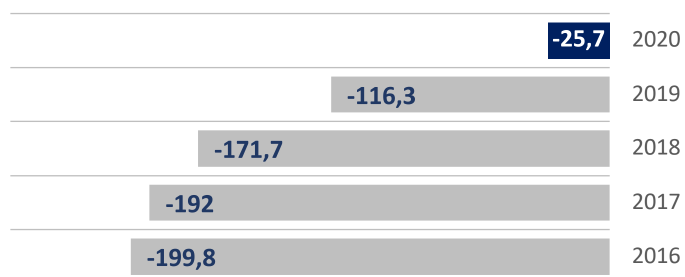
Whilst the Partnership has successfully built infrastructure and produced over 100m boe from the Chinarevskoye field, it has incurred substantial debts of over US$1bn and has faced declining production from its producing field. Together with the drop in oil and gas prices experienced in 2020, this has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








Operating costs - US$m
2020
32,7
2019
43,6
2018
50,9
2017
59,1
2016
53,1


Investing cash flow - US$m
-25,7
2020
-116,3
2019
-171,7
2018
-192
2017
-199,8
2016

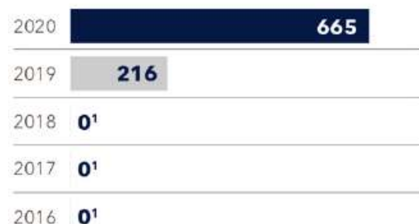
Non-financial KPIs

Performing responsibly and safely is integral to the Partnership's strategy and to the sustainability of its business. The Partnership believes 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 it believes this to be the best way to monitor its achievements in relation to environmental, social and governance matters. Currently there are no KPIs related to corporate governance. No other environmental KPIs were set.

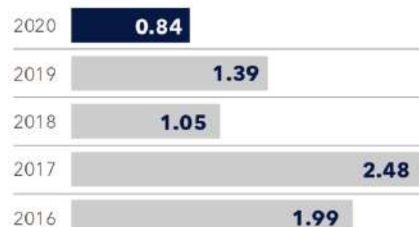
HAZARD OBSERVATION CARDS (UNITS)

665units



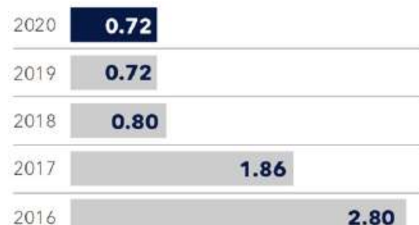
LOST TIME INJURY FREQUENCY
(INCIDENTS[3])

0.84



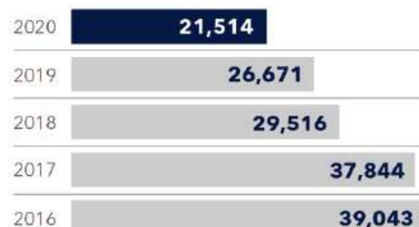
ROAD TRAFFIC INCIDENT FREQUENCY
(INCIDENTS[2])

0.72



SALES VOLUMES (BOEPD)

21,514boepd



TOTAL GREENHOUSE GAS EMISSIONS (tCO_2e)

188 tCO_2e

Year	tCO_2e
2020	188
2019	223
2018	255
2017	255
2016	228

Bond restructuring

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

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

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

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

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

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

The Forbearance Agreement is subject to certain conditions, including:

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

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

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

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

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

Should Nostrum Oil & Gas PLC be unable to successfully restructure Nostrum Oil & Gas Finance B.V.'s bonds to a sustainable level then at the end of the forbearance period the bondholders may seek to enforce their rights under the bond indentures. Furthermore, if agreement is reached with the bondholders of Nostrum Oil & Gas Finance B.V. but Nostrum Oil & Gas PLC is unable to obtain the necessary permissions and waivers, then the agreement with bondholders may not be implementable.

In either of these events, there would be significant doubt as to Nostrum Oil & Gas PLC's ability to continue in operation for a period of not less than 12 months from the date of this report and to continue in operation and as to Nostrum Oil & Gas Finance B.V. to meet its liabilities due in July 2022, which are guaranteed by the Partnership.

Q&A with the Chief Executive Officer of Nostrum Oil & Gas PLC

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

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

Q.
How have you found your first months as Chief Executive Officer of Nostrum Oil & Gas PLC?
A.
I have met incredible people at the Partnership. Always professional, demonstrating great integrity and resilience, they helped navigate the Partnership towards stability, operationally and financially, whilst ensuring best-in-class safety performance. Although the ongoing bond restructuring requires significant attention, the excellence in operational delivery continues without skipping a beat. The team in Uralsk is seasoned, close-knit and well-integrated across critical disciplines. Everyone from the Board down has welcomed me with open arms and helped me to quickly assimilate all aspects of its business. I feel so very fortunate to be joining the team at this pivotal moment as the Partnership charts a new course to shape its future.

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

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

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

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

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

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

Regarding the debt, Nostrum Oil & Gas PLC is progressing well with the bond restructuring. I am optimistic that it will achieve a good and sustainable outcome for its shareholders, the bondholders of Nostrum Oil & Gas Finance B.V., the Partnership and its operating base in north-west Kazakhstan.

Q.
What is your position on ESG issues and how did the Partnership deliver against its commitments in 2020?
A.
The oil & gas industry is rapidly graduating from the catch-all concept of sustainable development to a more specific rubric of ESG with its three pillars of environmental, social, and governance. That can be measured more precisely and benchmarked against international standards or agreements such as the Paris Agreement on climate change. Further, access to capital markets is being increasingly linked to ESG performance.

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

The Partnership is proud to engage a diverse workforce and will also take further steps towards promoting gender diversity and local content development.

Strategy

A strategy for the future

	Strategic pillars	2021 priorities	KPIs	Risks	Forecasts, objectives and prospects for 2021-2023
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 Partnership's spare capacity. • Ensure the safety of employees, contractors and the environment. • Continue roll-out of "Golden Rules". • Implement contractor management framework.	• Conclude commercial processing contracts. • Total recordable injury frequency. • Lost time injury frequency. • Greenhouse gas emissions.	• Ongoing negotiations with various counterparties are complex and commercially sensitive, and there can be no certainty that agreement will be reached. • Legal framework for environmental protection and operational safety still being developed in Kazakhstan. • Impact of equipment failure.	• Execute binding commercial contracts to fill the Partnership's spare gas processing capacity with third-party volumes. • Improve contractor safety management. • Improve Supervisor HSE competence.
	OPTIMISING production and cost efficiencies to safeguard its base business and liquidity. The Partnership also seeks to optimise its ability to operate successfully in the future through completing a sustainable restructuring arrangement supported by its stakeholders that leaves sufficient headroom for raising further capital for its growth projects.	• Compete the restructuring of the Partnership's debt to a sustainable level that will enable the Partnership to achieve its full potential. • Continue to challenge costs whilst pivoting towards growth and transitioning into a multi-asset energy company.	• G&A below US$11 million. • Operating costs below US$32 million.	• Sustained higher prices can lead to cost inflation in Kazakhstan. • Continued COVID-19 restrictions may impact operations. • Restructuring charges may offset effect of some cost reductions. • Further spend on reservoir assessment might be needed.	• Manage cash resources to ensure that the 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 rigs and other technologies to manage existing production decline in a cost-effective way. • Continue studies to identify viable technologies to mitigate sub-surface risks for future drilling planning.	• Maximise uptime of existing wells and production facilities.	• 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.

Understanding the Partnership's stakeholders

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 them 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 2020.	• The physical and mental wellbeing of the Partnership's employees is essential to the continued safe operation of the Partnership. • COVID-19 required that the Partnership introduce urgent measures to ensure that the Partnership's employees remained safe.	• Regular PCR and daily thermometry testing was introduced in April 2020 for all employees and contractors working at the Partnership's field sites. Uralsk has been working at 50% occupancy. • Sir Christopher Codrington is the designated Non-Executive Director for workforce engagement and although COVID-19 has meant that face-to-face meetings have not been possible, the email address to which all employees can send issues and concerns has remained operational.
Investors Shareholders of Nostrum Oil & Gas PLC and bondholders of Nostrum Oil & Gas Finance B.V. have provided some of the financing required for the construction of the Partnership's infrastructure.	• Shareholders in Nostrum Oil & Gas PLC and bondholders in Nostrum Oil & Gas Finance B.V. have seen their investments reduce in recent years as a result of the disappointing results from successive drilling programmes. Engagement with the Partnership's stakeholders, including minority shareholders of Nostrum Oil & Gas PLC, is crucial for their understanding of Nostrum Oil & Gas PLC's plans to monetise the Partnership's infrastructures. • In addition, further financing will be required if the Partnership is to be successful in executing those plans.	• In early 2020, the Board started discussions with advisers, an informal ad-hoc noteholder group and various shareholders of Nostrum Oil & Gas PLC with a view to restructuring the bonds of Nostrum Oil & Gas Finance B.V. Those discussions are continuing into 2021. • Contact with the Partnership's stakeholders, including minority shareholders of shareholders of Nostrum Oil & Gas PLC, investors and analysts was maintained through www.nog.co.uk. The registrar of Nostrum Oil & Gas PLC, Link Assets Services, has a team that responds to technical queries of shareholders of Nostrum Oil & Gas PLC. • The Partnership's news is shared via the Kazakh stock exchange and www.nog.co.uk. • Financial reports and extensive other information, including Russian translations of all press releases, are available on www.nog.co.uk. • The Annual General Meeting of Nostrum Oil & Gas PLC provides an opportunity for all its shareholders, including minority shareholders, to ask questions of the Board.
Local communities The Partnership co-exists with diverse communities in Kazakhstan, and the Partnership tries to strengthen community engagement and promote long-term development in the areas immediately surrounding the Partnership's operations.	• To successfully co-exist with the communities within which the Partnership operates, the Partnership needs to understand what is important to them and how the Partnership is able to contribute.	• Given the Partnership's financial situation throughout 2020, the Partnership was restricted in the assistance that it could provide. However, when it was able, the Partnership did provide support, such as snow-clearing facilities to support remote communities in winter, assistance to repair community infrastructure damaged by accidents and transport for rural children to participate in excursions. • Construction was started on a training facility that will be used not only to educate employees of the Partnership but also members of the local community.
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 collapse of the oil price and the impact of COVID-19 meant that the Partnership needed to introduce urgent measures in early 2020 to manage its costs and maintain	• Throughout 2020 the Partnership held meetings with all its main suppliers to find a mutually acceptable path to help stabilise the Partnership's financial position whilst at the same time ensuring that the local suppliers were able to continue to operate

	its liquidity. The Partnership recognises its role as a leading contributor to the local and national economy and so the Partnership also recognised that its measures would impact that contribution.	with an acceptable margin, and so support local employment. • The Health, Safety, Environment and Communities Committee has continued to monitor contractor safely audits and incident reports to ensure that lessons are learnt and preventative actions taken.
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.	• A number of the Board's 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.

Operating in a sustainable and ethical manner

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

The Partnership's approach to sustainability

Corporate and social responsibility are integral to all that the Partnership does. The Partnership is committed to the safety of its employees. The Partnership strives to develop business and technical skills to ensure excellence across the Partnership's value chain whilst keeping risks to a minimum and ensuring that its commitment to minimising any harmful emissions is always at the forefront of discussions.

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

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

Hazard Observation Cards

In line with the "Golden Rules" of Nostrum Oil & Gas PLC, in 2019 the Partnership introduced Hazard Observation Cards and requested employees and contractors to report any unsafe conditions observed in the workplace. This helps to ensure that the Partnership's employees and contractors are mindful of safe working conditions at all times and that the Partnership continuously improves the safety of the environment in which it operates. In 2019, 216 cards were filled out by employees and contractors, which enabled us to make the working environment safer. In 2020, the total number of cards filled out increased to 665. Hazard Observation Cards are now an established process to ensure that all those working at or visiting the Partnership's facilities return home safely.

UN Sustainable Development Goals

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

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

Health and safety

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

COVID-19

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

Incident rates and investigation

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

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

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

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

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

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

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

All LTIs and TRIs of the Partnership's contractors occurred in Kazakhstan. The gender of those involved was not recorded.

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

There were no fires in 2020. The Partnership complies with all relevant fire safety regulations, including as to the number and type of fire extinguishers are no formal agreements with trade unions involving health and safety issues.

Progress against 2020 initiatives

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

Contractor HSE selection and performance management

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

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

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

a) Any contractor activities and operations that impact the organisation;
b) Any organisational activities and operations that impact contractors' workers;
c) Any contractor activities and operations that impact other interested parties in the workplace.

This activity is designed to:

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

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

In-house HSE training and examination process

During 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.

HSE leadership, communication and awareness

Communication and awareness

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

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

The Partnership's response to COVID-19

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

The Partnership's primary focus was, and will remain, to safeguard its employees and contractors, reduce the risk of contagion from and distribution of the virus and to comply with governmental legislation. In particular:

- All employees were provided with masks, gloves and antiseptic;
- Medical staff were provided with protective coveralls;
- Regular quartz treatment with UV lamps was undertaken in main offices in Uralsk and in the field offices;
- Pre-shift PCR testing was carried out for all staff working on a rotational basis;
- Daily temperature checks were taken before starting work; and
- Attendance of office staff in Uralsk was reduced to 50% at any one time and staff were transferred to an online work pattern.

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

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

Process safety

In 2020, 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 2 safety incident would be an unplanned or uncontrolled release of any materials, including non-toxic and non-flammable materials, from a process, that results in one or more of the following consequences:

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

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

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

2021 targets and initiatives

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

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

Maximum of 200,000 tonnes of CO_2 emissions.

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

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

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

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

Increase female representation in the Partnership's workforce from the 22.9% at 31 December 2020.

The Partnership's people

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

Diversity

Whilst Nostrum Oil & Gas PLC is encouraged by diversity at Board and department head levels, it 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 it might do this. Additionally, Nostrum Oil & Gas PLC has for several years adopted a corporate Equality and Diversity Policy to further support these ambitions. At the end of 2020, 22.9% (2019: 23.6%) of the Partnership's employees were female.

The Board recognises the importance of continued improvement in this area and is committed to giving due regard to the benefits of diversity in the Partnership's future appointments, including ensuring Kazakh nationals are properly represented at senior levels of the Partnership. Currently 21% of employees at the Partnership's department head level are female (2019: 22%).

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. Unfortunately, in 2020 only 11% of recruitment by the Partnership was female. There were no recorded discrimination incidents raised by any employees of the Partnership in 2020.

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

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. At 31 December 2020, the Partnership had a total of 547 staff from 15 countries, comprising 422 males and 125 females (data by age group was not recorded).

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 2020 the average monthly salary of employees of the Partnership increased by 7.6% in KZT.

In an effort to promote gender equality, the Partnership will now also monitor gender pay discrepancies. In 2020, the average salary was 3% higher for male employees of the Partnership and the median salary was 2% higher for male employees of the Partnership. Age group, category and workplace data was not recorded.

Education and training

The Partnership believes investing in the Partnership's 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 the Partnership's annual Chinarevskoye field development costs to be spent on education and training. The Partnership also complies with the education and training obligations under the subsoil use agreement for the Rostoshinskoye field.

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

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

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

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

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

There were no official performance assessments during 2020.

Hiring and staff turnover

In 2020, more than 118 employees were released or resigned and their positions not filled (2019: 200 employees). This was the main cause of staff turnover. The number of new employees of the Partnership hired in 2020 was 9 (2%) of which one was female (11%) and 8 (89%) were male. Age-related data was not recorded.

Workforce representation

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

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

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

Code of Conduct of Nostrum Oil & Gas PLC

Nostrum Oil & Gas PLC is committed to maintaining a culture that recognises international standards of human rights.

Human Rights Policy

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

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

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

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 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 is available on www.nog.co.uk.

Whistleblowing Policy

Nostrum Oil & Gas PLC has a Whistleblowing Policy which takes into account the Whistleblowing Arrangements Code of Practice issued by the British Standards Institute and Public Concern at Work, and which applies to all individuals working for the Partnership at all levels and grades.
The Whistleblowing Policy sets out details of three compliance liaison officers who speak a variety of languages for the purposes of reporting any concerns. The Whistleblowing Policy is also mentioned in the Code, and a person who reports any matter in good faith will be protected against any sanctions.

A copy of the Whistleblowing Policy is available in both Russian and English and on www.nog.co.uk. At the time of writing, the Partnership has received no reports under the Whistleblowing Policy of Nostrum Oil & Gas PLC of forced/involuntary labour or human trafficking in relation to its business or supply chains.

Diversity Action Plan

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

The improvement initiatives are the following:

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

Social responsibility

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

2020 key initiatives

The Partnership did not participate in charitable or social projects/events in 2020 or provide any sponsorship. However, 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.

Payments to governments

The Partnership is committed to transparency in its business activities and payments to governments. The Partnership has a formal public relations and government relations procedure which regulates the Partnership's relationships with the local community and with government, and details how and the Partnership engages with various stakeholder groups.

Liquidation fund contribution

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

Anti-Corruption and Bribery Policy

For more information on the Anti-Corruption and Bribery Policy of Nostrum Oil & Gas PLC, please see pages 45 – 46 and 64.

Spend with suppliers

The Partnership is committed to partnering with local companies and in 2020 spent 73% of its supplier budget with Kazakh national suppliers.

Labour practices

There were no complaints filed against the Partnership for violation of labour practices in 2020. The details of the complaints system existing in the Partnership are set out on pages 27 and 34.

Environment

The Partnership is focused on being a responsible operator in order to minimise as far as possible its impact on the natural environment. The Partnership abides by strict international environmental protection legislation and are actively working on GHG emission reduction initiatives.

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

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

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

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

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 water testing to ensure sanitary and epidemiological compliance with Kazakh legislation.

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

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

GHG emissions reduction and reporting

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 Kazakh regulatory requirements with regard to GHG emissions and has been monitoring and reporting GHG emissions since 2011.

The Partnership adheres to Republic of Kazakhstan reporting requirements. No responsibility is taken for any emission sources which are not included in the consolidated financial statements.

According to the 2018-2020 Kazakh National Plan, 627,174 tonnes of CO_2 was granted to the Partnership. In 2019, the Republic of Kazakhstan Ministry of Ecology, Geology and Natural Resources issued an additional quota of 103,650 tonnes of CO_2 for the GTU 3 commissioned facility, which was not originally included in the National Plan. At the end of 2020, the Partnership's CO_2 emissions in the period 2018 to 2020 were approximately 622,000 tonnes versus a quota for the same period of 730,824 tonnes. The National Plan for 2021 has set a quota for the Partnership of 212,998 tonnes of CO_2 in 2021.

Future GHG reduction initiatives

The Partnership plans to optimise the operation of its facilities by adjusting the operations and maintenance schedule in function of reduced inlet feed, and by reducing its fuel gas consumption and flare volumes in 2021.

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 its gas treatment facilities has been shown to reduce the risks of accidental flaring, and the implementation of a gas utilisation programme has led to a decrease in gas flaring.

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

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

Climate change

The Partnership recognises that hydrocarbon exploration and production is a major contributor to GHG emissions and, consequently, the Partnership has a responsibility to work to address climate change. One of the Partnership's key corporate social responsibility goals in 2020 was to minimise the impact of its operations on climate change.

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

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

GHG emissions

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

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

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

Energy efficiency

In the period covered by this Annual Report, 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.

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

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

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

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

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

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

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

Emissions intensity ratio

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

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

Table 4: Emissions intensity ratios for total GHG emissions

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

Table 5: Global GHG emissions and energy use data

	Current reporting year 2020	Comparison reporting year 2019
Emissions from activities which the company owns or controls, including combustion of fuel & operation of facilities (Scope 1) tCO_2e	187,598.6	223,008
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) tCO_2e	68.0	297
Total gross Scope 1 + Scope 2 emissions/ tCO_2e	187,666.6	223,305
Energy consumption used to calculate Scope 1 + Scope 2 emissions: kWh	377,270,641.4[1]	378,116,886.4[2]
Intensity ratio: tCO_2e (gross Scope 1 + 2)/ mmboe	23,094.8	21,434
Methodology	Kazakhstan methodical 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.

1. 2020: 377,019,444.4+251,197=377,270,641.4 kWh.
2. 2019: 377,019,444.4+1,097,442=378,116,886.4 kWh.

Risk management

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

Risk management framework

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

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

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

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

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

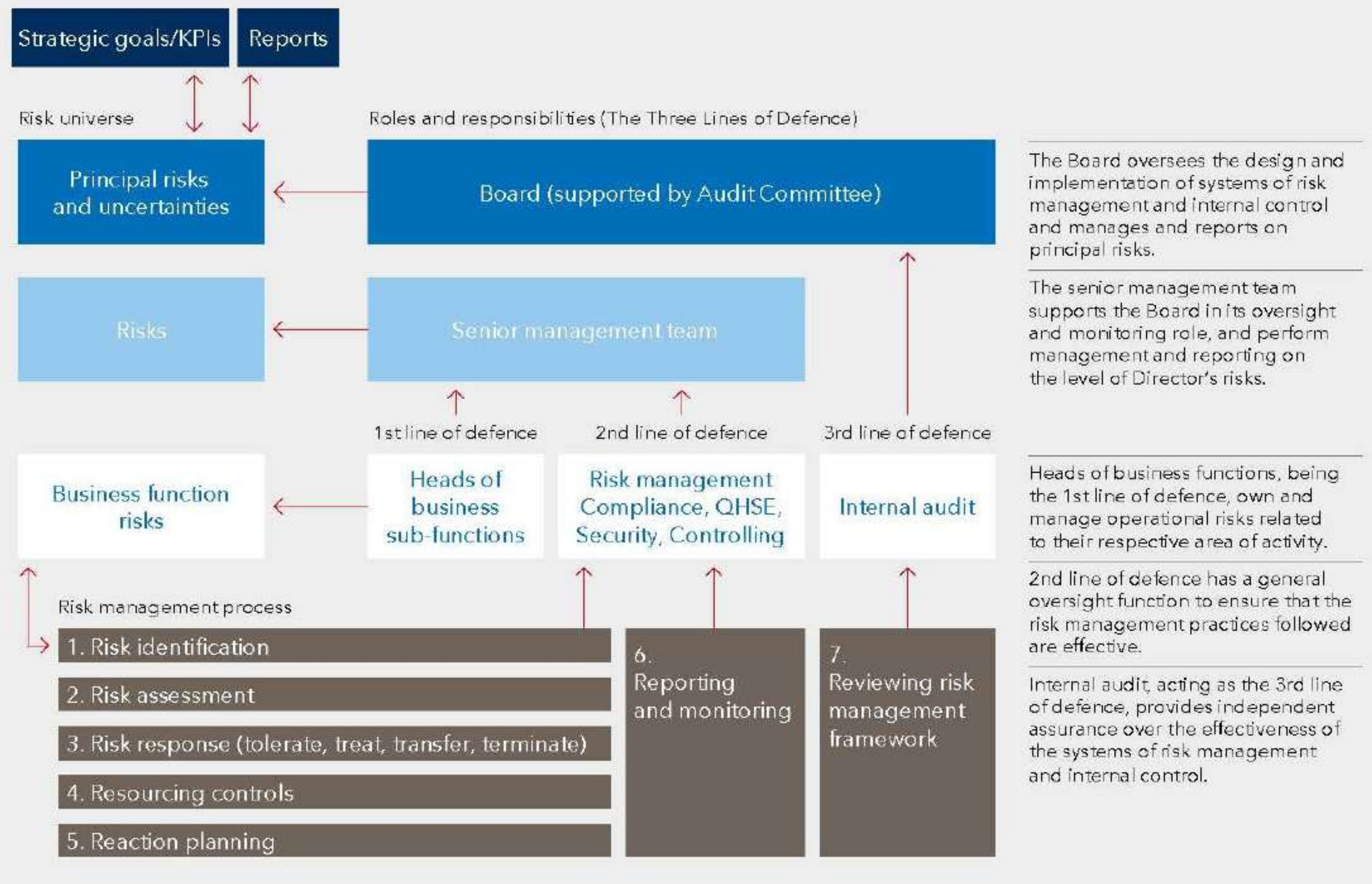
Environmental, social and governance (ESG) matters

ESG matters form an integral part of the areas covered by the 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 43 – 46.

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 29.

Changes from prior-year risk assessment

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


Risk management framework
Strategic goals/KPIs
Reports
Risk universe
Roles and responsibilities (The Three Lines of Defence)
Principal risks and uncertainties
Board (supported by Audit Committee)
The Board oversees the design and implementation of systems of risk management and internal control and manages and reports on principal risks.
Risks
Senior management team
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.
1st line of defence
2nd line of defence
3rd line of defence
Business function risks
Heads of business sub-functions
Risk management Compliance, QHSE, Security, Controlling
Internal audit
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.
Risk management process
1. Risk identification
2. Risk assessment
3. Risk response (tolerate, treat, transfer, terminate)
4. Resourcing controls
5. Reaction planning
6. Reporting and monitoring
7. Reviewing risk management framework

Principal risks and uncertainties

Description of risk	Risk management
Strategic risks **Business and market environment**	
The Partnership is exposed to various risks related to the market and external business environment, which are out of the Partnership's control. Such risks include: • The volatility of commodity prices on the markets; • The geopolitical and regional situation affecting the Partnership's areas of operations; and • Changes in currency exchange rates. Given that the Partnership's sales prices of its products are based directly or indirectly on international market prices, the Partnership's future earnings are exposed to any adverse impact of changes in the market price of crude oil. Crude oil prices are influenced by factors such as OPEC actions, political events and supply and demand fundamentals. These risks have been accentuated in 2020 through the impact of COVID-19. OPEC actions in early 2020, together with the uncertainty over the future demand for oil as a result of COVID-19, resulted in a significant fall in the price of oil at the beginning of the year. Although the price recovered towards the end of 2020, continued depressed demand for oil and gas as a result of successive measures to control the spread of COVID-19 continues to act as a drag on the price of oil and gas. Further volatility could be caused by the ongoing impact that COVID-19 is having on the demand for oil and gas globally. The Partnership could also be compelled by governmental authorities, purportedly acting based on Kazakh legislation, to sell its gas domestically at prices determined by the Kazakh Government, which could be significantly lower than prices which the Partnership could otherwise achieve.	The Partnership can transport its crude oil either via rail or pipeline and is selling the majority of its dry gas under a contract referencing export prices which are usually substantially higher than domestic prices. To mitigate the geopolitical, regional and customer risks, the Partnership continues to strengthen customer relationships through establishing long-term off-take agreements whilst also looking at possibilities to geographically diversify its customer portfolio. In early 2020, given the uncertainties caused by a low oil price environment, the Partnership took prudent, mitigating actions to protect liquidity. These included cancelling uncommitted capital expenditures and assessment and identifying reductions in operating costs, general and administration and selling and transportation costs that could be implemented without having a negative impact on production or operations in the "going concern" period. These actions continue and as a result the Partnership 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. Nostrum Oil & Gas PLC engaged with the bondholders of Nostrum Oil & Gas Finance B.V. in 2020 regarding a possible restructuring of the outstanding bonds of Nostrum Oil & Gas Finance B.V., which the Partnership has guaranteed. The Partnership will require its level of debt to be reduced to a sustainable level. Work continues towards this objective with all stakeholders. However, the negotiations are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Partnership.
Strategic development initiatives	
The activities in the Chinarevskoye oil and gas condensate field are currently the Partnership's sole source of revenue. In addition, the Partnership in 2019 commissioned additional processing facilities which were constructed in anticipation of future production that the Partnership has not been able to achieve, and so the Partnership now has significant excess processing capability in its world-class facilities. Therefore, the Partnership is at significant risk of not being able to meet shareholder expectations in the event of, for instance, natural disaster, facilities damage from accidents, crisis and other political influences as further described below. Diversification of its sources of feedstock to the processing facilities is considered by the Partnership to be a way to reduce this risk whilst also providing the Partnership with an opportunity to gain from expanding the use of available capacities, technological resources and human capital. The Partnership's strategic initiatives towards diversification of its sources of feedstock are subject to the customary risks related to counter party delays and non-completion. In addition, the Partnership's strategic initiatives, as well as certain other ordinary activities, are subject to the risk that terms of the transactions with related parties may deviate from market terms, as well as associated risks related to the disclosure of such transactions.	At the end of 2019 the Board concluded that further drilling of the Chinarevskoye field was not cost-beneficial until the identified reservoir risks had been mitigated. Accordingly, attention turned to sourcing feedstock from alternative sources and repositioning the Partnership as a mid stream company with some production and possible upside reserve potential. The Partnership signed agreements with Ural Oil & Gas LLP in 2018 for the purchase of gas and processing of condensate from the Rozhkovskoye field for a period of four years commencing July 2024. In 2020, efforts continued to advance discussions with other third parties interested in supplying raw gas to completely fill the spare processing capacity.
Operational risks **Oil and gas reserves and operations**	

Oil and gas reserves estimation, exploration, development and production are accompanied by typical risks inherent to activities in this industry, which may adversely affect the Partnership's financial performance and achievement of strategic objectives. Estimation of oil and gas reserves requires exercise of judgement owing to the inherent uncertainty in any oil and gas field. There are also uncertainties and risks related to a field's geological structure and choice of development methods to maximise reservoir performance. Hence, there are a number of risks that may lead to a deviation of production volumes from estimated and projected volumes. At the end of 2019 the Board concluded that further drilling of the Chinarevskoye field was not cost-beneficial until the identified reservoir risks had been mitigated. A successful well workover and intervention programme was completed in 2020 which reduced the rate of decline of production in the year. A similar programme is proposed for 2021. In addition, a low-pressure system, introduced in 2019 and expanded in 2020, continues to allow production from wells that would otherwise require to be shut in. Well workover activities, as well as construction, operation and maintenance of surface facilities, are subject to various risks, including the availability of adequate services, technologies and expertise, which may adversely affect the fulfilment of the Partnership's strategic objectives.	The Partnership has a department of highly skilled geologists who perform periodic assessments of the oil and gas reserves in accordance with international standards on reserve estimations, and prepare production forecasting using advanced exploration risk and resource assessment systems. The results of the assessments are audited by the Partnership's independent reserves consultant, Ryder Scott. For well workover activities, the Partnership engages highly skilled personnel and leading service suppliers, as well as employing internationally accredited operations and cost monitoring systems, based on which management oversees the work progress. Maintenance of the wells and surface facilities is scheduled in advance, in accordance with technical requirements, and all necessary preparations are performed in a timely manner ensuring a high quality of work. In addition, the Partnership has emergency response and disaster recovery plans in place and periodically conducts necessary training and testing procedures. KPIs in place to monitor risk management in operations included completion of the construction of a further low-pressure system to prolong the life of ageing gas-condensate wells and production targets.
Health, safety and the environment	
Relevant health, safety and environmental risks are considered to be one of the key areas of focus in terms of risk management. The Partnership faces typical health, safety and environmental risks in the oil and gas industry, including risks related to gas flaring, waste management, environmental pollution, fires and explosions at facilities, and transportation accidents. In 2020, COVID-19 was of the utmost concern. Actions were taken to protect the safety of all staff and contractors and mitigate any impact on operations. No people or production were lost in 2020 as a result of COVID-19. These risks, should they crystallise, may have a broad range of results, including, but not limited to, injury of employees or local residents, pollution of the local environment and consequent regulatory actions, legal liabilities and/or business interruption and consequential impact on financial performance. It should also be noted that the legal framework for environmental protection and operational safety is not yet fully developed in Kazakhstan and, given the changing nature of environmental regulations, there is a risk that the Partnership will not be in full compliance with all such regulations at all times.	Extensive measures were put in place to protect the safety of employees and contractors and mitigate the impact on operations arising from COVID-19. These included: • Testing of all personnel prior to being transferred to the field; • Regular temperature checks whilst at the field site; • Isolation and testing of any employees and contractors identified as being in contact with individuals tested as positive for COVID-19; • Strict enforcement of maximum personnel quotas in the Partnership's office in Uralsk; and as determined by official local and Kazakhstan national directives. More generally, 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 are held for employees. In addition, at the supplier selection and contracting stage, the Partnership places a high degree of importance on a supplier's resources and ability to comply with the Partnership's QHSE requirements; while, subsequently the Partnership's dedicated team in this area conducts supplier audits. Key indicators such as GHG emissions, lost time injuries, waste management, water and soil pollution rates, etc., as well as progress of work, are reported to senior management on a monthly basis. The Partnership is working towards full compliance with ISO 14001 Environmental Management Systems, ISO 45001 Occupational Health & Safety Management Systems and ISO 50001 Energy Management Systems. The Partnership also regularly engages an independent auditor to conduct HSE audits, to monitor its compliance and best practice in this area, and takes all necessary measures arising from the audit recommendations. The Partnership also operates a Health, Safety, Environment and Communities Committee. Staff are actively encouraged to submit Hazard Observation Cards. The Partnership's efforts are aimed to be in line with its peers. KPIs in place to monitor risk management in QHSE include lost time injury frequency, total recordable injury frequency and numbers of Hazard Observation Cards submitted.
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 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 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 all of its subsoil use agreements. In the event of non-compliance with a provision of any such 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 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 compliance with laws, regulations and rules, the Partnership has adopted a number of policies. 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. The Partnership continuously monitors its compliance with its policies on the level of authorisations for transactions.
Financial risks **Liquidity risks**	
Forecasting to maintain an adequate liquidity position is subject to the risk that inaccurate information or assumptions are used for the forecasts, and to risks of counterparty delay or a counterparty's failure to meet their contractual obligations owing to severe market conditions. The actions of OPEC in 2020, augmented by the impact of COVID-19, highlight these risks, and have contributed to significant commodity price volatility in 2020. Significant negative movement in world energy prices could result in the 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 Partnership's liquidity position, forecasts and key financial ratios to ensure that sufficient funds are available to meet any commitments as they arise.
Refinancing risk	
Nostrum Oil & Gas Finance B.V. has US$1.25bn of debt outstanding which is guaranteed by the Partnership, US$725m of which matures in July 2022. In March 2020, Nostrum Oil & Gas PLC announced that it was appointing advisers to engage with bondholders and other stakeholders to restructure the debt. On 23 October 2020, Nostrum Oil & Gas PLC announced that it has entered into a Forbearance Agreement with an informal ad-hoc committee of noteholders. The ability of Nostrum Oil & Gas PLC to refinance the outstanding debt of Nostrum Oil & Gas Finance B.V. represents a material uncertainty. There is a significant risk that Nostrum Oil & Gas PLC will not be able to refinance the bonds of Nostrum Oil & Gas Finance B.V., 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 premier focus of the Board and Senior Management Team. The Partnership will require the level of debt to be reduced to a sustainable level. Work continues towards this objective with all stakeholders. However, the negotiations are not yet finalised and so the outcome is uncertain and, to a large extent, outside the control of the Partnership. The Board has established a KPI to complete the restructuring with all approvals by the end of 2021.
Tax risks and uncertainties	
The uncertainty of application, including retroactive application, of tax laws and the evolution of tax laws in Kazakhstan create risks related to additional tax liabilities from assessments and risks related to the recoverability of tax assets. Tax risks and uncertainties may adversely affect the 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.
Climate change risks **Climate change**	
Climate change risks are those stemming from, for example, more intense extreme weather events, rising energy intensity in the oil and gas industry, the changing regulatory landscape, the risk of fugitive emissions and climate change policies driving down the demand.	The Partnership actively plans and manages projects designed to mitigate certain climate change-related risks. In operations there is a permanent effort and commitment improve energy efficiency and to reduce flaring, venting and leaks. At campsite, most of the water the Partnership utilises now is recycled.

<table>
<tr><td>The risk of more intense extreme weather events, for example, may lead to the following sub-risks:

• Risks of reduced asset operation;
• Risks of higher insurance premiums;
• Risks of higher fuel prices; and
• Risks of disruptions to supply chains.</td><td>Climate change is on the Board’s agenda. The Senior Management Team actively evaluates opportunities to further adapt and implement cost-effective mitigation measures.</td></tr>
<tr><td>Other risks
Other significant risks</td><td></td></tr>
<tr><td>Other risks are those that are not specifically identified within any of the principal risks and uncertainties but may be related to several such areas or be organisation wide. These include risks related to:

• Fraudulent activities;
• Cyber security;
• The 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.</td><td>Nostrum Oil & Gas PLC has an Anti-Bribery and Corruption Policy, and provisions relating to the same are included in the Code of Conduct of Nostrum Oil & Gas PLC. Related training and updates are periodically provided for employees in relation to their obligations in this area. No such training took place in 2020.

No risk assessment took place in 2020 in relation to risks of bribery and corruption.

As part of the Risk Management function, a cyber security capability is being developed drawing on the knowledge and experience of the existing ICT team.

The Partnership has a wide range of internal controls over its supply chains and accounting and reporting processes, including policies, procedures, segregation of duties for authorisation of matters, periodic training for employees, etc.

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

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 2020 and 2019

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

In thousands of US Dollars	2020	% of revenue	2019	% of revenue
Revenue	175,939	100.0%	322,128	100.0%
Cost of sales	(126,308)	-71.8%	(174,204)	-54.1%
Gross profit	49,631	28.2%	147,924	45.9%
General and administrative expenses	(6,892)	-3.9%	(12,658)	-3.9%
Selling and transportation expenses	(31,150)	-17.7%	(46,362)	-14.4%
Taxes other than income tax	(14,112)	-8.0%	(22,930)	-7.1%
Finance costs	(103,756)	-59.0%	(46,747)	-14.5%
Impairment charge	(256,386)	-145.7%	(1,352,173)	- 419.8%
Foreign exchange (loss)/gain, net	(1,123)	-0.6%	804	0.2%
Interest income	253	0.1%	86	0.0%
Other income	5,620	3.2%	8,411	2.6%
Other expenses	(6,885)	-3.9%	(13,001)	-4%
Loss before income tax	(364,800)	-207.3%	(1,336,646)	- 414.9%
Income tax (expense)/benefit	36,073	20.5%	351,276	109.0%
Loss for the year	(328,727)	-186.8%	(985,370)	- 305.9%
Other comprehensive (loss)/income	–	–	–	–
Total comprehensive loss for the year	(328,727)	-186.8%	(985,370)	-305.9%

General note

For the year ended 31 December 2020 (the reporting period) the total comprehensive loss amounted to US$328.7 million, a decrease in loss of US$656.6 million from US$985.4 million for 2019. The decrease in total comprehensive loss is mainly driven by a lower impairment charge on property, plant and equipment and lower cost of sales, which was offset by a corresponding lower amount of income tax benefit, a decrease in revenue caused by a combination of a decrease in production and lower hydrocarbon prices, as well as an increase in finance costs due to substantially lower capitalisation of the borrowing costs upon completion of GTU 3.

Revenue

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

The pricing for all the 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$118.9 million, US$29.7 million and US$7.4 million respectively (2019: US$190.3 million, US$95.1 million and US$9.3 million).

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

In thousands of US Dollars	2020	2019	Variance	Variance, %
Oil and gas condensate	123,861	196,176	(72,315)	(36.9)%
Gas and LPG	52,078	125,947	(73,869)	(58.7)%
Sulphur	–	5	(5)	(100.0)%

Total revenue	175,939	322,128	(146,189)	(45.4)%
Sales volumes (boe)	7,875,841	9,735,093	(1,859,252)	(19.1)%
Average Brent crude oil price (US$/bbl)	43.2	64.2	(21)	(32.7)%

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

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

Cost of sales

In thousands of US Dollars	2020	2019	Variance	Variance, %
Depreciation, depletion and amortisation	**86,296**	136,776	(50,480)	-36.9%
Payroll and related taxes	**10,885**	12,781	(1,896)	-14.8%
Repair, maintenance and other services	**10,789**	14,173	(3,384)	-23.9%
Management fees	**4,103**	7,811	(3,708)	-47.5%
Materials and supplies	**3,974**	4,499	(525)	-11.7%
Transportation services	**1,907**	2,094	(187)	-8.9%
Well workover costs	**493**	2,077	(1,584)	-76.3%
Environmental levies	**114**	167	(53)	-31.7%
Change in stock	**7,279**	(6,153)	13,432	218.3%
Other	**468**	(21)	489	2328.6%
Total	**126,308**	174,204	(47,896)	-27.5%

Cost of sales decreased by 27.5% to US$126.3 million for the reporting period (2019: US$174.2 million). On a barrel of oil equivalent (boe) basis, cost of sales, excluding the impact of changes in stock, decreased by US$3.41 from US$18.53 in 2019 to US$15.11 for the reporting period, while cost of sales, excluding changes in stock and depreciation, decreased by US$0.32 boe to US$4.16 in the reporting period (2019: US$4.48).

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

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

Payroll and related taxes have decreased by 14.8% from US$12.8 million in 2019 to US$10.9 million for 2020. This reflects the reduction in headcount and Tenge devaluation against US Dollar.

Repair, maintenance and other services decreased by 23.9% from US$14.2 million to US$10.8 million for the reporting period. These expenses include the costs of repair and maintenance services on the facilities, specifically the gas treatment facility, as well as related spare parts and other materials. These costs fluctuate depending on the timing of the periodic scheduled maintenance works. However, most of the reduction is derived from cost optimisation efforts by the Partnership that were initiated in Q1 2020 and ran throughout the year.

Transportation services decreased by 8.9% to US$1.9 million for the reporting period (2019: US$2.1 million), again resulting from cost optimisation efforts by the Partnership.

Well workover costs decreased by 76.3% to US$0.5 million for the reporting period (2019: US$2.1 million), primarily driven by the limited well workover campaign during 2020 along with the halting of the drilling programme.

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

General and administrative expenses

In thousands of US Dollars	2020	2019	Variance	Variance, %
Payroll and related taxes	**2,734**	3,493	(759)	-21.7%
Management fees	**1,620**	2,570	(950)	-37.0%
Professional services	**869**	2,047	(1,178)	-57.5%
Depreciation and amortisation	**483**	1,812	(1,329)	-73.3%
Insurance fees	**465**	989	(524)	-53.0%
Communication	**183**	276	(93)	-33.7%
Materials and supplies	**139**	157	(18)	-11.5%
Business travel	**66**	147	(81)	-55.1%
Bank charges	**53**	82	(29)	-35.4%
Lease payments	-	33	(33)	-100.0%
Other	**280**	1,052	(772)	-73.4%
Total	**6,892**	12,658	**(5,766)**	-45.6%

General and administrative expenses decreased by 45.6% to US$6.9 million for the reporting period (2019: US$12.7 million). The decrease was driven by the reduction in depreciation and amortisation, professional services, insurance fees and management fees which were in part as a result of cost reduction programme. There was also a decrease in payroll and related taxes from US$3.5 million for 2019 to US$2.7 million for 2020 as a result in a reduction in headcount.

Selling and transportation expenses

In thousands of US Dollars	2020	2019	Variance	Variance, %
Transportation costs	12,760	12,405	355	2.9%
Loading and storage costs	8,813	11,783	(2,970)	(25.2)%
Marketing services	4,260	11,560	(7,300)	(63.1)%
Depreciation	2,881	4,489	(1,608)	(35.8)%
Payroll and related taxes	1,077	1,763	(686)	(38.9)%
Other	1,359	4,362	(3,003)	(68.8)%
Total	**31,150**	**46,362**	**(15,212)**	**(32.8)%**

Selling and transportation expenses decreased by 32.8% to US$31.1 million for the reporting period (2019: US$46.4 million), primarily due to a decrease in loading and storage costs as a result of changes to more favourable delivery terms as well as a decrease in the volumes sold, marketing services fees and other costs. Depreciation costs resulting from the recognition of right-of-use assets for rented railway tank cars also decreased due to the reduction in the number of leased railway tank cars due to reduced volumes being sent to market.

Taxes other than income tax

In thousands of US Dollars	2020	2019	Variance	Variance, %
Royalties	7,016	12,802	(5,786)	-45.2%
Export customs duty	5,017	7,281	(2,264)	-31.1%
Government profit share	2,044	2,802	(758)	-27.1%

Other taxes	35	45	(10)	-22.2%
Total	**14,112**	**22,930**	**(8,818)**	**-38.5%**

Royalties, which are calculated based on production and market prices for the different products, decreased by 45.2% to US$ 7.0 million for the reporting period (2019: US$12.8 million), which corresponds to the decrease in hydrocarbon revenues.

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

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

Impairment charge

As a result of the further reserves downgrade and corresponding reflection of the updated future production profiles in the impairment model, the Partnership recognised further non-cash impairment charges on property, plant and equipment and exploration & evaluation assets in the amounts of US$256.2 million and US$0.2 million respectively (FY 2019: US$1,301.7 million on property, plant and equipment and US$50.5 million on exploration & evaluation assets). Further details of impairment testing and assumptions used are disclosed in Note 4 to the financial statements of the Partnership.

Finance costs

In thousands of US Dollars	2020	2019	Variance	Variance, %
Interest expense on borrowings	102,451	44,529	57,922	130.1%
Unwinding of discount on amounts due to Government of Kazakhstan	793	820	(27)	(3.3)%
Unwinding of discount on lease liability	354	1,234	(880)	(71.3)%
Unwinding of discount on abandonment and site restoration provision	158	164	(6)	(3.7)%
Total	**103,756**	**46,747**	**57,009**	**122.0%**

Finance costs increased by US$57.0 million to US$103.8 million for the reporting period (2019: US$46.8 million) mainly due to a decrease in the levels of finance costs being capitalised as part of the GTU 3 project, which was completed in Q4 2019.

Other

Other expenses decreased to US$6.9 million for the reporting period (2019: US$13.0 million), as a result of various non-recurring costs related to business development and compensations incurred in 2019.

Income tax

Income tax benefit amounted to US$36.1 million for the reporting period, a decrease of US$315.3 million as compared to the prior year (2019: US$351.3 million). Such a significant decrease in income tax benefit for the period corresponds to the related impairment charges recognised as of 31 December 2019 and 31 December 2020 with respective derecognition of deferred tax liabilities.

Liquidity and capital resources

During the period under review, Partnership's principal source of funds was cash from operations. Its liquidity requirements primarily relate to meeting ongoing debt service obligations arising from the Notes and loans, as well as the focus on preservation of cash by reducing capital expenditures and working capital requirements.

Cash flows

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

In thousands of US Dollars	2020	2019
Cash and equivalents at the beginning of the period	13.7	7.1
Net cash flows from operating activities	90.2	212.1
Net cash used in investing activities	(25.7)	(116.3)

Net cash used in financing activities	(66.2)	(89.1)
Effects of exchange rate changes on cash and equivalents	0.4	0
Cash and equivalents at the end of the period	12.5	13.7

Net cash flow from operating activities
Net cash flow from operating activities was US$90.2 million for the reporting period (2019: US$212.1 million) and was primarily attributable to:

- Loss before income tax for the reporting period of US$364.8 million (2019: US$1,336.7 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$89.7 million (2019: US$143.1 million), finance costs of US$103.8 million (2019: US$46.8 million), and impairment charge of US$256.4 million (2019: US$1,352.2 million);
- US$8.6 million increase in working capital (2019: US$6.8 million increase), which is primarily attributable to a decrease in trade payables of US$12.2 million (2019: US$5.0 million increase), a decrease in inventory of US$7.0 million (2019: an increase of US$6.3 million), an increase in trade receivables of US$17.7 million (2019: US$4.5 million increase), a decrease in other current liabilities of US$4.2 million (2019: US$ 1.0 million increase) and an increase in prepayments and other current assets of US$1.4 million (2019: US$6.1 million increase); and
- Income tax paid of US$1.0 million (2019: US$3.5 million).

Net cash used in investing activities
Net cash used in investing activities for the reporting period was US$25.7 million (2019: US$116.3 million) due primarily to payment of expenditures incurred in 2019 associated with drilling equipment and services of US$12.7 million for the reporting period (2019: US$56.7 million), the third gas treatment unit of US$4.4 million (2019: US$36.4 million) and the low-pressure system of US$2.8 million (2019: US$ nil).

Net cash used in financing activities
Net cash used in financing activities during the reporting period totalled US$66.2 million (2019: US$89.1 million), and was mainly represented by the payment of US$94.8 million of the finance costs on the Partnership's Notes (2019: US$100.6 million), US$5.1 million under lease agreements (2019: US$14.8 million), which was partially offset by proceeds from borrowings in the amount of US$34.2 million (2019: US$29.7 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. In addition, since April 2020, the Group has performed monthly sensitivity tests of its liquidity position for changes in product prices, production volumes and any other significant variables. Whilst looking for new opportunities to fill the spare capacity of the Partnership's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include efforts to restructure the Notes, as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

The Directors have also considered any additional risks to liquidity posed by COVID-19. Oil and gas production has been classified as an essential business in Kazakhstan and operations are continuing. Contingency plans have been put in place both to protect the workforce and ensure that there are sufficient personnel to continue operations. There was no loss of production as a result of COVID-19 in 2020. Therefore, the management have concluded that there is currently no material impact on the Partnership's operations and liquidity at the time of publication of this Annual Report and Accounts as a result of COVID-19. However, it is recognized that there is uncertainty around future developments of COVID-19 which may affect the Partnership's ability to deliver the forecast production over 2021 and early 2022.
In March 2020, following the collapse in the oil price, the Group announced that it would seek to engage with its bondholders regarding a possible consensual restructuring of the Group's Notes (2022 Notes and 2025 Notes).

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

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

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

The Forbearance Agreement is subject to certain conditions, including:

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

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

On 19 March 2021, by unanimous consent of the AHG, the forbearance period was extended to 20 April 2021. On 20 April 2021, again by unanimous consent of the AHG, the forbearance period was extended to 20 May 2021. On 18 May 2021, the Note Parties entered into a second Forbearance Agreement (the "Second Forbearance Agreement") with the AHG. The Second Forbearance Agreement is valid from the expiry of the Forbearance Agreement, is substantially similar to the Forbearance Agreement and expires at 4 p.m. BST on 21 June 2021 unless extended in accordance with the terms of the Second Forbearance Agreement.

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

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

The Directors' going concern assessment is supported by future cash flow forecasts. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $45/bbl and $50/bbl, for 2021 and 2022, respectively. The forecast financing cashflows assume that the Notes are restructured in the form envisaged by the current preliminary restructuring terms discussed with the advisors to the AHG, reflecting the terms outlined above.
Whilst the Group remains confident that an agreement can be reached, the results of the discussions with bondholders, shareholders and the Government of the Republic of Kazakhstan to restructure the Notes have not yet concluded and so the outcome is uncertain and outside of the Group's control. Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made significant assumptions about:

- A restructuring of the Notes being agreed with the AHG and then sufficient bondholders consistent with the preliminary restructuring terms discussed with the advisors to the AHG, that is affordable for the Group through the going concern period to 30 June 2022. Should the Group be unable to reach an agreement with the AHG by the end of the forbearance period, then bondholders may seek to enforce their rights under the bond indentures, including accelerating the Notes' obligations as a result of the missed interest payments; and
- If agreement is reached with the AHG and then sufficient bondholders, the Group being able to obtain the necessary permissions and waivers. Specifically, the Group may need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan. If agreement is reached with the bondholders but the Group is unable to obtain the necessary approvals and waivers, then the agreement with bondholders may not be implementable.

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

After careful consideration of these material uncertainties, and on the assumption that a restructuring of the Notes to an affordable level is completed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2022, being a period of not less than 12 months from the date of this report. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts. Accordingly, the accompanying 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 2022, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement in the annual report of Nostrum Oil & Gas PLC for 2020, which highlights that the material uncertainties referred to in respect of the Going Concern assessment may cast significant doubt over the future viability of the Partnership. In the event that the Group will be unable to successfully restructure its Notes, then under all reasonable assumptions the Group is unable to meet its US$725m debt liability due in July 2022.

Commitments

Liquidity risk is the risk that the 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 2020 based on contractual undiscounted payments:

As at 31 December 2020	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Total**
Borrowings	7,112	27,536	79,583	556,405	1,625,739	2,296,375
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	560,569	1,631,151	2,334,208

As at 31 December 2019	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Total**
Borrowings	–	25,210	75,630	529,579	1,716,939	2,347,358
Lease liability	–	1,924	5,197	766	–	7,887
Trade payables	23,442	–	5,953	–	–	29,395
Other current liabilities	17,984	–	–	–	–	17,984
Due to Government of Kazakhstan	–	258	773	4,124	6,443	11,598
	41,426	27,392	87,553	534,469	1,723,382	2,414,222

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$25.8 million (2019: US$114.8 million). This mainly reflects costs associated with the well

workover/intervention programme and other field infrastructure development projects (2019: the construction of the third gas treatment unit, drilling costs and other field infrastructure development projects).

Gas treatment facility

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

Five-year summary

In millions of US$ (unless mentioned otherwise)	2020	2019	2018	2017	2016
EBITDA reconciliation					
Profit before income tax	-364.8	-1,336.6	-83.8	65.4	-52.1
Add back					
Finance costs	103.8	46.8	55.8	41.5	46.4
Impairment charge	256.4	1,352.2	117.6	–	–
Foreign exchange (loss)/gain, net	1.1	(0.8)	0.8	0.4	(0.2)
Gain/(loss) on derivative financial instrument	–			6.7	63.2
Interest income	-0.3	-0.1	(0.3)	(0.3)	(0.4)
Other expenses	6.9	13.0	46.2	12.2	(2.0)
Other income	-5.6	-8.4	(5.4)	(4.2)	(2.1)
Depreciation, depletion and amortisation[1]	89.7	143.1	117.0	122.6	131.4
(Purchase of)/proceeds from derivative financial instruments[2]	–	–	–	–	27.2
EBITDA	**87.2**	**209.2**	**247.9**	**244.3**	**211.4**
Operating costs reconciliation					
Cost of sales	126.3	174.2	166.3	180.1	184.5
Less:					
Depreciation, depletion and amortisation	86.3	136.8	115.3	120.7	129.4
Change in stock[3]	7.3	-6.2	0.1	0.3	2
Operating costs	**32.7**	**43.6**	**50.9**	**59.1**	**53.1**
G&A reconciliation					
General and administrative expenses	6.9	12.7	12.4	17.2	14.9
Less:					
Depreciation and amortisation	0.5	1.8	1.6	2.0	1.9
G&A	**6.4**	**10.9**	**10.8**	**15.2**	**13.0**
Net debt reconciliation					
Long-term borrowings	1,135.0	1,100.6	1,094.0	1,012.9	1,003.9
Current portion of long-term borrowings	11.1	4.0	4.8	15.0	16.0
Less:					
Cash and cash equivalents	12.5	13.7	121.8	33.3	85.5
Net debt	**1,133.6**	**1,090.9**	**977.0**	**994.6**	**934.4**

Net cash flows from operating activities	90.2	212.1	198.0	208.3	222.3
Net cash used in investing activities	(25.7)	(116.3)	(171.7)	(192.0)	(199.8)
Net cash used in financing activities	(66.2)	(89.1)	(52.5)	(68.5)	(72.2)
EBITDA margin[4]	**49.6%**	**64.9%**	**63.6%**	**60.2%**	**60.7%**

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

Alternative performance measures

In the discussion of the Partnership'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, fair value gains and losses on derivative instruments, foreign exchange losses, finance costs, finance income, and non-core income or expenses and taxes, and includes any cash proceeds received or paid out from hedging activity. This metric is relevant as it allows management to assess the operating performance of the Partnership in the absence of exceptional and non-cash items.

Operating costs

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

Introduction to corporate governance

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

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

Therefore, the Group's key priority tasks for 2020 became to:

- Focus on good financial discipline to reduce costs and maintain liquidity, which the Group achieved.
- Reduce the rate of decline in the Chinarevskoye field, which was achieved by a targeted well workover and intervention campaign conducted in the spring and summer of 2020. As a result, volumes produced by the Group averaged 22,337 boepd against guidance of an average of 21,000 boepd.
- Ensure that the Group's employees and contractors remained protected against the continued threat of COVID-19, and that its operations could continue uninterrupted and to its expected high safety levels. Fortunately, the Group did not lose any employees or any production due to COVID-19.
- Continue to reduce the impact of its operations on the environment. The Group's GHG emissions fell by over 35,000 tonnes versus 2019.
- Continue the studies to identify viable technologies to mitigate sub-surface risk. Although this has resulted in a further reduction in its 2P reserves, the Group remains hopeful that further studies and possibly some limited drilling might result in some of the resources classified as contingent being reinstated within its 2P reserves.

Compliance with the Code

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

Section 1: Board leadership and company purpose

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

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

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

In order for the Group to meet its responsibilities to its stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

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

Section 2: Division of responsibilities

The chair leads the Board and is responsible for its overall effectiveness in directing the company. He or she should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates

constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

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

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

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

Section 3: Composition, succession and evaluation

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

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

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

Section 4: Audit, risk and internal control

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

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

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

Section 5: Remuneration

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

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

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

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

Provision 9

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

Provision 10

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

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

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

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

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

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

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

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

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

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

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

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

Provision 11

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

Provision 21

Contrary to Provision 21 (which requires a formal and rigorous annual evaluation of the performance of the Board, its committees, the chair and individual directors), there was no formal Board evaluation during 2020.

Provision 24

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

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

On 1 April 2020 Mr Cocker stepped down as Chairman of the Audit Committee and was replaced by Sir Christopher Codrington, Bt. so that the Chairman of the Audit Committee would remain an independent Non-Executive Director. However, the Board determined that given that it is intended that Mr Cocker will only serve as Chief Financial Officer on an interim basis, he should remain as a member of the Audit Committee. On 8 October 2020, following the appointment of Ms van Hecke as a member of the Audit Committee, Mr Cocker stepped down as a member of the Audit Committee.
Contrary to Provision 24 (which requires the Audit Committee to have a minimum membership of two independent non-executive directors) there was only one such member of the Audit Committee from the effective date of Mr Martin's resignation until Ms van Hecke re-joined the Audit Committee on 8 October 2020.

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

Provision 32

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

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

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

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

Provision 36

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

Senior management team

Arfan Khan
Chief Executive Officer of Nostrum Oil & Gas PLC 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.
- From April 2014 to December 2019, COO of Amni International Petroleum.
- From April 2012 to March 2014, Petroleum Engineering Director at Maersk Oil.
- From August 2002 to March 2012, Chief Production Engineer at Shell.
- Member of the Society of Petroleum Engineers.
- Holds a Bachelor of Science degree from Texas A&M University and an MBA from Tulane University.

Martin Cocker
Interim Chief Financial Officer of Nostrum Oil & Gas PLC

DOB: 19 September 1959
Nationality: British
Date of appointment: 16 November 2017
Other current appointments:

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

Skills and experience:

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

Arkadi Epifanov
Chief Commercial Officer of Nostrum Oil & Gas PLC
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.

Thomas Hartnett
Chief Legal Officer of Nostrum Oil & Gas PLC, Company Secretary of Nostrum Oil & Gas PLC and Acting Head of Human Resources of Nostrum Oil & Gas PLC since 13 January 2020
DOB: 4 July 1964
Nationality: US/Belgian

Skills and experience:

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

Robert Tinkhof
Chief Operating Officer of Nostrum Oil & Gas PLC
DOB: 8 April 1962
Nationality: Dutch
Skills and experience:

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

Daulet Tulegenov
Group QHSE Manager
DOB: 29 January 1980
Skills and experience:

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

Governance framework

The Board

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

Chairman	Chief Executive Officer	Non-Executive Directors	Senior Independent Director
Responsible for leadership of the Board and for ensuring its effectiveness in all aspects of its role.	Responsible for the successful planning and execution of the objectives and strategies agreed by the Board.	Responsible for bringing an external perspective, sound judgement and objectivity to the Board's decision-making. Scrutinise management performance and constructively challenge strategy.	Provides a sounding board for the Chairman and a trusted intermediary for the other Directors.

Audit Committee	Nomination and Governance Committee	Remuneration Committee	Health, Safety, Environment and Communities Committee	Company Secretary
Responsible for oversight of the Group's financial reporting processes. Scrutinises the work of the external auditor and regularly reviews the risk management framework and the work of internal audit.	Reviews the structure, size and composition of the Board and its committees and makes recommendations to the Board accordingly, and leads the process for new Board appointments.	Reviews and recommends to the Board the executive Remuneration Policy and determines the remuneration packages of the Directors.	Assists the Board to fulfil its responsibilities in relation to health, safety, environment and communities matters arising from the activities of the Group, and in overseeing and providing stewardship of relevant material Health, Safety, Environment and Communities Committee matters for Nostrum Oil & Gas PLC.	Responsible for advising the Board, through the Chairman, on all governance matters and for ensuring that Board procedures are complied with and there is a good flow of information between the Board and its committees. The appointment of the Company Secretary is a matter reserved to the Board as a whole.
Chairman: Sir Christopher Codrington, Bt.	Chairman: Sir Christopher Codrington, Bt.	Chairwoman: Kaat van Hecke	Chairwoman: Kaat van Hecke	Company Secretary: Thomas Hartnett

Senior Management Team

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

Finance	Operations
Responsible for supporting the Group and the Board in matters relating to: (i) corporate finance (ii) investor relations (iii) economic analysis (iv) public relations (v) external communications (vi) accounting and reporting (vii) tax (viii) budgeting and control (ix) insurance (x) treasury and cash management (xi) liaison with internal audit (xii) risk management (xiii) ICT (xiv) company administration (accounting and tax matters) and (xv) capital markets analysis.	Responsible for supporting the Group and the Board in matters relating to: (i) production engineering and reservoir management (ii) drilling and workover management production (iii) production (iv) engineering and construction field operations (v) relations with governmental authorities (vi) procurement (vii) security and (viii) administration.
Head: Martin Cocker	**Head: Robert Tinkhof**

Legal	Sales and marketing	QHSE	Human resources
Responsible for supporting the Group and the Board in matters relating to: (i) all legal matters (ii) compliance (iii) corporate governance (iv) company administration (legal and governance matters).	Responsible for supporting the Group and the Board in matters relating to: (i) sales of oil and gas products (ii) marketing and (iii) logistics and transportation.	Responsible for supporting the Group and the Board in matters relating to: (i) product quality (ii) personnel and community health and safety and (iii) environmental protection.	Responsible for supporting the Group and the Board in matters relating to: (i) personnel and workforce matters generally (ii) training and (iii) remuneration.
Head: Thomas Hartnett	**Head: Arkadi Epifanov**	**Head: Daulet Tulegenov**	**Acting Head: Thomas Hartnett**

Board policies and governance arrangements

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

In order to ensure that it is involved in making important decisions for the Group and to ensure a clear division of responsibilities between the Board and executive management, the Board has identified certain "reserved matters" that are subject to its approval. Other matters, responsibilities and authorities have been delegated to its committees and the senior management team, as set out in the governance framework on page 62. The schedule of matters reserved for the Board is reviewed annually and is available on www.nog.co.uk.

Division of responsibilities

On 27 November 2018, the Board resolved to expand the role of the Chairman of Nostrum Oil & Gas PLC, Atul Gupta, to give him certain executive responsibilities, in particular in relation to business development, strategic initiatives and investor relations. Notwithstanding this, in accordance with the Code, and with the exception of the period noted on page 57, the roles of Chairman and Chief Executive remain separate, with each having distinct and clearly defined responsibilities, as summarised in the Board structure diagram. Mr Gupta's role as Executive Chairman of Nostrum Oil & Gas PLC is to guide, advise, counsel and assist the Chief Executive Officer of Nostrum Oil & Gas PLC in overseeing the Group's implementation of its strategy. The Chief Executive Officer of Nostrum Oil & Gas PLC remains responsible for line management of his direct reports and implementation of the Group's strategy.

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

Independence

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

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

Equality and diversity

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

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

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

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

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

- Ensuring all recruitment advertising and publicity aims to encourage applications from any individual who has appropriate qualifications and/or experience;
- Not offering discriminatory conditions of employment;

- Ensuring all promotions are made strictly on the basis of the ability to do the job and no such decision is made on a discriminatory basis;
- Considering requests for part-time work or job-sharing opportunities wherever appropriate and practicable, and aiming to ensure that part-time employees receive fair treatment;
- Ensuring that the demands of religion (e.g. prayer time and religious holidays), culture (e.g. traditional dress) and special dietary needs are accommodated where possible; and
- Taking reasonable steps to assist employees with domestic responsibilities (e.g. young children and dependent elderly relatives).

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

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

Conflicts of interest

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

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

Appointment and tenure

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

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

Bribery, corruption and whistleblowing

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

The Group has also adopted a Whistleblowing Policy that takes account of the Whistleblowing Arrangements Code of Practice issued by the British Standards Institute and Public Concern at Work. Further information can be found on page 34.

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

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

Anti-facilitation of tax evasion

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

Contact information

Investor contacts

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The Partnership's registered office

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Glossary

2010 Notes	10.500% notes issued in 2010.
2012 Notes	7.125% notes issued in 2012.
2014 Notes	6.375% notes issued in 2014.
2017 Notes	8.000% notes issued in 2017.
2018 Notes	7.000% notes issued in 2018.
A	
API	American Petroleum Institute.
API gravity	The industry standard method of expressing specific density of crude oil or other liquid hydrocarbons as recommended by the American Petroleum Institute. Higher API gravities mean lower specific gravity and lighter oils. When the API gravity is greater than 10, the product is lighter and floats on water; when it is less than 10, it is heavier than water and sinks. Generally speaking, oil with an API gravity between 40 and 45 commands the highest prices.
appraisal well	A well or wells drilled to follow up a discovery and evaluate its commercial potential.
associated gas	Gas which occurs in crude oil reservoirs in a gaseous state.
B	
barrel/bbl	The standard unit of volume: 1 barrel = 159 litres or 42 US gallons.
basin	A large area holding a thick accumulation of sedimentary rock.
bcm	Billion cubic metres.
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.
Chinarevskoye field	The Chinarevskoye oil and gas condensate field.
CO_2	Carbon dioxide.

commissioning	Process to assure a facility or plant, such as the Partnership'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.
Directors	The directors of Nostrum Oil & Gas PLC.
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).
Executive Director	An executive director of Nostrum Oil & Gas PLC.
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.
hydrocarbons	Compounds formed from the elements hydrogen (H) and carbon (C), which may be in solid, liquid or gaseous form.
hydrocarbon reserves	Hydrocarbon reserves that have been proved, and are referred to as 3P, 2P and 1P depending on the likelihood of commercial production from a given field.
I	
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards.
INED	Independent Non-Executive Director.
J	
joint venture	A joint venture is a set of trading entities who have agreed to act in concert to share the cost and rewards of exploring for and producing oil or gas from a permit.
joule	Unit of energy used for measuring gas volumes. megajoules = 106 gigajoules = 109 terrajoules = 1012 petajoules = 1015
K	
KASE	Kazakhstan Stock Exchange.
Kazakhstan	The Republic of Kazakhstan.
KazMunaiGas	State-owned oil and gas company of Kazakhstan.
KazMunaiGas Exploration Production (“KMG EP”)	Onshore oil and gas exploration production subsidiary of KazMunaiGas.
KazTransOil (KTO) pipeline	A tie-in to the KTO pipeline enables crude oil export sales via the Atyrau-Samara international export pipeline.
L	
Licence	Licence series MG No. 253-D (Oil) issued to 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).

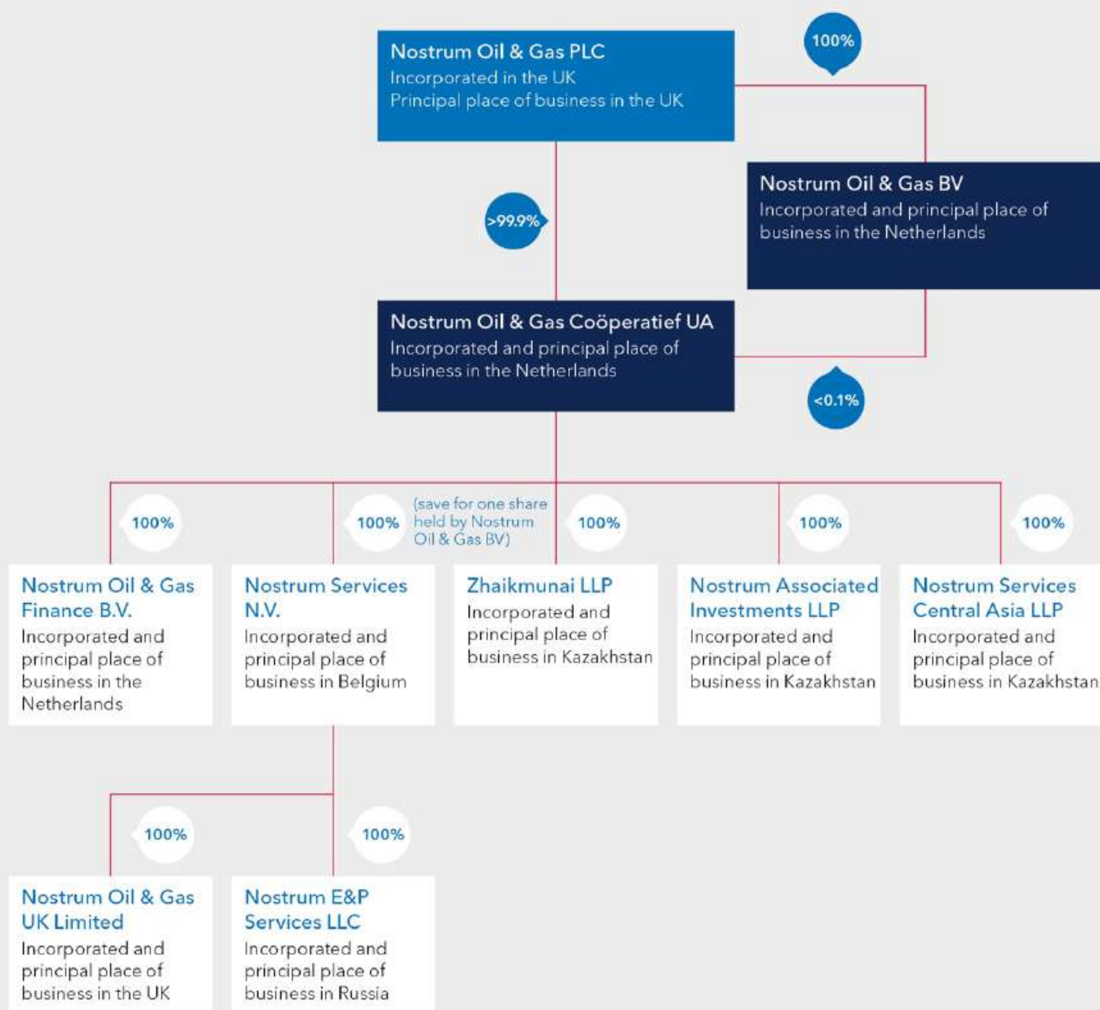
liquids	A sales product in liquid form produced as a result of further processing by the onshore plant; for example, condensate and LPG.
LNG	Liquefied natural gas. Comprises mainly methane.
Listing Rules	The listing rules made by the Financial Services Authority (FSA) under section 73A of the FSMA.
LSE	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.
NED or Non-Executive Director	A non-executive director of Nostrum Oil & Gas PLC.
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”.
UOG	Ural Oil & Gas LLP.
UK Corporate Governance Code	Set of principles of good corporate governance for listed companies promulgated by the UK Financial Reporting Council.
W	
well	A hole drilled to test an unknown reservoir or to produce from a known reservoir.
wellhead	The wellhead includes the forged or cast steel fitting on top of a well (welded or bolted to the top of the surface casing), as well as casingheads, tubingheads, Christmas tree, stuffing box and pressure gauges.
work programme	A schedule of works agreed between parties (permit holders, farmees and government) contracted to be delivered in a defined timeframe.
workover	Routine maintenance or remedial operations on a producing well in order to maintain, restore or increase production.
WUP or Water Use Permit	The permit granted by the relevant government authority with respect to water use pursuant to the Water Code.

Group structure chart as at 31 December 2020

Nostrum Group structure chart as at 31 December 2020



Apart from the external debt held by Nostrum Oil & Gas Finance B.V, the contribution and results of Nostrum Oil & Gas PLC and all of its subsidiaries (other than Zhaikmunai LLP) to the KPIs and results of the Group were insignificant. Except as stated above, there are no minority shareholdings.

There are currently a number of intermediary companies between the Partnership and its parent, Nostrum Oil & Gas PLC. The corporate structure of the Group is continually reviewed and simplifications to the structure are made from time to time, if considered in the best interests of the Group.

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 www.nog.co.uk.

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 33-35.

Executive management of the Partnership

The executive management of the Partnership comprises the General Director, Zhomart Darkeyev. There is no supervisory board of the Partnership. There are no board committees of the Partnership.

Zhomart Darkeyev

• General Director of the Partnership
• Date of Birth: 01.01.1966
• Nationality: Kazakh
• Positions held (chronological order), spheres of activity:
• Appointed as Administrative Director of the Partnership on 1 March 2008 and as General Director of the Partnership on 14 November 2016

Skills and experience:

Previously worked for Derkl Oil & Gas drilling as assistant driller and for Kazakhgas State Holding Company as a leading reservoir engineer.

At the Partnership, Mr Darkeyev has held the positions of Assistant General Director, Chief Administrative Manager, Engineer Manager and Deputy General Manager.

- Graduate of Furmanov Secondary School with further education completed at the Ivano-Frankivsk Institute of Oil and Gas with a specialisation in drilling of oil and gas wells.
- Mr Darkeyev holds no shares or other interests in the Partnership or any of its affiliates.

Information on executive management remuneration:

Mr Darkeyev's total compensation for 2020 was 88,249,904 KZT (comprising his basic compensation net of personal income tax and pension contributions). No performance related bonuses were paid in 2020.

The Partnership made pension contributions of 2,550,000 KZT in 2020 in respect of Mr Darkeyev.

Returns to holders of the Partnership's participatory interests

The Partnership is a subsidiary within the Group, and the main operating subsidiary within the Group. The Partnership periodically make 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 2018, 2019 and 2020.

As there are no shares in the Partnership, there is no requirement to publish earnings per share or book value per share.

Auditor’s report and financial statements

Zhaikmunai LLP

Financial statements

For the year ended 31 December 2020

Contents

Independent auditor's report

Financial statements

Statement of financial position 2
Statement of comprehensive income 3
Statement of cash flows 4
Statement of changes in equity 5
Notes to the financial statements 6
1. General 6
2. Basis of preparation 7
3. Changes in accounting policies and disclosures 8
4. Summary of significant accounting policies 10
5. Exploration and evaluation assets 19
6. Property, plant and equipment 19
7. Right-of-use assets 21
8. Advances for non-current assets 21
9. Inventories 22
10. Prepayments and other current assets 22
11. Trade receivables 22
12. Cash and cash equivalents 22
13. Partnership capital and reserves 23
14. Borrowings 23
15. Lease liabilities 24
16. Abandonment and site restoration provision 25
17. Due to government of Kazakhstan 25
18. Trade payables 25
19. Other current liabilities 26
20. Revenue 26
21. Cost of sales 26
22. General and administrative expenses 26
23. Selling and transportation expenses 27
24. Taxes other than income tax 27
25. Finance costs 27
26. Other expenses 27
27. Income tax 27
28. Related party transactions 28
29. Contingent liabilities and commitments 29
30. Financial risk management objectives and policies 30
31. Events after the reporting period 32

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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 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2020 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), and we have fulfilled our other ethical responsibilities in accordance with 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, Note 6 and Note 16.	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.
- analyzed if the recognition of the downward revision in 2P reserves in the current year indicates bias towards overstating reserves estimates in the previous year, through understanding the factors that led to the change in the estimate.
- 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 reduction in the Company's reserves estimates and oil price volatility in 2020, there was a significant risk of further impairment to that recorded in 2019. We focused on this matter due to the significance of the carrying value of the assets being assessed, 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.

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

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 management's 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.

Impairment charge in 2020 of $256 million was recorded (2019: $1,355 million).

Note 4 to the financial statements describes the significant accounting policies and Note 6 describes the details of oil & gas assets.

- 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.
- assessed the valuation methodology for estimating the recoverable amount; specifically the value attributed to the contingent resources and the opportunity to fill the spare capacity of the Company's infrastructure.
- 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. We 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.

- assessed the financial statement disclosures.

Other information included in the Company's 2020 Annual Report

Other information consists of the information included in the Company's 2020 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2020 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.

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.

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.

Paul Cohn
Audit Partner

Kairat Medetbayev
Auditor

Auditor qualification certificate
№МФ-0000137 dated 8 February 2013

Rustamzhan Sattarov
General Director
Ernst and 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

27 April 2021

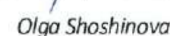
Statement of financial position

In thousands of US Dollars	Notes	**31 December 2020**	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment, net	6	**339,406**	661,185
Right of use assets	7	**2,755**	6,875
Advances for non-current assets	8	**590**	1,368
Restricted cash	7	**7,713**	7,620
		350,464	677,048
Current assets			
Inventories	9	**28,805**	35,849
Prepayments and other current assets	10	**9,180**	10,609
Trade receivables	11	**13,540**	31,239
Cash and cash equivalents	12	**12,511**	13,716
		64,036	91,413
TOTAL ASSETS		**414,500**	768,461
Equity and liabilities			
Capital and reserves	13		
Partnership capital		**4,112**	4,112
Other reserves		**32,586**	32,586
Accumulated losses and reserves		**(845,518)**	(516,791)
		(808,820)	(480,093)
Non-current liabilities			
Long-term borrowings	14	**1,134,979**	1,100,573
Long-term finance guarantee	14	**1,559**	2,887
Long-term lease liability	15	**35**	641
Abandonment and site restoration provision	16	**28,936**	27,502
Due to Government of Kazakhstan	17	**4,832**	5,070
Deferred tax liability	27	**4,712**	40,924
		1,175,053	1,177,597
Current liabilities			
Current portion of long-term borrowings	14	**11,125**	4,013
Current portion of finance guarantee	14	**1,594**	1,594
Current portion of lease liability	15	**2,790**	6,735
Trade payables	18	**8,100**	29,395
Advances received		**186**	335
Current portion of due to Government of Kazakhstan	17	**1,031**	1,031
Other current liabilities	19	**23,441**	27,854
		48,267	70,957
TOTAL EQUITY AND LIABILITIES		**414,500**	768,461

General Director of Zhaikmunai LLP

Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP



Olga Shoshinova

The accounting policies and explanatory notes on pages 6 through 32 are an integral part of these financial statements

Statement of comprehensive income

In thousands of US Dollars	Notes	For the year ended 31 December 2020	2019
Revenue			
Revenue from export sales		**140,843**	218,511
Revenue from domestic sales		**35,096**	103,617
	20	**175,939**	322,128
Cost of sales	21	**(126,308)**	(174,204)
Gross profit		**49,631**	147,924
General and administrative expenses	22	**(6,892)**	(12,658)
Selling and transportation expenses	23	**(31,150)**	(46,362)
Taxes other than income tax	24	**(14,112)**	(22,930)
Finance costs	25	**(103,756)**	(46,747)
Impairment charge	4	**(256,386)**	(1,352,173)
Foreign exchange (loss) / gain, net		**(1,123)**	804
Interest income		**253**	86
Other income		**5,620**	8,411
Other expenses	26	**(6,885)**	(13,001)
Loss before income tax		**(364,800)**	(1,336,646)
Current income tax expense		**(139)**	(3,024)
Deferred income tax benefit		**36,212**	354,300
Income tax benefit	27	**36,073**	351,276
Loss for the year		**(328,727)**	(985,370)
Other comprehensive income for the year		**–**	–
Total comprehensive loss for the year		**(328,727)**	(985,370)

General Director of Zhaikmunai LLP — Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP — Olga Shoshinova

The accounting policies and explanatory notes on pages 6 through 32 are an integral part of these financial statements

Statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December 2020	2019
Cash flow from operating activities:			
Loss before income tax		**(364,800)**	(1,336,646)
Adjustments for:			
Depreciation, depletion and amortisation	21,22,23	**89,660**	143,077
Finance costs	25	**103,756**	46,747
Interest income		**(253)**	(86)
Impairment charge	4	**256,386**	1,352,173
Foreign exchange (gain)/loss on investing and financing activities		**(1,007)**	253
Loss on disposal of property, plant and equipment		**532**	116
Finance guarantee gain	14	**(1,328)**	(1,224)
Provision for doubtful debts		**40**	–
(Reversed) / accrued liabilities		**(328)**	3,934
Operating profit before working capital changes		**82,658**	208,344
Changes in working capital:			
Change in inventories		**7,044**	(6,265)
Change in trade receivables		**17,699**	4,493
Change in prepayments and other current assets		**1,389**	6,136
Change in trade payables		**(12,225)**	4,962
Change in advances received		**(149)**	(59)
Change in due to Government of Kazakhstan		**(1,031)**	(1,030)
Change in other current liabilities		**(4,171)**	(979)
Cash generated from operations		**91,214**	215,602
Income tax paid		**(1,031)**	(3,481)
Net cash flows from operating activities		**90,183**	212,121
Cash flow from investing activities:			
Interest received		**253**	86
Purchase of property, plant and equipment		**(26,501)**	(126,721)
Exploration and evaluation works		**(182)**	(983)
Advances for non-current assets		**778**	11,310
Net cash used in investing activities		**(25,652)**	(116,308)
Cash flow from financing activities:			
Finance costs paid	14	**(94,770)**	(100,647)
Payment of principal portion of lease liabilities		**(5,064)**	(14,831)
Finance charges on lease liabilities		**(354)**	(2,712)
Transfer to restricted cash		**(177)**	(599)
Proceeds from borrowings	14	**34,200**	29,650
Net cash used in financing activities		**(66,165)**	(89,139)
Effects of exchange rate changes on cash and cash equivalents		**429**	(17)
Net (decrease) / increase in cash and cash equivalents		**(1,205)**	6,657
Cash and cash equivalents at the beginning of the year		**13,716**	7,059
Cash and cash equivalents at the end of the year	12	**12,511**	13,716

General Director of Zhaikmunai LLP — *Zhomart Dapkeev*

Chief Accountant of Zhaikmunai LLP — *Olga Shoshinova*

The accounting policies and explanatory notes on pages 6 through 32 are an integral part of these financial statements

Statement of changes in equity

In thousands of US Dollars	Partnership capital	Other reserves	Retained earnings/ (Accumulated losses)	Total
As at 1 January 2019	**4,112**	**32,586**	**468,579**	**505,277**
Loss for the year	–	–	(985,370)	(985,370)
Total comprehensive loss for the year	–	–	(985,370)	(985,370)
As at 31 December 2019	**4,112**	**32,586**	**(516,791)**	**(480,093)**
Loss for the year	–	–	(328,727)	(328,727)
Total comprehensive loss for the year	–	–	(328,727)	(328,727)
As at 31 December 2020	**4,112**	**32,586**	**(845,518)**	**(808,820)**

General Director of Zhaikmunai LLP — Zhomart Darkeev

Chief Accountant of Zhaikmunai LLP — Olga Shoshinova

The accounting policies and explanatory notes on pages 6 through 32 are an integral part of these financial statements

Notes to the financial statements

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.

On 28 February 2014 the Partnership acquired in a transaction under common control 1,000 ordinary shares of Nostrum Oil & Gas Finance B.V., representing 100% of its charter capital, from Nostrum Oil & Gas B.V. (formerly known as Zhaikmunai Netherlands B.V.), an entity under control of a common parent. In 2014 the Partnership sold 100% interest in its dormant subsidiaries Zhaikmunai Finance B.V., Zhaikmunai International B.V. and Nostrum Oil & Gas Finance B.V. to Nostrum Oil & Gas B.V.

On 28 December 2018, the Partnership acquired 100% interest in Atom&Co LLP for cash consideration of US$ 1.7 million for the main purpose of gaining control over the administrative office in Uralsk. This transaction has been accounted as an asset acquisition, which was under finance lease with this entity (Note 28).

On 20 August 2019, the Partnership merged with Atom & Co LLP, its single subsidiary. Therefore, comparative financial information for the year ended 31 December 2019 presented in these financial statements are prepared on consolidated basis under IFRS 10 Consolidated financial statements and include net assets of Atom & Co LLP for the pre-merger period when it was a subsidiary of the Partnership. Subsequent to the merger the Partnership does not have any subsidiaries and, therefore, no longer applies IFRS 10 Consolidated financial statements.

The Partnership's operations comprise of a single operating segment and 1 (one) additional exploration concession located in Kazakhstan.

The Partnership does not have an ultimate controlling party. 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 27 April 2021.

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.

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 term of the Chinarevskoye subsoil use rights originally included a 5-year exploration period and a 25-year production period. Subsequently the exploration period for the Bobrishovskiy reservoir was extended to 26 August 2018, which was followed by production period.

The contract for exploration and production of hydrocarbons from Rostoshinskoye field dated 8 February 2008 originally included a 3-year exploration period and a 12-year production period. On 16 August 2019, the contract was amended so as to adopt the terms of the current model contract and the exploration period was extended until 16 August 2022.

The contract for exploration and production of hydrocarbons from Darjinskoye field dated 28 July 2006 originally included a 6-year exploration period and a 19-year production period. Subsequently, the exploration period was extended until 31 December 2021. In October 2020, the rights and obligations related to the Darjinskoye field were disposed of to a third party.

The contract for exploration and production of hydrocarbons from Yuzhno-Gremyachinskoye field dated 28 July 2006 originally included a 5-year exploration period and a 20-year production period. Subsequently, the exploration period was extended until 31 December 2021. In October 2020, the rights and obligations related to the Yuzhno-Gremyachinskoye field were disposed of to a third party.

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.

Notes to the financial statements (continued)

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 year ended 31 December 2020 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, except for certain financial instruments which are carried at fair value as stated in the accounting policies (Note 4). The financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

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. In addition, since April 2020, the Group has performed monthly sensitivity tests of its liquidity position for changes in product prices, production volumes and any other significant variables. Whilst looking for new opportunities to fill the spare capacity of the Group's infrastructure, the Directors are also focused on a range of actions aimed at improving the liquidity outlook in the near-term. These include efforts to restructure the Group's US$725 million 8.0% Senior Notes due July 2022 and/or its US$400 million 7.0% Senior Notes due February 2025 (the 'Notes'), as well as further cost optimization to reduce capital expenditures, operating costs and general and administration cost.

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

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

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

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

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

The Forbearance Agreement is subject to certain conditions, including:
- Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
- The opening of a secured account into which a portion of the missed interest payments was paid. At the date of these financial statements, the full amount of US$21,541,990 required by the Forbearance Agreement has been transferred into secured account and is treated as restricted cash. The amount transferred as at 31 December 2020 was US$12,900,000;

Notes to the financial statements (continued)

- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Group where certain defined matters are to be discussed;
- The engagement of certain professional and technical advisors on behalf of the AHG;
- The observance by the Parent and its subsidiaries of certain operating and other restrictions and limitations; and
- The provision of certain financial and operating information to the advisors of the AHG.

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

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

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

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

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

Therefore, in forming an assessment on the Group's ability to continue as a going concern, the Board has made significant assumptions about:

- A restructuring of the Notes being agreed with the AHG and subsequently with sufficient bondholders consistent with the preliminary restructuring terms discussed with the advisors to the AHG, that is affordable for the Group through the going concern period to 30 June 2022. Should the Group be unable to reach an agreement with the AHG by the end of the forbearance period, then bondholders may seek to enforce their rights under the bond indentures, including accelerating the Notes' obligations as a result of the missed interest payments; and
- If agreement is reached with the bondholders, AHG and subsequently with sufficient bondholders, the Group being able to obtain the necessary permissions and waivers. Specifically, the Group may need to obtain permission for the proposed restructuring from its shareholders and will need to obtain permission for the restructuring and secure a waiver from the Government of the Republic of Kazakhstan. If agreement is reached with the bondholders but the Group is unable to obtain the necessary approvals and waivers, then the agreement with bondholders may not be implementable.

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

After careful consideration of these material uncertainties, and on the basis that a restructuring of the Notes to an affordable level is increasingly likely, the Directors are satisfied that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2022, a period of not less than 12 months from the date of publication of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the financial statements. Accordingly, the financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and therefore 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 2022, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. In the event that the Group is unable successfully to restructure its Notes, then under all reasonable assumptions the Group will be unable to meet its US$725m debt liability due in July 2022.

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 2020. The Partnership has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the financial statements (continued)

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Partnership, but may impact future periods should the Partnership enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Partnership as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Partnership.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Partnership.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Partnership.

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 1: Classification of Liabilities as Current or Non-current

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Partnership is currently assessing the impact the amendments will have on current practice and whether existing borrowing agreements will be renegotiated.

Reference to the Conceptual Framework – Amendments to IFRS 3

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

Notes to the financial statements (continued)

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.

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.

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

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

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

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

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The 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.

4. Summary of significant accounting policies

Exploration expenditure

Costs directly associated with exploration wells are capitalised within exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials, fuel used, rig costs, payments made to contractors and asset retirement obligation fees.

Notes to the financial statements (continued)

Significant estimates and assumptions: Exploration expenditure

If hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery, which is subject to estimation uncertainties. When this is no longer the case, the costs are written off.

Subsoil use rights acquisition costs are initially capitalised in exploration and evaluation assets. Subsoil use rights acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the subsoil use rights have been relinquished or have expired, the carrying value of the subsoil use rights acquisition costs is written off through profit or loss.

The Partnership owns the Rostoshinskoye licence in the Western Kazakhstan region, where the exploration periods will expire on 16 August 2022. More detailed information on the subsoil use rights terms is disclosed in Note 1.

Property, plant and equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalised within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligations, if any.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments. All capitalised costs of oil and gas properties are depleted using the unit-of-production method based on estimated proved developed reserves of the field, except the 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 2020 was 39 mmboe requiring 16 interventions (2019: 138.1mmboe requiring 45 interventions). The reduction of 99.2 mmboe was due to generally lower Type Well volumes, reduced hydrocarbon pricing rendering some previously planned wells uneconomic, as well as production of 8.1 mmboe in 2020.

The field development plan assumed in the estimations did not take into account any restructuring or repayment of the 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.

Notes to the financial statements (continued)

Further downward revision of the proved developed reserves estimates by 5% would lead to additional DD&A expense of $1,211 thousand in Q4 2020.

Estimates of economically recoverable oil and gas reserves and related future net cash flows also impact the impairment assessment of the 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 6.

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

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 6.

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 and exploration fields as well as facilities. This is mainly based on the fact that hydrocarbons extracted from the Chinarevskoye field are processed and passed through a combination of various facilities, and in the future it is expected that hydrocarbons from other fields and external parties would pass through same set 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

Notes to the financial statements (continued)

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$50/bbl for 2021, and US$55/bbl throughout 2021-2032 (2019: US$45/bbl for 2020, US$50/bbl for 2021, US$55/bbl for 2022, and US$60/bbl for 2023-2032);
- Proved and probable hydrocarbon reserves confirmed by independent reserve engineers;
- Contingent resources as confirmed by independent reserve engineers split into risk categories for valuation purposes;
- Production profiles based on 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 8.0% (2019: 10.5%);

The Partnership identified indicators of impairment resulting from the further significant reduction of the 2P reserves as disclosed above in the significant estimates and assumptions related to oil and gas reserves.

The CGUs recoverable amount was estimated, and compared to its carrying amount, and a further impairment charge on oil and gas assets in the amount of US$256,207 thousand was recorded as at 31 December 2020, in addition to the US$1,301,640 thousand and US$117,575 thousand impairment charge recognized in 2019 and 2018, respectively. Following a consistent approach, the impairment charge in 2020 has been allocated between working oil & gas assets (Note 6), construction in progress (Note 6) and other property, plant and equipment (Note 6) proportionate to their carrying amounts at 31 December 2020, resulting in the recoverable amount of property, plant and equipment of US$339,406 thousand (2019: US$661,185 thousand), equalling its recoverable amount.

The impairment charge has been allocated as follows:

	For the year ended 31 December	
In thousands of US Dollars	**2020**	2019
Working oil and gas assets	**223,695**	1,169,828
Construction in progress	**27,031**	106,825
Other property, plant and equipment	**5,481**	24,987
	256,207	1,301,640
Exploration and evaluation assets	**179**	50,533
Exploration and evaluation related VAT assets	**–**	2,478
	256,386	1,354,651

Considering the significant volatilities in oil prices over the past 12 months, the Group has analysed the sensitivity of the recoverable amount to a scenario where the oil price decrease by US$10/bbl throughout the license period and noted that this would result in a further impairment charge of US$ 103,892 thousand. Additionally, further downgrades of reserves by 10%, or an increase in the post-tax discount rate by 3.5% would lead to US$125,278 thousand and US$62,417 thousand additional impairment charge, respectively, while increase in operating costs by 10% throughout the license period would lead to further impairment charge of US$50,963 thousand.

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.

More detailed information related to carrying values of oil and gas properties and related depreciation, depletion, amortisation and impairment are shown in Note 6.

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.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

For more detailed information on current and deferred income tax disclosure as at 31 December 2020 and 2019, please see Note 27.

Significant accounting judgment: taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2020.

The 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 2020 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 27.

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 6.

Advances for non-current assets

Advances paid for capital investments/acquisition of non-current assets are qualified as advances for non-current assets regardless of the period of supplies of relevant assets or the supply of work or services to close advances. Advances paid for the purchase of non-current assets are recognised by the 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 8.

Inventories

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

For more information in relation to the breakdown of inventories as at 31 December 2020 and 2019, please see Note 9.

Other current liabilities

The 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.

Notes to the financial statements (continued)

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 29, unless the possibility of an outflow of resources embodying economic benefits is remote.

Significant accounting judgment: provisions and contingencies

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

Significant management judgment is required to evaluate any claims and actions to determine whether a provision relating to a specific litigation should be recognized or revised, or a contingent liability is required to be disclosed, since the outcome of litigation is difficult to predict.

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 applicable real rate.

The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas properties. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit-of-production basis.

The 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 16.

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

Notes to the financial statements (continued)

public expectations. As a result, there could be significant adjustments to the provisions established which would affect future financial results. For more details on abandonment and site restoration provision please refer to Note 16.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The 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.

Notes to the financial statements (continued)

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.

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 14.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of 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.

Notes to the financial statements (continued)

Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover decommissioning obligations or as required by the forbearance agreement.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

For more detailed information in relation to cash and cash equivalents as at 31 December 2020 and 2019, please see Note 12.

Revenue recognition

The 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. Exploration and evaluation assets

As at 31 December 2020 and 31 December 2019 exploration and evaluation assets comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Subsoil use rights	**3,414**	15,835
Expenditures on geological and geophysical studies	**8,651**	34,698
Impairment	**(12,065)**	(50,533)
	–	–

During the year ended 31 December 2020 the Partnership had additions to exploration and evaluation assets of US$245 thousand which mainly includes capitalised social and training commitment expenditures (2019: US$920 thousand offset with derecognition of the capitalised social expenditures US$628 thousand in the view of the amendments to the subsoil agreement for Rostoshinskoye field). Interest was not capitalised on exploration and evaluation assets.

During the year ended 31 December 2020, the Partnership has written-off accumulated costs in the amount of US$ 179 thousand against respective impairment in relation to certain exploration and evaluation works on Rostoshinskoye field.

In October 2020, the rights and obligations under the Darjinskoye and Yuzhno-Gremyachinskoye contracts for exploration and production of hydrocarbons were disposed of to a third party. The exploration and evaluation costs related to these fields and corresponding impairment balances have been derecognized at the date of disposal with no effect on the profit and loss for the period.

6. Property, plant and equipment

As at 31 December 2020 and 31 December 2019 property, plant and equipment comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Oil and gas properties	**332,145**	648,495
Other property, plant and equipment	**7,261**	12,690
	339,406	661,185

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 2020 and 2019 was as follows:

In thousands of US Dollars	Working assets	Construction in progress	Total
Balance at 1 January 2019, net of accumulated depreciation, depletion and impairment	**1,083,317**	**803,527**	**1,886,844**
Additions	15,044	156,405	171,449
Transfers	839,331	(842,083)	(2,752)
Disposals	(90)	–	(90)
Disposals depreciation	41	–	41
Depreciation and depletion charge	(130,344)	–	(130,344)
Impairment charge	(1,169,828)	(106,825)	(1,276,653)
Impairment transfers	(43,234)	43,234	–
Balance at 31 December 2019, 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 transfers	(60,923)	61,042	119
Impairment charge	(223,695)	(27,031)	(250,726)
Balance at 31 December 2020, net of accumulated depreciation, depletion and impairment	**296,336**	**35,809**	**332,145**
As at 31 December 2018			
Cost	1,961,397	803,527	2,764,924
Accumulated depreciation, depletion and impairment	(878,080)	–	(878,080)
Balance, net of accumulated depreciation, depletion and impairment	**1,083,317**	**803,527**	**1,886,844**
As at 31 December 2019			
Cost	2,883,423	167,684	3,051,107
Accumulated depreciation, depletion and impairment	(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	115,224	3,069,115
Accumulated depreciation, depletion and impairment	(2,657,555)	(79,415)	(2,736,970)
Balance, net of accumulated depreciation, depletion and impairment	**296,336**	**35,809**	**332,145**

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

The depletion rate for oil and gas working assets was 15.39%% and 12.04% in 2020 and 2019, respectively. The Partnership engaged independent petroleum engineers to perform a reserves audit as at 31 December 2020. Depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the long-term inflation rate and discount rate used to determine the abandonment and site restoration provision (Note 16) in the year ended 31 December 2020 resulted in the increase of the oil and gas properties by US$ 1,537 thousand (31 December 2019: an increase of US$ 4,354 thousand). The Partnership incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Borrowing costs including amortisation of arrangement fee	**102,877**	100,220
Capitalisation rate	**9.26%**	9.32%
Capitalised borrowing costs	**426**	55,691

As at 31 December 2020 the Partnership's property, plant and equipment of US$ 219,501 thousand were pledged as security for the loans due to Nostrum Oil & Gas Finance B.V. (Note 14) (31 December 2019: US$ 229,176 thousand).

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 2019, net of accumulated depreciation, depletion and impairment	**28,082**	**3,994**	**643**	**6,699**	**39,418**
Additions	–	564	–	1,231	1,795
Transfers	135	25	–	2,592	2,752
Disposals	(33)	(68)	(16)	(466)	(583)
Disposals depreciation	33	26	7	450	516
Depreciation	(3,867)	(1,087)	(142)	(1,125)	(6,221)
Impairment charge	(16,147)	(2,291)	(326)	(6,223)	(24,987)
Balance at 31 December 2019, net of accumulated depreciation 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)	(24)	(275)	(1,269)
Impairment transfers	–	–	–	(119)	(119)
Impairment charge	(3,226)	(841)	(61)	(1,353)	(5,481)
Balance at 31 December 2020, net of accumulated depreciation and impairment	**4,222**	**1,115**	**81**	**1,843**	**7,261**
As at 31 December 2018					
Cost	50,602	20,410	1,566	14,881	87,459
Accumulated depreciation	(22,520)	(16,416)	(923)	(8,182)	(48,041)
Balance, net of accumulated depreciation and impairment	**28,082**	**3,994**	**643**	**6,699**	**39,418**
As at 31 December 2019					
Cost	49,598	20,931	1,551	18,239	90,319
Accumulated depreciation and impairment	(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 and impairment	(45,027)	(20,555)	(1,470)	(16,596)	(83,648)
Balance, net of accumulated depreciation and impairment	**4,222**	**1,115**	**81**	**1,843**	**7,261**

7. Right-of-use assets

In thousands of US Dollars	Machinery & equipment	Vehicles	Total
Balance at 1 January 2019, net of accumulated depreciation	**26,825**	**7,359**	**34,184**
Modification of lease agreements	(1,467)	(16)	(1,483)
Termination of lease agreements	(10,086)	–	(10,086)
Depreciation	(12,089)	(3,651)	(15,740)
Balance at 1 January 2020, 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**
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**

The right-of-use assets are recognized for leases of vehicles and railway cars based on the amount equal to the lease liabilities. See Note 15 for lease liabilities.

Notes to the financial statements (continued)

8. Advances for non-current assets

As at 31 December 2020 and 31 December 2019 advances for non-current assets comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Advances for construction services	**480**	441
Advances for pipes and construction materials	**110**	927
	590	1,368

9. Inventories

As at 31 December 2020 and 31 December 2019 inventories comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Spare parts and other inventories	**23,735**	23,500
Gas condensate	**2,907**	8,446
Crude oil	**2,018**	3,650
LPG	**69**	112
Dry Gas	**63**	67
Sulphur	**13**	74
	28,805	35,849

As at 31 December 2020 and 31 December 2019 inventories are carried at cost.

For the purpose of these financial statements the Partnership presents "Sulphur" as a separate line within Inventories. Previously, the "Sulphur" balances were included in "Spare parts and other inventories".

10. Prepayments and other current assets

As at 31 December 2020 and 31 December 2019 prepayments and other current assets comprised the following:

In thousands of US Dollars	**31 December 2020**	31 December 2019
VAT receivable	**4,521**	2,732
Advances paid	**2,781**	5,357
Other taxes receivable	**1,502**	1,713
Other	**376**	807
	9,180	10,609

Advances paid consist primarily of prepayments made to service providers. As at 31 December 2020, there were no impaired advances paid (31 December 2019: US$1,751 thousand). In 2020 the advances paid in amount of US$1,751 thousand were fully written off against the impairment provision made in 2018.

There were no other movements in the provision for impairment of advances paid during the years ended 31 December 2020 and 2019.

11. Trade receivables

As at 31 December 2020 and 31 December 2019 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Their average collection period is 30 days.

As at 31 December 2020 and 31 December 2019 there were neither past due nor impaired trade receivables. Based on the assessments made, the Partnership concluded that no provision for expected credit losses should be recognized as at 31 December 2020 and 31 December 2019.

12. Cash and cash equivalents

In thousands of US Dollars	**31 December 2020**	31 December 2019
Current accounts in US Dollars	**9,980**	12,954
Current accounts in Tenge	**2,527**	712
Current accounts in other currencies	**–**	45
Petty cash	**4**	5
	12,511	13,716

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$446 thousand with Sberbank in Kazakhstan and US$ 7,267 thousand with Halyk bank (31 December 2019: US$805 thousand and US$ 6,815 thousand, respectively), which is kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Partnership.

Notes to the financial statements (continued)

13. Partnership capital and reserves

The charter capital of the Partnership was formed in tenge and amounted to tenge 600 thousand, equivalent to US$ 4 thousand as at 31 December 2013. As at 31 December 2013, the shares of Nostrum Associated Investments LLP and Claydon Industrial Ltd in the charter capital of the Partnership constituted 55% and 45%, respectively, equivalent to US$ 2.2 thousand and US$ 1.8 thousand, respectively.

On 23 May 2014, Nostrum Oil & Gas Coöperatief U.A. made a contribution to the charter capital of the Partnership in the amount of 749,400 thousand tenge, equivalent to US$ 4,108 thousand.

On 21 April 2016 Zhaikmunai LLP bought back the 0.036% interest in the Partnership formerly held by Claydon Industrial Limited for US$ 220 thousand and the 0.044% interest formerly held by Nostrum Associated Investments LLP for KZT 92,526 thousand (equivalent to US$ 274 thousand).

On 30 June 2016 the Partnership sold the repurchased interest of 0.08% to Nostrum Oil & Gas Coöperatief U.A. for US$ 640 thousand. The surplus on the sale was recorded in other reserves. As the result of the transactions Nostrum Oil & Gas Coöperatief U.A. became the sole participant of the Partnership.

14. Borrowings

Borrowings are comprised of the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Notes issued in 2012 and maturing 2033	**559,820**	559,714
Notes issued in 2014 and maturing in 2033	**399,472**	399,372
Nostrum Oil & Gas Finance B.V.	**186,812**	145,500
	1,146,104	1,104,586
Less amounts due within 12 months	**(11,125)**	(4,013)
Amounts due after 12 months	**1,134,979**	1,100,573

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. 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 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

On 25 July 2017, Nostrum Oil & Gas Finance B.V., an indirect wholly-owned subsidiary of Nostrum Oil & Gas PLC, issued US$ 725,000 thousand notes (the "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 2020, the Partnership recognised guarantee gain in the amount of US$ 1,059 thousand and the outstanding balance as at 31 December 2020 of the guarantee, both current and non-current totaled US$ 1,829 thousand (31 December 2019: US$ 2,888 thousand).

Guarantee of 2018 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. issued US$ 400,000 thousand notes (the "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 2020, the Partnership recognized guarantee gain in the amount of US$ 269 thousand and the outstanding balance as at 31 December 2020 of the guarantee, both current and non-current totaled US$ 1,324 thousand (31 December 2018: US$ 1,658 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 Frans van der Schoot B.V. 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.

The outstanding balance of the loan as at 31 December 2020 has an interest rate of 6.625% (31 December 2019: 6.625%).

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. During the year ended 31 December 2020 the Partnership received additionally borrowed US$ 34,200 thousand from Nostrum Oil & Gas Finance B.V. in several instalments.

Changes in borrowings arising from financing activities are as follows:

In thousands of US Dollars	1 January 2020	**Cash inflows**	**Cash outflows**	**Borrowing costs including amortisation of arrangement 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**

In thousands of US Dollars	1 January 2019	**Cash inflows**	**Cash outflows**	**Borrowing costs including amortisation of arrangement fees**	**Finance charges under leases**	**Modification and termination of leases**	**Other**	**31 December 2019**
Long-term borrowings	1,070,736	29,650	–	187	–	–	–	1,100,573
Current portion of long-term borrowings	4,627	–	(100,647)	100,033	–	–	–	4,013
Long-term lease liability	16,216	–	–	–	–	(11,997)	(3,578)	641
Current portion of long-term lease liability	17,968	–	(17,543)	–	2,732	–	3,578	6,735
	1,109,547	**29,650**	**(118,190)**	**100,220**	**2,732**	**(11,997)**	**–**	**1,111,962**

15. Lease liabilities

In thousands of US Dollars	**31 December 2020**	31 December 2019
Lease liability as at 1 January	**7,376**	34,184
Modification of lease agreements	**513**	(1,483)
Termination of lease agreements	**–**	(10,514)
Finance charges	**354**	2,732
Paid during the period	**(5,418)**	(17,543)
	2,825	7,376
Less amounts due within 12 months	**(2,790)**	(6,735)
Amounts due after 12 months	**35**	641

The lease liabilities are recognized for leases of vehicles, drilling rigs, and railway cars previously classified as operating leases, service expenses or finance lease under IAS 17. The lease liability was recognized based on the future rentals as determined under IFRS 16. See Note 7 for right-of-use-assets.

In 2019, as a result of the early termination of the drilling rigs lease agreements the relevant right-of-use assets and respective lease liabilities were derecognized with net result reflected within profit and loss. In 2020 extension of the lease of railway cars has been recognized as additional right-of-use assets and respective lease liabilities in the amount of US$2,370 thousand were added (Note 7). Also, in 2020 there were modifications of the vehicle lease agreements which led to decrease in the relevant right-of-use assets and respective lease liabilities in the amount of US$1,857 thousand (Note 7).

The total cash outflows in respect of the Partnership's lease arrangements was US$5,418 thousand for the year ended 31 December 2020 (2019: US$17,684 thousand).

Notes to the financial statements (continued)

16. Abandonment and site restoration provision

The summary of changes in abandonment and site restoration provision during years ended 31 December 2020 and 2019 is as follows:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Abandonment and site restoration provision as at 1 January	**27,502**	21,894
Unwinding of discount	**158**	164
Additional provision	**115**	1,100
Provision used	**–**	(10)
Provision disposed	**(376)**	–
Change in estimates	**1,537**	4,354
Abandonment and site restoration provision as at 31 December	**28,936**	27,502

Management made its estimate based on the assumption that cash flow will take place at the expected end of the subsoil use rights in 2033. There are uncertainties in estimation of future costs as Kazakh laws and regulations concerning site restoration evolve.

The real discount rate used to determine the abandonment and site restoration provision at 31 December 2020 was 0.98% (31 December 2019: inflation and discount rates of 1.9% and 2.49%, respectively).

The change in the long-term inflation rate and discount rate in the year ended 31 December 2020 resulted in the increase of the abandonment and site restoration provision by US$ 1,537 thousand (31 December 2019: the increase by US$4,354 thousand).

17. Due to government of Kazakhstan

The amount due to Government of the Republic of Kazakhstan has been recorded to reflect the present value of a liability in relation to the expenditures made by the Government in the time period prior to signing the Contract that were related to exploration of the Contract territory and the construction of surface facilities in fields discovered therein and that are reimbursable by the Group to the Government during the production period. The total amount of liability due to Government as stipulated by the Contract is US$ 25,000 thousand.

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

The summary of the changes in the amounts due to Government of Kazakhstan during the years ended 31 December 2020 and 31 December 2019 is as follows:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Due to Government of Kazakhstan as at 1 January	**6,101**	6,311
Unwinding of discount	**793**	820
Paid during the year	**(1,031)**	(1,030)
	5,863	6,101
Less: current portion of due to Government of Kazakhstan	**(1,031)**	(1,031)
Due to Government of Kazakhstan as at 31 December	**4,832**	5,070

18. Trade payables

Trade payables comprise the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Tenge denominated trade payables	**4,295**	15,292
Euro denominated trade payables	**2,023**	4,325
US Dollar denominated trade payables	**1,776**	9,646
Russian Rouble denominated trade payables	**6**	132
	8,100	29,395

Notes to the financial statements (continued)

19. Other current liabilities

Other current liabilities comprise the following as at 31 December 2020 and 31 December 2019:

In thousands of US Dollars	**31 December 2020**	31 December 2019
Training obligations accrual	**10,088**	11,325
Taxes payable, including corporate income tax	**7,238**	8,079
Other accruals	**3,026**	4,419
Due to employees	**1,548**	1,974
Accruals under the subsoil use agreements	**993**	1,270
Other current liabilities	**548**	787
	23,441	27,854

Accruals under subsoil use agreements mainly include amounts estimated in respect of the contractual obligations for exploration and production of hydrocarbons from the Rostoshinskoye field (31 December 2019: Rostoshinskoye, Darjinskoye and Yuzhno-Gremyachinskoye fields).

20. Revenue

In thousands of US Dollars	**2020**	2019
Revenue from oil and gas condensate sales	**123,861**	196,175
Revenue from gas and LPG sales	**52,078**	125,948
Revenue from sulphur sales	**–**	5
	175,939	322,128

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 during the year ended 31 December 2020 was US$43.2 (2019: US$64.2).

During the year ended 31 December 2020 the revenue from sales to three major customers amounted to US$118,861 thousand, US$29,748 thousand and US$7,386 thousand respectively (2019: US$190,343 thousand, US$96,064 thousand and US$9,252 thousand respectively). The Partnership's exports are mainly represented by deliveries to Belarus and the Baltic ports of Russia.

21. Cost of sales

In thousands of US Dollars	**2020**	2019
Depreciation, depletion and amortisation	**86,296**	136,776
Payroll and related taxes	**10,885**	12,781
Repair, maintenance and other services	**10,789**	14,173
Management fees	**4,103**	7,811
Materials and supplies	**3,974**	4,499
Transportation services	**1,907**	2,094
Well workover costs	**493**	2,077
Environmental levies	**114**	167
Change in stock	**7,279**	(6,153)
Other	**468**	(21)
	126,308	174,204

22. General and administrative expenses

In thousands of US Dollars	**2020**	2019
Payroll and related taxes	**2,734**	3,493
Management fees	**1,620**	2,570
Professional services	**869**	2,047
Depreciation and amortisation	**483**	1,812
Insurance fees	**465**	989
Communication	**183**	276
Materials and supplies	**139**	157
Business travel	**66**	147
Bank charges	**53**	82
Lease payments	**–**	33
Other	**280**	1,052
	6,892	12,658

Notes to the financial statements (continued)

23. Selling and transportation expenses

In thousands of US Dollars	**2020**	2019
Transportation costs	**12,760**	12,405
Loading and storage costs	**8,813**	11,783
Marketing services	**4,260**	11,560
Depreciation	**2,881**	4,489
Payroll and related taxes	**1,077**	1,763
Other	**1,359**	4,362
	31,150	46,362

24. Taxes other than income tax

In thousands of US Dollars	**2020**	2019
Royalties	**7,016**	12,802
Export customs duty	**5,017**	7,281
Government profit share	**2,044**	2,802
Other taxes	**35**	45
	14,112	22,930

Export customs duty is comprised of customs duties for export of crude oil and customs fees for services such as processing of declarations, temporary warehousing etc.

25. Finance costs

In thousands of US Dollars	**2020**	2019
Interest expense on borrowings	**102,451**	44,529
Unwinding of discount on amounts due to Government of Kazakhstan	**793**	820
Unwinding of discount on lease liability	**354**	1,234
Unwinding of discount on abandonment and site restoration provision	**158**	164
	103,756	46,747

26. Other expenses

Other expenses comprise the following:

In thousands of US Dollars	**2020**	2019
Other taxes of the previous periods and penalties	**3,820**	1,873
Training	**890**	2,808
Loss on disposal of property, plant and equipment	**521**	96
Loss on disposal and impairment of inventories	**392**	24
Social program	**337**	313
Currency converting	**196**	211
Accruals under subsoil use agreements	**113**	1,181
Compensation	**–**	3,576
Impairment of tax asset	**–**	2,480
Sponsorship	**–**	77
Other	**616**	362
	6,885	13,001

Other taxes and penalties mainly include additional taxes and penalties assessed in relation to prior periods considering new information, which was not available at the time of preparation of respective financial information, and relevant interpretations by the management.

27. Income tax

The income tax expense comprised the following:

In thousands of US Dollars	**2020**	2019
Deferred income tax benefit	**(36,212)**	(354,300)
Corporate income tax expense	**596**	3,096
Adjustment in respect of the current income tax for the prior periods	**(457)**	(72)
Total income tax benefit	**(36,073)**	(351,276)

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:

Notes to the financial statements (continued)

In thousands of US Dollars	2020	2019
Loss before income tax	**(364,800)**	(1,336,646)
Tax rate applicable to the subsoil use rights	**30%**	30%
Expected tax provision	**(109,440)**	(400,994)
Effect of exchange rate on the tax base	**15,653**	13,302
Adjustments in respect of current income tax of previous years	**(457)**	(72)
Non-deductible interest expense on borrowings	**27,798**	26,210
Non-deductible impairment charges*	**54**	9,012
Non-deductible penalties	**932**	484
Previous period tax base adjustment	**28,429**	–
Net foreign exchange gain	**337**	(241)
Other non-deductible expenses	**621**	1,023
Income tax benefit reported in the financial statements	**(36,073)**	(351,276)

** The Partnership has not recognized deferred tax assets on the deductible temporary differences related to the exploration and evaluation assets in the amount of US$ 9,012 thousand in 2019.*

The Partnership's effective tax rate for the year ended 31 December 2020 is 9.9% (2019: 26.3%). The Partnership's effective tax rate, excluding effect of movements in exchange rates and non-deductible interest expense on borrowings, for the year ended 31 December 2020 is 21.8% (2019: 29.2%).

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	2020	2019
Deferred tax asset		
Accounts payable and provisions	**3,778**	8,721
Deferred tax liability		
Property, plant and equipment	**(5,479)**	(45,999)
Inventories	**(3,011)**	(3,646)
	(4,712)	(40,924)

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	31 December 2020	31 December 2019
Balance as at 1 January	**40,924**	395,224
Current period charge to statement of comprehensive income	**(36,212)**	(354,300)
Balance as at 31 December	**4,712**	40,924

28. 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 2020 and 31 December 2019 consisted of the following:

In thousands of US Dollars	31 December 2020	31 December 2019
Borrowings		
Under common control:		
Nostrum Oil & Gas Finance B.V.	**186,812**	145,500
Trade payables		
With significant influence over the Partnership:		
JSC OGCC KazStroyService	**236**	430
Under common control:		
Nostrum Services N.V.	**263**	2,441

Notes to the financial statements (continued)

During the years ended 31 December 2020 and 2019 the Partnership had the following transactions with related parties:

In thousands of US Dollars	**2020**	2019
Received borrowings		
Under common control:		
Nostrum Oil & Gas B.V.	**–**	5,000
Nostrum Oil & Gas Finance B.V.	**34,200**	24,650
Interest paid		
Under common control:		
Nostrum Oil & Gas B.V.	**–**	6,471
Nostrum Oil & Gas Finance B.V.	**3,213**	2,092
Purchases		
With significant influence over the Partnership:		
JSC OGCC KazStroyService	**–**	11,322
Under common control:		
Nostrum Services N.V.	**6,680**	14,444

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 Mayfair Investments B.V., which as at 31 December 2020 owned approximately 17.1% 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 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$ 1,341 thousand for the year ended 31 December 2020 (2019: US$ 1,935 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.

29. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe and where the tax authorities disagree with the positions taken by the Partnership the financial outcomes could be material. Administrative fines are generally 80% of the taxes additionally assessed and interest penalty is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2020. As at 31 December 2020 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the 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 2020, the Partnership had contractual capital commitments in the amount of US$ 6,167 thousand (31 December 2019: US$27,552 thousand), mainly in respect to the Partnership's oil field development activities.

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.

Notes to the financial statements (continued)

The contracts for exploration and production of hydrocarbons from the Rostoshinskoye field requires fulfilment of several social and other obligations.

The outstanding obligations under the contract for exploration and production of hydrocarbons from Rostoshinskoye field (as amended on 16 August 2019) require the subsurface user to:

- invest at least US$ 9,898 thousand for exploration of the field during the exploration period;
- create a liquidation fund to cover the Partnership's asset retirement obligations.

The Darjinskoye and Yuzhno-Gremyachinskoye fields were disposed of in October 2020. All outstanding obligations under these licences were transferred to the purchaser.

Domestic oil sales

In accordance with Supplement # 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.

30. 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 Partnership'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 management 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 dollars 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 2020 and 2019 as the Partnership had no financial instruments with floating rates as at years ended 31 December 2020 and 2019.

Foreign currency risk

As a significant portion of the 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 14% would lead to decrease in the net Tenge liability position by US$ 1,924 as of 31 December 2020 and respective reduction of the loss before income tax for the year ended 31 December 2020. The impact on equity is the same as the impact on profit before tax.

	Change in Tenge to US dollar exchange rate	Effect on profit before tax
2020		
US Dollar thousand	**14.00%**	(1,924)
US Dollar thousand	**(11.00)%**	1,512
2019		
US Dollar thousand	**12.00%**	(631)
US Dollar thousand	**(9.00)%**	473

The Partnership's foreign currency denominated monetary assets and liabilities were as follows:

Notes to the financial statements (continued)

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	(4,246)	(8)	(2,070)	–	(6,324)
Other current liabilities	(12,904)	–	–	–	(12,904)
	(13,742)	**(8)**	**(2,070)**	**–**	**(15,820)**

As at 31 December 2019	Tenge	Russian Roubles	Euro	Other	Total
Cash and cash equivalents	717	–	–	45	762
Trade receivables	24,276	–	–	–	24,276
Trade payables	(15,292)	(132)	(4,325)	–	(19,749)
Other current liabilities	(14,957)	–	–	–	(14,957)
	(5,256)	**(132)**	**(4,325)**	**45**	**(9,668)**

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$ 179,700 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.

The table below summarizes the maturity profile of the Partnership's financial liabilities at 31 December 2020 and 31 December 2019 based on contractual undiscounted payments:

As at 31 December 2020	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	7,112	27,536	79,583	556,405	1,625,739	2,296,375
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**	**560,569**	**1,631,151**	**2,334,208**

As at 31 December 2019	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Borrowings	–	25,210	75,630	529,579	1,716,939	2,347,358
Lease liability	–	1,924	5,197	766	–	7,887
Trade payables	23,442	–	5,953	–	–	29,395
Other current liabilities	17,984	–	–	–	–	17,984
Due to Government of Kazakhstan	–	258	773	4,124	6,443	11,598
	41,426	**27,392**	**87,553**	**534,469**	**1,723,382**	**2,414,222**

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 SB Sberbank JSC, which has a credit rating of Ba1 from Moody's rating agency and ING with 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.

Notes to the financial statements (continued)

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, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The table below presents carrying amounts and fair values of financial liabilities measured at amortised cost:

	Carrying amount		Fair value	
In thousands of US Dollars	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019
Financial liabilities measured at amortised cost				
Interest bearing borrowings	(1,146,104)	(1,104,586)	(417,212)	(453,270)
Lease liability	(2,825)	(7,376)	(2,825)	(7,376)
Total	**(1,148,929)**	**(1,111,962)**	**(420,037)**	**(460,646)**

The fair value of the financial assets and liabilities represents the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value of the quoted notes is based on price quotations at the reporting date and respectively categorised as Level 1 within the fair value hierarchy.

During the years ended 31 December 2020 and 2019 there were no transfers between the levels of fair value hierarchy of the Partnership's financial instruments.

Capital management

For the purpose of the Partnership's capital management, capital includes issued capital, additional paid-in capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Partnership's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Partnership's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the notes that define capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. There have been no breaches in the financial covenants of the notes in the current period nor the prior period.

The Partnership manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Partnership may adjust the dividend payment to shareholders, return capital to shareholders or increase share capital. The Partnership monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Partnership includes within net debt, interest bearing loans and borrowings, less cash, short-term deposits and long-term deposits.

In thousands of US Dollars	**31 December 2020**	31 December 2019
Borrowings	**1,146,104**	1,104,586
Lease liabilities	**2,825**	7,376
Less: cash and cash equivalents and restricted cash	**(20,224)**	(21,336)
Net debt	**1,128,705**	1,090,626
Equity	**(808,820)**	(480,093)
Total capital	**(808,820)**	(480,093)
Capital and net debt	**319,885**	610,533
Gearing ratio	**353%**	179%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

31. Events after the reporting period

Forbearance agreement

On 20 February 2021 pursuant to the requirements of the Forbearance Agreement the Group made the payment of the final consent fee for 9.9288 bps equating to US$1,116,990.

On 19 March 2021 the Group transferred into the secured account an amount of US$7,525 thousand, equating to 17.50% of the missed interest payments, and an additional amount of US$1,116,990, equating to 9.9288 bps of the outstanding Notes.

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